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

**WEB SITE** <http://www.hnb.hr>

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# BULLETIN

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# General Information on Croatia

## Economic Indicators

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Area (square km)	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
GDP (million HRK, current prices)	107,981	123,811	137,604	141,579	152,519	165,639	179,390	193,067	207,082
GDP (million EUR, current prices) <sup>a</sup>	15,869	17,790	19,281	18,679	19,976	22,177	24,220	25,526	27,629
GDP per capita (in EUR)	3,531	3,891	4,284	4,102	4,560	4,998	5,451	5,747	6,224
GDP – year-on-year rate of growth (in %, constant prices)	5.9	6.8	2.5	-0.9	2.9	4.4	5.2	4.3	3.8
Average year-on-year inflation rate <sup>b</sup>	3.5	3.6	5.7	4.0	4.6	3.8	1.7	1.8	2.1
Current account balance (million EUR) <sup>c</sup>	-755	-2,192	-1,305	-1,313	-490	-818	-2,097	-1,866	-1,445*
Current account balance (as % of GDP)	-4.8	-12.3	-6.8	-7.0	-2.5	-3.7	-8.7	-7.3	-5.2
Exports of goods and services (as % of GDP) <sup>c</sup>	38.7	40.3	39.8	40.9	47.1	48.7	45.9	51.5	51.5
Imports of goods and services (as % of GDP) <sup>c</sup>	48.0	56.8	49.1	49.3	52.3	54.6	57.0	59.5	58.8
Outstanding external debt (million EUR, end of year) <sup>d</sup>	4,284	6,761	9,173	10,101	12,109	13,458	15,055	19,811	22,675
Outstanding external debt (as % of GDP)	27.0	38.0	47.6	54.1	60.6	60.7	62.2	77.6	82.1
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	159.2
External debt service (as % of exports of goods and services) <sup>d,e</sup>	9.0	9.8	12.3	21.1	23.6	26.2	27.4	20.1	20.6
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
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
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
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
Average exchange rate (HRK : 1 EUR)	6.8047	6.9597	7.1366	7.5796	7.6350	7.4690	7.4068	7.5634	7.4952
Average exchange rate (HRK : 1 USD)	5.4338	6.1571	6.3623	7.1124	8.2768	8.3391	7.8637	6.7014	6.0355
Consolidated central government deficit (as % of GDP) <sup>f</sup>	....	....	....	-6.5	-7.1	-5.4	-5.0	-4.9	-4.7
Unemployment rate (ILO, persons above 15 years of age) <sup>g</sup>	10.0	9.9	11.4	13.6	16.1	15.8	14.8	14.3	13.8
Employment rate (ILO, persons above 15 years of age) <sup>g</sup>	50.6	49.3	47.0	44.8	42.6	41.8	43.3	43.1	43.5

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

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

<sup>c</sup> Preliminary data.

<sup>d</sup> 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.

<sup>e</sup> 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.

<sup>f</sup> On a cash basis.

<sup>g</sup> 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

After unusually slow growth of 1.8% in the first quarter of 2005, the Croatian economy experienced unusually rapid growth of 5.1% in the second quarter. The growth was fuelled by strong consumption growth, along with a pick-up in investment and exports of both goods and services in the second quarter.

Available monthly data on the third quarter point to an economic slowdown relative to the second quarter. On the demand side, judging by retail trade figures, consumption growth decreased mildly in the third quarter, while both investment demand and foreign demand appear to have accelerated. Looking at the financing of consumption, data from the CBS suggest that total wages paid decreased in real terms in the third quarter. However, bank lending to households accelerated, rising from 21.0% in the second quarter to 23.1% in the third quarter (adjusted for exchange rate changes).

Regarding investment demand, domestic output of intermediate and capital goods stabilized at the level achieved in the second quarter. Finally, while, according to seasonally adjusted data, manufactured goods export growth slowed to 7.6%, and manufactured goods import growth accelerated to 12.0% in the third quarter, growth in services exports (tourism) should produce a substantial positive contribution of foreign demand to economic growth in the quarter.

Government consumption, which has consistently made a negative contribution to economy growth since the beginning of 2000 under the influence of fiscal consolidation efforts, actually made a small positive contribution of 0.2 percentage points in the second quarter, and appears to have made a positive contribution in the third quarter as well. This seems to be mainly the result of increased spending on goods and services.

On the production side, growth in the total volume of industrial production and retail trade turnover decreased mildly, while growth of construction and tourism increased. The physical volume of industrial production grew at 7.4% year-on-year in the second quarter, adjusted for seasonality and working days; this rate fell to 6.0% in the third quarter. Much of the slowdown in industrial production was due to contraction in domestic production of mining and quarrying, along with distribution of energy, as these sectors experienced increases in imports at the expense of domestic sales.

Retail trade turnover stagnated in real terms in the third quarter. Decreased growth in automobile sales, which was also reflected in decreases in the number of newly registered cars in July and August and stagnation in imports of cars, was a key factor in slowing retail trade turnover. On the other hand, construction activity, which fell sharply after the ending of major highway construction works in mid-2004, moved up to 5.3% in August in seasonally adjusted terms. The fastest growing segment in construction is works on buildings, but other segments also showed growth as well. The value of building permits and net orders in construction also rose, signalling continued growth in the coming months.

Tourism, which provides only a small direct contribution to GDP, grew in the third quarter. The number of tourist night stays was 9.7% greater than in the same period of the previous year, while the number of tourist arrivals was 7.3% greater. Also, the number of nights stayed per tourist rose to 6, the highest in the last two years.

Evidence from the labour market indicates that continued growth has made some inroads into Croatia's high level of unemployment. The semi-annual Labour Force Survey, which is carried out using the internationally-accepted method of the International Labour Organization and is thus easier to interpret than data on registered unemployment, showed that unemployment fell to 13.0% in the first half of 2005. This represents a decrease of 0.7 percentage points relative to the second half of 2004. Increased employment of women between 25 and 49 years old accounted for the largest share of the increase in employment. Moderate growth of employment continued over the third quarter. However, the ending of seasonal jobs, particularly in hotels and restaurants, and transportation and communications branches, is likely to lead to a fall in employment and a rise in unemployment in the coming months.

Despite moderate growth in demand for labour, nominal wage growth dropped during the third quarter. In addition, unexpectedly high inflation eroded real wage growth, which amounted to only 0.7% year-on-year, down from 1.8% in the second quarter. Real gross wage growth in industry, which has generally been higher than average gross wage growth in all branches, fell from 2.4% in the second quarter to only 1.2% in the third quarter. At the same time, real value-added per employee in industry grew at some 10.0% in the second quarter, indicating that cost pressures should remain limited. Restrictive wage policy continued to be implemented in public administration, except in health care which recorded one of the highest wage growth rates.

Consumer prices inflation accelerated at the end of the third quarter and the beginning of the fourth quarter, growing from 3.1% year-on-year in August to 3.8% and 4.1% in September in October respectively. Agricultural products prices and administrative prices were the main causes of the upsurge in inflation. Agricultural prices inflation rose from 5.5% in August to some 15.5% in October, largely due to the effects of heavy rains in August. Administrative price growth rose from 3.6% year-on-year in August to 4.0% in October. This reflected a 4.9% increase in electricity prices in September (the first since September 2002) and the introduction of co-payments for many medical services in October, which resulted in an increase in health care prices from 1.9% in September to 8.1% in October. Oil prices actually helped offset these increases, as the recovery from the August storms in the Gulf of Mexico brought lower oil prices and a decrease in annual growth rate of petroleum products prices from 13.8% in August to 10.8% in October.

While these price increases were mainly the consequence of supply shocks (in the case of agricultural prices) and regulatory changes (in the cases of electricity and health care) that cannot be directly controlled by monetary policy, it is noteworthy that core inflation also rose, from 2.7% in August to 3.0% in both September and October. Since it ex-

cludes volatile food prices and administrative prices that do not necessarily depend on aggregate supply and demand conditions, core inflation is often considered a better measure of medium-term inflationary pressures than consumer price inflation.

The low wage growth and stronger labour productivity in industry mentioned above should have favourable effects on future movements of inflation. In addition, the exchange rate of the kuna against the euro, which appreciated from HRK 7.44/EUR at the end of September to HRK 7.40/EUR as of November 30, has played a stabilizing role on price expectations. Increased competition from imports, and sharper competition in the domestic retail sector, have also helped keep inflation low in recent years. While all of these fundamental factors remain favourable, the gradual increase in the level of core inflation requires a careful consideration and it is an important indicator in terms of monetary policy implementation.

The announcement of the beginning of negotiations on Croatia's accession to the European Union on October 3 led to a noticeable strengthening of the kuna. The central bank signalled its unwillingness to allow substantial nominal appreciation by intervening twice in the foreign exchange market, purchasing a total of EUR 115.7m. On the other hand, the Ministry of Finance's announcement that it planned to float a new bond issue helped keep the kuna exchange rate strong in November.

The strengthening of the US dollar on world markets offset the appreciation of the kuna-euro rate, so that the nominal effective exchange rate of the kuna as of 30 November approximated to its level at the end of the third quarter, after having depreciated some 1.5% in the first nine months of the year. The real effective exchange rate of the kuna depreciated some 1.6% in the first nine months of the year deflated by consumer prices and 3.3% deflated by producer prices. The greater depreciation of the real effective rate was mainly the result of lower inflation in Croatia than in the United States, as well as lower producer price inflation in Croatia than in the eurozone.

While the exchange rate remained broadly stable, the central bank employed its new monetary policy instruments to handle the normal seasonal fluctuations in bank liquidity and sources of funds in the third quarter and the beginning of the fourth quarter. During the summer months, large inflows of foreign exchange from tourism led to an increase in demand for kuna for spending purposes. The central bank met this seasonal demand through its new reverse repo facility. Banks borrowed some HRK 3.4bn on average through the facility in the third quarter. As currency in circulation decreased from a high of HRK 13.6bn in the middle of August to HRK 12.0bn at the end of October, bank liquidity improved, and the use of the repo facility fell to HRK 2.6bn.

The strong tourist season led to a substantial increase in foreign exchange deposits of some HRK 7.1bn, and therefore in the broadest monetary aggregate M4. Excluding exchange rate effects, foreign exchange deposits grew 8.7% at the end of October, and M4 grew 10.2%. While kuna time deposits also grew quite strongly, foreign exchange deposits remain the most important element of M4.

Increased foreign exchange liquidity during the summer months allowed banks to improve their Net Foreign Assets position by some HRK 5.3bn. However, this improvement was temporary and seasonal, as higher liquidity finally resulted in faster growth of placements. Bank placements grew by 14.0% in 2004 and their growth rate was 18.0% year-on-year at the end of October 2005. Excluding exchange rate effects, the October growth rate was actually 19.0%. The growth rate of placements to households reached 23.0% in that month, and the growth rate of placements to enterprises reached 12.5%, with both categories of placements accelerating during the year.

Within loans to households, housing loans grew at the fastest rate, some 29.1%. Other credits to households, which include general-purpose consumer loans and overdrafts, grew 22.0%. These categories account for 80.6% of total loans to households. Loans to households are usually well-collateralized and have high levels of repayment, so that the expansion of this kind of lending should in principle be favourable. However, the increases in all categories of lending can stimulate growth in imports and further aggregate problems in the current account. Furthermore, with the summer inflows of deposits over, banks are likely to once again look to foreign funding sources to finance expanding loan portfolios.

Looking at the lending trends, a remarkable increase in loans indexed to Swiss francs was observed. Their share in total loans rose from 0.8% in 2003 to 3.0% at the end of 2004 and 7.8% at the end of September. The Croatian National Bank has warned clients to take note of the exchange rate risk involved in such loans, since Croatian monetary policy has no influence on the EUR/CHF rate, and therefore no direct influence on the HRK/CHF rate.

The current account surplus during the third quarter of 2005 amounted to EUR 2.3bn, 13.8% more than in the same quarter last year. Tourism revenues were strong, totalling EUR 4.1bn, or 12.3% more than in the same quarter last year. Transportation and telecommunications services exports also grew strongly, while net imports of architectural, engineering and other services fell.

Negative trends continued in merchandise trade, so that the merchandise trade deficit increased by some 14.5% in the first nine months of the year in US dollar terms. Total merchandise exports, at constant exchange rates, grew by 10.2% in the first nine months, down from 21.5% in the same period of 2004. However, most of the export slowdown comes from reduced ship exports in that period, and it is expected that this lag will be made up for in the fourth quarter, by the timely completion of ships currently under construction, and at the beginning of 2006. Even though rising oil prices have contributed to increasing Croatia's exports, exports excluding ships and petroleum products grew 14.0%, 0.6 percentage points more than in the same period last year.

Increased imports also contributed to the rise in trade deficit. Total imports at constant exchange rates grew 11.5% in the first nine months. Excluding oil and petroleum products, imports grew only 7.5%, 0.9 percentage points less than in the same period last year. High oil prices, which

strongly affected the realized goods imports in 2005, are apparently a fact of life and will certainly have an impact on the developments in 2006.

At the end of September, Croatia's gross external debt was EUR 24bn, up 6% since the end of 2004. Government external debt stayed mainly constant during the third quarter, while banks decreased their external debt by about EUR 0.5bn during that period. At the same time, other domestic sectors increased their foreign borrowing by some EUR 0.3bn.

Croatia's international liquidity, measured by the Index of Exchange Market Pressure, remained far from the critical boundaries suggested by past experience. Slight depreciation and decreases in central bank reserves worsened the IEMP in August, but appreciation and increase in international reserves in October resulted in its repeated improvement.

Government finances seem to have enjoyed the positive effect of faster GDP growth in the second quarter with a slight lag. Consolidated general government revenues grew strongly during the third quarter, and a surplus was achieved. Total revenues of consolidated general government during the first nine months of the year amounted to HRK 74.6bn, up 7.9% from the same period last year. Tax revenues rose by 7.5% in the first nine months, and 9.4% year-on-year in the third quarter. Strong growth in value added tax revenues, which grew 8.5% in the first nine months of the year relative to the same period last year, and profit tax revenues, which grew at 27.5%, were the main causes of solid revenue growth. Income tax revenues, by contrast, were up by only 1.1%. Among excise taxes, revenues from tobacco products tax were up 5%, those from automobile taxes 12.5%, while revenues from petroleum products tax fell by 1.3%.

On the expenditure side, the largest contributor to growth were expenditures on social transfers, up 3.6% in the first nine months relative to the same period last year, employee compensation, up 4.8%, and interest costs, up 14.8%. Subsidies increased by 3.9%, but subsidies to enterprises outside the public sector rose some 9.7%.

The net operating balance, which represents the difference between income and expenditures realized, was HRK 0.9bn. On a cash basis, using the GFS 1986 methodology, the deficit amounted to HRK 6.67bn in the first nine months of the year. This deficit is 29.5% smaller than the deficit incurred in the same period last year.

General government debt, including the debt of CBRD, increased by HRK 8.6bn to HRK 107.2bn or 48.2% of the expected nominal 2005 GDP. Adding government guarantees, general government debt climbed to HRK 119.3bn or 53.6% of expected GDP. Compared to the same period last year, the debt increased 14.2%. However, the domestic and foreign debts have not moved in the same direction; as a result of government financing policies aimed at decreasing Croatia's financial vulnerability, domestic government debt rose by HRK 12.2bn while foreign debt decreased by HRK 3.49bn during the first nine months of the year.

Looking forward, the Ministry of Finance's "Guidelines for Economic and Fiscal Policy 2006-2008", stated goals for

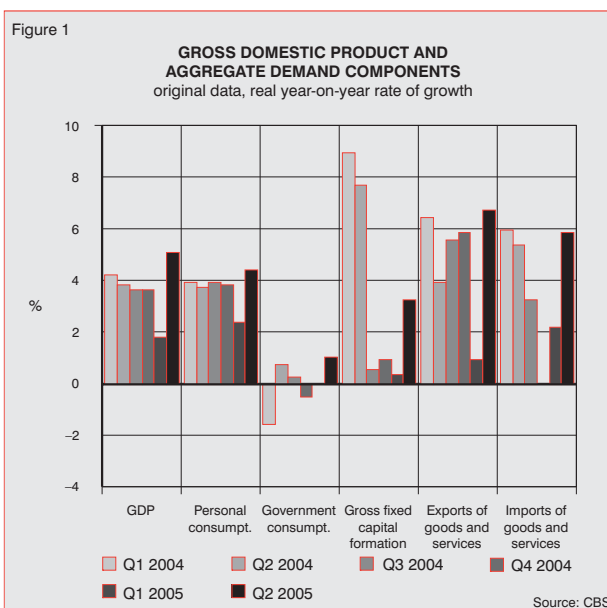
reducing the fiscal deficit during the coming years. At the same time, the Government has decided to set up a closed investment fund that will finance the payment of government obligations to pensioners (see Box 3). This fund will be built by transferring equities held by the government to the fund, while pensioners will be entitled to acquire shares of the fund. Pensioners will have the option of cashing in their shares in four semi-annual tranches from July 2006 to December 2007 at a 50% discount to face value of the debt, or taking payment in the period 2007-2012 at full nominal value.

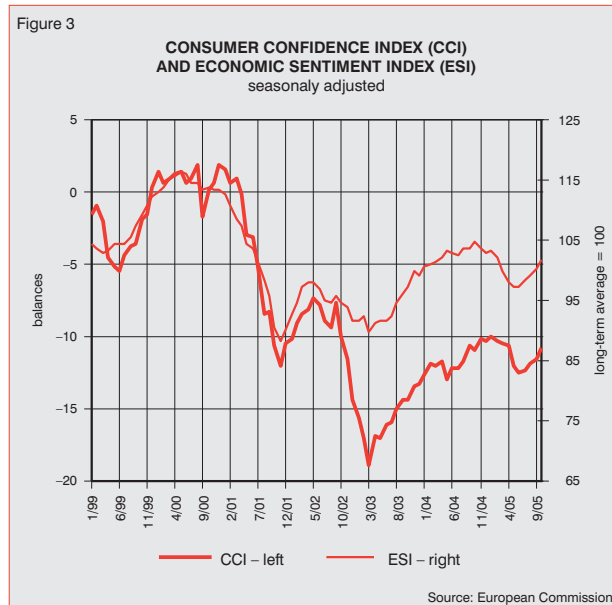
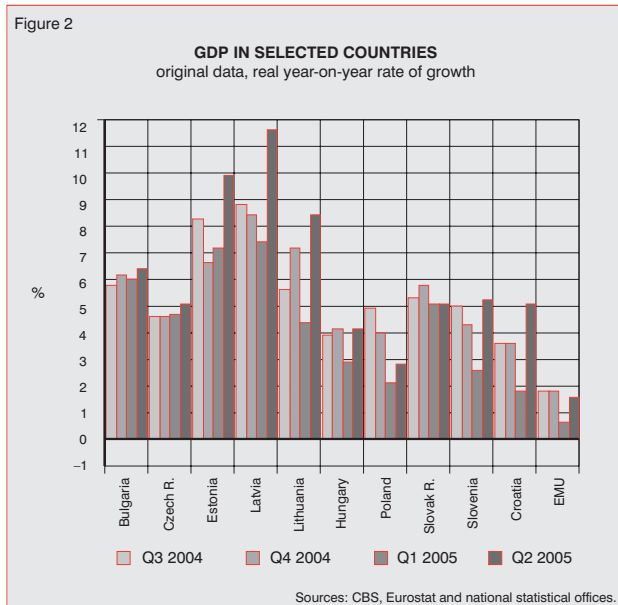
There are different proposals as to how the payment of government obligations to pensioners should be treated in the statistical data on government transactions. Irrespective of whether these government obligations will be included in fiscal expenditures or not, they are going to have strong macroeconomic effects, especially on personal consumption. Therefore, additional effort will be required to bring the external debt fully under control and to achieve the long-term sustainability of the current account position.

## Demand

Fluctuations in economic growth were somewhat more pronounced in the first half of 2005 than in the previous years. Such GDP dynamics were similar to overall economic activity movements in the countries in the environment. Thus, the year-on-year gross domestic product growth slowed down significantly at the beginning of the year, owing to the weakening of domestic and foreign demand, but in the second quarter its dynamics accelerated strongly, as a result of growing personal consumption and a rise in gross capital formation and goods and services exports. At the semi-annual level, real GDP was up 3.5% relative to the same period last year, which is only slightly below its growth rate in the second half of 2004.

During the second quarter, personal consumption made the largest contribution to GDP growth since mid-2003 (2.8





percentage points). A marked contribution to real GDP growth in the observed period was also made by gross capital formation, particularly the change in inventories. While the change in inventories is a less significant component of total investment consumption, its fluctuations often have a strong impact on total investment dynamics. However, given the statistical discrepancy inherent in this aggregate demand component, arising from the differences in GDP calculations based on expenditure and production methods, it is impossible to estimate with certainty the impact of inventories on the domestic product formation. In the second quarter of 2005, annual growth rates of government consumption and goods and services exports also accelerated (to 1.0% and 6.7% respectively). However, the stronger growth of exports was not sufficient to offset the negative contribution of goods and services imports. As a result, the contribution of net exports to GDP was negative in the second quarter.

Monthly economic indicators point to a mild slowdown in economic growth in the third quarter of the current year.<sup>1</sup> In the observed period, industry and trade recorded a slowdown in annual terms and a mild decline in business optimism, while the less significant activities like construction and tourism reflected opposite trends. Qualitative and quantitative indicators of personal consumption dynamics suggest a continuation of its growth at stable rates by the year-end, and positive developments are also likely to continue in foreign trade. Concerning investment demand, there are no signs of its substantial decrease, as suggested by the available data on the manufacture and imports of intermediate and capital goods.

According to the European Commission's most recent macroeconomic forecasts for the second half of 2005, the quarterly economic growth rate in the eurozone countries is expected to be between 0.2% and 0.6% in the last quarter (the forecast is based on seasonally adjusted data). These

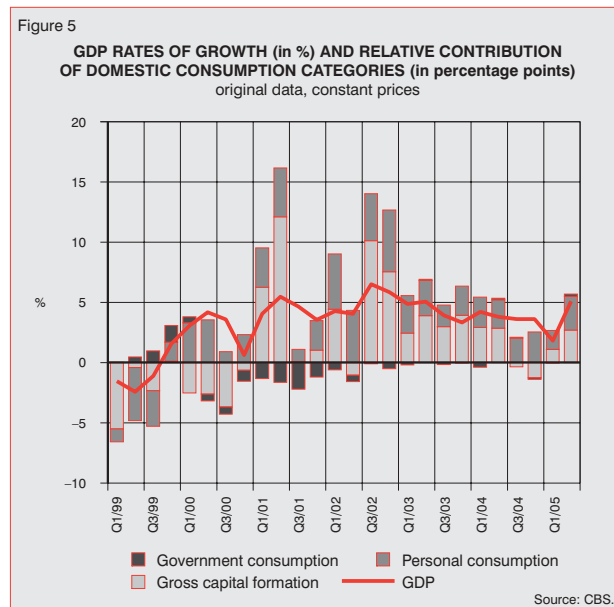
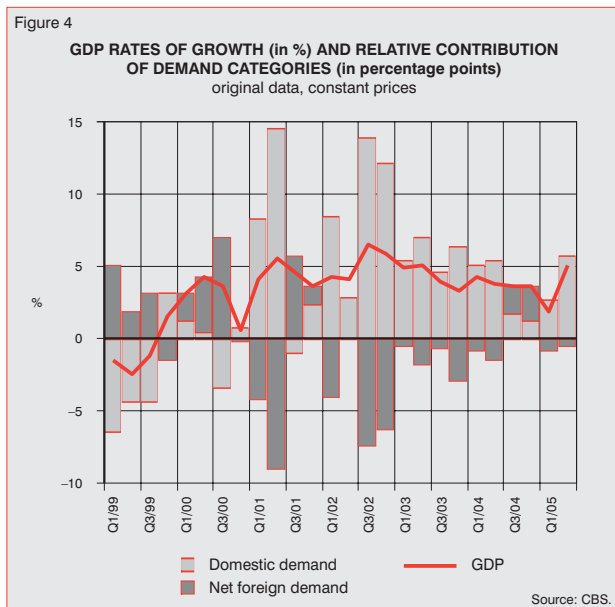
forecasts imply a mild acceleration of the annual growth in the eurozone over the second half of the year. The latest results of Consumer and Business Confidence Survey carried out in the EU point to a continued increase in business and consumer optimism in the period from July to October 2005. Actually, the downward trend in both consumer and business optimism in the EU countries that started at the end of 2004 was reversed in mid-2005. Economic Sentiment Index in the EU rose during September and October, influenced by the growth of optimism in industry, trade and construction, while the Consumer Confidence Index followed the above mentioned trends in the observed period. Thus, the Economic Sentiment Index rose in all major EU Member States in the first two months of the last quarter of 2005, ranging from moderate (0.8 percentage points) in France to high (8.2 percentage points) in Poland.

### Foreign Demand

A recovery in domestic and foreign demand during the second quarter of 2005 reflected itself in the growth of foreign trade in the period, with somewhat stronger real growth of goods and services exports compared with goods and services imports. However, given the total imports/exports coverage rate of about 70% in that period (which is usually higher only in the third quarter of a year due to seasonal factors), the negative contribution of goods and services imports outdid the positive contribution of the exports, so that the net foreign demand again made a negative contribution to real GDP growth in the second quarter. According to the quarterly GDP estimate, a significant contribution to total exports growth in the observed period was made by goods exports, which rose almost twice as fast as goods imports in nominal terms. On the other hand, a mild nominal increase in services exports was paralleled with a decline in their imports.

The nominal CBS data on merchandise trade (seasonally adjusted) point to a slowdown in the annual growth of goods imports in the third quarter (to 7.6%), primarily owing to the

<sup>1</sup> According to the CBS's Advance Release Calendar for 2005, the quarterly GDP estimate for the third quarter of 2005 will be available on 29 December 2005.



slowed annual dynamics of capital goods exports. In contrast to this, goods imports grew faster (at an annual rate of nearly 12.0%), with the imports of both capital goods and consumer goods accelerating. Such developments resulted from increased domestic demand which contributed to external imbalance. In addition, the available monthly physical indicators suggest the growth of value added in tourism and transport and communications during the observed period, which will also have a positive effect on the contribution of services exports to GDP formation.

### Domestic Demand

The annual dynamics of all domestic demand components recovered in mid-2005, after their weakening at the beginning of the year. The growth of personal consumption, the most significant aggregate demand component, accelerated from 2.4% in the first quarter to 4.4% in the second quarter. At the same time, investment consumption continued to recover (gross fixed capital formation increased 3.2% in the second quarter relative to the same period last year), but government consumption rose mildly suggesting the end of a half-year fiscal contraction. The change in inventories, which includes statistical discrepancy, increased sharply in the first half of the year (15.6% and 38.5% in the first and second quarters respectively), making a significant contribution to real GDP growth over the observed period. The available indicators of inventories dynamics in the economy, i.e. finished goods inventories in industry and inventories of wholesale and retail products, clearly point to a large accumulation of inventories in the first half of 2005, which was also observed at the beginning of the second quarter.

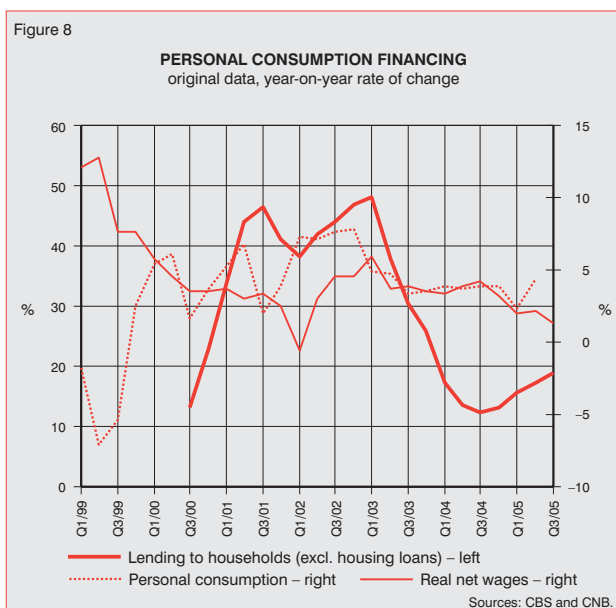
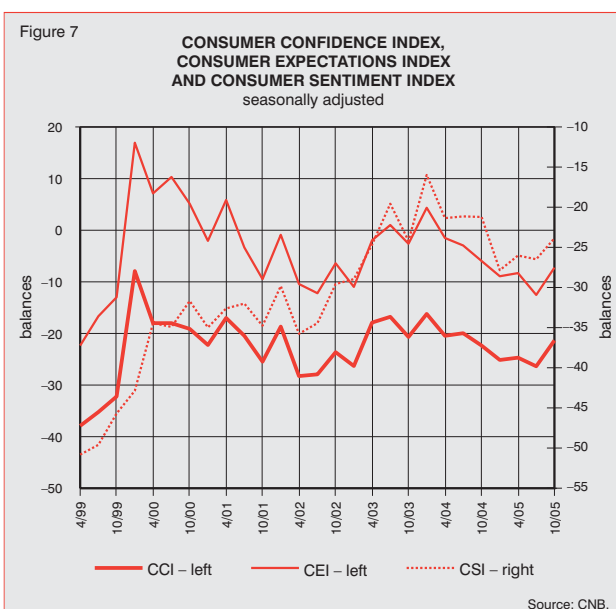
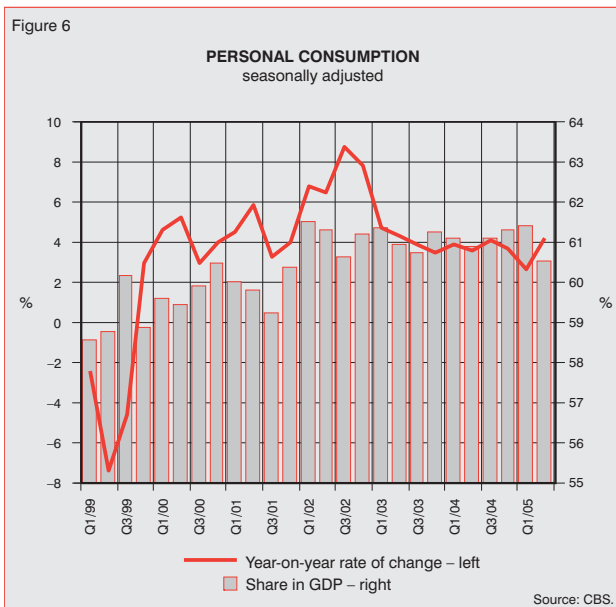
Domestic demand for non-durable consumer goods continued to grow during the third quarter of the year, fuelling the growth of manufacture and imports of these goods, while the manufacture and imports of durable consumer goods grew at an even faster pace. The growth of capital goods slowed in the observed period, but their annual growth rates remained exceptionally high. However, the continued up-

ward trend in investment goods imports suggests further strengthening of domestic investment activity at the beginning of the second half of 2005. At the same time, according to the nominal Ministry of Finance data on the outturns for revenues and expenditures of the consolidated general government (GFS 2001), further acceleration of the government consumption growth can be expected in the third quarter of the year.

### Personal Consumption

Personal consumption grew faster in the second quarter of 2005, contributing 2.8 percentage points to real GDP growth, more than in any quarter last year. The available monthly indicators of personal consumption movements in the third quarter of 2005 corroborate the continuation of its annual growth at high rates in that period. In the third quarter, total retail trade turnover stabilized at the levels reached during the second quarter, but the growth in real motor vehicle sales slowed slightly, although its annual rates of change remained high. While the imports of road vehicles stagnated during the third quarter relative to the second quarter (in seasonally adjusted terms, at constant exchange rates), owing to a marked fall in their imports in the same period last year, they rose sharply at the annual level. The growth of manufacture and imports of consumer goods in the third quarter of 2005 (where the growth of imports may be accounted for by foreign tourists' preferences during the main tourist season) points to the strengthening of domestic demand for these goods, despite the marked growth in non-durable consumer goods inventories. A large annual increase in value added tax revenues in the third quarter of 2005 also suggests positive trends in personal consumption during the observed period.

The CNB's Consumer Confidence Survey provides additional information on consumers' intentions in the second half of 2005. The seasonally adjusted results of the latest survey conducted in October point to a recovery of consumer optimism. These changes arise from increased consumers' optimism regarding the financial position of their



households in the following 12 months, regarding general economic situation in Croatia and regarding employment movements in that period. Moreover, an upward trend in consumers' probability rating of the increase in their savings over the next 12 month has been observed throughout 2005. As a result of the changes in expectations, Consumer Expectations Index (CEI) and Consumer Confidence Index (CCI) rose sharply. Somewhat more consumers perceived the present economic situation in Croatia as better than a year ago, which led to a rise in the Consumer Sentiment Index (CSI). An increase in optimism in the fourth quarter of 2005 was partly the result of the beginning of EU accession negotiations. Also in the previous years these indices proved susceptible to such external shocks.

Changes in the sources of personal consumption financing over the third quarter of 2005 give mixed signals about its short-term dynamics. The CBS data point to negative trends in the annual wage bill dynamics during the observed period. Thus, a continued increase in employment at the beginning of the second half of the year was paralleled with a further slowdown in its annual dynamics, despite a mild recovery in average real net wages compared with the second quarter, which slowed the annual wage bill growth. However, opposite tendencies were observed in other sources of personal consumption financing which could therefore offset the negative effects of the labour market dynamics. Nominal bank placements to households excluding housing loans, continued to grow at a faster pace reaching a high 19.0% rate of change at the annual level (according to the average stock of loans in the compared periods). This represents a continuation of the upward trend in bank placements to households observed since mid-2004. The stated developments are also supported by the dynamics of placements to households which accelerated from 21.0% in the second quarter to 23.1% in the third quarter of 2005. In addition, the semi-annual pension indexing to the nominal semi-annual gross wage increase<sup>2</sup> of 2.2%, realized in September (for July pensions) will partly offset the negative effects of reduced government transfers to households in the second and third quarters. As a result, the growth of transfers to households might contribute positively to personal consumption by the end of the year. Given the developments in bank placements, wage bill and government transfers to households, the personal consumption dynamics by end-2005 are expected to be similar to those in the middle of the year. However, care should be taken of the possible negative effects of introducing the administrative fee in health care in October this year.

### Investment Consumption

According to the quarterly GDP estimate, the annual growth of gross fixed capital formation accelerated to 3.2%

<sup>2</sup> Pension indexing has been carried out since 2004, pursuant to the Act on the Amendments to the Pension Insurance Act (official gazette *Narodne novine*, No. 30/2004). Under the new Act on the Amendments to the Pension Insurance Act (official gazette *Narodne novine*, No.92/2005), which is to become effective on 31 December 2005, the semi-annual pension indexing will be carried out on the basis of average semi-annual rate of change in consumer price index and in average gross wage.



in the second quarter after its stagnation in early 2005. As a result, the contribution of this aggregate demand category to real GDP growth reached 1.0 percentage point, almost equal to that in 2004. The second half of 2004 was marked by a significant slowdown in investment activity owing to the ending of a road construction investment cycle.

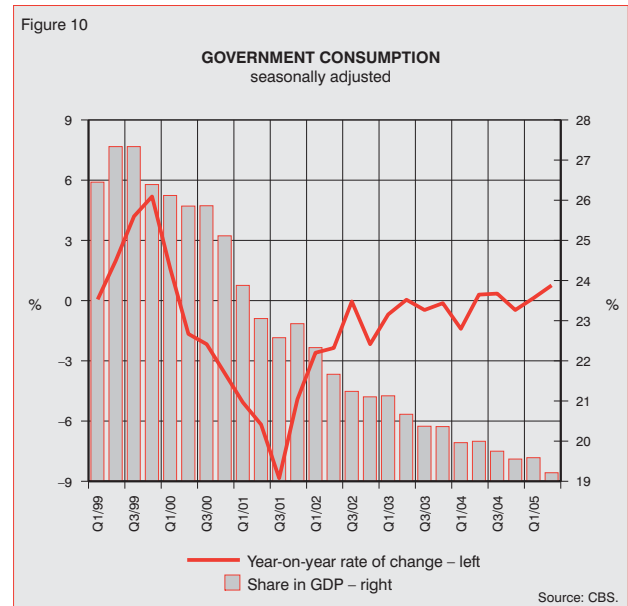
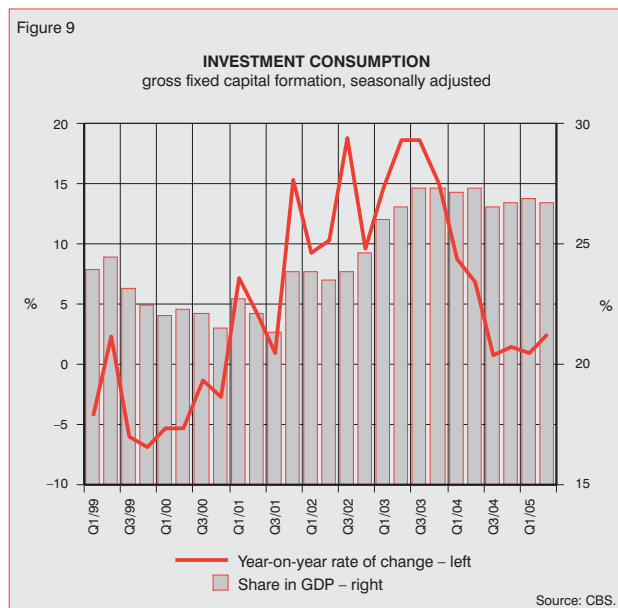
The available indicators for the third quarter suggest a continuation of investment activity growth by the end of the year, but its contribution to GDP growth for the whole 2005 is likely to be lower than last year. During the third quarter, manufacture of intermediate and capital goods stabilized at the levels of the second quarter of 2005, resulting in still high annual rates of change in the manufacture of these goods. The developments in nominal imports and exports as well as inventories of these goods corroborate further strengthening of domestic demand for these products. At the same time, the recovery of construction works dynamics, which provided a strong impetus to investment dynamics in the past period, stimulated, to a certain extent, the investment growth at the beginning of the second half of 2005.

According to the nominal Ministry of Finance data on the outturns for revenues and expenditures of the consolidated general government (GFS 2001), government capital expenditure decreased at the annual level over the third quarter, while, according to the expenditure plan for 2005, it is likely to grow strongly towards the end of the year. Nominal bank placements to companies also accelerated at the annual level, rising from 10.1% in the second quarter to 12.4% in the third quarter of 2005 (according to the average stock of loans in the compared periods). Stronger growth of placements to companies excluding the exchange rate fluctuation effects also corroborates these trends. It is worth noting, however, that foreign sources of financing have become increasingly available to companies. Strong growth of housing loans during the second and third quarters (over 20%) and favourable trends in the value of net construction project orders for buildings in the middle of 2005, were a sign of increased investment in real estate, which is partly confirmed by the results of the CNB's Consumer Confidence Survey

carried out in October, suggesting that the downward trend in planned real estate investment stopped in the observed period.

**Government Consumption**

After the fiscal contraction at the end of 2004 and in early 2005, government consumption made a positive contribution of 0.2 percentage points to GDP growth in the second quarter of 2005. This represented the largest contribution to real growth since the beginning of 2000. According to the Ministry of Finance data on employment compensation (including severance pays) in public administration and expenditures for the use of goods and services at the consolidated general government level, the second quarter saw a mild nominal increase in government consumption. At the same time, a slight decrease in employment in public and social services and stable inflation suggest that the real growth of government consumption in this period was primarily the result of a sharp rise in expenditures for the use of goods and services.

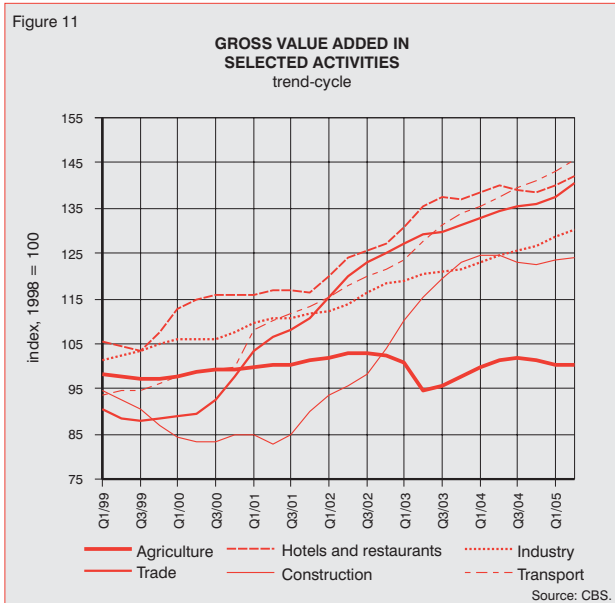


According to the stated sources and expenditure plan for 2005, the real growth of government consumption is likely to accelerate in the third quarter, but it should slow down by the end of the year.

**Output**

According to the quarterly GDP estimate made by the production method, the annual growth rate of gross value added in overall economy accelerated from 1.9% in the first quarter to 5.0% in the second quarter. All divisions made positive contributions to GVA growth in the observed period, the largest contributions having been made by industry (2.4 percentage points), trade (0.8 percentage points) and transport (0.7 percentage points). The second quarter also saw an annual increase in GVA in construction, which had been the only activity recording a constant annual fall in

Figure 11



gross value added at the end of 2004 and the beginning of 2005.

Physical monthly indicators point to a slowdown in gross value added in most activities over the third quarter. However, due the base effect of their growth in the second quarter, their annual rates of change in the third quarter could remain relatively high. The slowdown was somewhat more pronounced in trade, while tourism and transport and communication grew at an accelerated pace. In view of a decline in construction recorded over the second half of 2004, a recovery of this activity in the third quarter of 2005 might announce its positive contribution to GVA growth in the second half of the year.

Owing to somewhat stronger real growth dynamics of taxes on goods minus subsidies compared to GVA dynamics in the second quarter of 2005, GVA growth lagged behind that of GDP by 1 percentage point. The nominal Ministry of Finance data for the third quarter of 2005 at the consolidated general government level (GFS 2001), point to a large

annual increase in indirect tax revenues and a contraction in expenditures for subsidies influenced by a decline in public sector subsidies. Therefore, GDP is again expected to grow faster than GVA in the third quarter, but still at somewhat lower rates, given the slowdown in the real sector.

### Industry

Following a sharp increase in the annual growth rate of real GVA in industry from 1.6% in the first quarter to 8.6% in the second quarter, its growth is expected to slowdown at the beginning of the second half of the year. According to the seasonally and calendar adjusted data, the annual growth of the total volume of industrial production slowed from 7.4% in the second quarter to 6.0% in the third quarter of 2005. The slowdown was primarily induced by slower growth of the manufacture of intermediate goods which account for about 1/3 of overall industrial production, as well as by negative trends in energy production recording a -6.4% annual rate of change in the observed period. Production in other industrial groupings increased and production of durable and non-durable consumer goods grew at the annual level. The year-on-year growth in the manufacture of capital goods slowed down in the third quarter, but maintained its high rates, thus following the manufacture of intermediate goods dynamics.

Seasonally adjusted nominal CBS data on merchandise trade point to a slowdown in the year-on-year growth of goods exports over the third quarter (to 7.6%), mainly as the result of a slowdown in capital goods exports. In addition, accumulation of finished products inventories in industry, which grew at an annual rate of 12.3% in the observed period, continued in the third quarter. Such growth was primarily the result of an increase in consumer goods inventories (mainly food products and beverages) owing to the redirecting of overall demand to imported food products. The stated developments can be accounted for by foreign tourists' preferences during the main tourist season.

In the third quarter of 2005, manufacturing, which

Figure 12

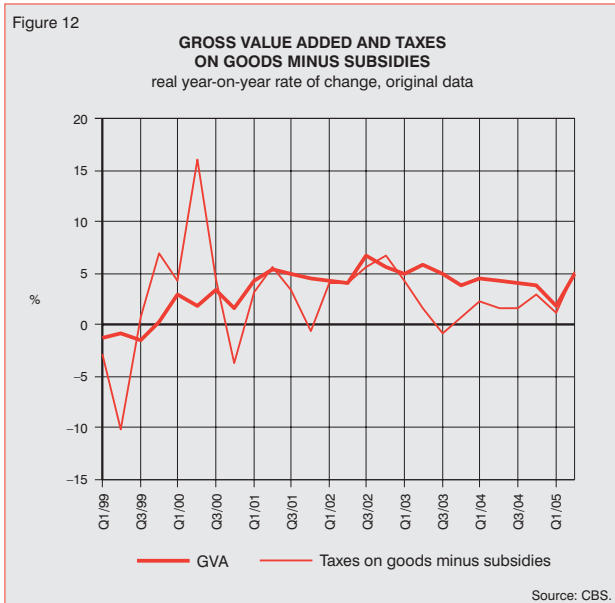
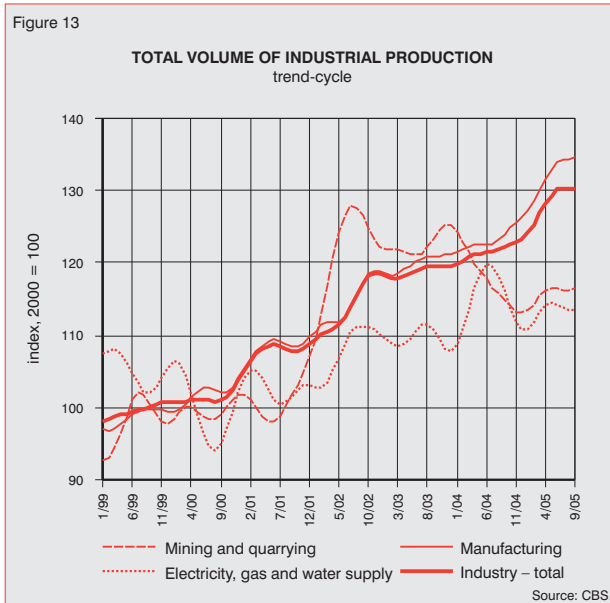
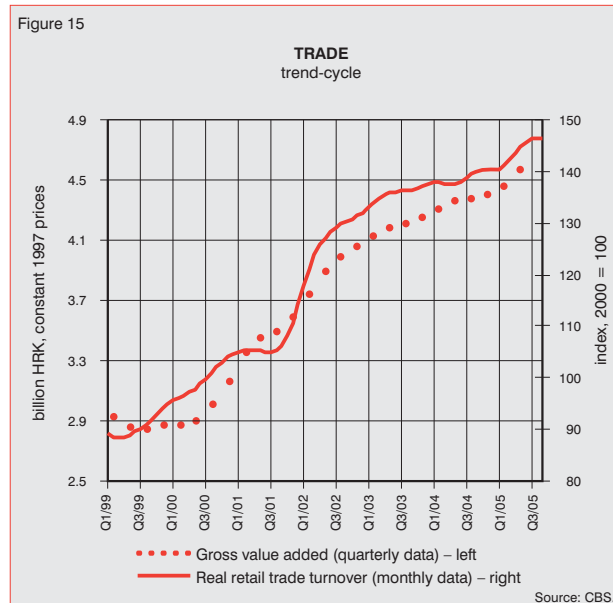


Figure 13





makes up the bulk of industrial production, rose at the annual rate of 8.3% (in seasonally adjusted terms), which represents a slowdown in its annual dynamics compared with the previous quarter. However, the cumulative growth rate of this industrial division rose mildly in the first nine months of 2005 compared with August this year (from 7.0% to 7.2%) due to its lower performance early in the year and a still high growth rate in September.

The third quarter of 2005 saw negative annual rates of change in production in mining and quarrying and energy supply. Apparently, the mining and quarrying trends did not follow positive tendencies observed in construction during the third quarter of 2005. However, nominal CBS data on merchandise trade show that domestic demand for these products, fuelled by the recovery of construction activity, was redirected to imported goods. In contrast to this, annual decline in energy supply was partly the result of the base period effects and high levels of energy supply in mid-2004. Energy supply decreased in the third quarter of 2005, but given the production volatility in this industrial division, it is difficult to estimate its future dynamics.

The year-on-year growth of labour productivity in industry slowed down over the observed period, but it retained its exceptionally high rates of change (11.6% in the third quarter). A mild slowdown in labour productivity was generally the reflection of a decline in industrial production, while a marked employment reduction in industry during the observed period resulted from the preliminary nature of the data. Their correction, expected in early 2006, is likely to only slightly smooth the dynamics of labour productivity recorded in the first nine months of 2005.

## Trade

Monthly indicators of movements in trade over the third quarter point to a mild slowdown in gross value added in this activity at the beginning of the second half of 2005, following its strong acceleration in the second quarter. Thus, in the third quarter, real retail trade turnover stabilized at the level

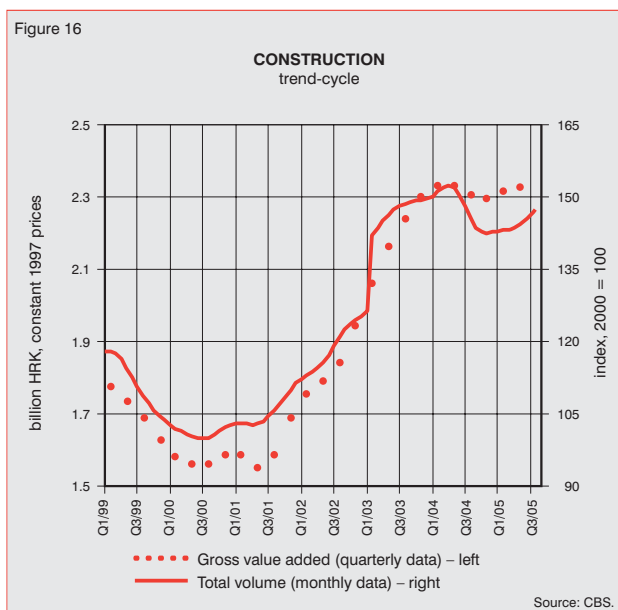
achieved in the previous quarter, but its slowdown at the annual level was partly the consequence of the base period effect, i.e. the upsurge in the sales of cars in July 2004, before the announced increase in excise taxes on passenger cars and other motor vehicles.

The dynamics of the real retail trade turnover, excluding the sales of motor vehicles and motorcycles, was similar to the overall real retail trade dynamics, with somewhat higher growth rates recorded in August and September 2005. The weakening dynamics of the motor vehicles sales was also corroborated by a reduced number of newly registered road vehicles in July and August, year-on-year, but its dynamics is recovering mildly. The imports of road vehicles remained stagnant over the third quarter (adjusted for seasonal effects and changes in exchange rate), while their annual growth accelerated, again due to the base period effects.

Looking at retail trade turnover by division in the first nine months of 2005, high nominal growth rates were recorded in the retail sales of fuels and lubricants and in retail trade turnover of non-specialised shops predominantly selling food, beverages and tobacco products, which made the largest positive contribution to the nominal growth in retail trade. The largest negative contributions to the growth in retail trade over the observed period were made by the sale of household electrical appliances and other off-store retail sale.

## Construction

A recovery of construction activity continued in July and August 2005. At the monthly level, the annual contraction of this activity that started in mid-2004 was moderated in July, but it rose by 5.3% year-on-year in August, according to the seasonally adjusted data. More pronounced growth was recorded in the construction of buildings, but positive tendencies were also observed in other construction projects. Given such dynamics of construction activity, the positive contribution of construction activity to GVA growth, recorded in the second quarter of 2005, is likely to



continue into the third quarter.

Leading construction activity indicators, i.e. the value of building permits issued and the value of net construction project orders, suggest a continuation of these trends by the end of the year. The value of building permits issued grew strongly in the third quarter. By contrast, the latest available indicators for July point to a slowdown in the value of net construction project orders, where the net orders for buildings accelerated strongly and net orders for other construction projects declined.

### Tourism

Hotels and restaurants contributed 0.1 percentage point to total GVA growth in the second quarter. However, this activity only constitutes a small part of overall tourism which has a direct and indirect impact on other activities as well. While it is difficult to estimate the actual contribution of tourism to GVA, it was surely much larger. Given the favourable physical indicators for tourism, the contribution of hotels and restaurants to real GVA growth is likely to increase in that period.

Available physical indicators point to a good tourism sector performance during the main season this year. Thus, tourist overnight stays and tourist arrivals went up 9.7% and 7.3% respectively in the third quarter compared with the same period in 2005. The number of tourist nights per arrival reached a two-year high of 6 in the observed period. The cumulative growth rates of tourist arrivals and nights stayed were also high, 7.6% and 6.1% respectively in the first nine months of 2005.

The number of individual tourist arrivals rose by 3.0% over the first nine months of 2005, relative to the same period last year, and the number of individual tourist nights stayed went up 7.0%. The annual growth of organised tourist arrivals (12.0%) and nights (8.0%) in the observed period outdid the growth of individual tourist arrivals and nights in the observed period. Foreign tourists accounted for the largest share of the total number of tourists (90.0%), and the

growth in their arrivals and nights exceeded that of domestic tourists. In the period from January to September 2005, the largest positive contributions to the growth in foreign tourist nights were made by tourists from France, Italy and Hungary.

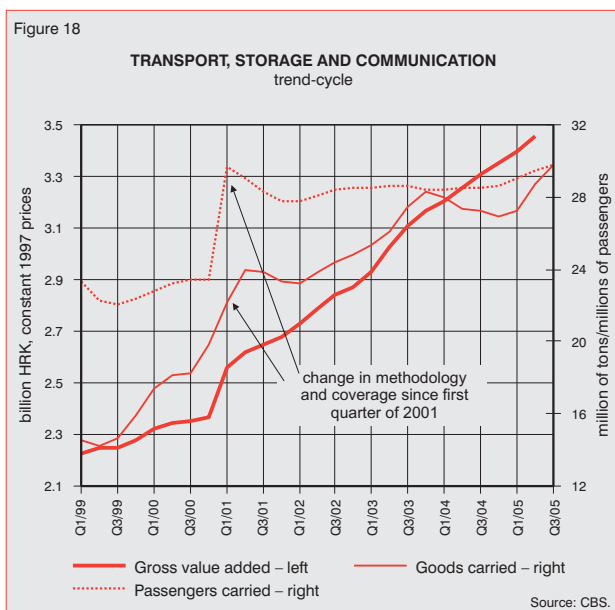
### Transport and Communications

The contribution of transport, storage and communication to real GVA growth held steady over the first half of 2005 (0.6 and 0.7 percentage points in the first and second quarters respectively). According to available CBS data on the trends in this economic activity, both its growth dynamics and contribution to GVA growth are likely to remain stable in the third quarter.

After its strong annual growth of 5.7% over the second quarter, total passenger transport slowed down to 3.0% in the third quarter of the year. By contrast, the annual growth of goods transport accelerated from 4.1% in the second quarter to 8.4% in the third quarter of 2005.

The number of passengers in road transport, the most significant type of transport, stagnated at the annual level over the third quarter, but it rose mildly in railway, sea and coastal transport. Air transport, which accounts for the smallest share of total passenger transport, rose sharply, in terms of both the number of passengers transported and kilometres passed. Road transport of goods grew at an annual rate of 8.1% over the observed period, which represents a mild slowdown of its annual growth dynamics relative to the previous period.

In telecommunications services, the number of minutes spent in fixed network declined by 9.7% during the third quarter compared with the same period in 2004. However, the number of minutes spent in mobile network over the observed period increased sharply, by 25.3% at the annual level, and its growth continued at the expense of the fixed network. The described developments represent a continuation of the boost in this transport and communications division, suggesting its further technological advancement and



permanent improvement of the quality of its services. They are also likely to be connected with the reduction in the prices of mobile network services prior to the introduction of a new mobile operator which started its operations in mid-October.

## Labour Market

In line with the slowdown in economic expansion over the third quarter, employment from the CES register returned to a normal level in this period, after its upsurge in the second quarter. However, the inflows of unemployed persons into the register (excluding the seasonal inflows) also declined in the period, so that registered unemployment continued to fall at a pace similar to that in the second quarter. At the end of the third and the start of the fourth quarters 2005, the CES register flows stabilized at the level achieved before the introduction of the employment intermediation reform in early 2002 (as concerns clearings from the CES records), or at the level reflecting a new, less important intermediation role of the CES in the labour market (in terms of inflows into and employment from the register, which were lower than in the pre-reform period). This may suggest that the temporary effects of the reform have worn off.

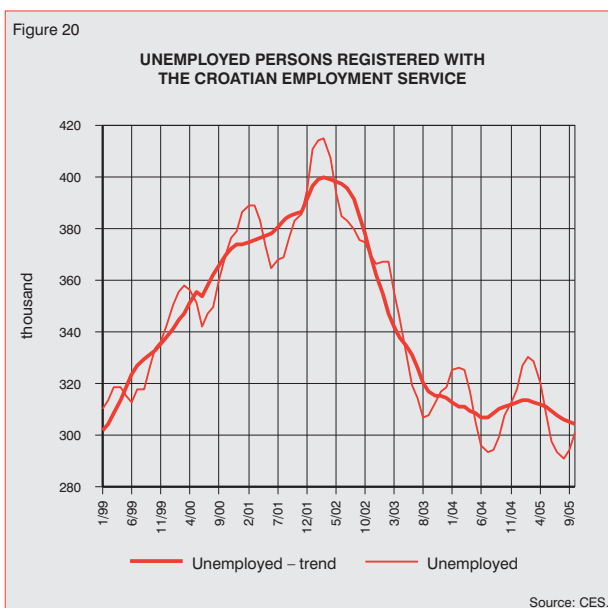
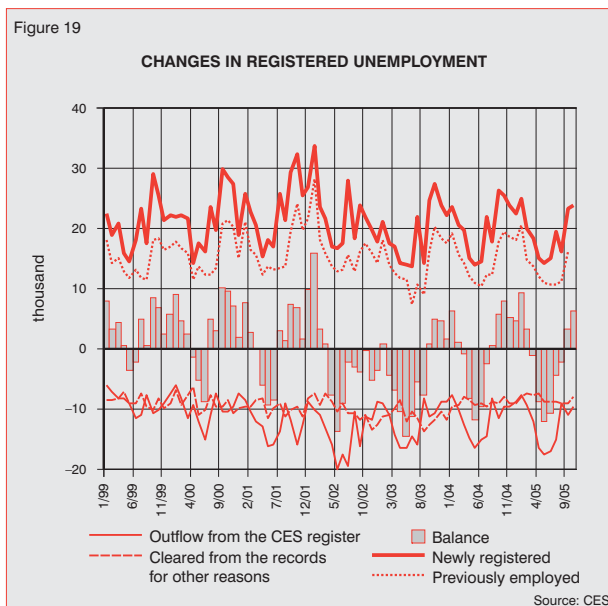
According to the Labour Force Survey data for the first half of 2005, the Labour Force Survey unemployment rate stood at 13.1%, showing a continued fall in unemployment during the period. While this fall in unemployment was not accompanied by the growth of Labour Force Survey employment rate, employment rose in the category showing a pronounced fall in unemployment, i.e. women between 25 and 49 years of age). According to administrative sources (provisional CBS employment data and the CPII data on insured persons), the upward trend in employment continued into the third quarter of 2005 with the same intensity as in the second quarter.

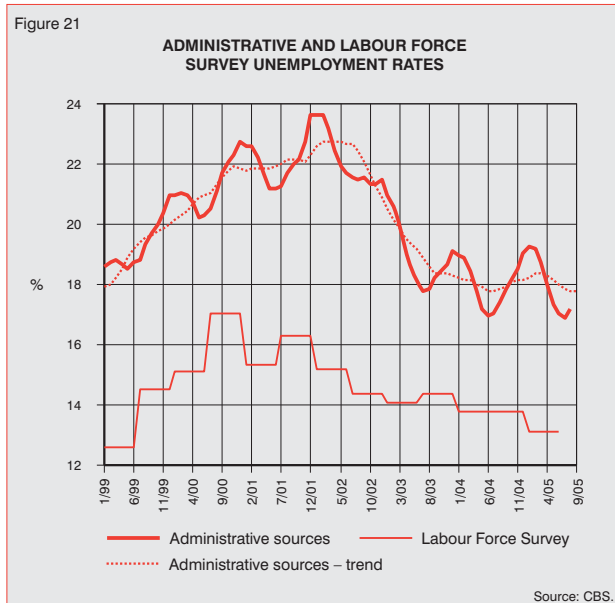
The real wage recovery that began in the second quarter

continued in the third quarter and at the start of the fourth quarter, but it slowed again toward the end of the observed period. Owing to the still pronounced base effects of stagnation and a fall in real wages at the end of 2004 and the start of 2005, the annual growth rate of average real gross wage in the third quarter dropped to 0.7%, i.e. by almost 1.1 percentage points compared with the second quarter. Net wages continued to grow at a somewhat faster pace than gross wages due to the effects of the tax reform introduced in early 2005.

## Unemployment and Employment

The total volume of labour market flows declined mildly during the third and the start of the fourth quarters compared with the second quarter. Particularly significant was the continuation of the downward trend in the number of the newly registered with the CES, which was stopped toward the end of the third quarter. The level of inflows into the CES





register remained exceptionally high throughout 2004, mainly due to the re-inclusion of persons with work experience cleared from the records. However, this influence started to fade as early as the beginning of 2005, and the number of the newly registered with the CES decreased approaching its level before the increase in inflows into the register reported at end 2003. A continued decline in inflows into the CES register during 2005 resulted in their cumulative annual decrease by 4.5% in October.

Employment from the CES register, which grew at a faster pace than in the previous years due to the influence of seasonal employment in the second quarter, returned to its normal level in the third quarter and at the start of the fourth quarter. Total employment from the CES register reached almost 125,000 in the first ten months of 2005, up 4,000 (3.5%) on the same period in 2004. The stated annual growth in employment from the CES register was mainly due to a noticeable increase in employment during the second quarter when it also contributed to a decrease in registered unemployment.

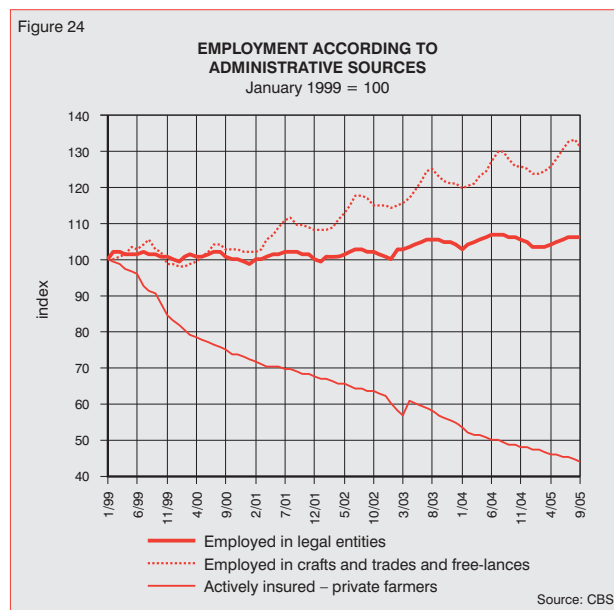
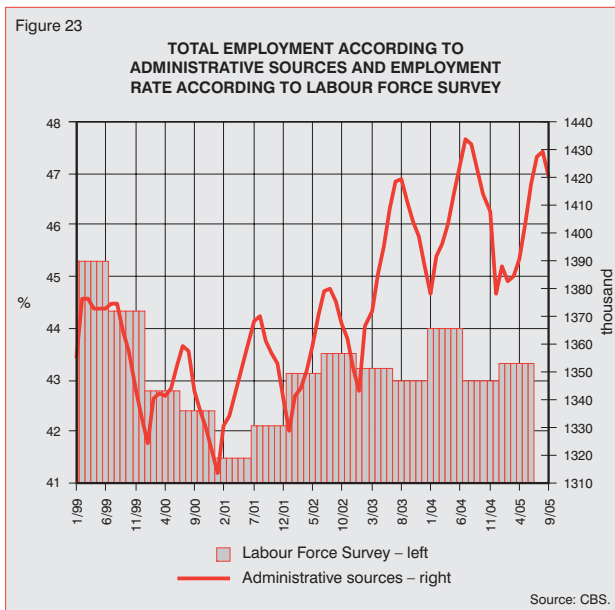
Clearings from the records for reasons other than employment fell to a low level as early as end-2004, and remained unchanged until October 2005, without affecting the registered unemployment trend. However, owing to the base effects of the fall in clearings from the CES records during 2005 (the cumulative number of clearings from the records reached 7,000 from January to September, up 7.8% on the same period in 2004) the annual fall in registered unemployment slowed down markedly.

The slowdown in labour market flows during the third and at the start of the fourth quarters equally related to both the inflows into and total outflows from the CES register. Therefore, a reduced volume of CES register flows did not significantly slow the falling tendency of registered unemployment that started in early 2005. Moreover, in the third quarter and at the start of the fourth quarter, the CES register flows stabilized at the level recorded before the introduction of the employment intermediation reform in early 2002, or at lower levels. Consequently, it can be assumed that the

preliminary effects of the reform (i.e. a rise in clearings from the CES register) disappeared and gave place to its final effects. The latter are reflected in the convergence of some flows toward lower levels, which are consistent with the weakening of the CES's employment intermediation role. Such lower inflows into the CES register and reduced new employment from the register resulted from the activation of unemployed persons and from lifting the obligation to report vacancies to the CES. In the absence of major external disturbances, like those that occurred in the CES register in the last three years as the result of new registration rules, or changes in the labour market the current levels of the flows could ensure a continuation of the mild downward trend in registered unemployment.

The latest Labour Force Survey data point to a continuation of the downward unemployment tendency that started back in 2001 (according to the Survey). The Labour Force Survey unemployment rate stood at 13.1% in the first half of 2005, down 0.7 percentage points from the previous year (13.8% in the first and second halves of 2004.) However, this fall was somewhat less serious than the fall in the registered unemployment rate relative to the second half of the previous year. This led to a slight narrowing of the gap between the two unemployment rates, which was again widened under the influence of the growing registered unemployment rate toward the end of 2004.

The annual decline in the Labour Force Survey unemployment rate during the first half of 2005 was not accompanied by a rise in overall employment rate, which, according to the stated survey, fell relative to the same period in 2004. However, the decline in Labour Force Survey unemployment mainly arose from a fall in the unemployment of middle-aged women (25–49 years of age). This category even recorded a significant rise in employment. In addition, as the changes remain within the confidence interval for the estimate (which is roughly 1 percentage point around the mean estimate, for employment and unemployment rates), it is possible that the real dynamics of the Labour Force Survey employment are covered up by the standard error of estimate.



While the indicators of employment from the CES register largely corresponded with the economic slowdown indicators during the third quarter, after exceptionally good performance recorded in both these areas in the second quarter, total employment showed no signs of a slowdown in the observed period. Total employment growth, according to both preliminary CBS data and the number of insured persons with the CPII, which are not subject to subsequent revisions, continued at a similar pace as in the second quarter. Thus, the annual growth rate of the number of the insured with the CPII continued to rise during the third quarter, reaching an average of 2.1%, which was significant even after excluding the effects of the leap in the number of the insured in June. The end of seasonal works, especially in hotels and restaurants as well as transport and communications, led to a seasonally common decrease in total employment toward the end of the third quarter, but it did not affect its above mentioned upward tendency.

As already stated, the dynamics of the Labour Force Survey employment rate point to its annual decline over the first half of 2005, while the increase in the Labour Force Survey employment rate relative to the second quarter of the previous year can probably be accounted for by seasonal factors. However, as the change in the Labour Force Survey employment rate within the observed period still remains within the confidence interval for the estimate, it is difficult to make an accurate assessment of employment dynamics in 2005 on the basis of such survey data.

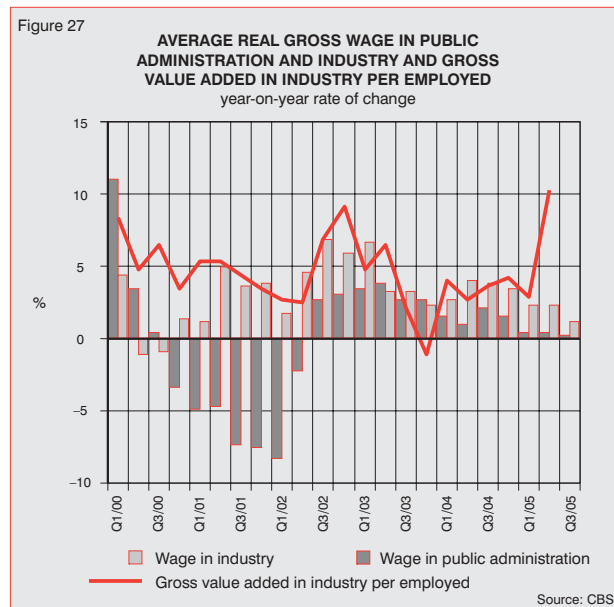
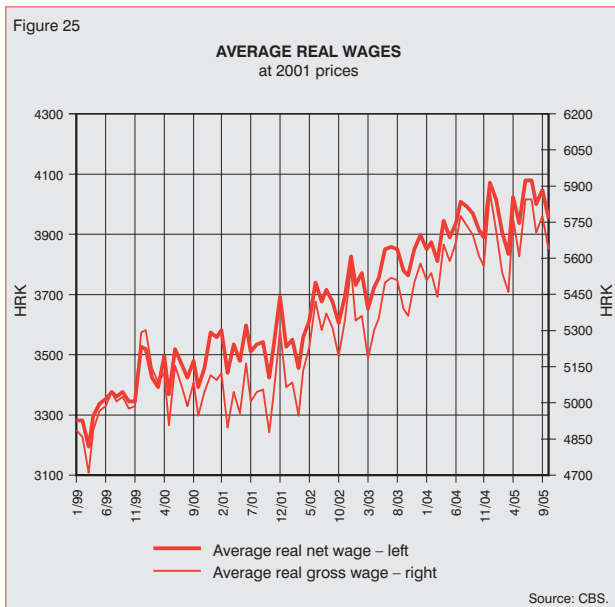
Apart from total employment according to administrative sources, some of its components also followed the previously observed trends in the third quarter. Thus, employment in crafts and trades and free-lances continued to grow at the same rate as in the second quarter (2.4%), while the continued downward trend in the number of private farmers actively insured with the CPII once again nearly offset the positive contribution of employment growth in crafts and trades and free-lances to total employment. The third quarter saw a continuation of the upward trend in employment in legal entities, which is assessed on the basis of enterprise surveys

and is subject to considerable subsequent revisions. However, owing to a break in early 2005, its annual rate of change remained negative in the third quarter, which also determined the annual total employment dynamics. The extent of previous years' revisions of employment in legal entities usually determined the annual dynamics of total employment, which is likely to happen in 2005 as well.

The largest contribution to the annual decline in total employment was made by a contraction of employment in manufacturing (1.8% or 5,200), public administration in narrow terms (2.2% or 2,400) and transport and communications (1.9% or 1,900). Positive contributors to total employment were real estate trading and business services (3.1% or 2,600), education (2.3% or 2,000) and construction (1.8% or 2,100), which finally started to recover. The growth of employment in education and, to a somewhat smaller extent, in health care offset its decline in public administration in narrow terms, so that overall public administration recorded an increase in employment at the annual level during the third quarter of 2005. Given the preliminary character of these data on employment by division, their revision will probably result in stronger employment in certain divisions.

### Wages and Labour Costs

The real wage dynamics followed those of economic activity with a certain time lag. Thus, the start of the third quarter saw a continuation of the growth in real wages, which started in the second quarter. However, at the end of the third and the start of the fourth quarters, as the economic expansion slowed down compared with its exceptionally strong dynamics during the second quarter, the real wage recovery also slowed. Despite a slight recovery in real wages during the third quarter relative to the first half of the year, owing to the base effects of real wage stagnancy at end-2004 and its decrease in early 2005, the annual growth rates of real wages went down markedly compared with the second quarter. Thus, the annual growth rate of average real gross wage paid in the third quarter of 2005 was 0.7%, 1.1 percentage points



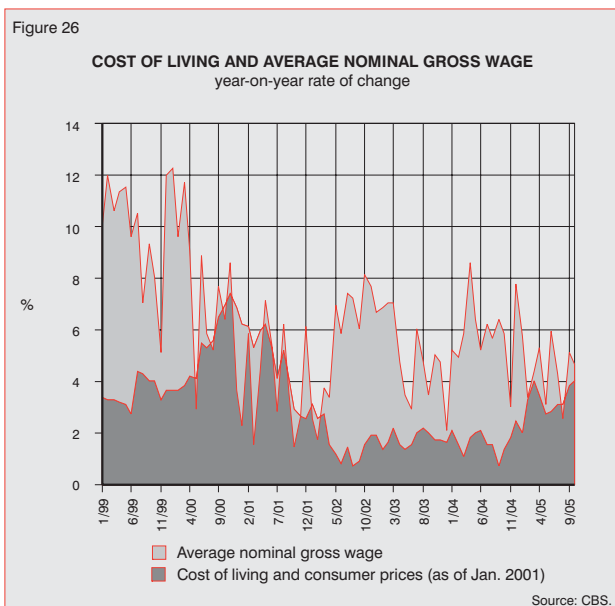
below its growth in the second quarter, but it dropped to 0.6% in October. The cumulative annual growth rate of average real gross wage paid in October was equal to its annual growth rate in the third quarter. Average real net wage continued to grow faster than the real average gross wage due to the increase in personal tax allowances in early 2005.

The real wage movements were largely determined by the nominal wage dynamics. However, faster annual growth of the cost of living during the third quarter and at the start of the fourth quarter also contributed to a slowdown in the annual wage growth during the period. The real wage slowdown recorded in the third quarter was primarily influenced by a fall in the annual growth rate of nominal gross wages in August to 2.6%, the lowest rate recorded since early 2002, which is even lower than the 3.1% annual growth rate of the cost of living in that month.

The real wage dynamics in most divisions remained within a relatively narrow interval around its average growth. A continuation of the restrictive wage policy in public ad-

ministration was reflected in a further slowdown in the annual growth rate of the average real gross wage in this sector, which rose at a low rate of 0.2% in the third quarter of 2005. However, the stagnancy in average real gross wage hides some divergent movements within the public sector. More specifically, public administration in narrow terms recorded an annual contraction in average gross wage in real terms, while in health care, these wages grew at one of the highest annual rates making this sector one of the largest contributors to average wage growth. Besides health care, somewhat stronger contributions to average wage growth were also made by manufacturing (due to its large share in total employment rather than due to more or less average wage dynamics in this division), and real estate trading and business services. On the other hand, besides public administration (in narrow terms), annual contraction in average real gross wage was also observed in construction and energy supply, which experienced short or long periods of weak activity. Owing to the annual decrease in average real gross wage in the three above mentioned divisions, which account for about one fifth of total employment in legal entities, positive contributions of other divisions to the annual growth of average real gross wage were reduced by more than two fifths.

Real wage in industry followed general trends, so the annual growth of average real gross wage in this division decreased from 2.4% in the second quarter to 1.2% in the third quarter of 2005. Exceptionally strong growth of labour productivity in industry, measured by the dynamics of gross value added in industry, at constant prices, per employee, which exceeded 10% in the second quarter, is not likely to decrease markedly, despite the slowdown in industrial activity during the third quarter. Consequently, it is expected that productivity will continue to grow at a much faster pace than wages in industry, so that price pressures coming from the labour market will remain light by the end of the year.





## Prices

Consumer price inflation in Croatia accelerated considerably late in the third and early in the fourth quarter of 2005, rising from 3.1% in August to 3.8% and 4.1% in September and October respectively. As a result, the year-on-year consumer price inflation rate increased by 1.0 percentage point in October compared with August, with agricultural products making the largest contribution to the increase, 0.7 percentage points, and core inflation and administrative prices contributing 0.2 and 0.1 percentage points respectively. The year-on-year growth rate of agricultural products prices was up from 5.5% in August to 15.5% in October, owing to their stronger than usual rise in September and October compared with these months last year producing an unfavourable base period effect. September and October 2005 saw a rise in administrative prices, with electricity and health service prices rising the most. The year-on-year rate of change of administrative prices advanced from 3.6% in August to 4.0% in October. The year-on-year rate of change of refined petroleum products prices in the domestic market dropped from 13.8% in August to 10.8% in October, mitigating the growth of administrative prices. This drop was caused by a favourable base period effect, i.e. a steep rise in refined petroleum products prices in October 2004.

Having trended downwards year-on-year from May to August this year, core inflation (an indicator excluding the more volatile CPI components that are outside the control of the monetary authorities, i.e. agricultural products prices and administrative prices) halted the trend in September rising to 3.0%, from 2.7% in August, and keeping that level in October. The core inflation growth was spurred by the year-on-year rate of change in the prices of clothing and footwear, up from 0.4% in August to 2.6% in October due to the seasonal price growth, commonly caused by releasing a new autumn-winter collection, being stronger than last year. In addition, the negative contribution of car prices to core inflation was lower, as their year-on-year rate of change de-

clined from -10.0% in August to -5.2% in October, mostly because of the drop in the price level in the base period.

In September and October, the overall CPI rose by a high 0.5% and 0.7% respectively compared with the previous month. Energy prices added a considerable 0.3 percentage points to the monthly consumer price growth in September, with electricity and refined petroleum products prices contributing 0.2 and 0.1 percentage points respectively. The Croatian Government granted a 4.9% rise in electricity prices to the Croatian Electricity Company (HEP), considering the fact that these prices had kept steady since September 2002, despite rising electricity supply costs and a strong growth of energy fuel and electricity prices in the European market. Although the crude oil price gradually declined in September and returned to the pre-hurricanes level, world market refined petroleum products prices continued to grow. This was only to a lesser degree reflected in the movements of domestic refined petroleum products prices, since the last increase in refined petroleum products retail prices in the domestic market, amounting to only 1.5%, was granted to Ina at end-August, (and statistically recorded in September), with the Government's recommendation that it should reduce the production margin and thus alleviate the spillover of the world price increase into domestic prices. Consumer prices rose by 0.3 percentage points for the month in September, mostly due to the customary autumn increase in clothing and footwear prices, and to the continued growth of agricultural products prices, instigated by adverse weather in August this year, which added 0.2 percentage points to the monthly inflation rate in September. The September price increase was mitigated by the seasonal drop in the prices of package tours, accommodation and ship passenger transport, jointly contributing -0.2 percentage points to the year-on-year CPI growth rate.

The overall CPI went up again in October, rising by a high 0.7% from the previous month, spurred, as in September, by the seasonal rise in clothing and footwear prices and an increase in vegetable prices, contributing 0.3 and 0.2 percentage points respectively to consumer price growth. The changes introduced in the system of co-payments for medi-

Figure 28

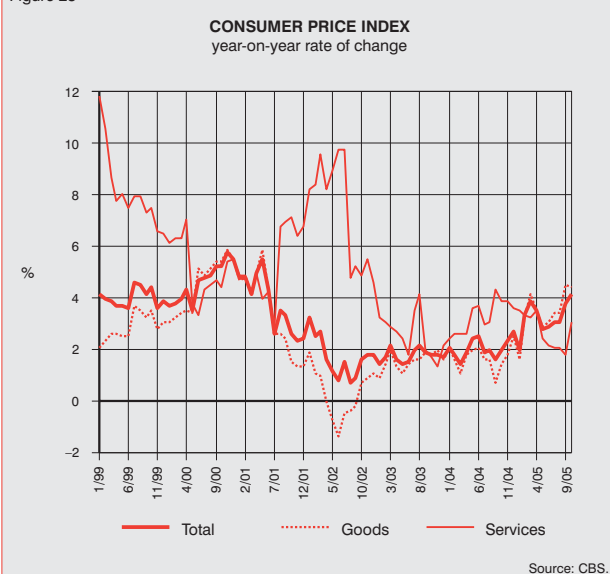


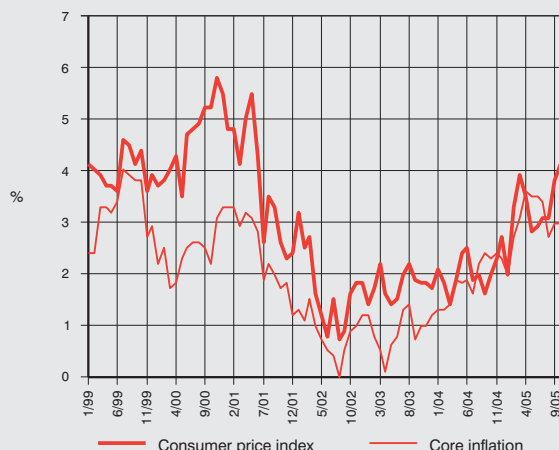
Table 1: Consumer Price Index, year-on-year rate of change

	Weight 2005	12/04	3/05	6/05	9/05	10/05
Total	100.0	2.7	3.9	2.9	3.8	4.1
Food and non-alcoholic beverages	32.9	2.4	5.5	4.2	5.8	6.6
Alcoholic drinks and tobacco	5.8	10.2	10.6	10.2	1.0	1.0
Clothing and footwear	8.0	-1.7	-1.2	0.4	2.0	2.6
Housing, water, energy, gas and other fuels	14.8	6.0	6.0	3.1	4.3	4.0
Furniture, equipment and maintenance	4.7	0.2	1.6	2.6	3.0	2.8
Health	2.8	1.0	0.8	2.0	1.9	8.1
Transport	11.2	2.6	3.3	-0.3	5.1	3.1
Communication	4.3	-0.5	-0.4	-0.4	-0.4	0.0
Recreation and culture	5.6	2.5	1.8	2.8	2.2	2.6
Education	0.9	1.1	1.4	1.7	6.0	6.0
Catering services	3.2	2.8	2.1	1.6	1.7	2.5
Miscellaneous goods and services	5.9	1.9	1.8	2.4	1.7	1.9
Goods	77.1	2.5	4.1	3.1	4.5	4.4
Services	22.9	3.6	3.2	2.2	1.8	3.1

Source: CBS.

Figure 29

**CONSUMER PRICE INDEX AND CORE INFLATION<sup>a</sup>**  
year-on-year rate of change

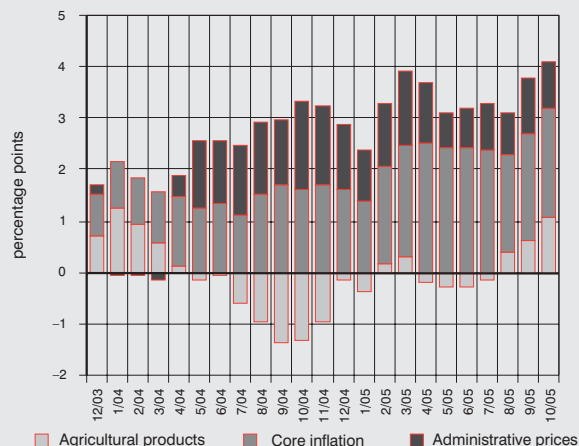


<sup>a</sup> Core inflation is calculated in the manner that agricultural products prices and administrative prices (which, among others, include the prices of electricity and refined petroleum products) are excluded from the basket of goods and services used in the calculation of the consumer price index.

Source: CBS.

Figure 30

**CONTRIBUTION<sup>a</sup> OF CPI COMPONENTS TO YEAR-ON-YEAR INFLATION RATE**



<sup>a</sup> The contribution is defined as the relative importance of a certain component of the consumer price index in total inflation. The sum of contributions of all components expressed in percentage points in a relevant month is the amount of the year-on-year consumer price inflation rate.

Sources: CBS and CNB calculations.

cal services and drugs boosted health service prices, which also made a major contribution to the monthly growth of consumer prices in October (0.2 percentage points). Meat prices fell for the third consecutive month in October, possibly indicating a halt in the growth trend that began in May 2004.

It can therefore be concluded that the acceleration in consumer price inflation in September and October was largely caused by supply side shocks (rising agricultural products prices), the increase in some administrative prices (electricity, health services) and unfavourable base period effects. One of the key factors alleviating inflation pressures in the domestic economy is a stable nominal kuna/euro exchange rate, which anchors inflationary expectations and moderates the movements in import prices of final products and raw materials from the eurozone. While the year-on-year growth rate of the average nominal net wage decelerated from 5.3% in the second quarter to 4.7% in the third quarter, labour productivity in industry grew at high year-on-year rates of 13.0% and 11.6% in these two quarters respectively. Additionally, domestic producer prices of industrial products for final consumption drifted lower year-on-year: the rate of change in durable consumer goods dropped from 4.4% in August to 4.1% in October, whereas the rate of change in non-durable consumer goods declined from 1.2% in August to 0.6% in October. With new foreign chain stores about to enter the Croatian market (e.g. the Lidl chain store) spurring competition and increasing retail trade efficiency, inflationary pressures should remain alleviated.

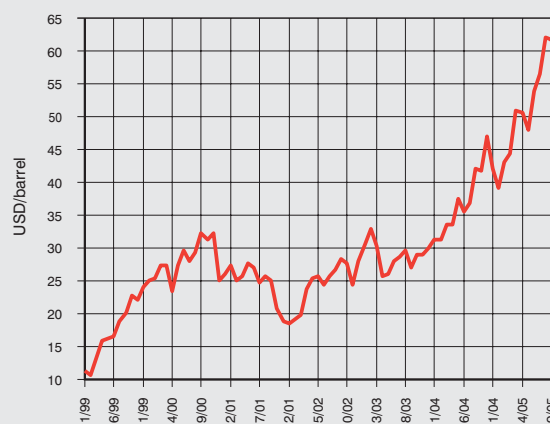
Having surged in August and in early September, world market crude oil prices started to drop, a trend that was especially pronounced in October. The average daily price of crude oil decreased by 6%, down from 61.9 USD p/b in August to 58.2 USD p/b in October. Due to the depreciation of the kuna against the US dollar, the price of a crude oil barrel in kuna terms dropped by a slightly lower 3.4% in this period. This and a marked base period effect observed in October reduced the year-on-year growth rate of crude oil prices

from 47.1% in August to 24.2%<sup>3</sup> in October. The decrease in crude oil prices is attributed to a larger than usual drop in US oil reserves and a weakened demand for refined petroleum products due to warm weather. As refined petroleum products prices began falling in the world market no sooner than in October, Ina twice reduced refined petroleum products prices in the domestic market, in late November and in early October. Both price reductions will be statistically recorded in the CPI calculation for November this year.

Data on raw materials price trends on commodity exchanges compiled in the HWWA index (excluding energy) suggest that related inflationary pressures stabilised in September and October, but remained strong. According to this indicator, the average prices of raw materials on the world market were 12.9% higher in October 2005 than in the same month in 2004, with the prices of non-ferrous metals and

Figure 31

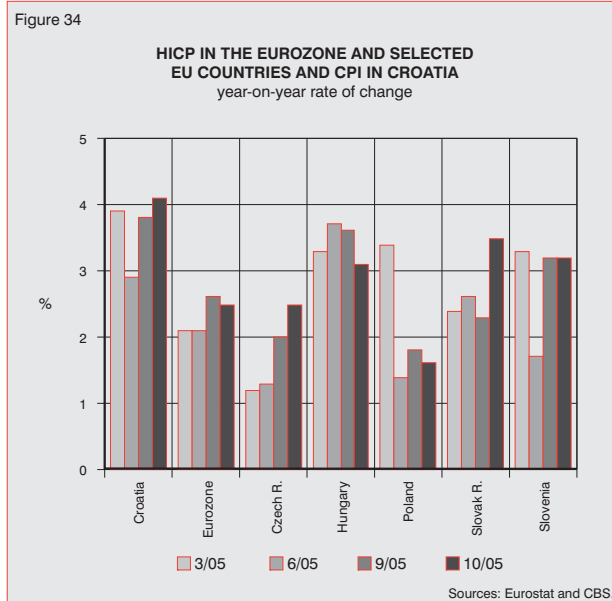
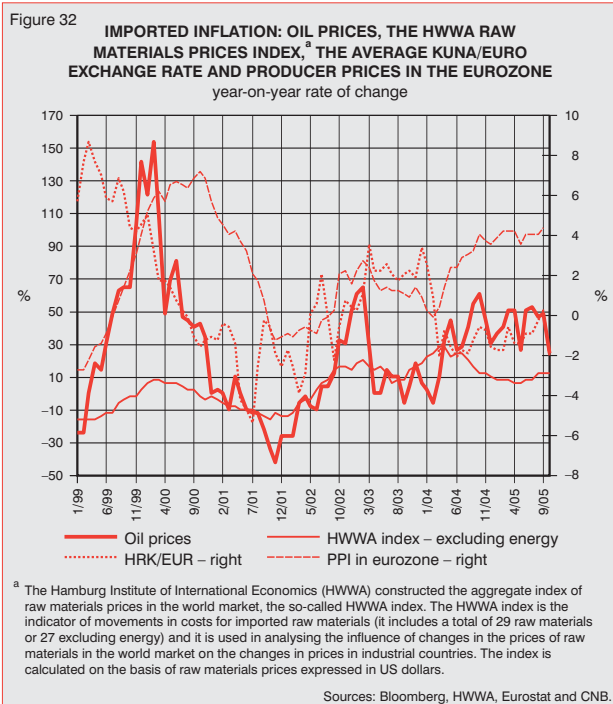
**AVERAGE CRUDE OIL PRICES<sup>a</sup> ON THE WORLD MARKET**



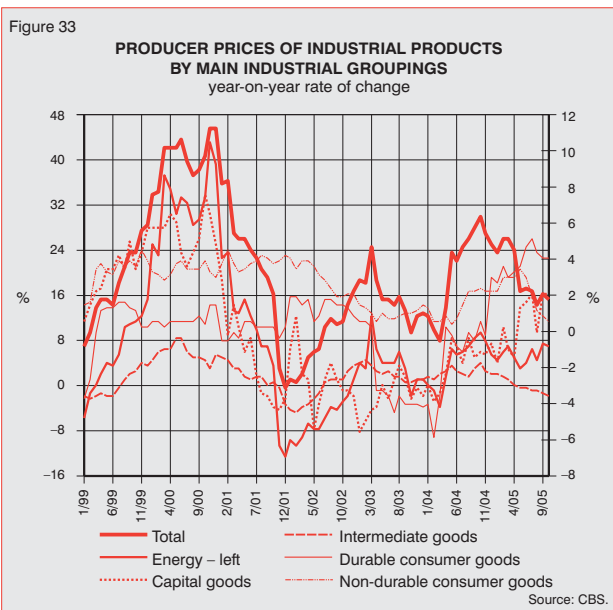
<sup>a</sup> They are calculated as an average of the following oil prices (prompt delivery): Dubai Fateh, UK Brent and West Texas Intermediate.

Source: Bloomberg.

<sup>3</sup> Calculated based on crude oil prices in US dollars.



of change of food, health care and communication prices in Croatia and in the eurozone.



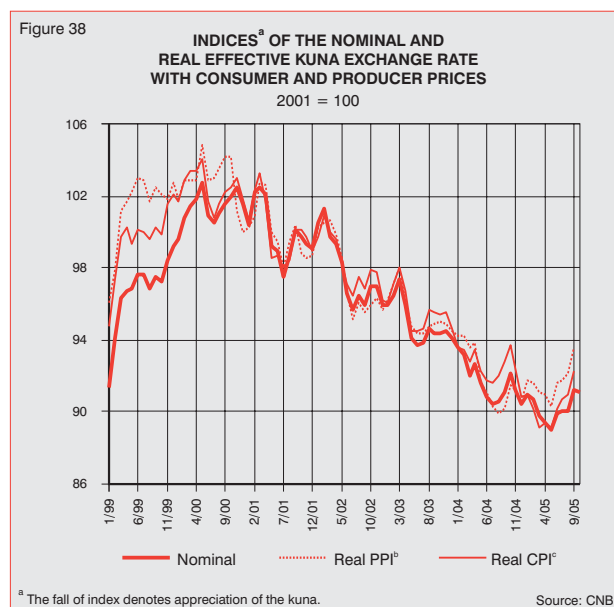
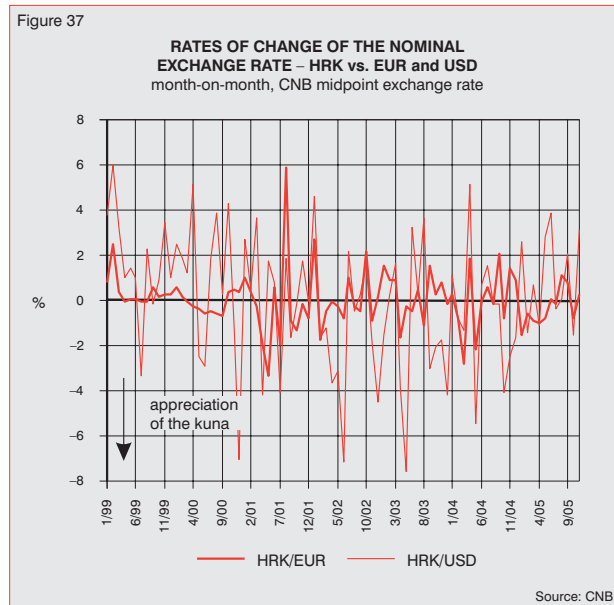
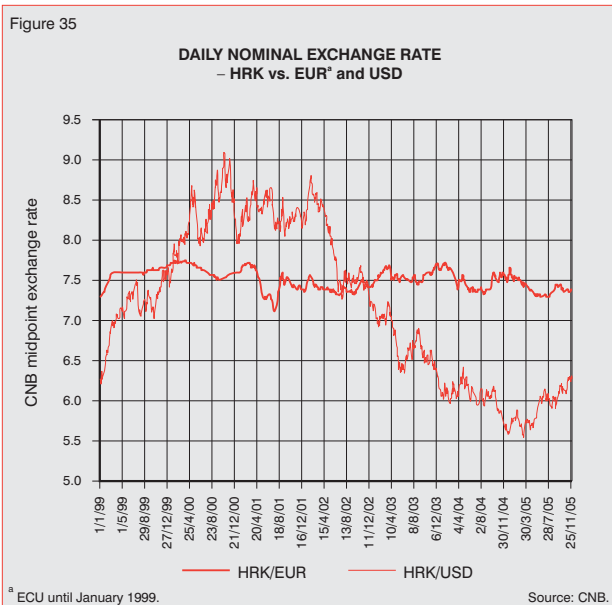
iron ore rising the most year-on-year, by 13.3% and 30.0% respectively. The year-on-year growth rate of industrial products producer prices in the eurozone hit its record high this year in September, standing at 4.4%.

Although low in Croatia, the year-on-year rate of change of industrial products producer prices rose from 1.5% in August to 2.1% in September, amounting to 1.8% in October. The year-on-year rate of change of energy prices rose the most, from 4.6% in August to 7.1% in October, due to the rise in electricity and refined petroleum products prices.

The difference between the year-on-year consumer price inflation rate in Croatia and that in the eurozone, amounting to 1.2 percentage points in September, grew to 1.6 percentage points in October (standing at 4.1% in Croatia compared with 2.5% in the eurozone). This was primarily due to the increase in the difference between the year-on-year rate

## Exchange Rate

The domestic foreign exchange market mostly saw appreciation pressures in the first two months of the fourth quarter 2005. The nominal exchange rate of the kuna against the euro strengthened by 0.5% in the observed period, with the euro value up from HRK 7.44 on 30 September to HRK 7.40 on 30 November. The kuna/euro exchange rate appreciated by 2.6% in late November 2005 from HRK 7.60/EUR recorded a year before. The kuna exchange rate also appreciated due to an increase in kuna demand caused by the announcement of a new government bond issue in the domestic market and due to appreciation expectations generated by the start of the EU accession negotiations and the related optimism of economic entities about foreign capital inflows and Croatia's economic growth. In October, reacting to mounting appreciation pressures and aiming to lessen the intensity of the nominal strengthening of the kuna, the central bank intervened twice in the foreign exchange market and purchased from banks a total of EUR 115.7m. With EUR 59.7m purchased at the foreign exchange auction held on 6 October and EUR 56.0m purchased at the auction held on 14 October, the central bank issued a total of HRK 854.9m. Also in October, the CNB sold EUR 3.1m to the MoF, to be used for external debt repayments. Having appreciated by 0.8% in October, the kuna/euro exchange rate continued the trend in the first twenty days of November, appreciating nominally by 0.4%, to start depreciating slightly afterwards. Having assessed that the movement of the kuna/euro exchange rate was relatively stable, the central bank did not intervene in the foreign exchange market in November. The kuna/euro exchange rate fluctuated less over 2005. The average absolute change of the daily kuna/euro exchange rate<sup>4</sup> (a measure of exchange rate variability), amounting to 0.09% and 0.10% in October and No-



ember respectively, was considerably below its last year's average of 0.15%.

Having appreciated by 1.6% against the US dollar in October, the kuna depreciated by a significant 3.1% against the US dollar in November, due to the US dollar strengthening markedly against the euro on the world's foreign currency exchanges, i.e. from USD 1.22/EUR on 31 October to USD 1.18/EUR on 30 November. Despite unfavourable indicators suggesting a further widening of the foreign trade deficit, released in the US in September, the US dollar has strengthened against most major currencies. Analysts attribute this to investors' focusing on widening the gap between the return on USD denominated assets and that on EUR denominated assets. With the benchmark Fed rate at 4.0% and the ECB rate at 2.0%, this difference was marked in Novem-

ber. In the first two months of the second quarter, the kuna appreciated by 0.5% against the euro and against the Slovene tolar and by 0.9% against the pound sterling, weakening against the US dollar and the Swiss franc by 1.5% and 0.2% respectively. The general result was that the index of the nominal effective exchange rate of the kuna remained unchanged on 30 November from 30 September.

In the first nine months of this year,<sup>5</sup> the index of the nominal effective exchange rate of the kuna depreciated by 0.8%, while the index of the real effective exchange rate of the kuna depreciated somewhat more, by 1.6% (deflated by the CPI) and by 3.3% (deflated by the PPI). The kuna depreciated nominally against the basket of currencies in the observed period due to its strong depreciation versus the US dollar (8.7%).<sup>6</sup> The index of the effective kuna exchange rate

4 The variability of the kuna exchange rate is calculated based on CNB midpoint exchange rates effective on each day the exchange list applies (excluding Sundays and Mondays).

5 September 2005 compared with December 2004.

6 The kuna strengthened against other currencies in the basket for the calculation of the index of the nominal effective kuna exchange rate in the observed period.

depreciated more in real terms than in nominal terms, due to a slower growth of domestic prices relative to foreign prices, those in the USA in particular. This was especially evident in the industrial producer price index, increasing in the first nine months of 2005 by 2.5% in Croatia and by 7.9% in the USA. The said developments in the index of the real effective kuna exchange rate indicate that domestic exporters' price competitiveness improved in the first nine months of 2005. These developments themselves are also more favourable than in the same period in the previous year, which was marked by the appreciation of the real effective exchange rate of the kuna.

## Monetary Policy and Instruments

### Monetary Environment

Good kuna liquidity from the previous period, mostly created by reverse repo operations, continued into the fourth quarter of this year. The satisfactory level of liquidity notwithstanding, the exchange rate of the kuna strengthened in October, in contrast with exchange rate developments common for that calendar month. Appreciation pressures increased following the opening of official negotiations with the EU and continued into November, reflecting market expectations pending a new issue of government kuna bonds. This prompted the CNB to intervene in October by purchasing foreign currency from the banks. In addition to its direct exchange rate impact, the intervention demonstrated that the central bank will not tolerate any excessive appreciation of the exchange rate of the kuna.

Good liquidity was seen in interest rates fall and a fall in money market turnover while further interest rate stabilisation and more efficacious conduct of open market operations should benefit from adjustments in the instruments of monetary policy (See Box 1).

A seasonal increase in domestic sources of funds in the third quarter boosted bank placements to the non-banking sector, notably the household sector. Domestic demand, driven by credit expansion, leads to rising imports and has a negative effect on the current account. In addition to bank loans, corporate' and leasing companies' borrowing from abroad also increased, thus additionally encouraging domestic demand.

With heightened credit activities of banks, price growth accelerated slightly in October and November, and the consumer price inflation in the country rose from 3.1% in August to 3.8% in September and 4.1% in October. Accelerated price growth, however, can largely be attributed to cost-push effects which remain outside the scope of influence of any central bank measures. This can be seen in the segments of consumer price indices which recorded the largest increase, such as administered prices and prices of agricultural products. By contrast, core inflation which excludes these two price categories, held at 3.0% in October, the same as in the previous month.

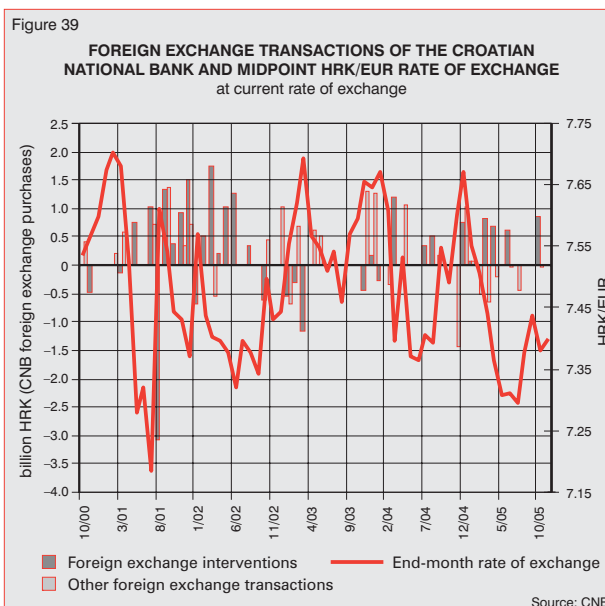
### Uses of Instruments of Monetary Policy

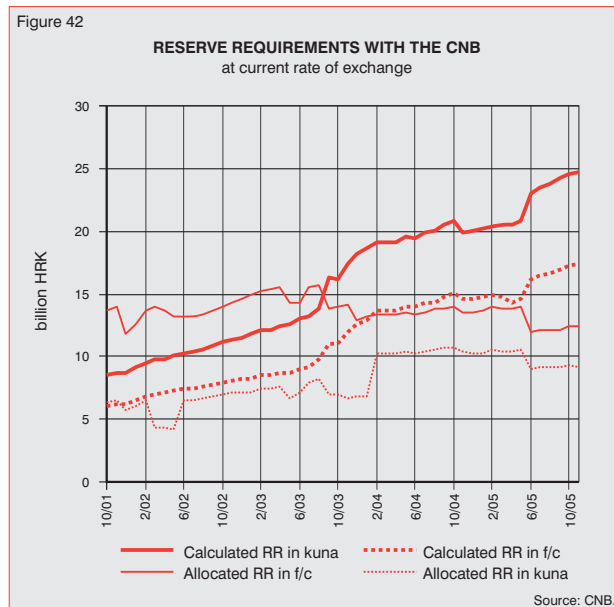
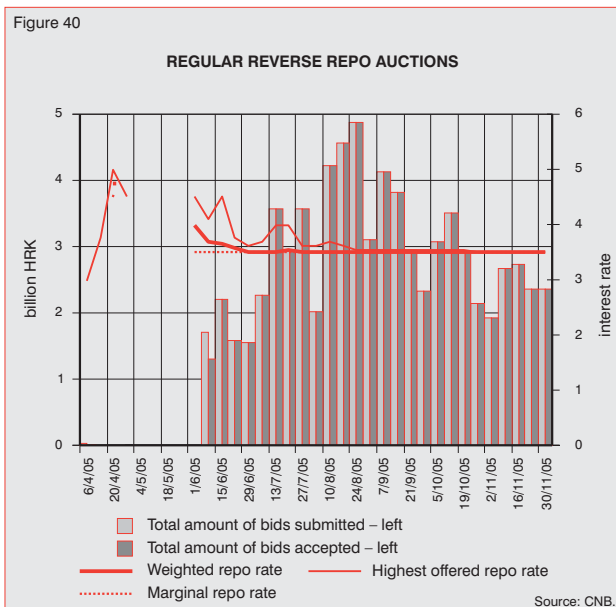
In the conditions of increased seasonal demand for kuna, regular reverse repo operations represented the main instrument for creating kuna liquidity in the third quarter. In October, the central bank, prompted by the appreciation of the exchange rate of the kuna, intervened twice in the foreign exchange market, purchasing a total of EUR 115.7m and creating HRK 855m.

The CNB continued to sell to the government foreign currency needed by the government to settle its obligations. After a net sale of USD 75m to the government in the third quarter (net withdrawal of HRK 455m) for the repayment of the government's foreign currency obligations, the central bank sold to the government an additional amount of approximately USD 3.7m in October (withdrawal of HRK 22m).

Good liquidity of banks in the first two months of the fourth quarter was seen in the balance of free reserves which on average stood at HRK 0.7bn and HRK 0.6bn in October and November, respectively. It was also seen on the money market which was characterised by low interest rates and a fall in turnover compared with the third quarter. The average interest rate on the money market in October and November was 2.44% and 2.66%, respectively.

Regular reverse repo operations continued to reflect increased demand of banks for kuna in the last quarter of this year, although, due to a seasonal decline in demand for reserve money, the amounts of bank bids received and accepted were lower than in the third quarter. The average daily balance of funds created by reverse repo operations in October and November stood at HRK 2.7bn, compared with HRK 3.4bn in the third quarter. The CNB accepted all the bids received, keeping the marginal repo rate at 3.5%. The amount of funds created by reverse repo auctions ranged between HRK 1.9bn and HRK 3.5bn. The largest amounts were again requested at the beginning of the new reserve requirements maintenance period when the banks' efforts to maintain a larger share of the reserve requirement coincide





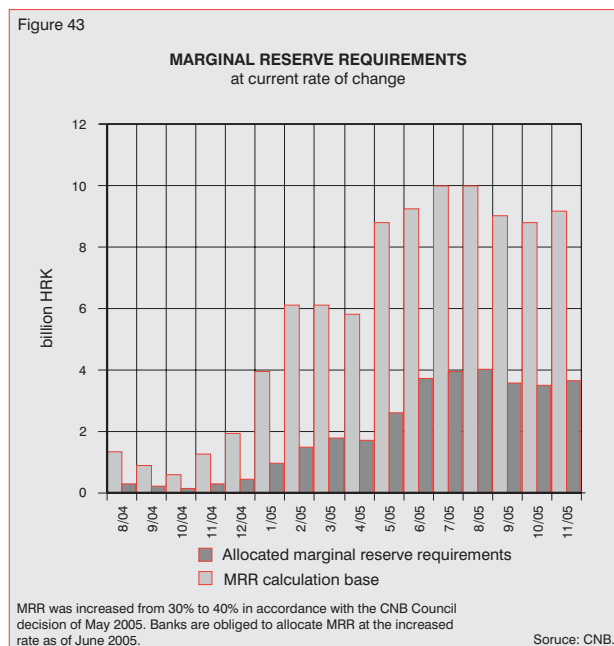
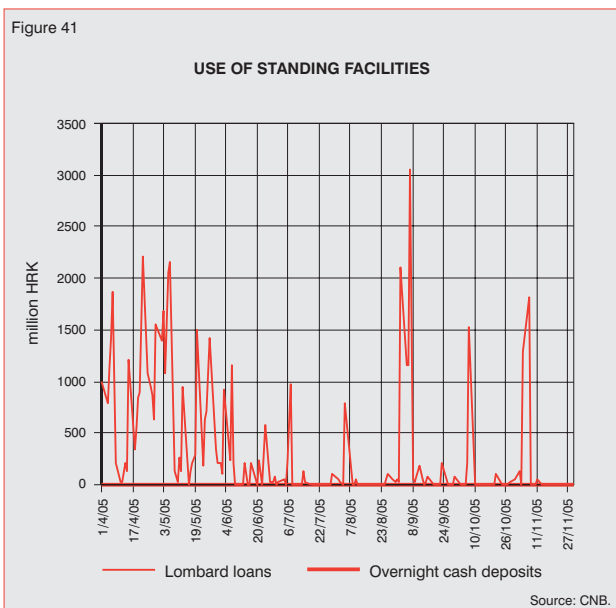
with the growth of intra-month demand for mid-month salary-related cash disbursements.

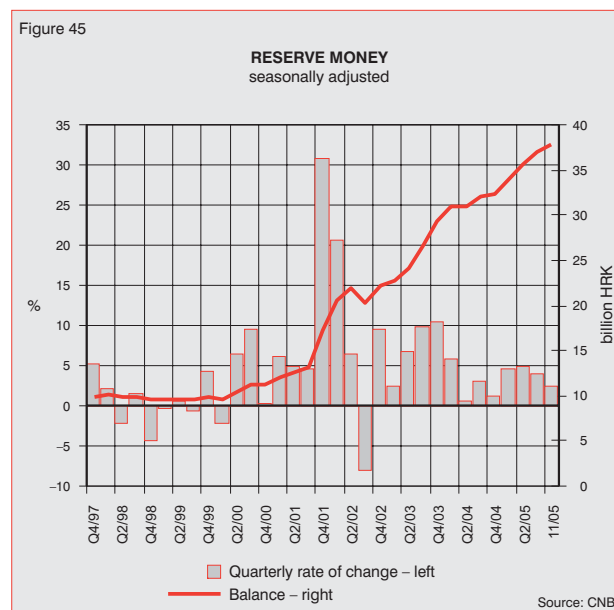
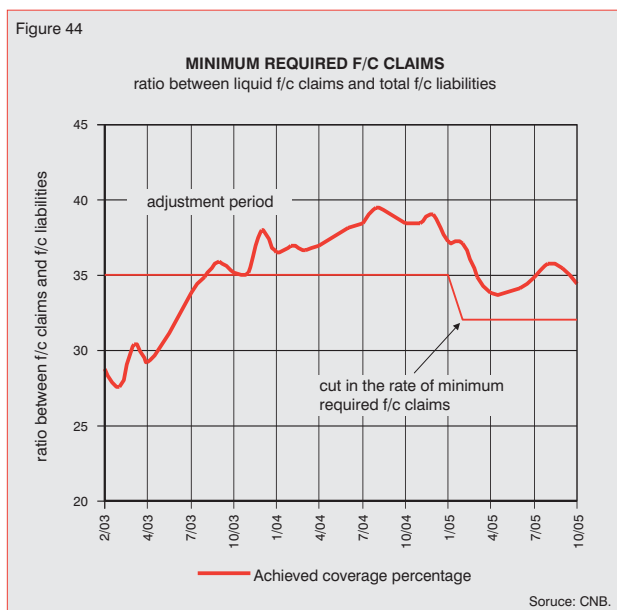
The banks again tended to create surplus liquidity before entering a new reserve requirement maintenance period in the fourth quarter. Overnight deposits of banks with the CNB thus jumped to HRK 1.5bn just before the October reserve requirements allocation (7 October) and to HRK 1.8bn just before the November allocation (7 November). Except on the eve of the new reserve requirements allocation, the banks did not make any extensive use of the standing facility involving overnight depositing of surplus liquidity with the CNB.

The increase in kuna reserve requirements from the third quarter, due to a seasonal rise in domestic sources of funds, continued into the fourth quarter. As a result of the increase in the reserve requirements calculation base the banks had to set aside in October HRK 274m more than in the previous month and in November HRK 188m more. Total kuna reserve requirements, both set aside and maintained, rose in

the first eleven months by HRK 4.8bn, and, following the November calculation, stood at HRK 24.8bn. High liquidity withdrawn by means of the instrument of kuna reserve requirement was the result of an increase in kuna savings and time deposits in 2005 and the June changes in the reserve requirement instrument involving an increase in the share of reserve requirements which is allocated in kuna from 42% to 50%.

Foreign currency reserve requirements in November stood at HRK 12.4bn, an increase of HRK 0.2bn compared with the end of the third quarter. Poorer growth of foreign currency compared with the kuna reserve requirements can be attributed to the October decline in the banks' average balance of foreign sources of funds. The October appreciation of the exchange rate of the kuna contributed further to the fall in the foreign currency reserve requirements calculation base due to the fact that the average balance of foreign sources of funds in the calculation of foreign currency re-





serve requirements is expressed in its kuna equivalent.

Fallen demand of banks for foreign financing in the conditions of rising domestic sources of funds during the summer was also reflected in a September and October fall of almost HRK 0.5bn in marginal reserve requirements. However, foreign liabilities of banks started their usual seasonal growth soon in the fourth quarter. The calculation base for marginal reserve requirements in November rose by HRK 323m, compared with the previous month, causing the marginal reserve requirements to rise by additional HRK 129m.

Following an increase in the ratio of liquid foreign currency claims and foreign currency liabilities during the summer months, the September increase in foreign liabilities of banks and the fall in their foreign currency claims in October led to a fall in the coverage of banks' foreign currency liabilities by their foreign currency claims. The average rate of the minimum required foreign currency claims of banks fell from 35.8% in August to 34.5% in October.

### Reserve Money and International Reserves

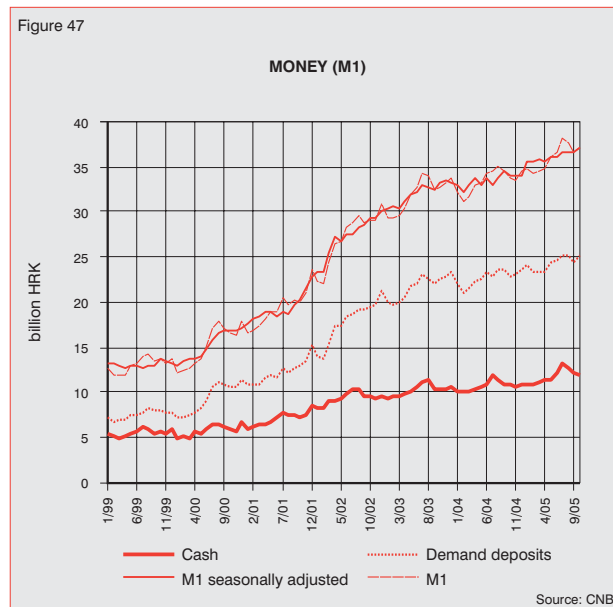
Following its faster growth in the third quarter due to seasonal demand for currency, reserve money (M0), continued to grow early in the fourth quarter due to an increase in the kuna reserve requirements. As a result, at end-November, reserve money stood at HRK 36.9bn, which is an increase of HRK 1.3bn compared with the end of the third quarter. Acceleration in the annual growth rate of reserve money, which stood at 18.3% in November, was due to the effects of the base period. Due to the banks' subscriptions of government bonds at end-November 2004, their settlement accounts' balances were at their minimum. Further evidence of reserve money growth can be found if developments in its seasonally adjusted value are observed.

Reserve money growth in the first two months of the fourth quarter was due to growing deposits of banks with the CNB, which rose by a total of HRK 1.8bn and totalled HRK 25.2bn at end-November. The growth of bank deposits with the CNB was due to an increase in kuna reserve require-

ments of HRK 0.4bn compared with the end of the third quarter and to an increase of HRK 1.5bn in the banks' settlement accounts and in vaults balances. The other main component of reserve money, currency outside banks, started shrinking late in August, after reaching its highest values at the height of the tourist season. Seasonal withdrawal of currency from circulation continued until late third quarter and in October and November. The average balance of currency in the first two months of the fourth quarter was HRK 12.1bn, which is a decline of HRK 0.8bn compared with its average third quarter balance.

Central government deposits with the CNB held very steady in the first two months of the fourth quarter, with only slight fluctuations reflecting short-term inflows and outflows of the government funds in connection with the settlement of government's due obligations. The average balance of central government deposits during October and November stood at HRK 528m, which is a decline of only HRK 61m compared with their average balance in the previous period. Almost the entire amount of central government deposits involved kuna deposits, while foreign currency deposits were insignificant.

Following stagnation in the third quarter, international reserves of the CNB rose in the first two months of the fourth quarter by EUR 222m. The largest contribution to their growth was provided by a November purchase of foreign currency from the banks (EUR 116m). In addition, the growth in international reserves was also due to an increase in foreign currency reserve requirements of EUR 36m and an increase in marginal reserve requirements of some EUR 11m. Considerable strengthening of the exchange rate of the dollar against the euro also contributed to an increase in international reserves in euro terms, since one fifth of international reserves of the CNB are invested in dollar-denominated instruments. At end-November, total international reserves stood at EUR 7,220m, which is an increase of EUR 784m compared with the beginning of the year. During the same period, net usable international reserves rose by EUR 413m and stood at EUR 5,439m at end-November.



## Monetary Developments

The third and early fourth quarters of this year saw a continued acceleration in bank placements to the non-banking sector and a rapid increase in total liquid assets (M4). The growth of M4 was due to an increase in quasi-money, particularly foreign currency deposits, while both components of money recorded common seasonal developments. In addition to the household sector, the growth of placements to the corporate sector also accelerated, while the growth in domestic sources of finance in the third quarter made it possible for banks to improve their net foreign assets, in addition to accelerating growth of their placements. With the exhaustion of the domestic sources of finance early in the last quarter of the year, the banks turned again to foreign borrowing.

### Money

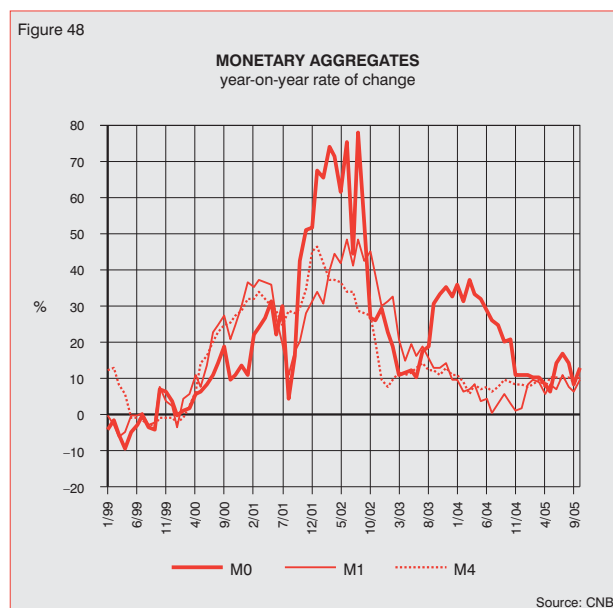
As regards developments in money (M1), the third quarter was marked by its usual seasonal changes. It grew rapidly in the first half of the quarter, mostly due to a seasonal increase in currency in circulation in the height of the tourist season. After reaching this year's maximum in mid-August, money started shrinking. In October, with a fast growth of demand deposits and a further decline in currency, M1 rose by HRK 0.4bn. At end-October, money was HRK 37.1bn, growing annually by 9.6%. Seasonally adjusted value of money held steady in the third quarter, but it also grew rapidly during October.

Both components of money, currency in circulation and demand deposits, recorded similar developments during the third quarter. After steady growth from the beginning of the year, currency in circulation, influenced by tourist demand, rose sharply in the first half of the third quarter, reaching almost HRK 13.6bn by mid-August. Faster growth of currency was also reflected in its annual growth rate, which rose from 5.6% at the beginning of the year to 11.9% at end-September. With peak tourist season over, the amount of currency in circulation declined by HRK 0.3bn further in the third quarter and at end-October it stood at HRK 11.9bn,

growing annually by 9.5%.

The other component of money, demand deposits, rose slightly in the first two months of the third quarter but fell again in September so overall, they declined by HRK 0.1bn in the third quarter. Unlike currency, demand deposits rose sharply in October (HRK 0.7bn) and stood at HRK 25.2bn, growing annually by 9.7%.

Developments in total demand deposits in the third quarter were largely influenced by increased demand of companies for "transaction" money during the summer and the tourist season. Demand deposits of the corporate sector rose in the first two months of the third quarter by HRK 0.5bn and fell by the same amount during September, so overall they held steady in the third quarter at around HRK 11.6bn. With rapid growth early in the fourth quarter (HRK 0.6bn), demand deposits of the corporate sector reached HRK 12.2bn at end-October and an annual growth rate of 5.2%. Following their steady growth from the beginning of the year, demand deposits of the household sector also rose in





July by HRK 0.3bn. Stagnant growth later on in the third quarter and slight decline early in the fourth quarter (by HRK 0.1bn) did not cause a slowdown in the annual growth rates of household demand deposits. At end-October, household demand deposits stood at HRK 10.2bn, growing annually by 21.4%.

**Total Liquid Assets**

While money held steady, kuna non-monetary deposits rose considerably in the third quarter. Changes in total kuna deposits were largely determined by kuna time deposits, whose developments in the past two years were mainly determined by changes in kuna time deposits with a currency clause. Thus in the third quarter too, kuna time deposits with a currency clause accounted for HRK 2.1bn of the total increase in kuna deposits of HRK 2.5bn. At end-October, total kuna deposits stood at HRK 28.1bn, growing annually by 18.5%.

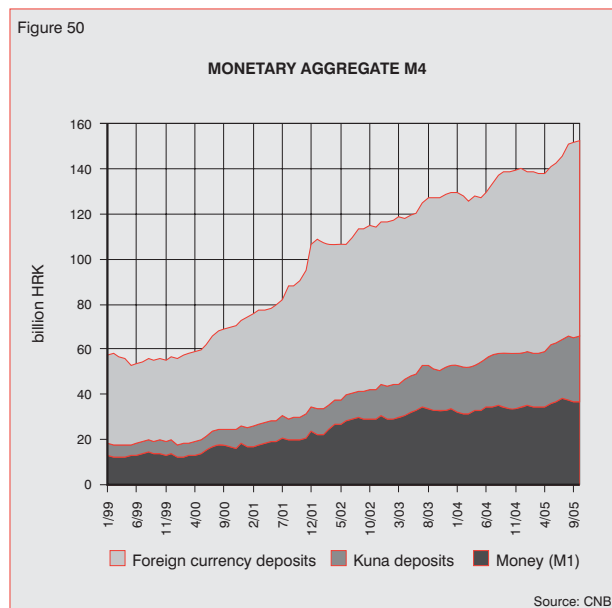
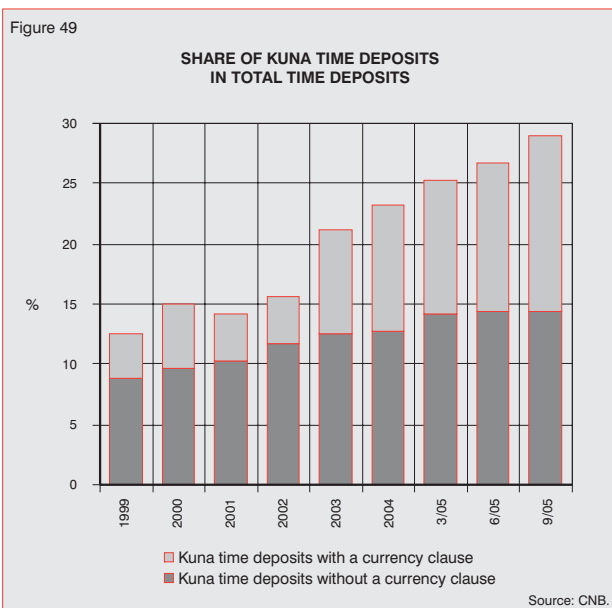
As regards the structure of kuna deposits, household deposits continued to grow steadily from the beginning of the year. Of the total increase of HRK 3.0bn in household kuna savings and time deposits in the first nine months of the year, time deposits accounted for HRK 2.9bn, of which HRK 2.2bn were time deposits with a currency clause. Total household kuna deposits at end-October stood at HRK 14.7bn, growing annually by a high 40.8%. Kuna deposits of the corporate sector, following rapid growth in the first two months of the third quarter (HRK 1.2bn), fell rapidly in September and October (HRK 0.5bn), so that they stood at HRK 8.8bn at end-October, growing annually by -12.2%, since their growth in the second and the third quarters was insufficient to compensate for the first quarter fall. At the same time, kuna deposits of other banking institutions and non-banking financial institutions rose by almost HRK 1.0bn in the first and early in the fourth quarter, steadily increasing their share in total kuna deposits (from 7% early this year to 12% at end-October).

Foreign currency deposits grew rapidly in the third quarter. The usual inflow of foreign currency from tourism dur-

ing the summer, good overall economic performance, and favourable exchange rate for foreign currency purchases led to an increase of HRK 7.1bn in foreign currency deposits in the third quarter. If the exchange rate effects are excluded, foreign currency deposits almost held steady in the first six months of this year (0.6% growth), in contrast with the third quarter when they rose by 7.1%. With a mild decline in their kuna equivalent early in the last quarter of this year, as a result of kuna exchange rate appreciation, total foreign currency deposits at end-October stood at HRK 86.4bn, growing annually by 7.9%. With the exchange rate effects excluded, the annual growth rate of foreign currency deposits at end-October was 8.7%.

Developments in total foreign currency deposits were mostly affected by changes in household foreign currency deposits which account for the largest share in total foreign currency deposits (83.4% at end-October). Household foreign currency deposits rose sharply in the last quarter (HRK 4.7bn), recording much higher annual growth rates compared with the same period previous year. With a slight nominal decline early in the last quarter this year, household foreign currency deposits stood at HRK 72.0bn at end-October, growing annually by 7.5%. Foreign currency deposits of the other most significant sector, the corporate sector, rose sharply in August (HRK 1.8bn), following a decline from the beginning of the year, due to the favourable interest rate for foreign currency purchases in that month. The largest share of this increase can be attributed to private companies (HRK 1.6bn). At end-October, total foreign currency deposits of the corporate sector were HRK 13.0bn, growing annually by 6.7%, or 7.5%, if exchange rate effects are excluded.

Developments in total liquid assets (M4) in the third and early fourth quarter were characterised by seasonal developments in money and a rapid growth in quasi-money. Demand for cash and demand deposits dropped off with the completion of the tourist season, while the growth of quasi-money was due mostly to the growth in foreign currency deposits during the summer. At end-October, total liquid assets stood at HRK 152.5bn, growing annually by 10.2%.



### Placements

The growth of bank placements to the non-banking sector continued to accelerate in the third and early fourth quarter. The annual growth rate of placements in 2004 was 14.0%, and at end-October 2005 it was 17.9%. With the effects of the exchange rate excluded, the acceleration was even faster and the annual growth rate higher, standing at 19.0%. The banks used the sharp increase in domestic sources of finance during the third and in early fourth quarter to accelerate their placements growth. Total bank placements to the non-banking sector at end-October stood at HRK 143.1bn.

The largest contribution to accelerated growth of total bank placements to the non-banking sector was provided by rising placements to the household sector and their acceleration during the summer. At end-October, they reached HRK 76.1bn, growing annually by 23.0%. Household placements rose by a total of HRK 10.8bn in the first ten months of this year (an increase of 16.6%), compared with HRK 6.9bn in the same period previous year (an increase of 12.5%). In terms of the structure of total placements, housing loans grew the fastest (their annual growth rate at end-October was 30.3%). They were followed by other loans to households, i.e. all-purpose loans and current account overdraft facilities (annual growth rate at end-October was 23.0%). Together, they again accounted for the largest share of total loans granted to households (80.9% at end-October).

The growth of bank placements to the corporate sector also accelerated slightly in the third and early in the fourth quarters. Their annual growth rate in 2004 was 9.0% and at end-September and end-October this year in reached 10.5% and 12.5% respectively. The acceleration was the result of rising corporate loans which accounted for 93% of total placements received by companies at end-October and which rose by 15.6% on an annual level. Thus, in addition to other forms of financing available to them, in the third and early fourth quarter, companies increased their borrowing from the banks. At end-October, total bank placements to the corporate sector amounted to HRK 63.4bn.

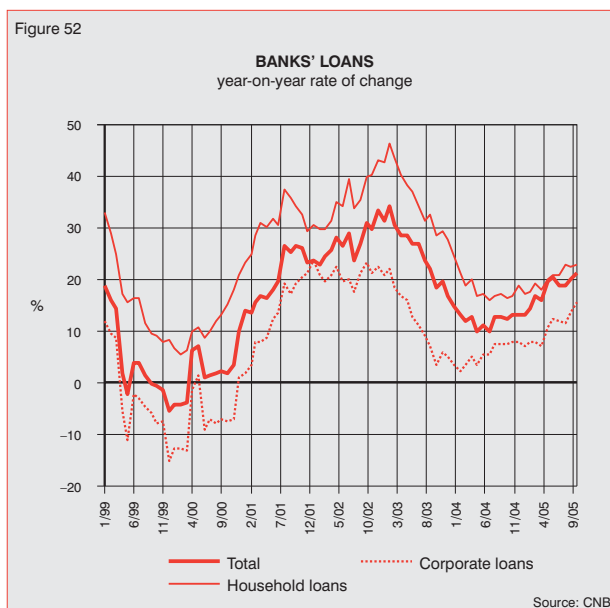
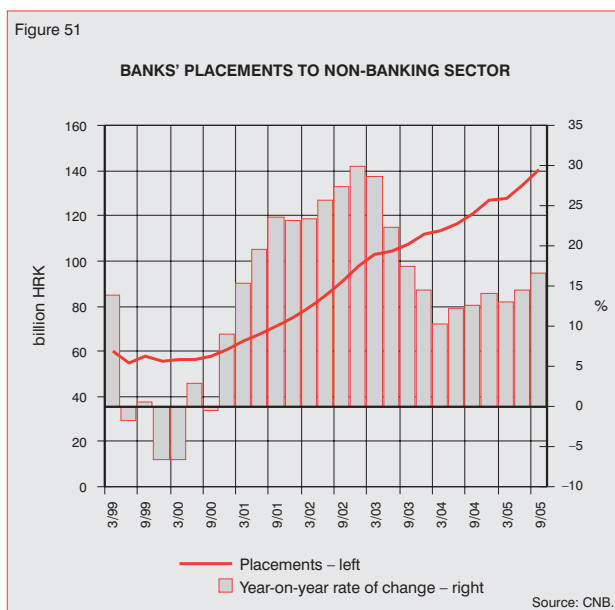


Table 2: Currency Structure of Bank Loans Granted to Other Domestic Sectors<sup>a</sup>, end of period, in %

	Dec. 2003 Share	Dec. 2004 Share	Sep. 2005 Share
Foreign currency loans and kuna loans with a currency clause	71.3	74.1	76.1
EUR	67.2	67.7	64.8
USD	3.2	3.3	3.4
CHF	0.8	3.0	7.8
Other currencies	0.1	0.1	0.1
Kuna loans	28.7	25.9	23.9
Total granted loans	100.0	100.0	100.0

<sup>a</sup> Household, corporate and loans to all government units included.

As regards the structure of total bank loans granted, kuna loans with a currency clause accounted for the largest share of total bank loans, while kuna loans without a currency clause and foreign currency loans accounted for only a small portion of total bank loans granted. However, in terms of this structure, there were a few changes this year. Firstly, the share of kuna loans without currency clause declined while the share of foreign currency loans and kuna loans with a currency clause increased. Secondly, in terms of currency structure of kuna loans with a currency clause and foreign currency loans, the share of loans indexed to the Swiss franc rose considerably reflecting heavy competition in household lending and business policies of banks. Characterised by significantly lower interest rates, the share of such loans in total loans granted rose from 0.8% at end-2003 to 3.0% at end-2004, and to 7.8% at end-September 2005, when they stood at HRK 11.4bn.

### Placements to the Central Government

Bank placements to the central government fell in the third quarter and early in the fourth quarter the government renewed its bank loans. In July, the government used its bond issue funds to settle partly its loan obligations. Banks claims arising from T-bills subscriptions rose slightly (HRK 0.7bn) in the third quarter, reaching HRK 7.6bn at end-October. After a considerable increase in the amount of bank loans granted to the central government in October (HRK 0.9bn), total bank placements to the central government

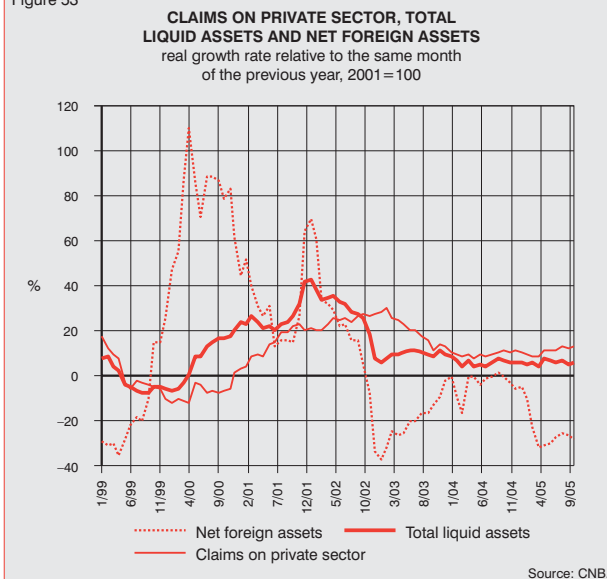
reached HRK 30.3bn at the end of that month, growing annually by 38.8%. Their developments from early this year provide a confirmation of the government's resolve to ensure a major share of the funds needed for the settlement of its due obligations on the domestic market. In the first ten months of this year, bank placements to the central government rose by HRK 9.3bn, with the first quarter accounting for the largest share of the increase (HRK 7.7bn).

Central government deposits rose in the third and early in the fourth quarter by HRK 1.3bn and stood at HRK 9.7bn at end-October. Unlike placements to the government, the fluctuations in government deposits involved lesser absolute amounts, so developments in net placements to the central government were largely determined by changes in placements. Net placements to the government were up by HRK 6.7bn in the first ten months of this year, reaching HRK 20.6bn at end-October, and growing annually by 40.6%.

### Foreign Assets and Liabilities

A large inflow of domestic sources in the third quarter, in addition to providing banks with sources for financing domestic credit activities, also helped banks improve their net foreign assets. Thus, as a result of an increase in foreign assets and a decrease in foreign liabilities, net foreign assets (NFA) of banks rose by HRK 5.3bn, reaching HRK

Figure 53



–24.9bn. With their October foreign borrowing (HRK 1.0bn), banks foreign liabilities reached HRK 61.8bn, an increase of 15.9% compared with the same month previous year. With a decline in foreign assets (HRK 1.1bn), NFA of banks stood at HRK –27.0bn.

### Box 1: Adjustments of the Monetary Policy Instruments

The Council of the Croatian National Bank adopted at its November session changes to several of its implementing monetary policy decisions with a view to increasing efficacy of open market operations, facilitating liquidity management and ensuring improved balance in overnight interest rates developments on the money market.

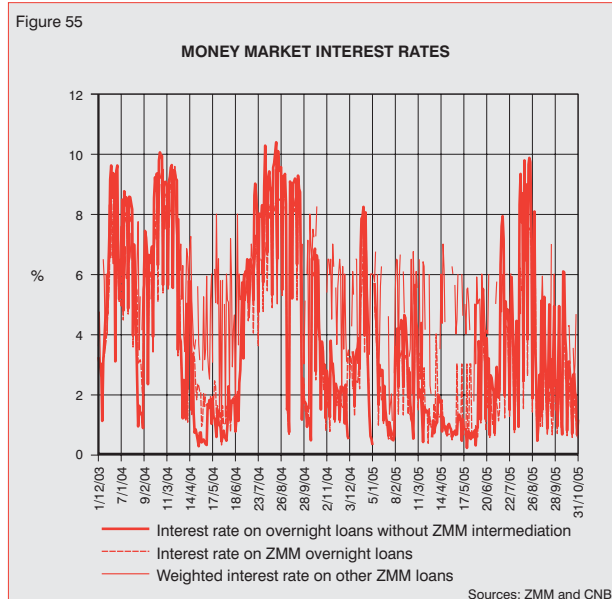
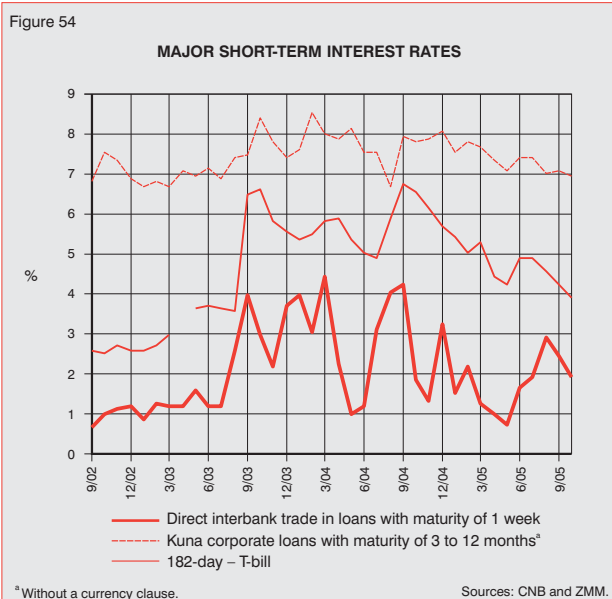
Firstly, the central bank decided to reduce the interest rate it charges on Lombard loans, from 9.5% to 7.5%, in an effort to improve the symmetry of interest rate corridors, as determined by the applicable interest rates on overnight monetary deposits of banks with the CNB as the floor value (0.5%) and the interest rate on Lombard loans as the ceiling value (7.5%) and the repo rate standing in the middle between the two. Symmetric interest rate corridors can make a positive contribution to the stabilization of market interest rates and help decrease their volatility because they steer them towards a mid-value range as determined by the repo rate.

Secondly, the CNB redefined the period used for the calculation of the reserve requirements base and the maintenance period for reserve requirements and marginal reserve requirements. Starting with the December calculation, non-business days, i.e. Saturdays, Sundays and holidays, will be included in the calculation of the base and the maintenance period. This change is also expected to make a contribution in terms of stabilization of interest rates on

the overnight market, and particularly in helping eliminate large fluctuations which commonly take place on Fridays or just before holidays. With the previous exclusion of these days from the reserve requirements maintenance periods, the banks did not need to ensure free reserves from the CNB or the money market to meet the reserve requirements maintenance obligation on non-business days. As a result, on Fridays or on days immediately preceding holidays, interest rates on the money market typically fell below average and some banks used to withdraw their funds from their non-interest paying settlement accounts with the CNB and transfer them to the overnight facility which pays 0.5% interest.

Another, third, change in monetary policy instruments involves the rescheduling of reserve requirements and marginal reserve requirements calculation and maintenance from the eight calendar day in a month to the second Wednesday in a month. This change links the beginning of the reserve requirements maintenance period with the day of the regular repo auctions, thereby helping reduce the pressure leading to increased interest rates on the money market due to larger demand for free reserves on the days of reserve requirements allocation. These changes will facilitate liquidity management for banks and will help the central bank in planning and conducting reverse repo operations.

The aforementioned changes in monetary policy instruments represent a move forward towards European Central Bank practices in monetary policy implementation.



## Money Market

The period of relatively high banking sector liquidity, spreading throughout the second quarter 2005, ended in the third quarter due to a rise in kuna demand driven by the tourist season. This resulted in an increase in money market interest rates and turnover, spurred additionally by a EUR 350m government bond issue at mid-July. As a result, banks' interest in regular reverse repo operations picked up and issues at CNB repo auctions increased. However, liquidity improved in July, while kuna demand and interest rates declined. In October, liquidity was further fuelled by HRK 854m placed on the market through two CNB foreign exchange interventions.

In consequence of these developments, investor interest in MoF T-bills waned in the third quarter and their interest rates rose, only to drop again due to an increase in liquidity late in the third quarter and in October.

Banks lending interest rates on short-term loans dropped in the third quarter and in October 2005. Lending interest rates on long-term corporate loans eased, while those on long-term household loans drifted upwards. Interest rates on foreign currency deposits mostly held steady, while interest rates on kuna deposits first rose and then declined, following money market interest rate trends.

### Money Market Interest Rates

According to ZMM data, reported loan demand rose in the third quarter from the second quarter 2005, generating an increase in money market interest rates. However, both reported loan demand and interest rates dropped in September and continued trending downwards in October.

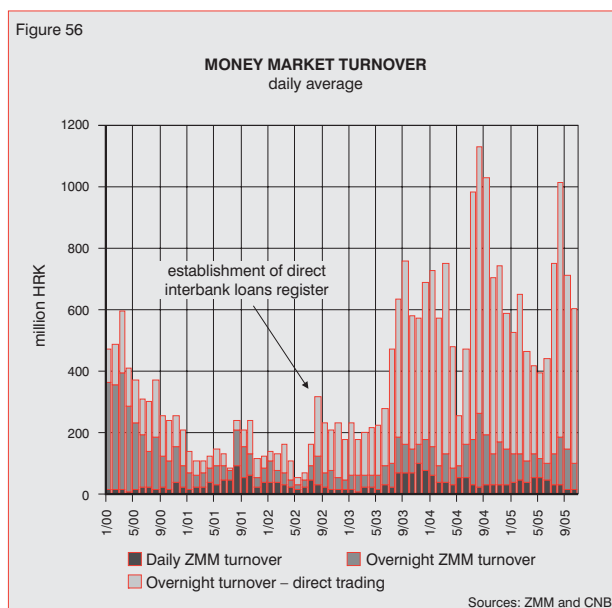
The weighted interest rate on overnight loans intermediated by the ZMM advanced from 1.96% in June to 5.55% in August, dropped to 1.83% in September and rebounded to 2.12% in October. The weighted interest rate on other loans intermediated by the ZMM declined from 5.01% in June to

4.21% in September and further to 3.84% in October.

Total ZMM turnover was up from HRK 7.3bn in the second quarter 2005 to HRK 9.9bn in the third quarter. The average daily turnover in overnight loans stood at HRK 129.5m and HRK 79.8m in the third quarter and in October respectively. The average daily turnover in other loans decreased from HRK 51.3m in the second quarter to HRK 24.9m in the third quarter 2005, standing at HRK 18.5m in October.

In the third quarter 2005, overnight loans continued to hold the largest share among loans of various maturities intermediated by the ZMM, increasing it even further, from 56% to 84%, as typical for periods of lowered kuna liquidity. Having made up more than 90% of other loans in the second quarter, one-month loans reduced their share to somewhat over a half in the third quarter.

Direct interbank overnight lending accelerated in the third quarter 2005 compared with the previous quarter, generating an average daily turnover of HRK 669.7m (com-



pared with HRK 300.0m in the second quarter). Interbank overnight lending was down in October, with an average daily turnover of HRK 506.3m. The weighted interest rate on direct interbank overnight loans, up from 2.77% in June to 6.75% in August, dropped to 2.83% and 3.00% in September and October respectively.

### Interest Rates on Short-Term Securities Market

Due to the decreased banking sector liquidity, investors showed less interest in MoF T-bills for most of the third quarter 2005. As a result, the balance of subscribed T-bills dropped by HRK 857m from the end of the previous quarter, standing at HRK 12.00bn at end-September 2005. As investors' interest picked up in September and October, their balance rose to HRK 12.04bn at end-October.

Interest rates on T-bills of all maturities trended downwards in the third quarter 2005 from the end of the previous quarter, reducing weighted interest rates on 91, 182 and 364-day bills from 4.04%, 4.92% and 5.19% in June to 3.93% 4.27% and 4.85% respectively in September 2005. With T-bills' rates dropping further in October, weighted interest rates on 91, 182 and 364-day bills amounted to 3.71%, 3.91% and 4.28% respectively at the month end.

At the end of the third quarter 2005, T-bills with the longest maturity customarily accounted for the largest share of total subscribed bills (78%). The second largest share, slightly over 20%, was that of 182-day T-bills, while the share of T-bills with the shortest maturity stood at about 2%. In October, the share of T-bills with the longest maturity rose to 84%, the share of 182-day bills dropped to approximately 14%, while the share of 91-day bills remained at about 2%.

At end-August 2005, the MoF also issued EUR denominated T-bills, valued at EUR 84.1m. Their total balance at end-October was EUR 110.6m.

### Banks' Interest Rates

Interest rates on short-term loans reduced over the second quarter 2005. The weighted interest rate on short-term kuna loans not indexed to foreign currency stood at 8.19% in June, dropped to 8.01% in September and further to 7.98% in October. The weighted interest rate on short-term household loans not indexed to foreign currency, standing at 13.00% in June, decreased to its record low of 12.04% in September and went up slightly to 12.35% in October.

The weighted interest rate on long-term corporate loans indexed to foreign currency dipped from 5.47% in June to 5.42% in September and to 5.09% in October. The weighted interest rate on long-term household loans indexed to foreign currency grew from 7.22% in June to 7.40% in September, mostly due to the increase in the interest rate on other long-term household kuna loans indexed to foreign currency, making up more than half of all long-term household kuna loans indexed to foreign currency. The weighted inter-

Figure 58

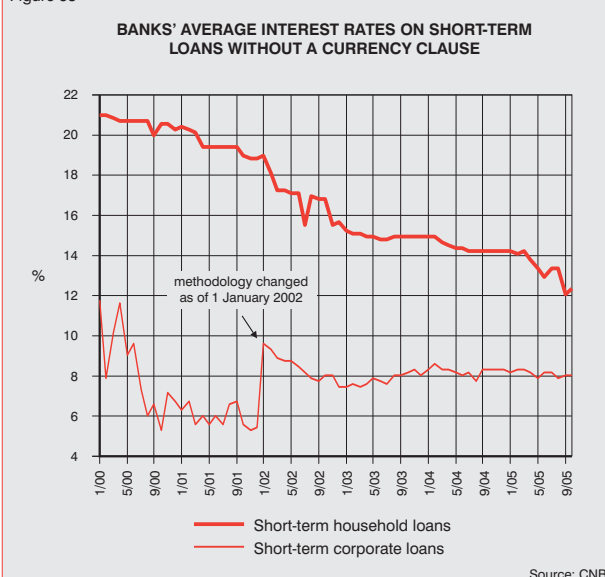


Figure 57

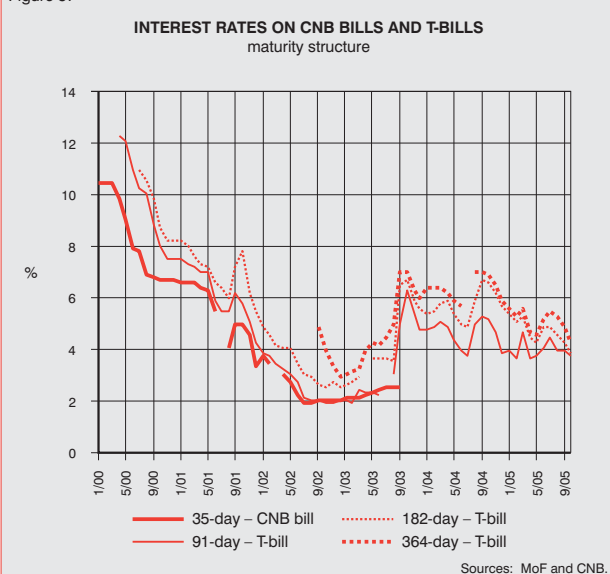
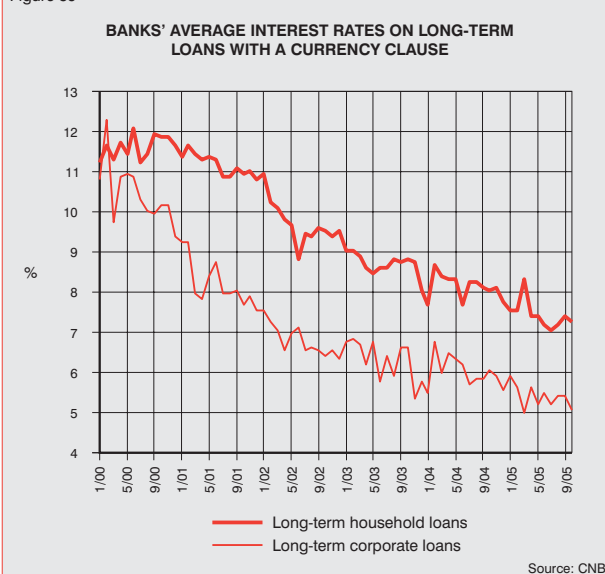


Figure 59



est rate on long-term household loans was down to 7.27% in October.

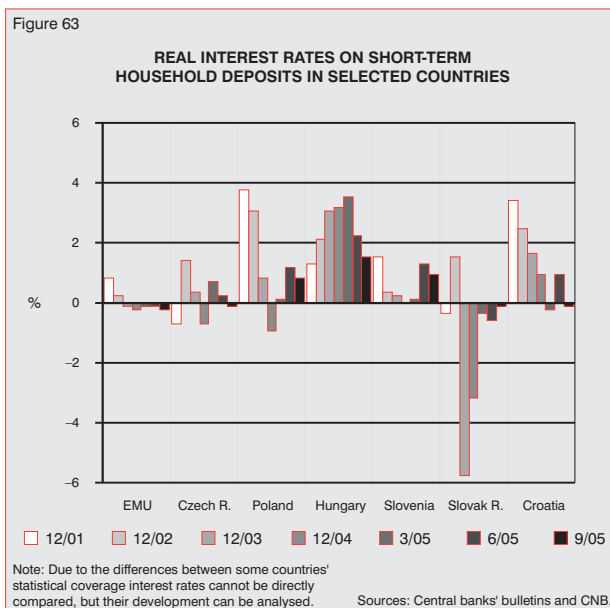
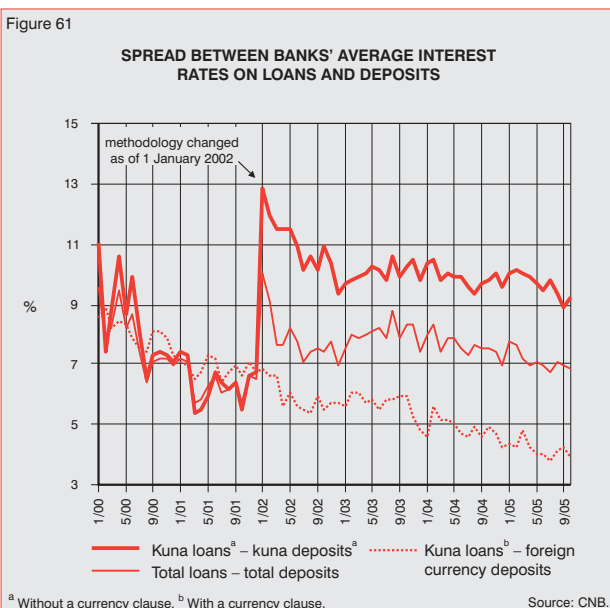
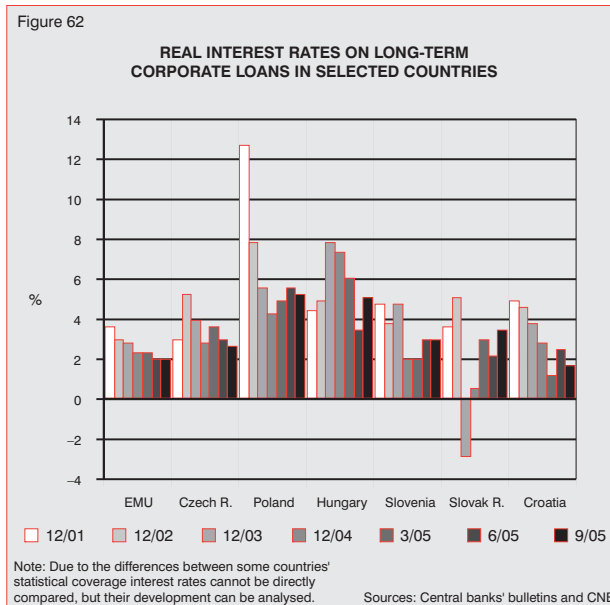
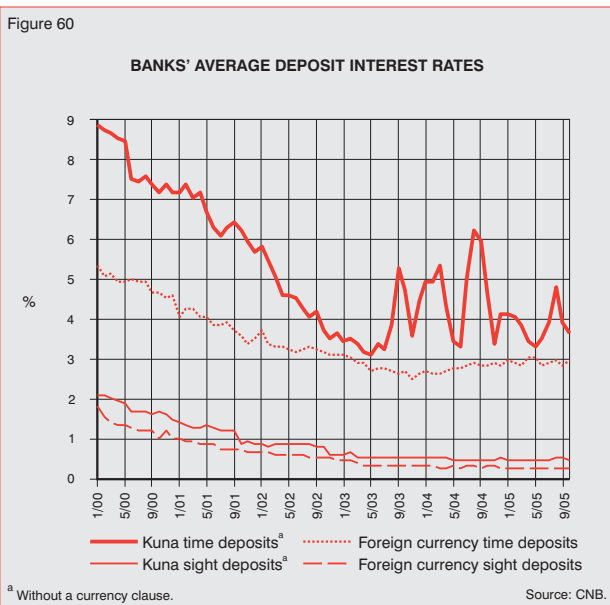
Influenced by money market trends, the weighted interest rate on time kuna deposits not indexed to foreign currency, standing at 3.55% in June, rose to 3.93% by September and dropped to 3.66% in October. As for foreign currency deposits, the weighted interest rate on foreign currency time deposits drifted higher in the third quarter, rising to 2.87% in September and to 2.95% in October (from 2.86% in June). In contrast, the weighted interest rate on foreign currency sight deposits, which was 0.30% in June, hit its all time low of 0.26% by September and held steady in October.

The spread between banks' lending and deposits rates narrowed in the third quarter and in October 2005. The spread between interest rates on total loans and those on total deposits stood at 7.01 percentage points in June, dropping to 6.98 and 6.84 percentage points in September and October respectively. The spread between interest rates on kuna loans not indexed to foreign currency and those on

kuna deposits also narrowed, from 9.49 percentage points in June to 8.93 percentage points in September, its lowest level since new methodology of reporting on banks' interest rates was introduced in early 2002. This spread was up to 9.26 percentage points in October. The spread between interest rates on kuna loans indexed to foreign currency and interest rates on foreign currency deposits widened from 4.05 to 4.23 percentage points in the third quarter, narrowing to 3.92 percentage points in October.

In the EMU, in contrast with Croatia, nominal interest rates on long-term corporate loans stayed almost the same in the third over the second quarter. They mostly trended upwards in the selected Central and East European countries, declining only in Poland. Nominal interest rates on short-term household deposits largely remained unaltered both in most of the selected Central and East European countries and in the EMU, falling only in Poland and Hungary.

Real interest rates on long-term corporate loans dropped



in the EMU from the previous quarter owing to inflation increase, while nominal rates held at about the same level. In Hungary and Slovakia, real lending interest rates charged on corporate loans increased because of rising nominal interest rates and inflation fall. These rates, in contrast, reduced in other selected Central and East European countries, primarily due to inflation increase in these countries. Of all these countries, with the exception of Poland, the long-term downward trend in real interest rates is the most noticeable in Croatia.

Negative for a long period in the EMU and in Slovakia, real interest rates on household deposits turned negative in the Czech Republic and in Croatia in this quarter, remaining positive in other transition countries. In Croatia, this rate dropped due to inflation increase and the decrease in interest rates on household deposits. With the exception of Poland, the long-term downward trend in the real interest rate on short-term household deposits is the most marked in Croatia.

## Capital Market

Having slackened in the second quarter 2005, capital market trading intensified significantly in the third quarter and remained strong in October. The third quarter was marked by a surge in bond trading, primarily brought about by trading a new government bond, due 2015, issued in July. Also issued in July was a new corporate bond. Turnover, prices and stock exchange indices trended upwards in most Central European countries. With expectations of the EU accession negotiations starting to gain ground in July, Croatian eurobond yields started trending downwards and continued to drop until the accession negotiations started officially in early October.

### Equity Securities Market

ZSE share turnover reached HRK 927.2m in the third quarter 2005, rising by 12% from the previous quarter and by 53% from the same period in 2004. Adris grupa share was traded the most, accounting for 17% of total share turnover, and was followed by Pliva share and Kraš share, accounting for 10% of total turnover each. ZSE share turnover reached HRK 479.7m, the highest monthly level since February.

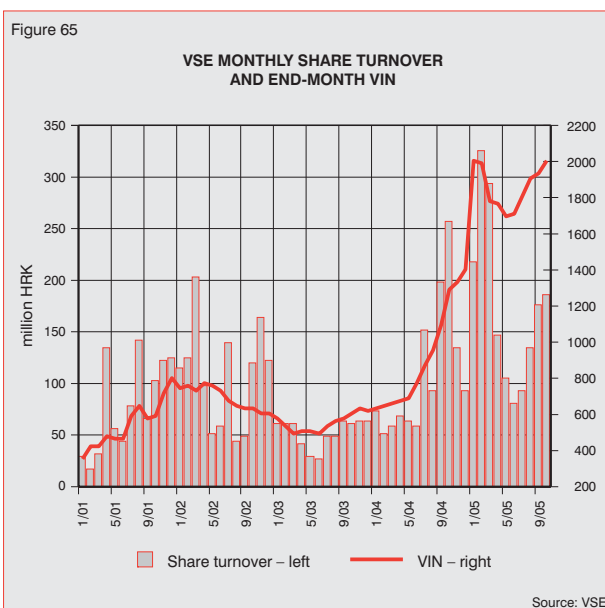
Having fallen sharply in the second quarter, the CROBEX rebounded in the third quarter, standing at 2040 points at end-September, due to a rise in the prices and turnover of constituent shares. The CROBEX dipped in October, amounting to 2026 points at the month-end.

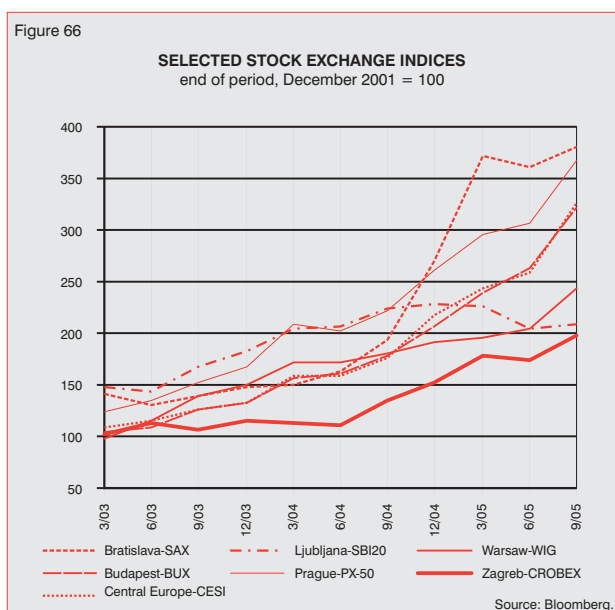
Share market capitalisation on the ZSE increased over the third quarter, reaching HRK 76,770m at end-September (34.5% of the estimated GDP for 2005), up HRK 8.0bn or 11.6% from end-June. This was in consequence of a rise in both share liquidity and share prices. Specifically, the overall ZSE market capitalisation 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 the shares not traded in the previous three months. Because of a rise in most ZSE share prices in October, share market capitalisation advanced to HRK 79,938m at the month end.

Market capitalisation of active shares on the VSE stood at the HRK 57,686m at the third quarter end, a rise of HRK 2.7m over the second quarter end, and of 117% over the end of the same period in the previous year. Having fallen to its lowest monthly level year-on-year, HRK 86.3m, total VSE turnover rose in the third quarter, standing at HRK 178.7m and HRK 186.3m in September and October respectively. Share turnover was HRK 405.4m in the third quarter, up 22% from the second quarter and 111% from the same period in 2004. Regular trading contributed the most to the VSE turnover increase. Public companies' shares accounted for about 51% of total turnover, and Free Market for 47%. With only one share listed, the Second Quotation has had a negligible turnover for quite some time and the Quotation of Rights, with trading conducted in the rights of the former





Ministry of Public Works, Reconstruction and Construction and the Ministry of Finance, had a turnover of HRK 3.2m in the third quarter, which made up 1% of total VSE turnover.

In the third quarter, the VSE index, VIN, continued to rise from June, reaching 1937 points at that quarter end, an increase of 14% from the second quarter end. This increase was as usual mainly attributed to Ericsson Nikola Tesla share, which made up the largest share in regular trading (28%) in the first nine months of 2005. The VIN continued on the upward path in October, reaching its all-time peak of 2001 points at the month end.

Having slowed in the second quarter, stock exchange indices in all observed CEE countries also recovered in the third quarter. The composite Central European Stock Exchange Index, CESI, continued upwards to 3375 points in the third quarter, up 26.5% from the end of the previous quarter. The CESI is compiled from the share prices of selected blue chip companies listed on the Budapest, Bratislava, Ljubljana, Prague and Warsaw Stock Exchange, with the shares listed on the Warsaw and Prague Stock Exchange carrying the largest weight. Stock exchange indices were up over the third quarter 2005 in all observed CEE countries, rising by 22.5%, 20.1%, 19.3%, 12.9%, 5.4% and 2.1% at the Budapest, Prague, Warsaw, Zagreb, Bratislava and Ljubljana Stock Exchange respectively.

Share and bond market capitalisation have mostly been

on the increase on all observed CEE stock exchanges, except on the Bratislava and Ljubljana Stock Exchange, since early 2003. All the stock exchanges, except the one in Bratislava, have recorded growth in share turnover, whereas the Ljubljana and Prague Stock Exchange have seen turnover declining. When compared with ZSE share turnover, turnover on the Bratislava Stock Exchange was as usual weaker, as was turnover on the Ljubljana Stock Exchange in the third quarter 2005. Of all the observed stock exchanges, only the Bratislava and Prague Stock Exchange had, as is common, a higher turnover than the ZSE.

### Debt Securities Market

The Croatian debt securities market saw two new bond issues in the third quarter 2005. At mid-July, Medika d.d. issued a three-year corporate bond worth EUR 16.5m in kuna equivalent, at a coupon rate of 4.5%. The bond issue price was 99.778. Also at mid-July, the Republic of Croatia issued a new EUR 350m worth government bond in the domestic market, due 2015, at a coupon rate of 4.25%. The issue price was 98.845 and the spread at issue between that and the benchmark German bond was 104 basis points. The seventh tranche of Jadranka d.d. commercial papers (official money market instruments), valued at HRK 10m, with a one year maturity, got listed on the ZSE in the same month, while HRK 40m worth Medika d.d. commercial papers, also maturing in a year, got listed in early November. This made Medika d.d. the first Croatian company to list shares, bonds and commercial papers on the stock exchange.

Eight government bonds, two municipal bonds, two government agencies' bonds (a DAB bond and a CBRD bond) and eight corporate bonds were listed on domestic stock exchanges at end-October 2005.

Market capitalisation of government bonds, municipal bonds and government agencies' bonds was EUR 3.5bn (HRK 25.7bn) at the third quarter end 2005, while market capitalisation of corporate bonds stood at EUR 605m (HRK 4.5bn). Holding steady until the end of October, market capitalisation of government bonds, municipal bonds and government agencies' bonds remained at the end-September level of 11.5% of the GDP estimate for 2005. Market capitalisation also held at 2% of the estimated GDP for 2005, reached at end-September.

Brisk bond trading on the ZSE in the third quarter 2005 generated a record quarterly turnover of HRK 8.6bn, a rise

Table 3: Comparison of Capital Market Indicators

September 2005	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million EUR)	0.3	99.2	2.0	207.9	236.3	2.6
Average daily turnover, bonds (million EUR)	172.7	5.4	0.5	56.6	4.3	22.2
Turnover <sup>a</sup> /GDP <sup>c</sup> , annual level (%)	0.2	32.6	2.0	60.8	32.0	2.5
Turnover <sup>a</sup> /GDP <sup>c</sup> , annual level (%)	125.3	1.8	0.5	16.6	0.6	21.2
Turnover velocity <sup>d</sup>	1.5	85.0	8.4	118.9	51.9	6.7
Market capitalisation <sup>a</sup> (million EUR), end month	4,136	30,800	6,230	44,048	68,059	10,347
Market capitalisation <sup>b</sup> (million EUR), end month	10,440	38,900	5,662	21,328	....	4,394
Market capitalisation <sup>a</sup> /GDP <sup>c</sup> , end month (%)	12.5	38.3	24.0	51.1	61.6	37.4
Market capitalisation <sup>b</sup> /GDP <sup>c</sup> , end month (%)	31.5	48.4	21.8	24.7	n.a.	15.9
Index movement from the beginning of the year (%)	40.8	55.7	-8.5	40.9	26.9	30.4
Index movement from the beginning of the month (%)	-2.8	6.4	-1.3	7.6	7.8	5.5

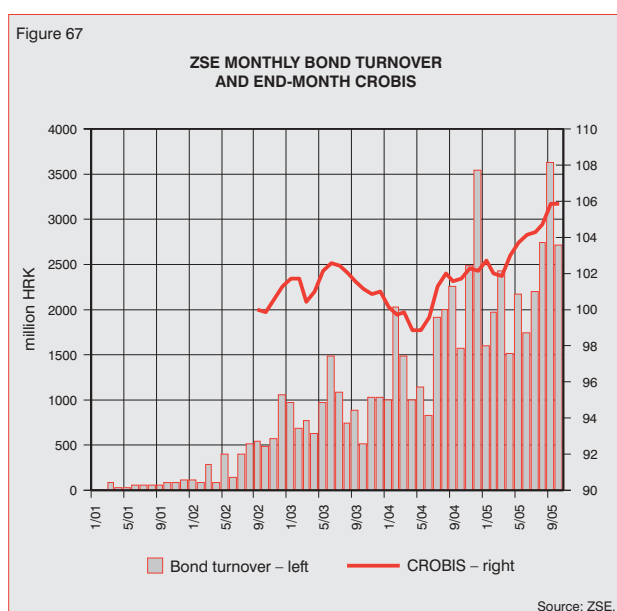
<sup>a</sup> Shares, <sup>b</sup> Bonds, <sup>c</sup> 2004, <sup>d</sup> Annualised monthly share turnover × 100/ market capitalisation of shares.  
Sources: Bloomberg, reports from BSSE, BSE, PSE, LJSE, WSE and ZSE.



Table 4: Bond Issues in the Domestic Market, stock as at 31 October 2005

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price <sup>a</sup>	Current yield 31/10/2005
DAB-O-05CA	DAB	19/12/2000	19/12/2005	EUR	225,000,000	8.375%	103.60	8.084%
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	111.20	6.183%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	118.65	5.794%
RHMF-O-085A	Republic of Croatia	28/5/2003	28/5/2008	HRK	1,000,000,000	6.125%	105.00	5.833%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	113.00	4.867%
RHMF-O-077A	Republic of Croatia	7/7/2004	7/7/2007	EUR	400,000,000	3.875%	101.40	3.821%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	200,000,000	5.375%	105.00	5.119%
RHMF-O-103A	Republic of Croatia	8/3/2005	8/3/2010	HRK	3,000,000,000	6.750%	110.75	6.095%
RHMF-O-157A	Republic of Croatia	14/7/2005	14/7/2015	EUR	350,000,000	4.250%	103.25	4.116%
GDKC-O-116A	City of Koprivnica	29/6/2004	29/6/2011	HRK	60,000,000	6.500%	101.35	6.413%
GDZD-O-119A	City of Zadar	1/9/2004	1/9/2011	EUR	18,500,000	5.500%	-	-
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%	101.50	6.404%
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%	101.20	4.941%
AGRK-O-074A	Agrokor d.d.	3/4/2002	3/4/2007	EUR	230,000,000	11.000%	107.15	10.266%
PLVA-O-115A	Pliva d.d.	12/5/2004	12/5/2011	EUR	75,000,000	5.750%	107.20	5.364%
ATGR-O-077A	Atlantic Grupa d.o.o.	15/7/2004	15/7/2007	EUR	15,000,000	5.750%	101.90	5.643%
MDKA-O-087A	Medika d.d.	11/7/2005	11/7/2008	EUR	16,500,000	4.500%	-	-

<sup>a</sup> Regularly traded shares. Source: ZSE, monthly report, October 2005.



of HRK 3.1bn or 57.3% compared with turnover in the second quarter. September saw a record monthly bond turnover of HRK 3.6bn. Bond trading declined over October, but still remained high at HRK 2.7bn. Republic of Croatia bonds due 2014, 2019, 2015 and 2007 were traded the most in the third quarter, accounting for 72% of total quarterly turn-

over. The most traded in October was the new government bond issued in July.

The ZSE bond index, CROBIS, continued rising in the third from the second quarter, standing at 105.8 at end-September, compared with 104.1 at end-June. The revision of the CROBIS, having included in the calculation a ten-year government bond due 2015, with the assigned weight of 11.55%, added considerably to its rise. The CROBIS value remained at the September level until end-October.

In line with the planned reduction in foreign borrowing, the Republic of Croatia issued no bonds in foreign markets in the third quarter. Consequently, 11 Croatian bond issues were listed in foreign markets at end-October, two USD denominated issues (government bonds replacing the debt of Croatian economic entities to the London Club), five EUR denominated and four JPY denominated issues. The nominal value of the 11 Croatian eurobond issues totalled HRK 33.7bn (EUR 4.6bn) at the end of October 2005.

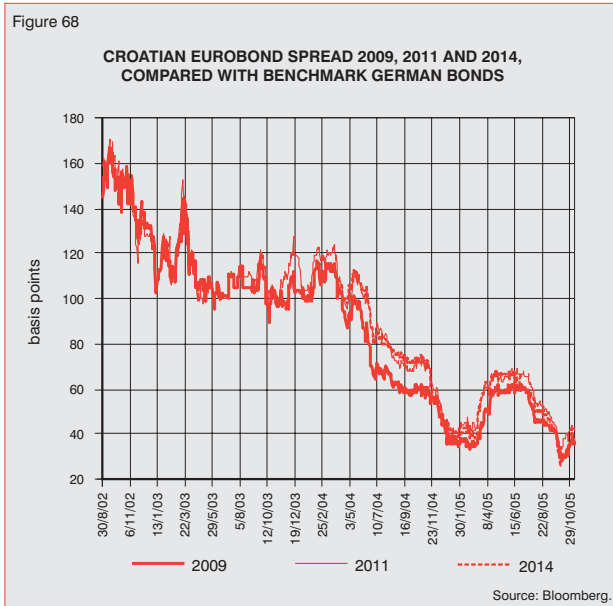
With the start of the EU accession negotiations beginning to be expected in late July, required yields on Croatian eurobonds started to decline. Due to the post-election crisis in Germany, required yields on German eurobonds started to rise, reducing the spread between Croatian and German eurobond yields. The spreads of Croatian eurobonds due 2009, 2011 and 2014 were 35, 38 and 21 basis points respectively, a considerable decrease from 61, 67 and 61 basis

Table 5: Republic of Croatia International Bond Issues, stock as at 31 October 2005

Bond	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread <sup>a</sup> 31/12/2004	Spread <sup>a</sup> 31/3/2005	Spread <sup>a</sup> 30/6/2005	Spread <sup>a</sup> 30/9/2005
London Club A, 2006	31/7/1996	USD	604,426,000	6-month LIBOR + 81.25 b.p.	-	-	87	91	79	26
London Club B, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.	-	-	116	117	111	96
Eurobonds, 2006	10/3/1999	EUR	300,000,000	7.375%	7.45%	375	15	30	17	7
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.750%	6.90%	215	42	59	67	38
Eurobonds, 2009	11/2/2002	EUR	500,000,000	6.250%	6.45%	158	38	46	61	35
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	4.65%	102	41	53	62	36
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	42	59	61	32
Samurai bonds, 2007	11/7/2000	JPY	40,000,000,000	3.000%	3.00%	135	39	29	33	33
Samurai bonds, 2006	23/2/2001	JPY	25,000,000,000	2.500%	2.50%	152	34	25	25	25
Samurai bonds, 2008	26/6/2002	JPY	25,000,000,000	2.150%	2.15%	144	44	43	42	35
Samurai bonds, 2009	26/6/2003	JPY	25,000,000,000	1.230%	1.23%	99	62	46	49	54

<sup>a</sup> In relation to benchmark bond. Source: Bloomberg.

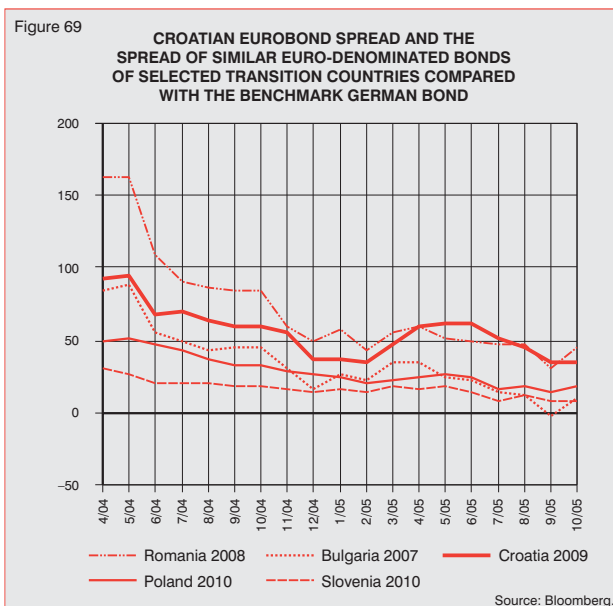
Figure 68



points recorded at end-June. The spreads rose slightly towards the end of October, to 35, 42 and 37 base points for bonds maturing in 2009, 2011 and 2014 respectively.

The spreads between new EU members' eurobonds and benchmark German bonds started to narrow as early as in the second quarter and continued the trend in the third quarter. The spreads of all new members' dropped sharply at the end of the third quarter from June due to a rise in German eurobond yields caused by uncertainty surrounding the country's parliamentary elections. Once the political situation in Germany had eased in October, yields on German eurobonds reduced to August levels. However, Croatian eurobond yields reduced as well, with the result that Croatia's spread was once again lower than Romania's. Despite weaker economic indicators, the spread between the Bulgarian eurobond due 2007 and the benchmark German bond was still considerably below the spread of the Croatian eurobond maturing in 2009.

Figure 69



## International Transactions

The reasons for the balance of payments developments in the third quarter of 2005 were twofold. First, strong growth in revenues from tourism services contributed to the year-on-year growth of the current account positive balance. Second, foreign trade imbalance continued to strengthen, net factor income outflows trended upwards and net revenues from current transfers trended downwards.

Gross external debt developments were marked by seasonal factors. The third quarter fall in external debt was largely due to banks' activities, i.e. due to their decision to use the increased inflow of foreign exchange in the tourist season for the repayment of their external liabilities.

### Current Account

The current account surplus during the third quarter of 2005 amounted to EUR 2.3bn, 13.8% more than in the same quarter last year. This was entirely the result of a successful tourist season, as suggested by both physical and financial indicators.

The number of foreign tourist arrivals was 7.7% greater in the third quarter than in the same period of the previous year, while the number of foreign tourist nights was 10.1% greater. The cumulative data for the first nine months of 2005 show that most nights in commercial accommodation facilities were realised by tourists from France, Italy, Hungary, Great Britain and Sweden, while less than a half of total nights stayed was realised by tourist from Germany, Italy and Slovenia. Measured by individual counties, the number of nights stayed by foreign tourists was the largest in the County of Istria, the County of Primorje-Gorski Kotar and the County of Split-Dalmatia, accounting for more than two-thirds of total nights. However, the strongest year-on-year growth in the number of nights stayed by foreign tourist was registered in the County of Split-Dalmatia and the County of Šibenik-Knin.

Reflecting the excellent performance of physical indicators and developments in average consumption per traveller, tourism also registered favourable financial results. Revenues from services rendered in tourism stood at EUR 4.1bn, up 12.3% over the third quarter of 2004. Due to the decrease in tourism consumption expenditures of Croatian residents abroad, net inflows from services exports increased at even higher rate of 16.7%.

In the third quarter of 2005, positive developments were also registered in other services. Net inflows from transportation grew at a high year-on-year rate, mainly due to the growth in net revenues from air and sea transportation services. On the other hand, net expenditures on other services fell considerably, mostly on account of a year-on-year fall in net imports of architectural, engineering and other technical services and trading and other trade-related services, and a growth in net exports of telecommunication services.

The growth in the negative balance of factor income account, registered in the third quarter of 2005, was for the most part the result of the base-period impact (high retained

earnings reported by a major multinational company headquartered in Croatia). In addition, the growth in total external debt in the past medium term period resulted in the year-on-year growth in interest payments on external liabilities. The account of current transfers saw a fall in net revenues, largely effected by the growth in government expenditures.

### Merchandise Trade

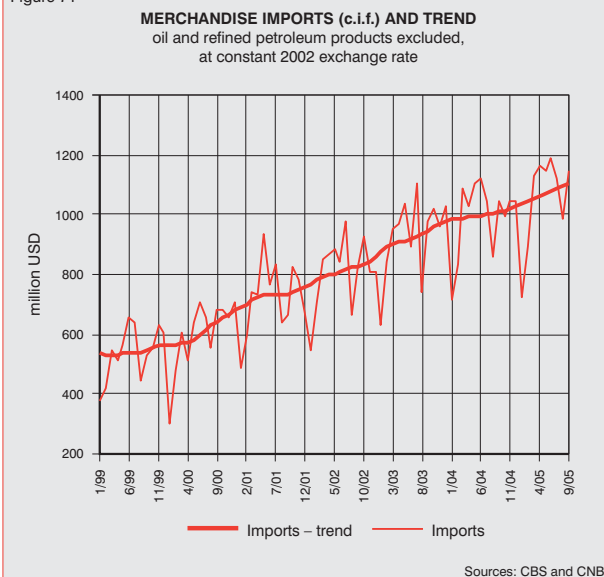
According to CBS data for the January-September period of 2005, total exports of goods stood at USD 6.5bn and total imports of goods at USD 13.7bn. These developments in trade in goods resulted in a deficit of 14.5%, while imports/exports coverage rate fell by 0.6 percentage points (in the first nine months of 2005, the coverage rate stood at only 47.4%). The deterioration of foreign trade balance is to be attributed to slower exports of goods and increased imports of goods.

Measured at constant 2002 exchange rates, total exports of goods grew by 10.2% year-on-year in the first nine months of 2005, down from the 21.5% seen in the same period last year. This slowdown was largely determined by considerably lower exports of ships and it is expected that it will be partly offset by a larger contribution of ship exports to total growth of exports in the last quarter of 2005.

Exports of ships excluded, total exports of goods grew by 15.4% year-on-year in the first nine months of 2005, which is almost the same as in the January-September period of 2004. Exports of oil and refined petroleum products fell by 6% year-on-year in the first nine months of 2005. However, due to a significant growth in energy products prices in the world market, oil and refined petroleum products contributed the most to the year-on-year growth of total exports of goods.

Other SITC divisions showed no signs of slowdown, which is further corroborated by the data showing that exports of goods (ships, oil and refined petroleum products excluded) grew by 14% year-on-year in the January-September

Figure 71



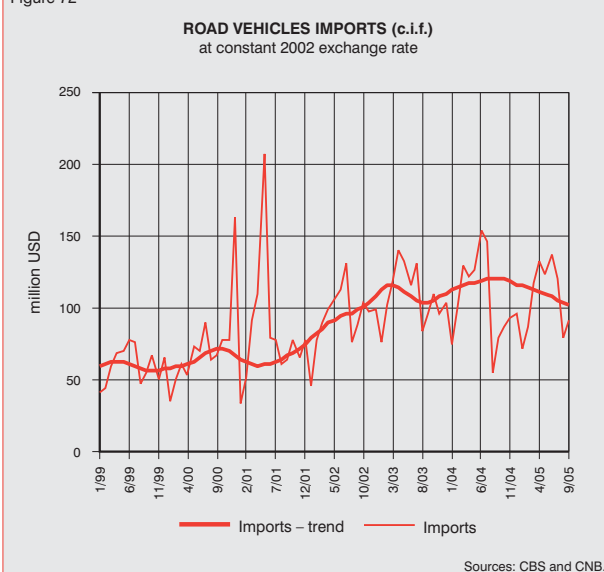
ber period of 2005, or 0.6 percentage points more than in the same period last year. Other contributors to the overall year-on-year growth of exports of goods in the January-September period of 2005 were sugar and sugar products (their rate of exports was about five times higher than that from the same period last year), machinery specialised for particular industries (their year-on-year growth rate was 54.1% expressed at current exchange rates; within this division, the highest rates of exports were registered with respect to machinery and equipment for civil engineering works and construction works, agricultural machinery and machines for paper and pulp milling), natural and industrial gas (46.1%) and various finished goods (30.6%).

The year-on-year rate of growth of total imports of goods, measured at constant 2002 exchange rates, stood at 11.5% in the first nine months of 2005, up 1.7 percentage points over the same period last year. The main contributor to this was strong growth in imports of oil and refined petroleum products. As the volume of imported oil and refined pe-

Figure 70



Figure 72



**Table 6: Exports and Imports by Economic Classification of Countries, in %**

Export	2003	2004	Jan.-Sep. 2004 <sup>a</sup>	Jan.-Sep. 2005 <sup>a</sup>
Developed countries	74.6	71.7	72.3	69.1
EU-25	67.6	64.6	65.4	63.1
Slovenia	8.3	7.5	7.3	8.0
Hungary	1.3	1.3	1.2	1.5
EU-15	54.7	51.4	52.5	49.4
Austria	7.7	9.4	9.6	7.3
Italy	26.7	22.9	23.4	22.4
Germany	11.9	11.2	11.5	10.4
EFTA	0.8	1.0	1.0	1.2
Developing countries	25.4	28.3	27.7	30.9
CEFTA	0.7	1.2	0.9	1.4
Bosnia and Herzegovina	14.4	14.4	14.0	13.7
Serbia and Montenegro	3.1	3.7	3.3	4.3
Russia	1.2	1.4	1.5	1.3
Import	2003	2004	Jan.-Sep. 2004 <sup>a</sup>	Jan.-Sep. 2005 <sup>a</sup>
Developed countries	80.8	77.4	78.2	74.3
EU-25	72.0	69.5	70.2	66.0
Slovenia	7.4	7.1	7.3	7.0
Hungary	3.0	3.1	3.0	3.1
EU-15	56.6	54.2	54.7	50.8
Austria	6.6	6.8	6.8	5.9
Italy	18.2	17.1	17.2	15.6
Germany	15.6	15.5	15.4	14.8
EFTA	1.8	1.6	1.5	1.7
Developing countries	19.2	22.6	21.8	25.7
CEFTA	1.2	1.5	1.4	2.4
Bosnia and Herzegovina	1.6	2.1	2.1	2.5
Serbia and Montenegro	0.5	0.8	0.8	0.9
Russia	4.8	7.3	6.9	8.6

<sup>a</sup> Preliminary data. Source: CBS.

troleum products grew by only 2.4% year-on-year, the growth in imported values is, as in case of exports of goods, attributed to the growth in their prices (47% year-on-year, expressed at current exchange rates). Oil and refined petroleum products excluded, total imports of goods (narrower coverage) grew by 7.5% year-on-year, expressed at constant exchange rates, or 0.9 percentage points less than in the same period last year.

In addition to oil and refined petroleum products, the following SITC divisions also contributed significantly to total growth of imports of goods in the first nine months of 2005: electricity (expressed at current exchange rates, its year-on-year growth rate was 83.4%), iron and steel (14.6%), natural and industrial gas (41%) and various finished goods (13.6%). In addition, imports of road vehicles continued to contract in the first nine months of 2005, posting the negative year-on-year rate of change of 2.5% (measured at constant exchange rates).

According to the geographic structure of exports in the period from January to September 2005, the shares of exports to EU countries in total Croatian exports of goods continued on their mild downward trend. Observed by individual countries, exports to Greece, Italy and Slovenia contributed the most to the year-on-year growth of Croatian exports of goods in the first nine months of 2005. Specifically, exports to Greece were entirely accounted for by ship exports, exports to Italy by exports of ships, oil gases, pullovers and sugar, and exports to Slovenia by exports of motor vehicles parts, leather manufactures and iron and steel scrap. Despite the absolute growth in exports to these countries, the shares of exports to EU countries in total exports of

goods continued to trend downwards. By contrast, Croatia's exports to developing countries grew substantially in the observed period. As a result, the shares of exports to these countries continued to trend upwards, especially those to Serbia and Montenegro (refined petroleum products, products for transportation or packing of goods and cigarettes), Bosnia and Herzegovina (refined petroleum products, cigarettes, cement and electricity) and to United Arab Emirates (refined petroleum product, electric transformers and cigarettes).

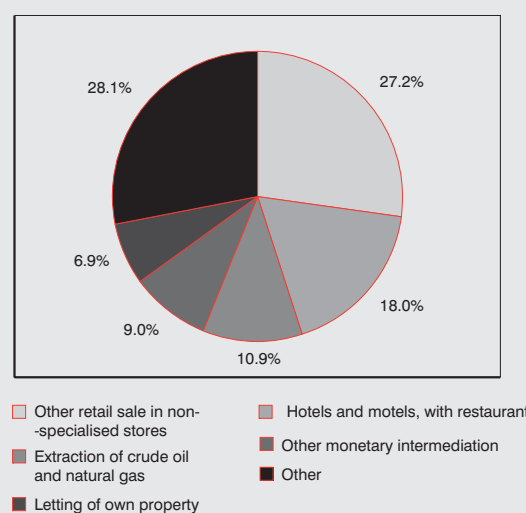
Increased imports from Russia, China, Germany and Romania (these four countries accounted for almost one half of total growth of imports of goods) were the main contributors to the year-on-year growth of total imports of goods in the first nine months of 2005. Imports from Russia were almost entirely accounted for by imports of oil and refined petroleum products. More than two thirds of imports from Romania were also accounted for by refined petroleum products. Imports of live cattle from Romania were also substantial. On the other hand, imports from China mostly consisted of textiles, computers and radio telephone transmitters. The increase in the shares of imports from developing countries in total imports of goods was brought about by a significant growth of imports from Bosnia and Herzegovina, Turkey and Bulgaria. Among developed countries, imports from Germany grew the most, with imports of personal automobiles, other motor vehicles and medicines accounting for the largest shares.

## Capital and Financial Transactions

Net FDI to Croatia totalled EUR 0.3bn in the third quarter of 2005, while direct investment stagnated at the level of the same quarter a year earlier. Other retail sale in non-specialised stores accounted for something more than one-quarter of direct equity investment, with investment in hotels and motels, extraction of crude oil and natural gas, other monetary intermediation (including the recapitalisa-

Figure 73

### STRUCTURE OF DIRECT EQUITY INVESTMENT IN THE REPUBLIC OF CROATIA IN Q3 2005



Source: CNB.

**Table 7: Composition of CNB Reserve Assets, end of period, in million EUR and %**

	2003	2004	Mar. 2005	Jun. 2005	Sep. 2005
Balance	6,554	6,436	6,700	7,066	6,999
Share					
1. Foreign currency reserves	87.6	96.9	96.3	95.5	97.1
a) Securities	48.9	50.7	49.0	48.3	48.4
b) Total currency and deposits with:	38.6	46.2	47.2	47.2	48.7
(i) other national central banks, BIS and IMF	4.1	3.6	3.0	2.9	2.9
(ii) banks headquartered outside Croatia	34.5	42.6	44.3	44.3	45.8
2. IMF reserve position	0.0	0.0	0.0	0.0	0.0
3. SDRs	0.0	0.0	0.0	0.0	0.0
4. Gold	0.0	0.0	0.0	0.0	0.0
5. Reverse repo	12.4	3.1	3.7	4.5	2.9

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

tion of some foreign-owned banks) and real estate rental agencies also taking the lion's share.

Croatia experienced a net outflow of portfolio investment of EUR 0.4bn in the third quarter of 2005, mainly due to banks' improvement of their foreign assets. In particular, banks used the inflow of foreign exchange during the summer months both to increase their net foreign assets (i.e. to increase their foreign assets – investment in foreign bonds) and to decrease their foreign liabilities. Concurrently, owing to the repayment of a tranche of London Club obligations in July, the government decreased its liabilities arising from portfolio investment and domestic sectors issued no new bonds in foreign markets.

Other investment saw an outflow of EUR 0.5bn (net) in the third quarter of 2005, mainly due to increase in foreign assets of domestic sectors and decrease in other investment liabilities (currency and deposits, trade credits and credits). The growth in foreign assets based on other investment largely comprised the growth in trade credits extended by domestic sectors to non-residents. The growth in foreign currency and deposits of banks and the decrease in bank liabilities arising from currency and deposits resulted in net outflow of financial assets. On the other hand, the amount of

foreign credits utilised by enterprises and the government in the third quarter of 2005 exceeded the amount of due repayments on such loans, while the amount of foreign loans repaid by banks exceeded the amount of new foreign loans.

According to the balance of payments data (valuation changes excluded), the Croatian National Bank's international reserves fell by EUR 68m in the third quarter of 2005. Above all, this was due to the sale of foreign exchange to the government, the fall in foreign currency component of reserve requirements occasioned by the increase in its kuna component and the fall in marginal reserve requirements. According to the monetary statistics data (valuation changes included), international reserves stood at EUR 6,999m at end-September. The international reserves structure shows that the largest shares were accounted for by debt securities and currency and deposits with banks headquartered outside Croatia, while only a small share was accounted for by reverse repo. In October 2005, international reserves grew by an additional EUR 130m, mainly due two foreign exchange interventions at which a total of EUR 116m were purchased from banks.

### External Debt

At end-September 2005, Croatia's gross external debt stood at EUR 24bn. In the first nine months of the year, it grew by a total of EUR 1.4bn or 6%. Following the slow-down in the first half of the year, the external debt actually decreased in the third quarter (at end-September 2005, it was EUR 0.2bn lower than at end-June 2005). The main contributors to this were the fall in bank foreign liabilities as well as a downward trend in the government external debt. By contrast, borrowings by other domestic sectors in foreign markets trended upwards.

Other domestic sectors' debt accounted for the largest share in total external debt. If the external debt of other domestic sectors, which mainly relates to enterprises, is increased by direct investment in enterprises, we see that the

**Table 8: Gross External Debt by Domestic Sectors, end of period, in million EUR and %**

	2004	Mar. 2005	Jun. 2005	Sep. 2005	Structure		Indices	
					2004	Sep. 2005	2004/2003	Sep. 2005/2004
1. Government	7,236	6,745	7,015	6,989	31.9	29.1	109.6	96.6
2. Central bank (CNB)	2	2	3	2	0.0	0.0	0.6	84.3
3. Banks	7,652	8,183	8,481	7,969	33.7	33.1	125.0	104.1
4. Other sectors	5,798	6,089	6,452	6,728	25.6	28.0	118.9	116.0
5. Direct investment	1,986	2,098	2,272	2,354	8.8	9.8	107.7	118.5
Total (1+2+3+4+5)	22,675	23,118	24,222	24,042	100.0	100.0	114.5	106.0

Source: CNB.

**Table 9: Gross External Debt by Other Domestic Sectors, end of period, in million EUR and %**

	2004	Mar. 2005	Jun. 2005	Sep. 2005	Structure		Indices	
					2004	Sep. 2005	2004/2003	Sep. 2005/2004
1. Other banking institutions	25	25	25	25	0.4	0.4	97.9	99.4
2. Non-banking financial institutions	851	875	910	941	14.7	14.0	130.6	110.5
3. Public enterprises	946	972	986	1,083	16.3	16.1	95.5	114.5
4. Mixed-ownership enterprises	337	339	344	323	5.8	4.8	89.3	96.0
5. Other enterprises	3,557	3,784	4,096	4,265	61.3	63.4	128.9	119.9
6. Non-profit institutions	1	5	5	5	0.0	0.1	53.8	326.6
7. Craftsmen and traders	41	42	40	36	0.7	0.5	82.0	88.6
8. Households	40	49	47	50	0.7	0.7	184.0	124.0
Total (1+2+3+4+5+6+7+8)	5,798	6,089	6,452	6,728	100.0	100.0	118.9	116.0

Source: CNB.

Table10: Actual and Potential Government External Debt, end of period, in million EUR and %

	2004	Mar. 2005	Jul. 2005	Sep. 2005	Structure		Indices	
					2004	Sep. 2005	2004/2003	Sep. 2005/2004
1. Public sector debt	8,521	8,058	8,348	8,397	37.6	34.9	102.2	98.5
2. Publicly guaranteed private sector debt	343	307	313	289	1.5	1.2	80.1	84.0
3. Non-publicly guaranteed private sector debt	13,811	14,753	15,561	15,356	60.9	63.9	125.0	111.2
Total (1+2+3)	22,675	23,118	24,222	24,042	100.0	100.0	114.5	106.0

Note: In addition to the general government debt, the public debt includes the external debt incurred by public and mixed-ownership enterprises and the CNB. Source: CNB.

external debt of other domestic sectors actually amounts to EUR 8.8bn or 36.6% of the total external debt. Apart from debt investment in enterprises, the external debt arising from direct investment also includes hybrid and subordinated instruments of banks that amounted to EUR 0.3bn at end-September. It should be pointed out that about one-quarter of the total growth in the external debt of other domestic sectors (EUR 1.3bn), together with direct investment in enterprises, relates to the increase in the external debt of leasing companies. Specifically, the external debt of leasing companies amounted to EUR 1.7bn at end-September 2005, which is an increase of EUR 0.3bn compared with end-2004. Within other domestic sectors, the external debt of public enterprises, which are in 100% ownership of the government, and especially other enterprises, which are in majority private ownership, grew the most. Concurrently, the external debt of mixed ownership enterprises, in which the government holds a stake of more than 50%, fell slightly, while the external debt of non-profit institutions, craftsmen and traders and households was almost negligible.

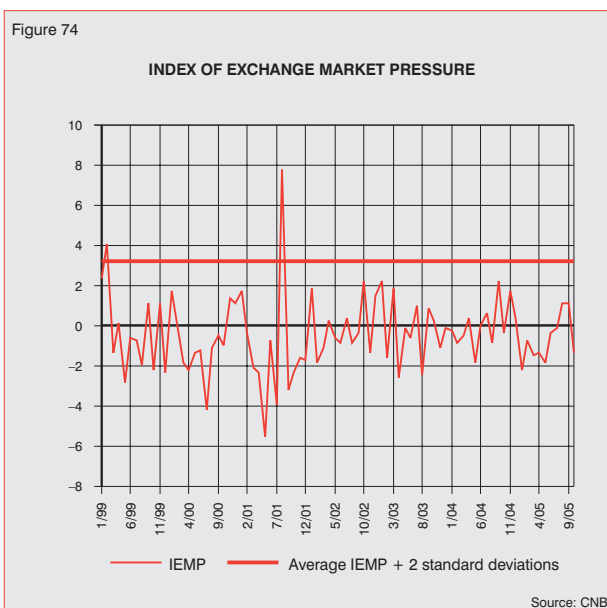
Increased by bank hybrid and subordinated instruments (which represent a smaller share of total direct investment), the external debt of banks amounted to EUR 8.2bn or 34.3% of the total external debt. Although the share of bank external debt in total external debt fell slightly over the end of the previous year, this fact should be viewed in the context of usual seasonal factors. After their share in total external debt surged by EUR 0.8bn in the first half of 2005, the repayments of external liabilities by banks exceeded the new debt drawings by about EUR 0.5bn in the third quarter. In other words, banks have used a large amount of foreign exchange earned from services provided in tourism in the July-September period to decrease their foreign liabilities.

The share of the external debt of the government sector in total external debt was the third largest. As the result of the government's strategy to shift to domestic sources in budget financing and the decrease in foreign liabilities arising from bonds, the external debt of the general government (including the external debt of the central government, central government funds, CBRD and local government) fell by EUR 0.2bn in the first nine months of 2005. It should also be pointed out that the potential external debt of the government has decreased as well, which is corroborated by the data on the gross external debt divided into the public sector debt, publicly guaranteed private sector debt and non-publicly guaranteed private sector debt. The public sector debt, which in addition to the general government debt includes

the debt of public enterprises, mixed-ownership enterprises and the CNB, also decreased. However, this decrease was somewhat lower in absolute amounts due to the growth in the external debt of public enterprises. At the same time, the potential external debt of the government, including publicly guaranteed private sector debt, i.e. debt of enterprises supported by the guarantees of the Government of the Republic of Croatia, continued to trend downwards.

### International Liquidity

During the third quarter and in October, the IEMP<sup>7</sup> value remained substantially below the level that indicates potential difficulties in the international payments. Following the decrease in its value in July, marked by the usual appreciation of the exchange rate during the peak of tourist season, the index rose slightly in August and September due to the depreciation of the exchange rate and the decrease in international reserves. Strong appreciation pressures in October, caused by, among other things, the announcement of a new government bond to be issued in the domestic market and the positive atmosphere surrounding the start of EU accession negotiations, stimulated the CNB to buy the foreign exchange from banks, which resulted in an increase in international reserves. The exchange rate appreciation and the strengthening of international reserves contributed to the fall in the IEMP value early in the fourth quarter of 2005.



7 IEMP is calculated as a weighted average of the monthly rate of change of the kuna exchange rate against the euro at end-period and gross international reserves in euro terms, using standard deviations as weights.

### Box 2: EU Approximation and Capital Inflows in Croatia

The main factors attracting capital inflows into developing countries, Croatia included, are higher nominal interest rates and higher return on investment compared with the developed countries. Capital inflows in the Republic of Croatia in the past several years ranged about 15% of GDP with the exception of 2003 when they reached 25% of GDP. The inflows involved involve direct investments in Croatia and changes in liabilities based on portfolio and other investments. Direct investments in Croatia largely involved heightened privatisation activities. Rising liabilities based on other investments can be attributed to increased foreign borrowing and stock of trade credits received as well as inflows from cash and deposits placed in domestic banks. Rising liabilities based on portfolio investments were mainly determined by government Samurai bonds and eurobonds, issued both for borrowing purposes and for refinancing the government's due liabilities.

By signing the Stabilisation and Association Agreement, Croatia has undertaken to liberalise all its capital flows within four years from the date of effect of that Agreement. Even before this time limit has expired, Croatia removed in March 2005 some of the restrictions relating to non-resident investments in Croatia and resident investments abroad. In terms of liberalisation of capital inflows, the authorities have removed the obligation of non-residents to open custody accounts with banks and sign a statement guaranteeing that they will not sell or pledge a security within one year following its acquisition, except to another non-resident. The prohibition of non-resident investments in domestic short-term securities with remaining maturity of less than six months has also been repealed and so has the provision preventing non-residents from buying stakes or shares in those domestic investment funds whose articles of association provide that over 50% of their portfolios may consist of CNB bills and T-bills of the Ministry of Fi-

nance. It should be stressed, however, that the aforementioned restrictions, even before their removal, did not apply to those countries with which the Republic of Croatia has concluded investment promotion and mutual investment protection agreements, including, among others, most of the EU countries. Thus, there had been no restrictions to domestically-issued securities purchase and sale transactions of residents of such EU Member Countries. In this respect, they were allowed to engage in purchase and sale of securities issued in Croatia under the same conditions as Croatian residents. However, in case of larger disturbances in foreign payments or foreign exchange market, the Croatian National Bank still has the right to introduce temporary measures to restrict capital movements which should not last more than six months. As regards the manner and the conditions under which residents may invest in foreign securities and stakes in foreign investment funds, the most significant change relates to the group of countries in which securities and stakes can be purchased. Thus, it is no longer necessary that the issuer is an OECD country or an international financial institution or that it has an appropriate rating by an internationally acknowledged rating agency.

Liberalisation earlier this year did not attract inflows of speculative capital that might cause difficulties in the domestic financial market. Nevertheless, continued development of domestic capital market and further legislative reforms will inevitably give rise to growing demand of foreign investors for Croatian bonds and shares. In the Croatian National Bank, a new survey is being developed on securities investment which is based on reports of the Central Depository Agency and custodian banks reports. Although the reporting system is still being developed and the results are preliminary and incomplete, it is evident that non-resident investments in equity and debt securities are growing. The investments in question comprise mainly direct investments of non-residents in equity securities with a significant increase in portfolio investments of non-residents in debt securities.

Figure 75

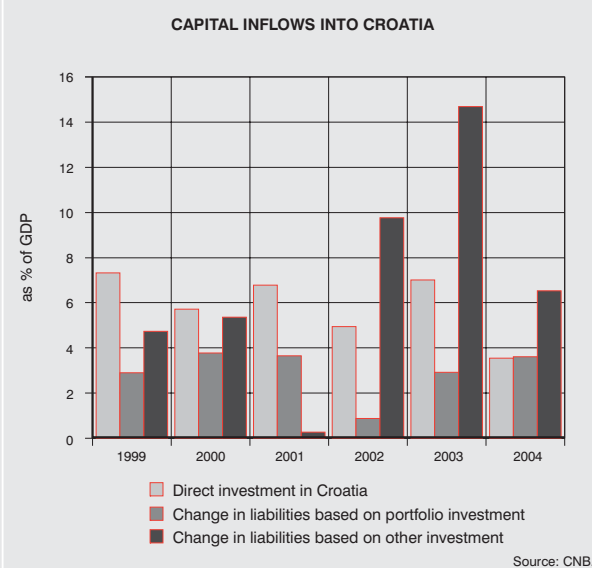


Figure 76

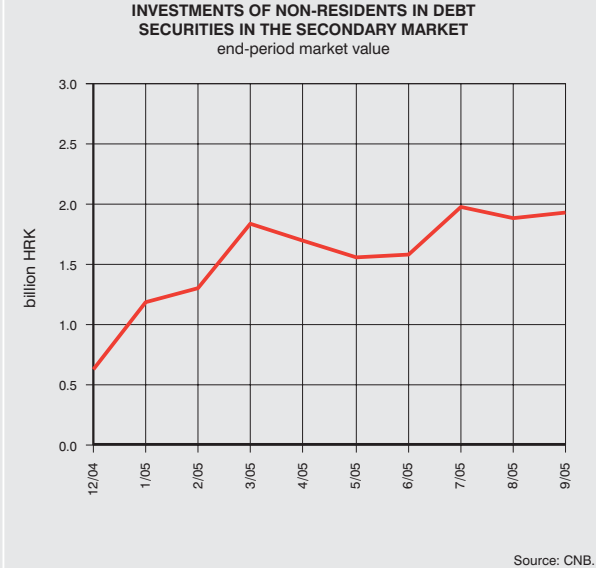
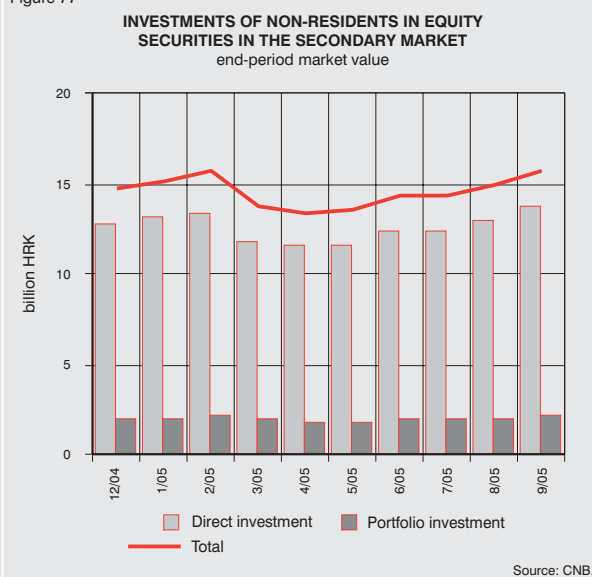


Figure 77



The opening of Croatia's EU accession negotiations in early October 2005 was reflected in rising investor optimism, increased turnover and rising stock market prices on the Zagreb and Varaždin stock exchanges in the first days following the announcement of the opening of negotiations. Further strengthening of foreign demand for Croatian bonds and shares can be expected in view of the existing interest of foreign investors for the Croatian capital market and the fact that foreign investors have recently started including Croatian securities in their portfolios. Similarly, Croatian investors are more prepared to invest in foreign securities markets. However, the Croatian capital market continues to be characterised by insufficient market depth and poor liquidity. The number of instruments traded on the market is also not satisfactory as can be seen in the shares and bonds trading, which have both recorded considerable growth, in which only a few instruments prevail. Nevertheless, the increased shares and bonds trading in the Croatian capital market in the past few years has caused an increase in market indices and improved market capitalisation.

Shares trading which had recorded moderate growth in the past several years, accelerated considerably last year. The largest increase in shares turnover took place at end-2004 and in early 2005 after foreign (Scandinavian) investment funds decided to include Croatian shares in their portfolios. Growing demand boosted prices of such securities which in turn reflected on market capitalisation

and market indices. Shares turnover on the Zagreb and Varaždin stock exchanges almost doubled in the first quarter of 2005, compared with the last quarter of the previous year with the largest increase taking place in January (monthly growth of 137% on the Zagreb Stock Exchange and 63% on the Varaždin Stock Exchange). With the largest increase in shares turnover going to the shares with the largest weight in CROBEX and VIN indices, these indices rose sharply in January. On a monthly level, CROBEX and VIN indices grew 23% and 43%, respectively, in January, which are their highest growth rates ever.

Regardless of the increased dynamics of the shares market in the past year, bond trading, which exceeds the volume of shares trading several times, provided the largest contribution to the development of the Croatian capital market. The bonds market has been growing steadily since 2001. The most commonly traded bonds on the Croatian capital market are those with the longest maturity.

According to end-October data, Croatia has been given better credit rating by international credit rating agencies than Bulgaria and Romania. The spreads of the Croatian eurobonds (compared with the benchmark German bonds) have been tightening steadily for several years now and have declined fourfold over the past three years. However, when compared with the spread of the new EU member countries, they are below only those of Romania. The effects of Germany's post-election negotiations when the spread on all the observed eurobonds narrowed in temporarily also reflected on Croatian spreads. With the situation back to normal until end-October 2005, the spreads on Croatian Eurobonds were again larger than Bulgarian, even though Bulgaria has poorer macroeconomic indicators.

Faster growth of capital inflows which is expected to take place with further intensification of the process of the country's EU approximation, will be an indication of growing confidence of foreign investors in the domestic economy but it will also present a challenge in terms of macroeconomic policy. Depending on the structure and the intensity of capital inflows, there may be pressures on the kuna exchange rate to appreciate. In case of serious difficulties in the conduct of monetary and foreign exchange policies caused by capital movements, the Croatian National Bank has the right to introduce special protective measures. In this context, additional importance will be given to prudential regulations, notably those related to capital adequacy, risk management and foreign exchange position of banks which ensure stability of the domestic banking system.



# Government Finance

## Budget Highlights in the First Nine Months of 2005

Favourable developments in the segment of government finance that started in the second quarter of this year continued throughout the third quarter. Consolidated general government revenues went up substantially in the third quarter, even after the exclusion of positive seasonal factors, thus following the expansion of economic activity in the third quarter with a certain lag. At the same time, expenditures grew slower than in the first half of the year. This resulted in a budget surplus in the third quarter, which softened the cumulative budget deficit of the first half of this year. In line with the policy of redirecting government borrowing away from the foreign and towards the domestic market, external debt continued reducing while central government domestic debt continued growing.

Consolidated general government target deficit in 2005, as defined by the July budget revision and the First Review Under the Stand-by Arrangement in August, totalled HRK 9.42bn or 4.2% of the expected GDP in 2005. In accordance with the *Guidelines for Economic and Fiscal Policy 2006–2008* fiscal adjustment is to be continued in the years to come. Repayment of the debt to pensioners in line with the Constitutional Court Decision of 1998 will significantly affect fiscal and other macroeconomic variables in the coming period. Since repayment of the debt is to be carried out outside of the budget framework, a separate Pensioners' Fund was established late in July (for more details see Box 3). Repayment of the debt to pensioners in 2006 and 2007 will substantially increase transfers to households and thus the disposable income of households, which may influence their personal consumption and imports dynamics. Since the repayment of the debt to pensioners created the need for additional fiscal adjustment, at the beginning of November the Government of the Republic of Croatia released its budget proposal for 2006 with the consolidated general government target deficit at 3.3% of the projected GDP for 2006, which is 0.2 percentage points less than in the previously mentioned Guidelines.

## Budget Revenues

Consolidated general government revenues totalled HRK 74.6bn in the first nine months of 2005, up 7.9% on the same period a year before. VAT revenues, revenues from social security contributions and profit tax revenues made the greatest contribution to the rise of total consolidated general government revenues. During the period in question, consolidated central government revenues grew at a slower pace than total general government revenues, at the rate of 7.6%, while the exceptional growth of local government revenues, totalling 13.2%, did not greatly influence the dynamics of the total aggregate due to their small share.

Tax revenues, as the most important source of consolidated general government revenues, reached HRK 44.5bn in the first nine months of this year. Their growth of 7.5%

year-on-year indicates significant acceleration compared with the growth in the first half of the year. Revenues outturn in the second and third quarter, when revenues grew by 9.9% and 9.4% respectively, greatly contributed to such a significant cumulative growth, while in the first quarter tax revenues went up at the rate of 2.4%. The increase in tax revenues largely resulted from the exceptionally good VAT revenues and profit tax revenues outturn.

VAT revenues which together with social contributions make up the most important revenues of consolidated general government totalled HRK 23.6bn in the first nine months of 2005, up 8.5% on the same period of the previous year. Reasons for this should be sought in economic recovery, especially in retail trade, which grew by 6.9% in nominal terms year-on-year. Profit tax raised HRK 4.3bn, growing by 27.5% year-on-year. Such a good profit tax revenues outturn is a result of the rise in companies' profits in 2004 as well as the collection of tax on retained earnings which have been paid out to a foreign owner of one of Croatian companies.

In the period from January to September 2005, income tax raised HRK 5.6bn or 1.1% more than over the same period in 2004. Weak income tax revenues were caused primarily by the amendments to the Income Tax Act (or more precisely by the part of these changes relating to the increase in personal allowance in this year) as well as the accelerated processing of income tax statements for the previous year. Nevertheless, the effect of the increase of the monthly gross wage by 4.5% accompanied by the 1.5% increase in the number of persons insured with CPII<sup>8</sup> still outgrew the negative effects of the increase in personal allowance and faster processing of tax statements.

At consolidated general government level, excise revenues, which make up the third most important source of budget revenues, reached HRK 8.2bn in the first nine months of 2005, up 2.2% over the same period a year ago. The greatest contribution to the rise in excise revenues came from the excises on tobacco products and excises on cars. Revenues from excises on tobacco products, which make up almost one quarter of total collected excises, went up by HRK 89.9m or a sizeable 5% over the period in question. Revenues from excises on cars went up by HRK 89.7m or 12.5% year-on-year in the first nine months of this year. This increase is to the greatest extent a consequence of the last year's amendments to the Act on Special Taxes on Cars, Other Motor Vehicles, Boats and Planes and amendments to the Act on Special Tax on Tobacco Products, which raised excises on the said products. The highest by size, excises on refined petroleum products totalled HRK 4.5bn or 2.3% less than in the same period of 2004. Finally, of excises that had a weaker influence on the change in total revenues, revenues from excises on non-alcoholic beverages (11.4%) and coffee (10.7%)<sup>9</sup> grew, while revenues from excises on beer, alcohol

8 According to the MoF data, based on processed income tax statements (92.4% until 24 October) the tax administration paid back HRK 1.18bn of overpaid taxes or 19.6% more than during the same period a year ago.

9 Pursuant to the Act on Special Tax on Coffee (official gazette *Narodne Novine*, No. 87/2005) of 1 September 2005 coffee traded in the customs territory of the Republic of Croatia must be marked by a special MoF stamp. Coffee may be sold to the end consumer only in its original package marked by the said MoF stamp.

and luxury products reduced, by 2.9%, 6.5% and 1.7% respectively.

Social security contributions in the first nine months of this year totalled HRK 23.1bn, increasing by 6.1% on the same time a year ago. This is a result of the above-mentioned growth of the average gross wage on annual level and the increase in the number of persons insured with the CPII over the period in question.

Other revenues, accounting for less than 10% of total consolidated general government revenues, totalled HRK 6.9bn, or went up by 16.4% year-on-year. The greatest contribution to such developments came from the revenues from sale of goods and services that totalled HRK 3.3bn, which was primarily a result of the year-on-year growth of administrative fees (13.4%).

Local government revenues in the period from January to September 2005 totalled HRK 8.7bn or 13.2% more than over the same period in 2004.<sup>10</sup> The greatest contribution to the growth of local government revenues came from the growth of profit tax revenues (year-on-year rate of 27.2%), current grants from the general government (33.2%) and administrative fees (21.8%).

### Budget Expenditures

According to the MoF data, in the first nine months of this year expenditures on consolidated general government level totalled HRK 73.7bn, up 6.2% on the same time the year before. Of that amount, consolidated central government accounted for HRK 67.9bn, which is an increase of 5.7% compared with the same time the year before. Local government expenditures made up HRK 6.9bn or 15.7% more than in the same period the year before.<sup>11</sup>

The greatest contribution to the growth of consolidated general government expenditures in the period from January to September 2005 came from the increase in expenditures on social benefits, expenditures on compensation of employees and interest expenditures. Expenditures for social benefits, which make up the largest item in consolidated general government expenditures, totalled HRK 31.8bn in the first nine months of this year, thus growing by 3.6% year-on-year. This growth was primarily a consequence of the rise in the pension bill arising from the mild growth in the number of pension beneficiaries (1.1%) and the rise in the average pension (6.0%). Expenditures for compensation of employees reached HRK 19.8bn in the period in question, up 4.8% on the first nine months of 2004. Salaries and wages of civil servants and civil service employees accounted for HRK 16.8bn, which means that they grew 5.1% year-on-year. Such movements were not entirely in line with the growth of the average monthly gross wage paid to public administration employees in the first nine months of this year (3.5%) and the parallel decrease in the number of employees in government administration (0.4%)<sup>12</sup>. According to the MoF

data, interest expenditures totalled HRK 4.1bn. Compared with the same period in 2004 they grew at a rate of 14.8% which is a result of the mild rise in paid foreign interest rates that amounted to HRK 2.1bn and speedy growth of domestic interest rates that totalled HRK 2bn. Domestic interest rates went up four times faster than foreign interest rates exclusively due to the government's intention to rely more on domestic sources of financing. Expenditures for subsidies totalled HRK 4.3bn in the first nine months of the year, rising 3.9% year-on-year. Subsidies to companies in the public sector (including, among others, subsidies to the Croatian Railways) remained at the same level as over the same period 2004. The increase in expenditures for subsidies thus arose entirely due to subsidies paid out to companies outside the public sector (9.7% growth year-on-year). The greatest share of these subsidies is earmarked for farmers, craftsmen and small and medium-sized enterprises.

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

Net operating balance, as the difference between revenues and expenses at consolidated general government level, was positive, totalling HRK 0.9bn in the first nine months of 2005. Net borrowing, which amounted to HRK 5.5bn and was entirely financed by increasing liabilities (HRK 7.2bn), is obtained by reducing the net operating balance by the value of the change in non-financial assets over the period in question (HRK 6.4bn). During the same period financial assets of the consolidated general government rose by HRK 1.7bn.

Non-financial assets of the consolidated general government increased by HRK 6.4bn in the period from January to September 2005 as a result of the increase of HRK 0.9bn at budgetary central government level, of HRK 4bn at the level of extra-budgetary users and HRK 1.5bn at local government level. The said increase was 17.3% lower than at the same time in 2004, as a consequence of less intensive government activity in road construction during 2005. The mentioned net change in non-financial assets arose from acquisitions worth HRK 7bn, while disposals of non-financial assets totalled HRK 0.6bn. Net increase of non-financial assets was primarily a result of the net increase in fixed assets, with the greatest share (HRK 5.9bn) being accounted for by the acquisition of buildings and structures, that is, roads and highway construction. For comparison, in the same period in 2004 acquisition of buildings and structures totalled HRK 7.4bn. At the same time, the lion's share of the disposal of non-financial assets (HRK 0.4bn) is accounted for by the disposal of buildings and structures (sale of state-owned

<sup>10</sup> Unconsolidated.

<sup>11</sup> Unconsolidated.

<sup>12</sup> In accordance with the National Classification of Economic Activity government administration includes public administration and defence, edu-

cation, health care and social welfare. The gap between the employment dynamics and average wages in public administration on one side and expenditures on compensation of employees on the other side may arise from certain compensations paid to public administration employees, such as payments based on court proceedings, which are not included in the calculation of the average wage in the period of their occurrence. In addition, there is also the possible influence of incompleteness of the statistics of public administration employees as well as insecurity as regards the statistical treatment of individual items which are included in compensations of employees (GFS 2001), primarily severance pay.

**Table 11: Operating Balance, Transactions in Non-financial Assets and Transactions in Financial Assets and Liabilities, GFS 2001, in million HRK**

		Consolidated general government		
		Jan.–Sep. 2004	Jan.–Sep. 2005	Jan.–Sep. 2005 / Jan.–Sep. 2004
<b>Transactions affecting net worth</b>				
1.	Change in net worth (net operating balance)	-249	899	
1.1.	Revenue	69,145	74,582	107.9
1.2.	Expense	69,394	73,684	106.2
<b>Transactions in non-financial assets</b>				
2.	Change in net non-financial assets	7,685	6,352	
2.1.	Acquisition of non-financial assets	8,242	6,951	84.3
2.2.	Disposal of non-financial assets	557	598	107.5
1-2	3. Net lending (+) / borrowing (-) (1-2)	-7,934	-5,454	
5-4	3. Financing (5-4) Transactions in financial assets and liabilities (as % of GDP)	7,934 (3.57)	5,454 (2.45)	
<b>Transactions in financial assets</b>				
4.	Change in financial assets	734	1,733	
4.1.	Domestic	728	1,738	
4.2.	Foreign	6	-5	
<b>Transactions in liabilities</b>				
5.	Change in liabilities	8,668	7,187	
5.1.	Domestic	3,699	11,343	
5.2.	Foreign	4,968	-4,156	

Source: MoF.

flats). Acquisition of non-financial assets was to the greatest extent realised by extra-budgetary users and funds (primarily CH and CR) in the total amount of HRK 4bn, while local government accounted for the largest disposal of HRK 0.3bn, resulting primarily from the sale of land.

According to the MoF data, financial assets of the consolidated general government increased by HRK 1.7bn over the period in question as a result of the HRK 1.7bn net increase in domestic financial assets and the parallel HRK 4.9m net decrease in foreign financial assets. The growth of domestic financial assets of the consolidated general government was caused by the HRK 1.4bn increase in currency and deposits, a HRK 0.5bn rise in loans and a HRK 0.2bn decrease in shares and other equity. In contrast, the decrease in foreign financial assets is a consequence of net acquisition of shares and other equity of HRK 4.9m. In the increase structure of domestic financial assets budgetary central government accounted for 90.1%.

Consolidated general government liabilities increased by HRK 7.19bn in the first nine months of 2005, which is HRK 1.5bn (or 17.1%) less than the increase realised over the previous year. Domestic liabilities went up by HRK 11.34bn. This was a result of bond issuance and T-bill subscription (HRK 8.34bn) as well as net loan incurrence (HRK 3bn). The HRK 4.16bn decrease in foreign liabilities resulted from

the fact that repayments were greater than borrowing, which is positive because it slows down external debt growth.

### Consolidated General Government Balance on Cash Basis

The result of described developments in revenues and expenditures at consolidated general government level (exclusive of capital revenues, according to GFS 1986) in the first nine months of this year was a deficit of HRK 6.76bn. It was by HRK 2.83bn (or 29.5%) lower than at the same time last year, when it totalled HRK 9.59bn. Budgetary central government accounted for the lion's share of the deficit (HRK 4.53bn), while extra-budgetary users (HRK 2.11bn) and local and regional government units (0.13bn) accounted for the remaining share. Such a substantial change in the consolidated general government deficit primarily resulted from the decline in the costs of acquisition of non-financial assets by extra-budgetary users of HRK 1.6bn (27.9%), that is, less intensive road construction but also from the growth of revenues which outpaced the growth of expenditures of the budgetary central government. Budgetary central government deficit reduced by a substantial HRK 2bn or 31.2% over the period in question.

**Table 12: Consolidated General Government Balance, on cash basis, in million HRK**

	Jan.–Sep. 2005				
	Government budget	Extra-budgetary users	Consolidated central government	Units of local and regional self-government	Consolidated general government
Revenue	61,993	5,717	67,020	8,703	74,582
Total expenditure and net lending	66,525	7,822	73,648	8,834	81,341
Expense <sup>a</sup>	64,757	3,846	67,912	6,912	73,684
Acquisition of non-financial assets <sup>a</sup>	1,071	4,014	5,084	1,866	6,951
Net acquisition of financial assets – loans <sup>a</sup>	563	-74	480	28	508
Acquisition	692	107	791	58	849
Disposal	130	181	311	30	341
Acquisition of shares and other equity <sup>a</sup>	134	37	171	15	186
Acquisition of other accounts receivable <sup>a</sup>	0	0	0	12	12
GFS 1986 balance	-4,532	-2,105	-6,628	-131	-6,759

<sup>a</sup> GFS 2001. Source: MoF.

## Government Debt

According to CNB data, general government debt, inclusive of CBRD debt, expanded by HRK 8.6bn in the first nine months of 2005 compared with the end of 2004. For comparison, in the same period in 2004 the debt increased by HRK 12.2bn or 14.2%. At the end of September 2005, general government debt stood at HRK 107.2bn, or 48.2% of the expected nominal GDP for 2005. Inclusive of the potential debt arising from issued government guarantees (HRK 12.2bn), total government debt at the end of September 2005 rises to HRK 119.3bn or 53.6% of the expected nominal GDP for 2005.

Of the total general government debt (inclusive of CBRD debt) domestic debt accounted for HRK 55.21bn or 51.5% of total general government debt, while external general government debt made up HRK 51.97bn. The entire amount of additional borrowing in the observed period was accounted for by borrowing in the domestic market (which grew by HRK 12.11bn), while external debt reduced by HRK 3.52bn. The entire increase of domestic debt was generated at the Republic of Croatia level (HRK 10.36bn) and the level of central government funds (HRK 1.91bn), while local government debt was mildly reduced. The increase at Republic of Croatia level was effected primarily through bond issues (net increase of HRK 4.22bn) and T-bill issues (HRK 3.8bn). Same as in the first half of the year, the increasing domestic debt of central government funds was a result of new bank loans, while debt arising from issued bonds reduced. Domestic debt of the local government narrowed by HRK 93m in the first nine months of 2005, primarily due to repayments of bank loans. In the effort to achieve the best possible borrowing terms (lower interest rates) CBRD bor-

rows in the foreign market, therefore its domestic debt is much smaller than its external debt.

General government external debt, including the CBRD debt, reduced by HRK 3.52bn, reflecting the HRK 4.34bn decline in general government external debt and a HRK 0.82bn increase in CBRD external debt. Since the beginning of the year, external debt reduced at all general government levels except at the level of central government funds (including CBRD), whose debt increased by the total of HRK 1.68bn. The greatest decline in foreign borrowing compared with the end of the last year, totalling HRK 5.12bn or 12.3%, was realised at the level of the Republic of Croatia.

According to CNB, issued government guarantees totalled HRK 12.2bn, decreasing by HRK 0.12bn compared with the end of 2004. Of this amount, the increase in external guarantees made up HRK 0.63bn, while an increase in domestic guarantees accounted for the remaining HRK 0.52bn.

### Central Government Domestic Debt

According to CNB data, the central government domestic debt, stood at HRK 53.7bn at the end of September, up HRK 12.2bn or 29.4% on the end of 2004. Of this amount, the increase in Republic of Croatia debt arising from issued bonds, T-bills and received loans, accounted for HRK 10.36bn. Same as thus far, the Republic of Croatia relied significantly on T-bills (which in the structure of Republic of Croatia domestic debt account for 26.9%). The remaining share of the increase in central government domestic debt was accounted for by the increase in domestic debt of central government funds, primarily of CR and CH, to domestic banks.

A five-year government bond, worth HRK 3bn, was is-

Table 13: Domestic Debt of Central Government, end of period, in million HRK

	Stock			Change	
	Dec. 2003	Dec. 2004	Sep. 2005	Jan.–Sep. 2004	Jan.–Sep. 2005
1. Domestic debt of central government	34,736	41,517	53,716	5,303	12,199
1.1. Domestic debt of the Republic of Croatia	28,161	37,224	47,583	7,814	10,360
Treasury bills	6,548	9,022	12,821	1,519	3,798
Money market instruments	0	–	1	0	0
Bonds	17,422	23,080	27,300	4,261	4,220
Credits from banks	4,190	5,121	7,462	2,034	2,341
1.2. Domestic debt of central government funds	6,576	4,293	6,133	–2,511	1,840
Money market instruments	–	–	–	–	–
Bonds	3,616	2,040	1,852	–1,655	–188
Credits from banks	2,959	2,253	4,281	–855	2,028
Note: Issued guarantees	6,895	4,632	5,138	–926	506

Source: CNB.

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

	Stock			Change	
	Dec. 2003	Dec. 2004	Sep. 2005	Jan.–Sep. 2004	Jan.–Sep. 2005
1. External debt of central government	50,138	55,248	51,758	6,418	–3,490
1.1. External debt of the Republic of Croatia	41,049	41,952	36,781	2,009	–5,171
Money market instruments	–	–	–	–	–
Bonds	32,145	32,793	27,335	1,527	–5,458
Credits	8,904	9,159	9,446	482	287
1.2. External debt of central government funds	9,089	13,296	14,977	4,409	1,681
Money market instruments	–	–	–	–	–
Bonds	821	2,765	2,903	1,972	138
Credits	8,269	10,532	12,074	2,437	1,543
Note: Issued guarantees	8,619	7,810	7,168	–565	–642

Source: CNB.

sued at the beginning of the year, in March, with maturity in 2010 and fixed interest rate of 6.75% per year. A government bond, worth EUR 350m (some HRK 2.6bn), with maturity in 2015 was issued in the domestic market in July. In addition, the Ministry of Finance borrowed EUR 500m from a syndicate of banks in the domestic market. The funds are intended for the repayment of eurobonds issued in 2000. The first tranche of this loan is due in January 2009 and the second a year later.

### Central Government External Debt

Central government external debt reached HRK 51.76bn

in the first nine months of 2005, down HRK 3.49bn or 6.3% on the end-2004. The Republic of Croatia external debt declined by HRK 5.17bn, while the external debt of central government funds (inclusive of CBRD debt) went up by HRK 1.68bn. This increase is primarily a result of new CH and CR borrowings (HRK 749m) and new borrowing by the CBRD, which signed an Agreement on the syndicated loan worth EUR 160m with a syndicate of banks in April. The reduction in external debt at the Republic of Croatia level is to the greatest extent a result of the repayment of bonds issued in 2000 (worth EUR 500m) and repayments of the January and July tranches to the London Club.

#### Box 3: Repayment of Debt to Pensioners

Debt to pensioners, whose repayment will significantly mark the fiscal policy at least over the next two years, was created in the period from the end of 1993 until the end of 1998. During that period the Government limited pensions growth, thus acting contrary to the method for pension adjustment prescribed by law, that is, pensions were not adjusted to the growth of average nominal net wage. The Pensioners' Union challenged the constitutionality of the Government's decision, with the Constitutional Court ruling in favour of pensioners in 1998. Prior as well as after this ruling there were several attempts to at least partially settle the debt arising from unadjusted pensions, however, the issue was not fully solved until 6 August 2004 when the manner in which the Constitutional Court Decision is to be implemented was prescribed. For the purpose of explaining the problem of the repayment of the debt to pensioners this box discusses its causes and chronology as well as repayment plans in the years to come.

In accordance with the provisions of the Act on Basic Pension and Disability Insurance Rights (hereinafter: ABPDIR)<sup>13</sup> and Pension and Disability Insurance Act (hereinafter: PDIA)<sup>14</sup> that were in force until 31 December 1998 pensions were to be adjusted with the developments in nominal net wages of persons employed in the territory of the Republic of Croatia over the previous period. Since pensions are adjusted to wages with a certain time lag, due to inherited continued hyperinflation, which lasted until the implementation of the stabilisation programme in October 1993, pension levels implicitly lagged behind wages during the entire period in question. Under new circumstances, when price stability was finally attained, adjustment of pensions with the steep average nominal wage growth during the last months of hyperinflation (September and October 1993) would have resulted in the steep growth of the pension bill in real terms and thus disrupt the stability of public finances and contribute to renewal of inflationary expectations. Therefore, the Govern-

ment of the Republic of Croatia regulated pension growth with regulations on limitation of assets available for pension payments (hereinafter: Government regulations)<sup>15</sup> in the period until January 1995, thus also slowing down the dynamics of the adjustment of pensions and other related rights in accordance with the law.

In addition, in the past fifteen years the number of persons insured with CPII reduced substantially while the number of pension beneficiaries doubled, largely due to the practice to use early retirement as a solution for absorbing the excess labour force. Hence, the ratio of the number of persons insured to pension beneficiaries reduced by more than a half, to the greatest extent precisely at the beginning of 1990s. This reduction increased the fiscal burden arising from pensions so partial indexation of pensions to the wage increase in early 1990s was, under such circumstances, a short-term Government tactic to achieve the sustainability of public finances. Along these lines, pension insurance reform was launched late in 1990s, aiming at enabling long-term sustainability of pension payments based on more strict terms of retirement, which stabilised the mentioned ratio over the past five years, combined with the new pension calculation formula, which decreased the pensions of new pensioners in relative terms.

The previously mentioned Government regulations that ran contrary to the provisions of the ABPDIR and the PDIA as regards pension adjustment in practice resulted in the need for relatively large pension growth rates. The new basis for pension adjustment was adopted by the Croatian Parliament in February 1997 within the framework of the Act on Adjustment of Pensions and other Cash Payments Arising from Pension and Disability Insurance and on Pension and Disability Insurance Funds Management (hereinafter: Act on Adjustment)<sup>16</sup>. It was proscribed by the Act that pensions be adjusted to the cost-of-living in semi-annual intervals as of 1 January 1997 and they were back-adjusted with wages in the period from 1 February 1995 to 31 December 1996 (ABPDIR). The debt defined in this way was repaid in 18 monthly instalments, starting from Febru-

13 Official gazette *Narodne Novine*, No. 53/1991.

14 Official gazette *Narodne Novine*, Nos. 26/1983, 5/1986, 42/1987, 34/1989, 57/1989, 40/1990, 9/1991, 26/1993, 96/1993, 44/1994 and 59/1996.

15 Official gazette *Narodne Novine*, Nos. 114/1993, 6/1994, 13/1994, 26/1994, 34/1994, 42/1994, 48/1994, 73/1994 and 91/1994.

16 Official gazette *Narodne novine*, No. 20/1997.

**Table 15: Number of Persons Insured and Pension Beneficiaries in the Period from 1985 to 2004**

Year	No. of insured persons	No. of pension beneficiaries	Ratio of insured persons to pension beneficiaries
1985	1,931,254	524,154	3.68
1986	1,992,768	545,241	3.65
1987	2,027,180	565,123	3.59
1988	2,032,016	585,170	3.47
1989	2,031,512	612,572	3.32
1990	1,968,737	655,788	3.00
1991	1,839,265	719,868	2.56
1992	1,724,792	774,945	2.23
1993	1,698,138	794,811	2.14
1994	1,621,901	825,121	1.97
1995	1,567,981	865,769	1.81
1996	1,478,975	888,738	1.66
1997	1,468,938	925,520	1.59
1998	1,471,509	955,352	1.54
1999	1,406,091	1,017,801	1.38
2000	1,380,510	1,018,504	1.36
2001	1,402,102	1,032,120	1.36
2002	1,421,981	1,042,192	1.36
2003	1,443,995	1,054,549	1.37
2004	1,460,105	1,065,655	1.37

Source: CPII.

ary 1997. However, the debt arising from failure to adjust pensions paid out in the period from 1 September 1993 to 1 February 1995 remained.

By the Constitutional Court Decision of 12 May 1998<sup>17</sup> (hereinafter: Constitutional Court Decision) the provisions of the Act on Adjustment regulating pension adjustment were repelled. The Constitutional Court thought that the restriction of assets for pension payment, did not mean that pensioners should lose the right to pension adjustment pursuant to applicable regulations on adjustment of pensions with movements of wages (ABPDIR and PDIA) for the period when these regulations were passed. In the meantime Government regulations ceased to be valid, and the obligation of competent bodies to carry out pension adjustments for the entire period during which regulations on adjustment of pensions to movements of wages were in force was not met because the contested provisions of the Act on Adjustment made it impossible. The Constitutional Court established in its decision that due to the described way of pension adjustment it has come to substantial lagging of pensions behind wages as well as that due to failure to adjust pensions late in 1993 it has come to the imbalance between the amounts of pensions realised until 31 December 1994 and the amounts of pensions realised after that date.

Two months after the Constitutional Court had reached its Decision, the Croatian Parliament adopted the Act on the Transfer of Assets from the State Budget to Pension and Disability Insurance Funds and Pension Adjustment on 10 July 1998 (hereinafter: Act on Transfer).<sup>18</sup> This Act proscribed that as of 1 July 1998 pensions were to be adjusted semi-annually with a half of the cost-of-living and half of the growth of the nominal gross wages of all persons employed in the previous period (the so-called Swiss for-

mula), with the pension for June of the same year being used as the basis for adjustment. In line with this Act state pension funds adopted an ordinance on the manner and time limits for payment of the pension supplement. Pursuant to this ordinance the said assets were paid to beneficiaries that acquired the right to retire by 30 June 1998 as a pension supplement worth HRK 100.00 and 6% of the amount of the pension that was paid to a beneficiary for June 1998. Pension supplement payments were to be terminated by 31 December 2002, however, they continued even after the expiry of that time limit in order to prevent a substantial pension reduction (of 9.6% on average).

Pursuant to the Act on Increase in Pensions for the Purpose of Eliminating Differences in Pensions Realised in Different Periods (hereinafter: Act on Increase),<sup>19</sup> which entered into force on 1 January 2001, pensions realised until 31 December 1998 increased from 0.5% to 20% depending on the year when the right to retirement was realised and the wage during the last year in service which was taken into account in determining the pension base. In this way, differences among pensions realised in different periods were eliminated but not their lagging behind wages which occurred over the previous period.

The regime of pension adjustment to wage growth for the period from 1 September 1993 to 31 December 1998 was adopted on 6 August 2004 when the Act on Implementation of the Decision of the Constitutional Court of the Republic of Croatia of 12 May 1998<sup>20</sup> entered into force (hereinafter: Act on Implementation). Pursuant to this Act, debt was calculated as follows: pensions (exclusive of the pension supplement, minimum and maximum pensions) were adjusted retroactively in semi-annual intervals (as of 1 January and 1 July of the year for which the adjustment was carried out) with changes in the average nominal net wage or even more frequently if the wage growth exceeded 5%.

The amount of received pension payments paid in line with Government regulations, Act on Adjustment, Act on Transfer and Act on Increase in Pensions was subtracted from the above described amount the beneficiary is entitled to pursuant to ABPDIR and PDIA. In addition to repayment of the principal the Act on Implementation envisages compensation in the form of interest rates in the total amount of HRK 2.3bn. The right to repayment in case of a beneficiary's death was also regulated (only if the beneficiary died after the adoption of the Act or after 5 August 2004). This right may be realised by descendants in the first degree.

In line with the above mentioned Act on Implementation, the CPII set out to calculate the amount of compensation individual beneficiaries were entitled to. According to the latest data on pension beneficiaries on CPII records, the calculation in October 2005 encompassed 674,668 pension beneficiaries, of which 424,744 persons have the right to compensation in the total amount of HRK 13.7bn

17 Number: U-I-283/97, official gazette *Narodne novine*, No. 69/1998.

18 Official gazette *Narodne novine*, No. 102/1998, the so-called Small Pension Act.

19 Official gazette *Narodne novine*, No. 127/2000.

20 Official gazette *Narodne novine*, No. 105/2004.

**Table 16: Act on Implementation of the Decision of the Constitutional Court of the Republic of Croatia of 12 May 1998, which entered into force on 6 August 2004**

Pension adjustment date	% of real increase	% of statutory increase
1 September 1993		28.7
1 October 1993		33.9
1 November 1993		9.0
1 January 1994	1.0	9.8
1 April 1994		5.1
1 July 1994	5.2	8.5
1 November 1994	5.0	8.3
1 January 1995	10.0	24.1
1 February 1995	6.0	6.0
1 June 1995	5.2	5.2
1 July 1995	50.0 kn; 0.4	0.4
1 September 1995	100.0 kn	
1 January 1996	2.2	2.2
1 May 1996	5.2	5.2
1 July 1996	0.7	0.7
1 September 1996	5.6	
1 December 1996	6.5; 100.0 kn+10a	6.5
1 January 1997		4.4
1 June 1997	3.3	6.5
1 July 1997	0.4	1.9
1 December 1997	4.4	
1 January 1998	1.2	5.7
1 July 1998	2.2	6.1

<sup>a</sup> Calculation basis as at 1 December 1996.

Source: CPII.

(the principal accounting for HRK 11.4bn and interest for HRK 2.3bn). 249,924 beneficiaries are not entitled to compensation because their pensions, including the pension supplement of HRK 100.00 and the 6% pursuant to the Act on Transfer as well as payments pursuant to the Act on Increase, exceed the amount calculated pursuant to the Act on the Implementation of the Decision of the Constitutional Court of the Republic of Croatia of 12 May 1998.

Late in July 2005, the Croatian Parliament adopted the Pensioners' Fund Act<sup>21</sup> thus fully implementing the Constitutional Court Decision. Pursuant to the said Act the Fund will be established as a classic closed-end investment fund by the Government of the Republic of Croatia in the name of the Republic of Croatia. The Act envisages two options for the repayment of the debt. Fund members opting for the right to acquire and dispose of their shares in the first two years of the Fund's existence, will be able to buy out one quarter of the number shares they are entitled to every second (in July) and fourth (in December) quarter in 2006

**Table 17: Overview of the Number of Pension Beneficiaries and Calculated Compensation Amounts in Accordance with Pension Amounts (for all types of rights) as at 26 October 2005**

Pension amount 1 January 2005	Total no. of beneficiaries	Average amount of compensation
up to 500.00	1,169	488.76
500.01–1,000.00	11,028	2,969.50
1,000.01–1,500.00	62,737	8,144.80
1,500.01–2,000.00	102,968	18,455.75
2,000.01–2,500.00	104,263	27,140.88
2,500.01–3,000.00	69,052	34,948.05
3,000.01–3,500.00	35,663	42,808.09
3,500.01–4,000.00	17,913	50,414.41
4,000.01–4,500.00	9,917	58,090.35
4,500.01–5,000.00	5,193	65,558.97
5,000.01–5,500.00	2,778	72,651.93
5,500.01–6,000.00	1,536	81,191.92
Exceeding 6,000.00	527	75,177.88
Total	424,744	26,839.93

Source: CPII.

and 2007, but the paid out amount will be equal to a half of the value of shares. Fund members opting for the second possibility, will be able to buy out one sixth of the number of shares they are entitled to within the period of eight years, with a two-year grace period, every fourth quarter (in December) in the period from 2007 to 2012. Since the Fund is established as an investment fund it can earn profits, while in case of weak operating results the Government guarantees the repayment of the nominal amount of the debt. Realised profits will be allocated in such a way so as to pay out one half of the profit to each member of the Fund in line with the really available number of shares at the time of allocation, while the other half belongs to the state.

Repayment of the debt could have a significant effect on the fiscal policy at least for the following two years and thus also on the personal consumption dynamics and imports. The greatest effect of the debt repayment is expected to be felt in December 2007 when at the same time the last share of the debt will be paid to beneficiaries who opted for the first repayment possibility and the first share of the debt will be repaid to pensioners who opted for the second possibility. At this moment, it is not clear whether debt repayments in individual years will be formally included into statistics on consolidated general government. International financial institutions like the IMF will most likely view the budget balance inclusive of the debt repayments.

21 Official gazette *Narodne novine*, No. 95/2005.





# 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 <sup>a</sup>	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	October	32,654.4	33,852.4	34,478.5	138,356.9	104,170.9	121,318.6	-0.60	-1.86	-2.15	-0.28	0.78	0.58
	November	31,211.5	33,600.7	34,268.9	139,632.6	105,932.6	124,824.3	-4.42	-0.74	-0.61	0.92	1.69	2.89
	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	January	32,618.7	34,908.8	35,381.4	138,919.6	109,215.0	127,047.2	-3.85	1.00	0.55	-0.73	0.93	-0.21
	February	32,483.7	34,386.9	34,957.3	138,850.4	111,148.3	128,084.1	-0.41	-1.49	-1.20	-0.05	1.77	0.82
	March	33,070.9	34,547.4	35,149.4	137,974.5	115,802.7	128,059.8	1.81	0.47	0.55	-0.63	4.19	-0.02
	April	33,358.8	34,819.1	35,450.3	137,879.2	116,714.0	129,723.4	0.87	0.79	0.86	-0.07	0.79	1.30
	May	33,230.9	36,034.9	36,681.9	140,608.0	119,838.9	131,713.7	-0.38	3.49	3.47	1.98	2.68	1.53
	June	35,529.7	36,735.0	37,395.6	142,609.9	121,230.6	133,670.3	6.92	1.94	1.95	1.42	1.16	1.49
	July	37,057.8	38,304.6	39,027.4	145,578.3	122,331.7	134,993.7	4.30	4.27	4.36	2.08	0.91	0.99
	August	36,828.9	37,768.4	38,601.7	151,113.8	124,090.7	138,196.0	-0.62	-1.40	-1.09	3.80	1.44	2.37
	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

<sup>a</sup> 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 259.3 million kuna and in monetary aggregate M4 amounted to 4,035.8 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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec. <sup>a</sup>	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
<b>ASSETS</b>											
1. Foreign assets (net)	29,017.2	48,661.3	32,817.4	32,771.4	31,742.6	22,171.9	21,379.3	23,246.6	27,023.0	27,127.0	25,548.0
2. Domestic credit	72,051.4	87,637.6	112,518.9	126,371.6	141,278.1	149,340.5	155,203.9	156,555.7	159,194.6	160,437.4	163,708.3
2.1. Claims on central government and funds (net)	11,167.6	12,673.1	15,055.2	14,710.1	13,969.6	21,280.7	21,533.6	21,561.9	20,998.6	19,689.2	20,640.7
2.2. Claims on other domestic sectors	60,653.4	74,513.0	96,329.0	110,467.8	125,790.7	126,371.2	132,088.1	133,449.2	136,102.0	138,938.9	141,276.4
2.3. Claims on other banking institutions	68.7	170.2	219.5	431.8	624.0	537.2	588.3	639.6	1,247.6	702.4	562.7
2.4. Claims on non-banking financial institutions	161.7	281.4	915.3	761.8	893.9	1,151.4	993.9	904.9	846.5	1,106.9	1,228.5
Total (1+2)	101,068.7	136,298.9	145,336.3	159,143.0	173,020.7	171,512.3	176,583.2	179,802.3	186,217.6	187,564.4	189,256.3
<b>LIABILITIES</b>											
1. Money	18,030.3	23,703.5	30,869.8	33,888.7	34,562.1	34,547.4	36,735.0	38,304.6	37,768.4	36,708.3	37,105.1
2. Savings and time deposits	7,651.1	10,213.1	13,001.1	18,370.7	22,479.2	22,531.9	24,957.6	25,748.8	27,264.2	27,459.9	28,062.8
3. Foreign currency deposits	46,901.6	71,836.9	72,054.6	76,035.3	81,742.9	79,977.3	79,752.8	80,974.4	85,025.4	86,863.8	86,361.1
4. Bonds and money market instruments	478.2	317.8	216.3	598.4	1,163.5	918.0	1,164.5	550.4	1,055.7	577.3	989.1
5. Restricted and blocked deposits	2,864.5	1,926.2	1,729.5	1,721.6	2,067.0	2,408.0	2,023.2	2,148.5	2,121.6	2,039.8	2,095.3
6. Other items (net)	25,143.1	28,301.4	27,465.1	28,528.2	31,006.1	31,129.7	31,950.1	32,075.5	32,982.3	33,915.3	34,642.9
Total (1+2+3+4+5+6)	101,068.7	136,298.9	145,336.3	159,143.0	173,020.7	171,512.3	176,583.2	179,802.3	186,217.6	187,564.4	189,256.3

<sup>a</sup> 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	October	40	2	12	9	5	6	6	6	3	3	–
	November	39	2	12	8	6	5	6	6	3	3	–
	December	39	1	12	9	6	5	6	6	3	3	–
2005	January	38	1	12	8	6	5	6	6	3	3	–
	February	38	1	12	8	6	5	6	6	3	3	–
	March	38	2	11	8	6	5	6	3	2	1	–
	April	37	1	11	9	5	5	6	3	2	1	–
	May	37	1	11	9	5	5	6	3	2	1	–
	June	36	1	10	8	6	5	6	3	2	1	–
	July	36	–	11	9	5	5	6	3	2	1	–
	August	36	1	10	9	5	5	6	3	2	1	–
	September	36	1	10	9	5	5	6	3	2	1	–
	October	36	1	10	9	5	5	6	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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
<b>ASSETS</b>											
1. Foreign assets	28,747.4	39,308.9	42,058.8	50,118.6	49,373.4	49,863.2	51,653.6	51,526.6	52,122.6	52,061.3	52,616.7
1.1. Gold	–	–	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	1,204.2	905.8	17.4	5.0	4.8	5.3	4.8	10.1	6.2	6.3	8.8
1.3. Reserve position in the IMF	1.8	1.8	1.6	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4
1.4. Currency and demand deposits with foreign banks	7.4	6.1	6.4	5.8	5.7	5.5	5.4	5.3	5.5	5.8	6.7
1.5. Time deposits with foreign banks	20,986.9	25,565.9	28,183.2	25,580.7	24,337.7	25,410.2	26,710.8	26,924.7	27,192.5	26,830.3	27,371.4
1.6. Securities in f/c	6,545.7	12,829.3	13,850.0	24,525.5	25,023.7	24,440.9	24,931.1	24,585.1	24,916.9	25,217.4	25,228.4
1.7. Non-convertible foreign exchange	1.3	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	0.0	–	0.5	1.4	3.3	1.7	–	1.2	0.6	0.5	–
2.1. Claims in kuna	0.0	–	0.5	1.4	3.3	1.7	–	1.2	0.6	0.5	–
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	289.5	229.2	110.6	93.6	82.9	77.5	77.5	77.5	77.5	77.4	77.4
4. Claims on banks	329.9	18.5	17.9	972.0	408.9	14.6	1,574.1	3,572.7	3,107.4	2,356.1	2,172.7
4.1. Credits to banks	313.6	–	–	954.4	394.0	–	1,559.6	3,558.2	3,092.7	2,341.3	2,157.9
Lombard credits	–	–	–	954.4	–	–	–	–	–	–	–
Short-term liquidity credits	–	–	–	–	–	–	–	–	–	–	–
Other credits	14.0	–	–	–	–	–	–	–	–	–	–
Reverse repo transactions	299.6	–	–	–	394.0	–	1,559.6 <sup>a</sup>	3,558.2 <sup>a</sup>	3,092.7 <sup>a</sup>	2,341.3 <sup>a</sup>	2,157.9
4.2. CNB deposits with banks	15.2	16.6	17.6	14.5	15.0	14.6	14.5	14.5	14.7	14.8	14.8
4.3. Overdue claims	1.1	1.9	0.3	3.1	–	–	–	–	–	–	–
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	29,366.8	39,556.6	42,187.7	51,185.6	49,868.5	49,957.1	53,305.2	55,178.0	55,308.1	54,495.3	54,866.8
<b>LIABILITIES</b>											
1. Reserve money	11,717.3	17,803.2	23,027.9	30,586.2	33,924.4	33,070.9	35,529.7	37,057.8	36,828.9	35,658.2	36,784.0
1.1. Currency outside banks	6,636.7	8,507.4	9,680.9	10,573.1	10,955.6	11,061.7	12,161.5	13,142.6	12,659.9	12,247.4	11,948.2
1.2. Banks' cash in vaults	532.3	538.8	1,214.8	1,683.2	1,871.0	1,665.0	1,855.9	2,063.8	1,975.1	2,021.7	1,956.3
1.3. Banks' deposits	4,540.7	8,741.5	12,109.4	18,329.3	21,082.6	20,344.0	21,503.1	21,851.4	22,193.9	21,389.1	22,879.5
Settlement accounts	459.5	2,450.1	3,923.4	5,616.0	6,408.2	5,582.3	5,388.5	5,319.3	5,488.7	4,366.0	5,612.7
Statutory reserves	4,081.2	6,291.4	8,186.0	12,603.9	14,674.4	14,761.7	16,114.6	16,422.1	16,645.2	16,943.1	17,216.8
CNB bills on obligatory basis	–	–	–	109.4	–	–	–	–	–	–	–
Overnight deposits	–	–	–	–	–	–	–	110.0	60.0	80.0	50.0
1.4. Deposits of other banking institutions	7.5	15.5	19.1	–	–	–	–	–	–	–	–
1.5. Deposits of other domestic sectors <sup>b</sup>	0.0	0.1	3.5	0.6	15.1	0.3	9.2	–	–	–	–
2. Restricted and blocked deposits	5,805.5	6,030.5	7,091.2	6,699.2	10,777.1	12,301.7	12,770.8	13,149.1	13,291.2	12,752.4	12,852.7
2.1. Statutory reserve in f/c	5,490.5	5,705.1	7,042.3	6,686.6	10,764.7	12,289.7	12,762.1	13,140.6	13,274.7	12,739.4	12,797.3
2.2. Restricted deposits	315.0	325.4	49.0	12.6	12.4	12.0	8.6	8.5	16.4	13.0	55.4
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,630.8	1,597.5	195.7	2,798.0	18.1	15.2	18.7	17.7	16.2	14.9	14.7
3.1. Use of IMF credit	1,290.3	1,025.5	2.8	0.0	–	–	–	–	–	0.0	0.0
3.2. Liabilities to international organisations	9.5	12.2	12.6	19.6	18.1	15.2	18.7	17.7	16.2	14.9	14.7
3.3. Liabilities to foreign banks <sup>a</sup>	331.0	559.8	180.2	2,778.5	–	–	–	–	–	–	–
4. Central government and funds' deposits	1,157.4	1,752.1	768.1	1,551.1	263.2	590.7	872.5	913.3	678.7	1,132.8	640.2
4.1. Demand deposits	1,008.5	1,752.1	608.3	600.2	228.0	590.7	872.5	913.3	678.6	1,125.9	627.9
Central government demand deposits	980.8	1,564.8	569.5	548.5	123.0	186.0	552.4	646.4	468.7	770.6	396.7
Central government funds' demand deposits	27.7	187.3	38.7	51.7	105.0	404.7	320.1	266.9	210.0	355.3	231.2
4.2. Central government f/c deposits	–	–	–	950.9	35.2	0.1	0.1	0.1	0.1	6.9	12.3
4.3. CNB bills	148.8	–	159.9	–	–	–	–	–	–	–	–
5. CNB bills	4,207.3	6,372.3	6,212.4	4,920.2	–	–	–	–	–	–	–
5.1. CNB bills in kuna	2,394.6	3,458.9	4,986.2	–	–	–	–	–	–	–	–
5.2. CNB bills in f/c	1,812.7	2,913.4	1,226.3	4,920.2	–	–	–	–	–	–	–
6. Capital accounts	5,216.6	6,425.2	5,353.5	5,039.0	5,096.5	4,426.6	4,580.5	4,511.3	4,959.5	5,406.9	5,043.9
7. Other items (net)	–368.1	–424.2	–461.1	–408.1	–210.8	–448.0	–467.0	–471.1	–466.4	–469.8	–468.7
Total (1+2+3+4+5+6+7)	29,366.8	39,556.6	42,187.7	51,185.6	49,868.5	49,957.1	53,305.2	55,178.0	55,308.1	54,495.3	54,866.8

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

<sup>b</sup> 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, deposits by the CNB with 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) and due but unpaid credits. 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, 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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
<b>ASSETS</b>											
1. Reserves with the CNB	10,588.9	15,002.7	20,373.5	26,783.7	33,718.2	34,295.8	36,163.5	37,069.9	37,461.9	36,156.3	37,686.9
1.1. In kuna	5,098.4	9,306.2	13,340.0	20,103.4	22,962.9	22,016.4	23,406.7	23,934.6	24,192.9	23,421.8	24,894.9
1.2. In f/c	5,490.5	5,696.5	7,033.5	6,680.2	10,755.3	12,279.5	12,756.8	13,135.4	13,269.0	12,734.5	12,792.0
2. Foreign assets	19,710.4	32,807.6	25,977.8	35,382.9	43,551.0	34,971.7	33,246.2	34,420.9	35,716.1	35,902.0	34,784.0
3. Claims on central government and funds	19,055.5	20,059.9	21,917.7	21,543.6	21,051.3	28,786.7	29,975.8	29,845.0	29,415.7	29,229.4	30,338.5
4. Claims on other domestic sectors	60,363.9	74,283.8	96,218.4	110,374.3	125,707.9	126,293.7	132,010.6	133,371.8	136,024.5	138,861.6	141,199.0
4.1. Claims on local government	1,174.9	1,280.0	1,422.4	1,563.1	1,787.9	1,750.7	1,758.2	1,678.1	1,682.5	1,685.3	1,677.9
4.2. Claims on enterprises	35,890.7	42,882.0	51,723.4	53,809.8	58,643.3	58,215.3	60,490.6	60,577.9	61,333.5	62,206.3	63,407.3
4.3. Claims on households	23,298.3	30,121.9	43,072.6	55,001.4	65,276.7	66,327.7	69,761.9	71,115.8	73,008.4	74,969.9	76,113.8
5. Claims on other banking institutions	68.7	170.2	219.5	431.8	624.0	537.2	588.3	639.6	1,247.6	702.4	562.7
6. Claims on non-banking financial institutions	161.7	281.4	915.3	761.8	893.9	1,151.4	993.9	904.9	846.5	1,106.9	1,228.5
<b>Total (1+2+3+4+5+6)</b>	<b>109,949.1</b>	<b>142,605.6</b>	<b>165,622.2</b>	<b>195,278.0</b>	<b>225,546.2</b>	<b>226,036.5</b>	<b>232,978.3</b>	<b>236,252.1</b>	<b>240,712.2</b>	<b>241,958.5</b>	<b>245,799.6</b>
<b>LIABILITIES</b>											
1. Demand deposits	11,386.0	15,180.6	21,166.2	23,315.0	23,591.3	23,485.4	24,564.3	25,162.0	25,108.5	24,460.9	25,157.0
2. Savings and time deposits	7,651.1	10,213.1	13,001.1	18,370.7	22,479.2	22,531.9	24,957.6	25,748.8	27,264.2	27,459.9	28,062.8
3. Foreign currency deposits	46,901.6	71,836.9	72,054.6	76,035.3	81,742.9	79,977.3	79,752.8	80,974.4	85,025.4	86,863.8	86,361.1
4. Bonds and money market instruments	478.2	317.8	216.3	598.4	1,163.5	918.0	1,164.5	550.4	1,055.7	577.3	989.1
5. Foreign liabilities	17,809.7	21,857.8	35,023.5	49,932.0	61,163.7	62,647.9	63,501.8	62,683.2	60,799.5	60,821.4	61,838.0
6. Central government and funds' deposits	6,730.5	5,634.7	6,094.9	5,283.3	6,821.8	6,917.0	7,569.7	7,371.0	7,739.0	8,407.9	9,057.6
7. Credit from central bank	328.8	16.6	17.6	968.9	408.9	14.6	1,574.1	3,572.7	3,107.4	2,356.1	2,172.7
8. Restricted and blocked deposits	2,549.6	1,600.8	1,680.5	1,709.0	2,054.6	2,396.1	2,014.5	2,140.0	2,105.2	2,026.9	2,039.9
9. Capital accounts	24,953.1	25,455.1	26,323.2	27,389.5	28,666.4	29,301.6	29,758.0	30,010.2	30,448.4	31,290.7	32,072.7
10. Other items (net)	-8,839.4	-9,507.8	-9,955.6	-8,324.2	-2,546.3	-2,153.3	-1,879.0	-1,960.7	-1,941.1	-2,306.4	-1,951.2
<b>Total (1+2+3+4+5+6+7+8+9+10)</b>	<b>109,949.1</b>	<b>142,605.6</b>	<b>165,622.2</b>	<b>195,278.0</b>	<b>225,546.2</b>	<b>226,036.5</b>	<b>232,978.3</b>	<b>236,252.1</b>	<b>240,712.2</b>	<b>241,958.5</b>	<b>245,799.6</b>

**Table D1: Banks' Accounts**

Banks' Accounts include data on banks' claims and liabilities. Banks' mutual claims and liabilities are consolidated. In September 1999, the data was revised to include savings banks. The whole data series was revised accordingly.

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. Bonds issued in accordance with the Act on Converting Households' Foreign Exchange Deposits into the Public Debt of the Republic of Croatia are shown separately. Other claims also included, until July 2000, bonds issued in accordance with the Act on the Issue of Bonds for the Restructuring of the Economy of the Republic of Croatia. These bonds have been replaced, pursuant to a Decree of the Government of the Republic of Croatia on the Issuing of Replacement Bonds for the Restructuring of the Economy, issued in April 2000, by kuna bonds on which interest is paid.

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 classified 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**

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Foreign assets in f/c	19,619.2	32,763.6	25,924.4	35,261.9	43,428.1	34,892.1	33,071.4	34,129.2	35,511.8	35,781.4	34,590.6
1.1. Claims on foreign banks	19,154.9	31,660.3	21,333.5	31,877.6	35,911.0	27,732.8	25,440.3	26,023.3	27,147.6	27,510.5	26,353.2
Foreign currencies	1,002.8	7,324.7	1,019.8	1,268.6	1,190.0	1,069.4	1,206.8	1,416.6	1,287.4	1,046.2	1,015.3
Demand deposits	995.0	1,231.9	757.7	1,057.0	906.2	862.9	972.1	1,000.3	824.7	934.1	1,285.9
Time and notice deposits	16,286.7	21,765.2	17,569.8	27,969.4	30,943.7	22,843.4	19,982.1	20,211.7	20,873.2	21,452.3	19,630.5
Securities	454.9	1,008.5	1,690.2	1,364.2	2,674.1	2,763.5	3,080.4	3,194.9	3,960.4	3,988.7	4,091.6
Loans and advances	370.9	290.3	278.7	203.1	189.0	185.7	191.2	192.1	194.1	81.4	322.2
Shares and participations	44.6	39.7	17.2	15.4	8.1	7.8	7.7	7.7	7.8	7.8	7.8
1.2. Claims on foreign non-banks	464.3	1,103.3	4,590.8	3,384.4	7,517.1	7,159.3	7,631.1	8,105.9	8,364.3	8,270.8	8,237.3
Claims on foreign governments	137.8	596.2	3,855.5	2,905.0	7,066.6	6,805.0	7,220.4	7,701.1	7,869.2	7,798.4	7,747.7
Claims on other non-residents	322.4	505.5	733.7	478.9	450.2	353.9	410.2	404.3	494.6	471.9	489.1
Securities	–	72.1	191.3	32.1	77.4	0.0	–	–	36.8	37.2	36.9
Loans and advances	322.4	433.4	542.4	446.8	372.8	353.9	410.2	404.3	457.8	434.7	452.2
Shares and participations	4.1	1.6	1.6	0.4	0.3	0.4	0.5	0.5	0.5	0.5	0.5
2. Foreign assets in kuna	91.2	44.1	53.4	120.9	122.9	79.6	174.8	291.6	204.2	120.7	193.4
2.1. Claims on foreign banks	66.1	29.2	19.6	99.1	77.8	33.9	133.6	248.4	160.5	76.5	153.0
2.2. Claims on foreign non-banks	25.1	14.8	33.8	21.9	45.1	45.6	41.2	43.2	43.7	44.1	40.4
o/w: Loans and advances	23.3	13.9	33.0	21.0	44.3	44.8	40.4	42.3	42.9	43.3	39.6
<b>Total (1+2)</b>	<b>19,710.4</b>	<b>32,807.6</b>	<b>25,977.8</b>	<b>35,382.9</b>	<b>43,551.0</b>	<b>34,971.7</b>	<b>33,246.2</b>	<b>34,420.9</b>	<b>35,716.1</b>	<b>35,902.0</b>	<b>34,784.0</b>

**Table D2: Banks' Foreign Assets**

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

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

ign currency.

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

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

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. In kuna	17,372.2	17,778.7	18,444.4	18,007.1	16,270.2	20,413.0	21,717.2	21,826.0	21,256.3	20,874.4	22,214.9
1.1. Claims on central government	15,772.8	16,230.2	16,443.4	16,032.6	14,465.6	17,673.9	18,014.4	18,040.1	17,492.1	17,005.7	18,053.4
Securities	14,547.9	15,403.2	13,989.1	11,770.0	11,779.1	14,970.1	15,057.0	15,824.6	16,027.9	15,650.7	15,770.6
o/w: Bonds (c'part to f/c savings deposits)	4,484.4	3,420.1	2,473.5	1,531.9	532.0	22.3	21.7	21.6	21.5	21.1	21.3
Loans and advances	1,224.9	826.9	2,454.3	4,262.6	2,686.5	2,703.8	2,957.4	2,215.5	1,464.2	1,355.0	2,282.8
1.2. Claims on central government funds	1,599.4	1,548.5	2,001.0	1,974.5	1,804.6	2,739.1	3,702.8	3,786.0	3,764.3	3,868.6	4,161.6
Securities	627.3	560.1	560.7	723.6	621.1	652.2	710.9	579.8	596.8	619.2	595.7
Loans and advances	972.1	988.4	1,440.3	1,250.9	1,183.5	2,086.9	2,991.9	3,206.2	3,167.5	3,249.4	3,565.9
2. In f/c	1,683.3	2,281.2	3,473.3	3,536.4	4,781.1	8,373.7	8,258.6	8,019.0	8,159.3	8,355.0	8,123.6
2.1. Claims on central government	1,492.7	1,390.9	2,359.1	3,196.9	3,548.4	7,137.3	7,021.4	6,885.0	7,004.4	7,179.0	7,230.1
Securities	869.2	1,065.5	1,733.4	1,805.4	1,117.0	1,058.9	997.3	896.0	952.6	1,072.4	1,218.7
Loans and advances	623.5	325.5	625.7	1,391.5	2,431.3	6,078.4	6,024.0	5,989.0	6,051.8	6,106.6	6,011.4
2.2. Claims on central government funds	190.6	890.3	1,114.2	339.5	1,232.8	1,236.4	1,237.3	1,134.0	1,155.0	1,176.0	893.5
Securities	35.0	75.4	195.0	96.4	163.1	209.4	178.0	157.0	159.9	144.3	144.6
Loans and advances	155.5	814.8	919.2	243.1	1,069.7	1,026.9	1,059.3	977.1	995.1	1,031.7	748.9
Total (1+2)	19,055.5	20,059.9	21,917.7	21,543.6	21,051.3	28,786.7	29,975.8	29,845.0	29,415.7	29,229.4	30,338.5

**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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Claims in kuna	53,739.5	66,626.8	85,418.7	100,365.0	114,635.7	115,132.8	119,920.6	121,376.3	123,860.0	126,225.5	127,628.6
1.1. Money market instruments	231.9	544.7	1,394.7	1,314.1	2,510.0	1,600.3	1,635.3	1,567.0	1,639.5	1,560.3	1,604.9
1.2. Bonds	1.0	7.7	72.4	56.2	559.8	554.1	457.0	337.3	312.7	277.2	263.9
1.3. Loans and advances	49,566.8	62,180.6	80,887.6	96,081.7	109,523.9	110,959.3	115,787.9	117,436.4	119,869.3	122,336.3	123,721.1
1.4. Shares and participations	3,939.8	3,893.8	3,064.0	2,912.9	2,042.0	2,019.1	2,040.4	2,035.5	2,038.5	2,051.7	2,038.7
2. Claims in f/c	6,624.3	7,657.0	10,799.8	10,009.3	11,072.2	11,160.9	12,090.0	11,995.5	12,164.4	12,636.0	13,570.4
2.1. Securities	112.4	126.6	243.2	130.6	213.5	265.5	295.8	314.5	311.0	318.6	313.7
2.2. Loans and advances	6,512.0	7,530.5	10,556.6	9,878.7	10,858.6	10,895.4	11,794.1	11,681.0	11,853.5	12,317.4	13,256.7
Total (1+2)	60,363.9	74,283.8	96,218.4	110,374.3	125,707.9	126,293.7	132,010.6	133,371.8	136,024.5	138,861.6	141,199.0

**Table D4: Banks' Claims on Other Domestic Sectors**

The table shows banks' kuna and foreign currency claims on other domestic sectors, classified according to financial instruments: money market instruments (including factoring and forfaiting since

January 2004), loans and advances (including acceptances and purchased claims), and equities.

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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
<b>LOANS IN KUNA</b>											
1. Loans to central government and funds	2,196.9	1,815.4	3,894.6	5,513.5	3,870.0	4,790.7	5,949.4	5,421.6	4,631.6	4,604.4	5,848.6
1.1. Loans to central government	1,224.9	826.9	2,454.3	4,262.6	2,686.5	2,703.8	2,957.4	2,215.5	1,464.2	1,355.0	2,282.8
1.2. Loans to central government funds	972.1	988.4	1,440.3	1,250.9	1,183.5	2,086.9	2,991.9	3,206.2	3,167.5	3,249.4	3,565.9
2. Loans to local government	996.8	1,069.1	1,202.9	1,485.1	1,701.9	1,666.1	1,673.0	1,616.7	1,621.7	1,586.6	1,577.4
3. Loans to enterprises	25,328.0	31,049.4	36,708.1	39,777.4	42,844.7	43,266.9	44,704.2	45,048.1	45,595.9	46,163.0	46,403.3
4. Loans to households	23,242.1	30,062.1	42,976.6	54,819.3	64,977.2	66,026.2	69,410.7	70,771.6	72,651.7	74,586.7	75,740.4
o/w: Housing loans	8,257.8	9,450.0	12,363.4	16,896.2	21,397.9	21,865.2	23,239.5	23,931.4	24,898.0	25,701.3	26,224.6
5. Loans to other banking institutions	33.5	34.7	17.6	82.3	154.5	51.8	53.8	77.9	684.3	150.9	64.6
6. Loans to non-banking financial institutions	105.5	240.9	521.3	427.9	558.0	525.3	517.1	626.8	502.8	619.4	700.5
<b>A. Total (1+2+3+4+5+6)</b>	<b>51,902.8</b>	<b>64,271.6</b>	<b>85,321.1</b>	<b>102,105.4</b>	<b>114,106.4</b>	<b>116,327.2</b>	<b>122,308.1</b>	<b>123,562.7</b>	<b>125,688.0</b>	<b>127,711.1</b>	<b>130,334.8</b>
<b>LOANS IN F/C</b>											
1. Loans to central government and funds	779.1	1,140.3	1,544.9	1,634.7	3,501.0	7,105.4	7,083.4	6,966.1	7,046.8	7,138.3	6,760.2
1.1. Loans to central government	623.5	325.5	625.7	1,391.5	2,431.3	6,078.4	6,024.0	5,989.0	6,051.8	6,106.6	6,011.4
1.2. Loans to central government funds	155.5	814.8	919.2	243.1	1,069.7	1,026.9	1,059.3	977.1	995.1	1,031.7	748.9
2. Loans to local government	171.6	179.1	152.3	47.1	31.9	23.5	23.1	15.7	15.9	63.4	63.0
3. Loans to enterprises	6,284.0	7,291.7	10,308.3	9,649.4	10,527.3	10,570.4	11,419.9	11,321.1	11,480.9	11,870.8	12,820.4
4. Loans to households	56.3	59.7	96.0	182.1	299.5	301.5	351.2	344.1	356.7	383.2	373.4
5. Loans to other banking institutions	–	–	1.2	174.3	52.9	6.0	–	55.5	51.9	70.0	51.4
6. Loans to non-banking financial institutions	–	–	28.3	58.8	255.3	567.8	421.7	222.0	287.2	430.6	470.5
<b>B. Total (1+2+3+4+5+6)</b>	<b>7,291.0</b>	<b>8,670.7</b>	<b>12,131.0</b>	<b>11,746.4</b>	<b>14,667.8</b>	<b>18,574.6</b>	<b>19,299.2</b>	<b>18,924.6</b>	<b>19,239.4</b>	<b>19,956.3</b>	<b>20,538.9</b>
<b>TOTAL (A+B)</b>	<b>59,193.9</b>	<b>72,942.3</b>	<b>97,452.1</b>	<b>113,851.8</b>	<b>128,774.2</b>	<b>134,901.8</b>	<b>141,607.3</b>	<b>142,487.2</b>	<b>144,927.4</b>	<b>147,667.3</b>	<b>150,873.7</b>

**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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Local government	573.6	907.0	1,910.4	2,006.2	2,020.7	1,878.0	1,913.7	1,739.7	1,812.1	1,837.4	1,890.0
2. Enterprises	7,087.1	8,981.6	12,344.5	12,872.9	12,036.9	11,455.3	11,728.9	12,201.4	12,240.0	11,674.5	12,256.0
3. Households	3,499.7	4,872.0	6,307.4	7,873.1	8,773.0	9,476.7	10,092.5	10,403.4	10,365.6	10,317.2	10,164.2
4. Other banking institutions	11.6	17.0	42.1	98.9	245.4	139.4	265.6	351.1	152.7	163.5	250.3
5. Non-banking financial institutions	221.7	407.1	568.1	468.1	517.5	537.7	565.3	468.2	539.8	469.9	598.3
6. Less: Checks of other banks and checks in collection	-7.6	-4.2	-6.4	-4.2	-2.2	-1.8	-1.8	-1.8	-1.7	-1.6	-1.8
<b>Total (1+2+3+4+5+6)</b>	<b>11,386.0</b>	<b>15,180.6</b>	<b>21,166.2</b>	<b>23,315.0</b>	<b>23,591.3</b>	<b>23,485.4</b>	<b>24,564.3</b>	<b>25,162.0</b>	<b>25,108.5</b>	<b>24,460.9</b>	<b>25,157.0</b>

**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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Savings deposits	1,676.1	2,006.8	2,236.2	2,527.9	2,233.9	2,327.6	2,335.8	2,390.6	2,417.4	2,412.9	2,398.6
1.1. Local government	137.6	118.3	14.8	14.4	4.6	4.7	4.8	4.7	4.9	5.0	4.9
1.2. Enterprises	142.4	88.0	213.3	190.5	38.8	45.5	62.0	78.0	96.9	96.0	108.0
1.3. Households	1,348.3	1,712.2	1,996.3	2,288.8	2,190.5	2,277.4	2,269.1	2,307.9	2,315.5	2,311.8	2,285.7
1.4. Other banking institutions	0.6	20.8	0.0	–	–	–	–	–	–	–	–
1.5. Non-banking financial institutions	47.2	67.5	11.8	34.2	0.0	0.0	0.0	0.0	–	–	0.0
2. Time and notice deposits	5,975.0	8,206.3	10,764.9	15,842.9	20,245.4	20,204.3	22,621.8	23,358.2	24,846.8	25,047.1	25,664.1
2.1. Local government	230.7	340.7	482.8	551.6	550.8	695.6	675.8	702.1	749.1	779.1	744.6
2.2. Enterprises	2,871.4	3,618.3	4,633.6	7,165.3	8,698.5	7,522.2	8,346.1	8,601.9	9,557.0	9,303.0	9,126.6
2.3. Households	1,789.8	2,554.1	3,793.8	6,194.5	9,321.4	10,455.7	11,190.4	11,508.8	11,822.7	12,180.5	12,433.1
2.4. Other banking institutions	20.8	24.7	58.4	129.3	215.9	143.7	532.4	898.8	906.2	839.5	1,164.5
2.5. Non-banking financial institutions	1,062.2	1,668.5	1,796.3	1,802.2	1,458.8	1,387.1	1,877.1	1,646.5	1,811.8	1,944.9	2,195.3
Total (1+2)	7,651.1	10,213.1	13,001.1	18,370.7	22,479.2	22,531.9	24,957.6	25,748.8	27,264.2	27,459.9	28,062.8

**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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Savings deposits	14,566.3	23,748.8	21,074.4	21,547.0	22,144.6	21,005.7	21,410.7	21,865.7	23,475.5	23,555.7	23,301.6
1.1. Local government	16.8	13.2	12.2	14.7	15.6	14.6	14.8	13.3	13.6	13.3	13.3
1.2. Enterprises	2,408.0	2,884.2	3,346.7	3,620.2	4,273.2	3,948.4	4,230.0	4,182.2	4,984.3	4,727.1	4,770.4
1.3. Households	12,041.5	20,688.3	17,537.3	17,690.2	17,708.9	16,864.1	17,069.2	17,407.5	18,226.2	18,504.4	18,233.9
1.4. Other banking institutions	10.3	23.9	34.7	9.0	15.4	16.2	11.1	25.8	37.1	26.7	90.6
1.5. Non-banking financial institutions	89.8	139.2	143.5	212.9	131.6	162.3	85.6	236.9	214.4	284.3	193.4
2. Time deposits	32,335.3	48,088.1	50,980.3	54,488.4	59,598.3	58,971.7	58,342.1	59,108.7	61,549.9	63,308.1	63,059.5
2.1. Local government	8.2	1.7	9.5	3.8	0.3	0.3	31.8	31.7	32.8	33.1	34.9
2.2. Enterprises	2,753.1	4,619.1	6,009.6	7,154.0	8,518.6	8,267.1	7,125.9	6,953.1	7,954.2	8,265.8	8,259.2
2.3. Households	29,097.2	42,705.4	44,159.2	46,805.1	50,636.0	50,298.2	50,617.7	51,304.2	52,703.1	53,913.8	53,762.0
2.4. Other banking institutions	4.2	11.5	41.5	21.7	20.7	81.8	120.2	122.8	159.4	258.5	310.3
2.5. Non-banking financial institutions	472.7	750.3	760.5	503.7	422.7	324.3	446.5	696.9	700.3	836.9	693.0
Total (1+2)	46,901.6	71,836.9	72,054.6	76,035.3	81,742.9	79,977.3	79,752.8	80,974.4	85,025.4	86,863.8	86,361.1

**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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Money market instruments (net)	–	–	5.1	–	–	–	–	–	–	–	–
2. Bonds (net)	353.5	104.4	92.8	151.9	170.5	170.3	159.6	161.4	160.1	160.8	173.8
3. Other domestic borrowing	124.7	213.4	118.4	446.5	993.0	747.6	1,005.0	389.0	895.6	416.5	815.3
3.1. Local government	–	–	–	0.9	–	–	–	–	0.0	–	–
3.2. Enterprises	15.2	158.1	46.3	92.7	40.3	49.3	80.3	91.8	74.8	74.8	59.9
3.3. Other banking institutions	1.3	4.6	10.0	222.1	842.8	494.2	623.4	226.6	772.1	317.7	695.7
3.4. Non-banking financial institutions	108.2	50.7	62.0	130.9	109.9	204.2	301.2	70.7	48.6	24.0	59.7
Total (1+2+3)	478.2	317.8	216.3	598.4	1,163.5	918.0	1,164.5	550.4	1,055.7	577.3	989.1

**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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Foreign liabilities in f/c	17,669.8	21,692.7	34,198.5	44,574.3	54,536.7	53,735.4	52,808.8	51,219.1	49,711.8	49,145.4	49,270.9
1.1. Liabilities to foreign banks	11,957.6	16,407.4	28,662.3	38,623.1	48,967.5	47,936.1	46,774.5	45,103.7	43,517.4	42,943.1	43,046.3
Demand deposits	176.3	147.1	130.9	266.6	127.6	96.2	106.6	112.6	96.8	133.6	103.5
Time and notice deposits	345.9	1,208.3	9,002.9	14,875.4	16,056.8	14,254.3	13,554.8	12,410.9	10,261.5	10,454.4	10,636.6
Loans and advances	11,435.4	15,052.1	19,528.5	23,481.2	29,369.5	30,269.7	29,841.7	29,314.6	29,856.8	29,025.7	29,002.3
o/w: Subordinated and hybrid instruments	194.2	2,558.3	2,801.4	2,949.2	2,399.4	2,088.4	1,902.9	1,899.3	1,920.6	1,820.6	1,168.3
Bonds	–	–	–	–	3,413.6	3,315.9	3,271.4	3,265.5	3,302.2	3,329.4	3,303.9
1.2. Liabilities to foreign non-banks	5,712.2	5,285.2	5,536.2	5,951.2	5,569.2	5,799.3	6,034.3	6,115.4	6,194.5	6,202.3	6,224.6
Savings and time deposits	2,868.1	3,777.8	4,160.2	4,753.2	5,002.2	5,280.5	5,516.2	5,641.5	5,714.6	5,718.3	5,744.7
Sight deposits	745.5	873.7	875.6	898.6	1,052.5	1,073.3	1,156.6	1,197.8	1,275.0	1,195.7	1,146.6
Time and notice deposits	2,122.6	2,904.1	3,284.6	3,854.6	3,949.6	4,207.1	4,359.7	4,443.7	4,439.5	4,522.6	4,598.1
Loans and advances	2,844.1	1,507.4	1,376.0	1,198.0	567.1	518.8	518.1	473.9	479.9	484.0	479.9
o/w: Subordinated and hybrid instruments	66.0	39.3	39.7	39.1	0.2	0.1	0.1	0.0	0.0	0.0	–
2. Foreign liabilities in kuna	140.0	165.1	825.0	5,357.7	6,627.0	8,912.5	10,693.0	11,464.1	11,087.6	11,676.0	12,567.1
2.1. Liabilities to foreign banks	37.0	46.9	690.9	5,087.8	6,103.9	8,293.2	9,992.7	10,755.2	10,363.8	10,822.6	11,739.4
Demand deposits	14.4	38.2	53.6	86.4	145.1	199.8	223.4	159.0	176.8	163.6	191.7
Time and notice deposits	22.0	4.2	635.8	2,664.1	2,846.9	4,471.8	4,136.9	4,978.4	5,098.7	5,312.0	6,234.5
Loans and advances	0.7	4.5	1.5	2,337.3	3,111.9	3,621.6	5,632.3	5,617.9	5,088.2	5,347.0	5,313.1
o/w: Subordinated and hybrid instruments	–	–	–	–	–	–	–	–	–	223.2	221.4
2.2. Liabilities to foreign non-banks	103.0	118.2	134.1	269.9	523.1	619.3	700.4	708.9	723.9	853.4	827.7
Demand deposits	50.8	60.1	56.2	76.8	95.9	108.3	121.6	113.2	103.2	147.1	110.8
Time and notice deposits	52.2	58.1	77.9	191.4	419.2	503.2	574.8	591.7	616.7	702.3	713.0
Loans and advances	–	–	–	1.7	8.0	7.7	3.9	3.9	4.0	4.0	4.0
o/w: Subordinated and hybrid instruments	....	....	....	1.7	8.0	7.7	3.9	3.9	4.0	4.0	4.0
Total (1+2)	17,809.7	21,857.8	35,023.5	49,932.0	61,163.7	62,647.9	63,501.8	62,683.2	60,799.5	60,821.4	61,838.0

**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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. In kuna	3,073.3	3,335.1	4,036.8	4,104.4	5,627.2	5,961.7	6,105.4	6,205.3	6,633.0	6,912.1	7,628.8
1.1. Central government deposits	430.0	295.9	634.3	506.4	445.1	426.4	554.8	502.2	529.3	710.9	512.5
Demand deposits	116.7	33.9	476.4	448.0	373.3	330.4	428.4	376.9	397.2	529.8	318.5
Savings deposits	26.1	41.6	3.3	3.0	4.2	3.3	2.1	2.0	2.1	2.1	1.9
Time and notice deposits	259.5	217.6	153.6	54.2	66.5	91.7	123.2	122.2	129.1	178.0	191.1
Loans and advances	27.7	2.8	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0
1.2. Central government funds' deposits	2,643.3	3,039.2	3,402.5	3,598.0	5,182.2	5,535.4	5,550.6	5,703.1	6,103.6	6,201.2	7,116.4
Demand deposits	116.9	214.6	553.2	294.8	266.3	271.9	241.5	345.9	436.1	541.1	819.6
Savings deposits	15.2	10.8	0.0	0.3	3.5	1.9	1.9	1.9	1.9	1.9	1.9
Time and notice deposits	32.6	195.2	144.3	156.2	262.3	638.9	251.0	143.0	270.1	177.2	477.1
Loans and advances	2,478.6	2,618.6	2,705.0	3,146.7	4,650.0	4,622.7	5,056.2	5,212.4	5,395.6	5,481.1	5,817.7
2. In f/c	3,657.1	2,299.6	2,058.1	1,178.9	1,194.6	955.3	1,464.3	1,165.6	1,106.0	1,495.7	1,428.8
2.1. Central government deposits	3,622.6	2,275.0	1,938.9	1,158.2	891.0	818.6	887.7	761.5	732.0	915.5	858.5
Savings deposits	1,256.1	329.8	263.0	198.5	189.7	206.5	236.6	224.2	193.8	370.2	315.3
Time and notice deposits	27.0	55.8	293.1	–	23.2	23.7	30.1	26.6	27.4	23.6	29.7
Refinanced loans and advances	2,339.4	1,889.5	1,382.8	959.6	678.1	588.3	620.9	510.6	510.8	521.6	513.6
2.2. Central government funds' deposits	34.6	24.5	119.2	20.8	303.6	136.7	576.6	404.2	374.0	580.3	570.3
Savings deposits	25.0	22.9	114.1	20.8	156.5	136.7	172.1	205.7	189.5	177.1	186.5
Time and notice deposits	9.5	1.6	5.0	–	147.1	–	240.8	–	73.8	180.0	162.4
Loans	–	–	–	–	–	–	163.8	198.5	110.7	223.2	221.4
Total (1+2)	6,730.5	5,634.7	6,094.9	5,283.3	6,821.8	6,917.0	7,569.7	7,371.0	7,739.0	8,407.9	9,057.6

**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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Restricted deposits	854.4	830.6	1,361.2	1,541.2	2,014.6	2,396.0	2,014.5	2,140.0	2,105.2	2,105.2	2,039.9
1.1. In kuna	131.6	100.3	789.6	730.1	1,267.4	1,473.5	1,221.6	1,190.1	1,179.0	1,179.0	1,215.4
1.2. In f/c	722.8	730.3	571.6	811.1	747.2	922.5	792.9	949.9	926.2	926.2	824.5
2. Blocked f/c deposits of households	1,695.1	770.2	319.3	167.8	40.0	0.0	0.0	0.0	–	–	–
Total (1+2)	2,549.6	1,600.8	1,680.5	1,709.0	2,054.6	2,396.1	2,014.5	2,140.0	2,105.2	2,105.2	2,039.9

**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**

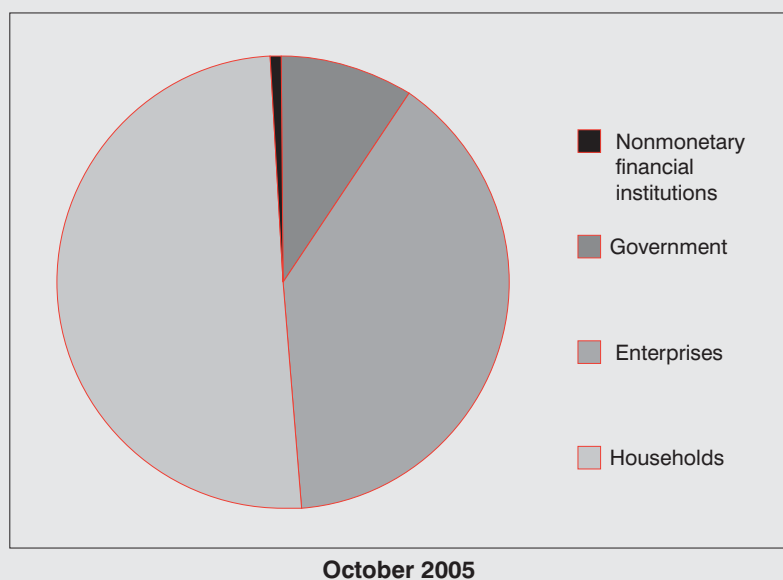
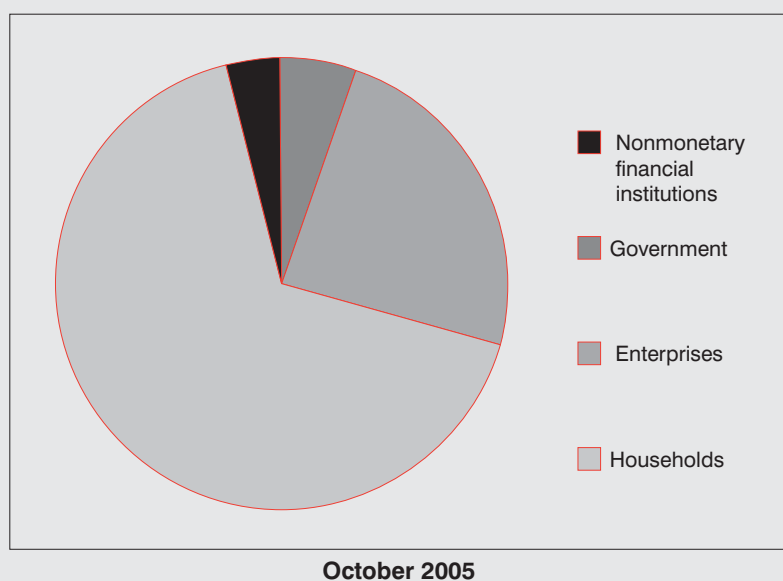


Figure D2

**DISTRIBUTION OF BANKS' DEPOSITS BY DOMESTIC INSTITUTIONAL SECTORS**



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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
<b>ASSETS</b>											
1. Reserves with the CNB	7.6	15.5	19.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	497.6	1,208.8	1,983.9	3,033.5	3,779.1	3,660.1	3,666.1	3,676.3	3,759.5	3,842.0	4,021.2
3. Claims on other domestic sectors	1.1	11.6	93.3	187.9	373.2	557.4	610.9	627.8	653.0	673.0	676.3
o/w: Claims on households	0.6	11.6	91.3	187.9	373.2	403.0	458.9	476.6	499.0	518.8	523.3
4. Claims on banks	7.6	18.1	37.2	247.2	824.2	666.0	693.0	684.6	716.0	693.7	798.9
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	513.8	1,254.0	2,133.6	3,468.6	4,976.6	4,883.5	4,970.1	4,988.7	5,128.6	5,208.7	5,496.4
<b>LIABILITIES</b>											
1. Time deposits	437.8	1,137.5	2,012.9	3,265.2	4,728.2	4,686.9	4,678.9	4,696.9	4,793.0	4,878.2	5,166.0
2. Bonds and money market instruments	10.0	10.0	–	11.1	10.7	10.4	10.2	10.2	10.3	10.4	10.3
3. Capital accounts	112.5	124.0	141.1	159.7	206.7	172.4	238.1	243.3	262.0	286.0	279.4
4. Other items (net)	–46.5	–17.5	–20.4	32.6	30.8	13.8	42.9	38.3	63.3	34.1	40.7
Total (1+2+3+4)	513.8	1,254.0	2,133.6	3,468.6	4,976.6	4,883.5	4,970.1	4,988.7	5,128.6	5,208.7	5,496.4

**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 <sup>a</sup>	Credit rates					
				On lombard credits <sup>a</sup>	On intervention credits	On intra-day refinancing facility <sup>b</sup>	On short-term liquidity credits	On inaccurately calculated statutory reserves <sup>a</sup>	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	October	4.50	–	9.50	–	–	10.50	15.00	15.00
	November	4.50	–	9.50	–	–	10.50	15.00	15.00
	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	January	4.50	–	9.50	–	–	10.50	15.00	15.00
	February	4.50	–	9.50	–	–	10.50	15.00	15.00
	March	4.50	–	9.50	–	–	10.50	15.00	15.00
	April	4.50	4.75	9.50	–	–	10.50	15.00	15.00
	May	4.50	–	9.50	–	–	10.50	15.00	15.00
	June	4.50	3.61	9.50	–	–	10.50	15.00	15.00
	July	4.50	3.52	9.50	–	–	10.50	15.00	15.00
	August	4.50	3.50	9.50	–	–	10.50	15.00	15.00
	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

<sup>a</sup> Weighted averages of weighted repo rates achieved at regular reverse repo auctions of the CNB in the reporting month.

<sup>b</sup> Breaks in the series of data are explained in notes on methodology.

**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 <sup>a</sup>				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	October	1.25	–	–	–	–	–	–	–	–	–	–	–
	November	1.25	–	–	–	–	–	–	–	–	–	–	–
	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	January	1.25	–	–	–	–	–	–	–	–	–	–	–
	February	1.25	–	–	–	–	–	–	–	–	–	–	–
	March	1.25	–	–	–	–	–	–	–	–	–	–	–
	April	1.25	–	–	–	–	–	–	–	–	–	–	0.50
	May	1.25	–	–	–	–	–	–	–	–	–	–	0.50
	June	0.75 <sup>b</sup>	–	–	–	–	–	–	–	–	–	–	0.50
	July	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	August	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	September	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	October	0.75	–	–	–	–	–	–	–	–	–	–	0.50

<sup>a</sup> Breaks in the series of data are explained in notes on methodology. <sup>b</sup> Since 8 June 2005.

**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	October	19.00	34,720.2	20,731.8	13,988.4	163.8	15,024.9	10,503.0	1.20	1.40
	November	18.23	33,750.6	20,128.7	13,621.9	279.3	14,749.5	10,196.5	1.22	1.31
	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	January	18.00	33,813.7	20,138.1	13,675.7	844.2	14,702.2	10,263.1	1.22	1.49
	February	18.00	34,231.3	20,353.1	13,878.2	1,341.2	14,844.8	10,444.8	1.21	1.41
	March	18.00	34,369.6	20,506.3	13,863.3	1,752.0	14,790.3	10,436.4	1.21	1.30
	April	18.00	34,273.3	20,475.9	13,797.4	1,769.2	14,421.3	10,403.7	0.95	1.41
	May	18.00	34,619.1	20,713.2	13,905.9	2,426.0	14,496.1	10,542.8	0.87	1.24
	June	18.00	34,918.4	22,506.3	12,412.1	3,447.3	15,751.4	9,427.2	0.61	0.86
	July	18.00	35,414.2	23,365.0	12,049.2	3,921.7	16,352.7	9,151.9	0.52	0.74
	August	18.00	35,792.5	23,710.5	12,082.0	4,024.6	16,594.8	9,150.1	0.52	0.68
	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

**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), statutory reserves on f/c deposits, f/c credits from foreign banks and guarantees for such credits, and marginal reserve requirements (from August 2004 on).

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 100%, while the percentage for allocating the remaining portion of

**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	October	1,119.7	27,157.8	2.01	0.0	0.0	0.0	4,029.1
	November	1,580.1	26,854.9	2.81	0.0	0.0	0.0	4,417.6
	December	1,495.5	26,126.1	2.64	0.0	0.0	0.0	4,581.7
2005	January	1,592.1	24,923.7	2.80	0.0	0.0	0.0	4,859.1
	February	1,472.0	23,212.0	2.57	0.0	0.0	0.0	5,266.7
	March	1,132.5	21,380.6	1.95	0.0	0.0	0.0	6,050.3
	April	683.1	19,812.8	1.17	1.1	0.0	0.0	7,164.1
	May	542.2	18,697.5	0.92	0.0	0.0	0.0	7,253.5
	June	577.5	19,221.1	0.95	0.0	0.0	0.0	5,476.5
	July	504.7	20,669.4	0.80	0.0	0.0	0.0	4,370.8
	August	605.3	21,540.2	0.94	0.0	0.0	0.0	3,639.2
	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

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	October	3.77	6.71	11.84	12.00	8.32	14.23	14.31	12.51	10.35	7.64	10.87	
	November	1.81	6.27	11.74	11.96	8.28	14.25	14.31	12.45	9.38	6.87	10.80	
	December	3.55	6.02	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16	
2005	January	2.26	4.21	11.80	11.95	8.21	14.16	14.26	12.09	10.39	6.63	11.15	
	February	2.55	4.94	11.88	12.03	8.31	14.05	14.27	9.81	9.97	6.68	10.88	
	March	2.04	5.60	11.82	12.08	8.37	14.16	14.25	11.93	9.24	6.42	11.33	
	April	0.89	5.14	11.57	11.79	8.21	13.74	14.02	9.50	10.07	6.30	11.62	
	May	0.77	4.50	11.38	11.44	7.95	13.43	14.15	6.96	10.66	6.13	11.63	
	June	1.96	5.01	11.21	11.26	8.19	13.00	13.86	6.59	10.71	6.75	11.74	
	July	3.38	4.50	11.42	11.52	8.16	13.39	13.89	7.51	10.21	7.43	11.25	
	August	5.55	5.19	11.17	11.32	7.85	13.32	13.88	7.26	9.38	5.38	11.34	
	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	
Relative significance <sup>a</sup>		–	–	63.74	60.46	18.95	41.51	33.86	7.65	3.28	0.70	2.58	

<sup>a</sup> 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	October	7.51	7.47	7.31	8.32	7.52	6.06	8.06	6.74	9.29	5.08	5.69	4.42
	November	7.26	7.03	6.77	8.64	7.33	5.94	8.11	5.87	9.06	5.65	5.90	5.32
	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	January	6.97	7.03	6.86	8.13	6.95	5.91	7.52	5.71	8.51	5.45	5.63	5.29
	February	6.89	6.95	6.80	7.92	6.87	5.66	7.52	5.52	8.42	5.46	6.22	4.65
	March	7.44	6.86	6.72	7.65	7.55	4.97	8.31	5.44	8.79	5.47	5.80	5.03
	April	6.92	7.11	7.04	7.50	6.89	5.64	7.38	6.33	8.41	5.53	5.85	5.21
	May	6.71	6.73	6.62	7.54	6.70	5.24	7.43	5.30	8.34	5.31	5.33	5.25
	June	6.60	6.56	6.49	6.94	6.62	5.47	7.22	5.14	8.21	5.20	5.62	4.64
	July	6.29	6.09	5.96	7.16	6.36	5.22	7.06	5.02	8.05	5.13	5.14	5.09
	August	6.67	6.78	6.77	6.84	6.63	5.40	7.22	5.03	8.51	4.71	6.10	4.15
	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
Relative significance <sup>a</sup>		30.91	8.72	7.97	0.75	22.19	7.45	14.74	4.83	9.91	5.35	3.33	2.02

<sup>a</sup> 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	October	2.06	0.74	4.67	4.68	3.92	4.76	3.80	4.76	3.05
	November	1.76	0.75	3.36	3.34	4.01	3.26	4.53	4.67	4.45
	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	January	1.79	0.74	4.13	4.13	4.06	4.14	3.87	4.28	3.17
	February	1.73	0.74	4.05	4.06	4.04	4.06	3.73	4.39	2.74
	March	1.75	0.74	3.87	3.87	3.90	3.86	4.03	4.93	2.99
	April	1.70	0.73	3.46	3.44	3.98	3.32	4.09	4.97	2.78
	May	1.66	0.72	3.34	3.31	3.94	3.17	4.53	5.17	4.01
	June	1.72	0.70	3.55	3.54	4.01	3.45	4.04	4.88	3.34
	July	1.68	0.62	3.92	3.91	4.00	3.90	4.18	5.29	2.93
	August	1.83	0.63	4.78	4.79	3.99	4.90	4.09	4.97	2.95
	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
Relative significance <sup>a</sup>		45.04	30.92	10.88	10.68	1.56	9.12	0.20	0.09	0.10

<sup>a</sup> 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	
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	October	3.94	3.58	4.59	2.64	0.32	0.35	0.22	0.26	0.20	
	November	3.94	3.65	5.06	2.57	0.31	0.34	0.22	0.26	0.23	
	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21	
2005	January	4.27	3.65	5.02	2.59	0.29	0.32	0.21	0.24	0.30	
	February	4.24	3.74	4.98	2.65	0.29	0.32	0.21	0.24	0.27	
	March	4.31	3.69	5.27	2.67	0.29	0.31	0.21	0.24	0.31	
	April	4.19	3.61	4.80	2.70	0.29	0.31	0.21	0.24	0.40	
	May	4.13	3.66	4.64	2.67	0.29	0.30	0.21	0.27	0.41	
	June	3.86	3.54	3.82	2.55	0.30	0.30	0.21	0.31	0.47	
	July	4.00	3.41	4.53	2.53	0.27	0.27	0.18	0.31	0.47	
	August	4.05	3.59	4.83	2.53	0.28	0.27	0.18	0.33	0.50	
	September	4.03	3.54	4.66	2.45	0.26	0.26	0.18	0.29	0.59	
	October	4.01 <sup>b</sup>	3.51	4.71	2.54	0.26	0.26	0.18	0.25	0.58	
Relative significance <sup>a</sup>		2.35	1.92	0.41	52.62	28.84	19.98	3.17	4.99	0.70	

<sup>a</sup> 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).  
<sup>b</sup> Of the total amount of deposits to which this interest rate refers, 15.44 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	October	2.85	2.64	3.05	1.89	2.32	1.76	3.92	4.94	3.30	3.26	3.07
	November	2.79	2.61	3.00	1.69	2.36	1.94	4.77	4.98	3.08	3.05	3.20
	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65
2005	January	2.97	2.71	3.03	1.72	2.48	2.26	4.16	4.82	2.93	3.74	2.33
	February	2.89	2.72	3.05	1.76	2.47	2.50	4.60	4.84	3.23	3.39	1.57
	March	2.82	2.67	3.03	1.73	2.37	2.73	4.47	4.79	2.92	2.95	3.47
	April	3.05	2.83	3.02	1.75	2.45	3.30	4.18	4.81	2.83	3.77	4.69
	May	3.02	2.87	3.05	1.70	2.69	3.04	4.60	4.78	3.00	3.71	5.95
	June	2.86	2.79	3.02	1.74	2.42	3.12	3.61	3.91	1.62	3.65	2.20
	July	2.93	2.79	3.04	1.75	2.40	3.32	3.63	4.05	1.54	3.47	3.20
	August	2.99	2.91	3.11	1.73	2.44	3.60	3.71	4.01	1.52	3.40	0.79
	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
Relative significance <sup>a</sup>		23.78	19.57	9.06	0.99	7.41	2.11	4.21	1.55	0.53	2.13	0.00

<sup>a</sup> 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

	2000	2001	2002	2003	2004	2005						
						Mar.	Jun.	Jul.	Aug.	Sep. <sup>b</sup>	Oct. <sup>b</sup>	Nov. <sup>a</sup>
<b>A. Purchase of foreign exchange</b>												
1. Legal persons	3,316.4	5,012.4	4,727.8	6,433.1	7,465.3	705.1	762.0	685.6	626.3	723.4	687.4	701.4
2. Natural persons	2,549.2	3,339.9	3,342.6	3,571.6	3,934.4	298.0	436.3	456.0	511.3	505.7	436.1	558.9
2.1. Residents	2,021.1	2,684.5	2,842.0	3,103.3	3,586.1	289.5	407.8	399.8	432.6	475.2	–	–
2.2. Non-residents	528.0	655.4	500.7	468.2	348.3	8.5	28.5	56.2	78.7	30.5	–	–
3. Domestic banks	2,441.4	3,985.8	4,104.5	6,324.4	10,799.3	724.4	546.6	724.3	902.0	695.6	712.2	881.9
4. Foreign banks	–	–	697.9	1,430.6	1,426.2	421.8	146.5	386.0	153.8	173.9	133.8	310.8
5. Croatian National Bank	168.2	481.7	294.3	438.3	33.0	–	–	–	–	–	–	–
Total (1+2+3+4)	8,475.2	12,819.8	13,167.1	18,197.9	24,110.1	2,149.2	1,891.4	2,251.9	2,251.9	2,098.7	1,969.5	2,453.1
<b>B. Sale of foreign exchange</b>												
1. Legal persons	5,414.8	8,534.2	9,029.3	10,852.4	11,280.3	1,230.7	1,188.6	1,292.1	1,300.4	1,283.0	1,056.8	1,013.5
2. Natural persons	963.6	1,253.5	1,333.6	1,403.1	1,671.1	153.7	232.5	208.9	240.0	329.2	228.2	372.1
2.1. Residents	962.8	1,252.3	1,329.7	1,393.1	1,654.5	152.9	231.0	205.1	233.4	325.9	–	–
2.2. Non-residents	0.6	1.2	3.9	10.0	16.6	0.8	1.5	3.7	6.6	3.3	–	–
3. Domestic banks	2,441.4	3,985.8	4,104.5	6,324.4	10,799.3	724.4	546.6	724.3	902.0	695.6	712.2	881.9
4. Foreign banks	–	–	334.3	765.3	1,001.1	122.4	74.9	76.5	163.6	55.6	99.5	100.4
5. Croatian National Bank	284.2	915.7	745.3	84.5	543.2	108.5	85.4	–	–	–	115.7	–
Total (1+2+3+4)	9,104.0	14,689.2	15,547.0	19,429.7	25,295.0	2,339.6	2,127.9	2,301.8	2,605.9	2,363.6	2,212.4	2,367.9
<b>C. Net purchase (A–B)</b>												
1. Legal persons	–2,098.4	–3,521.8	–4,301.5	–4,419.4	–3,815.1	–525.5	–426.5	–606.5	–674.0	–559.6	–369.4	–312.1
2. Natural persons	1,585.6	2,086.4	2,009.0	2,168.4	2,263.3	144.2	203.8	247.1	271.3	176.5	207.9	186.8
2.1. Residents	1,058.3	1,432.2	1,512.3	1,710.2	1,931.6	136.6	176.8	194.7	199.2	149.3	–	–
2.2. Non-residents	527.4	654.2	496.7	458.2	331.7	7.7	27.0	52.5	72.1	27.2	–	–
3. Foreign banks	–	–	363.6	665.3	425.1	299.4	71.6	309.5	–9.8	118.3	34.3	210.4
4. Croatian National Bank	–116.0	–434.0	–451.0	353.8	–510.2	–108.5	–85.4	–	–	–	–115.7	–
Total (1+2+3)	–628.8	–1,869.4	–2,379.9	–1,231.8	–1,636.9	–190.4	–236.5	–49.9	–412.5	–264.9	–243.0	85.1
Memo items: Other Croatian National Bank transactions												
Purchase of foreign exchange	405.8	536.8	197.5	570.9	145.1	–	0.0	–	–	–	–	–
Sale of foreign exchange	86.9	2.6	3.4	94.9	239.3	13.3	4.8	61.4	–	–	–	–

<sup>a</sup> Preliminary data. <sup>b</sup> 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

	2000	2001	2002	2003	2004	2005		
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>a</sup>
<b>A. CURRENT ACCOUNT (1+6)</b>	-489.9	-817.7	-2,097.2	-1,866.2	-1,446.7	-1,550.9	-1,129.9	2,262.7
1. Goods, services, and income (2+5)	-1,448.7	-1,917.2	-3,249.4	-3,110.7	-2,638.5	-1,850.5	-1,451.0	1,993.2
1.1. Credit	9,788.6	11,272.5	11,583.7	13,587.1	14,891.1	2,309.0	3,866.5	6,681.9
1.2. Debit	-11,237.3	-13,189.7	-14,833.1	-16,697.8	-17,529.6	-4,159.5	-5,317.4	-4,688.7
2. Goods and services (3+4)	-1,028.9	-1,301.0	-2,675.6	-2,041.2	-2,012.8	-1,564.9	-921.0	2,125.1
2.1. Credit	9,411.3	10,800.1	11,125.4	13,137.6	14,239.8	2,176.1	3,682.1	6,512.9
2.2. Debit	-10,440.2	-12,101.1	-13,801.0	-15,178.7	-16,252.6	-3,741.0	-4,603.1	-4,387.8
3. Goods	-3,499.4	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-1,569.1	-2,049.3	-1,841.9
3.1. Credit	4,969.3	5,318.8	5,293.1	5,571.7	6,603.1	1,523.5	1,891.1	1,843.8
3.2. Debit	-8,468.6	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-3,092.6	-3,940.5	-3,685.7
4. Services	2,470.5	3,302.8	3,284.8	4,933.0	4,715.0	4.2	1,128.4	3,967.0
4.1. Credit	4,442.0	5,481.3	5,832.3	7,565.9	7,636.7	652.6	1,791.0	4,669.1
4.2. Debit	-1,971.5	-2,178.5	-2,547.5	-2,632.8	-2,921.7	-648.4	-662.6	-702.2
5. Income	-419.8	-616.2	-573.8	-1,069.5	-625.7	-285.6	-530.0	-131.9
5.1. Credit	377.3	472.4	458.3	449.6	651.3	132.9	184.4	168.9
5.2. Debit	-797.2	-1,088.6	-1,032.1	-1,519.1	-1,277.0	-418.4	-714.3	-300.8
6. Current transfers	958.9	1,099.5	1,152.2	1,244.5	1,191.8	299.6	321.1	269.5
6.1. Credit	1,195.5	1,333.3	1,453.2	1,538.7	1,584.6	401.1	427.1	388.0
6.2. Debit	-236.6	-233.8	-301.1	-294.2	-392.8	-101.5	-106.0	-118.5
<b>B. CAPITAL AND FINANCIAL ACCOUNT</b>	1,244.5	1,050.9	2,731.9	2,996.5	2,269.0	1,188.7	1,283.9	-527.9
B1. Capital account	22.2	154.1	501.2	72.4	23.1	2.3	2.0	3.8
B2. Financial account, excl. reserves	1,899.5	2,445.8	2,972.6	4,159.5	2,289.0	1,374.4	1,564.3	-599.2
1. Direct investment	1,140.6	1,326.9	597.2	1,695.4	698.0	188.5	654.3	307.4
1.1. Abroad	-1.5	-175.6	-597.8	-93.0	-280.9	-29.8	-53.3	-12.0
1.2. In Croatia	1,142.1	1,502.5	1,195.1	1,788.4	979.0	218.3	707.6	319.3
2. Portfolio investment	728.0	666.0	-440.2	868.8	244.2	-433.8	-165.9	-415.4
2.1. Assets	-25.0	-143.2	-650.6	121.3	-752.5	24.6	-174.5	-301.5
2.2. Liabilities	753.0	809.2	210.4	747.5	996.7	-458.4	8.6	-113.9
3. Financial derivatives				0.0	0.0	-88.4	0.0	0.0
4. Other investment	30.9	453.0	2,815.5	1,595.3	1,346.8	1,708.1	1,075.9	-491.1
4.1. Assets	-1,040.4	394.3	451.9	-2,151.8	-454.7	1,005.8	301.4	-233.7
4.2. Liabilities	1,071.3	58.7	2,363.6	3,747.1	1,801.5	702.3	774.5	-257.5
B3. Reserve assets (CNB)	-677.3	-1,549.0	-741.9	-1,235.5	-43.0	-188.1	-282.4	67.6
<b>C. NET ERRORS AND OMISSIONS</b>	-754.6	-233.3	-634.7	-1,130.3	-822.4	362.2	-154.0	-1,734.8

<sup>a</sup> Preliminary data. <sup>b</sup> 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

	2000	2001	2002	2003	2004	2005		
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>a</sup>
Goods	-3,499.4	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-1,569.1	-2,049.3	-1,841.9
1. Credit	4,969.3	5,318.8	5,293.1	5,571.7	6,603.1	1,523.5	1,891.1	1,843.8
1.1.Exports (f.o.b.) in trade statistics	4,821.6	5,214.1	5,188.2	5,464.4	6,453.8	1,492.8	1,845.5	1,804.9
1.2. Adjustments for coverage	147.7	104.7	105.0	107.3	149.3	30.7	45.6	38.9
2. Debit	-8,468.6	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-3,092.6	-3,940.5	-3,685.7
2.1. Imports (c.i.f.) in trade statistics	-8,597.5	-10,244.8	-11,327.0	-12,538.0	-13,354.4	-3,097.1	-4,017.2	-3,742.4
2.2. Adjustments for coverage	-481.5	-405.3	-348.9	-475.6	-474.7	-111.1	-73.1	-82.9
2.3. Adjustments for classification	610.4	727.4	422.5	467.7	498.1	115.5	149.8	139.6
Services	2,470.5	3,302.8	3,284.8	4,933.0	4,715.0	4.2	1,128.4	3,967.0
1. Transportation	195.2	186.1	172.0	252.2	245.5	71.0	107.9	127.8
1.1. Credit	606.3	658.6	622.8	696.3	791.3	172.6	237.7	265.4
1.2. Debit	-411.1	-472.5	-450.8	-444.1	-545.8	-101.7	-129.8	-137.6
2. Travel	2,399.5	3,072.9	3,138.6	4,976.6	4,822.3	53.4	1,128.3	3,889.9
2.1. Credit	3,011.8	3,749.3	3,960.8	5,572.7	5,505.6	214.4	1,274.3	4,075.5
2.1.1. Business	288.1	305.8	341.2	260.9	328.2	43.5	157.7	211.3
2.1.2. Personal	2,723.7	3,443.6	3,619.7	5,311.8	5,177.4	170.9	1,116.6	3,864.3
2.2. Debit	-612.3	-676.5	-822.2	-596.1	-683.3	-161.0	-146.0	-185.6
2.2.1. Business	-281.2	-322.7	-482.6	-292.3	-297.3	-66.2	-72.7	-77.2
2.2.2. Personal	-331.1	-353.8	-339.6	-303.8	-386.0	-94.8	-73.3	-108.5
3. Other services	-124.2	43.9	-25.9	-295.8	-352.7	-120.1	-107.9	-50.7
3.1. Credit	824.0	1,073.4	1,248.6	1,296.9	1,339.8	265.6	278.9	328.2
3.2. Debit	-948.1	-1,029.5	-1,274.5	-1,592.7	-1,692.5	-385.7	-386.8	-378.9

<sup>a</sup> Preliminary data. <sup>b</sup> 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

**Table H3: Balance of Payments – Income and Current Transfers**

million euros

	2000	2001	2002	2003	2004	2005		
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>a</sup>
Income	-419.8	-616.2	-573.8	-1,074.1	-625.7	-285.6	-530.0	-131.9
1. Compensation of employees	76.0	143.1	167.6	183.9	233.9	61.1	68.5	59.8
1.1. Credit	90.2	157.4	187.2	217.3	268.3	66.1	74.0	71.7
1.2. Debit	-14.2	-14.3	-19.5	-33.4	-34.4	-5.0	-5.5	-11.9
2. Direct investment income	-154.1	-357.8	-353.4	-844.5	-431.7	-117.8	-475.0	-119.8
2.1. Credit	10.4	22.8	23.6	33.4	174.5	9.7	52.5	22.3
o/w: Reinvested earnings	7.7	17.1	7.4	30.3	165.8	9.0	29.4	1.5
2.2. Debit	-164.5	-380.6	-377.1	-877.8	-606.2	-127.6	-527.5	-142.1
o/w: Reinvested earnings	-87.3	-188.4	-161.8	-588.9	-292.8	-94.5	-416.7	-68.7
3. Portfolio investment income	-188.1	-241.8	-214.8	-239.6	-256.6	-190.4	-53.8	-35.6
3.1. Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2. Debit	-188.1	-241.9	-214.9	-239.6	-256.6	-190.4	-53.8	-35.6
4. Other investment income	-153.6	-159.6	-173.2	-173.9	-171.4	-38.4	-69.7	-36.3
4.1. Credit	276.7	292.2	247.4	194.4	208.4	57.1	57.9	75.0
4.2. Debit	-430.3	-451.8	-420.6	-368.3	-379.8	-95.4	-127.6	-111.2
Current transfers	958.9	1,099.5	1,152.2	1,244.5	1,191.8	299.6	321.1	269.5
1. General government	24.6	65.3	32.2	70.5	2.6	35.8	0.6	-18.8
1.1. Credit	129.4	142.7	143.4	213.1	180.1	80.3	49.9	44.4
1.2. Debit	-104.8	-77.4	-111.2	-142.6	-177.5	-44.5	-49.3	-63.2
2. Other sectors	934.3	1,034.2	1,120.0	1,174.0	1,189.2	263.9	320.5	288.2
2.1. Credit	1,066.1	1,190.6	1,309.8	1,325.6	1,404.5	320.8	377.2	343.5
2.2. Debit	-131.8	-156.4	-189.8	-151.6	-215.3	-56.9	-56.7	-55.3

<sup>a</sup> Preliminary data. <sup>b</sup> Revised data.

of goods without a payment obligation, provided by the CBS. In the 1995-1998 period, current transfers of other sectors also encompassed an estimate of unregistered foreign currency remittances, which accounted for 15% of the positive difference between unclassified inflows and outflows of the household sector. From 1993 to the second quarter of 1996, the CNB also assessed a portion of the outflow based on current transfers. 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

**Table H4: Balance of Payments – Direct and Portfolio Investments**

million euros

	2000	2001	2002	2003	2004	2005		
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>a</sup>
Direct investment	1,140.6	1,326.9	597.2	1,695.4	698.0	188.5	654.3	307.4
1. Abroad	-1.5	-175.6	-597.8	-93.0	-280.9	-29.8	-53.3	-12.0
1.1. Equity capital and reinvested earnings	-38.1	-139.4	-594.1	-101.9	-254.8	-19.2	-39.3	-12.0
1.1.1. Claims	-38.6	-139.4	-597.0	-101.9	-255.4	-19.2	-39.3	-12.0
1.1.2. Liabilities	0.5	0.0	2.9	0.0	0.5	0.0	0.0	0.0
1.2. Other capital	36.6	-36.2	-3.7	8.9	-26.1	-10.6	-14.0	0.1
1.1.1. Claims	-11.0	5.5	-6.4	-12.8	-28.6	-1.7	-13.9	-0.4
1.2.2. Liabilities	47.6	-41.7	2.7	21.7	2.5	-8.9	-0.1	0.5
2. In Croatia	1,142.1	1,502.5	1,195.1	1,788.4	979.0	218.3	707.6	319.3
2.1. Equity capital and reinvested earnings	835.6	1,087.8	873.8	1,345.1	604.0	398.7	542.4	201.7
2.1.1. Claims	-26.4	-8.0	0.0	-1.2	-25.0	0.0	0.0	0.0
2.1.2. Liabilities	862.0	1,095.8	873.8	1,346.4	629.0	398.7	542.4	201.8
2.2. Other capital	306.5	414.7	321.2	443.3	375.0	-180.4	165.2	117.6
2.2.1. Claims	0.0	0.1	-0.3	-1.5	-12.2	-34.5	0.0	36.0
2.2.2. Liabilities	306.5	414.5	321.6	444.8	387.1	-145.9	165.2	81.6
Portfolio investment	728.0	666.0	-440.2	868.8	244.2	-433.8	-165.9	-415.4
1. Assets	-25.0	-143.2	-650.6	121.3	-752.5	24.6	-174.5	-301.5
1.1. Equity securities	-0.2	0.3	-78.4	-58.0	-32.9	-13.8	-60.8	-65.8
1.1.1. General government	0.0	0.0	-2.9	0.0	0.0	0.0	0.0	0.0
1.1.1.1. Banks	-0.1	0.4	-2.8	0.3	0.0	0.0	0.0	0.0
1.1.2. Other sectors	-0.1	-0.1	-72.7	-58.3	-32.9	-13.8	-60.8	-65.8
1.2. Debt securities	-24.8	-143.5	-572.2	179.4	-719.6	38.4	-113.8	-235.7
1.2.1. Bonds	-19.7	-128.8	-586.9	165.9	-585.0	30.9	-127.4	-229.5
1.2.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2. Banks	-19.7	-128.8	-566.6	180.1	-592.9	25.6	-113.7	-201.6
1.2.1.3. Other sectors	0.0	0.0	-20.3	-14.1	7.9	5.3	-13.6	-27.9
1.2.2. Money market instruments	-5.1	-14.8	14.7	13.5	-134.6	7.5	13.6	-6.2
1.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2.2. Banks	-5.1	-14.8	20.9	7.3	-134.7	7.5	13.6	-6.2
1.2.2.3. Other sectors	0.0	0.0	-6.2	6.2	0.0	0.0	0.0	0.0
2. Liabilities	753.0	809.2	210.4	747.5	996.7	-458.4	8.6	-113.9
2.1. Equity securities	-0.1	15.1	44.2	13.5	141.2	45.1	10.2	10.8
2.1.1. Banks	0.5	-5.2	4.7	-2.1	-0.8	-10.3	-6.5	4.0
2.1.2. Other sectors	-0.6	20.3	39.5	15.6	142.0	55.4	16.7	6.8
2.2. Debt securities	753.1	794.1	166.2	734.0	855.5	-503.5	-1.6	-124.7
2.2.1. Bonds	762.1	774.2	197.2	700.0	889.3	-503.5	-1.6	-124.7
2.2.1.1. General government	762.1	774.2	67.2	527.3	417.8	-513.9	8.1	-114.7
2.2.1.2. Banks	0.0	0.0	0.0	0.0	444.4	2.5	2.0	0.0
2.2.1.3. Other sectors	0.0	0.0	130.0	172.6	27.2	7.8	-11.7	-10.1
2.2.2. Money market instruments	-9.0	19.9	-30.9	34.0	-33.8	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
2.2.2.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.3. Other sectors	-9.0	19.9	-30.9	34.0	-33.8	0.0	0.0	0.0

<sup>a</sup> Preliminary data. <sup>b</sup> Revised data.

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.

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

	2000	2001	2002	2003	2004	2005		
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>a</sup>
Other investment (net)	30.9	453.0	2,815.5	1,595.2	1,346.7	1,708.1	1,075.9	-491.1
1. Assets	-1,040.4	394.3	451.9	-2,151.8	-454.7	1,005.8	301.4	-233.7
1.1. Trade credits	100.1	57.9	-88.4	-167.2	-189.7	37.5	-15.5	-96.1
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3
1.1.1.1. Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3
1.1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	100.1	57.9	-88.4	-167.2	-189.7	37.5	-15.5	-95.8
1.1.2.1. Long-term	2.8	9.2	-16.3	-23.0	16.4	13.3	4.2	5.1
1.1.2.2. Short-term	97.3	48.7	-72.1	-144.1	-206.1	24.2	-19.6	-100.9
1.2. Loans	-107.9	39.2	-54.7	-22.5	11.1	3.9	-16.1	-14.2
1.2.1. General government	0.0	-3.4	0.6	-1.0	-0.3	0.1	0.0	0.6
1.2.1.1. Long-term	0.0	-3.4	0.6	-1.0	-0.3	0.1	0.0	0.6
1.2.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2. Banks	1.7	-10.0	-22.0	4.3	6.1	1.3	-7.8	-6.5
1.2.2.1. Long-term	1.9	-3.4	-16.5	5.0	7.0	1.3	-6.8	0.4
1.2.2.2. Short-term	-0.2	-6.6	-5.5	-0.6	-0.9	0.0	-1.1	-6.9
1.2.3. Other sectors	-109.6	52.6	-33.3	-25.9	5.3	2.5	-8.3	-8.3
1.2.3.1. Long-term	-109.6	52.6	-33.2	-26.0	5.6	2.2	-8.6	-8.5
1.2.3.2. Short-term	0.0	0.0	-0.1	0.1	-0.4	0.3	0.3	0.2
1.3. Currency and deposits	-1,032.6	297.3	594.9	-1,962.1	-276.1	964.4	332.9	-123.3
1.3.2. General government	-26.5	-18.1	-24.2	30.3	72.7	-68.6	53.3	-9.7
1.3.3. Banks	-964.2	-1,790.9	1,516.5	-1,964.5	-368.7	1,019.2	339.2	-113.7
1.3.4. Other sectors	-41.9	2,106.3	-897.4	-27.9	19.8	13.7	-59.5	0.0
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	1,071.3	58.7	2,363.6	3,747.0	1,801.5	702.3	774.5	-257.5
2.1. Trade credits	318.2	96.3	501.3	-226.9	-68.8	-7.1	104.1	-76.0
2.1.1. General government	-3.5	1.2	-0.1	1.5	-0.3	-0.2	-0.1	-0.2
2.1.1.1. Long-term	-0.5	1.2	-0.1	1.5	-0.3	-0.2	-0.1	-0.2
2.1.1.2. Short-term	-3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	321.7	95.1	501.4	-228.4	-68.6	-6.9	104.3	-75.8
2.1.2.1. Long-term	-13.8	-22.1	-1.2	-47.4	-31.1	7.7	0.4	9.7
2.1.2.2. Short-term	335.5	117.2	502.6	-181.0	-37.5	-14.6	103.9	-85.5
2.2. Loans	873.0	-260.5	653.8	2,833.9	1,622.8	536.8	768.4	97.5
2.2.1. Croatian National Bank	-16.9	-4.1	-177.2	354.2	-369.6	0.0	0.0	0.0
2.2.1.1. o/w: IMF	-31.5	-34.3	-129.5	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
2.2.1.1.2. Repayments	-31.5	-34.3	-129.5	0.0	0.0	0.0	0.0	0.0
2.2.1.2. Short-term	14.7	30.3	-47.6	354.2	-369.6	0.0	0.0	0.0
2.2.2. General government	345.2	-212.2	433.9	502.9	406.5	-0.1	117.9	65.0
2.2.2.1. Long-term	5.7	185.4	433.9	502.9	406.5	-0.1	117.9	65.0
2.2.2.1.1. Drawings	286.4	363.2	598.2	697.8	700.7	59.4	179.0	126.2
2.2.2.1.2. Repayments	-280.6	-177.8	-164.3	-194.9	-294.2	-59.5	-61.1	-61.2
2.2.2.2. Short-term	339.4	-397.6	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	117.0	87.2	79.3	1,005.7	625.1	327.1	306.3	-231.3
2.2.3.1. Long-term	122.8	93.0	81.6	927.2	568.5	8.8	109.1	-166.1
2.2.3.1.1. Drawings	722.7	829.3	656.9	1,644.7	993.1	250.8	407.3	52.6
2.2.3.1.2. Repayments	-599.8	-736.3	-575.3	-717.5	-424.5	-241.9	-298.2	-218.7
2.2.3.2. Short-term	-5.8	-5.8	-2.3	78.5	56.6	318.3	197.3	-65.2
2.2.4. Other sectors	427.6	-131.5	317.8	971.2	960.7	209.8	344.2	263.7
2.2.4.1. Long-term	534.2	-133.6	335.4	920.7	890.4	149.5	302.2	231.6
2.2.4.1.1. Drawings	1,107.1	818.1	1,326.0	1,898.1	1,943.5	314.4	541.6	518.7
2.2.4.1.2. Repayments	-572.9	-951.7	-990.7	-977.3	-1,053.1	-164.9	-239.4	-287.1
2.2.4.2. Short-term	-106.6	2.1	-17.6	50.4	70.3	60.3	42.0	32.1
2.3. Currency and deposits	-119.8	223.0	1,209.4	1,140.7	244.5	172.0	-98.8	-279.7
2.3.1. General government	0.0	0.0	0.0	0.0	0.0	50.0	-50.0	0.0
2.3.2. Banks	-119.8	223.0	1,209.4	1,140.7	244.5	122.0	-48.8	-279.7
2.4. Other liabilities	0.0	-0.1	-0.9	-0.7	3.0	0.7	0.7	0.7

<sup>a</sup> Preliminary data. <sup>b</sup> Revised data.



**Table H6: Balance of Payments – Summary**

million kuna

	2000	2001	2002	2003	2004	2005		
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>a</sup>
<b>A. CURRENT ACCOUNT (1+6)</b>	-3,978.1	-6,083.1	-15,509.0	-14,210.5	-10,935.7	-11,538.5	-8,216.2	16,708.3
1. Goods, services, and income (2+5)	-11,291.6	-14,276.1	-24,285.8	-23,915.9	-20,221.2	-13,882.3	-10,670.4	14,627.1
1.1. Credit	74,468.0	84,083.8	85,563.6	102,461.4	111,062.5	17,336.6	28,384.9	49,139.0
1.2. Debit	-85,759.5	-98,359.9	-109,849.4	-126,377.3	-131,283.8	-31,218.9	-39,055.3	-34,511.9
2. Goods and services (3+4)	-8,043.7	-9,950.0	-20,004.4	-15,694.7	-15,516.8	-11,740.0	-6,776.3	15,589.3
2.1. Credit	71,592.3	80,321.0	82,188.2	99,169.2	106,198.2	16,338.2	27,031.0	47,896.0
2.2. Debit	-79,636.0	-90,270.9	-102,192.6	-114,863.9	-121,715.0	-28,078.2	-33,807.4	-32,306.7
3. Goods	-26,681.2	-34,323.1	-44,135.8	-52,782.7	-50,354.9	-11,767.7	-15,048.0	-13,560.5
3.1. Credit	37,909.7	39,695.8	39,198.3	42,167.2	49,480.4	11,439.5	13,893.5	13,576.2
3.2. Debit	-64,591.0	-74,018.9	-83,334.1	-94,949.9	-99,835.3	-23,207.2	-28,941.4	-27,136.7
4. Services	18,637.5	24,373.1	24,131.4	37,088.0	34,838.1	27.7	8,271.6	29,149.8
4.1. Credit	33,682.6	40,625.2	42,989.9	57,002.0	56,717.8	4,898.7	13,137.5	34,319.8
4.2. Debit	-15,045.0	-16,252.1	-18,858.5	-19,914.0	-21,879.7	-4,870.9	-4,865.9	-5,170.1
5. Income	-3,247.9	-4,326.1	-4,281.4	-8,221.2	-4,704.5	-2,142.3	-3,894.0	-962.2
5.1. Credit	2,875.7	3,762.9	3,375.4	3,292.2	4,864.3	998.4	1,353.9	1,243.0
5.2. Debit	-6,123.5	-8,089.0	-7,656.8	-11,513.4	-9,568.8	-3,140.8	-5,247.9	-2,205.2
6. Current transfers	7,313.5	8,192.9	8,776.7	9,705.4	9,285.6	2,343.8	2,454.2	2,081.2
6.1. Credit	9,118.6	9,934.0	10,761.2	11,639.9	11,872.9	3,010.9	3,136.6	2,856.6
6.2. Debit	-1,805.1	-1,741.1	-1,984.4	-1,934.6	-2,587.4	-667.1	-682.4	-775.4
<b>B. CAPITAL AND FINANCIAL ACCOUNT</b>	9,598.4	7,343.6	20,661.6	23,316.6	17,384.1	8,851.4	9,290.7	-3,862.3
B1. Capital account	170.1	1,145.1	3,695.6	546.9	172.8	17.5	14.7	27.6
B2. Financial account, excl. reserves	14,614.7	17,695.5	22,454.5	32,122.1	17,547.8	10,244.7	11,349.6	-4,393.0
1. Direct investment	8,738.8	9,839.3	4,888.5	13,293.9	5,465.0	1,280.3	4,665.2	2,267.3
1.1. Abroad	-22.1	-1,278.4	-4,419.4	-713.8	-2,091.6	-223.4	-399.4	-88.6
1.2. In Croatia	8,761.0	11,117.7	9,307.9	14,007.7	7,556.7	1,503.7	5,064.6	2,355.9
2. Portfolio investment	5,658.7	4,978.9	-3,227.3	6,669.8	1,744.6	-3,202.9	-1,215.2	-3,048.2
2.1. Assets	-189.8	-1,081.7	-4,839.8	936.8	-5,688.0	185.7	-1,277.3	-2,213.2
2.2. Liabilities	5,848.4	6,060.6	1,612.6	5,733.0	7,432.5	-3,388.6	62.1	-834.9
3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	-659.4	0.0	0.0
4. Other investment	217.2	2,877.2	20,793.3	12,158.4	10,338.1	12,826.7	7,899.6	-3,612.2
4.1. Assets	-7,942.6	2,569.6	3,261.5	-16,361.3	-3,343.3	7,586.9	2,219.9	-1,714.0
4.2. Liabilities	8,159.8	307.6	17,531.8	28,519.7	13,681.4	5,239.7	5,679.8	-1,898.1
B3. Reserve assets (CNB)	-5,186.4	-11,497.0	-5,488.5	-9,352.4	-336.5	-1,410.8	-2,073.6	503.1
<b>C. NET ERRORS AND OMISSIONS</b>	-5,620.3	-1,260.4	-5,152.6	-9,106.1	-6,448.4	2,687.1	-1,074.6	-12,846.0

<sup>a</sup> Preliminary data.

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

**Table 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	October	6,372.6	0.9	0.2	–	6,371.5	3,150.8	3,220.6	3,995.0
	November	6,324.5	0.6	0.2	–	6,323.7	3,129.2	3,194.5	4,016.7
	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	January	6,556.4	1.0	0.2	–	6,555.3	3,220.6	3,334.6	3,718.0
	February	6,582.1	0.7	0.2	–	6,581.3	3,254.4	3,326.8	3,235.6
	March	6,700.5	0.7	0.2	–	6,699.6	3,415.3	3,284.3	3,298.1
	April	6,772.0	0.9	0.2	–	6,770.8	3,503.5	3,267.3	3,021.9
	May	6,990.6	0.6	0.2	–	6,989.8	3,640.3	3,349.5	2,937.7
	June	7,065.7	0.7	0.2	–	7,064.8	3,654.5	3,410.3	2,974.7
	July	7,061.6	1.4	0.2	–	7,060.0	3,690.7	3,369.3	3,051.0
	August	7,064.3	0.8	0.2	–	7,063.2	3,686.2	3,377.0	3,084.6
	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 <sup>a</sup>	7,220.4	0.8	0.2	–	7,219.3	3,781.1	3,438.2	3,242.7

<sup>a</sup> 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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec. <sup>b</sup>	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
<b>I. Official reserve assets and other f/c assets (approximate market value)</b>											
<b>A. Official reserve assets</b>	3,683.9	5,333.6	5,651.3	6,554.1	6,436.2	6,700.5	7,065.7	7,061.6	7,064.3	6,998.7	7,128.5
(1) Foreign currency reserves (in convertible f/c)	2,755.6	3,877.9	4,246.9	5,740.1	6,235.4	6,449.8	6,744.8	6,760.0	6,863.2	6,797.7	7,019.0
(a) Securities	861.5	1,740.7	1,861.0	3,207.2	3,262.0	3,284.3	3,410.3	3,369.3	3,377.0	3,390.0	3,417.9
o/w: Issuer headquartered in reporting country but located abroad	-	-	-	-	-	-	-	-	-	-	-
(b) Total currency and deposits with:	1,894.2	2,137.2	2,385.9	2,532.9	2,973.3	3,165.5	3,334.5	3,390.7	3,486.2	3,407.6	3,601.1
(i) other national central banks, BIS and IMF	585.8	461.3	325.1	271.1	233.1	199.8	205.8	205.5	205.2	205.5	205.1
(ii) banks headquartered in the reporting country	-	-	-	-	-	-	-	-	-	-	-
o/w: Located abroad	-	-	-	-	-	-	-	-	-	-	-
(iii) banks headquartered outside the reporting country	1,308.4	1,675.9	2,060.8	2,261.8	2,740.3	2,965.7	3,128.7	3,185.2	3,281.0	3,202.1	3,396.0
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	158.5	122.9	2.3	0.7	0.6	0.7	0.7	1.4	0.8	0.8	1.2
(4) gold	-	-	-	-	-	-	-	-	-	-	-
(5) other reserve assets	769.6	1,332.6	1,401.9	813.1	200.0	249.8	320.0	300.0	200.0	200.0	108.1
– reverse repo	769.6	1,332.6	1,401.9	813.1	200.0	249.8	320.0	300.0	200.0	200.0	108.1
<b>B. Other foreign currency assets (specify)</b>	99.3	-	-	-	-	-	-	-	-	-	-
– time deposits	99.3	-	-	-	-	-	-	-	-	-	-
<b>C. Total (A+B)</b>	3,783.2	5,333.6	5,651.3	6,554.1	6,436.2	6,700.5	7,065.7	7,061.6	7,064.3	6,998.7	7,128.5
<b>II. Predetermined short-term net drains on f/c assets (nominal value)</b>											
<b>1. F/c loans, securities, and deposits (total net drains up to one year)</b>	-1,299.6	-1,350.7	-740.9	-1,538.0	-988.6	-917.9	-942.8	-941.7	-931.3	-934.8	-898.5
(a) Croatian National Bank	-284.4	-443.4	-167.4	-646.9	-1.8	-2.1	-1.1	-1.0	-1.2	-1.0	-1.0
Up to 1 month	Principal	-115.5	-196.1	-136.9	-355.9	-	-	-	-	-	-
Interest	-4.6	-3.2	-2.2	-1.9	-1.8	-2.1	-1.1	-1.0	-1.2	-1.0	-1.0
More than 1 and up to 3 months	Principal	-125.0	-203.7	-26.5	-288.3	-	-	-	-	-	-
Interest	-3.1	-2.1	-0.1	-0.7	-	-	-	-	-	-	-
More than 3 months and up to 1 year	Principal	-31.1	-34.5	-1.6	-	-	-	-	-	-	-
Interest	-5.0	-3.8	-0.1	-	-	-	-	-	-	-	-
(b) Central government (excl. central government funds)	-1,015.2	-907.4	-573.5	-891.1	-986.8	-915.8	-941.7	-940.7	-930.2	-933.7	-897.5
Up to 1 month	Principal	-95.9	-101.7	-98.1	-85.9	-76.5	-2.7	-78.8	-0.1	-9.9	-2.9
Interest	-74.0	-55.6	-42.8	-34.4	-13.8	-27.1	-	-	-	-	-
More than 1 and up to 3 months	Principal	-100.7	-351.6	-8.6	-9.3	-510.1	-61.4	-86.0	-85.1	-97.4	-141.8
Interest	-82.7	-125.7	-148.1	-168.3	-169.0	-	-	-	-	-	-
More than 3 months and up to 1 year	Principal	-533.5	-170.8	-176.2	-495.2	-143.7	-648.9	-635.6	-709.7	-699.9	-682.5
Interest	-128.4	-102.0	-99.7	-98.0	-73.8	-175.8	-141.3	-145.7	-123.0	-106.4	-85.0
<b>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)</b>	-	-	-	-	-	-	-	-	-	-	-
(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	-	-	-	-	-	-	-	-	-	-	-
<b>3. Other</b>	-43.7	-75.2	-21.5	-363.5	-	-	-	-	-	-	-
– outflows related to repos (-)	-43.7	-75.2	-21.5	-363.5	-	-	-	-	-	-	-
Up to 1 month	Principal	-43.6	-75.1	-21.5	-363.1	-	-	-	-	-	-
Interest	-0.1	-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	-	-	-	-	-	-	-	-	-	-	-
<b>4. Total predetermined short-term net drains on foreign currency assets (1+2+3)</b>	-1,343.3	-1,426.0	-762.4	-1,901.5	-988.6	-917.9	-942.8	-941.7	-931.3	-934.8	-898.5
<b>III. Contingent short-term net drains on f/c assets (nominal value)</b>											
<b>1. Contingent liabilities in foreign currency</b>	-1,040.3	-1,088.8	-1,631.0	-1,300.4	-1,772.9	-2,091.4	-2,201.0	-2,214.3	-2,225.9	-2,087.6	-2,162.1
(a) Collateral guarantees on debt falling due within 1 year	-317.7	-315.9	-685.9	-426.8	-370.9	-441.3	-456.0	-414.1	-427.6	-375.6	-429.0
– Croatian National Bank	-	-	-	-	-	-	-	-	-	-	-
– Central government (excl. central government funds)	-317.7	-315.9	-685.9	-426.8	-370.9	-441.3	-456.0	-414.1	-427.6	-375.6	-429.0
Up to 1 month	-52.0	-49.4	-52.3	-55.8	-62.7	-65.6	-92.7	-18.6	-66.5	-28.8	-17.4

More than 1 and up to 3 months	-12.3	-24.7	-35.2	-94.9	-33.9	-57.7	-105.7	-102.6	-60.5	-73.9	-120.4
More than 3 months and up to 1 year	-253.5	-241.7	-598.3	-276.1	-274.4	-318.0	-257.5	-292.9	-300.5	-272.9	-291.2
(b) Other contingent liabilities	-722.6	-772.9	-945.1	-873.6	-1,402.0	-1,650.1	-1,745.0	-1,800.2	-1,798.4	-1,711.9	-1,733.1
– Croatian National Bank	-722.6	-772.9	-945.1	-873.6	-1,402.0	-1,650.1	-1,745.0	-1,800.2	-1,798.4	-1,711.9	-1,733.1
Up to 1 month	-	-	-	-	-	-	-	-	-	-	-
More than 1 and up to 3 months	-722.6	-772.9	-945.1	-873.6	-1,402.0	-1,650.1	-1,745.0	-1,800.2	-1,798.4	-1,711.9	-1,733.1
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	85.9	170.8	-	-	-	-	-	-	-	-	-
– BIS (+)	85.9	-	-	-	-	-	-	-	-	-	-
– 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)	-954.5	-918.0	-1,631.0	-1,300.4	-1,772.9	-2,091.4	-2,201.0	-2,214.3	-2,225.9	-2,087.6	-2,162.1
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	-42.9	-70.0	-20.0	-351.0	-	-	-	-	-	-	-
– 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	735.9	1,235.1	1,330.3	785.1	180.7	244.2	310.3	276.0	180.5	176.6	100.0
(e) financial derivative assets (net, marked to market)	-	-	-	-	-	-	-	-	-	-	-
(f) currency composition of official reserves assets <sup>a</sup>	-	-	-	-	-	-	-	-	-	-	-
– currencies in SDR basket	3,783.2	5,333.6	5,651.3	6,554.1	6,436.2	6,700.4	7,065.7	7,061.6	7,064.2	6,998.7	7,128.3
– currencies not in SDR basket	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
– by individual currencies											
USD	990.2	1,738.4	1,600.8	1,937.6	1,609.1	1,379.1	1,104.1	1,089.3	1,079.8	1,100.5	1,093.8
EUR	2,633.8	3,471.6	4,047.9	4,615.6	4,826.3	5,320.4	5,960.7	5,970.7	5,983.4	5,897.1	6,033.1
Other	159.2	123.6	2.6	0.9	0.8	0.9	0.9	1.6	1.0	1.1	1.6

**Table H8: International Reserves and Foreign Currency Liquidity**

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

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

The second part of the Template shows fixed predetermined foreign currency net liabilities of the Croatian National Bank and the central government (excluding central government funds) that fall due in the next 12 months. Foreign currency loans, securities and deposits (II.1.) include future interest payments on banks' foreign currency reserve requirements with the CNB (only interest payments for the next month are included), payments of future maturities of foreign currency CNB bills, future principal and interest payments on loans from the IMF, and future principal and interest payments on the central government's foreign currency debts (excluding central government funds). Aggregate short and long positions in forwards and futures in foreign currencies (II.2.) include future collections (+) or payments (-) arising from currency swaps between the CNB and domestic banks (temporary sale or purchase of foreign currency). Item Other (II.3.) includes future payments arising from repo 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	
2004	October	7.544859				4.888467	10.917838	6.049878	
	November	7.554380				4.963436	10.813955	5.824814	
	December	7.544991				4.916727	10.873149	5.643633	
2005	January	7.563796				4.891373	10.811869	5.741322	
	February	7.516931				4.849005	10.904242	5.780433	
	March	7.459512				4.814920	10.770658	5.653121	
	April	7.395276				4.778072	10.818158	5.716584	
	May	7.327121				4.743797	10.714655	5.758623	
	June	7.313364				4.755423	10.937565	6.006567	
	July	7.304871				4.690760	10.635671	6.062091	
	August	7.348095				4.732522	10.723305	5.975191	
	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	

**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	
2004	October	7.490452				4.893801	10.760598	5.874864	
	November	7.600835				5.012090	10.825858	5.731289	
	December	7.671234				4.971314	10.824374	5.636883	
2005	January	7.551070				4.882683	10.924580	5.784488	
	February	7.507513				4.873743	10.888344	5.702630	
	March	7.441756				4.794019	10.808651	5.744312	
	April	7.364438				4.792060	10.870019	5.679807	
	May	7.307220				4.728980	10.648820	5.837370	
	June	7.310503				4.728045	11.003165	6.062782	
	July	7.296747				4.679202	10.588807	6.040353	
	August	7.378355				4.762380	10.804444	6.042879	
	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	

**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	October	92.15	91.44	93.71
	November	91.29	91.17	92.43
	December	90.43	90.61	90.85
2005	January	91.00	91.70	91.00
	February	90.76	91.56	90.21
	March	89.73	91.04	89.10
	April	89.44	91.03	89.40
	May	89.01	90.27	89.13
	June	89.91	91.63	90.22
	July	90.06	91.73	90.66
	August	90.08	92.10	90.97
	September	91.16	93.58 <sup>a</sup>	92.34 <sup>a</sup>
	October	91.10	94.12 <sup>a</sup>	91.72 <sup>a</sup>
	November	91.47		

<sup>a</sup> 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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.*	Jun.*	Jul.*	Aug.*	Sep.*	Oct.
1. Government	5,276.6	5,942.4	5,900.3	6,600.6	7,236.1	6,744.6	7,015.5	6,916.8	6,931.8	6,988.7	6,939.9
Short-term	388.7	0.3	0.9	0.9	3.4	1.4	1.6	1.8	1.8	1.8	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	388.1	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	0.6	0.3	0.9	0.9	3.4	1.4	1.6	1.8	1.8	1.8	2.1
Principal arrears	0.6	0.3	0.9	0.9	2.9	1.2	1.3	1.5	1.5	1.5	1.7
Interest arrears	0.0	0.0	0.0	0.1	0.6	0.3	0.3	0.3	0.3	0.3	0.3
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	4,887.9	5,942.1	5,899.5	6,599.6	7,232.6	6,743.2	7,013.9	6,915.0	6,930.0	6,986.9	6,937.9
Bonds	3,443.2	4,268.2	3,947.6	4,310.9	4,635.2	4,036.2	4,163.0	4,094.8	4,100.9	4,064.9	4,033.9
Credits	1,444.6	1,672.7	1,950.8	2,286.4	2,595.3	2,705.0	2,849.0	2,818.4	2,827.3	2,920.2	2,902.3
Trade credits	0.1	1.3	1.1	2.3	2.1	2.0	1.9	1.8	1.8	1.8	1.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	215.4	215.5	23.2	365.7	2.4	2.0	2.5	2.4	2.2	2.0	2.0
Short-term	43.6	75.1	21.5	363.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	43.6	75.1	21.5	363.1	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
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	171.9	140.3	1.7	2.6	2.4	2.0	2.5	2.4	2.2	2.0	2.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	170.6	138.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1.3	1.7	1.7	2.6	2.4	2.0	2.5	2.4	2.2	2.0	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
3. Banks	2,195.7	2,547.1	3,789.6	6,121.1	7,652.4	8,183.5	8,480.5	8,384.2	8,028.9	7,969.4	8,265.3
Short-term	23.2	18.0	14.3	617.1	673.3	2,412.7	2,411.6	2,333.2	2,295.7	2,168.1	2,208.5
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	7.8	2.6	0.3	604.2	660.8	956.7	1,155.1	1,085.5	1,160.7	1,088.4	1,068.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	1,442.9	1,243.6	1,234.3	1,122.0	1,065.9	1,126.5
Other debt liabilities	15.4	15.4	14.0	12.9	12.5	13.1	12.9	13.5	12.9	13.9	13.9
Principal arrears	15.4	15.4	14.0	12.9	12.4	13.1	12.9	13.4	12.8	12.9	12.8
Interest arrears	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	1.0	1.0
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	2,172.6	2,529.1	3,775.3	5,503.9	6,979.2	5,770.8	6,068.9	6,051.0	5,733.2	5,801.3	6,056.7
Bonds	0.0	0.0	0.0	0.0	444.5	446.9	448.8	449.8	451.5	453.1	454.7
Credits	1,708.0	1,810.8	1,878.4	2,767.7	3,315.7	3,419.0	3,548.7	3,545.3	3,412.9	3,371.8	3,513.0
Currency and deposits	464.5	718.3	1,896.9	2,736.2	3,219.0	1,904.9	2,071.4	2,055.9	1,868.9	1,976.5	2,089.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other sectors	3,708.9	3,661.8	3,934.7	4,878.4	5,798.1	6,089.0	6,451.8	6,588.6	6,763.6	6,728.0	6,708.5
Short-term	425.8	434.9	460.7	523.2	664.2	626.2	720.6	769.6	802.5	811.3	816.8
Money market instruments	10.2	31.1	0.0	33.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	46.2	53.9	27.2	70.1	125.4	167.5	200.8	244.9	250.0	203.8	236.3
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	44.5	40.4	47.5	22.2	24.9	29.7	30.8	33.8	29.9	30.1	30.3
Other debt liabilities	324.9	309.6	386.0	397.4	513.9	429.0	489.1	490.9	522.7	577.4	550.2
Principal arrears	310.2	293.0	365.4	369.9	462.7	391.1	445.9	445.9	477.4	528.5	499.4
Interest arrears	14.8	16.6	20.7	27.6	51.2	37.9	43.2	45.0	45.2	48.9	50.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,283.1	3,226.9	3,474.0	4,355.3	5,133.9	5,462.7	5,731.1	5,819.0	5,961.1	5,916.7	5,891.7
Bonds	31.2	31.2	161.2	345.3	384.3	398.5	371.3	374.7	378.8	371.5	374.5
Credits	3,003.5	2,969.0	3,103.0	3,858.3	4,637.3	4,927.8	5,222.6	5,304.7	5,440.6	5,399.7	5,370.3
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	248.5	226.7	209.9	151.7	112.3	136.4	137.2	139.6	141.7	145.4	146.9
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

5. Direct investment	712.6	1,091.4	1,407.0	1,844.8	1,986.5	2,098.4	2,271.6	2,300.7	2,326.6	2,354.1	2,282.3
Short-term	81.9	49.0	73.2	124.0	247.9	148.8	207.8	209.3	208.7	211.5	220.3
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	23.1	4.4	30.0	43.9	61.9	44.8	68.1	65.4	60.3	58.1	60.1
Trade credits	43.9	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	15.0	43.0	43.1	80.1	186.0	104.0	139.7	144.0	148.3	153.4	160.2
Principal arrears	14.7	41.7	41.0	75.9	166.3	95.2	129.8	133.8	136.7	141.0	147.6
Interest arrears	0.3	1.3	2.1	4.2	19.7	8.8	9.9	10.2	11.7	12.4	12.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	630.7	1,042.4	1,333.8	1,720.8	1,738.6	1,949.6	2,063.8	2,091.4	2,117.9	2,142.6	2,061.9
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	602.6	1,020.9	1,300.0	1,689.7	1,714.8	1,920.6	2,035.1	2,062.6	2,089.6	2,114.8	2,034.6
Trade credits	28.1	21.5	33.8	31.1	23.8	29.0	28.7	28.7	28.3	27.8	27.3
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)	12,109.3	13,458.3	15,054.8	19,810.6	22,675.4	23,117.5	24,222.0	24,192.7	24,053.1	24,042.2	24,197.9

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

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.*	Jun.*	Jul.*	Aug.*	Sep.*	Oct.
1. Public sector	6,949.7	7,486.1	7,215.3	8,334.0	8,521.2	8,057.7	8,348.3	8,320.5	8,334.4	8,397.5	8,246.1
Short-term	539.5	170.3	54.8	409.5	34.9	28.5	39.1	51.4	51.2	93.6	85.0
Money market instruments	0.0	25.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	461.1	98.3	21.9	390.9	9.2	13.1	22.0	35.0	34.8	35.0	67.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	18.9	25.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	59.5	20.5	32.9	18.6	25.6	15.3	17.1	16.4	16.4	58.6	17.9
Principal arrears	59.5	20.5	32.9	18.6	24.5	15.0	16.8	16.0	16.0	57.5	16.8
Interest arrears	0.0	0.0	0.0	0.1	1.2	0.3	0.3	0.4	0.4	1.1	1.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,368.4	7,315.2	7,160.0	7,924.2	8,486.1	8,029.0	8,308.9	8,268.9	8,283.0	8,303.7	8,160.9
Bonds	3,443.2	4,268.2	3,947.6	4,310.9	4,635.2	4,036.2	4,163.0	4,094.8	4,100.9	4,064.9	4,033.9
Credits	2,828.2	2,954.4	3,130.2	3,560.7	3,806.9	3,873.6	4,068.5	4,092.0	4,096.7	4,147.7	4,031.5
Currency and deposits	1.3	1.7	1.7	2.6	2.4	52.0	2.5	2.4	2.2	2.0	2.0
Trade credits	95.7	91.0	80.5	50.0	41.6	67.1	74.9	79.7	83.2	89.2	93.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	41.7	0.6	0.5	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
2. Publicly guaranteed private sector	597.4	565.8	500.1	428.6	343.3	306.9	312.9	288.7	289.2	288.5	288.8
Short-term	2.2	9.1	22.3	32.0	42.4	30.2	33.4	33.3	33.1	33.9	34.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	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	2.2	9.1	22.3	32.0	42.4	30.2	33.4	33.3	33.1	33.9	34.9
Principal arrears	1.3	7.0	16.7	23.3	30.8	21.9	24.6	24.1	23.9	24.7	25.5
Interest arrears	0.8	2.1	5.6	8.7	11.5	8.4	8.8	9.2	9.1	9.3	9.4
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	595.2	556.8	477.8	396.6	300.9	276.7	279.6	255.4	256.1	254.6	253.9
Bonds	31.2	31.2	31.2	31.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	564.0	519.7	442.6	362.9	299.4	275.4	277.4	253.3	254.1	252.6	252.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.1	5.9	4.0	2.5	1.5	1.3	2.2	2.1	2.0	1.9	1.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	4,562.2	5,406.4	7,339.4	11,048.1	13,810.9	14,753.0	15,560.8	15,583.5	15,429.6	15,356.2	15,663.0
Short-term	339.4	348.9	420.3	1,062.9	1,263.6	2,981.7	3,061.3	3,020.0	3,015.7	2,853.7	2,907.5
Money market instruments	10.2	5.6	0.0	33.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	24.5	33.3	27.1	646.6	777.0	1,111.1	1,333.9	1,295.4	1,375.9	1,257.2	1,237.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	1,442.9	1,243.6	1,234.3	1,122.0	1,065.9	1,126.5
Trade credits	25.6	14.5	47.5	22.2	24.9	29.7	30.8	33.8	29.9	30.1	30.3
Other debt liabilities	279.2	295.5	345.7	360.7	461.8	397.9	453.1	456.5	487.8	500.6	513.4
Principal arrears	265.4	281.1	330.6	341.8	422.6	368.5	418.7	420.7	451.8	460.7	471.7
Interest arrears	13.8	14.4	15.1	18.9	39.2	29.5	34.4	35.8	36.0	39.9	41.6
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	3,551.9	3,966.7	5,512.6	8,140.6	10,561.0	9,673.1	10,228.0	10,263.1	10,087.5	10,148.6	10,473.4
Bonds	0.0	0.0	130.0	314.1	828.8	845.4	820.2	824.5	830.3	824.6	829.1
Credits	2,934.6	3,117.0	3,359.3	4,988.8	6,441.9	6,852.7	7,274.4	7,323.2	7,330.0	7,291.4	7,502.1
Currency and deposits	464.5	718.3	1,896.9	2,736.2	3,219.0	1,904.9	2,071.4	2,055.9	1,868.9	1,976.5	2,089.0
Trade credits	152.8	131.4	126.4	101.5	71.2	70.0	62.0	59.5	58.3	56.1	53.2
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	670.9	1,090.9	1,406.5	1,844.6	1,986.3	2,098.2	2,271.4	2,300.5	2,326.4	2,353.9	2,282.1
Total (1+2+3)	12,109.2	13,458.3	15,054.8	19,810.6	22,675.4	23,117.5	24,222.0	24,192.7	24,053.1	24,042.2	24,197.9

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

million euros

	Outstanding debt 31/10/2005	Immediate	Projected future principal payments												
			Q4/05	Q1/06	Q2/06	Q3/06	2005	2006	2007	2008	2009	2010	2011	2012	Other
<b>1. Government</b>	6,939.9	2.1	193.5	560.1	63.3	116.5	193.5	815.0	667.6	718.0	1,011.5	806.2	1,396.8	214.2	1,115.0
Short-term	2.1	2.1	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
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	2.1	2.1	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	1.7	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.3	0.3	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	6,937.9	0.0	193.5	560.1	63.3	116.5	193.5	815.0	667.6	718.0	1,011.5	806.2	1,396.8	214.2	1,115.0
Bonds	4,033.9	0.0	127.1	498.7	0.0	56.0	127.1	554.7	340.8	247.4	709.5	555.9	1,013.6	16.2	468.8
Credits	2,902.3	0.0	66.4	61.2	63.2	60.3	66.4	259.8	326.2	470.1	302.1	250.3	383.2	198.0	646.2
Trade credits	1.7	0.0	0.1	0.2	0.1	0.2	0.1	0.6	0.6	0.4	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
<b>2. Croatian National Bank</b>	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
Short-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
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	0.0	0.0	0.0	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
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	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
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	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0
<b>3. Banks</b>	8,265.3	13.9	1,034.3	81.2	695.9	74.6	1,034.3	1,121.0	532.7	618.1	831.3	440.5	65.9	126.1	3,481.5
Short-term	2,208.5	13.9	974.4	2.8	80.9	10.0	974.4	93.7	0.0	0.0	0.0	0.0	0.0	0.0	1,126.5
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	0.0	0.0	0.0	0.0
Credits	1,068.1	0.0	974.4	2.8	80.9	10.0	974.4	93.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1,126.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,126.5
Other debt liabilities	13.9	13.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	12.8	12.8	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	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	0.0
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	6,056.7	0.0	59.8	78.4	615.1	64.6	59.8	1,027.3	532.7	618.1	831.3	440.5	65.9	126.1	2,355.0
Bonds	454.7	0.0	5.8	0.0	0.0	0.0	5.8	0.0	0.0	0.0	448.8	0.0	0.0	0.0	0.0
Credits	3,513.0	0.0	54.0	78.4	615.1	64.6	54.0	1,027.3	532.7	618.1	382.5	440.5	65.9	126.1	266.0
Currency and deposits	2,089.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,089.0
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
<b>4. Other sectors</b>	6,708.5	550.2	346.5	243.5	336.4	288.2	346.5	1,157.3	1,020.5	834.5	670.1	480.2	303.0	210.3	1,135.8
Short-term	816.8	550.2	74.3	57.0	55.4	78.4	74.3	192.3	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	236.3	0.0	74.3	57.0	25.1	78.4	74.3	162.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	30.3	0.0	0.0	0.0	30.3	0.0	0.0	30.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	550.2	550.2	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	499.4	499.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	50.8	50.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,891.7	0.0	272.3	186.5	280.9	209.8	272.3	965.0	1,020.5	834.5	670.1	480.2	303.0	210.3	1,135.8
Bonds	374.5	0.0	28.2	0.0	0.0	0.0	28.2	0.0	182.6	5.7	5.7	6.5	6.5	8.2	131.0
Credits	5,370.3	0.0	224.7	178.1	249.4	200.8	224.7	893.7	807.2	814.2	656.3	471.4	296.2	202.0	1,004.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	146.9	0.0	19.4	8.4	31.5	9.0	19.4	71.3	30.8	14.5	8.1	2.3	0.2	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	2,282.3	160.2	128.7	59.6	76.6	42.3	128.7	379.6	238.7	256.3	203.3	243.8	56.3	32.8	582.6
Short-term	220.3	160.2	25.1	14.3	13.3	7.1	25.1	35.0	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	60.1	0.0	25.1	14.3	13.3	7.1	25.1	35.0	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	160.2	160.2	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	147.6	147.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	12.7	12.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,061.9	0.0	103.5	45.4	63.3	35.2	103.5	344.6	238.7	256.3	203.3	243.8	56.3	32.8	582.6
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	2,034.6	0.0	102.0	44.3	62.3	34.2	102.0	340.1	233.9	252.3	199.6	238.8	55.0	31.9	581.1
Trade credits	27.3	0.0	1.5	1.1	1.0	1.0	1.5	4.5	4.8	4.0	3.7	5.0	1.3	1.0	1.5
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)	24,197.9	726.4	1,702.9	944.5	1,172.2	521.5	1,702.9	3,472.9	2,459.5	2,426.9	2,716.3	1,970.7	1,822.0	583.4	6,316.9
Supplement: Projected interest payments			11.4	241.0	172.3	118.9	11.4	681.2	570.0	484.8	408.6	293.9	227.0	129.6	520.5

**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.

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

	2000	2001	2002	2003	2004	2005		
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>a</sup>
1. International investment position (net)	-6,298.9	-4,544.7	-7,905.4	-11,731.6	-15,465.9	-17,191.3	-18,667.9	-18,141.6
2. Assets	9,044.3	12,793.2	12,550.4	14,804.8	14,939.7	14,455.0	14,717.3	15,066.1
2.1. Direct investment abroad	939.2	1,095.9	1,753.2	1,646.4	1,633.7	1,784.0	1,807.0	1,916.7
2.2. Portfolio investment	93.3	253.0	810.1	603.1	1,317.5	1,324.6	1,447.2	1,630.9
2.2.1. Equity securities	15.3	25.5	39.3	40.6	39.8	41.1	40.6	43.8
2.2.2. Debt securities	78.0	227.5	770.9	562.5	1,277.7	1,283.5	1,406.6	1,587.1
Bonds	63.1	196.4	761.0	560.0	1,142.5	1,151.8	1,286.2	1,462.8
Money market instruments	14.9	31.1	9.9	2.4	135.1	131.7	120.4	124.3
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	4,231.3	6,110.7	4,335.8	6,001.2	5,552.4	4,645.9	4,397.4	4,519.7
2.4.1. Trade credits	200.0	206.1	181.0	178.1	151.9	158.6	162.8	157.6
2.4.2. Loans	166.1	121.6	128.7	113.9	114.9	118.5	131.9	139.3
2.4.3. Currency and deposits	3,865.2	5,782.9	4,026.0	5,709.2	5,285.6	4,368.7	4,102.8	4,222.8
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5. Reserve assets (CNB)	3,780.4	5,333.6	5,651.3	6,554.1	6,436.1	6,700.5	7,065.7	6,998.7
3. Liabilities	15,343.1	17,337.8	20,455.8	26,536.3	30,405.7	31,646.3	33,385.1	33,207.7
3.1. Direct investment in Croatia	3,829.6	4,806.1	6,634.4	8,398.2	9,433.3	10,318.5	11,103.2	11,187.9
3.2. Portfolio investment	3,601.4	4,495.2	4,282.3	4,862.0	5,747.4	5,190.2	5,314.8	5,221.2
3.2.1. Equity securities	116.8	164.8	173.6	172.3	283.4	308.6	331.6	331.7
3.2.2. Debt securities	3,484.6	4,330.4	4,108.7	4,689.7	5,464.0	4,881.6	4,983.2	4,889.5
Bonds	3,474.4	4,299.3	4,108.7	4,656.2	5,464.0	4,881.6	4,983.2	4,889.5
Money market instruments	10.2	31.1	0.0	33.5	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
3.4. Other investment	7,912.1	8,036.5	9,539.1	13,276.1	15,224.9	16,137.5	16,967.1	16,798.6
3.4.1. Trade credits	293.1	268.4	258.4	176.1	139.3	168.1	169.9	177.3
3.4.2. Loans	6,812.4	6,722.9	6,981.2	9,949.9	11,334.5	12,175.9	12,976.1	12,983.9
3.4.3. Currency and deposits	465.8	719.9	1,898.6	2,738.7	3,221.4	3,349.9	3,317.6	3,044.4
3.4.4. Other liabilities	341.0	325.3	400.9	411.3	529.8	443.5	503.6	593.1

<sup>a</sup> Preliminary data. <sup>b</sup> 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

	2000	2001	2002	2003	2004	2005		
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>a</sup>
Direct investment (net)	-2,890.4	-3,710.2	-4,881.2	-6,751.8	-7,799.6	-8,534.5	-9,296.3	-9,271.2
1. Abroad	939.2	1,095.9	1,753.2	1,646.4	1,633.7	1,784.0	1,807.0	1,916.7
1.1. Equity capital and reinvested earnings	884.5	1,050.2	1,712.8	1,583.2	1,526.9	1,634.1	1,636.4	1,777.2
Claims	884.5	1,050.2	1,712.8	1,583.2	1,526.9	1,634.1	1,636.4	1,777.2
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	54.7	45.6	40.4	63.2	106.9	149.9	170.6	139.5
Claims	....	....	....	....	0.0	0.0	0.0	0.0
Liabilities	....	....	....	....	0.0	0.0	0.0	0.0
1.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	3,829.6	4,806.1	6,634.4	8,398.2	9,433.3	10,318.5	11,103.2	11,187.9
2.1. Equity capital and reinvested earnings	3,117.0	3,714.7	5,227.4	6,553.4	7,446.8	8,220.1	8,831.6	8,833.8
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	3,117.0	3,714.7	5,227.4	6,553.4	7,446.8	8,220.1	8,831.6	8,833.8
2.2. Other capital	712.6	1,091.4	1,407.0	1,844.8	1,986.5	2,098.4	2,271.6	2,354.1
Claims	....	....	....	....	....	....	....	....
Liabilities	....	....	....	....	....	....	....	....
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

<sup>a</sup> Preliminary data. <sup>b</sup> Revised data.

**Table H17: International Investment Position – Portfolio Investment**

million euros

	2000	2001	2002	2003	2004	2005		
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>a</sup>
Portfolio investment (net)	-3,508.1	-4,242.2	-3,472.2	-4,258.9	-4,430.0	-3,865.6	-3,867.6	-3,590.3
1. Assets	93.3	253.0	810.1	603.1	1,317.5	1,324.6	1,447.2	1,630.9
1.1. Equity securities	15.3	25.5	39.3	40.6	39.8	41.1	40.6	43.8
Banks	7.7	8.0	8.1	4.2	4.5	4.6	4.5	4.8
Other sectors	7.6	17.5	31.1	36.4	35.3	36.6	36.1	39.0
1.2. Debt securities	78.0	227.5	770.9	562.5	1,277.7	1,283.5	1,406.6	1,587.1
2. Liabilities	3,601.4	4,495.2	4,282.3	4,862.0	5,747.4	5,190.2	5,314.8	5,221.2
2.1. Equity securities	116.8	164.8	173.6	172.3	283.4	308.6	331.6	331.7
Banks	39.2	41.1	36.2	40.4	44.4	45.1	48.5	48.5
Other sectors	77.6	123.8	137.3	132.0	239.1	263.5	283.1	283.2
2.2. Debt securities	3,484.6	4,330.4	4,108.7	4,689.7	5,464.0	4,881.6	4,983.2	4,889.5
Bonds	3,474.4	4,299.3	4,108.7	4,656.2	5,464.0	4,881.6	4,983.2	4,889.5
General government	3,443.2	4,268.2	3,947.6	4,310.9	4,635.2	4,036.2	4,163.0	4,064.9
Banks	0.0	0.0	0.0	0.0	444.5	446.9	448.8	453.1
Other sectors	31.2	31.2	161.2	345.3	384.3	398.5	371.3	371.5
Money market instruments	10.2	31.1	0.0	33.5	0.0	0.0	0.0	0.0
Other sectors	10.2	31.1	0.0	33.5	0.0	0.0	0.0	0.0

<sup>a</sup> Preliminary data. <sup>b</sup> Revised data.

**Table H18: International Investment Position – Other Investment**

million euros

	2000	2001	2002	2003	2004	2005		
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>a</sup>
Other investment (net)	-3,636.0	-1,849.1	-5,180.2	-6,909.9	-9,670.8	-11,490.2	-12,567.8	-12,277.5
1. Assets	4,231.3	6,110.7	4,335.8	6,000.5	5,551.8	4,645.3	4,396.8	4,519.1
1.1. Trade credits	200.0	206.1	181.0	178.1	151.9	158.6	162.8	157.6
1.1.1. General government	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
1.1.2. Other sectors	200.0	206.1	181.0	178.1	151.8	158.6	162.7	157.6
Long-term	165.7	180.2	169.6	173.5	147.5	154.0	157.9	152.8
Short-term	34.3	25.9	11.4	4.6	4.4	4.6	4.8	4.8
1.2. Loans	166.1	121.6	128.7	113.3	114.3	117.9	131.3	138.7
1.2.1. General government	3.7	6.1	5.6	5.2	5.3	6.8	7.0	6.4
Long-term	3.7	6.1	5.6	5.2	5.3	6.8	7.0	6.4
1.2.2. Banks	130.6	82.7	93.6	79.9	79.9	79.7	90.0	96.3
Long-term	89.7	46.9	60.2	57.5	56.2	55.9	64.6	64.1
Short-term	40.9	35.8	33.4	22.4	23.7	23.9	25.4	32.3
1.2.3. Other sectors	31.7	32.8	29.5	28.2	29.1	31.4	34.4	36.0
Long-term	31.7	32.8	29.4	28.2	28.7	30.1	33.4	35.2
Short-term	0.0	0.0	0.1	0.0	0.4	1.3	1.0	0.8
1.3. Currency and deposits	3,865.2	5,782.9	4,026.0	5,709.2	5,285.6	4,368.7	4,102.8	4,222.8
1.3.2. General government	74.1	94.7	115.7	81.9	8.9	77.8	25.0	34.6
1.3.3. Banks	2,564.3	4,438.8	2,754.3	4,551.9	4,317.0	3,333.8	3,049.4	3,159.6
1.3.4. Other sectors	1,226.8	1,249.4	1,156.0	1,075.4	959.7	957.2	1,028.4	1,028.6
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	7,867.3	7,959.7	9,515.9	12,910.4	15,222.5	16,135.5	16,964.6	16,796.6
2.1. Trade credits	293.1	268.4	258.4	176.1	139.3	168.1	169.9	177.3
2.1.1. General government	0.1	1.3	1.1	2.3	2.1	2.0	1.9	1.8
Long-term	0.1	1.3	1.1	2.3	2.1	2.0	1.9	1.8
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	293.0	267.1	257.4	173.8	137.2	166.1	168.0	175.5
Long-term	248.5	226.7	209.9	151.7	112.3	136.4	137.2	145.4
Short-term	44.5	40.4	47.5	22.2	24.9	29.7	30.8	30.1
2.2. Loans	6,768.8	6,647.8	6,959.7	9,586.8	11,334.5	12,175.9	12,976.1	12,983.9
2.2.1. Croatian National Bank	170.6	138.7	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	170.6	138.7	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	1,832.6	1,672.7	1,950.8	2,286.4	2,595.3	2,705.0	2,849.0	2,920.2
Long-term	1,444.6	1,672.7	1,950.8	2,286.4	2,595.3	2,705.0	2,849.0	2,920.2
Short-term	388.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,715.8	1,813.5	1,878.7	3,372.0	3,976.4	4,375.7	4,703.7	4,460.1
Long-term	1,708.0	1,810.8	1,878.4	2,767.7	3,315.7	3,419.0	3,548.7	3,371.8
Short-term	7.8	2.6	0.3	604.2	660.8	956.7	1,155.1	1,088.4
2.2.4. Other sectors	3,049.7	3,022.9	3,130.1	3,928.5	4,762.8	5,095.3	5,423.4	5,603.6
Long-term	3,003.5	2,969.0	3,103.0	3,858.3	4,637.3	4,927.8	5,222.6	5,399.7
Short-term	46.2	53.9	27.2	70.1	125.4	167.5	200.8	203.8
2.3. Currency and deposits	464.5	718.3	1,896.9	2,736.2	3,219.0	3,347.9	3,315.0	3,042.4
2.3.1. Banks	464.5	718.3	1,896.9	2,736.2	3,219.0	3,347.9	3,315.0	3,042.4
2.4. Other liabilities	341.0	325.3	400.9	411.3	529.8	443.5	503.6	593.1

<sup>a</sup> Preliminary data. <sup>b</sup> Revised data.

**Table I1: Consolidated Central Government**

million kuna

	2000	2001	2002	2003 <sup>a</sup>	2004.			
					Jan.	Feb.	Mar.	Apr.
<b>REVENUE AND GRANTS</b>								
1. Budgetary central government	44,635.7	52,747.4	66,932.2	74,953.7	5,271.3	4,903.1	6,434.6	6,324.4
2. Central government funds	22,099.3	18,098.2	4,026.3	6,038.3	601.0	439.3	515.7	418.8
2.1. CPII	11,254.2	5,806.8	129.8	108.9	51.1	11.2	15.0	9.2
2.2. CIHI	8,967.4	10,314.5	473.7	822.3	43.3	50.8	48.9	37.6
2.3. CES	822.4	910.9	25.4	17.9	2.0	1.4	1.7	1.4
2.4. Child Benefit Fund	7.1	5.1	–	–	–	–	–	–
2.5. Croatian Waters	1,048.2	1,060.9	1,098.8	1,144.8	123.6	59.4	73.8	75.1
2.6. Environment Protection Fund	–	–	–	–	–	–	11.3	18.1
2.7. Development and Employment Fund	–	–	1,797.8	–	–	–	–	–
2.8. Regional Development Fund	–	–	500.9	–	–	–	–	–
2.9. Croatian Highways	–	–	–	1,932.4	161.5	114.6	144.9	152.0
2.10. Croatian Roads	–	–	–	1,185.0	103.2	89.3	106.7	108.5
2.11. State Agency for Deposit Insurance and Bank Rehabilitation	–	–	–	584.5	97.7	105.9	103.2	7.9
2.1. Croatian Privatization Fund	–	–	–	242.5	18.6	6.7	10.2	9.0
A. Total (1+2)	66,735.0	70,845.6	70,958.5	80,992.0	5,872.3	5,342.4	6,950.3	6,743.2
<b>EXPENDITURE AND LENDING (minus repayments)</b>								
3. Budgetary central government	36,730.8	44,844.5	67,543.8	74,713.8	5,177.9	6,178.6	7,445.1	7,565.1
4. Central government funds	37,701.4	30,044.6	7,030.5	11,920.5	1,054.5	595.4	927.8	777.6
4.1. CPII	20,180.8	12,125.3	1,558.1	1,838.0	82.1	75.9	82.0	84.7
4.2. CIHI	13,918.1	13,192.7	1,261.1	875.0	35.2	85.4	62.7	72.5
4.3. CES	995.5	983.4	236.7	136.5	9.0	9.0	7.4	9.7
4.4. Child Benefit Fund	1,250.6	2,467.0	–	–	–	–	–	–
4.5. Croatian Waters	1,356.4	1,276.1	1,409.9	1,691.0	180.5	57.2	91.1	87.1
4.6. Environment Protection Fund	–	–	–	–	0.1	0.1	0.7	0.8
4.7. Development and Employment Fund	–	–	2,288.0	–	–	–	–	–
4.8. Regional Development Fund	–	–	276.6	–	–	–	–	–
4.9. Croatian Highways	–	–	–	5,583.5	646.8	280.2	525.4	364.5
4.10. Croatian Roads	–	–	–	1,369.9	108.9	77.9	151.3	121.6
4.11. State Agency for Deposit Insurance and Bank Rehabilitation	–	–	–	253.2	1.4	1.0	1.6	1.0
4.12. Croatian Privatization Fund	–	–	–	173.3	– 9.3	8.7	5.6	35.8
B. Total (3+4)	74,432.3	74,889.1	74,574.3	86,634.3	6,232.4	6,773.9	8,373.0	8,342.7
C. Overall surplus/deficit (A-B)	–7,697.3	–4,043.5	–3,615.8	–5,642.3	–360.1	–1,431.6	–1,422.7	–1,599.4
5. Budgetary central government (1-3)	7,904.8	7,902.9	–611.6	239.9	93.4	–1,275.5	–1,010.5	–1,240.7
6. Central government funds (2-4)	–15,602.1	–11,946.4	–3,004.2	–5,882.2	–453.5	–156.1	–412.2	–358.8

<sup>a</sup> Preliminary data. Source: Ministry of Finance.

**Table I2: Budgetary Central Government Operations**

million kuna

	2000	2001	2002	2003 <sup>c</sup>	2004			
					Jan.	Feb.	Mar.	Apr.
1. Total revenue	44,635.7	53,503.6	69,869.1	78,249.6	5,552.5	5,244.8	6,718.9	6,616.4
1.1. Current revenue	41,535.0	48,906.3	69,651.1	74,652.1	5,530.3	5,231.0	6,690.7	6,599.9
1.1.1. Tax revenue	39,939.0	47,274.0	67,965.5	72,697.9	5,446.3	5,128.5	6,542.8	6,493.6
1.1.2. Nontax revenue	1,595.9	1,632.3	1,685.6	1,954.1	84.0	102.5	147.9	106.3
1.2. Capital revenue	3,100.7	4,597.3	218.0	3,597.6	22.2	13.8	28.3	16.5
2. Grants	0.0	0.0	0.0	10.4	0.0	0.0	0.0	0.0
2.1. Current	0.0	0.0	0.0	10.4	0.0	0.0	0.0	0.0
2.2. Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A. Total revenue and grants (1+2)	44,635.7	53,503.6	69,869.1	78,260.0	5,552.5	5,244.8	6,718.9	6,616.4
3. Total expenditure	49,567.5	56,723.3	71,992.1	79,113.1	5,528.0	6,495.0	7,667.3	7,947.7
3.1. Current expenditure	44,237.4	52,819.2	68,923.5	75,041.4	5,425.5	6,386.2	7,353.6	7,539.5
3.2. Capital expenditure	5,330.1	3,904.1	3,068.7	4,071.7	102.6	108.8	313.6	408.1
4. Lending minus repayments	1,176.1	1,089.5	1,377.5	1,333.5	23.5	107.6	194.4	55.3
B. Total expenditure and lending minus repayment	50,743.5	57,812.8	73,369.6	80,446.6	5,551.5	6,602.7	7,861.7	8,002.9
5. Current account surplus without grants (1.1.-3.1.)	-2,702.4	-3,912.9	727.6	-389.3	104.8	-1,155.2	-662.9	-939.6
6. Current account surplus with current grants (5+2.1.)	-2,702.4	-3,912.9	727.6	-378.9	104.8	-1,155.2	-662.9	-939.6
7. Gross fixed capital formation <sup>a</sup>	-395.4	-3,101.4	966.7	-1,627.6	6.0	24.8	98.2	168.1
8. Gross capital formation <sup>b</sup>	-395.4	-3,101.4	966.7	-1,627.6	6.0	24.8	98.2	168.1
C. Overall surplus/deficit (A-B)	-6,107.9	-4,309.1	-3,500.5	-2,186.6	1.0	-1,357.9	-1,142.8	-1,386.5
9. Foreign financing	6,921.5	2,299.6	2,347.8	3,050.0	-666.6	-4.7	-57.0	4,823.0
10. Domestic financing	-813.6	2,009.6	1,152.7	-863.4	665.6	1,362.6	1,199.8	-3,436.4
10.1. From other general government	-92.0	-11.0	0.0	0.0	0.0	0.0	0.0	0.0
10.2. From monetary authorities	-12.5	-389.1	241.7	-1,026.8	670.3	355.4	-1,237.3	-3,426.3
10.3. From banks	-288.8	2,559.1	782.9	168.6	-18.9	997.5	2,523.6	241.0
10.4. Other domestic financing	-420.3	-149.4	128.1	-5.2	14.2	9.7	-86.6	-251.0
D. Total financing (9+10)	6,107.9	4,309.1	3,500.5	2,186.6	-1.0	1,357.9	1,142.8	1,386.5

<sup>a</sup> Net purchase of fixed capital formation. <sup>b</sup> Net purchase of fixed capital formation and net purchase of shares. <sup>c</sup> Preliminary data. Source: Ministry of Finance.



**Table I3: Central Government Debt**

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Dec.	Mar.*	Jun.*	Jul.*	Aug.*	Sep.*	Oct.
1. Domestic debt of central government	21,324.2	24,907.3	31,421.5	34,736.4	41,517.0	51,391.3	52,400.1	53,688.1	52,971.3	53,716.2	54,601.1
1.1. Domestic debt of the Republic of Croatia	18,509.7	21,467.9	23,320.0	28,160.8	37,223.7	46,375.7	46,495.7	47,675.8	46,958.4	47,583.2	48,447.0
Treasury bills	2,564.6	4,892.3	5,632.7	6,548.1	9,022.5	13,021.3	13,442.1	12,977.0	12,780.0	12,820.5	12,859.8
Money market instruments	14.2	7.4	0.1	0.3	–	–	–	0.7	0.7	0.7	0.7
Bonds	14,082.5	15,415.8	15,887.9	17,422.0	23,080.1	24,570.5	24,072.1	26,492.4	26,661.2	27,299.9	27,292.4
Credits from the CNB	0.0	–	0.5	1.4	3.3	1.7	–	1.2	0.6	0.5	–
Credits from banks	1,848.4	1,152.4	1,798.8	4,189.1	5,117.8	8,782.3	8,981.5	8,204.5	7,515.9	7,461.6	8,294.1
1.2. Domestic debt of central government funds	2,814.4	3,439.4	8,101.5	6,575.5	4,293.3	5,015.5	5,904.4	6,012.3	6,012.9	6,133.0	6,154.1
Money market instruments	–	–	–	–	–	–	–	–	–	–	–
Bonds	1,686.8	1,636.1	4,460.7	3,616.4	2,040.1	1,901.7	1,853.2	1,829.1	1,850.4	1,851.9	1,839.3
Credits from banks	1,127.6	1,803.3	3,640.7	2,959.1	2,253.2	3,113.9	4,051.3	4,183.2	4,162.5	4,281.1	4,314.8
2. External debt of central government	39,638.8	43,319.1	43,517.5	50,137.9	55,248.4	49,971.9	51,075.8	50,286.1	50,960.0	51,758.2	50,998.5
2.1. External debt of the Republic of Croatia	36,453.4	39,487.3	37,388.3	41,048.8	41,951.9	36,726.9	36,766.9	36,063.7	36,551.8	36,781.0	36,200.5
Money market instruments	–	–	–	–	–	–	–	–	–	–	–
Bonds	25,762.8	30,746.7	28,694.2	32,144.8	32,793.2	27,258.8	27,652.2	27,069.1	27,405.0	27,335.0	26,883.4
Credits	10,690.6	8,740.6	8,694.1	8,904.1	9,158.7	9,468.0	9,114.7	8,994.6	9,146.8	9,445.9	9,317.1
2.2. External debt of central government funds	3,185.4	3,831.8	6,129.2	9,089.1	13,296.4	13,245.1	14,308.8	14,222.4	14,408.2	14,977.3	14,798.0
Money market instruments	–	–	–	–	–	–	–	–	–	–	–
Bonds	400.0	709.7	684.6	820.6	2,764.8	2,777.9	2,781.5	2,809.6	2,853.2	2,902.8	2,891.5
Credits	2,785.4	3,122.1	5,444.6	8,268.6	10,531.6	10,467.2	11,527.4	11,412.7	11,555.0	12,074.5	11,906.4
3. Total (1+2)	60,963.0	68,226.4	74,939.0	84,874.3	96,765.4	101,363.2	103,475.8	103,974.2	103,931.3	105,474.4	105,599.5
Supplement: Central government guaranteed debt											
– guarantees for domestic debt	3,412.3	6,025.6	7,528.1	6,895.4	4,632.4	4,823.6	5,177.4	4,711.0	5,118.4	5,138.1	6,033.0
– guarantees for external debt	9,850.7	8,813.6	8,261.9	8,618.5	7,809.8	7,384.9	7,367.0	7,015.5	7,104.7	7,168.2	7,155.4

<sup>a</sup> 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 <sup>a</sup>			Producer prices	Consumer price indices <sup>a</sup>			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	October	105.7	103.5	114.3	100.4	100.7	99.4	100.8	102.0	101.4	103.9	106.3
	November	106.2	104.1	114.4	100.5	100.6	100.0	99.5	102.3	101.8	103.9	105.5
	December	106.9	105.0	114.6	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	January	107.3	105.3	114.8	100.3	100.3	100.2	100.0	102.0	101.6	103.5	104.4
	February	108.5	106.8	115.2	101.1	101.4	100.3	100.3	103.3	103.2	103.3	105.1
	March	109.3	107.8	115.3	100.7	100.9	100.1	100.3	103.9	104.1	103.2	105.1
	April	109.0	107.3	115.8	99.8	99.6	100.3	100.3	103.5	103.5	103.5	104.5
	May	109.0	107.2	116.2	100.0	99.9	100.4	100.1	102.8	102.9	102.4	102.3
	June	108.8	106.8	116.8	99.9	99.7	100.5	99.8	102.9	103.1	102.2	102.4
	July	108.6	106.1	118.1	99.8	99.4	101.1	100.8	103.1	103.4	102.1	102.3
	August	108.7	106.2	118.2	100.1	100.1	100.1	100.1	103.1	103.4	102.1	101.5
	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

<sup>a</sup> Data from January 1992 to December 1997 relate to the retail price index. <sup>b</sup> 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	October	104.7	103.8	109.9	100.5	100.8	98.8	102.3	102.1	103.5
	November	105.0	104.2	110.0	100.3	100.4	100.1	102.4	102.2	103.5
	December	105.1	104.2	110.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	January	104.7	103.8	110.7	99.6	99.5	100.2	102.0	101.9	102.4
	February	105.2	104.2	111.2	100.5	100.5	100.5	102.7	102.7	102.5
	March	105.7	104.9	110.8	100.5	100.6	99.6	103.1	103.3	102.0
	April	106.4	105.5	111.6	100.7	100.6	100.8	103.6	103.7	102.9
	May	106.8	105.9	112.6	100.4	100.3	100.9	103.5	103.6	103.0
	June	107.2	106.1	113.7	100.4	100.2	101.0	103.5	103.7	102.6
	July	107.3	105.8	116.4	100.1	99.7	102.3	103.4	103.5	103.1
	August	107.1	105.6	116.7	99.9	99.8	100.3	102.7	102.6	103.3
	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

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	October	4,128.0	99.9	103.3	105.7
	November	4,352.0	105.4	107.4	105.8
	December	4,312.0	99.1	106.6	105.9
2005	January	4,236.0	98.2	104.1	104.1
	February	4,193.0	99.0	104.8	104.4
	March	4,390.0	104.7	105.7	104.9
	April	4,287.0	97.7	103.8	104.6
	May	4,436.0	103.5	106.4	105.0
	June	4,432.0	99.9	104.9	104.9
	July	4,352.0	98.2	103.4	104.7
	August	4,417.0	101.5	105.7	104.8
	September	4,352.0	98.5	105.3	104.9

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	January	-16.5	5.0	-31.5	-21.5	4.1	-28.6	5.9	12.3	-44.4	-63.7
	April	-19.5	3.5	-34.0	-25.9	1.7	-30.1	5.3	22.9	-46.1	-62.1
	July	-22.2	-6.2	-33.3	-24.1	-5.0	-31.4	-7.4	16.3	-44.3	-60.0
	October	-27.0	-11.4	-35.6	-29.6	-10.0	-35.9	-12.7	22.9	-41.3	-62.3
2002	January	-12.9	6.2	-24.4	-14.7	3.7	-21.4	8.6	3.9	-37.1	-60.1
	April	-30.8	-12.8	-39.1	-31.2	-9.7	-42.7	-15.9	28.1	-43.4	-69.3
	July	-29.9	-15.1	-34.1	-29.1	-12.1	-38.3	-18.1	22.3	-34.9	-67.2
	October	-25.2	-8.3	-30.4	-22.6	-5.1	-31.2	-11.5	20.1	-37.4	-64.0
2003	January	-20.6	-4.0	-25.4	-23.1	-2.8	-26.5	-5.1	14.7	-26.7	-59.6
	April	-20.4	-4.3	-26.6	-24.5	-3.0	-27.9	-5.6	9.9	-27.3	-63.0
	July	-18.6	-1.8	-20.8	-20.0	-1.1	-22.0	-2.5	12.6	-20.4	-58.0
	October	-22.2	-4.5	-25.0	-21.5	-2.6	-26.5	-6.4	14.7	-27.1	-65.2
2004	January	-10.5	11.4	-12.5	-12.3	11.2	-12.1	11.6	5.5	-13.0	-59.2
	April	-23.0	-4.0	-22.8	-20.6	-3.0	-20.2	-4.9	20.4	-27.6	-63.6
	July	-21.7	-5.8	-22.4	-19.6	-2.8	-23.4	-8.8	16.4	-24.3	-58.8
	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

Note: Data have been revised to account for adjustments in the way of rounding numbers.

**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 December 2005

## Licensed Banks

1. Banka Brod d.d., Slavonski Brod<sup>1</sup>
2. Banka Kovanica d.d., Varaždin<sup>1</sup>
3. Banka Sonic d.d., Zagreb
4. Banka Splitsko-Dalmatinska d.d., Split<sup>1</sup>
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. Požeška banka d.d., Požega
25. Primorska banka d.d., Rijeka
26. Privredna banka Zagreb d.d., Zagreb
27. Raiffeisenbank Austria d.d., Zagreb
28. Samoborska banka d.d., Samobor
29. Slatinska banka d.d., Slatina
30. Slavenska banka d.d., Osijek
31. Štedbanka d.d., Zagreb
32. VABA d.d. banka Varaždin, Varaždin
33. Volksbank d.d., Zagreb
34. Zagrebačka banka d.d., Zagreb

## Licensed Housing Savings Banks

1. PBZ Stambena štedionica d.d., Zagreb
2. Prva stambena štedionica d.d., Zagreb
3. Raiffeisen stambena štedionica d.d., Zagreb
4. 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. Građanska štedionica d.o.o., Karlovac	03/11/1998
9. Hrvatska gospodarska banka d.d., Zagreb	19/04/2000
10. Ilirija banka d.d., Zagreb	06/04/1999
11. Invest štedionica d.o.o., Zagreb	30/06/1999
12. Kaptol banka d.d., Zagreb	25/11/2002
13. Komercijalna banka d.d., Zagreb	30/04/1999
14. Međimurska štedionica d.d., Čakovec	17/03/2004
15. Neretvansko gospodarska banka d.d., Ploče	10/05/1999
16. Slavenska štedionica d.d., Zagreb	04/12/2002
17. Štedionica Dugi pogled d.o.o., Zagreb	19/01/2001
18. Štedionica Groš banak d.o.o., Zagreb	23/04/2001
19. Štedionica Mediteran d.o.o., Split	5/12/2001
20. Štedionica za razvoj i obnovu d.o.o., Zagreb	02/07/2001
21. Trgovačko-turistička banka d.d., Split	08/09/2000
22. Županjska banka d.d., Županja	03/05/1999

<sup>1</sup> In accordance with Article 190 of the Banking Act and the pace prescribed therein, the bank is required to adjust its share capital to the provisions of this Law by 31 December 2006.

### 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 December 2005

## Members of the Council of the Croatian National Bank

Chairman of the Council	Željko Rohatinski
Members of the Council	Mate Babić Alen Belullo Božidar Jelčić Branimir Lokin Čedo Maletić Relja Martić Adolf Matejka Damir Novotny Silvije Orsag Tomislav Presečan Sandra Švaljek Boris Vujčić Branko Vukmir

## Management of the CNB

Governor	Željko Rohatinski
Deputy Governor	Boris Vujčić
Vicegovernor	Čedo Maletić
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

## List of Abbreviations & Symbols

bn	– billion	IMF	– International Monetary Fund
b.p.	– basis points	MoF	– Ministry of Finance
CBRD	– Croatian Bank for Reconstruction and Development	R	– Republic
CBS	– Central Bureau of Statistics	o.w.	– of which
CCI	– Consumer Confidence Index	PPI	– producer price index
CEE	– Central East European	RTGS	– Real-Time Gross Settlement
CEFTA	– Central European Free Trade Agreement	Q	– quarterly
CEI	– Consumer Expectations Index	RPI	– retail price index
CES	– Croatian Employment Service	RR	– reserve requirement
CH	– Croatian Highways	SAL	– Structural Adjustment Loan
CIHI	– Croatian Institute for Health Insurance	SDR	– special drawing rights
CLVPS	– Croatian Large Value Payment System	VSE	– Varaždin Stock Exchange
CNB	– Croatian National Bank	ZMM	– Zagreb Money Market
consumpt.	– consumption	ZSE	– Zagreb Stock Exchange
CPF	– Croatian Privatization Fund	VAT	– Value Added Tax
CPI	– Consumer Price Index	WTO	– World Trade Organization
CPII	– Croatian Pension Insurance Institute		
CR	– Croatian Roads		
DAB	– State Agency for Deposit Insurance and Bank Rehabilitation		
dep.	– deposit		
DVP	– delivery versus payment		
ECB	– European Central Bank		
EFTA	– European Free Trade Association		
EMU	– European Monetary Union		
EPF	– Environment Protection Fund		
ESI	– Economic Sentiment Index		
EU	– European Union		
excl.	– excluding		
f/c	– foreign currency		
FDI	– foreign direct investment		
FINA	– Financial Agency		
GDP	– gross domestic product		
GVA	– gross value added		
HICP	– Harmonized Index of Consumer Prices		
IEA	– International Energy Agency		
IEMP	– Index of Exchange Market Pressure		
ILO	– International Labour Organization		

### Abbreviations for Currency

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

### Symbols

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





