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General information on Croatia

Economic indicators

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538
Population (million)	4.440	4.440	4.440	4.439	4.442	4.440	4.436	4.434	4.429	4.418	4.402
GDP (million HRK, current prices) ^a	192,289	208,796	228,932	247,428	266,652	291,044	318,308	343,412	328,672	334,564	341,206
GDP (million EUR, current prices)	25,738	28,189	30,265	33,009	36,034	39,745	43,390	47,543	44,781	45,917	45,897
GDP per capita (in EUR)	5,797	6,349	6,816	7,436	8,112	8,951	9,781	10,722	10,111	10,394	10,427
GDP – real year-on-year rate of growth (in %)	3.7	4.9	5.4	4.1	4.3	4.9	5.1	2.1	-6.9	-1.2	0.0
Average year-on-year inflation rate ^b	3.8	1.7	1.8	2.1	3.3	3.2	2.9	6.1	2.4	1.1	2.3
Current account balance (million EUR)	-785	-2,032	-1,821	-1,361	-1,899	-2,653	-3,151	-4,258	-2,293	-482.1*	-437.1*
Current account balance (as % of GDP)	-3.0	-7.2	-6.0	-4.1	-5.3	-6.6	-7.2	-8.8	-5.2	-1.0*	-1.0*
Exports of goods and services (as % of GDP)	42.0	39.5	43.4	43.1	42.4	42.7	42.1	41.7	36.4	38.6	40.9*
Imports of goods and services (as % of GDP)	46.8	48.8	50.0	48.9	48.3	49.2	49.3	49.7	39.8	38.6	40.9*
External debt (million EUR, end of year) ^c	13,609	15,144	19,884	22,933	25,990	29,725	33,721	40,590	45,244	46,483	45,734
External debt (as % of GDP)	52.9	53.7	65.7	69.5	72.1	74.8	77.7	85.4	101.0	101.2	99.6
External debt (as % of exports of goods and services)	126.0	136.1	151.4	161.1	170.2	175.3	184.6	204.6	277.3	262.4	243.3
External debt service (as % of exports of goods and services) ^{c,d}	27.5	27.5	21.3	22.5	25.0	37.3	35.1	29.6	47.2	41.9	36.9
Gross international reserves (million EUR, end of year)	5,334	5,651	6,554	6,436	7,438	8,725	9,307	9,121	10,376	10,660	11,195
Gross international reserves (in terms of months of imports of goods and services, end of year)	5.3	4.9	5.2	4.8	5.1	5.4	5.2	4.6	7.0	7.2	7.2
National currency: Croatian kuna (HRK)											
Exchange rate on 31 December (HRK : 1 EUR)	7.3700	7.4423	7.6469	7.6712	7.3756	7.3451	7.3251	7.3244	7.3062	7.3852	7.5304
Exchange rate on 31 December (HRK : 1 USD)	8.3560	7.1457	6.1185	5.6369	6.2336	5.5784	4.9855	5.1555	5.0893	5.5683	5.8199
Average exchange rate (HRK : 1 EUR)	7.4710	7.4070	7.5642	7.4957	7.4000	7.3228	7.3360	7.2232	7.3396	7.2862	7.4342
Average exchange rate (HRK : 1 USD)	8.3392	7.8725	6.7044	6.0312	5.9500	5.8392	5.3660	4.9344	5.2804	5.5000	5.3435
Consolidated general government overall fiscal balance (as % of GDP) ^e	-5.9	-4.3	-5.4	-4.2	-3.5	-3.4	-3.0	-2.1	-4.6	-5.3	-5.3
Public debt (as % of GDP) ^f	35.2	34.8	35.4	37.6	38.2	35.4	32.9	29.3	35.8	41.3	45.7
Unemployment rate (ILO, persons above 15 years of age)	15.8	14.8	14.3	13.8	12.7	11.2	9.6	8.4	9.1	11.8	13.5
Employment rate (ILO, persons above 15 years of age)	41.8	43.3	43.1	43.5	43.3	43.6	44.2	44.5	43.3	41.1	39.5

^a GDP data for 2010 and 2011 are preliminary. In May 2012, the CBS published the revised time series of GDP data for the 1995-2009 period, with the revised data for 2010 and 2011 to be published at the end of June.

^b CPI inflation rate.

^c In accordance with the obligations assumed during the pre-accession negotiations with the European Commission, the new legislative provisions governing the monitoring of foreign borrowing entered into force early in 2008. The external debt balance at end-2007 is reported in accordance with the old system. In order to provide for the comparability of annual data, the external debt is also calculated in accordance with the new system which shows an upward adjustment in the end-2007 balance, increasing it by EUR 365m or to EUR 34,086m. The advanced data processing system is in use since early 2009. For comparability reasons, the external debt balance at end-2008 is also calculated in accordance with the advanced system which shows an upward adjustment in the end-2008 balance, increasing it by EUR 366m or to EUR 40,956m.

^d Includes principal payments on bonds, long-term trade credits and long-term loans (excluding liabilities to affiliated enterprises), as well as total interest payments net of interest payments on direct investment.

^e The overall fiscal balance (GFS 2001) in the 1999-2001 period is shown on a cash basis and from 2002 on a modified accrual basis. CM, CR, CPF and DAB are included from 2001, but CM has been excluded since 2008. Repayments of debt to pensioners are included in the calculation of the balance (for more details on the methodology of the balance calculation, see Box 4 in CNB Bulletin No. 165).

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

Sources: CBS, MoF and CNB.

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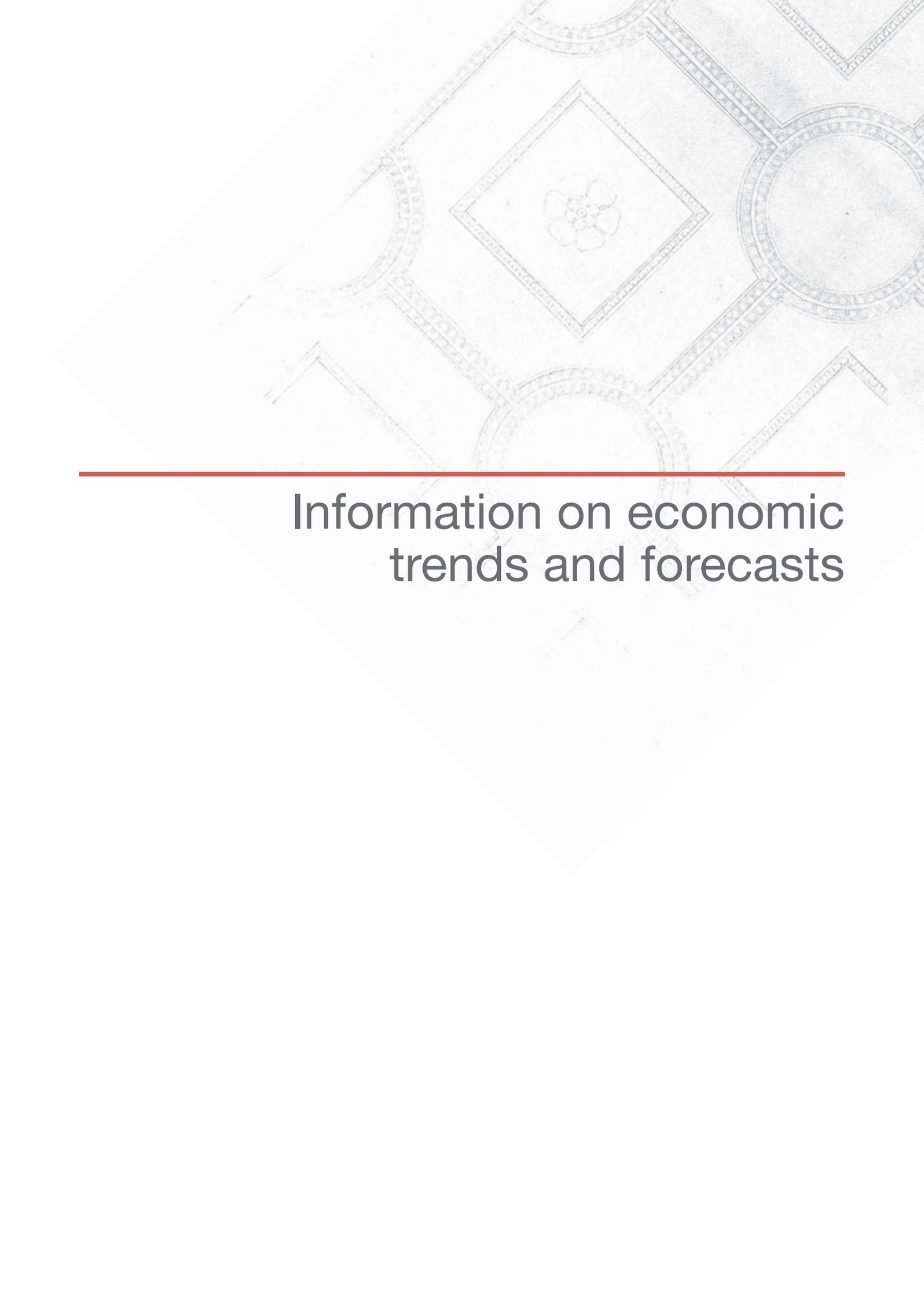
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Information on economic trends and forecasts

1 Summary

As the economic downturn deepened in the first quarter of 2012, Croatia has re-entered recession.

Global growth could slow down further in 2012. Eurozone growth could even be negative, with a recovery anticipated no sooner than in 2013.

Economic activity in Croatia is expected to decline by 1.6% in 2012. In 2013, growth could amount to 1.3%.

Developments in the labour market, still negative in early 2012, could improve no earlier than in 2013.

Consumer price inflation could increase to 3.2% in 2012, primarily due to administrative decisions about energy price increases, and it is expected to slow down in 2013.

Having hit a 17-year low in 2011, the current account deficit could expand slowly in 2012 and 2013.

Financing conditions for domestic sectors remained unfavourable in the first quarter of 2012 and total private sector financing slowed down.

Monetary policy will remain focused on maintaining the stability of prices and the domestic currency. The high liquidity in the system will

Croatian real GDP decreased considerably in the first quarter 2012 from the end of the previous year, when it also dropped. This was due to negative trends in almost all aggregate demand components, and especially in foreign demand. Following a weak and short-lived recovery at mid-2011, the Croatian economy has re-entered recession.

Amid uncertainty in financial markets, global growth is expected to slow down further in 2012 from the previous year. The eurozone might even expect a drop in economic activity, with a possible recovery occurring no earlier than in 2013. These projections remain influenced by downside risks, although somewhat subdued, notably the escalation of the eurozone debt crisis and an increase in raw material prices.

Economic activity in Croatia is expected to recover gradually towards the end of 2012 on the back of increases in exports and investments. However, real GDP could decrease annually by 1.6%. Exports of goods and services are expected to pick up in 2013 as a result of the global economic recovery, and gross fixed capital formation to increase. Household consumption could also make a positive contribution to economic developments and lead to an increase in total imports. In contrast, government consumption is likely to drop again. GDP is expected to grow at a steady and relatively stable pace and record an annual rate of change of 1.3%.

Labour market developments remained negative in the first months of 2012. Unemployment increased further and employment dropped. Similar developments could continue until the end of the current year. Positive reactions of the labour market to the economic recovery could start to materialise no earlier than in 2013. Accordingly, the average registered unemployment rate could reach almost 19% in 2012 and the internationally comparable ILO unemployment rate will hover around 14%. Having stagnated in the first quarter of 2012, average wages could increase slightly in nominal terms by the end of the current year. Given the anticipated price developments, real net wages should decrease slightly on an annual level; expectations are that similar developments will continue in 2013.

The annual consumer price inflation rate accelerated in March and April 2012 as a result of an increase in the basic VAT rate, a rise in prices regulated at the local level and refined petroleum product prices, and a seasonal rise in clothing and footwear prices that was more pronounced than in the previous year. Inflation could accelerate in the remaining part of 2012, mainly due to administrative decisions about energy price increases. Inflationary pressures should be alleviated by domestic factors, primarily weak domestic demand and a negligible increase in unit labour costs. The average annual consumer price inflation rate could thus amount to 3.2% in 2012. In 2013, given the anticipated very slight increase in personal consumption and unit labour costs, domestic inflationary pressures are unlikely to rise considerably, whereas imported inflationary pressures could abate. Consequently, the average annual consumer price inflation rate could drop to 2.6%.

The current account deficit grew slightly in the first quarter of 2012 from the same period in the previous year, due to a widening imbalance in trade in goods. Similar trends are expected for the remaining part of the year, with a strong negative impact from a decrease in ship exports to be partly offset by continued positive trends in tourism and a decline in domestic demand for imported goods and services. As domestic demand recovers in 2013, the deficit is expected to expand slightly again, primarily on account of an increase in goods imports.

The strong deterioration in domestic sectors' financing conditions, continuing from mid-2011, halted for most of the sectors in the first four months of 2012. However, at the turn of the first to the second quarter interest rates remained higher than in the same period in the previous year. Although the government successfully issued an international bond in April, the required yield of 6.4% indicates that Croatia's risk premium in the international market remains high and unsustainable in the long run. In the first four months of 2012, interest rates in the interbank and treasury bills markets declined moderately and interest rates on long-term corporate loans decreased. Corporate short-term and household long-term financing conditions deteriorated in the same period, total corporate lending stopped increasing on an annual basis and household deleveraging remained moderate. Financing conditions are not expected to change significantly towards the end of the year, and accordingly lending growth is unlikely to accelerate. Bank lending activity can be expected to pick up only once the real sector gradually recovers and financing conditions improve in 2013.

The CNB's monetary policy will remain focused on its basic objective: maintaining price stability and the stability of the exchange rate. The central bank will also continue to sustain the high kuna liquidity in the domestic banking system, in an effort to produce impacts on domestic financing conditions. By reducing the reserve requirement rate in May, the central bank contributed to establishing an improved corporate financing model, in cooperation

continue to be sustained, to the extent this does not jeopardise the basic objective. The reduction in the reserve requirement rate was a starting point for the implementation of an improved corporate financing model. The overall fiscal deficit is expected to decrease in 2012 and increase slightly in 2013. Further reforms will have to be implemented in both years, and especially in 2013, in order to achieve compliance with the provisions of the Fiscal Responsibility Act. The macroeconomic outlook for Croatia's economy in 2012 and 2013.

with the CBRD and banks. However, as recent experience has shown, expansionary monetary policy has had a very limited effect on promoting credit growth.

The overall general government deficit could amount to 4.6% of the projected GDP in 2012, 0.7 percentage points less than in 2011. Unless further reform measures are implemented, this year it will not be possible to achieve compliance with the Fiscal Responsibility Act, which might undermine the country's credibility in the eyes of investors and international institutions. Expectations are for public debt to continue its strong upward trend and reach 51.7% of GDP at the end of the current year, compared with 45.7% in late 2011. About 2.7 percentage points of GDP will be added to this figure by the assumption of shipyards' debts within public debt. In 2013, the overall fiscal deficit could again increase slightly as a result of the anticipated faster growth of total expenditures and outlays than revenues, and public debt could reach 54.6% of the projected GDP.

The table below shows central projections for the main macroeconomic indicators in 2012 and 2013.

It is assessed that downside risks with respect to the realisation of the projected rate of change in overall economic activity prevail for 2012. The difference between the anticipated change in disposable household income and that in household consumption remains significant. In addition, very high illiquidity in the domestic economy and risks related to the launching of bankruptcy proceedings against a number of companies and, consequently,

Table 1 Summary table of projected values

	2006	2007	2008	2009	2010	2011	2012	2013
National accounts (real rate of change, in %)								
GDP	4.9	5.1	2.1	-6.9	-1.2	0.0	-1.6	1.3
Personal consumption	3.2	6.3	1.3	-7.6	-0.9	0.2	-0.8	0.5
Government consumption	4.5	5.5	0.1	0.4	-0.8	-0.2	-2.1	-1.4
Gross fixed capital formation	11.1	7.1	8.7	-14.2	-11.3	-7.2	-2.8	5.0
Exports of goods and services	6.0	3.7	1.7	-16.2	6.0	2.2	-1.1	2.2
Imports of goods and services	8.3	6.1	4.0	-21.4	-1.3	1.0	-0.6	2.1
Labour market								
Number of employed persons (average rate of change, in %)	2.8	2.7	2.3	-2.1	-4.2	-1.1	-1.7	0.4
Registered unemployment rate	16.6	14.8	13.2	14.9	17.4	17.8	18.9	18.7
ILO unemployment rate	11.1	9.6	8.3	9.1	11.8	13.5	14.2	14.0
Prices								
Consumer price index (average rate of change, in %)	3.2	2.9	6.1	2.4	1.1	2.3	3.2	2.6
Public finance (as % of GDP)								
General government overall fiscal balance	-3.4	-3.0	-2.1	-4.6	-5.3	-5.3	-4.6	-4.7
Public debt ^a	35.4	32.9	29.3	35.8	41.3	45.7	51.7	54.6
External sector								
Current account balance (as % of GDP)	-6.7	-7.3	-9.0	-5.1	-1.0	-1.0	-1.1	-1.4
Goods	-21.1	-21.8	-22.8	-16.6	-13.0	-13.9	-14.4	-14.4
Services	14.5	14.7	14.9	13.1	13.0	13.9	14.3	14.1
Factor income	-2.9	-2.5	-3.3	-4.0	-3.4	-3.5	-3.6	-3.8
Current transfers	2.8	2.4	2.3	2.3	2.4	2.5	2.7	2.7
Gross external debt (as % of GDP)	74.8	77.7	85.4	101.0	101.2	99.6	100.4	100.8
Monetary developments (rate of change, in %)								
Total liquid assets – M4	18.0	18.3	4.3	-0.9	4.4	3.5	2.4	3.7
Total liquid assets – M4 ^b	18.8	19.0	3.9	-0.6	3.2	2.1	2.0	3.7
Bank placements to the private sector ^c	22.9	15.0	10.5	-0.6	6.9	5.5	0.5	4.1
Bank placements to the private sector ^{b,c}	24.1	15.9	8.5	-0.3	3.5	3.8	0.1	4.4

^a Public debt in 2012 and 2013 includes the debt of state-owned shipyards.

^b Excluding the exchange rate effect.

^c The impact of the reclassification of placements to shipyards into the government sector on the growth rate of placements is estimated at 2.5 percentage points in 2012. This effect excluded, the expected growth in placements to the private sector would amount to 3.0% or 2.6% (the exchange rate effect excluded) in 2012.

Note: Projections for 2012 and 2013 are based on data available until 24 May 2012.

Sources: CBS, MoF and CNB.

Downside risks prevail in the GDP growth projections for 2012 and 2013.

Risks related to the central inflation projection are assessed as balanced.

Economic policy measures implemented and announced so far can provide support to economic recovery in the short term, but unless structural reforms are carried out, the business climate is improved and fiscal consolidation continued, Croatia's real convergence will continue to lag behind that of successful post-transition economies.

of additional rises in unemployment, still remain. Downside risks related to the realisation of the central projection are substantial for 2013 too, given that it is likely that eurozone growth will be lower than expected.

The main risk for lower inflation lies in weakening domestic demand. Risks that could lead to higher inflation include a more pronounced carry-over effect of previous price increases in energy and other raw materials on domestic prices, and an accelerated increase in the prices of raw materials, especially crude oil, resulting from geopolitical tensions. Administratively regulated prices could also rise further, and the long-term drought could boost agricultural product prices.

While the recovery of the Croatian economy in the remaining part of the year will probably be supported by economic policy measures (a cycle of public sector investments and a new corporate financing model), these measures will contribute to its strengthening only in a short term. It is therefore of the utmost importance to step up efforts towards improving the business climate and enhancing the competitiveness of the economy through structural reforms and fiscal consolidation in order to boost private investment and export potential and thus lay the foundation for sound and stable long-term economic growth.

2 Global developments¹

Global economic activity slowed down in 2011, accompanied by a deepening of the public debt crisis in the eurozone and its spillover to the banking sector, which is heavily exposed in member states. Under such circumstances, economic growth

projections for 2012 for a large number of countries were also revised downwards. According to IMF estimates, real growth in the world economy could reach 3.5% in 2012 and further accelerate to 4.1% in 2013. In developed countries, primarily in

Table 2 Global economic developments

	2010	2011	2012		2013	
			Current projection	Δ Previous projection	Current projection	Δ Previous projection
GDP (real rate of change, in %)						
World	5.3	3.9	3.5	0.0	4.1	0.5
Eurozone	1.9	1.5	-0.3	-0.8	0.9	-0.4
USA	3.0	1.7	2.1	0.6	2.4	1.1
China	10.4	9.2	8.2	-0.4	8.8	0.6
Main trading partners of the Republic of Croatia	1.8	1.4	-0.3	-1.3	1.3	....
Italy	1.8	0.4	-1.9	-2.0	-0.3	-1.0
Germany	3.7	3.0	0.6	-0.2	1.5	0.0
Slovenia	1.4	-0.2	-1.0	-2.0	1.4	-0.1
Austria	2.3	3.1	0.9	0.0	1.8	-0.1
Bosnia and Herzegovina ^a	0.7	1.7	0.9	-1.0	2.5	....
Serbia	1.0	1.6	0.5	-2.5	3.0	....
Prices						
Eurozone HICP ^b	1.6	2.7	2.4	0.7	1.8	0.2
Oil prices (USD/barrel)	79.5	111.1	116.4	19.2	110.2	15.9
Oil prices (year-on-year rate of change)	28.5	39.7	4.8	10.5	-5.3	-2.3
Raw materials prices (excl. energy) (year-on-year rate of change)	26.3	17.8	-10.4	-5.7	-1.7	2.3
LIBOR 3M (end of year)	1.01	1.36	0.78	-0.5	1.10 ^c	....
EUR/USD exchange rate	1.32	1.39	1.30	-0.04	1.29	-0.06
EUR/CHF exchange rate	1.38	1.23	1.21	-0.02	1.24	-0.04

^a Eastern Europe Consensus Forecast, May 2012.

^b Consensus Forecast, May 2012.

^c Data refers to the third quarter of 2013.

Source: IMF (WEO), April 2012.

¹ The described developments and projections are based on data available until 30 May 2012.

EU member states, economic growth could be limited by weak domestic demand due to continued public finance consolidation and poor prospects for recovery on the labour market. As regards developing countries and emerging market economies, economic growth is expected to continue, though at a slightly slower pace than in the previous years. The projections of global GDP movements for 2012 and 2013 are highly exposed to the risk of weak outturns. This is primarily associated with a potential re-escalation of the debt crisis in the eurozone, the spillover of negative effects to the rest of the global economy and a possible upsurge in geopolitical tensions that might spur the growth of raw material and energy prices on global markets.

After an economic downturn in the eurozone during the last quarter of 2011, caused by a contraction in domestic demand, the economy stabilised again in the first quarter of 2012. According to Eurostat's first quick estimate, real GDP held steady at the quarterly level, thanks to relatively strong growth in the German economy, while peripheral economies were hit by recession. It is expected that, despite the anticipated slight recovery in the second half of 2012, the eurozone could experience a slight fall in GDP at the entire-2012 level. Some member states are expected to see much stronger economic activity contractions, notably Greece, Portugal, Italy and Spain. At the eurozone level, adverse movements could affect all the GDP components, as a consequence of further public finance consolidation in many member states, modest private investment and unfavourable labour market developments. Economic activity is expected to experience a turnaround during 2013, and its gradual acceleration could be the result of stronger domestic and foreign demand and continuing favourable effects of extremely low short-term interest rates. As the effects of the energy price growth and indirect taxes gradually wear off, inflation is expected to slow down to about the ECB target value. The risks to the realisation of projections are much more balanced than at the end of 2011, but outturns below the projected level are still more likely than those above the projections.

Positive economic movements in the USA in 2011 were caused by domestic factors, and recent movements confirm a continuation of positive trends and a recovery on the labour market, although at a very slow pace. The expected real GDP growth rates of 2.1% and 2.4% in 2012 and 2013 respectively reflect a continuation of the adverse real estate market situation and gradual recovery of the labour market, which is marked by a

high unemployment rate of about 8%. At the same time, the Fed anticipates that, given the stability of inflation expectations, key interest rates could remain at an exceptionally low level till 2014, supporting economic recovery by an expansionary monetary policy. Despite the prevalence of downside risks, lower growth outturns are even less likely than in the eurozone countries.

The economic slowdown in China during 2011 was due to the worsened global economic situation. In response to subdued foreign demand, Chinese exports declined, while investment activity and household income remained at favourable levels. Inflation was curbed and its rate brought to sustainable levels. Despite the absence so far of expected negative corrections on the real estate market, there is still concern about a possible dip in prices. The price growth might continue to slow down in 2012, but could still remain high (8.2%). However, given stronger domestic demand, it could accelerate again in 2013. As in the US economy, the realisation of projected values is strongly affected by instabilities in the eurozone.

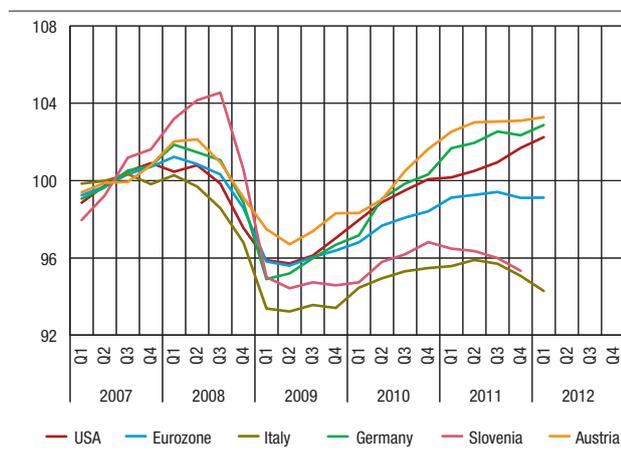
Croatia's main trading partners

Following a recovery (1.8%) in 2010, economic activity in Italy slowed down markedly during 2011. The fall in economic activity recorded in the third quarter sharpened at the end of the year, officially marking the onset of the recession. The debt crisis and adoption of austerity measures reduced domestic demand, while a boost in goods exports and imports contributed positively to GDP growth. The contraction continued into the first quarter of 2012, so that, according to preliminary estimates, the real fall stood at 0.8% in quarterly terms and was the sharpest among the eurozone members. These movements contributed to strong unemployment growth, which is expected to further reduce private consumption in the rest of 2012. Moreover, limited access to financial markets and high interest rates will pose a serious obstacle to the recovery of investment consumption. Under such circumstances, economic activity is expected to decline by 1.9% during 2012 and by a further 0.3% in 2013.

Economic activity growth in Germany, 3.0% in 2011, slowed down slightly from the previous year, but still maintained one of the highest levels among developed countries. Despite its remarkable outturns, the German economy was affected by instabilities in the eurozone and the global economic slowdown, which led to a fall in real GDP during the last quarter of 2011. However, the economic activity contraction was short-lived, and, as early as the first quarter of 2012, real GDP rose by 0.5% at a quarterly level, supported by the strengthening of domestic demand and exports to non-EU member states and a further decline in unemployment. Domestic demand will be the key driver of development in the medium term, reflecting stable economic fundamentals, while foreign demand will be mainly influenced by a stabilisation in the eurozone countries. Given the continuation of these trends, the German economy could grow at an annual rate of 0.6% in 2012, further accelerating to 1.5% in 2013.

The economy of Austria continued its good performance from 2010, growing at a much higher rate than the EU average (3.1%) in 2011. Following a slight economic downturn during the last quarter of 2011, caused by a decline in exports and investment consumption, economic trends stabilised in the first quarter of 2012, and GDP rose by about 0.2% in quarterly terms. Despite a turbulent environment, solid corporate sector fundamentals and low unemployment will continue to stimulate domestic demand in the coming period, while an orientation to the strong German market and non-EU markets will contribute to exports growth. Consequently, the Austrian economy could grow at an annual rate of 0.9% in 2012, which could further increase to 1.8% in 2013.

Figure 1 Gross domestic product of selected economies
seasonally adjusted data, constant prices, 2007 = 100



Note: Data for the eurozone refer to EA17.

Source: Eurostat.

In contrast to most EU member states, which reported economic downturns in the second half of the year, Slovenia's economy declined throughout the whole of 2011, showing exceptionally poor dynamics towards year-end. Despite expectations of growth, GDP fell by 0.2% in real terms at the annual level. Negative pressures of reduced domestic consumption, notably investment consumption, continued into early 2012. Concurrently, the corporate sector's limited access to financial markets, coupled with adverse labour market trends in the coming period, will strongly influence the economic recovery dynamics. Consequently, economic activity is expected to decline further, by 1.0%, in 2012, and a recovery (1.4%), spurred primarily by growing foreign demand, is not likely before 2013.

After a slight recovery during 2010, economic activity in Bosnia and Herzegovina further accelerated (by 1.7%) in 2011, mostly due to an improvement in private investments, but also on account of personal consumption. However, the second half of the year saw adverse movements, continuing into the first quarter of 2012. Industrial production slumped (by 9.4% annually), and goods exports also declined markedly (by 14.2%). Despite the negative movements early in the year, economic activity is expected to rise slightly (by 0.9%) for the whole of 2012, but 2013 could see an increase of 2.5%, depending primarily on the recovery of countries in the environment and EU member states, the main drivers of the domestic economy. Macroeconomic stabilisation could also follow from the establishment of a new government in February 2012.

Serbia's economy contracted markedly in the second half of 2011, having grown at relatively high rates in the first two quarters of the year, so that annual GDP stood at 1.6%. On the back of low foreign and domestic demand during the first quarter of 2012, negative developments intensified, leading to a 1.3% decline in real GDP according to preliminary data. Not only was there a contraction in domestic demand, which had been the main growth generator in the previous year, but a slump in goods exports also contributed to the described movements. A deteriorating economic situation and domestic currency weakening were accompanied by a high inflation rate, the highest among the Central and East European countries (the average annual inflation rate in 2011 was 11.2%). However, as inflationary pressures eased off in the second half of the year, the National Bank of Serbia reduced its benchmark rate as many as four times from October 2011 to January 2012. Despite an economic slowdown early in the year, real GDP is expected to go up slightly (by 0.5%) for the whole of 2012. However, a perceptible recovery of domestic demand in 2013 could accelerate economic growth to 3.0%.

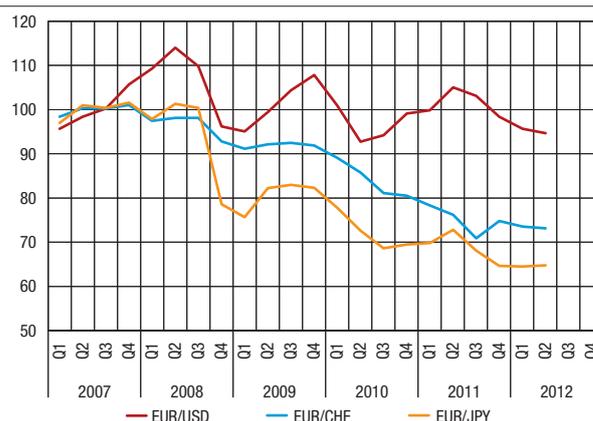
Exchange rates and price movements

In the first two months of 2012, the US dollar/euro exchange rate on the world foreign exchange market was mainly exposed to depreciation pressures, mostly due to the release of better-than-expected macroeconomic indicators for the eurozone. Over the next two months, the US dollar mainly strengthened against the euro, primarily on account of growing investor concerns over the adverse economic situation in the eurozone and increased interest in safer investments. Given such circumstances, the US dollar/euro exchange rate is expected to strengthen further in the rest of 2012, with similar developments being forecast for 2013. The Swiss franc/euro exchange rate was stable during the first four months of 2012, moving around its average value of EUR/CHF 1.20, i.e. the floor set by the Swiss central bank. The exchange rate could remain relatively stable in the rest of the year, but is expected to depreciate gradually during 2013.

Global raw material prices picked up slightly at the beginning of 2012, but are still below the previous year's level. The HWWI index of raw material prices (excluding energy, in USD) increased by 4.5% in April from December 2011. Particularly pronounced was the growth in food prices, notably oil and oil-seeds, due to reduced supply from South America caused by bad weather. Raw material prices are still dominantly influenced by concerns over future developments in demand, caused by the global economic slowdown. Moreover, given their high levels, these prices could also fall annually during 2012 and 2013.

A surge in crude oil prices on the world market was recorded in the first quarter of 2012, prompted by an agreement among EU member states on the ban on oil imports from Iran, somewhat improved macroeconomic indicators and unusually cold weather in Western Europe. At the beginning of April, crude oil prices dropped to the levels of early February, which was partly due to data releases indicating an economic slowdown in China and mounting concern over the eurozone debt crisis. In view of the current market expectations incorporated in spot contracts, crude oil prices are expected to continue downwards, with the Brent crude oil price to stand at an average of USD 116 per

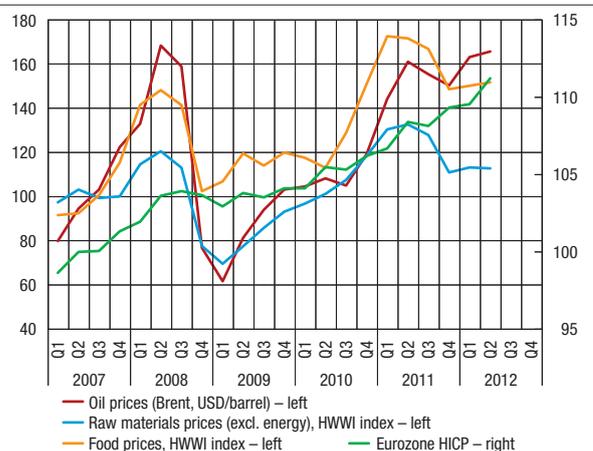
Figure 2 Exchange rates of individual currencies
2007 = 100



Note: Data up to 30 May 2012. A growth in the index denotes an appreciation of the euro.

Source: Eurostat.

Figure 3 Prices
2007 = 100



Note: Data for the second quarter of 2012 refer to April only.

Sources: Eurostat, Bloomberg and HWWI.

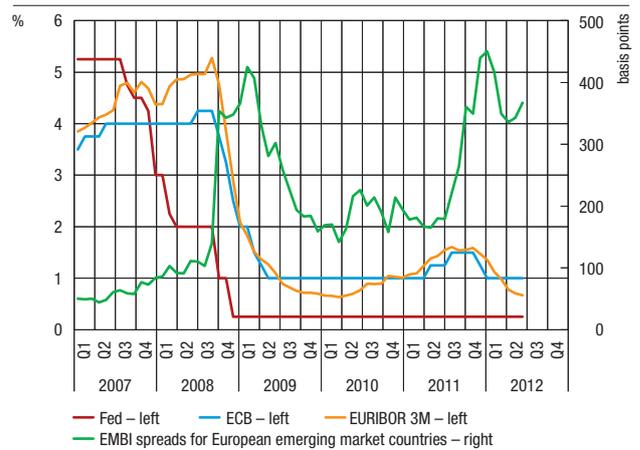
barrel in 2012, up 4.8% from 2011. A further decline in crude oil prices is expected in 2013.

Trends in benchmark interest rates

According to current expectations, there is no prospect of changes in the benchmark interest rates of major world economies in the near future. The benchmark interest rate in the USA could remain at an exceptionally low level till 2014. The ECB last changed its key interest rate in December 2011, cutting it by 0.25 percentage points, to 1.0%, and market participants do not expect any increase in the rate before the third quarter of 2013. At the turn of 2011 and 2012², the ECB provided ample liquidity to the system by introducing a package of non-standard monetary policy measures, which led to a fall in market interest rates in the eurozone. The postponement of a benchmark rate increase affected expectations about market interest rate movements, which have generally worsened from the previous projection for the entire reference period.

In early 2012, an ample supply of liquidity to the banking sector also led to a gradual fall in yields on the Eurobonds of European emerging market countries. However, against the background of newly increased uncertainty on the financial markets, this trend was halted, so that the EMBI yield spread for these countries increased slightly in April and May, having declined during the first quarter of 2012.

Figure 4 Benchmark interest rates and the average yield spread on bonds of European emerging market countries end of period



Note: Data up to 30 May 2012.
Source: Bloomberg.

3 Aggregate demand and supply

Real GDP, seasonally adjusted, dropped markedly in the first quarter of 2012 from the last quarter of 2011, due to unfavourable movements in almost all aggregate demand components. Economic activity is expected to recover gradually in the remainder of the year, depending on exports and investment growth. These aggregate demand components should remain key GDP growth generators during 2013 as well.

Aggregate demand

Due to diminishing demand for exports, caused by unfavourable economic activity trends in the international environment, goods exports dwindled during the first quarter of 2012. By contrast, the exports of services went up, according to preliminary balance of payments estimates.

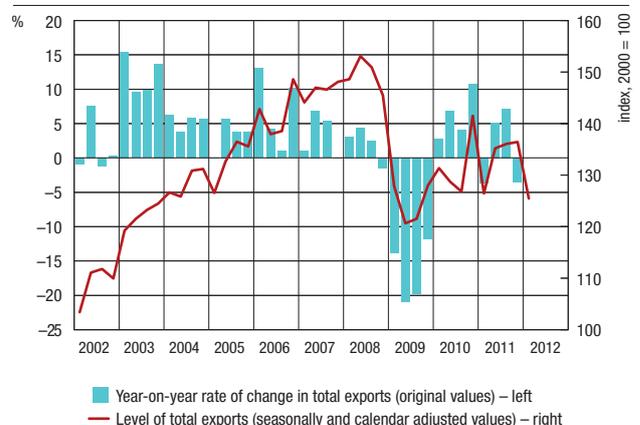
At the 2012 level, the fall in goods and services exports might reach about -1.0%, reflecting an economic downturn in the European Union. On the other hand, exogenous factors, having spurred the exports of tourist services during 2011 (unstable political situation in the South Mediterranean region), could continue to stimulate foreign demand for domestic tourist services in the current year. The second half of 2012 and the next year are expected to see positive effects of the measures launched by the CNB, Government of the RC and CBRD, aimed at reducing the average cost of capital for companies with growth potential. Another impetus to exports is expected to come from changes in the tax system, aimed at reducing labour costs. Given the said measures and the anticipated economic recovery in the international environment, domestic goods and services exports could grow at a somewhat faster pace in 2013.

As shown primarily by real retail trade movements, household

consumption continued to decline at the beginning of 2012. This was mostly due to adverse changes in disposable income, caused by growing negative trends in the labour market and a renewed decline in consumer optimism, observed during February and March.

A further fall in personal consumption was probably again recorded in the April-June period. An adverse effect on consumption in that period was particularly produced by an increase in

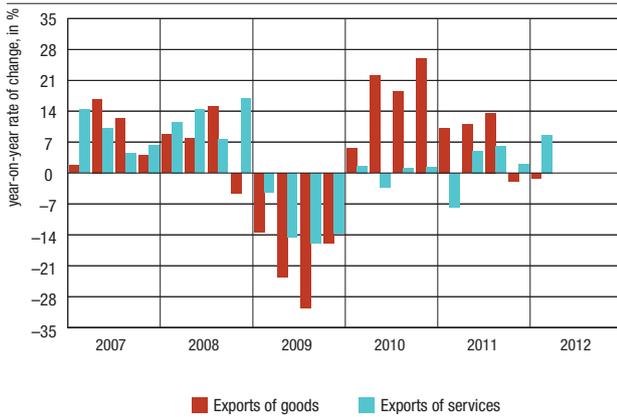
Figure 5 Exports of goods and services
real values



Note: Values for the first quarter of 2012 are CNB's estimates.
Source: CBS data seasonally and calendar adjusted by the CNB.

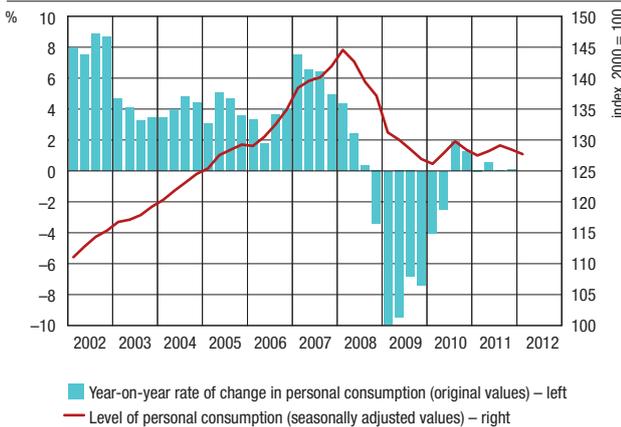
² In December 2011 and February 2012, the ECB used a non-standard method to provide liquidity to the banking system through long-term refinancing operations with a maturity of three years, at an interest rate of 1% and with expansion of eligible collateral.

Figure 6 Exports of goods and services
in EUR, nominal values taken from the balance of payments



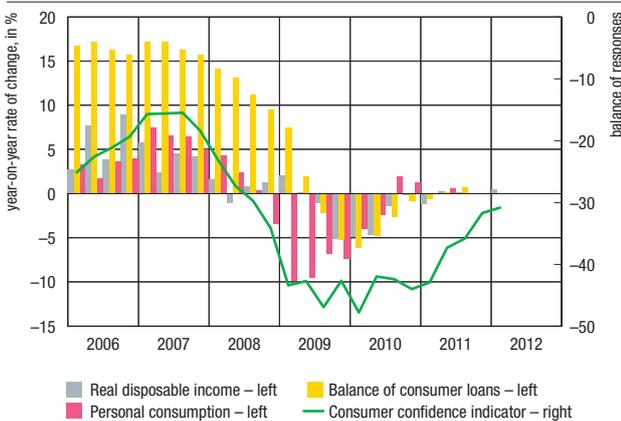
Source: CNB.

Figure 7 Personal consumption
real values



Note: Values for the first quarter of 2012 are CNB's estimates.
Source: CBS data seasonally adjusted by the CNB.

Figure 8 Determinants of personal consumption



Note: The values of the consumer confidence indicator in a month are calculated as three-member moving averages of monthly data.
Sources: CBS, Ipsos Puls and CNB.

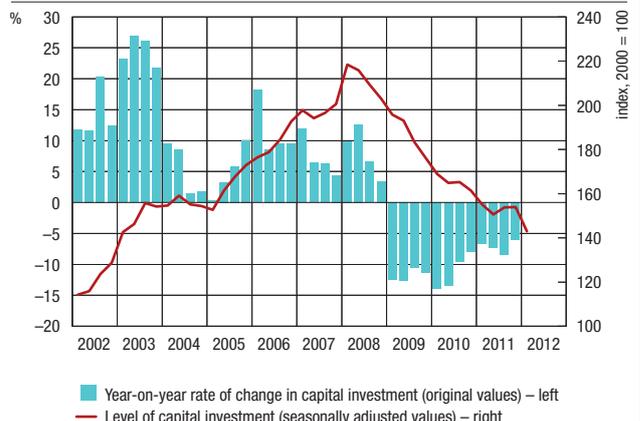
the general value added tax rate and the growth of household electricity and gas prices. Nevertheless, negative movements in the labour market should gradually slow down towards the end of the year, and disposable income should slightly improve. This is expected to lead to a gradual recovery of consumer optimism. As a result, household consumption should strengthen a little towards the year-end, but it is expected to decline at the level of 2012 as a whole. In 2013, household consumption is likely to remain subdued, growing only slightly, primarily thanks to more favourable consumer sentiment on account of Croatia's accession to the EU.

According to available monthly data, investment activity is most likely to have declined again in the first quarter of 2012. Private enterprises continued to reduce capital investment due to continuing low demand and uncertainty about developments in demand in the near future. Concurrently, public sector investment was adversely affected by the provisional budget financing during most of the reference period, while the handover of power had a negative, if only short-term, effect on the investment activity of companies in majority state ownership.

Gross fixed capital formation is likely to decrease further by about 3.0% at the annual level. This is based on the assumption that public investments (primarily those of public companies such as HEP) will be lower than previously expected, and private sector investments are also expected to decline. The recovery of private sector investments is hampered by low aggregate demand and increased uncertainty about the future foreign and domestic demand, relatively high interest rates on long-term financing and the surplus supply of residential real estate. In addition to this, no major inflow of foreign direct investment in new production capacities is expected. The public investment dynamics may accelerate during 2013, mainly due to corporate and state-owned fund investments. This investment category could have a favourable influence on domestic market-oriented enterprises that are most severely hit by the crisis (for more about how the crisis hit domestic market-oriented companies more severely than those that are export-oriented, see Box 1). These changes, combined with an economic recovery in the international environment, Croatia's forthcoming accession to the European Union and more favourable financing conditions, could lead to a slight increase in private sector investments.

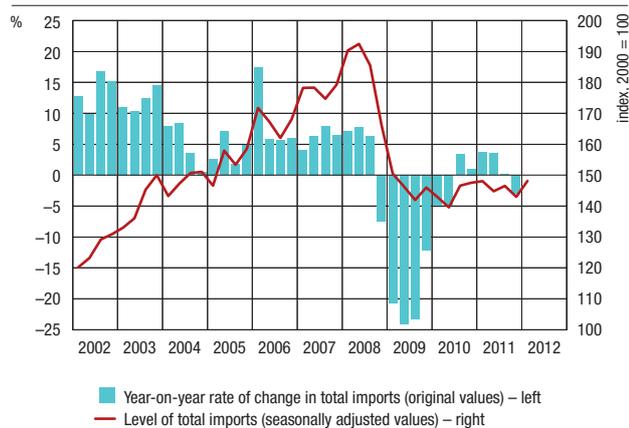
Government consumption could decline in real terms in 2012 from the previous year. The largest decrease in real

Figure 9 Gross fixed capital formation
real values



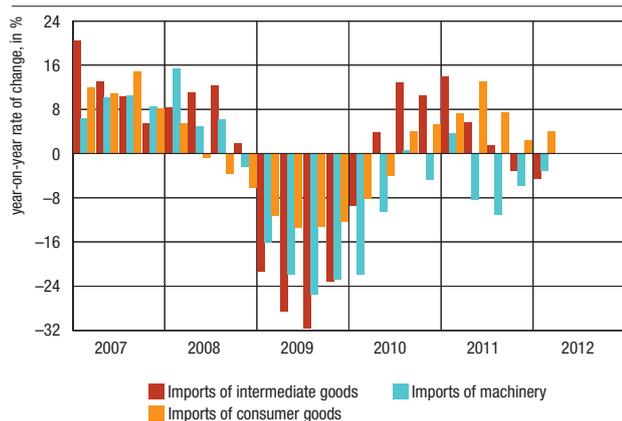
Note: Values for the first quarter of 2012 are CNB's estimates.
Source: CBS data seasonally adjusted by the CNB.

Figure 10 Imports of goods and services
real values



Note: Values for the first quarter of 2012 are CNB's estimates.
Source: CBS data seasonally adjusted by the CNB.

Figure 11 Goods imports by category
in EUR, nominal values



Source: CBS.

expenditures is expected in transfers in kind, and real compensation of employees and expenditures for the use of goods and services will also go down. Similar movements are likely to continue next year.

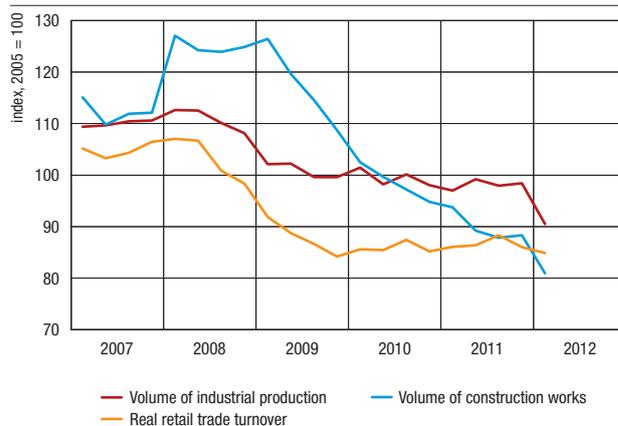
Despite the described negative changes in domestic demand, goods imports went up. This was largely the consequence of a surge in the import of other transport equipment, the dynamics of which are not closely connected with the current aggregate activity, and of the oil price growth effects.

The strong import of other transport equipment is not expected to continue in the remainder of the year, which could result, given the expected fall in domestic demand, in a marked slowdown in overall imports in 2012. Despite the probability that a recovery of domestic demand, expected in 2013, will lead to an acceleration of imports, the share of imports in GDP will remain markedly below its pre-crisis levels.

Aggregate supply

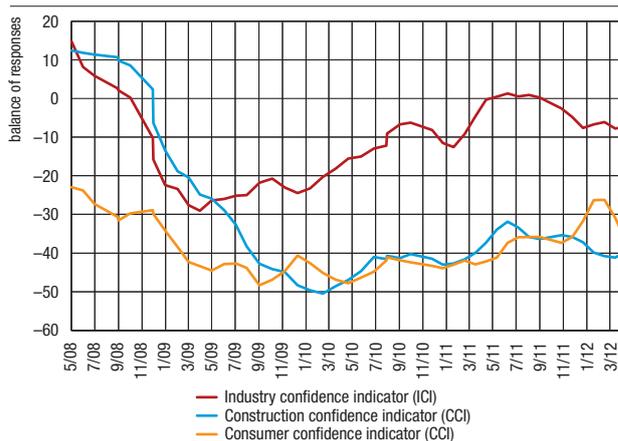
According to the data on movements in the total volume of industrial output, construction works, real retail trade turnover and tourist overnight stays in commercial accommodation

Figure 12 Short-term economic indicators
seasonally and calendar adjusted



Note: Quarterly data are calculated as a simple average of monthly data.
Source: CBS data seasonally and calendar adjusted by the CNB.

Figure 13 Business confidence indicators



Note: The presented values are three-member moving averages of monthly data. The Business Confidence Survey has been carried out since May 2008.
Sources: Ipsos Puls and CNB.

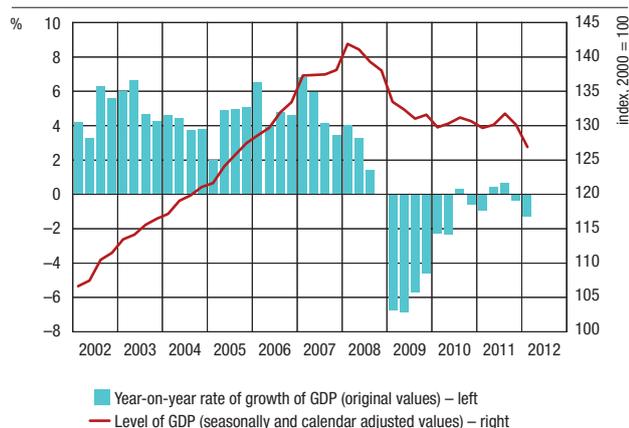
facilities, real gross value added (GVA) declined in the first quarter of 2012 from the end of 2011. This was in line with negative changes in aggregate demand.

The latest business confidence surveys (for the March-May period) suggest stagnant business optimism in construction and industry, accompanied by a marked decline in consumer optimism, which had temporarily increased immediately after the parliamentary elections held late in 2011.

Construction activity is likely to have hit the bottom of the cycle in the second quarter of 2012, and it might improve slightly for the entire projection period, primarily thanks to public sector investments. Should the projections regarding movements in the aforementioned demand components in the second half of 2012 hold true, activity could recover in other sectors, too, notably trade, transport, storage and communications, and hotels and restaurants.

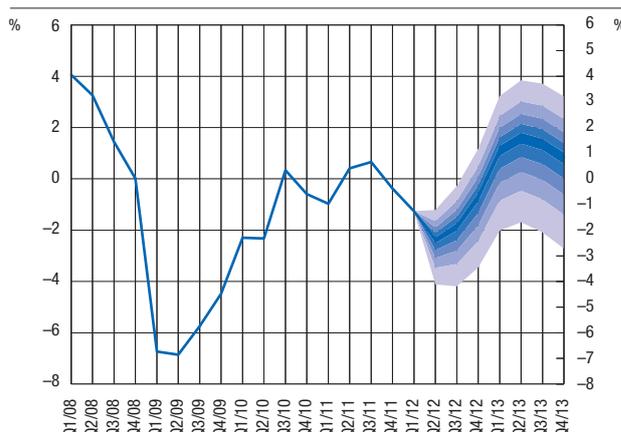
In line with the projected movements in the aggregate demand components, the rates of growth in GDP are expected to be -1.6% and 1.3% in 2012 and 2013 respectively. This refers to the central projection, whereas Figure 15 shows a real growth projection and uncertainties surrounding it³.

Figure 14 Gross domestic product
real values



Source: CBS data seasonally and calendar adjusted by the CNB.

Figure 15 Projection of real GDP dynamics
year-on-year rate of growth



Sources: CBS and CNB.

It is assessed that negative realisation risks of the projected rate of change in overall economic activity will prevail in 2012. The discrepancy between the anticipated change in disposable household income and that in household consumption is still significant.

Moreover, the extremely high insolvency of the domestic

economy still continues, and is accompanied by the risk of bankruptcy proceedings being initiated against a number of companies and of unemployment growing relatively fast. Negative realisation risks of the central projection are substantial for 2013 as well, given that the growth in the eurozone is more likely to fall short of than to exceed expectations.

Box 1 The asymmetric impact of the global crisis on the business performance of non-financial enterprises in Croatia

The economic crisis had an asymmetric impact on certain categories of enterprises in Croatia. State-owned and export-oriented enterprises were less affected than other enterprises, while enterprises established through foreign direct investments made much sharper cuts in the workforce, as a way to cope with the crisis. A possible explanation for such crisis effects is that state-owned enterprises sell goods and services the demand for which is less elastic, and that export-oriented enterprises have benefited from a faster recovery in foreign than in domestic demand. FDI enterprises, on the other hand, are more flexible in that they respond more promptly to their owners' requirements.

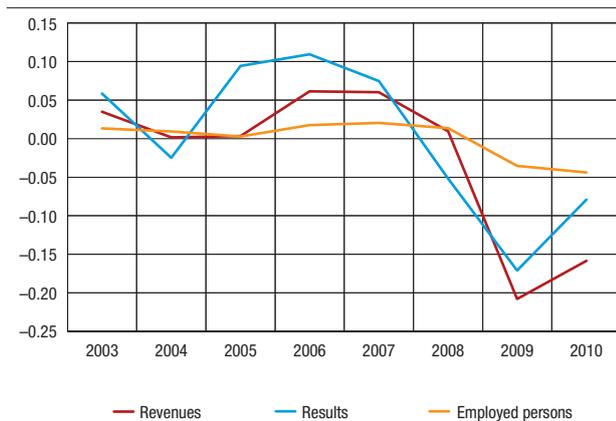
Standard macroeconomic data and statistics are usually not sufficient for an in-depth impact analysis of the crisis on various enterprises. Therefore, we used the annual financial statements of enterprises coming from the non-financial sector to analyse the impact of the crisis on three types of enterprises: 1) enterprises with significant state participation in ownership (hereinafter: state-owned enterprises); 2) enterprises with significant foreign participation in ownership (FDI enterprises); and 3) enterprises with a significant share of revenues from the sale of goods and/or services abroad in total revenues (export-oriented enterprises). We tried to establish whether the revenues of the said enterprises, in the period between 2009 and 2010, were either more or less affected by the crisis than the revenues of other enterprises, whether they adapted to the newly-developed market situation more successfully or less successfully, and to what extent this adaptation involved staff rationalisation.

Movements in revenues, business performance and the number of employed persons of non-financial enterprises by year are shown in logarithmic scales in Figures 16-19. The first consequence of the crisis was a decline in operating revenues in 2008. An extremely sharp fall in operating revenues was recorded in 2009, and it continued in 2010, though at a slower pace. In an environment of prolonged crisis, the decline in total employment, which was slower than the fall in revenues and operating results in 2008 and 2009, accelerated in 2010. Furthermore, a fall in the revenues of state-owned enterprises occurred later and was less serious than in other enterprises. The decline in the revenues of exporting firms in 2008 and 2009 was similar to that of other enterprises, but due to a recovery in 2010, the cumulative decrease in exporters' revenues was below the level observed in other enterprises. Similar revenue dynamics were observed in brownfield investments. Movements in the revenues of greenfield investments do not significantly differ from those of other enterprises.

We additionally tested the reliability of these observations by means of several linear regression models for panel data on individual enterprises with more than one employee in the period from 2003 to 2010 (excluding health care and social welfare enterprises). Dependent variables in the assessed models are logarithms of deflated revenues, deflated operating results or the number of employed persons at year-end, depending on the model. Control variables include standard variables from the theory of industrial organisation, such as the size, age in the sample, financial leverage, cost of employees, financing costs,

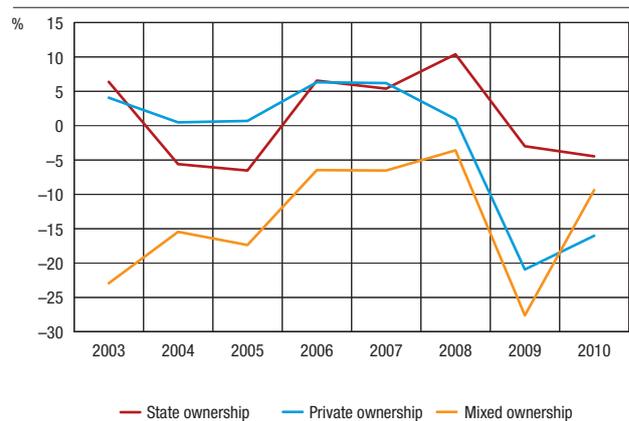
³ The lower and upper limits of a 90% confidence interval have been determined on the basis of historical variances of projection errors for a particular quarter. The said variances were further adjusted by correction factors whose value reflects the CNB's perception about changes in potential realisation risks of central projections.

Figure 16 Key indicators of non-financial enterprises' activity in Croatia from 2003 to 2010 – revenues, results and employed persons



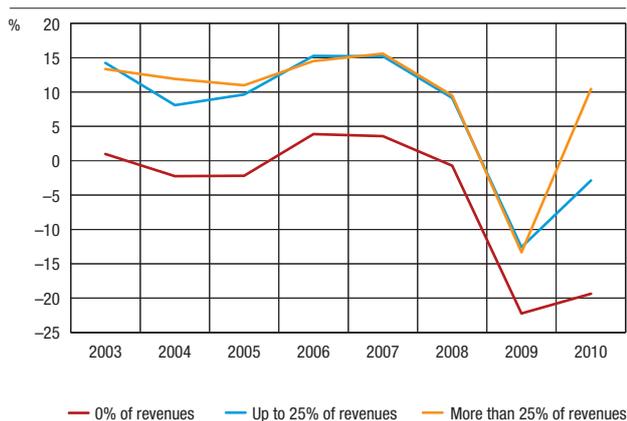
Source: FINA (CNB calculations).

Figure 18 Key indicators of non-financial enterprises' activity in Croatia from 2003 to 2010 – the growth in revenues by the type of ownership



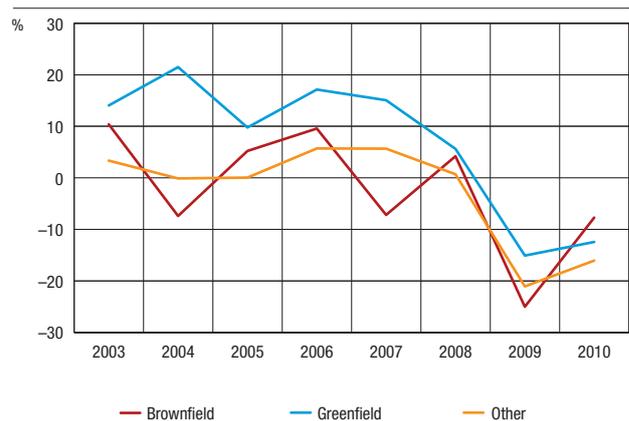
Source: FINA (CNB calculations).

Figure 17 Key indicators of non-financial enterprises' activity in Croatia from 2003 to 2010 – the growth in revenues by the share of exports



Source: FINA (CNB calculations).

Figure 19 Key indicators of non-financial enterprises' activity in Croatia from 2003 to 2010 – the growth in revenues by the share of FDI



Source: FINA (CNB calculations).

the importance of internal financing, industry, registered office, etc.). Statistical tests have shown the presence of the so-called fixed effects in the assessed growth models. Moreover, there are dummy variables for a particular enterprise, labelling it “FDI enterprise” or “state-owned enterprise”, and they change very rarely. The assessed coefficients for these two variables and for a variable defined as “a share of revenues from the sale abroad in total revenue of an enterprise”, as well as the 95%-reliability interval of their estimates are shown in Figures 20 to 25. Along with standard OLS (ordinary least squares) and FE (fixed effects) assessments, the figures also show FEVD (fixed effects vector decomposition) assessments of the coefficients, which are more efficient for variables that show much greater variation across sections than over time⁴.

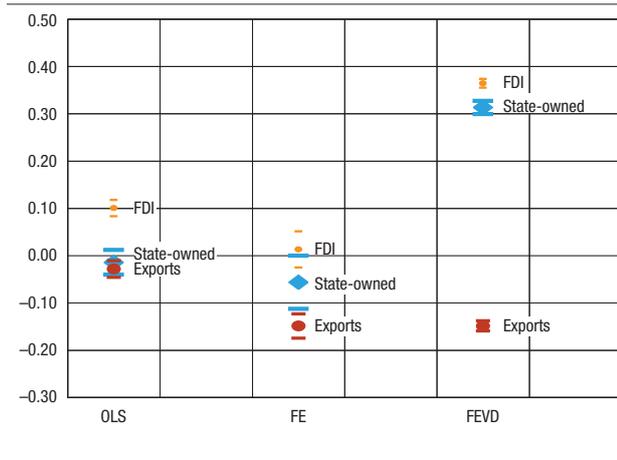
The findings generally confirm the observations presented on the basis of aggregate indicators. The FEVD coefficient estimates in an enterprise revenue model show that the negative impact of the crisis on the revenues of export-oriented enterprises

was far less severe. The crisis more or less equally affected the revenues of both state-owned and FDI enterprises, as well as the revenues of other enterprises. Moreover, in the pre-crisis period, FDI enterprises and state-owned enterprises grew at a relatively faster pace than other enterprises, while export-oriented enterprises grew markedly slower. As regards the impact of the crisis on business performance (profit or loss), export-oriented enterprises were again less affected by the crisis. The same is true for the business performance of state-owned enterprises. And lastly, the change in the number of employed persons was more perceptible in state-owned and export-oriented enterprises and less perceptible in FDI enterprises than in other enterprises in the sample (during the crisis, employment grew slower/fell faster on average in FDI enterprises than in other enterprises).

Overall, the crisis caused less damage to state-owned and export-oriented enterprises than to other enterprises, while there is no clear evidence that FDI enterprises were either less or more affected by the crisis than other enterprises. Nevertheless, FDI

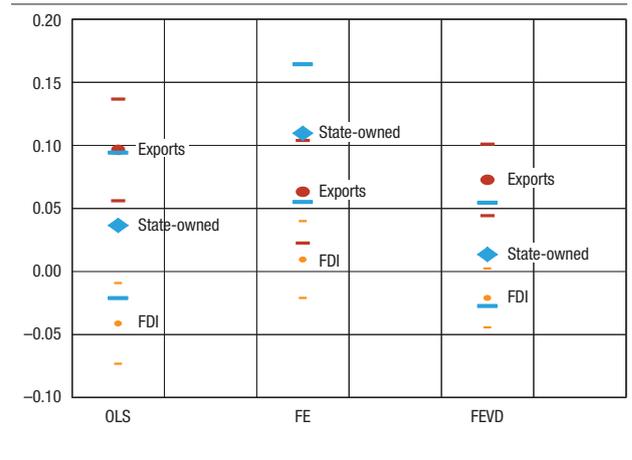
4 Plumper, T., and V. E. Troeger (2007): *Efficient estimation of time-invariant and rarely changing variables in finite sample panel analyses with unit fixed effects*, Political Analysis, No. 15, pp. 124-139.

Figure 20 Selected coefficients (± 2 standard errors) in the growth models of enterprises – the model of revenues, 2003 – 2010



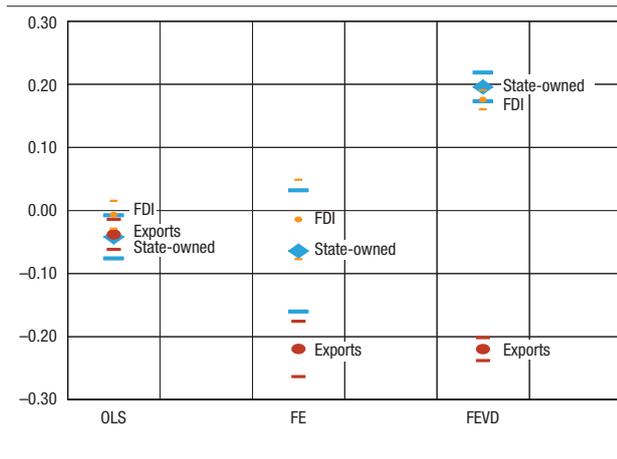
Source: FINA (CNB calculations).

Figure 23 Selected coefficients (± 2 standard errors) in the growth models of enterprises – the model of revenues, 2009 – 2010



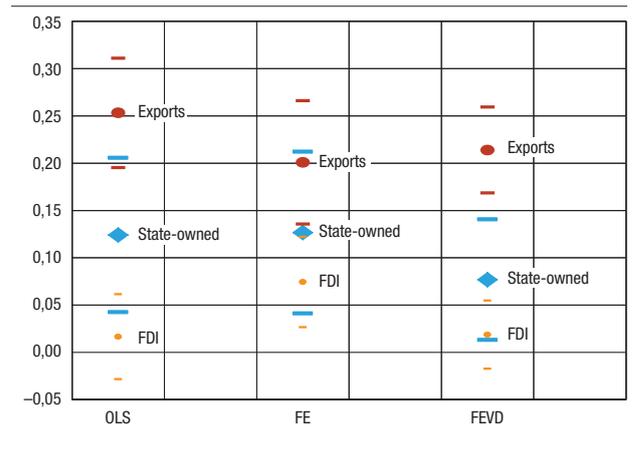
Source: FINA (CNB calculations).

Figure 21 Selected coefficients (± 2 standard errors) in the growth models of enterprises – the model of results, 2003 – 2010



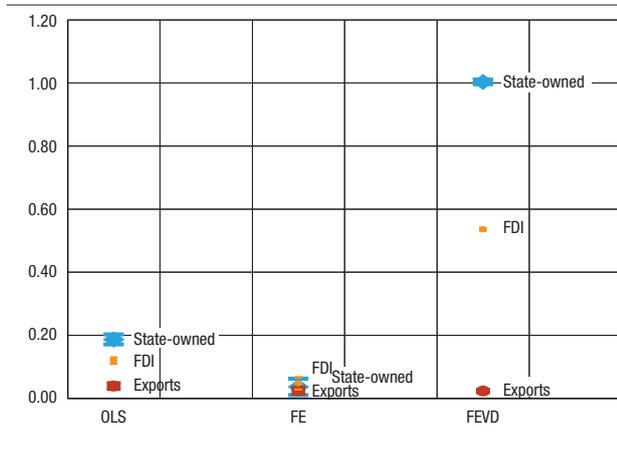
Source: FINA (CNB calculations).

Figure 24 Selected coefficients (± 2 standard errors) in the growth models of enterprises – the model of results, 2009 – 2010



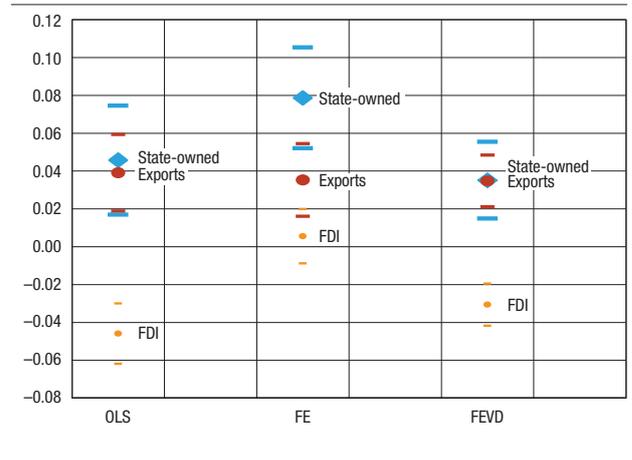
Source: FINA (CNB calculations).

Figure 22 Selected coefficients (± 2 standard errors) in the growth models of enterprises – the model of employed persons, 2003 – 2010



Source: FINA (CNB calculations).

Figure 25 Selected coefficients (± 2 standard errors) in the growth models of enterprises – the model of employed persons, 2009 – 2010



Source: FINA (CNB calculations).

enterprises made much sharper cuts in workforce, as a way of coping with the crisis. Such observations may be explained by the fact that state-owned enterprises sell goods and services the demand for which is less elastic. Export-oriented enterprises

have benefited from a faster recovery in foreign than in domestic demand, whereas FDI enterprises, mainly consisting of green-field enterprises, are more flexible in that they respond more promptly to the requirements of their owners.

4 Labour market

The unfavourable labour market movements continued into early 2012. The number of employed persons⁵ fell in the January-March period, according to seasonally adjusted data, but increased slightly again in April. The strongest fall in employment was observed in industry and construction, while the only

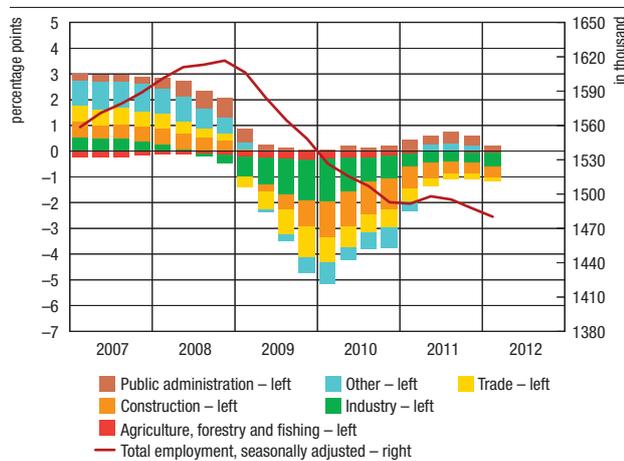
slight increase was seen in the number of civil servants and government employees. Concurrently, unemployment rose from the end of the previous year. Unemployment growth was most pronounced at the very beginning of the year, with slightly more favourable movements observed in March and April.

As suggested by the CES data, unemployment exceeded 340 thousand in the first quarter of 2012, and reached 315 thousand at end-2011. Inflows into the register decreased in all categories, accompanied by an even stronger fall in outflows from the register. The reduced outflows were entirely due to a decrease in clearings from the records, while employment from the records went up from the last quarter of 2011. April 2012 saw a seasonally common fall in the number of unemployed persons. As a result of such movements, the average administrative unemployment rate stood at 19.9% in the January-March period, but fell again to 19.1% in April.⁶

Despite expectations of an economic recovery as early as mid-2012, the decline in employment and a rise in unemployment will probably continue throughout the year and a reversal of these trends cannot be expected before the beginning of 2013. Consequently, the average unemployment rate might reach 18.9% in 2012. In 2013, employment could rise slightly and unemployment could fall, but the intensity of the anticipated favourable movements would be very low, given the forecasts of relatively low economic activity growth.

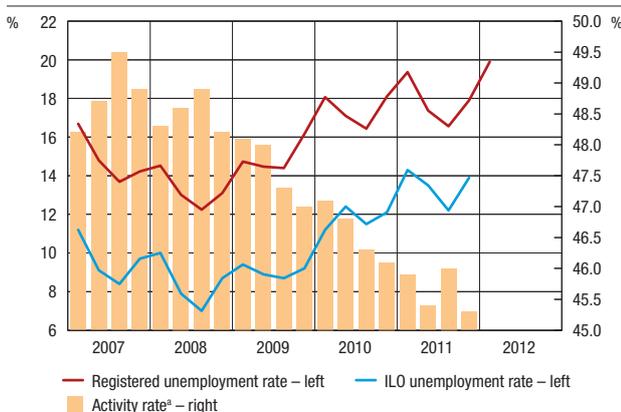
Both nominal and real gross and net wages remained stagnant in the first quarter of 2012, but continued to rise

Figure 26 Total employment and contribution to employment growth by sector



Source: CPIA data seasonally adjusted by the CNB.

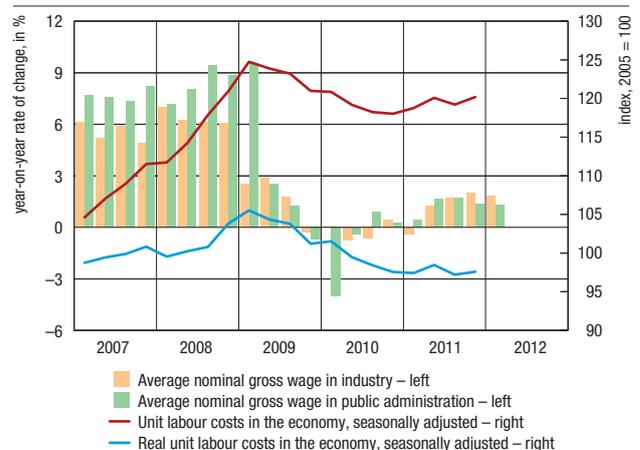
Figure 27 Unemployment and activity rates



^a The labour force as a percentage of working age population (15+).
Note: The Labour Force Survey has been published quarterly since the beginning of 2007.

Sources: CBS and CES.

Figure 28 Gross wages and unit labour costs



Sources: CBS and CPIA data seasonally adjusted by the CNB.

5 The CNB uses the CPIA data on the number of insured persons as an indicator of movements in the number of employed persons. Although this indicator includes some unemployed persons or persons employed abroad (their joint share in the total number of insured persons is estimated at about 0.5%), its timely availability and the fact that it is not subject to revision makes it a more appropriate indicator of movements in the number of employed persons than the CBS data on the number of employed persons, which may be significantly revised.

6 The administrative unemployment rate is calculated on the basis of CBS data on the number of employed persons and CES data on registered unemployment.

slightly year-on-year. Broken down by activity, private sector wages grew at a somewhat higher rate than public and government sector wages, which saw noticeably slower growth. By the end of the current year, nominal gross and net wages are expected to increase slightly year-on-year. Assuming expected price movements, real net wages should decline slightly year-on-year,

with a similar trend being forecast for 2013.

Given expected trends in wages and employment and the projected decline in economic activity, the unit labour cost could rise slightly again in the current year. The unit labour cost growth, though at a slightly lower rate, is expected to continue into 2013.

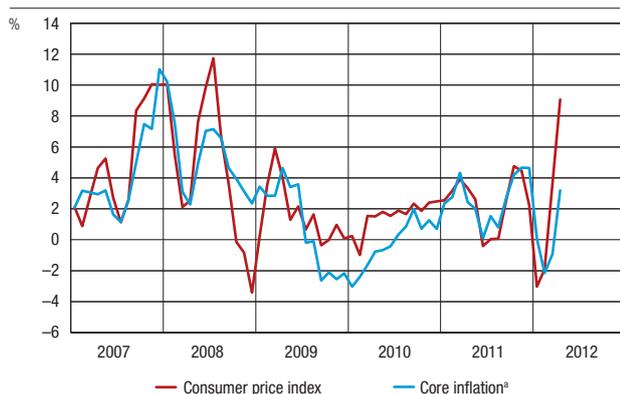
5 Inflation

Consumer price inflation dropped sharply in early 2012 against a background of weak domestic demand and unfavourable labour market conditions; world raw material prices (excluding energy) decreased annually in the same period. The annual consumer price inflation rate fell from 2.1% in December 2011 to 1.3% in February 2012, primarily because of a decrease in the annual rates of change in the prices of processed food products and industrial products (especially clothes). An increase in

energy prices produced an opposite effect on consumer price inflation.

The annual consumer price inflation rate accelerated to 2.0% and 2.6% in March and April respectively as a result of an increase in the basic VAT rate from 23% to 25%, as well as of a rise in prices regulated at the local level⁷ and refined petroleum product prices. Inflation also accelerated because of a seasonal increase in clothing and footwear prices that was higher than in

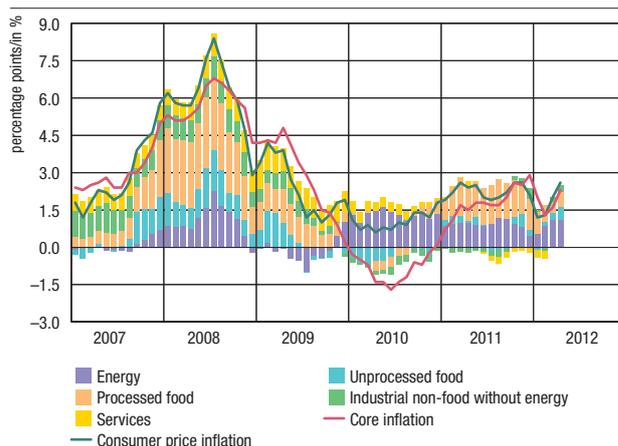
Figure 29 Consumer price index and core inflation
annualised month-on-month rate of change



^aCore inflation does not include agricultural product prices and administrative prices.
Note: The month-on-month rate of change is calculated from the quarterly moving average of seasonally adjusted price indices.

Sources: CBS and CNB calculations.

Figure 30 Year-on-year inflation rates and contribution of components to consumer price inflation



Sources: CBS and CNB calculations.

Table 3 Price indicators

year-on-year rate of change

	2008	2009	2010	2011	6/2011	9/2011	12/2011	3/2012	4/2012
Consumer price index and its components									
Total index	6.1	2.4	1.1	2.3	2.0	2.2	2.1	2.0	2.6
Energy	7.8	-1.1	9.5	6.2	5.8	7.7	3.2	6.5	6.3
Unprocessed food	7.2	2.5	-2.2	1.2	0.2	-0.3	1.8	2.2	4.4
Processed food (incl. alcoholic drinks and tobacco)	10.5	3.8	-0.1	5.8	6.3	6.2	5.3	1.9	2.7
Industrial non-food without energy	3.0	1.5	-0.7	-0.3	-0.7	-0.6	1.5	0.8	1.1
Services	3.8	4.3	1.5	-0.4	-0.3	-1.0	-1.1	-0.1	-0.1
Other price indicators									
Core inflation	5.7	2.8	-0.8	1.8	1.8	2.0	2.9	1.6	2.3
Producer price index of industrial products	8.3	-0.4	4.3	6.4	6.0	6.1	5.8	6.2	6.2

Source: CBS.

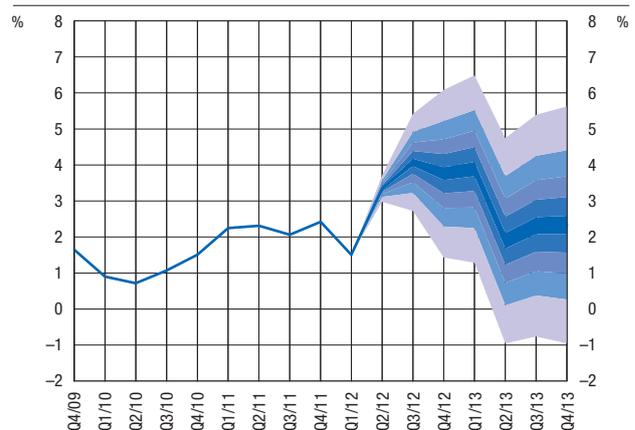
⁷ E.g., public transport and water supply prices; their contribution to inflation would have been even higher if the VAT rate on water had not been cut from 23% to 10%.

the previous year. In contrast, the contribution to inflation of processed food products decreased, mainly because of the cut in the basic VAT rate on oil and fats, sugar and baby food from 23% to 10%. Amid weak demand, the annual rates of change in the prices of services and of non-food and non-energy industrial products remained very low.

Inflation is expected to grow in the remaining part of 2012, boosted by administrative decisions taken in early May significantly to increase electricity and natural gas prices. The projection also includes possible increases in heating prices early in the third quarter. Accordingly, the annual inflation rate could accelerate to about 4% in the second half of 2012. With inflationary pressures probably to be alleviated by domestic factors, notably weak domestic demand and a negligible increase in unit labour costs, the annual consumer price inflation rate is expected to stand at 3.2% in 2012 (a rise of 0.9 percentage points compared with the previous projection), only exceeding the long-time average of 3.0%.⁸

The average annual consumer price inflation rate could slow down to 2.6% in 2013. Taking into account the projected very slow growth in personal consumption and unit labour costs, inflationary pressures are not expected to increase significantly in that year. Imported inflationary pressures are likely to decline, reflecting a decrease in world crude oil and food raw material prices from the previous year. In addition, the remaining protective tariffs will be lifted once Croatia joins the EU, which will probably lead to a decrease in the prices of some food products imported from the EU. Administrative decisions resulting from the need to comply with EU regulations (the repeal of the zero VAT rate⁹ and the introduction of excise taxes on electricity and gas¹⁰) will boost prices to some extent. While world food raw material prices are expected to be slightly lower in 2013 than in the previous year, the average annual rate of change in food prices is forecasted to increase more than in 2012 as a result of the mentioned abolition of the zero VAT rate on bread and milk. In contrast, the decision to reduce the VAT rate on some catering services¹¹ from 25% to 10% in January 2013 will result in an inflation decrease. Due to the expected very slow recovery of personal consumption and the energy price growth spilling over to 2013, the average annual growth rate of the CPI excluding food and energy is expected to accelerate.

Figure 31 Projection of consumer price inflation
year-on-year rate of change



Sources: CBS and CNB calculations.

Inflation projections for 2012 and 2013 are subject to numerous risks, with the risks of lower than projected and higher than projected inflation balanced, as suggested by the symmetrical shape of the fan (Figure 31). The weakening of domestic demand is the main risk for lower inflation. In contrast, there are some risks for higher inflation, as, for example, a more noticeable carry-over of a previous increase in energy and other raw material prices on domestic prices and a faster growth of raw material prices, especially crude oil, the latter due to geopolitical tensions. Administrative prices could also increase. The long spell of drought, adversely affecting domestic field crops, could result in a sharper increase in agricultural product prices. The effect of expected changes in the economic environment on inflation dynamics also partly depends on the degree of price stickiness, i.e. the speed with which prices adapt to changes. An assessment of the degree of price stickiness in Croatia is summarised in Box 2 Price stickiness in Croatia: the findings of an enterprise survey and comparison with the eurozone.

Box 2 Price stickiness in Croatia: the findings of an enterprise survey and comparison with the eurozone

A survey on the degree of price stickiness in Croatia has shown that a median enterprise in Croatia changes the price of its main product less often than once a year, whereas a median enterprise in the eurozone changes the price once a year. In the case of demand shocks, prices are more flexible downwards than upwards and in the case of changes in costs it is the other way round. Following a strong demand shock, i.e. a cost shock, a median enterprise in Croatia changes the price of its main product within three to six months (except in the case of a marked decline in demand, when it reacts more quickly). Enterprises in the eurozone mostly react more quickly to shocks than

enterprises in Croatia and change the price within one to three months of the shock. Price stickiness in Croatia is a reflection of the customer preference for stable nominal prices, i.e. of the possibility that frequent price changes could impair business relationships with customers (the implicit contract theory).

It is of great importance for monetary policy to determine the degree of price stickiness, i.e. to establish whether prices adapt relatively slowly to changes in the economic environment. Most of the macroeconomic literature published in the last two decades has backed up the hypothesis that, assuming the considerable stickiness of nominal prices, monetary policy can produce

⁸ In the period from 1999 to 2011.

⁹ The estimated direct effect of the abolition of the zero VAT rate on the consumer price increase is about 0.5 percentage points. The share of products subject to the zero VAT rate in the CPI basket is estimated at an approximate 7.0% (with food products accounting for the bulk of the percentage, 5.4 percentage points); the zero VAT rate can be replaced by a rate of at least 5%, and the tax rise will probably have only a limited spillover effect on the price increase.

¹⁰ The estimated impact of the introduction of excises on gas and electricity totals 0.14 percentage points. The introduction of excise on electricity is estimated to result in a 1.5% increase in its price and the introduction of excise on natural gas in a 3.3% increase in its price.

¹¹ Restaurant food and beverages have a share of 2.7% in the CPI basket, so that the projected 12% price decrease results in a monthly contribution to inflation of -0.3 percentage points in January 2013.

real effects, at least in the short run.¹² Surveys of enterprises' price adjustment behaviour are important tools for ascertaining the degree of price stickiness and the factors determining it. The seminal research work by Blinder et. al.¹³ on the pricing behaviour of enterprises in the US has contributed to the popularisation of these surveys.

In order to assess the degree of price stickiness in Croatia and shed some light on its causes, the CNB commissioned the market research company GfK Croatia to carry out a survey similar to that used in the eurozone¹⁴ within the *Inflation Persistence Network* (IPN) project. The survey was conducted from 5 October to 3 December 2010, with 259 enterprises (29%) of those approached by the survey team replying to the questionnaire, which is a satisfactory percentage given the survey's complexity (34 questions). The survey focused on an enterprise's main product, that is, a good or service accounting for the largest share in sales revenues generated in the Croatian market in 2009, or a product that in the respondent's view best represents the enterprise's main activity. Below are the survey's main findings.

Price change frequency

One of the measures of the degree of price stickiness is the number of price changes in one year. The enterprises were asked to respond to the question about how often they changed the price of their main product, several times a year, once a year, or less often than once a year. The findings have shown that a median enterprise in Croatia changes the price of its main product less often than once a year. This differs from the findings for the eurozone, where a median enterprise changes its main product's price once a year. Based on an assessment of a hybrid version of the New Keynesian Phillips Curve¹⁵, a research paper on domestic inflation has also suggested such enterprise behaviour, showing that the parameter of the price change frequency is relatively low, with enterprises changing prices every eight quarters.

In the next phase of the survey, the enterprises were asked how many times their main product's price changed in 2008 and 2009, the two years marked by high volatility of world crude oil and food raw material prices, which increased in the first half of 2008 before decreasing again due to the global economic slowdown. The survey findings have shown that enterprises changed prices more often during these two years: a median enterprise changed its main product price once a year.

The speed of post-shock price changes

The analysis of the price change frequency is an important indicator of price stickiness, i.e. of the slow response of prices to shocks. However, according to Blinder, this is not enough for the conclusion that price stickiness exists, as rare price changes

may be due to the fact that significant production cost changes and demand shocks are rare. This is why the enterprises were asked about the duration of the time period between a significant demand shock, or a cost shock, and the related price change (the possibility that enterprises do not change prices was also taken into account).

Table 4 shows that the share of enterprises making price adjustments in the period of up to three months following a decline in demand is larger (51.5%) than the share of enterprises adjusting prices after a rise in demand (44.7%). It can therefore be concluded that in the case of demand shocks prices are more flexible downwards than upwards. In the case of shocks coming from cost changes, it is the other way round. Specifically, prices appear to be more flexible when production costs increase considerably than when they decrease.

A median enterprise in Croatia changes its main product price within three to six months after a significant demand shock, or a cost shock, responding more quickly only in the case of a considerable decline in demand, within one to three months. In eurozone countries¹⁶, enterprises mostly react to shocks more quickly than enterprises in Croatia. For example, a median enterprise in Austria, France, Luxembourg or Portugal changes its price within one to three months after a shock (irrespective of its source and direction). Enterprises react more slowly only in Spain, after more than three months (irrespective of the source and direction of the shock).

The main theories of price stickiness – the reasons preventing price changes

The results of the survey have shown that prices are more often reviewed than changed, either because a price review indicates that there is no need to change prices or because an enterprise assesses that menu costs will exceed the benefit of the change. It is important to identify the reasons why enterprises sometimes decide to postpone a price change. The survey offered a list with ten theories of price stickiness, each summarised in one sentence, easily understood by the general public. The enterprises could select several theories they found important (or unimportant).

Table 5¹⁷ presents the theories of price stickiness ranked in three groups, based on the average rating (rating 1 indicates that the offered answer, i.e. a simplified theory, is irrelevant for the explanation of price stickiness, and the highest rating, 4, that it is very relevant). The first group includes theories with an average rating higher than 3.1, the second group includes those with an average rating ranging from 2.5 to 2.8, and the third group those given a lower rating than 2.0. The findings derived from the average rating suggest that price stickiness in Croatia can primarily be explained by customers' preference for stable nominal prices,

Table 4 Percentage of enterprises that change prices up to three months after a shock

	Total	Industry	Services	Small	Medium-sized	Large
Significant increase in demand	44.7	51.6	38.5	36.2	51.8	46.1
Significant decrease in demand	51.5	61.3	42.7	39.3	61.3	53.9
Significant increase in production costs	49.7	56.7	43.5	43.5	57.1	49.0
Significant decrease in production costs	42.9	45.7	40.3	41.4	43.5	43.6

12 Clarida R. et al. (1999): *The Science of Monetary Policy: A New Keynesian Perspective*, Journal of Economic Literature, Vol. 37 (December), pp. 1661 – 1707.

13 Blinder, A. S. (1991): *Why are prices sticky? Preliminary results from an interview study*, NBER Working paper, 3646 and Blinder, A. S., E. Canetti, D. Lebow, and J. Rudd (1998): *Asking about prices: a new approach to understanding price stickiness*, Russel Sage Foundation, New York.

14 The findings of the surveys carried out in eurozone countries are summarised in Fabiani, S. et al. (2005): *The pricing behaviour of firms in the euro area: new survey evidence*, ECB Working paper, 535 and in the book by Fabiani, S. et al. eds. (2007): *Pricing decisions in the euro area: how firms set prices and why*, Oxford University Press, New York.

15 Krznar, I. (2011): *An Analysis of the Domestic Inflation Rate Dynamics and the Phillips Curve*, CNB Working Paper, No. 31.

16 The analysis was carried out only in five eurozone countries.

17 The table presents an evaluation of the reasons preventing price increases; the evaluation of the reasons preventing price decreases produced very similar results.

Table 5 The main theories of price stickiness – the reasons preventing price increases

	Price increase	
	Average rating ^a	Important and very important, in % ^b
Our customers prefer stable prices. Frequent price changes could impair business relationships with our customers.	3.27	80.1
As prices mainly depend on labour and raw materials costs we will keep them unchanged until these costs change.	3.15	80.2
We have written/oral contracts with our customers stipulating that the price may be changed only after the expiry of the contract.	2.83	62.9
Risk that our competitors will not change their price.	2.78	64.3
Risk that we will have to change the price back afterwards.	2.46	51.0
Possibility to apply other measures to change prices (e.g. changes of delivery terms)	1.97	23.2
Cost of collecting and processing information serving as a basis for the decision to change prices	1.84	20.1
Preference for the price to remain at a certain psychological level (e.g. HRK 9.99)	1.78	17.6
Menu costs (e.g. costs of printing the price list, updating the website, etc.)	1.63	10.4

^a Each factor had to be given one of the following ratings: 1 – unimportant; 2 – slightly important; 3 – important; 4 – very important; 0 – a rating cannot be given.

^b Share of enterprises that consider a factor important or very important.

i.e. an implied possibility that frequent price changes might impair business relationships with customers (the implicit contract theory), and by cost-based pricing. Price stickiness in Croatia is strongly related to efforts to build up long-term business relationship with customers, which is confirmed by the figure showing that the share of revenues generated by regular customers (the ones that an enterprise does business with for over a year) in total revenues is on average 76%.

Other important explanations for price stickiness include explicit contracts (written/oral), co-ordination failure and temporary shocks (the second group). The importance of explicit contracts for determining the cause of price stickiness is confirmed by the survey findings suggesting that 60% of enterprises in Croatia use formal contracts to fix the price of their main product over a time period. In 66% of the enterprises using fixed price contracts, the share of these contracts in the total sales of the main product exceeds 50%.

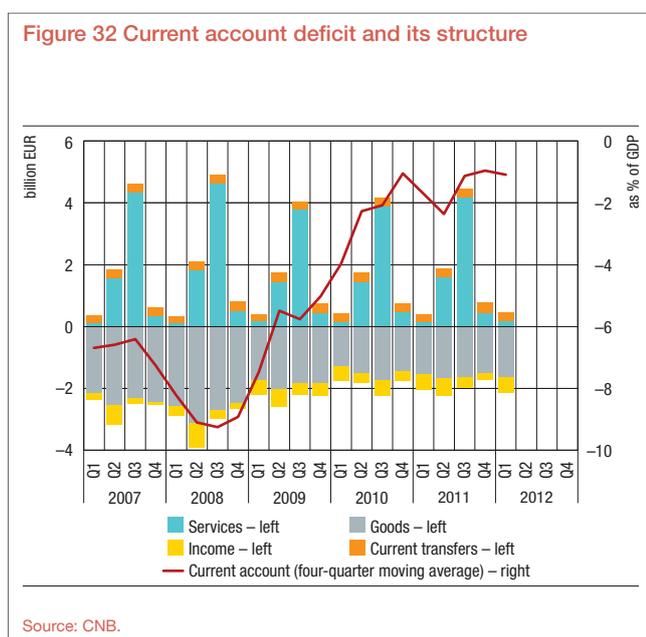
The theories from the third group, especially the preference

for the price to remain at a psychological level, menu costs (e.g. printing the price list, changing the website, etc.) and the costs of collecting and processing information, do not provide an explanation for price stickiness in Croatia. However, it should be noted that in the customer structure of the surveyed enterprises the largest share is accounted for by other enterprises, whereas a significantly smaller share of total revenues from the sale of the surveyed enterprises' main products is generated by direct sales to customers. This could have had an effect on the fact that pricing thresholds and menu costs appeared less important for explaining price stickiness in the economy.

The findings that illustrate the relevance of specific theories of price stickiness in Croatia are in line with the findings for the eurozone, indicating that implicit and explicit contracts are the most important explanations of price stickiness. Other relevant explanations for price stickiness in the eurozone include cost-based pricing and co-ordination failure.

6 Foreign trade and competitiveness

In 2011, the 2009 and 2010 trend for the current account deficit to contract strongly abated, only a slight decline being recorded. Nevertheless, a relative indicator remained unchanged,

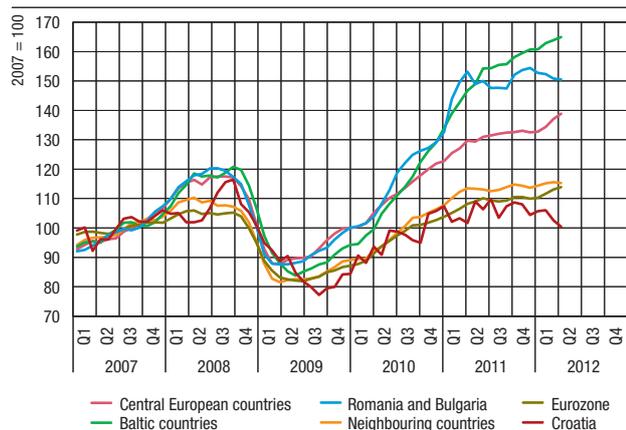


at a relatively low level of -1.0% of GDP. The widening of the imbalance in goods trade contributed most to a slowdown in the contraction.

In the first quarter of 2012, the trade in goods deficit further deepened, which led to a growth in the current account deficit. A fall (on a quarterly basis) in total exports of goods, which began in mid-2011, accelerated due to a sharp fall in exports of oil and refined petroleum products and partly of ships, while exports of other goods stagnated. After a short-term weakening in the last quarter of 2011, goods imports recovered, as a result of a high value of imports of ships for the purpose of finishing and a strong growth in imports of energy products (gas and electricity). At the same time, the deficit in the factor income account also increased. In contrast, the services trade surplus continued to rise, primarily as a result of an increase in tourism revenues, and the current transfers balance also improved.

Following a three-year period of contraction, the current account deficit could increase only slightly to 1.1% of GDP in 2012, whereas somewhat less favourable movements are expected in 2013. Trade in goods will make the largest contribution to this and the deterioration will be partly offset by a continuation of positive tourism trends. Smaller exports of ships in 2012, after historical highs recorded in the previous two years, will have a negative impact on movements in total goods exports. In exports of other goods, only a mild growth can be expected, supported

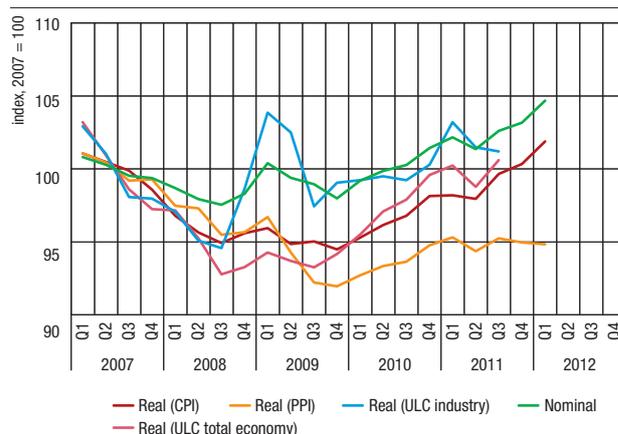
Figure 33 Goods exports of selected countries
quarterly moving average, seasonally adjusted data



Note: The Central European countries include the Czech R., Poland and the Slovak R., and the Baltic countries include Estonia, Latvia and Lithuania.

Sources: Eurostat and CBS data seasonally adjusted by the CNB.

Figure 34 Nominal and real effective exchange rates of the kuna



Note: ULC stands for unit labour costs. A fall in the index denotes an effective appreciation of the kuna.

Source: CNB.

by the expected continued increase in price competitiveness, along with the measures imposed by the CNB, the Government of the Republic of Croatia and CBRD, aimed at providing incentives to lending to economic entities with development potential. Exports dynamics will be considerably limited in the short-run by unfavourable movements of Croatia's most important trading partners, especially Italy and the neighbouring countries, as well as by the structural problems of the Croatian economy. In 2013, a more pronounced exports growth can be expected with a gradual recovery of foreign demand and strengthening of competitiveness of the Croatian economy. Although the accession of the Republic of Croatia to the EU could have a negative impact on movements in exports of agricultural and food products to the regional markets (for more information about the effects of Croatia's accession to the EU on foreign trade in agricultural and food products see Box 3 The effects of Croatia's accession to the EU on foreign trade in agricultural and food products), this should not have a significant bearing on movements in total exports in 2013.

Unfavourable trends on the side of Croatian exports are especially evident when comparisons are made with other Central and Eastern European countries. Debt crisis and reduced foreign demand of the eurozone countries were reflected, only in the short-run, in a fall of their exports in the second part of 2011, exports starting to grow again in early 2012 in most of the countries. Apart from Croatia, only Bulgaria and Romania failed to record exports growth, which can be accounted for by their orientation to markets, such as the Italian, where problems were most pronounced. The lagging of Croatian exports and

increasingly strong loss of competitiveness are also reflected in a loss of market share at a global level. Croatia's share in total world exports was on a continuous decrease over the last few years, hitting its record low in 2011, while at the same time other Central and Eastern European countries, apart from Slovenia, increased their share mildly.

In 2012, imports could slow down under the influence of unfavourable movements in domestic demand, which was

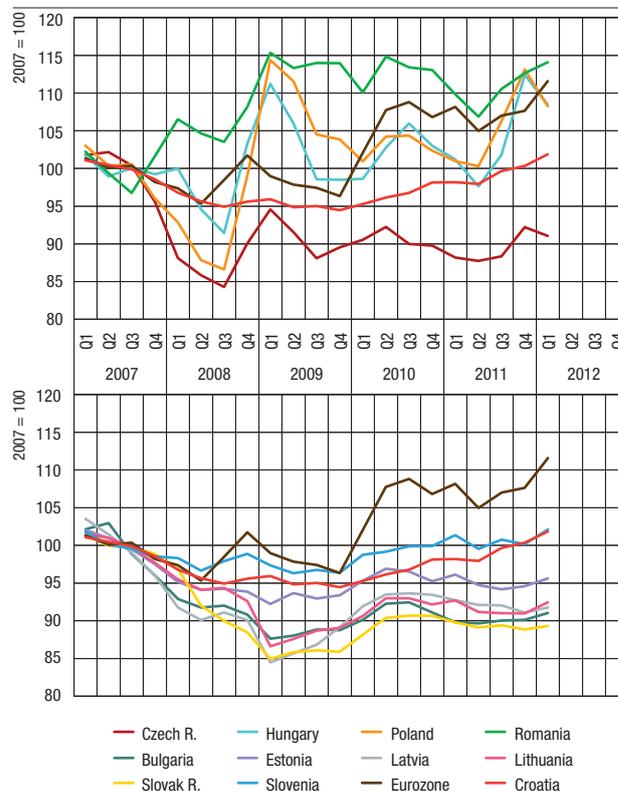
Table 6 Current account and its components

as % of GDP

	2006	2007	2008	2009	2010	2011	2012	2013
Current account balance	-6.7	-7.3	-8.9	-5.0	-1.0	-1.0	-1.1	-1.4
Goods	-21.1	-21.8	-22.7	-16.2	-13.0	-13.9	-14.4	-14.4
Services	14.5	14.7	14.8	12.9	13.0	13.9	14.3	14.1
Income	-2.9	-2.5	-3.2	-3.9	-3.4	-3.5	-3.6	-3.8
Current transfers	2.8	2.4	2.2	2.3	2.4	2.5	2.7	2.7

Source: CNB.

Figure 35 Real effective exchange rate (deflated by consumer prices) in selected countries



Note: A fall in the index denotes a real effective appreciation and a decrease in price competitiveness.

Sources: BIS and CNB.

confirmed in the first quarter, when only an insignificant growth in imports of other goods was recorded, excluding imports of energy products and ships. Only with a recovery of the domestic economy in 2013 could goods imports improve. Increased imports of agricultural and food products from EU countries, after Croatia has become an EU member state, could partly contribute to imports growth in the second half of the year (for more details see Box 3 The effects of Croatia's accession to the EU on foreign trade in agricultural and food products).

A rise in net revenues from services in the first quarter of 2012 indicates that a surplus could increase additionally, on a whole year basis, primarily as a consequence of favourable tourism results. Political disturbances in competitive countries could continue to have a positive impact on a growth in tourist arrivals and nights, which is supported by encouraging volume indicators for the first three months. On the other hand, unfavourable economic developments in the main outbound markets, especially in Italy, could, nevertheless, limit demand from foreign tourists.

The indicators of Croatian export price competitiveness showed diverse trends in the first quarter of 2012. Depreciation of the real effective exchange rate of the kuna deflated by consumer prices, recorded in the previous two years, continued into the first quarter of 2012 (5.8% at the annual level). This can mostly be accounted for by depreciation of the nominal effective exchange rate of the kuna and partly by the fact that a growth in domestic consumer prices was slower than the increase in these prices in the main trading partners. In contrast, domestic producer prices grew at a faster rate than they did in other countries; in the first quarter 2012, the real effective exchange rate of the kuna deflated by producer prices approached the level

recorded in the previous quarter, while it appreciated on an annual basis (0.5%). The available data on movements in real effective kuna exchange rates deflated by unit labour costs also confirm the improvement in export cost competitiveness in the first nine months of 2011 from the same period of the previous year. Nevertheless, in the second and third quarters of 2011, a deterioration in export cost competitiveness in industry was observed on a quarterly basis due to a faster growth in labour costs relative to the growth in labour productivity.

In Central and Eastern European countries whose currency is the euro or whose domestic currency is closely tied to the euro, the real effective exchange rate deflated by consumer prices depreciated in the first quarter of 2012 compared to the previous quarter, which points, as in the case of Croatia, to an improvement in export price competitiveness. This was exclusively a consequence of depreciation of nominal effective exchange rates, i.e. weakening of the euro against other major currencies, except in Slovenia, where relatively more favourable movements in consumer prices were recorded. In contrast, the countries with flexible exchange rate regimes (apart from Romania) witnessed an appreciation of the real effective exchange rates deflated by consumer prices in the first quarter of 2012, which only partly offset the depreciation recorded in the second half of 2011.

Taking into account the latest projections of the exchange rate and consumer price movements in the major trading partners¹⁸ at the level of the whole of 2012, a real effective depreciation could be recorded, possibly due to the nominal effective depreciation of the kuna exchange rate, whereas movements in domestic consumer prices could be slightly more unfavourable than those in the main trading partner countries.

Box 3 The effects of Croatia's accession to the EU on foreign trade in agricultural and food products

Upon Croatia's accession to the EU, existing trade agreements, the most important being the agreement with the CEFTA signatories, cease to be valid and the application of the common EU trade policy begins. This will be reflected in particular in the agricultural and food industries, since the conditions for the placement of these products on individual export markets will deteriorate and the competition on the domestic market will increase. For instance, one third of agricultural and food products exported to Bosnia and Herzegovina will be burdened by customs duties that may exceed 20% for a substantial number of products. The average customs duty on the export of these products to Serbia will rise from the present 4.5% to 13.2%. At the same time, as a result of a complete lifting of customs protection against imports from the EU, stronger pressures could be expected on the growth of imports of those products from the EU member states.

Upon its anticipated accession to the EU on 1 July 2013, Croatia will cease to apply existing free trade agreements, including the Central European Free Trade Agreement (CEFTA¹⁹). At the same time, Croatia, as a new member state, will complete the process of full liberalisation of trade with the existing member states and will assume the applicable trade agreements concluded by the EU with third countries, which will bring about

changes in the conditions of Croatian trade with these countries.

As a co-signatory of the 2006 Agreement on Amendment of and Accession to the Central European Free Trade Agreement²⁰, Croatia liberalised, to a great extent, its trade with other co-signatories, mostly with Bosnia and Herzegovina, where Croatian products are now being exported at a zero customs duty rate. Reduced customs duty rates are also applied in exports to Serbia, the second most important partner among the CEFTA signatories, while preferential trade regimes are available to Croatian exporters in the markets of other member states as well. Trade relations between most of the CEFTA signatories and the EU are regulated through their individual stabilisation and association agreements (SAA)²¹, which generally confer unilateral privileges for the export of strategically important agricultural and food products to the EU, allowing, at the same time, preservation of protective duties on imports from the EU. Due to the sensitivity of the agricultural and food sectors, the EU does not sell its products on these markets on a completely free basis, but rather under concessions agreed for each individual product, at a specified customs duty rate or under the agreed customs quotas. Since different forms of customs protection will be maintained even after 2014, when the gradual liberalisation²² process is expected to be completed, after the EU accession, Croatia

18 According to the projections of the European Commission – European Economic Forecast, Spring 2012 and Consensus Forecast, May 2012.

19 The abbreviation CEFTA stands for the Central European Free Trade Agreement.

20 Other signatories are: Macedonia, Albania, Bosnia and Herzegovina, Montenegro, Moldova, Serbia and UNMIK/Kosovo.

21 The Stabilisation and Association Agreement has been signed with all the CEFTA signatories, except Moldova and UNMIK/Kosovo. Croatian exports to these countries will be subject to customs duties based on the most favoured nation (MFN) principle.

22 The SAA defines a transitional period or an adjustment period in which the signatories must gradually reduce customs restrictions and liberalise the market for all the industrial products and a part of agricultural and food products, and which ends for the last signatory on 1 January 2014.

Table 7 Customs treatment of agricultural and food products after the entry of Croatia into the EU

CT chapter	Exports to Bosnia and Herzegovina			Exports to Serbia			Imports from EU	
	Exports in 2011 (in million EUR)	Current customs burden in the RC (in %)	Customs burden in the RC after the entry into the EU ^a (in %)	Exports in 2011 (in million EUR)	Current customs burden in the RC (in %)	Customs burden in the RC after the entry into the EU ^a (in %)	Imports in 2011 (in million EUR)	Current customs protection (in %)
01 Live animals	10.5	0.0	24.4	1.1	0.0	0.0	114.4	3.9
02 Meat and edible meat offal	10.0	0.0	20.9	0.2	25.0	16.7	134.7	13.3
03 Fish and crustaceans, molluscs and other	2.0	0.0	1.4	1.5	0.2	4.2	32.2	0.1
04 Milk and other dairy produce; eggs	33.7	0.0	8.0	2.4	10.6	11.9	90.3	6.1
05 Products of animal origin, not elsewhere specified or included	0.2	0.0	0.0	0.1	0.0	0.0	4.9	0.0
06 Live trees and other plants	0.3	0.0	0.1	0.3	0.0	4.6	30.7	4.2
07 Edible vegetables, roots and tubers	2.3	0.0	1.7	0.1	15.3	10.6	49.6	5.5
08 Edible fruit and nuts	3.8	0.0	1.0	4.0	0.0	0.0	54.5	0.7
09 Coffee, tea, maté and spices	3.3	0.0	0.0	0.2	6.4	6.6	16.6	2.8
10 Cereals	24.9	0.0	0.0	0.4	14.8	13.3	29.4	1.4
11 Products of the milling industry; malt; starches; inulin	8.5	0.0	0.0	1.0	2.9	12.0	19.3	2.2
12 Oil seeds and oleaginous fruits; miscellaneous grains, medicinal plants	16.5	0.0	0.0	18.2	5.0	6.0	24.6	0.3
13 Lac; gums, resins and other vegetable saps and extracts	0.1	0.0	0.0	0.0	0.0	0.0	3.5	0.0
14 Vegetable plaiting materials	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
15 Animal or vegetable fats and oils	12.8	0.0	0.0	2.7	13.1	12.9	31.0	6.7
16 Preparations of meat, of fish or of crustaceans	26.0	0.0	43.4	7.2	2.0	7.9	32.5	12.8
17 Sugars and sugar confectionery	6.3	0.0	1.4	1.6	1.9	6.7	30.5	2.8
18 Cocoa and cocoa preparations	17.2	0.0	0.0	4.9	0.0	10.9	71.8	15.3
19 Preparations of cereals; pastrycooks' products	16.9	0.0	6.3	4.0	0.0	10.1	125.5	6.1
20 Preparations of vegetables, fruit and nuts	4.5	0.0	6.0	1.2	5.7	5.2	56.7	3.1
21 Miscellaneous edible preparations	31.1	0.0	0.0	13.4	1.7	0.4	114.2	0.3
22 Beverages, spirits and vinegar	58.2	0.0	0.2	6.8	13.5	9.5	72.4	2.1
23 Residues and waste from the food industries	16.1	0.0	0.0	1.2	0.0	6.7	76.4	2.3
24 Tobacco and manufactured tobacco substitutes	34.8	0.0	14.5	7.7	10.0	57.6	41.0	17.6
Total (CT 01–24)	339.9	0.0	7.7	80.3	4.5	13.2	1,256.9	5.7

^a The average customs burden for individual groupings of products is calculated as the weighted average of customs burdens (specified in percentage and quantity terms) that will be applied to individual products in the groupings. The impact of the customs burden, expressed in terms of quantity (EUR/unit of measure), is estimated on the basis of unit export prices of individual products obtained from CBS data on realised values and volumes of exports in 2011. The customs burden refers to exports within preferential quotas.

Sources: CBS, Customs Administration of the Republic of Croatia, Customs Administration of the Republic of Serbia, Indirect Taxation Authority of Bosnia and Herzegovina and CNB calculations.

should expect worse conditions for the placement of certain products to CEFTA signatories, unless the trade agreements are changed in the meantime, which is less likely.

The importance of the CEFTA market for the domestic economy is reflected in the fact that Croatia places one fifth of its total exports of goods to this market. Similarly, that market is one of the few in which Croatia recorded a surplus and a high average growth rate of trade in goods of about 15% per year over the previous decade. Although around 90% of exports within the free trade zone go to Bosnia and Herzegovina and Serbia, the importance of other minor markets should not be disregarded, due to their high growth potential. Out of EUR 1.8bn, exported by Croatia to the CEFTA signatory countries in 2011, about EUR 0.5bn related to agricultural and food products, accounting for

as much as 45% of total Croatian exports of these products. Bearing this in mind, the consequences of the expected application of customs duties to the competitiveness of domestic exporters to these markets should be taken into account in the forthcoming years, pending the integration of countries in the region into the EU and a full lifting of customs duties. Export of agricultural and food products²³ to Bosnia and Herzegovina and Serbia is of a particular importance, and it is here that the largest changes in the trade regime are expected.

Table 7 shows the expected effect of a trade regime change on the customs duty burden on Croatia's exports of agricultural and food products to Bosnia and Herzegovina and Serbia. The average customs duty burden on individual product groups (Customs Tariff chapters) after the accession to the EU

23 According to the Customs Tariff, agricultural and food products are encompassed by CT chapters 01 to 24.

is calculated by weighting the customs duty rate for each particular product by the share of that product in the total value of the group's exports (imports). It is assumed that all the exports will be realised within preferential quotas²⁴, so that the calculated burden is the lowest possible.

According to the existing customs tariff regulations and trading conditions agreed on in the SAA, about two thirds of Croatia's agricultural and food products will continue to be exported to Bosnia and Herzegovina at a zero customs duty rate. This product group also includes some of the individually most important export products, such as beer, wheat, water and non-alcoholic beverages, as well as oil and fat. However, customs duties will be imposed on one third of export goods (in a total value of about EUR 100m). Despite the relatively low customs duty burden on a considerable share of products, a sizeable number of products will still be subject to customs duty at rates over 20%. The heaviest burden will be imposed on meat industry products (live animals, meat and meat products), which will be subject to not only *ad valorem*, but also specific duties. Consequently, the customs duty burden on some products can reach as much as 50%. Considerable reductions in competitiveness can also be expected in tobacco exports. Currently, more than half of total Croatian cigarette exports (EUR 35m annually) goes to Bosnia and Herzegovina at a zero customs duty rate. However, according to the SAA, Bosnia and Herzegovina charges a 15% import duty on cigarettes from the EU, and the same rate will be applied to Croatia. Furthermore, the customs duty burden will also be relatively heavy on dairy products (the estimated average customs duty rate for this product group is 8%), and, due to the imposition of a 10% duty on confectionery, domestic producers could become less competitive. Relatively high duties are also expected on fruit, vegetable and sugar exports, although these products account for only a small share in exports to Bosnia and Herzegovina.

A deterioration in trade with Serbia can be expected not only in agricultural and food products (in the total value of about EUR 27m), but also in industrial products, which will be subject to customs duty (at a rate of 20% of the basic duty) by the end of 2013, i.e. the end of a transition period in which, according to the SAA, customs duties for Serbia must be gradually reduced and the trade in industrial products fully liberalised. The average duty on Croatian agricultural and food product exports to Serbia will go up from the current 4.5% to 13.2%. The highest customs duty rates are expected to be charged on tobacco products, accounting for about one tenth of total agricultural product exports to this country. Currently, cigarettes from Croatia are imported into Serbia at an in-quota rate of 10% (or an out-of-quota rate of 15%), while a customs duty rate of 57.6%²⁵ is applied on imports from EU member states. Croatian confectionery and bakery product exporters will also become less competitive on Serbia's market. By contrast, domestic meat exporters will be in a better position than currently, given the more favourable treatment of meat industry products imported from the EU member states than of those imported from Croatia.

As concerns Croatian exports to other CEFTA signatories, there will be no changes with regard to industrial products (export will remain free), except in the case of UNMIK/Kosovo and Moldova, which have not signed bilateral SAAs with EU member states. There will be some changes, however, in the part

of agricultural products for all countries, but the customs duty burdens will be different. Among major Croatian export products on the Macedonian market, the heaviest burden will be imposed on chocolate (at an out-of-quota rate between 12% and 18%) and cigarettes (the rate on imports from Croatia will go up 15%). With respect to the imports from Croatia into Montenegro, customs duty rates will be raised on certain kinds of meat and fish preparations and dairy products. Croatian exports to Albania, mainly encompassing wheat and corn, will be subject to relatively low import rates, up to 2%, after Croatia's accession to the EU. In the case of UNMIK/Kosovo, industrial products imported from Croatia will be subject to a 10% import rate, like agricultural products. This will favour other CEFTA members, as they will continue to have free access to this fast-growing market. Similar changes will occur in exports to Moldova, although Croatian products have a very poor presence on that market.

While the competitiveness of Croatian exporters in the region will doubtlessly erode, new trade relations should be expected within a limited period, as major countries are already in the EU accession process. It is difficult to quantify the potential losses that will be sustained by Croatian exporters, pending these countries' accession to the EU, because the market harmonisation will depend on a lot of factors, from the price elasticity of demand and consumer preferences to the ability of producers from other countries to take advantage of new market relations. Similarly, it is uncertain to what extent Croatian producers will be able to compensate for potentially reduced exports to the region by increasing their exports to EU member states, once the Free Trade Area becomes effective. Given Croatia's currently free²⁶ exports to the EU member states, no major changes are expected in this respect once the country joins the EU. New opportunities may open up on markets with which the EU has concluded free trade agreements (e.g. Mexico, South Korea and South Africa), or with which such agreements are being negotiated (ASEAN countries, India, Canada or Persian Gulf countries), but with which Croatia currently has no preferential trading arrangements.

As well as with a deterioration of trade relations with the CEFTA signatories, after the elimination of protective duties, Croatia will be faced with cheaper imports of agricultural and food products from the EU²⁷. This problem might have serious and long-term consequences for the Croatian economy, because it is exactly due to protective duties that many producers are ill-prepared for EU competition. According to the CBS and Customs Administration data, Croatia's imports of agricultural and food products from the EU member states stood at EUR 1.3bn in 2011, with every third imported product on average being subject to customs duty. According to the current regime, tariff protection covers about EUR 0.5bn of imports, with about EUR 0.2bn of imports, mainly including cigarettes, chocolate, meat and meat products, being covered by an average protective duty rate of over 10%. Products subject to an average rate between 5% and 10% are worth EUR 0.1bn, and include live animals, vegetables and confectionery products. It is worth noting that there are products subject to high import duty rates, but as most of the imports, or even the entire imports, are made within an import quota, these products are not expected to undergo any major changes.

24 Some products are imported at a preferential (zero or reduced) tariff rate on imports within the quota, while imports outside the quota are subject to a higher tariff rate.

25 The applied customs duty is 57.6%, i.e. it amounts to a minimum of EUR 5.15 or a maximum of EUR 7.57 for 1000 pcs.

26 As in the case of other SAA signatories, exempt are: baby beef, wine, some kinds of fish and fish preparations, and sugar, which are subject to quotas.

27 Pursuant to the SAA, Croatia is allowed to apply protective customs duties on agricultural and food products until the date of its accession to the EU, while trade in industrial products has been fully liberalised.

Table 8 The change in the shares of trade in agricultural and foods products in GDP after the entry into the EU (during a three-year period)

in %

	Exports				Imports			
	Total	EU-15	Preferential markets ^a	Other countries	Total	EU-15	Preferential markets ^a	Other countries
Cyprus					0.37	0.90	....	-0.53
Czech R.	0.50	0.31	0.00	0.18	0.50	0.57	-0.02	-0.05
Estonia	0.46	0.61	-0.21	0.06	0.21	0.21	-0.13	0.13
Hungary	-0.47	-0.09	-0.12	-0.26	0.69	0.68	0.02	-0.01
Lithuania	1.71	1.03	-0.05	0.73	0.92	0.31	-0.04	0.64
Latvia	1.29	0.40	0.01	0.88	0.57	0.25	-0.04	0.36
Malta	0.38	0.09	....	0.29	0.56	1.07	....	-0.51
Poland	1.10	0.78	0.02	0.30	0.45	0.52	0.01	-0.08
Slovenia	0.18	0.49	-0.26	-0.05	0.72	0.61	0.04	0.07
Slovak R.	0.85	0.40	0.03	0.42	0.46	0.07	0.01	0.38
Bulgaria	0.63	0.32	0.03	0.29	1.54	1.16	0.16	0.21
Romania	0.44	0.22	0.00	0.22	0.38	0.40	-0.02	-0.01
NMS12 average	0.60	0.38	-0.05	0.26	0.61	0.56	0.00	0.05

^a Refers to the countries in which the preferential trade regimes (i.e. bilateral Free Trade Agreements) were terminated after the entry into the EU (<http://www.wto.org/tw/SmartKMS/fileviewer?id=35823>).

Note: The change in the shares of exports (imports) in GDP after the entry into the EU assumes the difference between their average three-year shares after and before the entry into the EU. The first ten countries in the above table became EU members on 1 May 2004, while Bulgaria and Romania became members on 1 January 2007. Agricultural and food products are classified in accordance with the SITC methodology and comprise the divisions 00, 01, 02, 03, 04, 05, 06, 07, 08, 09, 11, 12, 29, 41, 42 and 43.

Source: Eurostat.

An assessment of the potential impact of Croatia's EU accession on trade in agricultural and food products could draw on experience from the last two waves enlargement. As Croatia will do upon its accession, the then new member states ceased to apply a number of bilateral preferential trade agreements with third countries after they had joined the EU. In these countries, changes in trading terms have adversely affected the trade with former preferential markets and led to a re-orientation towards the EU or third countries. In consequence, the growth in exports to the former preferential markets decelerated and exports even decreased, particularly with respect to countries, like Croatia, that used to place a large share of their total exports of agricultural and food products to doubtful markets. The most severely affected countries were Slovenia and Hungary, having exported to Southeast Europe, and Estonia, with exports to Ukraine. However, all the countries (except Hungary) succeeded in compensating for the losses sustained in former preferential markets in a relatively short time, by stronger exports to the EU and third countries, using the common market potential, or the positive influence of having an EU country of origin. Assuming that Croatia's exports to the CEFTA signatories would fall at a pace similar to that in the aforementioned countries, it is estimated that the damage sustained by Croatian exports could amount to between 0.1% and 0.2% of GDP (up to EUR 0.1bn). Nevertheless, while it is uncertain whether this fall will be offset in the short run by stronger participation in other markets, other countries' experiences show that the exports to the EU market could go up in the medium term, and even increase the total value of the exports of agricultural and food products.

Apart from the re-orientation of trade, the accession of the said countries to the EU has led, along with the full trade liberalisation, to an additional increase in the volume of trade. This effect was particularly pronounced on the imports side, where more expensive domestic products were replaced by cheaper imported goods, so that after the lifting of protective duties,

the imports of agricultural and food products from the EU rose markedly as early as the first year of membership. By contrast, no major changes were observed in imports from the former preferential markets, neither were imports from third markets particularly dynamic, despite a number of trade agreements assumed by new member states after their EU accession. Judging by these countries' experiences, Croatia could also increase its agricultural and food imports by about 0.6% of GDP (up to EUR 0.3bn), with the bulk of this effect to be observed as early as the second half of 2013.

After Croatia becomes the 28th member of the EU on 1 July 2013, its reduced export and increased import of agricultural and food products in the first year of membership could lead to a deterioration of the foreign trade balance by about 0.5% of GDP (EUR 0.2bn). As shown by other countries' experiences, a further increase in imports from/decrease in exports to the markets of the CEFTA signatories could be offset in the coming years by stronger exports to other markets. Hence, no major impact on the foreign trade balance is expected. Should Croatia fail to use the advantages of the common market or to compensate for the losses incurred on preferential markets by stronger exports to new markets, the trade deficit in agricultural and food products might continue to widen in the following years, increasing by an additional 0.3% of GDP in 2014.

Apart from growing pressures on the foreign trade balance in terms of import growth, caused by increased competitiveness of goods from the EU, changes in the trade regime are expected to result in lower government revenues from customs duties. In 2011, Croatia generated customs revenues on account of imports from the EU in the amount of EUR 69m, which will be lost completely. Upon accession to the EU, 75% of total customs revenues on account of imports from other countries will become the revenue of the European Community. Croatia's joining the EU in the second half of 2013 might reduce inflows into the state budget by 0.2% of GDP (EUR 0.1bn).

7 Financing conditions and capital flows

Financing conditions

Divergent movements were observed in financing conditions for domestic sectors in the first four months of 2012. A strongly deteriorating trend from the second half of 2011 came to an end for most of the observed financing costs. The exceptions were interest rates on long-term household loans and short-term corporate loans that continued to trend up. At the turn of the first to the second quarter 2012, financing conditions were much less favourable than in the same period of 2011.

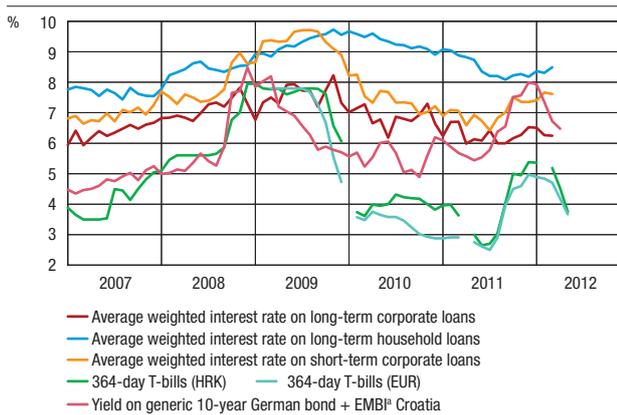
The costs of government foreign borrowing, estimated in terms of the yield on the German government bond and the EMBI yield spread for Croatia, decreased in the first four months of 2012. In this context, the government was able to sell USD 1.5bn worth of five-year bonds. Still, the required yield of 6.4% indicates that the risk premium for Croatia remained high. As regards domestic financing conditions for the government, interest rates on one-year T-bills levelled off at around 5% early in the

year. Following the issue of foreign bonds, interest rates on T-bills of all maturities dropped by around one percentage point.

CDS spreads on bonds issued by parent banks of the five largest domestic banks increased again at the beginning of the second quarter. Experience has shown that banks in Croatia have stable sources of funding in both the domestic and foreign markets, but that higher borrowing costs for parent banks gradually if to a small extent spill over to financing conditions for clients of domestic banks.

Interest rates on long-term household loans continued to grow moderately from the beginning of 2012. This growth, which began in mid-2011, may in part be attributed to the expiry of the government programme to subsidise home loans made at terms more favourable than those obtaining on the market. With regard to interest rates on corporate loans, short-term loans became much less favourable, while a marginal drop was seen in interest rates on long-term corporate loans. The latter rates were

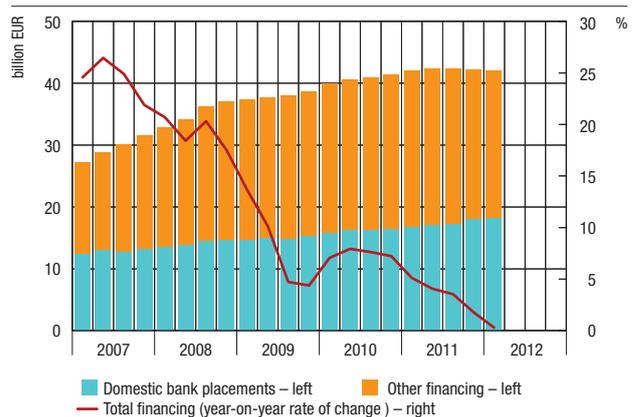
Figure 36 Costs of domestic and foreign financing



^a EMBI (Emerging Market Bond Index) is the spread between yields on government securities of emerging markets, including Croatia, and risk-free securities of developed countries.

Sources: MoF, Bloomberg and CNB.

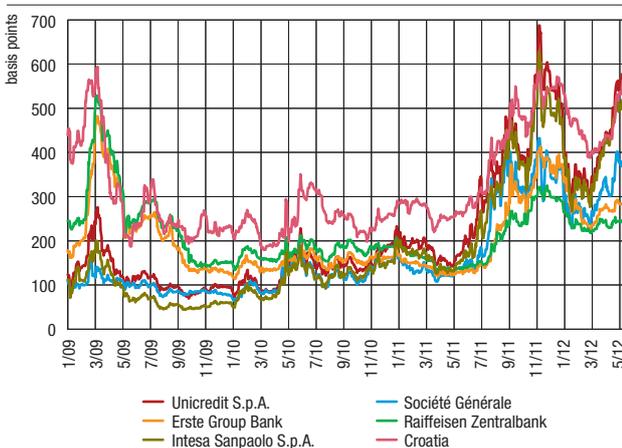
Figure 38 Corporate financing by sources



Note: Other financing includes corporate borrowing from domestic leasing companies and direct borrowing from the CBRD, as well as borrowing from foreign banks and affiliated enterprises abroad.

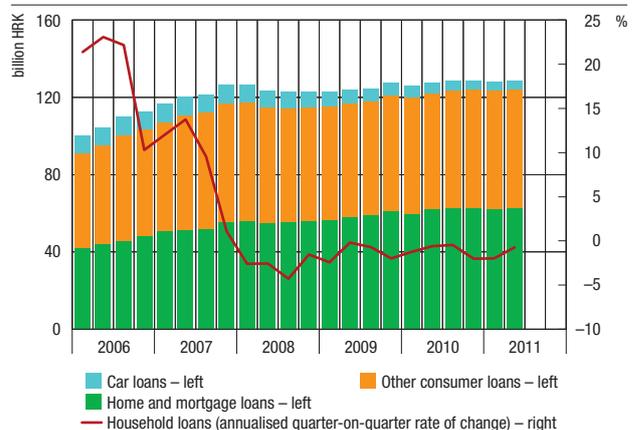
Sources: HANFA, CNB and CNB calculations.

Figure 37 CDS spreads for Croatia and selected parent banks of domestic banks



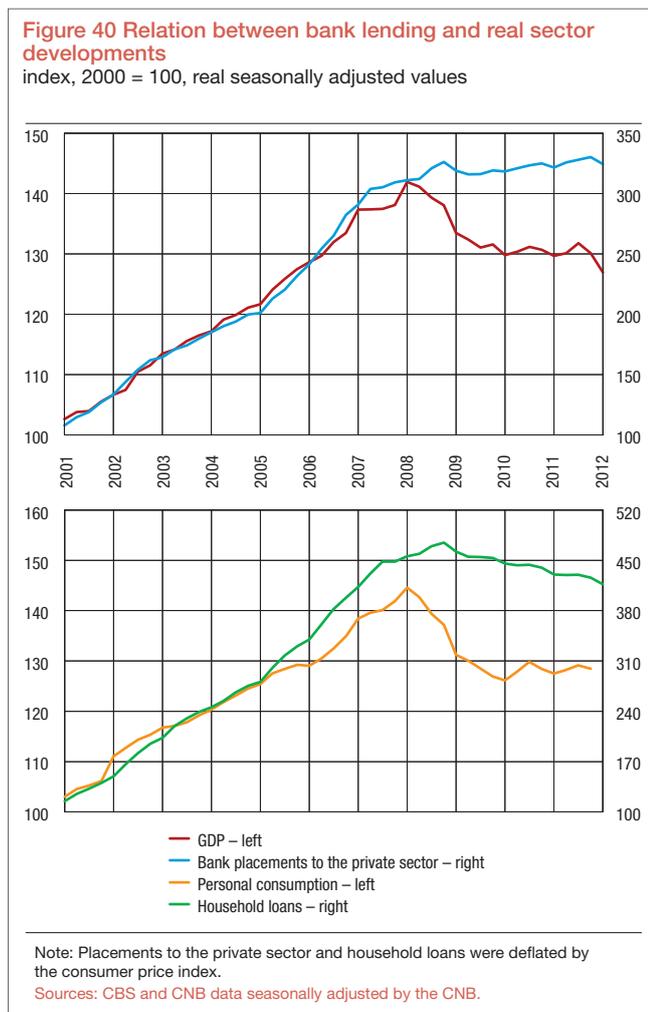
Source: Bloomberg.

Figure 39 Household loans by purpose



Note: Quarter-on-quarter rates of change in loans are calculated from values excluding the exchange rate effect. The most recent data available refer to April 2012.

Source: CNB.



above 6% at the close of the first quarter of 2012, which is less favourable than in the same period a year ago.

Harsh financing conditions and sluggish demand were reflected in developments of total placements to the private sector in the first quarter of 2012. In that period, domestic bank loans to enterprises held nearly steady, while other forms of corporate financing (above all, from leasing companies and directly abroad) continued on the moderate deleveraging trend that marked the entire last year. Accordingly, the growth in total placements to the corporate sector slowed down on an annual basis and almost came to a standstill late in the first quarter of 2012.

Pursuant to the decisions on the restructuring of shipyards, the government assumed the bulk of their credit liabilities to domestic banks early in the second quarter. This led to a sharp drop (of HRK 5.5bn) in corporate loans and a rise in banks' claims on the central government of the same amount. The government is expected to take over the remaining loans to shipyards (HRK 0.5bn) in the rest of the year. The overall impact of the transfer of banks' claims from the corporate to the government sector will be some 2.5 percentage points lower growth rate of placements to the private sector for 2012, currently estimated at 0.5%.

The trend of deleveraging in the household sector continued in the first quarter of 2012. This was primarily due to the absence of economic recovery, soaring unemployment, uncertainties about future developments and high borrowing costs. No

major recovery in household loans is expected in 2012 as it takes some time for increased investment to affect the labour market positively and increase household optimism about future income and consumption.

The noticeable increase in domestic bank placements to the corporate sector in 2011 failed to reverse the ongoing negative trends in the real sector (Figure 40). The structure of placements made was unfavourable. Placements to public enterprises were mostly used for external debt repayments, while those to private enterprises were extended to enterprises oriented to the domestic market; they have been hit the most by the crisis and their current performance is the worst (for more details see Box 4 The structure of corporate credit growth in 2011).

Financing conditions for domestic sectors through to the end of 2012 and in 2013 will be largely determined by future movements in the non-performing loans ratio. The second important factor contributing to changes in financing conditions is the credit risk assessment and the risk premium paid on borrowing in financial markets. With its relatively large public debt refinancing needs, Croatia may preserve or improve its credit rating only if it reduces the fiscal deficit (for more details on the impact of changes in the credit rating on borrowing costs see Box 5 The impact of changes in countries' credit ratings on their borrowing costs). This is also a prerequisite for possibly more favourable borrowing abroad by the private sector and a reduction in banks' interest rates in the domestic market.

In line with expectations that there will be no major changes in financing conditions and a moderate decrease in overall economic activity in 2012, the increase in total placements to the private sector is expected to be lower than in 2011. Within its structure, the bulk of loans should again be used for corporate financing. The new financing model, set up by the central bank, the CBRD and commercial banks, will add to such developments. However, investment-based demand has remained the key factor for a stronger recovery in corporate loans. Household loans are expected to hold steady in the rest of the year. Stronger growth in placements to the private sector may be seen as late as 2013, but at much lower rates than before the financial and economic crisis.

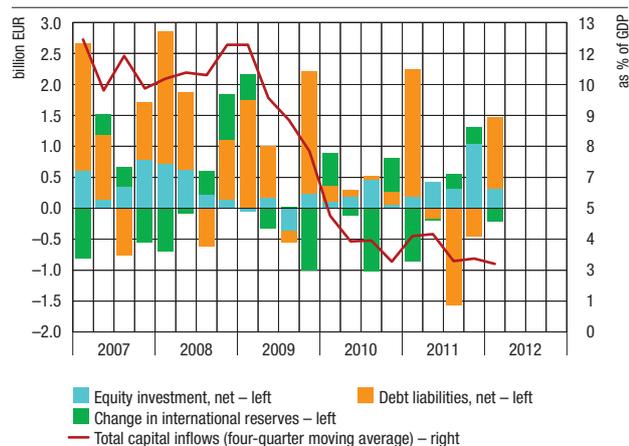
Foreign capital flows

Net foreign capital inflows, excluding the change in international reserves, were EUR 1.5bn in the first quarter of 2012, falling by one third from the same period in 2011. A large portion of foreign capital inflows came from substantial withdrawals of foreign assets of banks (EUR 0.9bn), used to purchase euro T-bills.²⁸ In the same period, foreign liabilities of banks increased slightly (EUR 0.1bn). Debt liabilities of the central government grew by almost the same amount as a result of the purchase of government bonds issued in the domestic market by non-residents. By contrast, other domestic sectors improved their net foreign position; the downward trend in their external debt to affiliated enterprises abroad seen in 2011 continued into 2012. This was most noticeable in enterprises in partial government ownership, while private enterprises also did not increase further their liabilities. Gross external debt grew by a total of EUR 0.1bn in the first quarter of 2012, to EUR 45.9bn.

Reinvested earnings accounted for a major share of foreign direct investment (EUR 0.2bn), while debt to affiliated enterprises abroad was cut by EUR 0.3bn in the first quarter of 2012. Equity investment in the amount of only EUR 42m reflects continuing negative market sentiment and reluctance to invest in

28 Under the amendments to the Decision on the minimum required amount of foreign currency claims, foreign currency claims also include the amount of euro T-bills issued at the auction held in February 2012. This enabled the banks to invest their foreign assets in T-bills of the Ministry of Finance (EUR 764m).

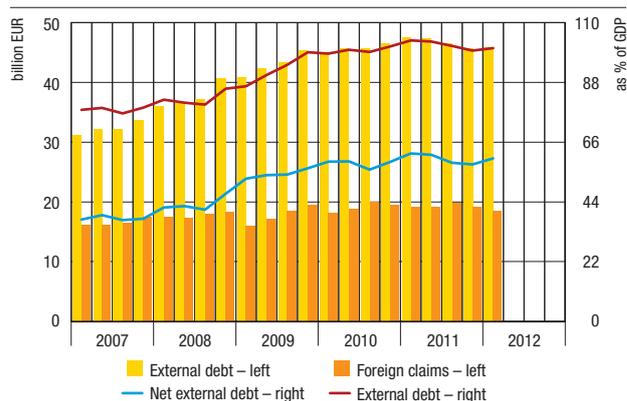
Figure 41 Foreign capital flows



Note: A negative change in international reserves denotes their growth.

Source: CNB.

Figure 42 Gross and net external debt



Note: Foreign claims include international reserves and foreign assets of banks and other domestic sectors based on debt instruments. Net external debt is calculated as the difference between external debt and foreign claims.

Source: CNB.

Croatia. Without stronger activities to attract foreign investors in the short run and bearing in mind current uncertainties in financial markets, new investment in Croatia should not be expected to recover significantly from its rather low level in the past three years.

After the April 2012 issue of five-year USD 1.5bn worth of central government bonds, no additional capital inflows are expected in the remaining part of the year. With modest inflows of direct investment and stronger support by domestic banks and the CBRD, domestic enterprises are expected to continue to reduce their debt to foreign creditors. In line with such developments, Croatia's external debt should remain at EUR 45.8bn through to the end of 2012. Relative indicators of external debt

could be some 100.4% of GDP or 240.8% of exports of goods and services. At the same time, with the reduction in foreign claims, net external debt could deteriorate noticeably and could reach 59.2% of GDP.

Capital inflows may intensify in 2013, particularly those based on debt investment. Expected also are the continuance of strong central government borrowing in foreign financial markets and, assuming a more vigorous economic recovery, renewal of borrowing by the banking sector. By contrast, enterprises could continue to reduce their debt, albeit at a slower pace, and rely more on domestic sources of funding. By the end of 2013, gross external debt could reach EUR 47.6bn or 100.8% of GDP.

Box 4 The structure of corporate credit growth in 2011

The growth in bank loans to the corporate sector has been steadily accelerating in the past three years and was 9.1% in 2011, excluding the exchange rate effect. However, this lending revival did not lead to more dynamic economic growth. An

analysis of the loan structure suggests that loan growth had a limited impact on real activity as it focused on large public sector enterprises, which used most of the loans to settle their foreign liabilities. The increase in loans to small and medium-sized

Table 9 Bank loans and external debt by sector and the size of enterprise^a

in million HRK and %

	Bank loans				External debt ^b			
	Stock		Change		Stock		Change	
	2010	2011	Amount	Percentage	2010	2011	Amount	Percentage
Breakdown by size								
Small enterprises (83%)	43,719	46,025	2,306	5.3	11,264	12,628	1,364	12.1
Medium-sized enterprises (4%)	18,957	20,043	1,086	5.7	8,923	9,025	102	1.1
Large enterprises (1%)	46,177	53,164	6,987	15.1	64,873	65,599	726	1.1
Breakdown by ownership								
Public enterprises (2%)	24,108	27,798	3,690	15.3	43,050	39,214	-3,836	-8.9
Private enterprises (92%)	76,847	82,900	6,053	7.9	17,500	22,431	4,931	28.2
Foreign-controlled enterprises (6%)	11,189	12,250	1,061	9.5	25,813	27,172	1,359	5.3
Total	112,143	122,948	10,805	9.6	86,363	88,817	2,454	2.8

^a The overall stock includes also enterprises for which data on size are not available. The data on size are unavailable for 3731 enterprises (12%) out of the total number of enterprises (30,788). The share of loans to unclassified enterprises in total loans stood at 3.0% in 2011, while the share of their external debt was 1.8%. This footnote refers to all tables in this box.

^b Enterprises to which domestic loans have not been granted are excluded.

Note: Data in brackets refer to the share in the total number of enterprises.

Sources: CNB and FINA.

Table 10 Growth in total bank loans to enterprises by size and sector

in %

Sector	Small enterprises	Medium-sized enterprises	Large enterprises	Total change by sector
Public enterprises	0	1	33	34
Private enterprises	18	9	25	56
Foreign-controlled enterprises	3	0	6	10
Total change by size	21	10	65	100

Sources: CNB and FINA.

Table 11 The change in loans and external debt by enterprises (NCA 2002)

in million HRK and %

		Loans				GVA (nominal)			
		Stock		Change		Stock		Change	
		2010	2011	Amount	Percentage	2010	2011	Amount	Percentage
Agriculture, hunting and forestry; Fishing	A, B	6,523	7,370	847	13.0	15,902	15,876	-26.5	-0.2
Mining and quarrying; Manufacturing; Electricity, gas and water supply	C, D, E	29,444	33,028	3,584	12.2	54,791	57,710	2,919	5.3
Construction	F	22,886	25,107	2,221	9.7	19,268	17,567	-1,700	-8.8
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal household goods	G	21,643	23,287	1,643	7.6	31,939	32,965	1,026	3.2
Hotels and restaurants	H	6,313	6,439	125	2.0	12,868	13,589	721	5.6
Transport, storage and communication	I	5,846	6,871	1,025	17.5	21,034	20,741	-293	-1.4
Financial intermediation; Real estate, renting and business activities	J, K	14,363	15,392	1,029	7.2	78,720	82,144	3,424	4.3
Public administration and defence; compulsory social security; Education; Health and social work; Other community, social and personal service activities; Private households with employed persons	L, M, N, O, P	1,834	1,737	-96	-5.3	53,834	54,573	739	1.4
Total		112,143	122,948	10,805	9.6	288,356	295,165	6,809	2.4

Sources: CNB and FINA.

enterprises was slight. A large share of loans was intended to finance working capital instead of investment.

In 2011, banks granted more loans to public and large enterprises than to private, medium-sized and small enterprises. Public enterprises used the loans to repay and refinance foreign liabilities falling due, while private enterprises increased their external debt. Bank loans to enterprises and corporate external debt are shown in Table 9.²⁹

The nominal increase in corporate loans was HRK 10.8bn in 2011. Private enterprises accounted for about one half of the increase (56%), which is less than both their share in total corporate loans (two-thirds) and their share in total operating income in 2010 (slightly less than two-thirds). By contrast, the rise in loans to public enterprises exceeded their share in total loans

and operating income.

Broken down by size of enterprises, the largest share in total loan growth (65%) was accounted for by large enterprises. The growth in loans to small and medium-sized enterprises was slightly lower than the share of their loans in total loans. A summary overview of loan growth, combining the features of ownership and size, is given in Table 10.

From the standpoint of the National Classification of Activities (NCA 2002), loan growth focused on sectors whose real GVA grew slightly or even decreased in 2011 (construction). A third of total loans, extended to industry (NCA sections C, D and E), was used mostly to repay external debt. Another third of loans went to construction and trade (F and G sections), i.e. non-tradable sectors.

Box 5 The impact of changes in countries' credit ratings on their borrowing costs

Recent developments in financial markets suggest that credit rating agencies may influence foreign borrowing costs for countries. For this reason, this box estimates a potential impact of the announced downgrading of credit ratings for European countries by the leading agencies. The results obtained show that markets show an average reaction to a downgrading of a country's credit rating. Although this reaction is statistically significant, its intensity is relatively mild and depends on the existing credit rating of

a country. The reaction is stronger for countries with lower ratings. Also, for some countries, markets have already taken into consideration some of the information that prompted downgrading announcements. In this case, markets are expected to react only slightly to agency announcements.

A credit rating relates to the risk that a security issuer may fail to settle on time and in full its obligations arising from the security issued (most often long-term bonds). Credit ratings are

²⁹ Data on external debt refer to enterprises reporting to the CNB (the sample includes 80% of the estimated population). The breakdown by size of enterprises was made pursuant to the Accounting Act (OG 109/2007) and the breakdown by ownership was based on the Decision on the statistical classification of institutional sectors (OG 146/2011).

Table 12 The impact of the change in ratings and trends of countries on yield spreads on government bonds

	Moody's	Moody's _(t-1)	Standard & Poor's	Standard & Poor's _(t-1)	Fitch Ratings	Fitch Ratings _(t-1)	VIX	Stock exchange	Constant
Rating downgrade	7.77 (***)	-1.35 0	7.65 (***)	3.63 (*)	5.84 (***)	1.03 0	11.43 (***)	-107.61 (***)	0.12 (**)
Rating upgrade	-0.02 0	21.56 0	-0.66 0	-0.13 0	2.88 0	-9.59 (**)	11.40 (***)	-107.17 (***)	0.14 (**)
Rating downgrade	-1.20 0	1.76 0	3.50 0	-1.44 0	1.70 0	2.72 0	11.44 (***)	-107.19 (***)	0.14 (**)
Rating upgrade	2.22 0	3.74 0	-0.98 0	-2.47 0	-3.43 0	2.90 0	11.41 (***)	-107.29 (***)	0.14 (**)

Note: The dependent variable for all four specifications of the panel is the daily change in yield spreads on government bonds in the panel of countries and the German bond. Symbols (***) , (**) and (*) indicate the statistical significance at 99%, 95% and 90% levels respectively.

Source: CNB calculations.

assigned by specialised credit rating agencies. Each of them assigns ratings according to its specific scale. To rate security issue risk more precisely, in addition to credit ratings, agencies occasionally publish their outlook for issuers. The outlook may be negative, stable or positive and it sums up prospects for a rating change in the near future.

In theory, there can be a two-way relationship between a credit rating and borrowing costs. Although developments in financial markets affect evaluations and announcements by credit rating agencies, numerous researches show that recent information from financial markets does not create significant value added for forecasting rating changes. This is due to the fact that financial markets are characterised by frequent and strong short-term fluctuations, which may give prominence to irrelevant signals if used in attempts to forecast rating changes. On the other hand, agencies do not want to respond to fluctuations they see as transitory and do not use them to assess the risk of debt issuers in the long run.

This box focuses exclusively on how rating changes affect the bond market. If information sets that agencies use in decision-making were equal to those used by market participants, rating announcements would have no influence on changes in government bond yields. In other words, efficient markets would have already absorbed this information and a rating change would not bring anything new to the market. However, it has been shown that markets may be surprised by agency announcements and may respond to rating changes. To examine this effect in more detail, a simple linear model was used to analyse the method, intensity and speed with which rating announcements for long-term borrowing by the three main credit rating agencies (Moody's, Standard&Poor's and Fitch Ratings) are absorbed into yields on government bonds of a number of European countries.

The model explains the spread on government bonds of 14 European countries³⁰ relative to German government bonds. The spread data refer to generic bonds derived from eurobonds maturing in one to ten years calculated by Merrill Lynch.³¹ The analysis is made on a panel of daily data for the period from January 2007 to March 2012. Data on all rating changes and outlook announcements for the countries covered in the analysis were gathered to assess the impact of announcements by credit rating agencies on yield spreads. Based on this data, a set of

dummies³² was constructed to identify days when upgrades and downgrades or outlook changes were announced for individual countries.³³ The coefficients with the dummy variables are explained as the intensity of the impact of a rating/outlook change on spreads. To measure also the time needed for absorption of rating changes into spreads, the specification included both dummy variables and their lagged values. In addition, the model addresses the potential pro-cyclicality in agency announcements, so that the specification also includes an indicator of real activity for individual countries. As the model is estimated on a daily basis, the only data available for that purpose are those on stock exchange indices of individual countries.³⁴ In addition, the model also includes the VIX index (Chicago Board Options Exchange Market Volatility Index), as an indicator of global risk aversion.

Table 12 shows the results of four panel-regressions.³⁵ The variable whose dynamics is explained is the same in each specification – change in the interest rate spread on government bonds of selected countries relative to the German government bonds. The four models test the impact of different events – rating and outlook upgrades and downgrades – on changes in interest rate spreads.

The results in Table 12 show that spreads on government bonds responded to rating downgrades for individual countries in the period under review. Although this reaction was statistically significant, its intensity was very mild. On average, on the day of a downgrade, spreads increased from 5.8 b.p. (Fitch Ratings) to 7.8 b.p. (S&P). In addition, markets tend to absorb the overall impact of a downgrade in one day at most. In case of positive news, i.e. when a country's rating is upgraded, there is no systemic reaction in the market. The only exception is a marginally significant reaction to Fitch's announcements a day after a downgrade. Markets do not react to changes in trends in individual countries; it seems that they have already incorporated such information in their projections. Finally, two control variables (the global risk aversion index and available stock exchange indices of the countries included in the panel) have the expected influence on spreads for all specifications.

The results given in Table 12 quantify the impact of agency announcements on spreads for a relatively large and heterogeneous group of countries. Therefore, only with difficulty can these

30 The following countries were included in the analysis: Croatia, Bulgaria, Romania, Hungary, Austria, Belgium, the Czech Republic, Spain, France, Ireland, Italy, Lithuania, Poland and Portugal.

31 Data were taken from the Bloomberg database.

32 A comparable discrete linear scale was constructed for all three agencies. Each rating level on the scale was assigned a number from 1 to 17, with 17 being the highest possible rating (AAA for S&P and Fitch and Aaa for Moody's). An appropriate number was assigned to each of the other rating levels, with the lowest level of investment grade (BBB- for S&P and Fitch and Ba3 for Moody's) being represented by the number 8. Number 1 represents a group of the lowest ratings (below CCC+ for S&P and Fitch and Caa1 for Moody's).

33 In the period under review, there were nine upgrades and 72 downgrades. For the sake of simplicity, only changes by one grade were taken into account. Although relatively scarce, changes by more than one grade lead to biased results because they are more intensive.

34 Assuming that the price of a share reflects the current value of expected payments of all future cash flows relating to the share (i.e. dividends), markets react to changes in the real business cycle.

35 The conducted statistical test suggests that the null hypothesis of redundancy of fixed effects in the panel cannot be rejected. For this reason, an estimate was made of a simple linear model with a single constant.

Table 13 The impact of the rating downgrade on yield spreads on governments bonds of countries whose ratings are not higher than Croatia's rating

	Moody's	Moody's _(t-1)	Standard & Poor's	Standard & Poor's _(t-1)	Fitch Ratings	Fitch Ratings _(t-1)	VIX	Stock exchange	Constant
Rating downgrade	28.39 (***)	-9.89 (0)	34.32 (***)	28.01 (***)	19.50 (***)	6.51 (0)	15.23 (***)	-116.75 (***)	0.10 (0)

Symbols (**), (*) and (0) indicate the statistical significance at 99%, 95% and 90% levels respectively.
Source: CNB calculations.

results be used to draw conclusions about the expected impact of a downgrade on countries with ratings similar to that of Croatia. In other words, it is not clear beforehand whether the impact of a rating change on borrowing costs is linear, i.e. whether it affects all countries in the same way regardless of their ratings. For that purpose, estimated was the impact of downgrades on spreads exclusively for countries whose average rating by the three main agencies was not better than Croatia's rating at some point. Table 13 shows the results of this model. They suggest that the response of interest rates to downgrades in this category (the lowest investment grade and speculative grades) is several times stronger than the aggregate results from Table 12. The strongest response was to Standard&Poor's downgrades,

as much as 62 b.p. in one day after a downgrade (34 b.p. on the day of announcement and 28 b.p. on the day after). Responses to Moody's and Fitch Ratings were slightly less, 28 b.p. and 19 b.p. respectively, but still much larger than the average for all countries in Table 12.

The latter results were obtained based on developments in a small number of countries. However, there is still some heterogeneity among them so that the results on an individual country level should be interpreted with caution. For example, it is possible that for some countries markets have already incorporated part of information that may prompt agencies to downgrade a rating. Therefore, a weaker market response to agency announcements may be expected for these countries.

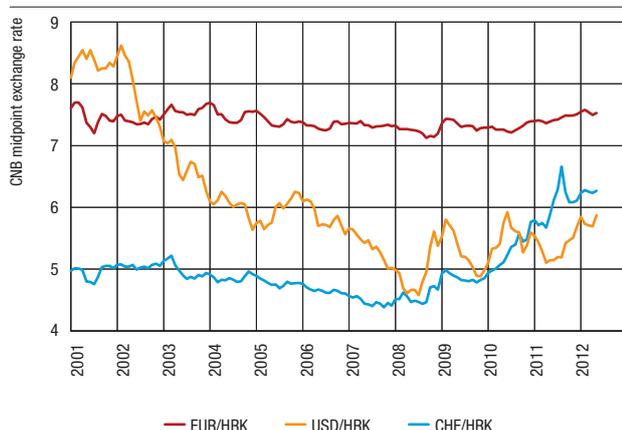
8 Monetary policy

In the first five months of 2012, the central bank continued with its policy of maintaining kuna stability, concurrently supporting favourable liquidity in the monetary system. The CNB reined in depreciation pressures of the first quarter by intervening in the foreign exchange market and raising the reserve requirement rate, while the international issue of government bonds in April contributed to the stabilisation of conditions in the domestic foreign exchange market. The average EUR/HRK exchange rate was 7.56 kuna for one euro or 1.6% over the last-year's average, moving at slightly lower levels at the beginning of the second quarter. The CNB countered the depreciation pressures that intensified again at the end of May by selling foreign exchange, so the kuna exchange rate against the euro stabilised at EUR/HRK 7.56.

Reserve money developments in the first five months of 2012 were affected by changes in the reserve requirement rate (which increased from 14% to 15% in January and decreased from 15% to 13.5% in May) and foreign exchange transactions of the central bank, which created a net HRK 1.5bn. As regards the government, only foreign exchange purchases (EUR 929.4m) were recorded, while commercial banks participated only in foreign exchange sales (EUR 724.4m). Short-term liquidity loans stopped being used in May, while individual smaller banks continued using reserve requirement funds, as granted by the central bank under special conditions due to liquidity difficulties since November 2011.

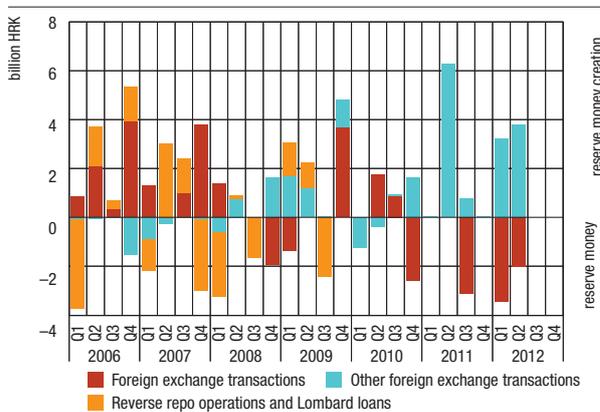
The kuna liquidity of the monetary system, which was partially reduced in the first quarter of 2012, recovered in the first

Figure 43 Nominal exchange rates EUR/HRK, CHF/HRK and USD/HRK



Source: CNB.

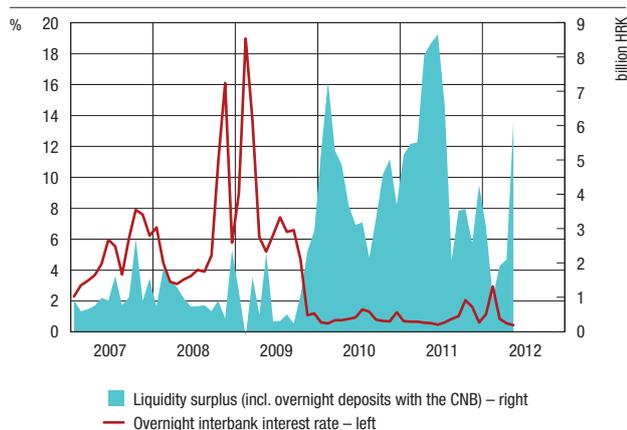
Figure 44 Flows of reserve money (M0) creation



Note: Other foreign exchange transactions include the purchase of foreign exchange from and the sale of foreign exchange to the MoF and foreign currency swaps with banks, where the positive values refer to the purchase of foreign exchange by the CNB. Data for the second quarter of 2012 refer to April and May.

Source: CNB.

Figure 45 Bank liquidity and overnight interbank interest rate



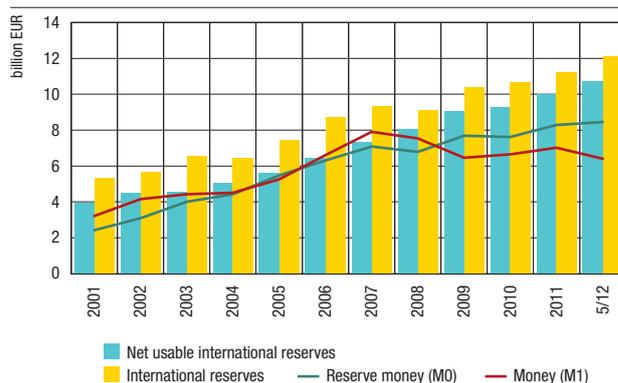
Source: CNB.

two months of the second quarter. This was brought about by the lowering of the reserve requirement in May and creation of reserve money through foreign exchange transactions. The average liquidity surplus, including overnight bank deposits with the CNB tripled (from HRK 2.0bn in the first quarter to HRK 6.1bn in May). Interest rates on the interbank market for overnight trading kept below 1%, with longer maturity interest rates declining. It is expected that liquidity will remain favourable later in 2012 and throughout 2013 with no need for regular reverse repo operations.

In cooperation with the CBRD and commercial banks, monetary policy in 2012 continued with measures earmarked for support to faster recovery of lending activity. Aiming to improve corporate financing conditions for companies with development potential³⁶, a new stimulative lending programme has been launched. The implementation of the programme was started with a decrease in the reserve requirement rate in May, which released funds for the banks to use for lending to the CBRD, which will cooperate with them in implementing the new lending model.³⁷ The lending potential of the programme is HRK 6.8bn, the CBRD and commercial banks participating in matching amounts. In addition, the Croatian National Bank will recognise a half of corporate claims by commercial banks that are to be realised under the programme as liquid foreign currency claims which will additionally reduce banks' regulatory costs.

CNB's international reserves continued growing in the first five months of 2012. This was mostly due to the repurchase of foreign exchange from the government and the government's foreign currency deposit with the central bank. As a result, gross international reserves of the CNB reached EUR 12.1bn in May, increasing by EUR 0.9bn or 8.1% at the end of the previous year. By the end of the year we expect the withdrawal of foreign currency deposited in the account with the central bank, which, paired with the possible sale of foreign currency to commercial banks, should result in slower growth of gross international reserves for the entire 2012. Net usable international reserves grew by EUR 0.3bn or 3.2% in the period between January and

Figure 46 International reserves of the CNB and monetary aggregates

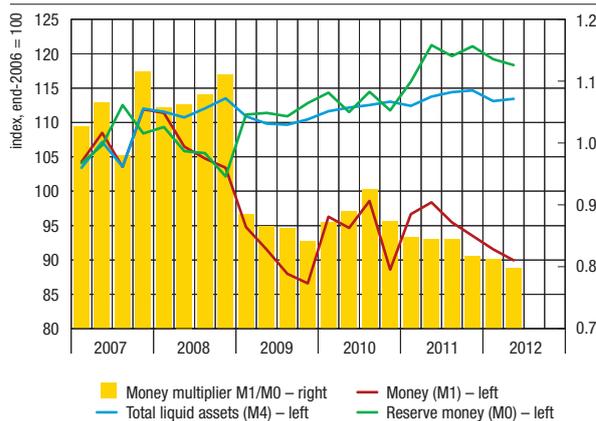


Note: The most recent data available for M1 refer to the end of April 2012. Net usable international reserves are defined as international reserves net of foreign liabilities of the CNB, reserve requirements in f/c, general and special SDR allocations in 2009, government foreign currency deposits and off-balance sheet liabilities (swaps).

Source: CNB.

Figure 47 Monetary aggregates and money multiplier

index of developments in seasonally adjusted real values, deflated by the consumer price index



Note: Data for the second quarter of 2012 refer to April.

Source: CNB.

May 2012, totalling EUR 10.7bn at the end of May. Continued growth of reserves and their high level in relation to reserve money (M0) and money (M1) are especially significant because they ensure the country's foreign currency liquidity and support exchange rate stability under the circumstances of weak inflow of foreign capital.

The fall in economic activity in the beginning of 2012 together with the decline in the lending of commercial banks had a negative influence on developments in monetary aggregates. In the first four months of 2012 real seasonally adjusted value of money (M1) fell sharply.³⁸ Savings and time deposits remained the same, which resulted in weaker decline in real seasonally adjusted value of total liquid assets (M4). The money multiplier reduced mildly, indicating high level of primary liquidity in the banking system.

36 Under the loan programme economic entities with development potential are potential loan users which generate at least 10% of their income from the sale of goods/services in the international market and are at least 25% privately owned as at the date of the loan application. In addition, companies need to meet certain liquidity, indebtedness and profitability criteria.

37 As in the relation to the A and A+ model carried out in 2010 and 2011.

38 The provision on taxation of dividends and profit shares (at the rate of 12%) entered into force on 1 March, prompting individual companies to pay out profit shares prior to that date, which contributed to a decline in their demand deposits.

The developments in monetary aggregates are expected to be more favourable in the remainder of the year. The seasonal increase in savings and time deposits in the summer months together with the slight acceleration in lending activity should contribute to the recovery in money in the second half of the year. At the 2012 level, monetary aggregates are expected to grow slower than in 2011, which is in line with the forecast decline in economic activity in 2012. However, the risks of lower monetary aggregates growth rates remain present, so any more pronounced recovery in monetary aggregates can be expected only in 2013.

The monetary policy in 2012 and 2013 will be based on continued support to the stability of the kuna/euro exchange rate. The exchange rate development is expected to be stable with its usual seasonal fluctuations at a slightly higher average level than seen in 2011, which is primarily reflected in lower foreign capital inflows. Concurrently, the support to the corporate lending

programme and favourable liquidity levels will spur a stronger recovery of bank lending. The expansive orientation of monetary policy will prevail to the extent it does not jeopardise exchange rate, and consequently price, stability. In addition to the stable exchange rate, inflationary pressures should be contained by weak domestic demand and deferred recovery, thus not limiting the expansive monetary policy. Although the additional increase in free reserves of banks does not by itself guarantee greater lending activity of commercial banks, it does improve domestic financing conditions under the circumstances of weaker capital inflow and deteriorated conditions of foreign financing, so without such a policy bank lending would be even more constrained. Finally, it is noteworthy that recovery and the medium term growth outlook are largely influenced by other economic policies, especially fiscal consolidation and structural reforms, the implementation of which would favourably affect medium term monetary developments.

9 Public finance

Fiscal developments in the first two months of this year were in line with those that had been announced by the Government of the Republic of Croatia. Budget revenues rose while budget expenditures declined compared to the same period of the previous year, resulting in a fall in total general government fiscal deficit.³⁹ The CNB also expects to see a decline in general government deficit over 2012 as a whole. The total fiscal deficit⁴⁰ could thus stand at 4.6% of GDP in 2012, a decline of 0.7 percentage points compared to the previous year. At the same time, there is a possibility that general government debt will grow strongly: from 45.7% of GDP at the end of 2011 to 51.7% of GDP at the end of 2012, driven, among others, by the assumption of the debts of shipyards of 2.7 percentage points.

There is a possibility that total fiscal deficit might also be bigger than that planned under the last MoF mid-term projection in 2013, or only slightly bigger than that in 2011. Public debt of the Republic of Croatia will also continue to grow and at the end of 2013, it might rank among the highest in Central and Eastern European countries.

The CNB projection also indicates that the provisions of the Fiscal Responsibility Act will probably not be met in 2012 and 2013 if additional savings fail to materialise. Failure to comply with the provisions of this Act would undermine the credibility of fiscal authorities in relation to investors and international institutions. This would lead to an increase in the required yields on government borrowing and probably also to a fall in Croatia's credit rating to speculative levels.

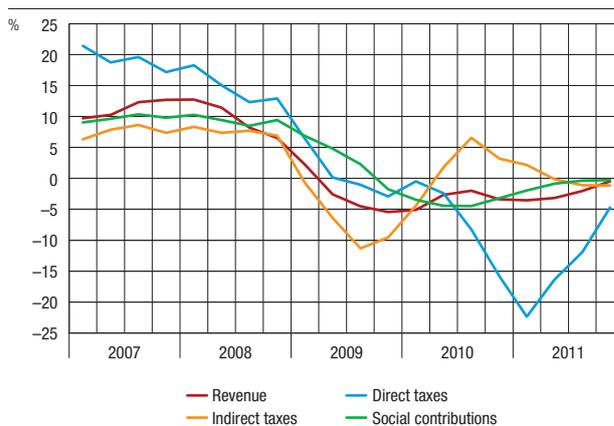
Revenues, expenditures and transactions in the non-financial assets of consolidated general government

The consolidated central government revenues stood at HRK 16.9bn in January and February 2012, up 3.4% compared to the same period in the previous year. The growth in revenues was almost fully attributable to an increase in profit tax revenues and

VAT. To an extent, this could be associated with the announcement of an increase in the basic VAT and the introduction of taxation of dividends and shares in profit from 1 March 2012. It seems that households and economic entities tried to mitigate the impact of increased tax burden through increased consumption and profit distribution before tax changes.

The changes in the taxation system⁴¹ will largely determine revenue dynamics in this year. It is estimated that the combined net effect of tax changes in 2012 might stand at approximately HRK 1.0bn. Under macroeconomic projections of the CNB, and in accordance with the changes in tax legislation, current revenues of the consolidated general government are estimated to increase by almost 2.0% from 2011. The contribution to

Figure 48 Consolidated general government revenue
year-on-year rate of change of four-quarter moving sums



Note: Revenues include proceeds from the disposal of non-financial assets. From 2008 on, CM is excluded from consolidated general government.

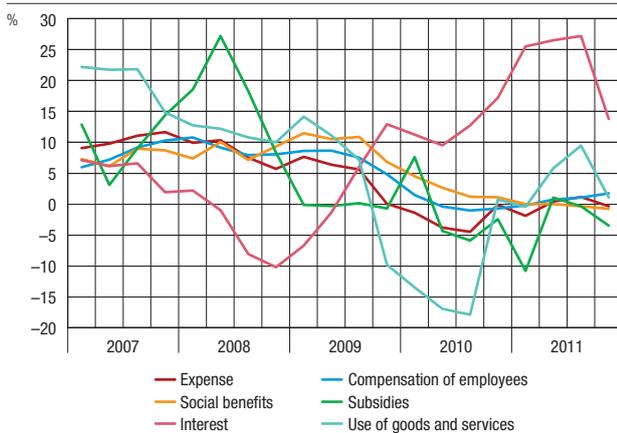
Sources: MoF and CNB calculations.

³⁹ According to preliminary consolidated central government MoF data.

⁴⁰ The total fiscal balance equals revenues reduced by expenditures, outlays for the acquisition of non-financial assets, shares and other securities, net loans granted, debt repayment to pensioners and on an annual level the balance is also corrected for changes in arrears (see Box 4 of Bulletin 165 for a detailed account of the methodology of calculation).

⁴¹ The most significant changes that will affect revenue developments in 2012 include the increase in the basic VAT rate from 23% to 25%, a reduction in the VAT rate for individual goods and services (oils and fats, baby food, water supply and white sugar) to 10%, restrictions on input VAT deductions for the acquisition of certain personal means of transport and entertainment expenses, a 2 percentage point reduction in the rate of health care contributions (from 15% to 13%), an increase in the amount of personal allowance of employees and pensioners and changes in income tax brackets and a 12% taxation of dividends and shares in profit.

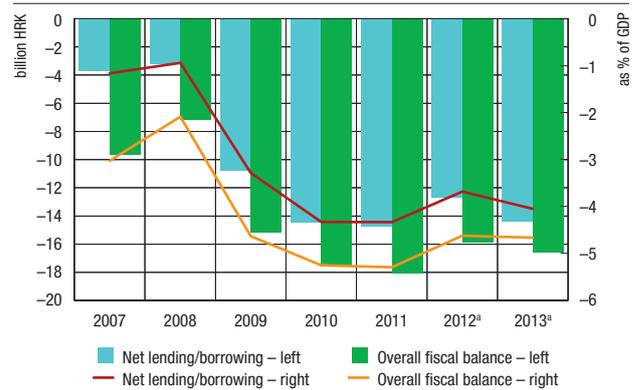
Figure 49 Consolidated general government expense
year-on-year rate of change of four-quarter moving sums



Note: Expense includes expenditures for the acquisition of non-financial assets. From 2008 on, CM is excluded from consolidated general government.

Sources: MoF and CNB calculations.

Figure 50 Consolidated general government deficit



^a Projection of the CNB.

Note: From 2008 on, CM is excluded from consolidated general government. All data used in the balance calculation are shown on a cash basis, with the exception of CM and CR data. The overall fiscal balance includes repayments of debt to pensioners.

Sources: MoF and CNB calculations.

the planned increase in revenues will also come from a number of Government measures aimed at improving taxpayers' fiscal discipline. The biggest contribution to total revenue growth is expected to come from the increase in the basic VAT rate introduced in March this year. By contrast, revenues from social contributions might see the largest fall in absolute terms due to a reduction in the rate of health care contributions introduced in early May 2012.

Revenue growth in 2013 is expected to rise to 2.5%, due to more favourable economic developments, the overall annual effect of the changes in the system of taxation introduced in 2012, as well as new changes in taxation legislation; due to the alignment with the EU acquis, the zero VAT rate is expected to be repealed and excises on energy, coal, coke and natural gas will be introduced in July 2013. By contrast, the reduction in the VAT rate on services of preparing food and restaurant services will have an effect on lower revenues in 2013.⁴²

The consolidated central government expenditures in the January to February 2012 period were 4% lower than in the same period of the previous year. The fall in expenditures was largely due to expenditures on subsidies and the so called other expenditures, in contrast with expenditures on interest and employee compensation, which moved in the opposite direction. The acquisition of non-financial assets, which reflects government investment activity, fell slightly.

In 2012, the expenditures of consolidated general government might reach HRK 132.4bn, which is a decline of 0.4% compared to the previous year, largely as a result of a reduction in expenditures for employees and subsidies. By contrast, expenditures for interest payments and pensions are expected to rise. Expenditures for pensions will be influenced by an increase in the number of pensioners and pension indexation. Interest expenditures include semi-annual interest on the USD 1.5bn eurobond issued in April, which has not been included in the budget.

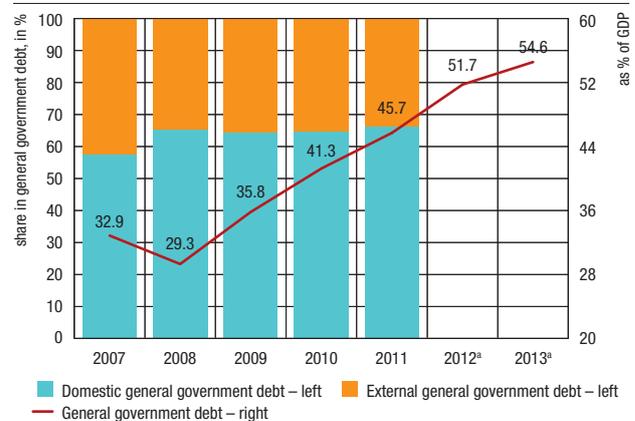
Expenditures are expected to increase by 3.4% in 2013, which is much above the projections of the MoF. This difference is due primarily to differences in projections for expenditures on interest and pensions.

Consolidated general government deficit and debt

In 2012, the total fiscal deficit of the consolidated general government might reach HRK 15.9bn or 4.6% of the projected GDP, which includes HRK 0.8bn in annual debt repayments to pensioners and HRK 1.0bn in expected payments under activated guarantees. Note should be taken of the impact that the assumption of debts of shipyards will have on the size of the total fiscal deficit. The assumption of debts will reduce payments under activated guarantees and increase interest expenditure and government debt repayments. It will be possible to quantify these effects in more detail after the completion of negotiations on debt assumption.

The structural deficit of the general government might fall by 0.9 percentage points of GDP to 4.3% of GDP. As agreed under the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, signed between heads of states or governments of all EU member states, except the Czech Republic and Great Britain, earlier this year, the structural deficit

Figure 51 General government debt



^a Projection of the CNB.

Note: From 2008 on, CM is excluded from consolidated general government.

Source: CNB.

⁴² The Government also announced the introduction of the property tax in 2013. As it will be possible to assess the effects of this tax on the budget only after the details of this tax become available, they have not been included in this projection.

should not exceed 0.5% of GDP, which thus calls for further significant consolidation.

At the beginning of the year, the government ensured the bulk of the funds necessary to finance the deficit and refinance the obligations by issuing T-bills but it also used the funds deposited with the CNB that had been transferred from 2011. In April this year, the government issued a USD 1.5bn bond on the American market and we expect to see further domestic and foreign borrowing later in the year and an issue of a domestic bond towards the end of 2012. Public debt might rise by approximately 6.0 percentage points of GDP and reach almost 52.0% of GDP at the end of the year. A considerable increase in public debt can partly be attributed to the previously mentioned government borrowing for the purpose of deficit financing, and partly to the inclusion of the debts of shipyards (HRK 9.2bn or

2.7% of GDP) assumed by the government in 2012 as public debt⁴³.

In 2013, the projected total fiscal deficit and the structural deficit of the consolidated general government might increase slightly compared to 2012. To finance the deficit and refinance its obligations, the government might issue bonds on the international market, although a significant amount of funds will also be obtained on the domestic market. At the end of 2013, public debt might reach 54.6% of GDP. Under the assumption of fiscal consolidation in the forthcoming years, gradual economic recovery and a small decline in government borrowing costs, public debt stabilisation might take place only towards the end of this decade and that at the level of below 60% of GDP (see Box 6 Republic of Croatia – Fiscal sustainability analysis).

Box 6 Republic of Croatia – Fiscal sustainability analysis

The interest in fiscal sustainability analysis rose considerably during the last global and public debt crisis, which continues to unfold in the eurozone. Taking into account the imprecise nature of the theoretical concept, in practice, public debt is considered sustainable if it stabilises at, or falls towards, some predetermined level (for instance 60% of GDP as defined under the EU Treaty). The analysis of fiscal sustainability for the Republic of Croatia shows that under a baseline scenario, public debt could be assessed as sustainable or that it could stabilise below 60% until the year 2020. However, each of the simulated shocks shows a growing trend in the debt path and a much higher level of debt at the end of the projection horizon.

Fiscal sustainability can generally be defined as the ability of a country to service its debts over time, without major adjustments to the revenue and/or expenditure side of the budget.⁴⁴ Empirical assessments of fiscal sustainability mostly start from budgetary limitations of the government that may be written as

$$PD_t - PD_{t-1} = E_t + r_t PD_{t-1} - T_t \quad (1)$$

The change in the public debt in each year ($PD_t - PD_{t-1}$) equals the sum of primary expenditures (E_t) and interest expenditures ($r_t PD_{t-1}$), reduced by fiscal revenues (T_t). Expressed as a percentage of GDP (Y_t), the equation (1) may be written as:

$$\frac{PD_t}{Y_t} = \left(\frac{E_t}{Y_t} - \frac{T_t}{Y_t} \right) + \frac{1+r_t}{1+g_t} \frac{PD_{t-1}}{Y_{t-1}} \quad (2)$$

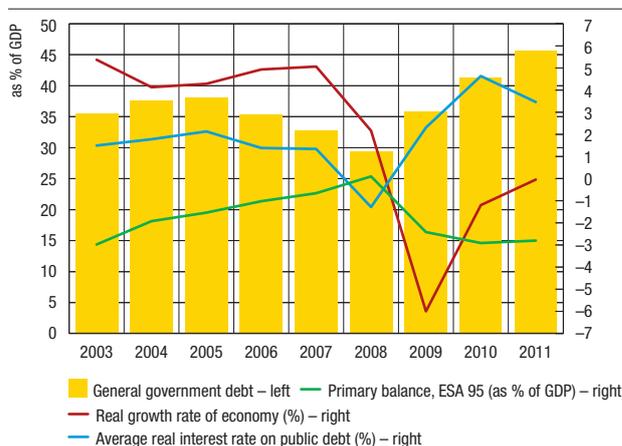
i.e.

$$pd_t = pb_t + \frac{1+r_t}{1+g_t} pd_{t-1} \quad (3)$$

where $\left(pb_t = \frac{E_t}{Y_t} - \frac{T_t}{Y_t} \right)$ is the primary balance, r the real interest rate paid by the government on its debt and g is the real GDP growth rate.

As shown by equation (3), the level of government debt to GDP ratio in the current year depends on the primary balance generated in the current year, level of debt in the previous year,

Figure 52 The main determinants of the dynamics of public debt and government debt of the RC



Note: From 2008 on, CM is excluded from public debt.

Sources: MoF and CNB.

real interest rate and real GDP growth rate.⁴⁵ Under the assumption of a constant deficit and greater GDP than interest rate growth, the government debt to GDP ratio will stabilise over the long term at a certain level. The higher the level of constant primary deficit, the higher the level of long-term government debt. By contrast, in the case of an interest rate higher than GDP growth rate, any level of primary deficit results in an explosive government debt path. In such a case, the stabilisation of the government debt to GDP ratio is only possible if there is a change in the fiscal policy, i.e. provided a primary surplus is generated. And finally, where interest rate equals GDP growth rate, the stabilisation of government debt to GDP ratio will only be possible if the primary balance is balanced.

Equation (3) may also be used to explain developments in government debt of the RC in the 2003 to 2011 period (Figure 52). From 2003 to the eruption of the global economic crisis,

43 The assumption of debts of state-owned shipyards is governed by the Act on the Rights and Obligations of Shipyards in the Process of Restructuring (OG 61/2008).

44 Fiscal sustainability analysis does not provide an answer to the question as to the level of public debt that has an unfavourable impact on macroeconomic developments or the level of debt that significantly increases the probability of debt crisis.

45 Due to the simplicity of the equation, the effect of items that lead to changes in public debt but do not affect the primary balance, such as privatisation receipts or the assumption of debt of public enterprises, have not been taken into account in the derivation. However, their effects have been included in the empirical analysis of fiscal sustainability for the RC.

Table 14 Macroeconomic and fiscal assumptions used in the analysis of fiscal sustainability

%	2012	2013	2014	2015 – 2017	2018 – 2020
General government primary balance	-1.2	-1.3	-0.6	-0.3	0.2
Real GDP growth	-1.6	1.3	2.0	2.2	2.6
Implicit nominal interest rate	5.5	5.6	5.4	5.1	5.0
Implicit GDP deflator	2.5	2.1	2.0	2.0	2.0
Other fiscal flows that impact debt stock ^a	2.4	0.4	0.1	0.0	0.1

^a Including, inter alia, payments under activated guarantees, recapitalisation of state-owned enterprises, privatisation revenues that reduce borrowing needs, and the assumption of debts of shipyards and their inclusion into public debt.

Source: CNB.

the fiscal position had showed a trend of visible improvement: the general government deficit (ESA 95 methodology) had kept on falling steadily, reaching 1.4% of GDP in 2008, while public debt had been on the decrease between 2005 and 2008, when it reached approximately 30% of GDP. Fiscal consolidation during that period was largely due to faster revenue than expenditure growth as a result of the effect of automatic stabilisers during the upward phase of the business cycle while public debt reduction was also due to the positive difference between real GDP growth rate and the implicit real interest rate on government debt.

The global economic crisis led to a sharp fall in revenues, and adjustments on the expenditure side of the budget were not sufficient to avoid a significant widening of fiscal imbalances. This led to a visible increase in general government deficit and consequently to increased government financing needs. GDP growth slowed down considerably. This led to a fast growth in public debt which was up 55% in absolute terms or 16 percentage points of GDP between 2008 and 2011 and stood at 45.7% of GDP at the end of 2011.

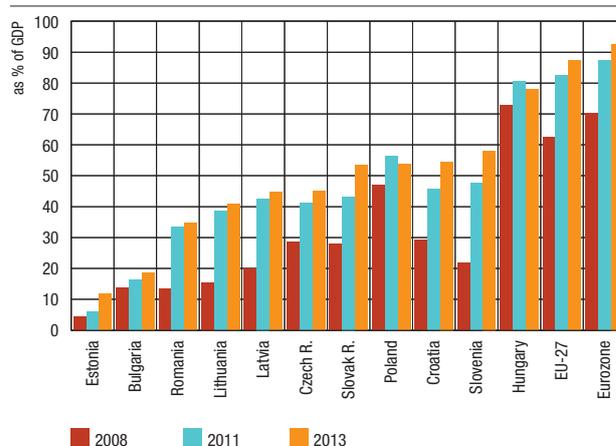
The described fiscal developments in Croatia were very similar to developments in most EU member states, whose public debt had also trended downwards several years before the financial crisis. However, the situation changed considerably as the financial crisis escalated. The fiscal balance in some member states worsened rapidly due to the effect of automatic stabilisers, the fiscal incentives that certain countries used in an attempt to reverse negative economic trends, and bank rehabilitation costs. In the period from 2008 to 2011, the average public debt in the EU rose by approximately 20 percentage points of GDP and at the end of 2011 stood on average at 83% of GDP. Ireland and Greece stood out in particular as regards government debt growth. The public debt of these two countries rose by over 50% of GDP during these three years. Looking at new EU member states, the level of debt in Latvia, Lithuania, Romania and Slovenia rose by over 20 percentage points of GDP and by 15 percentage points in Slovakia. In terms of the level of public debt among new EU member states, Hungary stands out. This country's public debt was over 80% of GDP at the end of last year. By contrast, Estonia had one of the smallest public debts (6% of GDP). At the end of 2011, in terms of public debt level, Croatia ranked among the top EU emerging market member states, only Hungary, Poland and Slovenia exceeding its level. The comparison between the public debt projection of the European Commission for EU member states and of the CNB for Croatia indicates that public debt in Croatia at the end of 2013 could again rank among the highest in the new EU member states⁴⁶ and reach the limit of 60% of GDP.

Based on equation (3) and the projection of basic macroeconomic values, a simple analysis of fiscal sustainability in the

period between 2012 and 2020 can be made. Key values are shown in Table 14. Under these projections, government debt in 2012 might reach the level of approximately 52% of GDP, partly also due to the inclusion of a significant share of the debts of shipyards in public debt, while in 2013 this debt could reach 55% of GDP. The debt is projected to grow until 2018 and then stabilise at the level of approximately 58% of GDP, as shown in Figure 54. This would be in compliance with the provisions of the Budget Act⁴⁷ which prescribe that central government debt should not exceed 60% of GDP.

Under this projection, the path of government debt will stabilise based on the expected economic recovery that will lead to GDP growth, fiscal consolidation that results in primary general government surplus and a small decline in government borrowing costs. To calculate the possible impact of developments in macroeconomic variables more unfavourable than those used under the baseline scenario, several shock scenarios with a negative impact on government debt dynamics were assumed.⁴⁸ As clearly shown in Figure 54, the debt can be seen to be trending upwards under all the shock scenarios and as such cannot be deemed sustainable. Under the first scenario (primary balance shock), it was assumed that primary general government balance until the end of the projection horizon would deteriorate by half a standard deviation of that of the baseline scenario. This means that until 2020, the government will continue to generate a primary deficit. Figure 54 shows that in such a case the deficit at the end of 2020 would be approximately 65% of GDP. The

Figure 53 Government debt of the RC and comparable countries



Note: EC and CNB forecasts for 2013.

Sources: Eurostat, EC and CNB.

46 In terms of public debt level, only Hungary and Slovenia would be ahead of Croatia.

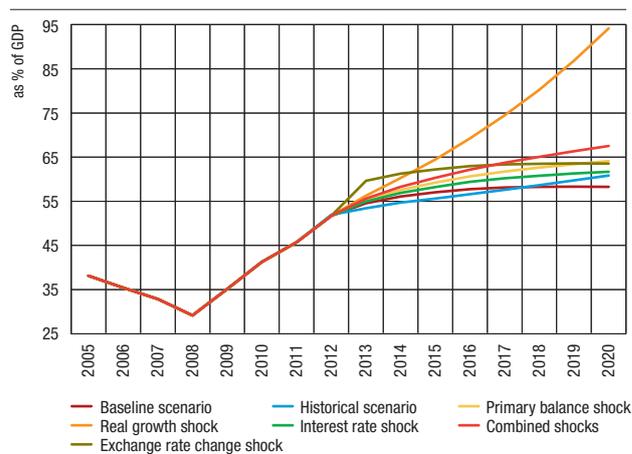
47 OG 87/2008.

48 All the shocks are expressed by means of the number of standard deviations calculated for the period from 2002 to 2011 and applied to the entire projection period. Thus, for example, the standard deviation of the real growth for the mentioned period is 5.7%. Therefore, the projected rate of real growth in the 2013 to 2020 period under the real growth shock scenario has been reduced by half a standard deviation, or 1.85% relative to the baseline scenario.

biggest negative impact on the public debt path would come from the real growth shock, which results in a debt level of almost 100% of GDP at the end of 2020. A one-time depreciation shock of 10% in 2013 could also have a strong influence on the debt level in that year, while the following years would see a debt path similar to that assumed under the baseline scenario. A slight increase in interest rate on public debt (interest rate shock scenario) would have a similar impact on debt path. And finally, the scenario of combined shocks assumes a simultaneous occurrence of all the previously mentioned shocks, but at half the intensity (standard deviation of 0.25 against 0.5). It is clear that in this case also the public debt would grow continuously and reach almost 68% at the end of 2020, in which case neither the path nor the level of debt might be considered sustainable.

Taking into account the high level of uncertainty characteristic of even much more sophisticated sustainability assessments, this analysis shows that Croatian government debt could stabilise at the level of below 60% only provided stable and lasting economic recovery in the forthcoming years and relatively strong fiscal discipline are achieved.⁴⁹ Under each of the simulated shocks, the debt path shows a growing trend with the level of debt at the end of the projection horizon exceeding 60% of GDP. The level of debt of 60% of GDP has been chosen here as a benchmark due to EU regulations and the previously mentioned Budget Act. However, this does not imply that this is the level of

Figure 54 Fiscal sustainability analysis – baseline and shock scenarios



Sources: CNB and author's calculations.

debt optimal for Croatia. As shown by IMF estimates, a more appropriate level of public debt for emerging markets would stand at approximately 40% of GDP.

10 Deviations from the previous projection

The expected rate of change in real GDP is -1.6% in 2012, while it was -0.2% in the previous Information on economic trends and forecasts (CNB Bulletin No. 176, December 2011). The correction mostly reflects the fact that actual developments in the international environment were much more unfavourable than previously expected. Current expectations show that aggregate demand will fall in most EU countries. With this in mind, a substantial downward adjustment was also made to private sector investment. In addition, the increase in the administrative prices of household electricity and gas, and the increase in the general VAT rate reduced the expected dynamics of personal consumption. By contrast, the decrease in government consumption is now expected to be more moderate. The effect of the described changes in aggregate demand components on projected overall GDP trends was in part offset by the downward correction of the overall import dynamics. With regard to 2013, the expected GDP dynamics is approximately the same as in the previous projection.

The previous projection forecast a drop in average employment in the formal economy of -1.3% in 2012, while the expected unemployment rate was 18.7% . Since economic developments are expected to deteriorate, these indicators now stand at -1.7% and 18.9% respectively. If the assumptions of the current projection hold good, a mild growth in employment and a slight decrease in the unemployment rate may be expected in 2013.

The estimated average annual inflation rate in 2012 is 0.9 percentage points higher than previously forecast, largely due to the sharper increase in energy prices. The previous projection for 2012 forecast a slight reduction in the prices of refined

petroleum products in response to the fall in world crude oil prices, a 10% increase in natural gas prices and no change in household electricity prices. By contrast, the current projection envisages that crude oil prices, and gas and electricity prices will grow by around 4.8% and 20% respectively. In addition, some other regulated prices (e.g. water supply and public transport) also increased in the first four months of 2012, which was not foreseen in the previous projection.

The actual current account balance in 2011 was much worse than previously estimated, which is attributable to the revision of data on trade in goods for 2011.⁵⁰ The impact of the revision was softened by somewhat more favourable trends in other current account items, so that the actual current account deficit deviated from the December 2011 estimate by 1.4 percentage points of GDP. Accordingly, projections for the current account balance in the period from 2012 onwards were revised down. Furthermore, instead of showing the expected improvement, the balance is expected to deteriorate slightly in 2012 and 2013. This will be influenced by unfavourable trends in goods trade, partly due to higher oil prices in the global market, which raise the deficit in trade of energy products. Net exports of ships, which were strong in the preceding two years and hit a record high in 2011 (almost three times greater than the ten-year average) could be even lower than expected. In view of the parallel slowdown in exports and imports, no major changes are expected in the trade deficit for other goods in 2012. More pessimistic estimates of 2012 economic trends in most of the major trading partners will weaken export performance, while the ongoing contraction in domestic demand could reduce imports. As the projection for

⁴⁹ It has also been assumed that the assumption of debts of shipyards and their inclusion in the public debt in 2012 and 2013 will not be followed by similar initiatives in the following periods.

⁵⁰ In March 2012, the Croatian Bureau of Statistics stated that a technical error had been made in the processing of data for 2011 – part of the single administrative documents referring to the beginning of each month were missing for the period from February to December 2011.

Table 15 Deviations from the previous projection

	2011			2012			2013		
	Previous projection (12/2011)	Outturn	Deviation	Previous projection (12/2011)	Current projection	Deviation	Previous projection (12/2011)	Current projection	Deviation
National accounts (real rate of change, in %)									
GDP	0.4	0.0	-0.4	-0.2	-1.6	-1.4	1.2	1.3	0.1
Personal consumption	0.2	0.2	0.0	-0.4	-0.8	-0.4	0.3	0.5	0.2
Government consumption	-0.3	-0.2	0.1	-3.5	-2.1	1.4	-1.4	-1.4	0.1
Gross fixed capital formation	-7.2	-7.2	0.0	1.6	-2.8	-4.4	3.0	5.0	2.1
Exports of goods and services	-0.7	2.2	2.9	1.6	-1.1	-2.7	3.4	2.2	-1.2
Imports of goods and services	-4.8	1.0	5.8	0.9	-0.6	-1.6	1.5	2.1	0.6
Labour market									
Number of employed persons (average rate of change, in %)	-1.5	-1.1	0.4	-1.3	-1.7	-0.4	0.4	0.4	0.0
Registered unemployment rate	17.9	17.8	-0.1	18.7	18.9	0.2	18.5	18.7	0.2
ILO unemployment rate	13.1	13.5	0.4	13.6	14.2	0.6	13.5	14.0	0.5
Prices									
Consumer price index (average rate of change, in %)	2.3	2.3	0.0	2.3	3.2	0.9	2.6	2.6	0.0
Public finances (as % of GDP)									
General government overall fiscal balance	-5.7	-5.3	0.4	-4.6	-4.6	0.0	-3.2	-4.7	-1.4
Public debt ^a	45.1	45.7	0.7	51.8	51.7	-0.1	53.2	54.6	1.3
External sector									
Current account balance (as % of GDP) ^b	0.4	-1.0	-1.4	0.5	-1.1	-1.6	0.9	-1.4	-2.2
Goods ^b	-11.9	-13.9	-2.0	-11.7	-14.4	-2.7	-11.0	-14.4	-3.5
Services	13.8	13.9	0.1	13.8	14.3	0.5	13.6	14.1	0.5
Factor income	-3.7	-3.5	0.2	-3.9	-3.6	0.3	-4.1	-3.8	0.3
Current transfers	2.2	2.5	0.3	2.3	2.7	0.3	2.3	2.7	0.4
Gross external debt (as % of GDP)	98.9	99.6	0.8	99.1	100.4	1.2	97.0	100.8	3.8
Monetary developments (rate of change, in %)									
Total liquid assets – M4	4.7	3.5	-1.2	5.2	2.4	-2.8	6.2	3.7	-2.5
Total liquid assets – M4 ^c	3.7	2.1	-1.6	5.3	2.0	-3.3	6.2	3.7	-2.5
Bank placements to the private sector ^d	5.1	5.5	0.4	3.6	0.5	-3.1	5.0	4.1	-0.9
Bank placements to the private sector ^{c,d}	3.7	3.8	0.1	4.0	0.1	-3.9	5.3	4.4	-0.9

^a Public debt in 2012 and 2013 includes the assumed debt of state-owned shipyards.

^b Deviations from external sector projected values also include the revision of CBS data on trade in goods.

^c Excluding the exchange rate effect.

^d The Ministry of Finance assumed the loan liabilities of shipyards in 2012, which contributed to the lower growth of placements to the private sector. This effect has been estimated at about 2.5 percentage points. If excluded, the growth in placements to the private sector would amount to 3.0% or 2.6% (the exchange rate effect excluded) in 2012.

Sources: CBS, MoF and CNB.

2013 includes the estimated impact of leaving CEFTA and entering the EU, the trade deficit for other goods is larger than in the previous projection. The outlook for the trade in services is brighter as it now seems that the ongoing instability in competitor Mediterranean destinations could continue to boost foreign demand for domestic tourist services in 2012.

The gross external debt position in late 2011 was the same as in the previous projection. Still, lower-than-expected nominal GDP figures raised the debt-to-GDP ratio (by 0.8 percentage points), with projections for 2012 being affected even more. The external debt level projected for end-2013 was revised upwards; it may be assumed that a stronger recovery in economic activity and foreign capital flows will lead to renewed borrowing by the banking sector and continued government borrowing, which will further push up the relative indicator for 2013.

Growth projections for major monetary and credit aggregates in 2012 and 2013 were revised down relative to the previous projections. This was largely due to the absence of recovery in private sector lending in the first four months of 2012 and the expectation that the 2012 economic downturn would be sharper than projected. In line with this, the rise in total liquid assets M4 was reduced from 5.2% to 2.4%, while the increase in bank loans to the private sector was cut from 3.6% to 0.5%, or to 3.0% excluding the transfer of shipyard loans to the government sector, the impact of which is estimated at 2.5 percentage points of private sector loans. Monetary and credit aggregates are expected to grow somewhat faster in 2013. Still, downside risks, which arise from the uncertain pace of economic recovery, the likely continuance of aggravated financing conditions and subdued loan demand, prompted a downward revision of expected

growth rates for almost all monetary and credit aggregates in 2013 relative to the previous projection.

The fiscal deficit totalled 5.3% of GDP in 2011, which is a 0.4 percentage point of GDP less than in the previous projection. The discrepancy was mostly due to lower than projected expenditures. By contrast, public debt exceeded projections by a 0.7 percentage point of GDP and stood at 45.7% of GDP at end-2011. This is largely the result of lower-than-expected nominal GDP. Revenue projections for 2012 were raised relative to the December 2011 projection, predominantly due to changes in tax regulations. Also, the expenditure side was also increased in line with the general government budget for 2012. As the revenue and expenditure sides were raised by almost the same amount, there were no major changes in the projected overall fiscal deficit, i.e. it remained at 4.6% of the projected GDP. Government borrowing was slightly reduced due to larger expected revenues from

capital and privatisation, while the debt of state-owned shipyards to be included in public debt was also reduced. However, in view of the lower projected nominal GDP, the public debt projected for end-2012 remained close to 52% of GDP.

The overall fiscal balance forecast for 2013 was raised markedly due to larger consolidated general government expenditures. More precisely, former projections assumed that there would be a strong fiscal consolidation, largely on the side of expenditures. However, current MoF projections for the medium term suggest that the previously forecast marginal increase in expenditures is not likely. Current expectations suggest that the deficit could reach 4.7% of the projected GDP in 2013, 1.4 percentage points of GDP more than in the previous projection. As the deficit increase also raises government borrowing needs, public debt was revised up from 53.2% to 54.6% of the projected GDP.



Statistical survey

Classification and presentation of data on claims and liabilities

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

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

The central government and funds consists of two subsectors, the Republic of Croatia and central government funds. Until December 2003, the subsector Republic of Croatia included government authorities, comprising the Croatian Roads, the Croatian Motorways and the State Agency for Deposit Insurance and

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

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

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

Foreign sector includes foreign legal and natural persons.

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

A Monetary and credit aggregates

Table A1 Monetary and credit aggregates
end of period, in million HRK and %

Year	Month	Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth					
								Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25
1999	December ^a	10,310.0	13,858.9	13,965.7	56,659.3	40,003.8	55,875.8	4.53	5.46	5.48	2.28	0.35	-4.58
2000	December	11,717.3	18,030.3	18,256.4	73,061.1	44,043.9	60,883.8	7.32	10.04	9.89	3.66	10.46	2.66
2001	December	17,803.2	23,703.5	23,936.5	106,071.4	57,410.0	74,964.5	8.01	13.00	11.96	11.65	3.40	1.16
2002	December	23,027.9	30,869.8	31,876.7	116,141.8	83,324.4	97,463.7	10.72	6.11	6.79	1.65	7.92	2.15
2003	December	30,586.2	33,888.7	34,630.9	128,893.1	96,121.7	111,661.4	8.90	1.78	1.93	0.14	3.11	0.66
2004	December	33,924.4	34,562.1	35,186.5	139,947.7	108,205.1	127,308.6	8.69	2.86	2.68	0.23	2.15	1.99
2005	December	40,390.8	38,817.1	39,855.4	154,647.0	131,343.2	149,168.3	9.38	4.34	3.87	-0.02	1.84	1.94
2006	December	46,331.2	48,521.0	49,141.7	182,458.6	154,844.1	183,379.5	3.17	4.75	4.07	1.57	3.38	2.99
2007	December	51,923.9	57,878.3	58,663.4	215,822.1	166,375.5	210,828.4	3.73	6.71	6.62	3.95	3.54	2.65
2008	December	49,743.0	55,222.3	56,044.6	225,018.5	183,279.1	232,982.1	-9.89	8.17	8.49	3.17	5.68	1.96
2009	December	56,141.9	47,181.7	47,760.5	223,094.6	178,083.2	231,661.9	4.55	3.13	3.25	-0.23	-0.91	0.10
2010	December	56,249.1	49,151.7	49,748.5	232,869.6	188,845.0	247,520.2	2.81	1.67	1.18	0.17	3.24	0.52
2011	May	61,310.3	50,478.9	51,488.7	230,682.4	200,055.9	254,328.8	2.81	0.23	0.45	0.78	2.31	1.64
	June	62,981.2	52,756.8	53,723.4	232,457.5	200,836.6	253,514.2	2.73	4.51	4.34	0.77	0.39	-0.32
	July	57,131.7	53,931.6	54,879.6	236,860.9	198,533.6	258,375.4	-9.29	2.23	2.15	1.89	-1.15	1.92
	August	58,080.3	54,014.2	55,022.2	241,379.1	198,798.8	257,381.7	1.66	0.15	0.26	1.91	0.13	-0.38
	September	59,603.2	51,154.7	52,088.1	241,200.3	199,260.9	257,122.8	2.62	-5.29	-5.33	-0.07	0.23	-0.10
	October	58,962.5	50,998.6	51,899.1	241,353.8	201,077.8	257,229.1	-1.08	-0.31	-0.36	0.06	0.91	0.04
	November	60,091.7	50,946.2	51,922.2	241,661.5	203,421.2	258,893.3	1.92	-0.10	0.04	0.13	1.17	0.65
	December	62,379.5	52,850.9	53,767.9	241,056.9	207,581.7	261,048.8	3.81	3.74	3.55	-0.25	2.05	0.83
2012	January	59,722.8	49,172.9	49,776.7	237,677.9	208,015.2	260,565.8	-4.26	-6.96	-7.42	-1.40	0.21	-0.19
	February	59,111.2	48,422.8	49,055.9	236,231.3	209,027.2	261,701.7	-1.02	-1.53	-1.45	-0.61	0.49	0.44
	March	60,821.7	47,389.5	48,087.2	235,530.1	208,442.8	260,370.2	2.89	-2.13	-1.97	-0.30	-0.28	-0.51
	April	60,017.0	47,845.2	48,636.5	236,678.6	199,196.0	259,002.6	-1.32	0.96	1.14	0.49	-4.44	-0.53

^a Domestic credit decreased by a one-off HRK 2,759.4m.

Table A1 Monetary and credit aggregates • The table shows data on some basic monetary and credit aggregates, including their monthly growth rates. In September 1999, all the monetary aggregates were revised. In previous publications of the CNB, data on claims and obligations of savings banks were not included in the compilation of the monetary aggregates.

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

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

Broadest money (M4) comprises Money (M1), savings and

time deposits, foreign currency deposits as well as bonds and money market instruments (all components are taken over from the Monetary survey, Table B1).

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

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

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' share in monetary aggregate M1 amounted to HRK 259.3m and in monetary aggregate M4 amounted to HRK 4,035.8m. Data for June 1999 are comparable with data for July 1999 if Domestic credit is increased by HRK 3,513.5m.

B Monetary institutions

Table B1 Monetary survey
end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
							Jan.	Feb.	Mar.	Apr.
ASSETS										
1 Foreign assets (net)	27,614.5	49,446.5	41,739.4	45,011.4	44,024.6	33,475.2	29,662.7	27,204.1	27,087.3	37,482.6
2 Domestic credit	200,328.9	226,076.1	254,569.8	253,523.6	272,601.4	299,152.6	299,636.4	300,750.2	299,941.9	291,831.8
2.1 Claims on central government and funds (net)	16,949.4	15,247.7	21,587.7	21,861.7	25,081.2	38,103.8	39,070.6	39,048.5	39,571.7	32,829.2
2.2 Claims on other domestic sectors	181,031.9	207,398.7	231,472.7	229,870.2	244,039.2	257,620.2	257,207.6	258,496.2	257,167.5	255,767.6
2.3 Claims on other banking institutions	1,029.5	1,640.0	441.9	681.7	890.9	1,350.3	1,172.4	1,101.9	1,314.0	1,261.5
2.4 Claims on non-banking financial institutions	1,318.1	1,789.7	1,067.4	1,109.9	2,590.0	2,078.3	2,185.8	2,103.5	1,888.7	1,973.5
Total (1+2)	227,943.3	275,522.6	296,309.2	298,534.9	316,626.0	332,627.8	329,299.1	327,954.3	327,029.1	329,314.4
LIABILITIES										
1 Money	48,521.0	57,878.3	55,222.3	47,181.7	49,151.7	52,850.9	49,172.9	48,422.8	47,389.5	47,845.2
2 Savings and time deposits	44,836.8	53,644.9	50,070.3	39,139.4	34,823.4	40,926.9	40,904.6	40,991.9	42,312.9	42,235.9
3 Foreign currency deposits	88,256.7	103,090.1	117,194.8	135,410.6	147,557.1	145,166.1	145,676.7	144,958.7	144,007.4	144,540.0
4 Bonds and money market instruments	844.1	1,208.8	2,531.1	1,362.8	1,337.4	2,112.9	1,923.8	1,857.9	1,820.3	2,057.5
5 Restricted and blocked deposits	2,504.5	2,280.9	3,094.2	2,598.3	2,389.0	3,293.4	2,783.9	2,574.1	2,645.5	3,179.6
6 Other items (net)	42,980.2	57,419.6	68,196.5	72,842.0	81,367.5	88,277.4	88,837.2	89,148.9	88,853.6	89,456.2
Total (1+2+3+4+5+6)	227,943.3	275,522.6	296,309.2	298,534.9	316,626.0	332,627.8	329,299.1	327,954.3	327,029.1	329,314.4

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
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	December	46	4	13	7	9	8	5	10	3	5	2
2003	December	42	2	13	8	5	8	6	7	3	2	2
2004	December	39	1	12	9	6	5	6	6	3	3	–
2005	December	36	1	10	6	8	5	6	3	2	1	–
2006	December	35	2	6	5	10	4	8	3	2	1	–
2007	December	35	2	5	2	12	5	9	2	1	1	–
2008	December	36	2	7	1	11	6	9	2	1	1	–
2009	December	36	3	5	3	10	7	8	2	1	1	–
2010	December	36	3	5	2	9	9	8	2	1	1	–
2011	May	36	4	4	2	10	8	8	2	1	1	–
	June	36	4	4	2	10	8	8	2	1	1	–
	July	36	4	4	2	10	8	8	2	1	1	–
	August	36	4	4	2	10	8	8	2	1	1	–
	September	36	4	4	2	10	8	8	2	1	1	–
	October	36	4	4	2	10	8	8	2	1	1	–
	November	36	4	4	2	9	9	8	2	1	1	–
	December	36	4	4	1	10	9	8	2	1	1	–
2012	January	35	4	4	1	9	9	8	2	1	1	–
	February	35	4	4	1	9	9	8	2	1	1	–
	March	35	4	4	1	9	9	8	2	1	1	–
	April	35	4	4	1	10	8	8	2	1	1	–

Table B2 Number of reporting banks and savings banks and their classification by total assets • The table shows the total number of banks and savings banks during the transition period which report monthly to the CNB. Their operations are shown in the Banks' accounts. Monetary statistics includes reporting

institutions under winding-up and, until February 2005, institutions whose operating licences have been revoked, but which have not initiated winding-up proceedings.

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

	2006	2007	2008	2009	2010	2011	2012				
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	
5.2 CNB bills in f/c	-	-	-	-	-	-	-	-	-	-	-
6 Capital accounts	5,408.8	6,664.5	9,562.4	11,151.3	13,090.1	15,787.9	15,987.2	15,746.3	14,715.2	15,182.7	
7 Other items (net)	-515.8	-665.6	-707.1	-735.9	-792.9	-844.6	-848.1	-854.0	-866.1	-864.0	
Total (1+2+3+4+5+6+7)	68,064.6	72,425.1	66,885.8	75,828.3	78,745.2	84,696.5	82,898.8	86,577.2	85,247.1	93,924.4	

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

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

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

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

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

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

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

Restricted and blocked deposits include required foreign currency reserves and accrued interest, restricted deposits and blocked foreign currency deposits. Banks are required to set aside the reserve requirements against certain foreign currency sources of funds and the marginal reserve requirements (from August 2004 to October 2008) in special accounts at the Croatian National Bank. Restricted deposits are kuna funds set aside on the basis of a court order or regulations, kuna funds set aside in the period between May 1999 and April 2002 and deposits of banks against which bankruptcy proceedings have been initiated. Blocked foreign currency deposits are funds that were set aside in special accounts at the Croatian National Bank for repaying unpaid amounts due to foreign creditors.

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

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

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

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

Other items (net) are unclassified liabilities decreased by unclassified assets of the Monetary authorities accounts.

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

D Banks

Table D1 Banks' accounts
end of period, in million HRK

	2006	2007	2008	2009	2010	2011	2012			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
ASSETS										
1 Reserves with the CNB	48,384.7	50,178.9	40,705.6	45,902.1	45,759.6	51,238.7	49,659.3	48,946.0	50,567.0	49,592.8
1.1 In kuna	31,814.1	35,929.1	32,700.5	40,860.4	40,986.4	45,700.5	43,650.2	43,070.6	44,650.7	43,637.3
1.2 In f/c	16,570.6	14,249.8	8,005.1	5,041.7	4,773.2	5,538.2	6,009.1	5,875.4	5,916.3	5,955.5
2 Foreign assets	39,621.2	46,438.5	50,246.6	49,577.0	47,245.4	39,450.1	38,460.3	33,351.2	32,725.3	34,805.8
3 Claims on central government and funds	27,936.8	28,971.5	37,801.1	44,249.5	50,307.6	57,869.9	59,258.6	64,481.9	63,076.8	64,866.1
4 Claims on other domestic sectors	180,967.8	207,330.7	231,408.6	229,866.1	244,035.4	257,616.6	257,204.1	258,492.7	257,164.0	255,764.1
4.1 Claims on local government	1,892.0	2,140.8	2,077.4	2,074.2	2,412.8	2,712.3	2,538.0	2,690.8	2,682.8	2,662.3
4.2 Claims on enterprises	83,386.5	92,265.1	102,779.8	104,898.1	114,089.7	126,195.8	125,729.1	126,989.2	126,464.4	124,735.3
4.3 Claims on households	95,689.3	112,924.9	126,551.4	122,893.7	127,532.9	128,708.6	128,937.0	128,812.7	128,016.8	128,366.5
5 Claims on other banking institutions	1,029.5	1,640.0	441.9	681.7	890.9	1,350.3	1,172.4	1,101.9	1,314.0	1,261.5
6 Claims on non-banking financial institutions	1,318.1	1,789.7	1,067.4	1,109.9	2,590.0	2,078.3	2,185.8	2,103.5	1,888.7	1,973.5
Total (1+2+3+4+5+6)	299,258.1	336,349.4	361,671.2	371,386.3	390,829.0	409,604.0	407,940.5	408,477.2	406,735.8	408,263.8
LIABILITIES										
1 Demand deposits	33,911.7	41,870.8	38,171.2	31,899.6	33,888.9	36,161.3	33,100.5	32,381.5	31,217.3	31,465.6
2 Savings and time deposits	44,836.8	53,644.9	50,070.3	39,139.4	34,823.4	40,926.9	40,904.6	40,991.9	42,312.9	42,235.9
3 Foreign currency deposits	88,256.7	103,090.1	117,194.8	135,410.6	147,557.1	145,166.1	145,676.7	144,958.7	144,007.4	144,540.0
4 Bonds and money market instruments	844.1	1,208.8	2,531.1	1,362.8	1,337.4	2,112.9	1,923.8	1,857.9	1,820.3	2,057.5
5 Foreign liabilities	76,076.0	65,152.6	75,296.1	80,365.3	81,940.4	90,276.5	91,380.2	92,602.6	90,766.9	91,179.2
6 Central government and funds' deposits	10,800.4	13,525.8	16,007.5	18,219.3	19,870.3	18,244.9	18,460.7	18,840.0	18,964.8	18,578.5
7 Credit from central bank	3,911.4	4,178.3	14.0	13.5	12.9	139.1	60.3	65.1	61.8	11.9
8 Restricted and blocked deposits	2,447.6	2,252.3	3,038.4	2,548.4	2,328.3	3,231.5	2,735.8	2,522.2	2,578.6	3,058.0
9 Capital accounts	40,805.1	53,178.9	60,317.4	66,306.4	71,826.9	76,624.4	76,952.2	77,519.5	78,372.4	77,358.7
10 Other items (net)	-2,631.7	-1,753.2	-969.7	-3,879.1	-2,756.6	-3,279.6	-3,254.3	-3,262.2	-3,366.5	-2,221.4
Total (1+2+3+4+5+6+7+8+9+10)	299,258.1	336,349.4	361,671.2	371,386.3	390,829.0	409,604.0	407,940.5	408,477.2	406,735.8	408,263.8

Table D1 Banks' accounts • Banks' accounts include data on banks' claims and liabilities. Banks' mutual claims and liabilities are consolidated.

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

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

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

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

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

Items Demand deposits, Savings and time deposits, Foreign currency deposits as well as Bonds and money market

instruments comprise banks' liabilities to other domestic sectors, other banking institutions and non-banking financial institutions.

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

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

Foreign currency deposits are foreign currency sight deposits as well as foreign currency time and notice deposits.

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

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

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

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

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

Capital accounts are share capital, profit or loss for the

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

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

Tables D2 – D12 • This group of tables (with the exception of Table D5) provides a detailed analysis of the relevant asset and liability items from Table D1 (Banks' accounts).

Table D2 Banks' foreign assets
end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
							Jan.	Feb.	Mar.	Apr.
1 Foreign assets in f/c	39,454.5	45,837.2	49,705.1	49,230.3	46,920.2	39,159.2	38,053.7	33,064.7	32,384.4	34,307.2
1.1 Claims on foreign financial institutions	30,404.1	37,824.9	38,038.3	34,186.6	32,069.1	29,698.4	30,096.3	25,238.1	24,319.4	25,877.5
Foreign currencies	1,232.1	1,245.5	1,973.2	1,772.6	1,628.4	1,944.8	1,747.1	1,665.0	1,621.0	1,856.6
Demand deposits	870.1	1,305.2	2,109.8	1,338.7	1,584.7	2,486.3	2,123.6	1,935.1	2,085.7	2,164.0
Time and notice deposits	23,509.4	31,726.1	31,444.5	29,254.5	26,728.1	22,302.7	22,769.7	17,837.6	17,534.0	16,966.3
Securities	4,441.5	3,210.4	2,307.1	1,629.0	1,896.5	2,840.4	3,231.7	3,207.5	2,817.4	4,622.0
Loans and advances	339.2	195.9	166.3	117.6	170.1	67.7	167.7	551.6	220.4	227.3
Shares and participations	11.8	141.9	37.4	74.2	61.3	56.4	56.4	41.3	41.0	41.3
1.2 Claims on foreign non-banks	9,050.4	8,012.3	11,666.8	15,043.7	14,851.2	9,460.8	7,957.4	7,826.6	8,065.0	8,429.7
Claims on foreign governments	8,217.0	6,696.1	9,976.8	13,477.2	13,047.3	7,544.3	6,014.3	5,890.0	6,110.7	6,345.4
Claims on other non-residents	798.1	1,295.2	1,613.5	1,534.5	1,785.9	1,857.5	1,886.8	1,872.5	1,891.1	2,015.6
Securities	141.5	180.9	235.1	205.4	131.0	62.8	61.2	60.5	65.6	73.6
Loans and advances	656.6	1,114.3	1,378.4	1,329.1	1,654.9	1,794.6	1,825.6	1,812.0	1,825.5	1,942.1
Shares and participations	35.3	20.9	76.5	32.0	17.9	59.0	56.3	64.1	63.2	68.6
2 Foreign assets in kuna	166.7	601.3	541.5	346.7	325.2	290.9	406.6	286.5	340.8	498.6
2.1 Claims on foreign financial institutions	96.9	408.1	144.1	86.3	72.4	122.9	231.0	111.9	168.8	323.7
2.2 Claims on foreign non-banks	69.8	193.3	397.4	260.3	252.8	168.0	175.6	174.6	172.0	174.9
o/w: Loans and advances	69.2	192.7	396.8	260.0	252.5	167.7	175.3	174.3	171.7	174.6
Total (1+2)	39,621.2	46,438.5	50,246.6	49,577.0	47,245.4	39,450.1	38,460.3	33,351.2	32,725.3	34,805.8

Table D2 Banks' foreign assets • This table shows banks' claims on foreign legal and natural persons.

Foreign assets of banks comprise foreign assets in kuna and foreign currency.

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

Table D3 Banks' claims on the central government and funds
end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
							Jan.	Feb.	Mar.	Apr.
1 In kuna	22,703.0	24,081.8	24,901.6	24,461.9	28,491.6	30,089.7	30,366.2	29,382.3	28,410.5	29,490.4
1.1 Claims on central government	18,361.2	19,057.3	19,899.5	19,230.6	21,461.5	22,981.1	23,346.4	22,358.4	21,497.2	22,610.5
Securities	14,546.7	16,099.8	16,969.0	16,305.4	17,752.1	19,749.9	19,755.8	18,714.1	17,759.1	18,016.1
o/w: Bonds (c'part to f/c savings deposits)	8.3	6.4	6.1	5.2	6.7	5.8	0.8	0.6	1.0	0.9
Loans and advances	3,814.5	2,957.5	2,930.4	2,925.1	3,709.4	3,231.2	3,590.7	3,644.3	3,738.1	4,594.4
1.2 Claims on central government funds	4,341.9	5,024.5	5,002.1	5,231.3	7,030.2	7,108.6	7,019.8	7,023.9	6,913.2	6,879.8
Securities	-	-	6.1	-	-	-	-	-	-	-
Loans and advances	4,341.9	5,024.5	4,996.1	5,231.3	7,030.2	7,108.6	7,019.8	7,023.9	6,913.2	6,879.8
2 In f/c	5,233.8	4,889.7	12,899.5	19,787.7	21,815.9	27,780.1	28,892.4	35,099.6	34,666.3	35,375.8
2.1 Claims on central government	4,624.4	4,388.6	9,843.6	14,793.1	14,901.3	18,262.6	19,127.2	24,821.5	24,447.8	25,124.9
Securities	429.0	268.4	300.7	234.7	207.7	1,281.2	1,311.7	6,576.7	6,367.9	6,427.3
Loans and advances	4,195.4	4,120.1	9,542.9	14,558.4	14,693.5	16,981.4	17,815.4	18,244.8	18,079.8	18,697.7
2.2 Claims on central government funds	609.4	501.2	3,055.9	4,994.6	6,914.7	9,517.6	9,765.2	10,278.1	10,218.5	10,250.9
Securities	109.2	82.1	50.9	52.0	84.7	71.3	72.2	72.4	69.7	69.9
Loans and advances	500.2	419.1	3,005.1	4,942.6	6,830.0	9,446.3	9,693.0	10,205.7	10,148.8	10,180.9
Total (1+2)	27,936.8	28,971.5	37,801.1	44,249.5	50,307.6	57,869.9	59,258.6	64,481.9	63,076.8	64,866.1

Table D3 Banks' claims on the central government and funds • The table shows banks' kuna and foreign currency claims on the central government and funds. The item Securities, shown under Claims in kuna on the Republic of Croatia, also

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

Table D4 Banks' claims on other domestic sectors
end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
							Jan.	Feb.	Mar.	Apr.
1 Claims in kuna	166,755.1	194,476.7	216,530.8	211,273.4	221,988.6	233,543.4	233,168.6	234,607.3	233,036.2	232,305.4
1.1 Money market instruments	1,980.7	2,147.4	2,674.5	2,040.2	1,873.2	2,258.8	2,216.6	2,272.2	2,251.6	2,282.2
1.2 Bonds	1,088.8	1,366.0	1,341.4	1,691.0	1,702.7	1,618.7	1,589.8	1,594.7	1,566.8	1,545.4
1.3 Loans and advances	161,694.2	188,462.5	210,424.0	205,279.3	215,923.2	226,136.0	225,832.5	227,218.7	225,697.5	224,962.0
1.4 Shares and participations	1,991.4	2,500.8	2,090.8	2,262.9	2,489.5	3,530.0	3,529.7	3,521.5	3,520.3	3,515.9
2 Claims in f/c	14,212.8	12,854.0	14,877.8	18,592.7	22,046.8	24,073.2	24,035.5	23,885.5	24,127.9	23,458.7
2.1 Securities	221.1	249.2	109.3	441.1	105.7	163.1	142.6	94.0	91.0	123.2
2.2 Loans and advances	13,991.6	12,604.9	14,768.5	18,151.7	21,941.1	23,910.1	23,892.9	23,791.5	24,036.9	23,335.5
Total (1+2)	180,967.8	207,330.7	231,408.6	229,866.1	244,035.4	257,616.6	257,204.1	258,492.7	257,164.0	255,764.1

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

Table D5 Distribution of banks' loans by domestic institutional sectors
end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
							Jan.	Feb.	Mar.	Apr.
LOANS IN KUNA										
1 Loans to central government and funds	8,156.4	7,982.0	7,926.5	8,156.4	10,739.6	10,339.8	10,610.5	10,668.2	10,651.4	11,474.2
1.1 Loans to central government	3,814.5	2,957.5	2,930.4	2,925.1	3,709.4	3,231.2	3,590.7	3,644.3	3,738.1	4,594.4
1.2 Loans to central government funds	4,341.9	5,024.5	4,996.1	5,231.3	7,030.2	7,108.6	7,019.8	7,023.9	6,913.2	6,879.8
2 Loans to local government	1,720.3	1,867.5	1,786.9	1,795.4	2,168.1	2,528.2	2,362.1	2,509.8	2,503.1	2,488.1
3 Loans to enterprises	64,666.3	74,001.7	82,431.7	80,913.1	86,564.6	95,224.8	94,859.9	96,219.5	95,508.3	94,437.2
4 Loans to households	95,307.6	112,593.3	126,205.3	122,570.8	127,190.5	128,382.9	128,610.5	128,489.5	127,686.1	128,036.6
o/w: Housing loans	36,927.3	45,218.6	52,305.5	52,949.4	57,984.0	59,610.9	59,926.4	59,940.5	59,343.9	59,658.6
5 Loans to other banking institutions	304.4	213.6	36.1	236.5	293.2	532.0	213.7	295.3	263.5	255.9
6 Loans to non-banking financial institutions	854.4	947.6	741.4	689.0	2,063.0	1,480.0	1,585.5	1,519.9	1,313.1	1,397.7
A Total (1+2+3+4+5+6)	171,009.4	197,605.7	219,128.0	214,361.3	229,018.9	238,487.8	238,242.2	239,702.1	237,925.5	238,089.9
LOANS IN F/C										
1 Loans to central government and funds	4,695.6	4,539.2	12,548.0	19,501.0	21,523.5	26,427.7	27,508.4	28,450.5	28,228.7	28,878.6
1.1 Loans to central government	4,195.4	4,120.1	9,542.9	14,558.4	14,693.5	16,981.4	17,815.4	18,244.8	18,079.8	18,697.7
1.2 Loans to central government funds	500.2	419.1	3,005.1	4,942.6	6,830.0	9,446.3	9,693.0	10,205.7	10,148.8	10,180.9
2 Loans to local government	11.3	8.7	5.5	3.0	0.5	0.3	0.3	0.3	0.3	0.3
3 Loans to enterprises	13,598.5	12,264.5	14,416.8	17,825.7	21,598.3	23,584.1	23,566.1	23,467.8	23,705.9	23,005.2
4 Loans to households	381.8	331.6	346.1	323.0	342.4	325.7	326.5	323.3	330.7	329.9
5 Loans to other banking institutions	68.1	74.0	1.2	31.0	0.6	69.1	106.4	95.3	65.6	6.1
6 Loans to non-banking financial institutions	360.5	668.0	143.5	269.4	341.3	452.6	453.2	455.5	449.1	450.0
B Total (1+2+3+4+5+6)	19,115.9	17,886.0	27,461.1	37,953.0	43,806.5	50,859.5	51,960.9	52,792.8	52,780.4	52,670.2
TOTAL (A+B)	190,125.3	215,491.7	246,589.1	252,314.3	272,825.4	289,347.3	290,203.2	292,494.9	290,705.9	290,760.1

Table D5 Distribution of banks' loans by domestic institutional sectors • The table shows data on kuna and foreign currency loans granted by banks to domestic sectors, including

acceptances, financial leases, payments made on the basis of guarantees and similar instruments, purchased claims, and until December 2003 factoring and forfeiting.

Table D6 Demand deposits with banks
end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
							Jan.	Feb.	Mar.	Apr.
1 Local government	1,803.8	2,689.4	2,441.1	1,377.7	1,303.3	1,616.9	1,202.7	1,019.6	989.3	1,067.8
2 Enterprises	16,668.6	19,599.3	16,896.1	14,893.1	15,860.4	17,127.7	15,286.4	12,857.2	13,203.4	13,754.7
3 Households	14,257.8	17,896.7	17,620.1	14,218.6	15,581.9	16,156.0	15,644.6	17,294.9	15,814.9	15,588.6
4 Other banking institutions	485.1	481.1	293.6	517.1	347.5	397.9	255.6	363.9	459.7	368.7
5 Non-banking financial institutions	697.6	1,205.2	921.1	893.4	796.0	862.9	711.3	845.9	750.1	685.9
6 Less: Checks of other banks and checks in collection	-1.2	-0.9	-0.7	-0.3	-0.2	-0.1	0.0	0.0	0.0	0.0
Total (1+2+3+4+5+6)	33,911.7	41,870.8	38,171.2	31,899.6	33,888.9	36,161.3	33,100.5	32,381.5	31,217.3	31,465.6

Table D6 Demand deposits with banks • The table shows demand deposits with banks, classified by domestic institutional sectors.

Demand deposits are the sum of other domestic sectors', other banking institutions' and non-banking financial

institutions' giro and current accounts balances, minus currency in the payment system (i.e. 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, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
							Jan.	Feb.	Mar.	Apr.
1 Savings deposits	2,905.6	3,086.1	2,770.3	2,523.1	2,503.2	2,506.4	2,387.4	2,312.4	2,334.6	2,282.2
1.1 Local government	2.8	2.5	0.0	0.0	0.1	21.2	2.7	2.5	2.6	2.9
1.2 Enterprises	110.3	154.7	108.8	203.7	318.9	440.5	369.7	303.3	359.5	355.9
1.3 Households	2,792.4	2,929.0	2,657.7	2,268.9	2,167.4	2,016.9	1,992.5	1,995.7	1,955.2	1,915.3
1.4 Other banking institutions	–	–	–	5.0	–	4.3	1.5	1.4	1.4	1.7
1.5 Non-banking financial institutions	0.0	–	3.7	45.5	16.9	23.4	20.9	9.4	16.0	6.4
2 Time and notice deposits	41,931.3	50,558.8	47,300.1	36,616.3	32,320.2	38,420.6	38,517.2	38,679.5	39,978.2	39,953.7
2.1 Local government	491.8	549.5	726.0	498.8	355.2	314.6	477.7	622.5	619.9	661.4
2.2 Enterprises	14,715.4	18,414.8	16,268.0	11,559.0	8,933.3	11,249.5	11,105.2	11,580.3	11,566.0	11,001.9
2.3 Households	20,755.0	20,479.1	22,721.6	16,910.7	17,188.1	19,129.1	19,566.9	19,707.0	20,039.6	20,105.8
2.4 Other banking institutions	2,697.9	6,386.5	2,563.4	3,039.8	2,448.8	4,041.8	3,749.2	3,372.1	4,438.1	4,796.6
2.5 Non-banking financial institutions	3,271.3	4,728.9	5,021.1	4,608.1	3,394.8	3,685.5	3,618.2	3,397.6	3,314.6	3,387.9
Total (1+2)	44,836.8	53,644.9	50,070.3	39,139.4	34,823.4	40,926.9	40,904.6	40,991.9	42,312.9	42,235.9

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, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
							Jan.	Feb.	Mar.	Apr.
1 Savings deposits	22,698.6	22,845.0	21,262.2	20,781.0	22,906.1	22,833.9	22,528.7	21,765.9	21,318.9	21,238.5
1.1 Local government	30.8	27.5	22.1	25.5	15.8	8.9	8.1	20.7	16.1	14.3
1.2 Enterprises	4,589.7	5,543.6	5,132.0	5,053.6	5,738.5	5,552.0	5,272.1	4,587.6	4,517.2	4,553.2
1.3 Households	17,609.9	16,720.8	15,682.8	15,148.7	16,313.0	16,821.4	16,649.9	16,576.7	16,266.3	16,207.7
1.4 Other banking institutions	276.7	251.7	121.4	150.4	268.5	66.6	127.4	153.0	111.3	140.3
1.5 Non-banking financial institutions	191.4	301.5	303.9	402.9	570.2	385.0	471.2	427.8	408.0	323.0
2 Time deposits	65,558.1	80,245.1	95,932.6	114,629.6	124,651.0	122,332.2	123,148.1	123,192.8	122,688.5	123,301.5
2.1 Local government	1.9	2.1	2.3	2.5	2.3	11.2	11.6	6.2	6.2	3.8
2.2 Enterprises	7,086.2	10,391.9	11,215.5	13,516.9	15,097.8	10,372.5	10,218.3	9,602.7	9,580.8	9,477.3
2.3 Households	57,210.8	66,465.7	80,419.6	95,598.0	104,621.4	109,304.8	109,728.9	110,568.3	109,917.9	110,778.3
2.4 Other banking institutions	366.2	1,038.6	808.2	663.0	1,384.1	682.5	779.7	656.9	659.2	532.5
2.5 Non-banking financial institutions	892.9	2,346.8	3,487.0	4,849.1	3,545.4	1,961.2	2,409.6	2,358.7	2,524.4	2,509.7
Total (1+2)	88,256.7	103,090.1	117,194.8	135,410.6	147,557.1	145,166.1	145,676.7	144,958.7	144,007.4	144,540.0

Table D8 Foreign currency deposits with banks • The table shows foreign currency savings and time deposits by other domestic sectors, other banking institutions and non-banking financial institutions with banks. Foreign currency savings deposits are all foreign currency sight deposits and foreign currency payment instruments issued, while foreign currency time deposits also include foreign currency notice deposits.

Table D9 Bonds and money market instruments

end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
							Jan.	Feb.	Mar.	Apr.
1 Money market instruments (net)	0.8	0.8	0.8	0.8	-	-	-	-	-	-
2 Bonds (net)	340.9	632.0	609.5	765.3	1,016.7	1,769.1	1,720.0	1,722.4	1,726.8	1,739.4
3 Other domestic borrowing	502.5	576.0	1,920.8	596.7	320.7	343.8	203.8	135.5	93.5	318.1
3.1 Local government	-	-	-	-	-	-	-	-	-	-
3.2 Enterprises	0.0	152.9	3.5	4.6	2.4	1.6	1.8	2.3	2.4	237.3
3.3 Other banking institutions	492.8	266.4	1,719.2	551.8	318.1	205.1	167.2	89.8	72.1	61.9
3.4 Non-banking financial institutions	9.6	156.6	198.0	40.4	0.1	137.0	34.8	43.3	19.0	18.8
Total (1+2+3)	844.1	1,208.8	2,531.1	1,362.8	1,337.4	2,112.9	1,923.8	1,857.9	1,820.3	2,057.5

Table D9 Bonds and money market instruments • The table shows banks' liabilities for securities issued (net) and loans received from other domestic sectors, other banking institutions and non-banking financial institutions.

Money market instruments (net) comprise banks' net liabilities for CNB bills, bills of exchange (issued and accepted) and other 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, which are reported in the total amount and classified by institutional sectors.

Table D10 Banks' foreign liabilities

end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
							Jan.	Feb.	Mar.	Apr.
1 Foreign liabilities in f/c	55,114.3	48,461.3	54,726.8	60,046.7	58,715.8	67,938.6	69,334.5	69,968.3	68,460.5	69,385.0
1.1 Liabilities to foreign financial institutions	48,561.3	41,483.1	47,878.5	51,702.3	48,789.0	58,001.2	59,382.2	59,997.6	58,415.5	59,237.6
Demand deposits	195.0	258.8	176.6	221.0	208.3	184.4	147.6	144.3	133.5	157.0
Time and notice deposits	12,174.1	10,562.9	14,016.4	21,945.8	20,188.9	27,444.5	29,242.5	29,149.3	26,846.9	27,048.5
Loans and advances	32,903.9	27,373.0	30,408.3	29,535.4	28,391.9	30,372.2	29,992.1	30,704.0	31,435.1	32,032.0
o/w: Subordinated and hybrid instruments	820.7	405.9	1,585.1	2,000.7	2,079.8	2,268.1	2,229.3	2,232.8	2,212.4	2,220.9
Bonds	3,288.3	3,288.4	3,277.1	-	-	-	-	-	-	-
1.2 Liabilities to foreign non-banks	6,553.0	6,978.2	6,848.4	8,344.4	9,926.7	9,937.5	9,952.3	9,970.7	10,045.0	10,147.4
Savings and time deposits	6,192.4	6,729.9	6,719.0	8,336.3	9,909.3	9,921.2	9,936.0	9,954.4	10,029.4	10,131.7
Sight deposits	1,635.8	1,537.2	1,374.5	1,267.8	1,434.3	1,434.3	1,473.0	1,470.4	1,479.2	1,453.4
Time and notice deposits	4,556.7	5,192.7	5,344.6	7,068.6	8,475.0	8,486.9	8,463.0	8,483.9	8,550.1	8,678.3
Loans and advances	360.5	248.3	129.3	8.0	17.5	16.2	16.3	16.3	15.6	15.7
o/w: Subordinated and hybrid instruments	-	-	-	-	11.1	11.3	11.3	11.4	11.3	11.3
2 Foreign liabilities in kuna	20,961.8	16,691.3	20,569.2	20,318.6	23,224.6	22,337.9	22,045.7	22,634.3	22,306.4	21,794.2
2.1 Liabilities to foreign financial institutions	20,087.0	16,093.8	20,061.0	19,943.0	22,817.7	21,806.5	21,568.4	22,088.9	21,755.7	21,260.9
Demand deposits	1,438.1	519.0	898.1	359.1	696.3	655.0	652.5	703.2	607.8	604.8
Time and notice deposits	11,198.8	11,423.7	15,014.2	14,654.3	15,963.5	16,449.5	17,496.3	18,020.4	18,080.7	17,600.3
Loans and advances	7,450.2	4,151.2	4,148.8	4,929.6	6,158.0	4,702.1	3,419.5	3,365.3	3,067.1	3,055.8
o/w: Subordinated and hybrid instruments	404.0	0.4	-	749.2	899.0	964.6	970.1	971.1	963.2	956.9
2.2 Liabilities to foreign non-banks	874.8	597.5	508.2	375.7	406.8	531.4	477.3	545.3	550.7	533.3
Demand deposits	170.1	253.2	257.0	222.8	250.3	355.0	298.3	331.3	339.7	324.0
Time and notice deposits	703.3	340.6	245.7	144.4	148.0	162.7	165.3	200.4	197.4	183.6
Loans and advances	1.4	3.7	5.5	8.5	8.5	13.7	13.7	13.7	13.6	25.7
o/w: Subordinated and hybrid instruments	1.4	3.7	5.5	8.5	8.5	13.7	13.7	13.7	13.6	25.7
Total (1+2)	76,076.0	65,152.6	75,296.1	80,365.3	81,940.4	90,276.5	91,380.2	92,602.6	90,766.9	91,179.2

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, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
							Jan.	Feb.	Mar.	Apr.
1 In kuna	9,030.0	11,535.0	14,185.1	15,124.1	16,089.9	15,857.4	15,642.7	15,534.9	15,863.0	16,017.0
1.1 Central government deposits	497.5	666.4	429.5	356.6	806.8	664.2	662.7	571.8	648.4	699.4
Demand deposits	366.2	454.9	176.7	189.3	306.0	424.6	405.4	413.6	447.2	508.0
Savings deposits	2.1	1.2	1.1	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Time and notice deposits	128.1	209.3	251.6	166.7	485.3	230.9	256.8	157.7	200.8	191.0
Loans and advances	1.0	1.0	–	–	15.0	8.3	–	–	–	–
1.2 Central government funds' deposits	8,532.6	10,868.6	13,755.5	14,767.5	15,283.1	15,193.2	14,980.0	14,963.1	15,214.6	15,317.6
Demand deposits	254.6	330.1	645.6	389.5	290.9	493.0	198.7	222.0	251.0	283.4
Savings deposits	14.6	2.4	0.0	0.3	0.0	–	–	–	–	–
Time and notice deposits	496.7	413.6	385.8	410.8	329.0	87.6	447.0	425.9	565.7	566.4
Loans and advances	7,766.7	10,122.4	12,724.1	13,966.9	14,663.3	14,612.6	14,334.3	14,315.2	14,397.9	14,467.7
2 In f/c	1,770.4	1,990.8	1,822.5	3,095.2	3,780.4	2,387.5	2,818.0	3,305.1	3,101.8	2,561.4
2.1 Central government deposits	811.7	759.4	1,122.5	1,088.3	1,656.1	1,467.8	1,486.5	1,541.0	1,520.7	1,428.0
Savings deposits	264.8	527.4	666.8	716.8	993.9	620.3	861.5	998.6	431.6	473.1
Time and notice deposits	275.0	49.7	330.0	309.4	662.0	847.2	624.8	542.1	1,088.9	954.9
Refinanced loans and advances	271.9	182.3	125.7	62.2	0.2	0.2	0.2	0.2	0.2	–
2.2 Central government funds' deposits	958.6	1,231.4	699.9	2,006.9	2,124.3	919.7	1,331.4	1,764.1	1,581.1	1,133.4
Savings deposits	93.4	85.7	107.1	106.6	90.2	94.4	199.0	247.2	179.5	300.9
Time and notice deposits	356.2	153.8	519.6	256.4	601.3	381.8	302.6	685.7	765.7	455.9
Loans and advances	509.0	991.8	73.2	1,643.9	1,432.7	443.5	829.9	831.2	635.8	376.6
Total (1+2)	10,800.4	13,525.8	16,007.5	18,219.3	19,870.3	18,244.9	18,460.7	18,840.0	18,964.8	18,578.5

Table D11 Central government and funds' deposits with banks • The table reports total banks' kuna and foreign currency liabilities to the central government and funds, with the exception of restricted (kuna and foreign currency) deposits by the central government and funds with banks.

Kuna and foreign currency deposits by the Republic of

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

Table D12 Restricted and blocked deposits with banks
end of period, in million HRK

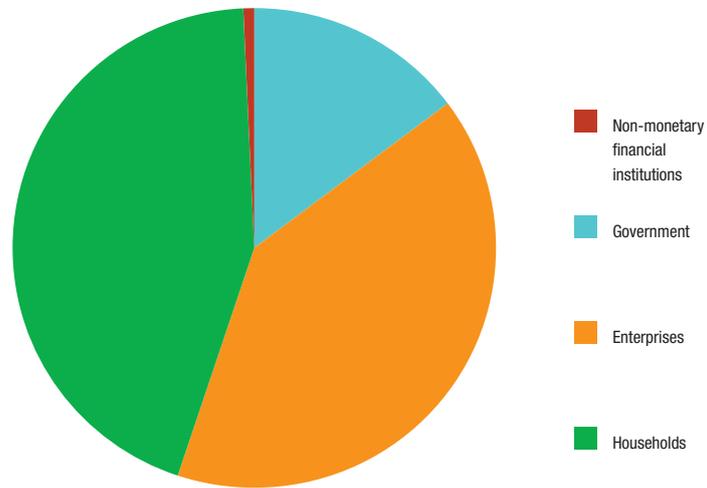
	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
							Jan.	Feb.	Mar.	Apr.
1 Restricted deposits	2,447.6	2,252.3	3,038.4	2,548.4	2,328.3	3,231.5	2,735.8	2,522.2	2,578.6	3,058.0
1.1 In kuna	1,427.0	1,322.8	1,478.8	1,366.0	1,428.9	1,751.7	1,646.1	1,544.4	1,593.9	1,640.0
1.2 In f/c	1,020.5	929.5	1,559.6	1,182.5	899.4	1,479.8	1,089.7	977.8	984.7	1,417.9
2 Blocked f/c deposits of households	–	–	–	–	–	–	–	–	–	–
Total (1+2)	2,447.6	2,252.3	3,038.4	2,548.4	2,328.3	3,231.5	2,735.8	2,522.2	2,578.6	3,058.0

Table D12 Restricted and blocked deposits with banks • The table shows households' restricted (kuna and foreign currency) deposits and blocked deposits.

Blocked foreign currency deposits include households'

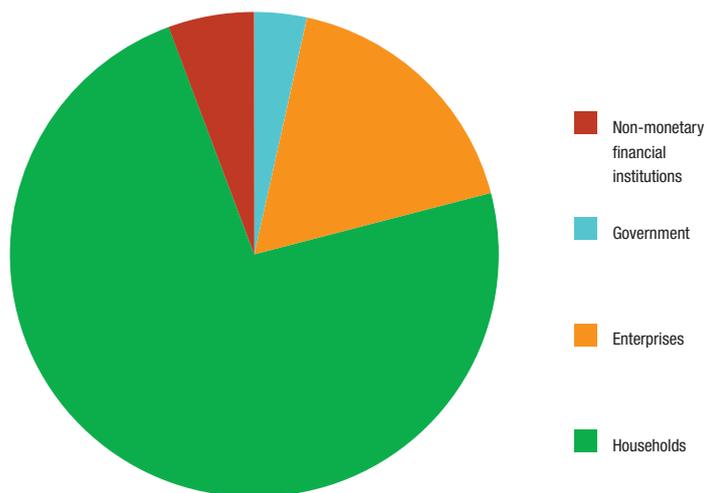
foreign currency deposits, regulated by the Act on Converting Households' Foreign Currency Deposits into the Public Debt of the Republic of Croatia.

Figure D1

Distribution of banks' loans by domestic institutional sectors

April 2012

Figure D2

Distribution of banks' deposits by domestic institutional sectors

April 2012

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

E Housing savings banks

Table E1 Housing savings banks' accounts
end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
							Jan.	Feb.	Mar.	Apr.
ASSETS										
1 Reserves with the CNB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Claims on central government and funds	4,674.8	4,036.5	3,395.5	3,137.9	3,315.9	3,367.6	3,441.0	3,393.7	3,420.3	3,470.3
3 Claims on other domestic sectors	1,296.0	2,220.4	2,857.9	2,979.1	2,987.3	3,387.0	3,383.9	3,381.4	3,357.8	3,371.7
o/w: Claims on households	1,296.0	2,220.4	2,857.9	2,979.1	2,987.3	3,387.0	3,383.9	3,381.4	3,357.8	3,371.7
4 Claims on banks	181.4	133.6	533.7	294.8	258.5	760.6	363.0	361.2	462.3	397.0
5 Claims on other banking institutions	-	-	-	-	-	-	-	-	-	-
Total (1+2+3+4+5)	6,152.3	6,390.5	6,787.1	6,411.7	6,561.8	7,515.2	7,187.8	7,136.2	7,240.5	7,239.1
LIABILITIES										
1 Time deposits	5,803.6	6,037.9	6,297.6	5,711.8	5,791.5	6,115.0	6,056.8	6,008.6	6,078.4	6,074.5
2 Bonds and money market instruments	61.7	40.1	91.5	230.8	279.7	650.9	379.4	353.1	367.1	365.1
3 Capital accounts	244.7	303.0	390.6	478.1	512.1	544.0	549.5	555.4	568.3	579.2
4 Other items (net)	42.2	9.6	7.4	-8.9	-21.5	205.2	202.1	219.0	226.7	220.2
Total (1+2+3+4)	6,152.3	6,390.5	6,787.1	6,411.7	6,561.8	7,515.2	7,187.8	7,136.2	7,240.5	7,239.1

Table E1 Housing savings banks' accounts • Housing savings banks' accounts include data on claims and liabilities of the Croatian housing savings banks. All housing savings banks' claims and liabilities refer exclusively to domestic sectors.

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

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

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

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

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

F Monetary policy instruments and liquidity

Table F1 Credit rates of the Croatian National Bank
in percentage, on annual basis

Year	Month	CNB discount rate	CNB repo rate ^a	Credit rates					
				On Lombard credits ^b	On intervention credits	On intra-day refinance facility ^b	On short-term liquidity credits	On inaccurately calculated statutory reserves ^b	On arrears [*]
1	2	3	4	5	6	7	8	9	10
1998	December	5.90	–	12.00	19.00	7.00	14.00	19.00	18.00
1999	December	7.90	–	13.00	19.00	–	14.00	19.00	18.00
2000	December	5.90	–	12.00	18.00	–	13.00	18.00	18.00
2001	December	5.90	–	10.00	–	–	11.00	15.00	18.00
2002	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2003	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2004	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	December	4.50	3.50	7.50 ^c	–	–	8.50 ^c	15.00	15.00
2006	December	4.50	3.50	7.50	–	–	8.50	15.00	15.00
2007	December	9.00 ^d	4.06	7.50	–	–	8.50	15.00	15.00
2008	December	9.00	6.00	9.00	–	–	10.00	15.00	14.00
2009	December	9.00	–	9.00	–	–	10.00	15.00	14.00
2010	December	9.00	–	9.00	–	–	10.00	15.00	14.00
2011	May	9.00	–	9.00	–	–	10.00	15.00	14.00
	June	7.00 ^e	–	9.00	–	–	10.00	15.00	12.00
	July	7.00	–	9.00	–	–	10.00	15.00	12.00
	August	7.00	–	9.00	–	–	10.00	15.00	12.00
	September	7.00	–	9.00	–	–	10.00	15.00	12.00
	October	7.00	–	9.00	–	–	10.00	15.00	12.00
	November	7.00	–	6.25 ^f	–	–	7.25 ^f	15.00	12.00
	December	7.00	–	6.25	–	–	7.25	15.00	12.00
2012	January	7.00	–	6.25	–	–	7.25	15.00	12.00
	February	7.00	–	6.25	–	–	7.25	15.00	12.00
	March	7.00	–	6.25	–	–	7.25	15.00	12.00
	April	7.00	–	6.25	–	–	7.25	15.00	12.00

^a Weighted averages of weighted repo rates achieved at regular reverse repo auctions of the CNB in the reporting month. ^b Breaks in the series of data are explained in notes on methodology. ^c Since 14 December 2005. ^d Since 31 December 2007. ^e Since 23 June 2011. ^f Since 28 November 2011

Table F1 Credit rates of the Croatian National Bank • The table shows interest rates used by the CNB to calculate and charge interest on credits from the primary issue and on all other claims.

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

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

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

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

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

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

Table F2 Deposit rates of the Croatian National Bank
in percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis ^a				Interest rates on f/c CNB bills on a voluntary basis					Interest rates on overnight deposits
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–	–
2002	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–	–
2003	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–	–
2004	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2006	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2007	December	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
2008	December	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
2009	December	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
2010	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2011	May	–	–	–	–	–	–	–	–	–	–	–	0.25
	June	–	–	–	–	–	–	–	–	–	–	–	0.25
	July	–	–	–	–	–	–	–	–	–	–	–	0.25
	August	–	–	–	–	–	–	–	–	–	–	–	0.25
	September	–	–	–	–	–	–	–	–	–	–	–	0.25
	October	–	–	–	–	–	–	–	–	–	–	–	0.25
	November	–	–	–	–	–	–	–	–	–	–	–	0.25
	December	–	–	–	–	–	–	–	–	–	–	–	0.25
2012	January	–	–	–	–	–	–	–	–	–	–	–	0.25
	February	–	–	–	–	–	–	–	–	–	–	–	0.25
	March	–	–	–	–	–	–	–	–	–	–	–	0.25
	April	–	–	–	–	–	–	–	–	–	–	–	0.25

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

Table F2 Deposit rates of the Croatian National Bank • The table shows interest rates used by the CNB to calculate and pay interest on funds deposited with the CNB and on issued securities.

Interest rates paid by the CNB for appropriated statutory reserve funds are set by a decision of the Council of the Croatian National Bank. Until April 2005, the appropriated statutory reserve funds included the calculated statutory reserve funds that were deposit in a special statutory reserve account with the CNB, or maintained (in average) in banks' settlement accounts, or deposited in a special account with the CNB for the settlement of net positions in the National Clearing System (NCS). From April 2005, they include the calculated statutory reserve funds allocated to a special statutory reserve account with the CNB. From March 2011 on, the CNB pays no remuneration on the reserve requirement funds (column 3).

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

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

From April 1998 on, columns 9 through 13 report the weighted average interest rates on CNB bills on a voluntary basis in EUR and USD (until December 1998, in DEM and USD)

attained at CNB bills' auctions as a weighted average of subscribed amounts in those two currencies.

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

Table F3 Banks' reserve requirements • This table shows data on monthly averages of day-to-day balances of banks' kuna and foreign currency reserve requirements with the CNB. Savings banks are included beginning in July 1999.

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

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

Column 5 shows the amount of kuna reserve requirements. Between January 1995 and December 2000, this amount corresponded with the statutory reserve requirement instrument, while until December 1994 it comprised two instruments: statutory reserves and liquid assets requirement – LAR (except for the part in which banks were conforming to this requirement by registering CNB bills on a voluntary basis). In December 2000,

Table F3 Banks' reserve requirements

daily averages and percentages, in million HRK and %

Year	Month	Weighted average res. requirement in % on res. base	Reserve requirement (RR)			Other obligatory deposits with the CNB	Statutory reserves deposited with the CNB		Weighted avg. remuneration rate on immobilised funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.05	....
2001	December	19.67	21,187.1	8,691.5	12,495.5	-	6,287.8	5,950.0	1.97	2.73
2002	December	19.00	25,985.1	11,447.1	14,538.0	-	8,156.7	7,139.9	1.72	2.16
2003	December	19.00	31,009.4	18,023.8	12,985.6	109.4	12,459.8	6,850.2	1.17	1.47
2004	December	18.00	33,615.7	20,040.9	13,574.8	430.1	14,664.1	10,171.3	1.22	1.36
2005	December	18.00	37,424.5	24,997.9	12,426.6	3,940.2	17,497.7	9,271.4	0.52	0.92
2006	December	17.00	40,736.4	28,966.1	11,770.4	7,332.5	20,257.0	8,780.9	0.52	1.06
2007	December	17.00	44,465.9	31,809.1	12,656.8	6,641.1	22,266.4	9,203.5	0.53	1.29
2008	December	14.87	41,474.4	29,179.7	12,294.7	461.9	20,425.8	8,807.0	0.52	0.81
2009	December	14.00	40,423.5	33,693.7	6,729.8	30.9	23,585.6	4,898.0	0.52	-
2010	December	13.00	38,990.6	32,374.8	6,615.8	-	22,662.4	4,736.7	0.52	-
2011	May	13.00	39,921.5	33,162.8	6,758.8	-	23,213.9	4,910.2	-	-
	June	13.00	40,123.9	33,330.9	6,793.0	-	23,331.6	4,956.0	-	-
	July	13.00	40,592.5	33,739.3	6,853.2	-	23,617.5	5,010.0	-	-
	August	13.00	40,803.2	33,963.0	6,840.2	-	23,774.1	4,991.0	-	-
	September	13.00	40,848.2	33,997.1	6,851.0	-	23,798.0	4,979.0	-	-
	October	13.65	42,957.3	35,740.0	7,217.4	-	25,018.0	5,217.5	-	-
	November	14.00	44,220.4	36,763.1	7,457.3	-	25,565.5	5,392.2	-	-
	December	14.00	44,443.2	36,936.6	7,506.7	-	25,654.6	5,437.9	-	-
2012	January	14.68	46,753.8	38,844.2	7,909.6	-	27,522.0	5,857.4	-	-
	February	15.00	47,881.9	39,758.3	8,123.6	-	27,814.7	5,968.2	-	-
	March	15.00	47,927.4	39,761.5	8,165.9	-	27,637.8	5,973.4	-	-
	April	15.00	47,755.8	39,611.9	8,143.9	-	27,584.6	5,957.1	-	-

reserve requirements in kuna and in foreign currency were unified, i.e. reserve requirements rate, periods for calculating, allocating and maintaining reserve requirements were unified, as well as a minimum percentage of the total reserve requirements deposited with the Croatian National Bank. From September 2001 on, column 5 includes also the f/c component of reserve requirements that is set aside/maintained in kuna.

Column 6 shows the amount of foreign currency reserve requirements, i.e. the prescribed amount of funds banks are required to deposit in the CNB's foreign currency accounts, or to maintain (in average) in accounts of liquid claims. Until November 2000, the calculation base consisted of the average daily balances of household foreign currency savings deposits with a remaining maturity of up to 3 months, while starting from December 2000 the base consists of foreign currency sources of funds, including: ordinary foreign currency accounts, special foreign currency accounts, foreign currency accounts and foreign currency sight deposits, received foreign currency deposits and received foreign currency loans, as well as obligations arising from securities issued in foreign currency (excluding banks' equity securities). From November 2001 on, the base includes also hybrid and subordinated instruments.

Column 7 shows the total amount of other obligatory deposits with the CNB, including CNB bills on an obligatory basis, those CNB bills on a voluntary basis used by banks to maintain the prescribed minimal liquidity (LAR), special statutory

reserves until July 1995, special reserve requirement on liabilities arising from issued securities from March 2006 to February 2009, statutory reserves on f/c deposits, f/c credits from foreign banks and guarantees for such credits and marginal reserve requirement (from August 2004 to October 2008).

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

Column 9 shows the portion of the foreign currency reserve requirement which banks deposit in the CNB's foreign currency accounts. The percentage for allocating the foreign currency component of reserve requirements calculated on the basis of foreign currency funds of non-residents and foreign currency funds received from legal persons in a special relationship with a bank amounts to 100%, while the percentage for allocating the remaining portion of the foreign currency component of reserve requirements amounts to 60%.

Column 10 shows the weighted average remuneration rate on all forms of immobilised kuna funds which include reserve requirements and other obligatory deposits with the CNB. From March 2011 on, the CNB pays no remuneration on the reserve requirement funds.

Table F4 Banks' liquidity indicators

daily averages and percentages, in million HRK and %

Year	Month	Free reserves		Primary liquidity ratio	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna MoF treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
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	–	4,316.0	3,073.2
2004	December	1,495.5	26,126.1	2.64	0.0	–	–	4,581.7
2005	December	672.5	20,493.4	0.96	0.2	–	–	4,163.3
2006	December	840.8	20,239.1	0.83	–	–	–	5,993.7
2007	December	1,161.5	30,412.6	1.03	330.4	–	–	4,449.4
2008	December	1,168.7	28,101.4	1.03	289.1	–	–	6,171.2
2009	December	880.0	24,885.6	0.91	–	–	–	4,776.6
2010	December	407.1	30,511.9	0.42	–	–	–	5,705.9
2011	May	397.7	18,519.1	0.40	–	–	–	7,266.7
	June	367.6	18,533.1	0.37	–	–	–	7,798.3
	July	448.1	19,926.2	0.44	–	–	–	7,701.8
	August	405.5	22,503.3	0.39	–	–	–	7,497.8
	September	521.2	22,902.5	0.50	–	–	–	7,160.3
	October	490.5	21,069.3	0.48	–	–	–	7,099.3
	November	280.1	17,789.9	0.27	10.4	–	–	7,132.9
	December	333.0	15,693.8	0.32	97.3	–	–	8,157.7
2012	January	291.7	12,783.1	0.28	52.6	–	–	8,262.2
	February	102.7	9,103.8	0.10	58.3	–	–	7,888.2
	March	439.4	7,692.1	0.43	47.8	–	–	7,360.3
	April	287.6	7,809.4	0.28	22.7	–	–	7,834.5

Column 11 shows the weighted average remuneration rate on allocated funds in foreign currency, including the marginal reserve requirement funds (from August 2004 to October 2008). From November 2009 on, the CNB does not pay remuneration on the allocated foreign currency component of reserve requirements.

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 a difference between the average balance in the settlement account and the average balance in the vault (until October 2008). From November 2008 on, they are defined as a difference between the average balance in the settlement account in the kuna reserve requirement maintenance period and the minimal average settlement account balance prescribed by the kuna reserve requirement calculation methodology.

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

by the minimal required balance of these funds in the same period.

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

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

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

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

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

G Financial markets

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	Interest rates on interbank demand deposit trading		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	
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	1.03	1.59	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88	
2003	December	6.54	6.36	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69	
2004	December	4.87	4.74	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16	
2005	December	3.08	3.91	9.91	9.99	7.71	11.26	13.18	5.35	8.75	6.48	10.35	
2006	December	3.14	2.52	9.07	9.37	6.75	11.84	13.21	4.67	7.53	5.86	9.44	
2007	December	6.23	7.33	9.32	9.74	7.39	12.34	13.19	4.95	7.50	6.66	8.01	
2008	December	5.77	6.77	10.71	10.89	8.98	12.33	12.97	4.96	9.05	8.10	10.35	
2009	December	1.20	1.50	11.12	11.22	9.29	12.68	13.24	4.89	9.77	8.27	11.33	
2010	December	1.28	1.70	9.90	10.05	6.98	12.64	13.17	4.66	8.38	6.45	11.29	
2011	May	0.57	0.74	10.23	10.43	6.85	12.68	13.15	4.22	8.07	5.32	11.21	
	June	0.47	0.75	9.82	10.03	6.60	12.56	13.03	3.99	7.70	5.21	10.34	
	July	0.61	0.95	8.93	9.04	6.37	11.20	11.62	3.94	7.90	5.62	9.92	
	August	0.83	1.40	9.17	9.36	6.62	11.24	11.62	3.76	7.42	5.26	9.87	
	September	1.02	1.91	9.17	9.36	6.89	11.23	11.61	3.84	7.58	5.72	9.51	
	October	2.05	2.58	9.77	9.92	7.60	11.22	11.61	3.90	8.40	6.35	9.53	
	November	1.61	2.71	9.68	9.82	7.67	11.22	11.59	3.91	8.33	6.47	9.39	
	December	0.61	1.73	9.36	9.49	7.48	11.18	11.58	4.21	8.15	6.76	9.21	
2012	January	1.14	2.14	9.67	9.73	7.72	11.08	11.43	3.83	8.70	6.61	9.80	
	February	2.94	3.03	9.88	10.00	8.18	11.22	11.58	4.12	8.46	6.76	9.78	
	March	0.86	1.78	9.65	9.73	7.80	11.18	11.57	4.29	8.56	6.98	10.01	
	April	0.57	1.06	9.40	9.49	7.13	11.19	11.55	4.04	8.14	5.87	10.19	
Relative significance ^a		-	-	74.66	69.77	29.21	40.56	38.57	1.99	4.89	2.32	2.57	

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

Note: A break in the time series occurred due to changes in the methodology used in interest rate statistics as of 1 January 2001. This especially refers to interest rates shown in columns 5, 6 and 7. Interbank credits, which bear relatively low interest rates, were, among others, excluded from short-term credits to enterprises. The increase in interest rates was also caused by the weighting method: all categories are weighted by the amounts of newly-granted credits, except credit lines whose relative share grew in the new coverage, which are weighted by book balances.

Table G1 Banks' interest rates on kuna credits not indexed to foreign currency • The table contains the weighted averages of banks' monthly interest rates on kuna credits not indexed to f/c, reported on a yearly basis.

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

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

Up to February 1996, columns 3 and 4 show interest rates

on the interbank money market, according to information published by the Zagreb Money Market (ZMM). From March 1996 to August 2002, interest rates on the money market were calculated as the weighted monthly averages of the weighted daily interest rates and shown separately for trading in overnight credits and trading in other credits on the ZMM. In the period between May 1998 and January 2001, the repayment of credits granted on the interbank overnight market was guaranteed by banks' required reserves with the CNB.

As from Bulletin No. 157 columns 3 and 4 contain the revised data for the period from September 2002 onward. From September 2002 on, interest rates on overnight credits and other credits are calculated as the weighted monthly averages of the weighted daily interest rates on interbank demand deposit trading.

Table G2 Banks' interest rates on kuna credits indexed to foreign currency and on credits in euros
weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros		
		Total average	On short-term credits			On long-term credits					Total average	On short-term credits	On long-term credits
			Total average	Enterprises	Households	Total average	Enterprises	Households					
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18
2004	December	6.89	7.25	7.09	8.47	6.77	5.55	7.73	5.71	8.79	5.34	5.92	4.83
2005	December	6.18	6.52	6.34	7.91	6.07	5.18	6.98	4.95	8.10	5.29	5.28	5.30
2006	December	6.30	6.56	6.29	8.33	6.22	6.21	6.22	4.75	7.57	5.65	6.19	5.34
2007	December	6.73	6.86	6.86	6.84	6.66	6.51	6.80	5.12	8.24	6.79	6.59	7.10
2008	December	7.73	8.20	8.18	8.65	7.43	6.92	7.89	6.08	9.02	7.08	7.17	6.83
2009	December	8.28	8.48	8.41	10.23	8.11	7.31	9.02	6.45	9.96	6.98	7.35	6.49
2010	December	7.78	7.95	7.91	8.86	7.67	7.19	8.16	6.02	8.94	6.38	7.12	6.06
2011	May	7.35	7.30	7.25	8.09	7.37	6.74	7.92	5.60	8.72	6.16	6.90	5.52
	June	7.34	7.92	7.92	7.96	7.05	6.46	7.60	5.25	8.67	6.45	6.78	6.11
	July	7.26	7.49	7.40	8.31	7.18	6.68	7.57	5.19	8.64	6.43	6.21	6.74
	August	7.24	7.80	7.78	8.05	6.97	6.39	7.43	5.10	8.68	6.70	6.82	6.49
	September	7.04	8.17	8.20	7.84	6.70	5.93	7.42	5.15	8.60	6.65	6.81	6.41
	October	7.13	7.70	7.69	7.86	6.91	6.41	7.47	5.15	8.61	6.07	6.71	5.32
	November	7.16	7.20	7.17	7.84	7.13	6.59	7.62	5.32	8.54	6.10	6.63	5.76
	December	7.15	7.60	7.56	8.49	6.82	6.37	7.53	5.26	8.48	6.49	6.27	6.87
2012	January	7.16	7.31	7.29	7.56	7.06	6.45	7.59	5.26	8.44	5.60	5.68	5.42
	February	7.14	7.17	7.15	7.69	7.13	6.54	7.64	5.37	8.55	5.85	6.37	5.10
	March	7.20	7.46	7.44	7.98	7.06	6.06	7.96	5.38	8.70	6.27	6.42	6.04
	April	6.98	7.12	7.06	7.89	6.92	6.05	7.49	5.08	8.69	4.78	4.55	5.88
Relative significance^a		18.29	5.17	4.78	0.38	13.12	5.13	7.99	2.66	5.33	7.05	5.85	1.20

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

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

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

Table G2 Banks' interest rates on kuna credits indexed to foreign currency and on credits in euros • The table contains the weighted averages of banks' monthly interest rates on kuna credits indexed to f/c and on credits in euros, reported on a yearly basis.

Up to December 2001, data refer to the weighted averages of banks' monthly interest rates on kuna credits indexed to f/c and on credits in euros (or German marks) granted to legal persons (which included enterprises, the public sector, financial

institutions, non-profit institutions and non-residents) and households, reported on a yearly basis. Savings banks are not covered.

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

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

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

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

Table G3 Banks' interest rates on kuna deposits not indexed to foreign currency
weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	On time deposits						
				Total average	On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	December	1.58	0.61	3.36	3.34	3.89	3.23	4.12	5.04	3.49
2006	December	1.91	0.56	2.98	2.94	4.10	2.69	4.32	4.98	3.11
2007	December	2.67	0.49	5.42	5.34	4.47	5.48	6.28	5.45	6.45
2008	December	2.92	0.43	5.65	5.60	5.34	5.64	6.58	5.88	6.85
2009	December	2.22	0.43	2.52	2.49	4.89	2.04	2.76	6.12	2.07
2010	December	1.61	0.34	1.93	1.85	3.66	1.41	4.26	4.76	3.03
2011	May	1.63	0.34	1.31	1.33	3.50	0.88	1.22	4.50	0.91
	June	1.58	0.35	1.60	1.74	3.49	1.06	1.21	4.70	0.87
	July	1.58	0.35	1.67	1.59	3.49	0.98	1.96	4.59	1.67
	August	1.65	0.35	2.07	1.91	3.45	1.45	2.59	4.76	2.39
	September	1.81	0.36	2.20	1.83	3.50	1.40	3.69	4.58	3.61
	October	1.91	0.35	2.82	2.42	3.41	2.17	4.43	4.32	4.44
	November	1.93	0.34	2.50	2.14	3.46	1.82	3.97	4.59	3.90
	December	1.88	0.36	2.46	2.33	3.55	1.88	2.98	4.58	2.78
2012	January	2.03	0.36	3.10	2.57	3.57	2.14	4.89	4.42	4.95
	February	2.07	0.33	3.23	3.15	3.48	3.07	3.62	4.63	3.48
	March	1.98	0.33	2.56	2.69	3.45	2.33	2.13	4.64	1.75
	April	1.86	0.33	2.09	2.30	3.38	1.84	1.39	4.53	0.98
Relative significance ^a		53.54	35.33	15.35	11.84	3.52	8.32	3.52	0.40	3.11

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

Table G3 Banks' interest rates on kuna deposits not indexed to foreign currency • The table contains the weighted averages of banks' monthly interest rates on kuna deposits not indexed to f/c, reported on a yearly basis.

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

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

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

Column 3 reports the weighted averages of monthly interest rates on total kuna deposits (giro and current accounts, household savings deposits and time deposits) not indexed to f/c.

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

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

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

Table G4a Banks' interest rates on kuna deposits indexed to foreign currency and on foreign currency deposits weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on savings and time deposits indexed to f/c			Interest rates on foreign currency deposits					
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits				
						Total average	Households		Enterprises	
							EUR	USD	EUR	USD
1	2	3	4	5	6	7	8	9	10	11
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21
2005	December	3.99	3.63	4.77	2.61	0.27	0.27	0.17	0.27	0.76
2006	December	3.67	3.30	4.07	2.94	0.25	0.23	0.17	0.32	0.44
2007	December	3.98	3.76	4.35	3.44	0.25	0.22	0.15	0.36	0.43
2008	December	4.09	4.05	4.42	3.97	0.21	0.20	0.15	0.26	0.13
2009	December	3.01	3.12	3.31	3.98	0.18	0.22	0.16	0.10	0.07
2010	December	2.91	2.75	3.46	3.09	0.19	0.21	0.14	0.18	0.07
2011	May	3.11	3.00	3.47	2.90	0.19	0.21	0.15	0.16	0.06
	June	2.91	3.08	3.72	2.86	0.20	0.22	0.15	0.16	0.06
	July	3.00	2.67	2.98	2.88	0.19	0.21	0.14	0.16	0.05
	August	2.85	2.81	3.15	2.89	0.19	0.21	0.14	0.15	0.06
	September	3.20	3.25	3.77	2.90	0.19	0.21	0.14	0.14	0.06
	October	3.08	2.52	5.59	2.86	0.19	0.21	0.14	0.15	0.07
	November	3.10	2.76	3.07	2.86	0.19	0.21	0.14	0.15	0.06
	December	2.86	2.75	3.62	2.90	0.19	0.21	0.14	0.13	0.08
2012	January	3.09	3.16	2.78	2.89	0.18	0.22	0.14	0.11	0.06
	February	2.77	3.21	2.71	2.96	0.19	0.22	0.12	0.12	0.07
	March	2.50	2.97	3.76	2.92	0.18	0.22	0.12	0.08	0.05
	April	2.65 ^b	3.16	2.76	2.95	0.18	0.22	0.12	0.09	0.04
Relative significance ^a		0.27	0.23	0.03	46.20	23.48	16.16	2.32	4.33	0.67

^a Relative significance is calculated as a percentage of corresponding deposit category in total deposits received in the reporting month (according to data for the last period included in the table). ^b Of the total amount of deposits to which this interest rate refers, 46.28% refers to enterprises.

Tables G4a – G4b Banks' interest rates on kuna deposits indexed to foreign currency and on foreign currency deposits • The table contains the weighted averages of banks' monthly interest rates on kuna deposits indexed to f/c and on foreign currency deposits, reported on a yearly basis.

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

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

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

Column 3 reports the weighted averages of monthly interest rates on total kuna savings and time deposits indexed to f/c received from enterprises (until December 2001, all legal persons) and households, whereas the weighted averages of monthly

interest rates on time deposits are shown in column 4 (short-term deposits) and column 5 (long-term deposits) respectively.

Up to December 2001, interest rates on foreign currency deposits refer to deposits received in German marks or US dollars, and starting from January 2002, they refer to deposits received in euros and US dollars, while the weighted averages are calculated based on their kuna equivalent using the current exchange rate. Deposits received in other currencies are not included in this table.

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

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

Table G4b Banks' interest rates on kuna deposits indexed to foreign currency and on foreign currency deposits weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on foreign currency deposits										
		On time deposits										Total average
		On short-term deposits					On long-term deposits					
		Total average	Households		Enterprises		Total average	Households		Enterprises		
EUR	USD		EUR	USD	EUR	USD		EUR	USD			
1	2	12	13	14	15	16	17	18	19	20	21	22
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65
2005	December	3.07	2.94	2.99	1.76	2.63	4.34	3.69	4.25	0.48	4.39	-
2006	December	3.82	3.76	3.16	2.05	4.24	5.84	4.25	4.47	2.26	4.79	4.61
2007	December	4.32	4.25	3.47	2.60	5.10	5.33	4.80	4.83	3.84	5.13	2.19
2008	December	4.15	3.95	4.33	2.69	4.13	1.84	5.51	5.57	3.58	5.52	2.38
2009	December	3.58	3.40	4.33	2.73	2.64	1.77	5.13	5.43	3.86	2.85	0.13
2010	December	2.69	2.15	3.13	2.45	1.63	0.76	5.36	4.28	3.20	6.91	3.80
2011	May	2.40	2.20	2.87	2.39	1.90	0.71	3.89	3.96	3.54	3.67	2.42
	June	2.46	2.24	2.85	2.39	1.87	0.79	3.94	4.03	3.34	3.04	2.40
	July	2.51	2.27	2.86	2.45	1.88	0.65	3.88	3.95	3.84	3.52	3.10
	August	2.48	2.23	2.97	2.38	1.69	0.71	4.00	4.04	3.40	3.22	0.00
	September	2.49	2.26	2.96	2.40	1.63	0.84	3.97	4.00	3.30	4.17	3.80
	October	2.54	2.36	2.87	2.35	1.78	1.27	3.83	3.85	3.38	3.31	0.72
	November	2.59	2.36	2.83	2.36	2.06	0.85	3.87	3.92	3.30	3.33	2.39
	December	2.76	2.56	2.87	2.45	2.37	0.86	3.84	3.92	3.27	3.54	1.70
2012	January	2.58	2.37	2.84	2.42	2.11	0.69	3.77	3.82	3.45	3.50	1.11
	February	2.54	2.26	2.83	2.34	1.76	0.83	3.88	3.94	3.29	3.33	0.43
	March	2.45	2.22	2.82	2.32	1.79	0.77	3.91	3.93	3.11	4.58	3.50
	April	2.68	2.50	2.82	2.25	2.16	1.32	3.75	3.85	3.22	2.96	3.80
Relative significance ^a		22.72	19.48	11.22	1.12	6.06	1.08	3.23	2.82	0.20	0.22	0.00

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

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

The basis for the calculation of the weighted averages of monthly interest rates on total foreign currency time deposits

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

Table G5 Banks' trade with foreign exchange
in million EUR, current exchange rate

	2006	2007	2008	2009	2010	2011	2012			
							Jan.	Feb.*	Mar.*	Apr.
A Purchase of foreign exchange										
1 Legal persons	14,442.7	26,365.0	33,058.3	19,939.9	21,453.6	20,628.9	1,464.5	1,326.4	1,421.0	1,837.8
2 Natural persons	6,262.7	6,151.3	4,755.3	4,920.3	4,878.0	5,264.9	329.7	329.3	355.8	386.7
2.1 Residents	5,909.4	3,184.0	4,252.9	4,389.6	4,251.3	4,867.9	324.3	323.8	347.5	369.7
2.2 Non-residents	353.2	326.3	502.4	530.7	626.7	397.0	5.4	5.5	8.3	17.0
3 Domestic banks	14,380.1	20,141.3	20,017.6	10,964.5	11,171.3	10,406.6	680.8	520.6	775.5	861.3
4 Foreign banks	5,056.8	5,194.1	7,342.5	5,681.9	5,548.6	5,226.3	493.4	550.3	556.1	494.2
5 Croatian National Bank	125.5	0.0	420.6	1,899.4	350.1	596.7	327.0	131.0	-	-
Total (1+2+3+4)	40,439.5	57,851.7	65,594.2	43,405.9	43,401.6	42,123.5	3,295.3	2,857.6	3,108.4	3,580.1
B Sale of foreign exchange										
1 Legal persons	17,515.0	28,564.1	35,448.8	21,707.2	21,930.5	20,809.2	1,598.3	1,240.6	1,575.8	1,691.9
2 Natural persons	4,109.1	3,712.5	4,366.4	3,205.5	1,815.9	1,760.2	157.4	157.4	105.7	88.7
2.1 Residents	4,056.4	2,071.3	4,335.2	3,186.0	1,800.5	1,743.3	157.1	157.2	105.4	88.3
2.2 Non-residents	52.6	40.0	31.2	19.5	15.4	16.9	0.3	0.1	0.2	0.4
3 Domestic banks	14,380.1	20,141.3	20,017.6	10,964.5	11,171.3	10,406.6	680.8	520.6	775.5	861.3
4 Foreign banks	3,526.1	4,072.6	6,615.7	5,281.5	5,455.0	5,730.2	611.1	518.9	547.7	570.2
5 Croatian National Bank	1,329.5	839.0	409.1	2,224.2	363.7	-	-	-	-	-
Total (1+2+3+4)	40,859.7	57,329.5	66,857.5	43,382.7	40,736.5	38,706.2	3,047.5	2,437.5	3,004.6	3,212.3
C Net purchase (A-B)										
1 Legal persons	-3,072.3	-2,199.1	-2,390.5	-1,767.3	-476.9	-180.3	-133.8	85.8	-154.8	145.9
2 Natural persons	2,153.6	2,438.9	388.9	1,714.8	3,062.1	3,504.7	172.3	171.9	250.2	298.0
2.1 Residents	1,853.0	1,112.7	-82.2	1,203.6	2,450.8	3,124.6	167.1	166.5	242.0	281.4
2.2 Non-residents	300.6	286.3	471.1	511.2	611.2	380.1	5.2	5.4	8.1	16.6
3 Foreign banks	1,530.7	1,121.4	726.8	400.4	93.6	-503.9	-117.7	31.4	8.4	-76.0
4 Croatian National Bank	-1,204.0	-839.0	11.5	-324.8	-13.6	596.7	327.0	131.0	-	-
Total (1+2+3)	-592.1	522.2	-1,263.3	23.2	2,665.2	3,417.2	247.8	420.1	103.7	367.8
Memo items: Other Croatian National Bank transactions										
Purchase of foreign exchange	3.1	5.1	265.4	664.6	238.5	968.2	28.2	400.4	0.3	0.3
Sale of foreign exchange	441.3	176.7	83.7	98.3	233.1	0.0	-	-	-	-

Table G5 Banks' trade with foreign exchange • Data on trade with foreign exchange between banks comprise the spot purchase and sale of foreign exchange in domestic foreign exchange market. Spot transactions are contracted obligations to buy/sell foreign currency within maximally 48 hours.

The transactions are classified by category of participants (legal and natural persons, domestic and foreign banks and the

CNB). Sources of data are banks' reports on trading with foreign exchange, including data on exchange transactions with natural persons conducted by authorised currency exchange offices.

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

H International economic relations

Table H1 Balance of payments – summary^{a,b}
in million EUR

	2006	2007	2008	2009	2010	2011 ^c	2011				2012
							Q1 ^e	Q2 ^e	Q3 ^e	Q4 ^e	
A CURRENT ACCOUNT (1+6)	-2,653.5	-3,150.6	-4,258.1	-2,292.5	-482.1	-437.1	-1,629.5	-369.7	2,480.2	-918.0	-1,689.2
1 Goods, services, and income (2+5)	-3,760.9	-4,193.6	-5,328.5	-3,328.8	-1,570.1	-1,590.9	-1,878.8	-651.7	2,193.6	-1,254.0	-1,966.8
1.1 Credit	17,884.5	19,614.5	21,237.2	17,114.1	18,608.5	19,729.2	3,201.0	5,037.2	7,646.7	3,844.3	3,259.4
1.2 Debit	-21,645.4	-23,808.0	-26,565.7	-20,442.9	-20,178.5	-21,320.1	-5,079.8	-5,689.0	-5,453.1	-5,098.3	-5,226.2
2 Goods and services (3+4)	-2,597.6	-3,103.3	-3,780.6	-1,529.9	-4.0	10.2	-1,379.5	-94.2	2,537.4	-1,053.5	-1,447.1
2.1 Credit	16,960.8	18,271.3	19,843.3	16,314.7	17,713.0	18,765.5	2,995.6	4,777.4	7,387.1	3,605.3	3,032.8
2.2 Debit	-19,558.4	-21,374.6	-23,623.8	-17,844.6	-17,717.0	-18,755.3	-4,375.1	-4,871.6	-4,849.7	-4,658.8	-4,479.8
3 Goods	-8,373.8	-9,469.9	-10,855.2	-7,415.5	-5,990.7	-6,360.4	-1,536.4	-1,674.4	-1,646.3	-1,503.3	-1,644.2
3.1 Credit	8,434.0	9,156.6	9,752.7	7,674.5	9,063.6	9,781.5	2,237.8	2,573.0	2,527.0	2,443.6	2,208.8
3.2 Debit	-16,807.8	-18,626.5	-20,607.8	-15,090.1	-15,054.3	-16,141.8	-3,774.1	-4,247.4	-4,173.3	-3,947.0	-3,853.0
4 Services	5,776.2	6,366.6	7,074.6	5,885.7	5,986.7	6,370.6	156.9	1,580.2	4,183.6	449.8	197.2
4.1 Credit	8,526.8	9,114.7	10,090.6	8,640.2	8,649.4	8,984.0	757.8	2,204.4	4,860.1	1,161.7	824.0
4.2 Debit	-2,750.6	-2,748.1	-3,016.0	-2,754.5	-2,662.7	-2,613.5	-601.0	-624.2	-676.4	-711.8	-626.8
5 Income	-1,163.3	-1,090.2	-1,548.0	-1,798.9	-1,566.1	-1,601.1	-499.3	-557.5	-343.8	-200.5	-519.7
5.1 Credit	923.8	1,343.2	1,393.9	799.4	895.5	963.8	205.4	259.8	259.6	238.9	226.6
5.2 Debit	-2,087.0	-2,433.5	-2,941.9	-2,598.3	-2,461.5	-2,564.8	-704.7	-817.3	-603.4	-439.5	-746.3
6 Current transfers	1,107.4	1,043.0	1,070.5	1,036.3	1,088.0	1,153.8	249.2	282.0	286.6	336.0	277.5
6.1 Credit	1,639.5	1,576.1	1,684.4	1,607.8	1,684.6	1,677.0	382.4	402.5	407.9	484.3	413.3
6.2 Debit	-532.1	-533.1	-613.9	-571.5	-596.6	-523.3	-133.2	-120.5	-121.4	-148.3	-135.8
B CAPITAL AND FINANCIAL ACCOUNT	4,008.2	4,437.8	5,765.1	3,468.3	1,358.4	1,416.7	1,372.3	213.4	-1,024.8	855.7	1,260.5
B1 Capital account	-134.0	28.5	14.9	43.1	34.5	-8.4	-1.6	-4.5	-1.8	-0.5	-2.9
B2 Financial account, excl. reserves	5,554.4	5,130.9	5,419.8	4,321.7	1,407.7	1,825.7	2,242.7	249.5	-1,257.1	590.5	1,486.1
1 Direct investment	2,556.6	3,435.2	3,248.4	1,526.9	410.7	1,043.0	46.0	282.1	549.1	165.8	198.9
1.1 Abroad	-208.2	-216.1	-970.2	-888.1	113.2	-31.8	-295.9	25.3	244.2	-5.4	215.5
1.2 In Croatia	2,764.8	3,651.3	4,218.6	2,415.0	297.5	1,074.8	341.8	256.8	304.9	171.2	-16.6
2 Portfolio investment	-223.0	335.9	-810.1	420.9	477.0	645.6	413.8	-584.2	626.4	189.6	397.0
2.1 Assets	-475.2	-421.6	-380.8	-558.1	-368.3	508.5	79.9	-153.1	345.8	235.9	249.0
2.2 Liabilities	252.2	757.5	-429.2	979.1	845.4	137.2	333.9	-431.1	280.6	-46.2	148.0
3 Financial derivatives	0.0	0.0	0.0	0.0	-252.7	-59.7	-6.9	-45.8	-84.4	77.4	-11.0
4 Other investment	3,220.8	1,359.8	2,981.4	2,373.8	772.7	196.8	1,790.0	597.4	-2,348.1	157.6	901.2
4.1 Assets	-685.8	-1,662.6	-1,620.7	748.5	694.2	359.0	664.3	93.4	-890.9	492.2	648.3
4.2 Liabilities	3,906.6	3,022.5	4,602.1	1,625.3	78.5	-162.2	1,125.6	504.0	-1,457.3	-334.6	252.8
B3 Reserve assets	-1,412.2	-721.6	330.4	-896.4	-83.8	-400.6	-868.8	-31.7	234.1	265.7	-222.6
C NET ERRORS AND OMISSIONS	-1,354.7	-1,287.2	-1,507.0	-1,175.8	-876.3	-979.5	257.2	156.4	-1,455.4	62.3	428.7

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from January 1999 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Data also include the round tripping which increases direct investment in Croatia and direct investment abroad by the same amount. This type of direct investment was recorded in December 2008 (EUR 825.7m) and August 2009 (EUR 666.5m).

^c Revised data. ^d 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.

Tables 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:

Table H2 Balance of payments – goods and services

in million EUR

	2006	2007	2008	2009	2010	2011 ^a	2011				2012
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^a	Q1 ^b
Goods	-8,373.8	-9,469.9	-10,855.2	-7,415.5	-5,990.7	-6,360.4	-1,536.4	-1,674.4	-1,646.3	-1,503.3	-1,644.2
1 Credit	8,434.0	9,156.6	9,752.7	7,674.5	9,063.6	9,781.5	2,237.8	2,573.0	2,527.0	2,443.6	2,208.8
1.1 Exports (f.o.b.) in trade statistics	8,251.6	9,001.6	9,585.1	7,529.4	8,905.2	9,589.7	2,193.9	2,529.9	2,477.4	2,388.5	2,173.1
1.2 Adjustments for coverage	182.4	155.0	167.5	145.1	158.3	191.8	43.9	43.1	49.6	55.2	35.7
2 Debit	-16,807.8	-18,626.5	-20,607.8	-15,090.1	-15,054.3	-16,141.8	-3,774.1	-4,247.4	-4,173.3	-3,947.0	-3,853.0
2.1 Imports (c.i.f.) in trade statistics	-17,104.7	-18,826.6	-20,817.1	-15,220.1	-15,137.0	-16,275.9	-3,811.5	-4,285.4	-4,211.4	-3,967.6	-3,888.4
2.2 Adjustments for coverage	-341.1	-370.4	-421.4	-331.1	-376.0	-359.1	-78.1	-91.9	-89.5	-99.6	-82.5
2.3 Adjustments for classification	638.0	570.4	630.8	461.2	458.7	493.2	115.5	129.8	127.6	120.2	117.8
Services	5,776.2	6,366.6	7,074.6	5,885.7	5,986.7	6,370.6	156.9	1,580.2	4,183.6	449.8	197.2
1 Transportation	547.8	641.3	625.3	482.9	512.3	481.0	82.8	128.1	166.7	103.3	83.8
1.1 Credit	1,037.5	1,165.4	1,209.4	938.2	973.0	962.4	192.2	258.9	292.1	219.2	186.4
1.2 Debit	-489.7	-524.0	-584.1	-455.3	-460.7	-481.5	-109.3	-130.8	-125.3	-116.0	-102.6
2 Travel	5,708.7	6,035.2	6,694.0	5,655.8	5,600.8	5,967.6	143.3	1,457.0	3,991.0	376.3	172.5
2.1 Credit	6,293.3	6,752.6	7,459.4	6,379.7	6,230.0	6,600.0	274.5	1,611.0	4,169.8	544.7	327.2
2.1.1 Business	388.4	389.2	386.4	255.7	236.3	209.7	29.7	78.1	54.0	47.9	31.5
2.1.2 Personal	5,904.9	6,363.4	7,073.1	6,124.0	5,993.6	6,390.3	244.8	1,532.9	4,115.8	496.8	295.7
2.2 Debit	-584.6	-717.3	-765.5	-724.0	-629.2	-632.4	-131.3	-153.9	-178.8	-168.4	-154.7
2.2.1 Business	-229.5	-266.9	-261.3	-240.8	-180.6	-184.3	-45.9	-42.2	-41.9	-54.4	-42.6
2.2.2 Personal	-355.1	-450.4	-504.2	-483.1	-448.6	-448.1	-85.4	-111.7	-137.0	-114.0	-112.1
3 Other services	-480.3	-310.0	-244.6	-253.0	-126.4	-78.0	-69.3	-5.0	25.9	-29.7	-59.1
3.1 Credit	1,196.0	1,196.8	1,421.8	1,322.2	1,446.4	1,421.6	291.1	334.5	398.2	397.7	310.5
3.2 Debit	-1,676.3	-1,506.7	-1,666.4	-1,575.2	-1,572.8	-1,499.6	-360.4	-339.5	-372.3	-427.4	-369.5

^a Revised data. ^b Preliminary data.

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

The Report of the Central Bureau of Statistics on foreign trade in goods of the Republic of Croatia represents the basic data source for the balance of payments items related to exports and imports. These data are adjusted, in accordance with the recommended compilation method, for coverage and classification. Accordingly, goods exports and imports in the balance of payments are reported at f.o.b. parity. The value of exports at this parity is already contained in the previously mentioned CBS Report, whereas the value of imports f.o.b. is estimated on the basis of research studies of the CNB on the stratified sample of importers. The resulting value serves as a basis for the estimate of the share of transportation and insurance services by which the original value of imports c.i.f., stated in the CBS Report, is reduced. In the 1993-2001 period, this share stood at 7.10% (estimated only on the basis of the largest and large importers), while from 2002 on it has amounted to 3.73%. The same research study, conducted by the CNB at the end of 2006 (comprising the imports in the previous year), showed that the share of transportation and insurance costs, after continuing to decrease, has reached 3.03%. This share was first applied in the calculations for the first quarter of 2007. In the period from 1993 to

1996, the value of imports was modified by estimates of imports in duty free zones, which have been included in the merchandise trade statistics since 1997. From 1996 on, goods exports and imports are modified by the data on repairs on goods and goods procured in ports by carriers. In addition, since 1999, based on the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travellers Abroad, the item of goods exports has been modified by the estimated value of goods sold to foreign travellers and tourists and taken out of the Republic of Croatia. The item of goods imports is adjusted for the estimated value of goods imported personally by the Croatian citizens from the neighbouring countries (shopping expenditures).

Transportation, travel and other services are reported separately under service account. Revenues and expenditures on the basis of transportation, in the 1993-1998 period, were adopted from the ITRS. From 1999 on, revenues and expenditures arising from transportation of goods and passengers, as well as the value of accompanying services, which together constitute the total value of these services, are compiled on the basis of the results of the Research on transactions related to international transportation services, carried out by the CNB. Owing to an exceptionally large population of road carriers, revenues and expenditures on the basis of road freight transportation are not adopted from that research. They are compiled by using ITRS data. Starting from January 2011, as the ITRS was abolished, the position of revenues from road freight transportation is compiled on the basis of the econometric model having the volume of trade in goods as a dependent variable. Expenditures on the basis of road freight transportation equal transportation and insurance costs related to imports of goods which belong to non-residents and which are estimated by adjusting the value of imports at c.i.f. parity to the value of imports f.o.b.

Table H3 Balance of payments – income and current transfers
in million EUR

	2006	2007	2008	2009	2010	2011 ^a	2011				2012
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^a	
Income	-1,163.3	-1,090.2	-1,548.0	-1,798.9	-1,566.1	-1,601.1	-499.3	-557.5	-343.8	-200.5	-519.7
1 Compensation of employees	373.2	494.2	564.1	586.5	620.8	656.9	153.5	169.1	166.4	168.0	179.9
1.1 Credit	404.3	527.8	599.7	624.2	657.1	695.5	162.6	178.3	176.3	178.4	187.3
1.2 Debit	-31.1	-33.6	-35.5	-37.6	-36.3	-38.5	-9.2	-9.2	-9.8	-10.4	-7.4
2 Direct investment income	-1,002.0	-920.6	-1,137.1	-1,172.9	-1,100.0	-1,034.8	-359.2	-414.7	-214.3	-46.7	-377.3
2.1 Credit	80.7	174.5	194.6	-62.6	87.6	63.2	8.4	34.1	21.5	-0.9	-15.3
o/w: Reinvested earnings	64.0	123.3	118.6	-114.9	8.5	-5.2	-9.2	1.5	15.3	-12.7	-23.9
2.2 Debit	-1,082.7	-1,095.1	-1,331.7	-1,110.3	-1,187.6	-1,098.0	-367.6	-448.8	-235.8	-45.8	-362.0
o/w: Reinvested earnings	-717.5	-483.3	-508.5	-314.1	-495.2	-300.7	-208.5	17.5	-128.5	18.9	-203.1
3 Portfolio investment income	-182.8	-176.5	-158.0	-173.4	-304.1	-339.5	-79.2	-88.0	-81.2	-91.1	-92.4
3.1 Credit	61.8	89.9	82.3	73.5	41.0	48.7	11.1	14.5	13.3	9.8	7.6
3.2 Debit	-244.6	-266.4	-240.3	-246.9	-345.1	-388.2	-90.2	-102.4	-94.6	-101.0	-100.0
4 Other investment income	-351.6	-487.3	-817.0	-1,039.2	-782.7	-883.8	-214.4	-223.9	-214.7	-230.7	-229.9
4.1 Credit	377.0	551.0	517.4	164.3	109.7	156.3	23.3	33.0	48.4	51.6	47.0
4.2 Debit	-728.6	-1,038.4	-1,334.3	-1,203.5	-892.5	-1,040.1	-237.7	-256.9	-263.1	-282.4	-276.9
Current transfers	1,107.4	1,043.0	1,070.5	1,036.3	1,088.0	1,153.8	249.2	282.0	286.6	336.0	277.5
1 General government	-8.6	-16.7	-20.0	-30.0	-39.8	-59.7	-25.1	-29.8	-18.4	13.6	-13.6
1.1 Credit	255.7	260.2	342.6	309.0	304.6	246.2	47.3	43.6	55.0	100.3	57.7
1.2 Debit	-264.4	-276.8	-362.7	-339.0	-344.4	-305.9	-72.4	-73.4	-73.4	-86.7	-71.3
2 Other sectors	1,116.0	1,059.6	1,090.5	1,066.3	1,127.8	1,213.4	274.3	311.8	305.0	322.3	291.2
2.1 Credit	1,383.8	1,316.0	1,341.7	1,298.8	1,379.9	1,430.8	335.0	358.9	352.9	384.0	355.6
2.2 Debit	-267.7	-256.3	-251.2	-232.5	-252.2	-217.4	-60.7	-47.1	-47.9	-61.6	-64.5

^a Revised data. ^b Preliminary data.

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

Other services position is compiled by using different data sources: apart from revenues and expenditures related to communication and construction services, which have been determined by the CNB special statistical research since 2001, the values of all other services were adopted from the ITRS until the end of 2010, when it was abolished. As of 2011, the uniform statistical survey is used for estimating the position of Other services, which encompasses 30 different types of services, the classification of which is prescribed by the IMF's Balance of Payments Manual, 6th edition. That survey also includes communication services, as a result of which a special survey on communication services was abolished, while insurance and construction services continued to be monitored through separate surveys.

Transactions in the income account are classified into four

main groups. Compensation of employees item was compiled on the basis of the ITRS until the end of 2010, when it was abolished. As of 2011, this position on the revenues side is estimated by a model based on the aggregate data of banks on inflows of resident natural persons from non-residents. On the expenditures side, the existing surveys on services are used, containing a part which relates to compensation of employees paid to non-residents. 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. From the first quarter of 2009 on, international standards are applied in the statistical monitoring of reinvested earnings, meaning that reinvested earnings are reported on a quarterly basis, i.e. in the period in which the profit is actually earned. Previously, reinvested earnings were reported in the month in which the decision on the distribution of the previous year's profit was adopted, meaning that they were based on the profit earned in the preceding year. 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 survey, whereas data on debt portfolio investment income have been compiled since 1999, based on statistics on foreign credit relations, which also encompasses income related to debt securities owned by non-residents. Income from other investments includes the calculation of interest in accordance with the foreign credit relations statistics. The

Table H4 Balance of payments – direct and portfolio investments^{a,b}

in million EUR

	2006	2007	2008	2009	2010	2011 ^c	2011				2012
							Q1 ^c	Q2 ^c	Q3 ^c	Q4 ^c	Q1 ^d
Direct investment	2,556.6	3,435.2	3,248.4	1,526.9	410.7	1,043.0	46.0	282.1	549.1	165.8	198.9
1 Abroad	-208.2	-216.1	-970.2	-888.1	113.2	-31.8	-295.9	25.3	244.2	-5.4	215.5
1.1 Equity capital and reinvested earnings	-211.9	-270.2	-1,075.9	-894.4	254.0	-192.8	-85.0	-53.0	-34.7	-20.1	11.6
1.1.1 Claims	-211.9	-273.3	-1,075.9	-1,009.3	237.7	-214.8	-94.2	-53.0	-34.7	-32.9	-12.4
1.1.2 Liabilities	0.0	3.1	0.0	114.9	16.3	22.0	9.2	0.0	0.0	12.7	23.9
1.2 Other capital	3.7	54.1	105.7	6.3	-140.9	161.0	-210.9	78.3	278.8	14.7	203.9
1.1.1 Claims	-13.9	20.3	106.8	-30.0	-371.5	347.2	-26.4	78.3	280.0	15.4	193.6
1.2.2 Liabilities	17.6	33.9	-1.1	36.3	230.6	-186.2	-184.5	0.0	-1.1	-0.6	10.3
2 In Croatia	2,764.8	3,651.3	4,218.6	2,415.0	297.5	1,074.8	341.8	256.8	304.9	171.2	-16.6
2.1 Equity capital and reinvested earnings	2,460.9	2,688.1	2,708.0	984.2	879.6	2,264.5	309.9	591.9	343.2	1,019.6	245.5
2.1.1 Claims	-0.1	0.0	-6.9	-106.8	-70.0	-36.3	0.0	-17.5	0.0	-18.9	0.0
2.1.2 Liabilities	2,461.0	2,688.1	2,714.9	1,091.1	949.6	2,300.9	309.9	609.4	343.2	1,038.5	245.5
2.2 Other capital	303.8	963.2	1,510.6	1,430.8	-582.1	-1,189.8	32.0	-335.1	-38.3	-848.4	-262.2
2.2.1 Claims	16.6	-4.5	-26.4	-29.1	-21.5	14.0	25.1	-3.5	-5.0	-2.7	0.5
2.2.2 Liabilities	287.3	967.7	1,537.0	1,459.9	-560.6	-1,203.7	6.9	-331.6	-33.3	-845.7	-262.7
Portfolio investment	-223.0	335.9	-810.1	420.9	477.0	645.6	413.8	-584.2	626.4	189.6	397.0
1 Assets	-475.2	-421.6	-380.8	-558.1	-368.3	508.5	79.9	-153.1	345.8	235.9	249.0
1.1 Equity securities	-320.5	-842.6	148.9	-111.4	-474.3	-116.0	-176.5	-41.1	26.8	74.7	62.2
1.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1 Banks	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2 Other sectors	-323.1	-842.6	148.9	-111.4	-474.3	-116.0	-176.5	-41.1	26.8	74.7	62.2
1.2 Debt securities	-154.7	421.0	-529.7	-446.7	105.9	624.4	256.3	-112.0	319.0	161.1	186.8
1.2.1 Bonds	102.7	315.6	-431.4	-86.2	263.9	350.4	11.8	-80.5	416.6	2.5	175.9
1.2.1.1 General government	0.1	0.1	0.0	0.0	-1.5	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2 Banks	161.9	267.8	-226.5	-52.5	167.3	348.8	20.3	-55.1	373.7	9.9	188.8
1.2.1.3 Other sectors	-59.2	47.7	-204.9	-33.7	98.1	1.6	-8.5	-25.4	42.8	-7.4	-12.9
1.2.2 Money market instruments	-257.4	105.4	-98.3	-360.5	-157.9	274.0	244.5	-31.5	-97.6	158.6	10.9
1.2.2.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2.2 Banks	-257.4	109.7	-100.9	-341.4	-124.3	310.7	265.0	-26.0	-76.7	148.4	11.7
1.2.2.3 Other sectors	0.0	-4.3	2.5	-19.0	-33.6	-36.7	-20.5	-5.5	-20.9	10.2	-0.8
2 Liabilities	252.2	757.5	-429.2	979.1	845.4	137.2	333.9	-431.1	280.6	-46.2	148.0
2.1 Equity securities	325.7	315.9	-85.1	16.4	168.0	17.7	140.6	-76.5	-15.1	-31.2	3.6
2.1.1 Banks	41.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	284.0	315.9	-85.1	16.4	168.0	17.7	140.6	-76.5	-15.1	-31.2	3.6
2.2 Debt securities	-73.5	441.6	-344.2	962.7	677.3	119.5	193.3	-354.6	295.7	-15.0	144.4
2.2.1 Bonds	-187.8	519.1	-329.9	817.3	380.8	431.4	113.4	-128.3	447.5	-1.1	27.6
2.2.1.1 General government	-278.1	83.0	-245.0	862.9	389.1	638.0	277.7	-108.9	467.4	1.8	-3.9
2.2.1.2 Banks	14.6	0.1	-4.7	-447.2	-0.2	-7.0	-8.9	0.0	2.7	-0.8	-0.9
2.2.1.3 Other sectors	75.7	436.0	-80.1	401.7	-8.1	-199.5	-155.4	-19.4	-22.6	-2.1	32.3
2.2.2 Money market instruments	114.3	-77.5	-14.3	145.3	296.5	-312.0	79.9	-226.2	-151.8	-13.9	116.8
2.2.2.1 General government	114.3	-77.5	-14.4	145.4	296.5	-312.1	79.9	-226.2	-151.8	-14.1	116.9
2.2.2.2 Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.3 Other sectors	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	-0.1

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from January 1999 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Data also include the round tripping which increases direct investment in Croatia and direct investment abroad by the same amount. This type of direct investment was recorded in December 2008 (EUR 825.7m), August 2009 (EUR 666.5m) and December 2010 (EUR 618.6m, investment withdrawal). ^c Revised data. ^d Preliminary data.

methodology for compiling the statistics on debt investment income was changed in 2007 to include the reporting of income on an accrual basis. This basically means that income from debt investment and interest are reported at the point in time when they accrue and not at the point in time when they mature or when they are paid. As a result, the historical data for the

1999–2006 period have been revised.

Current transfers are reported separately for the general government sector and other sectors. The ITRS was used as the main data source on current transfers for both sectors until the end of 2010, when it was abolished. As of 2011, transfers of the general government sector are recorded on the basis of the

Table H5 Balance of payments – other investment^a

in million EUR

	2006	2007	2008	2009	2010	2011 ^b	2011				2012
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^c
Other investment (net)	3,220.8	1,359.8	2,981.4	2,373.8	772.7	196.8	1,790.0	597.4	-2,348.1	157.6	901.2
1 Assets	-685.8	-1,662.6	-1,620.7	748.5	694.2	359.0	664.3	93.4	-890.9	492.2	648.3
1.1 Trade credits	-26.9	-107.4	-125.0	145.0	213.8	-22.1	-171.0	50.9	14.9	83.0	-5.7
1.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1 Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2 Other sectors	-26.9	-107.4	-125.0	145.0	213.8	-22.1	-171.0	50.9	14.9	83.0	-5.7
1.1.2.1 Long-term	-4.9	-63.5	26.7	58.0	22.2	2.9	-2.6	1.8	-0.4	4.2	1.2
1.1.2.2 Short-term	-22.0	-43.9	-151.7	87.0	191.6	-25.0	-168.3	49.1	15.4	78.8	-6.9
1.2 Loans	-153.1	-4.5	-107.5	41.5	-85.1	-11.4	-1.2	-63.4	42.3	10.9	-34.2
1.2.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.1 Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2 Banks	-80.4	-32.6	-66.7	20.5	-65.4	-2.8	-20.2	-74.7	58.7	33.5	-24.3
1.2.2.1 Long-term	-58.9	-25.4	-26.8	-28.7	-46.9	-22.4	-28.2	-62.7	36.9	31.5	-4.7
1.2.2.2 Short-term	-21.5	-7.3	-39.9	49.2	-18.5	19.7	8.0	-12.0	21.7	1.9	-19.6
1.2.3 Other sectors	-72.7	28.1	-40.8	21.0	-19.7	-8.7	19.0	11.3	-16.4	-22.6	-9.9
1.2.3.1 Long-term	-73.0	28.1	-37.6	20.9	17.4	-34.7	4.7	11.5	-26.1	-24.8	-1.8
1.2.3.2 Short-term	0.3	0.0	-3.2	0.1	-37.1	26.0	14.3	-0.2	9.7	2.2	-8.1
1.3 Currency and deposits	-505.9	-1,550.8	-1,388.2	562.0	565.4	392.5	836.4	105.8	-948.1	398.4	688.2
1.3.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2 Banks	-462.1	-1,317.1	-1,364.4	423.7	417.0	523.9	925.8	77.1	-828.5	349.6	694.2
1.3.3 Other sectors	-43.8	-233.6	-1,251.8	138.2	148.5	-131.4	-89.4	28.7	-119.6	48.8	-6.0
1.4 Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Liabilities	3,906.6	3,022.5	4,602.1	1,625.3	78.5	-162.2	1,125.6	504.0	-1,457.3	-334.6	252.8
2.1 Trade credits	18.5	323.1	21.3	-142.1	60.2	-590.9	-254.6	19.5	-134.8	-221.0	94.8
2.1.1 General government	-0.7	-0.6	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.1.1 Long-term	-0.7	-0.6	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	19.2	323.7	21.8	-142.1	60.2	-590.9	-254.6	19.5	-134.8	-221.0	94.8
2.1.2.1 Long-term	-3.7	165.0	34.9	-58.0	-25.4	-147.6	3.1	-42.2	-55.0	-53.5	-13.6
2.1.2.2 Short-term	22.9	158.7	-13.1	-84.1	85.6	-443.3	-257.7	61.7	-79.8	-167.5	108.4
2.2 Loans	3,059.2	2,890.3	3,703.9	590.5	36.3	-501.6	861.4	73.0	-947.7	-488.3	-9.3
2.2.1 Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1 o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.1 Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.2 Repayments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 General government	165.0	161.0	96.7	-7.4	134.4	90.7	162.8	157.5	-182.6	-47.0	-4.2
2.2.2.1 Long-term	165.0	161.0	65.0	24.3	134.4	90.7	-12.2	157.5	-7.6	-47.0	-4.2
2.2.2.1.1 Drawings	477.8	523.5	330.1	306.0	368.9	347.2	22.9	235.7	51.1	37.4	27.2
2.2.2.1.2 Repayments	-312.8	-362.5	-265.2	-281.7	-234.5	-256.5	-35.1	-78.2	-58.8	-84.4	-31.4
2.2.2.2 Short-term	0.0	0.0	31.7	-31.7	0.0	0.0	175.0	0.0	-175.0	0.0	0.0
2.2.3 Banks	541.2	-1,065.0	115.2	-166.5	-192.7	-44.9	116.0	148.9	-407.6	97.8	-61.5
2.2.3.1 Long-term	419.5	-630.8	-276.1	158.1	-322.9	375.1	304.4	15.6	13.0	42.1	-55.2
2.2.3.1.1 Drawings	2,833.6	1,216.2	609.4	1,219.2	849.3	1,108.3	360.9	306.1	101.7	339.6	309.4
2.2.3.1.2 Repayments	-2,414.1	-1,847.0	-885.4	-1,061.1	-1,172.2	-733.2	-56.5	-290.5	-88.7	-297.5	-364.7
2.2.3.2 Short-term	121.7	-434.2	391.3	-324.6	130.2	-420.0	-188.4	133.3	-420.6	55.7	-6.3
2.2.4 Other sectors	2,353.0	3,794.4	3,492.0	764.4	94.5	-547.4	582.6	-233.4	-357.5	-539.1	56.5
2.2.4.1 Long-term	2,264.1	3,184.9	3,175.7	488.1	-96.7	-922.3	155.1	-89.8	-320.3	-667.4	-84.8
2.2.4.1.1 Drawings	4,266.4	5,960.8	6,700.9	4,403.7	4,336.5	2,935.3	845.5	807.6	581.9	700.4	837.0
2.2.4.1.2 Repayments	-2,002.3	-2,775.9	-3,525.2	-3,915.5	-4,433.2	-3,857.6	-690.3	-897.3	-902.2	-1,367.7	-921.8
2.2.4.2 Short-term	88.9	609.5	316.2	276.2	191.2	374.9	427.5	-143.6	-37.2	128.3	141.3

	2006	2007	2008	2009	2010	2011 ^b	2011				2012
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^c
2.3 Currency and deposits	826.2	-193.6	875.7	1,175.0	-19.0	929.7	518.8	411.3	-374.9	374.6	167.4
2.3.1 General government	0.1	-0.1	-0.1	-1.2	0.0	-1.0	0.5	-1.6	0.0	0.0	0.0
2.3.2 Banks	826.0	-193.6	867.1	1,197.2	-19.0	930.8	518.2	412.9	-374.9	374.6	167.4
2.3.3 Other sectors	0.1	0.1	8.7	-21.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4 Other liabilities	2.7	2.7	1.3	2.0	1.1	0.6	0.1	0.2	0.2	0.1	-0.1

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

data of the Ministry of Finance and the Croatian Pension Insurance Administration in the case of pensions paid out to non-residents. In addition to taxes and excise duties, pensions, gifts and donations, which are included in current transfers of both sectors, the central government sector also encompasses data on multilateral cooperation, whereas other sectors include data on workers' remittances. As of 2011, the position of workers' remittances and gifts and donations for other sectors is estimated through a model based on aggregate data of banks on inflows of resident natural persons from abroad and outflows of resident natural persons abroad. Pensions from abroad are estimated on the basis of the available data of the Croatian Pension Insurance Administration. Furthermore, other sector transfers are supplemented by the data from the survey on trade in international services, containing a special part for possible transfers from and to foreign countries. Current transfers of the general government sector also include data on exports and imports of goods without a payment obligation, provided by the CBS. In the 1993-1998 period, current transfers of other sectors also encompassed an estimate of unregistered foreign currency remittances, which accounted for 15% of the positive difference between unclassified inflows and outflows of the household sector. From 1993 to the second quarter of 1996, the CNB also assessed a portion of the outflow based on current transfers. From 2002 on, inflows and outflows based on current transfers of other sectors are supplemented by the data of the CNB special statistical research on international transactions related to insurance services.

Until the end of 2010, capital account in the part relating to capital transfers was compiled on the basis of the ITRS. As of the beginning of 2011, data of the Ministry of Finance and data from the survey on trade in international services, containing a special part for possible transfers from and to foreign countries, are used for compiling the capital transfers account. Data on possible debt forgiveness also constitute a part of the capital account.

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 had been launched. Since 1999, data on debt relations within direct investments have been collected on the basis of external debt relations statistics. From 2007 on, the CNB Statistics Department conducts the

research on the purchase and sale of the real estate by non-residents on the territory of the Republic of Croatia. Persons obliged to submit reports are the public notaries who learn about these transactions in the course of their business. Data on the purchase and sale of the real estate by Croatian residents abroad were compiled on the basis of the ITRS until the end of 2010, whereas in 2011, monitoring through the obligatory reporting to the CNB's Statistics Department was introduced. These purchase and sale transactions are also a constituent part of direct investments.

Data on equity portfolio investments are collected from the same data source as the data on direct equity 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. Since 2009, these positions have been modified by the statistics on trade in equity and debt securities submitted by the Central Depository and Clearing Company and commercial banks providing securities custody services. Portfolio investments are modified by these data in the parts not fully covered by the existing research. Data for the 2006-2009 period have also been revised. As a result, from 2006 on, the balance of payments includes data on debt securities issued by domestic issuers and traded by non-residents in the domestic market (portfolio investment, debt securities on the liabilities side).

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

Table H6 Balance of payments – summary^a

in million HRK

	2006	2007	2008	2009 ^b	2010	2011 ^b	2011				2012
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^c
A CURRENT ACCOUNT (1+6)	-19,598.6	-23,248.4	-30,857.9	-16,938.5	-3,716.9	-2,989.4	-12,052.1	-2,729.0	18,557.4	-6,765.8	-12,695.9
1 Goods, services, and income (2+5)	-27,707.6	-30,899.4	-38,586.7	-24,543.3	-11,616.0	-11,640.6	-13,896.3	-4,805.8	16,395.9	-9,334.3	-14,809.2
1.1 Credit	130,767.2	143,744.4	153,279.5	125,527.6	135,367.6	146,748.6	23,688.8	37,226.9	57,014.5	28,818.4	24,612.9
1.2 Debit	-158,474.9	-174,643.8	-191,866.2	-150,070.9	-146,983.6	-158,389.3	-37,585.1	-42,032.8	-40,618.6	-38,152.7	-39,422.1
2 Goods and services (3+4)	-19,213.3	-22,878.0	-27,370.8	-11,320.8	-206.6	182.7	-10,202.2	-685.9	18,959.1	-7,888.3	-10,939.2
2.1 Credit	124,000.1	133,893.3	143,213.9	119,656.7	128,853.2	139,526.7	22,168.7	35,307.0	55,079.4	26,971.6	22,845.3
2.2 Debit	-143,213.4	-156,771.3	-170,584.7	-130,977.5	-129,059.8	-139,344.0	-32,370.9	-35,992.9	-36,120.3	-34,859.9	-33,784.5
3 Goods	-61,300.7	-69,481.9	-78,426.2	-54,458.0	-43,648.2	-47,287.1	-11,370.6	-12,379.4	-12,268.4	-11,268.8	-12,427.9
3.1 Credit	61,771.8	67,161.6	70,414.9	56,336.3	66,044.6	72,711.0	16,561.9	19,007.5	18,837.6	18,304.0	16,682.7
3.2 Debit	-123,072.5	-136,643.4	-148,841.1	-110,794.2	-109,692.7	-119,998.2	-27,932.5	-31,387.0	-31,105.9	-29,572.8	-29,110.6
4 Services	42,087.4	46,603.9	51,055.4	43,137.1	43,441.6	47,469.8	1,168.3	11,693.6	31,227.5	3,380.4	1,488.7
4.1 Credit	62,228.3	66,731.8	72,798.9	63,320.4	62,808.7	66,815.6	5,606.7	16,299.5	36,241.8	8,667.6	6,162.6
4.2 Debit	-20,140.9	-20,127.8	-21,743.5	-20,183.3	-19,367.1	-19,345.8	-4,438.4	-4,605.9	-5,014.4	-5,287.1	-4,673.9
5 Income	-8,494.3	-8,021.4	-11,215.9	-13,222.5	-11,409.4	-11,823.3	-3,694.1	-4,120.0	-2,563.2	-1,446.0	-3,870.0
5.1 Credit	6,767.1	9,851.0	10,065.6	5,870.9	6,514.4	7,222.0	1,520.1	1,920.0	1,935.1	1,846.8	1,767.5
5.2 Debit	-15,261.5	-17,872.5	-21,281.5	-19,093.4	-17,923.8	-19,045.3	-5,214.2	-6,039.9	-4,498.4	-3,292.8	-5,637.6
6 Current transfers	8,109.0	7,650.9	7,728.8	7,604.9	7,899.1	8,651.2	1,844.2	2,076.9	2,161.6	2,568.6	2,113.4
6.1 Credit	12,005.6	11,562.1	12,159.5	11,797.8	12,254.8	12,543.0	2,829.6	2,967.2	3,066.3	3,679.9	3,139.4
6.2 Debit	-3,896.5	-3,911.1	-4,430.6	-4,192.9	-4,355.7	-3,891.8	-985.4	-890.3	-904.8	-1,111.3	-1,026.0
B CAPITAL AND FINANCIAL ACCOUNT	29,383.2	32,479.2	41,346.5	25,564.6	10,010.4	10,490.2	10,150.3	1,554.8	-7,628.7	6,413.9	9,446.8
B1 Capital account	-981.8	209.1	108.2	314.1	252.6	-62.4	-11.8	-33.2	-13.6	-3.7	-22.0
B2 Financial account, excl. reserves	40,678.4	37,585.0	38,930.0	31,761.7	10,219.7	13,475.2	16,586.0	1,822.2	-9,354.5	4,421.5	11,168.0
1 Direct investment	18,726.0	25,241.5	23,055.9	11,262.4	2,964.5	7,750.0	340.0	2,077.8	4,089.9	1,242.3	1,488.4
1.1 Abroad	-1,525.6	-1,588.3	-6,981.4	-6,504.9	880.2	-224.3	-2,188.2	185.8	1,818.2	-40.1	1,622.2
1.2 In Croatia	20,251.6	26,829.8	30,037.3	17,767.3	2,084.3	7,974.4	2,528.2	1,892.0	2,271.7	1,282.5	-133.8
2 Portfolio investment	-1,680.5	2,495.2	-5,711.7	2,991.6	3,356.3	4,798.8	3,057.5	-4,319.8	4,642.5	1,418.6	2,960.9
2.1 Assets	-3,502.7	-3,107.9	-2,678.2	-4,042.4	-2,700.4	3,804.5	591.8	-1,128.7	2,574.2	1,767.3	1,842.0
2.2 Liabilities	1,822.2	5,603.1	-3,033.5	7,034.0	6,056.7	994.3	2,465.7	-3,191.1	2,068.3	-348.6	1,118.9
3 Financial derivatives	0.0	0.0	0.0	0.0	-1,838.9	-438.9	-51.3	-338.5	-629.3	580.2	-83.0
4 Other investment	23,632.9	9,848.4	21,585.8	17,507.6	5,737.9	1,365.2	13,239.8	4,402.7	-17,457.6	1,180.4	6,801.6
4.1 Assets	-5,073.8	-12,147.1	-11,587.3	5,594.1	5,108.0	2,651.7	4,910.9	680.4	-6,629.9	3,690.3	4,894.4
4.2 Liabilities	28,706.7	21,995.5	33,173.1	11,913.6	629.9	-1,286.5	8,328.8	3,722.3	-10,827.6	-2,510.0	1,907.3
B3 Reserve assets (CNB)	-10,313.4	-5,315.0	2,308.3	-6,511.2	-462.0	-2,922.6	-6,423.9	-234.1	1,739.4	1,996.0	-1,699.1
C NET ERRORS AND OMISSIONS	-9,784.6	-9,230.7	-10,488.6	-8,626.1	-6,293.5	-7,500.8	1,901.9	1,174.2	-10,928.7	351.9	3,249.1

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

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

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

data in the fourth quarter of 2001 and in the first two quarters of 2002 also relate to the effect of the EMU countries' currencies changeover to the euro. Data for the fourth quarter of 2008 were modified by estimates of currency and deposit withdrawals from the financial system driven by fears of the effects of the global financial crisis.

In the period from 1993 to 1998, the estimate of reserve assets transactions was made by converting the changes in the original currencies into the US dollars by applying the average monthly exchange rate of the currencies contained in the reserves. Since 1999, the changes in reserve assets balance have been calculated on the basis of the CNB accounting data.

Table H7 International reserves and banks' foreign currency reserves^a
end of period, in million EUR

Year	Month	International reserves of the Croatian National Bank							Banks' foreign currency reserves
		Total	Special drawing rights	Reserve position in the Fund	Gold	Foreign currency			
						Total	Currency and deposits	Bonds and notes	
1998	December	2,400.2	197.1	0.1	–	2,203.0	1,642.6	560.4	1,607.0
1999	December	3,012.7	188.7	0.2	–	2,823.7	2,449.8	373.9	1,344.7
2000	December	3,783.2	158.5	0.2	–	3,624.5	2,763.0	861.5	2,310.7
2001	December	5,333.6	122.9	0.2	–	5,210.5	3,469.7	1,740.7	4,056.0
2002	December	5,651.3	2.3	0.2	–	5,648.8	3,787.8	1,861.0	2,581.6
2003	December	6,554.1	0.7	0.2	–	6,553.2	3,346.0	3,207.2	3,927.1
2004	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	December	7,438.4	0.9	0.2	–	7,437.3	3,834.5	3,602.8	2,938.4
2006	December	8,725.3	0.7	0.2	–	8,724.4	4,526.9	4,197.5	3,315.0
2007	December	9,307.4	0.8	0.2	–	9,306.5	4,533.9	4,772.5	4,388.9
2008	December	9,120.9	0.7	0.2	–	9,120.0	2,001.8	7,118.2	4,644.5
2009	December	10,375.8	331.7	0.2	–	10,043.9	2,641.4	7,402.6	4,293.9
2010	December	10,660.3	356.7	0.2	–	10,303.4	3,274.9	7,028.5	3,828.9
2011	June	11,422.3	338.0	0.2	–	11,084.1	2,883.2	8,200.8	2,836.0
	July	11,232.9	338.7	0.2	–	10,894.0	3,154.1	7,739.9	3,442.2
	August	11,217.3	339.2	0.2	–	10,877.9	3,055.6	7,822.3	3,560.6
	September	11,323.8	347.8	0.2	–	10,975.8	3,097.7	7,878.1	3,670.2
	October	11,220.5	340.0	0.2	–	10,880.3	2,833.1	8,047.3	3,446.1
	November	11,420.4	351.2	0.2	–	11,069.0	2,922.6	8,146.4	3,545.3
	December	11,194.9	360.7	0.2	–	10,834.0	2,730.7	8,103.2	3,463.7
2012	January	10,916.7	359.0	0.2	–	10,557.5	2,683.0	7,874.5	3,399.4
	February	11,410.8	351.4	0.2	–	11,059.2	3,057.2	8,002.0	2,711.2
	March	11,340.1	354.1	0.2	–	10,985.7	2,504.7	8,481.0	2,705.6
	April	12,461.9	356.1	0.2	–	12,105.6	3,315.1	8,790.5	2,672.6
	May ^b	12,106.1	368.4	0.2	–	11,737.5	2,758.5	8,979.0	2,673.1

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

Table H7 International reserves and banks' foreign currency reserves • Data on the international reserves of the Croatian National Bank are compiled in accordance with the methodology set out in the Balance of Payments Manual (International Monetary Fund, 1993), and include those foreign claims of the Croatian National Bank that can be used to bridge imbalances in international payments. International reserves include special

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

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

		2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
								Jan.	Feb.	Mar.	Apr.
More than 1 and up to 3 months	Principal	-	-	-	-	-	-	-	-	-	-
	Interest	-	-	-	-	-	-	-	-	-	-
More than 3 months and up to 1 year	Principal	-	-	-	-	-	-	-	-	-	-
	Interest	-	-	-	-	-	-	-	-	-	-
4 Total predetermined short-term net drains on f/c assets (1+2+3)		-650.5	-521.1	-1,084.1	-989.3	-1,234.9	-679.5	-683.8	-671.6	-814.7	-961.6
III Contingent short-term net drains on f/c assets (nominal value)											
1 Contingent liabilities in foreign currency		-2,734.9	-2,607.4	-1,896.1	-1,351.6	-1,734.2	-1,741.7	-1,861.3	-1,840.9	-1,852.7	-1,684.9
(a) Collateral guarantees on debt falling due within 1 year		-478.9	-662.1	-803.2	-661.5	-1,087.9	-1,005.2	-1,066.9	-1,065.4	-1,062.8	-894.2
– Croatian National Bank		-	-	-	-	-	-	-	-	-	-
– Central government (excl. central government funds)		-478.9	-662.1	-803.2	-661.5	-1,087.9	-1,005.2	-1,066.9	-1,065.4	-1,062.8	-894.2
Up to 1 month		-71.9	-54.3	-91.8	-30.3	-0.2	-8.0	-12.2	-66.0	-28.6	-55.9
More than 1 and up to 3 months		-84.8	-42.4	-58.4	-101.3	-438.5	-111.2	-145.5	-163.3	-215.3	-173.5
More than 3 months and up to 1 year		-322.2	-565.3	-652.9	-529.8	-649.2	-885.9	-909.2	-836.1	-818.9	-664.8
(b) Other contingent liabilities		-2,256.0	-1,945.3	-1,092.9	-690.1	-646.3	-736.5	-794.4	-775.5	-789.9	-790.8
– Croatian National Bank		-2,256.0	-1,945.3	-1,092.9	-690.1	-646.3	-736.5	-794.4	-775.5	-789.9	-790.8
Up to 1 month		-	-	-	-	-	-	-	-	-	-
More than 1 and up to 3 months		-2,256.0	-1,945.3	-1,092.9	-690.1	-646.3	-736.5	-794.4	-775.5	-789.9	-790.8
More than 3 months and up to 1 year		-	-	-	-	-	-	-	-	-	-
– Central government (excl. central government funds)		-	-	-	-	-	-	-	-	-	-
2 Foreign currency securities issued with embedded options (puttable bonds)		-	-	-	-	-	-	-	-	-	-
3 Undrawn, unconditional credit lines provided by:		-	-	-	-	-	-	-	-	-	-
– BIS (+)		-	-	-	-	-	-	-	-	-	-
– IMF (+)		-	-	-	-	-	-	-	-	-	-
4 Aggregate short and long positions of options in f/c vis-a-vis the domestic currency		-	-	-	-	-	-	-	-	-	-
5 Total contingent short-term net drains on f/c assets (1+2+3+4)		-2,734.9	-2,607.4	-1,896.1	-1,351.6	-1,734.2	-1,741.7	-1,861.3	-1,840.9	-1,852.7	-1,684.9
IV Memo items											
(a) Short-term domestic currency debt indexed to the exchange rate		-	-	-	-	-	-	-	-	-	-
o/w: Central government (excl. central government funds)		-	-	-	-	-	-	-	-	-	-
(b) Financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)		-	-	-	-	-	-	-	-	-	-
(c) Pledged assets		-	-	-	-	-	-	-	-	-	-
(d) Securities lent and on repo		-	-	-	-	-	-	-	-	-	-
– Lent or repoed and included in Section I		-	-	-6.1	-	-	-0.4	-5.9	-1.1	-	-1.5
– Lent or repoed but not included in Section I		-	-	-	-	-	-	-	-	-	-
– Borrowed or acquired and included in Section I		-	-	-	-	-	-	-	-	-	-
– Borrowed or acquired but not included in Section I		559.5	389.7	478.6	766.5	1,458.5	136.9	644.2	1,476.0	1,402.5	1,155.7
(e) Financial derivative assets (net, marked to market)		-	-	-	-	-	-	-	-	-	-
(f) Currency composition of official reserves assets											
– Currencies in SDR basket		8,725.0	9,307.1	9,120.8	10,375.7	10,660.0	11,194.7	10,916.6	11,410.6	11,339.9	12,461.8
– Currencies not in SDR basket		0.3	0.3	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.1
– By individual currencies											
USD		1,266.0	1,357.2	2,064.6	2,461.8	2,451.0	2,333.0	2,282.4	2,216.1	2,219.5	2,234.2
EUR		7,458.0	7,944.2	7,054.9	7,581.5	7,851.8	8,500.6	8,274.8	8,842.8	8,765.9	9,871.0
Other		1.3	6.0	1.5	332.5	357.5	361.2	359.6	351.9	354.7	356.7

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 (IA) 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.

Table H9 Midpoint exchange rates of the Croatian National Bank (period average)

Year	Month	EUR/HRK	ATS/HRK	FRF/HRK	100 ITL/HRK	CHF/HRK	GBP/HRK	USD/HRK	DEM/HRK
1998		7.139159	0.514631	1.080018	0.366853	4.396452	10.537622	6.362284	3.620795
1999		7.581823	0.550993	1.155840	0.391568	4.739965	11.514804	7.122027	3.876528
2000		7.633852	0.554774	1.163773	0.394256	4.903244	12.530514	8.287369	3.903127
2001		7.471006	0.542939	1.138947	0.385845	4.946810	12.010936	8.339153	3.819865
2002		7.406976				5.049125	11.793108	7.872490	
2003		7.564248				4.978864	10.943126	6.704449	
2004		7.495680				4.854986	11.048755	6.031216	
2005		7.400047				4.780586	10.821781	5.949959	
2006		7.322849				4.656710	10.740292	5.839170	
2007		7.336019				4.468302	10.731537	5.365993	
2008		7.223178				4.553618	9.101622	4.934417	
2009		7.339554				4.861337	8.233112	5.280370	
2010		7.286230				5.285859	8.494572	5.500015	
2011		7.434204				6.035029	8.566138	5.343508	
2011	June	7.412196				6.121611	8.368008	5.148899	
	July	7.419738				6.288996	8.367082	5.193281	
	August	7.454965				6.657745	8.505480	5.192441	
	September	7.486844				6.250744	8.578141	5.420572	
	October	7.483324				6.085039	8.602293	5.467645	
	November	7.487735				6.082743	8.721751	5.512767	
	December	7.507179				6.112429	8.883743	5.688661	
2012	January	7.546707				6.231979	9.062576	5.846617	
	February	7.579384				6.279834	9.056639	5.733239	
	March	7.539590				6.251841	9.029432	5.709035	
	April	7.494357				6.234184	9.102995	5.691287	
	May	7.528940				6.268465	9.359736	5.870676	

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 (II1) 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 (II2) include future collections (+) or payments (-) arising from currency swaps between the CNB and domestic banks (temporary sale or purchase of foreign currency). Item Other (II3) includes future payments arising from repo transactions with foreign negotiable debt securities.

The third part of the Template shows predetermined contingent foreign currency net liabilities of the Croatian National Bank and the central government (excluding central government funds), which fall due in the following 12 months. Contingent liabilities in foreign currency (III1) include future principal and interest payments on foreign loans guaranteed by the central government, and banks' foreign currency reserve requirements with the CNB. (The inclusion of reserve requirements in foreign currency is based on the assumption that there will be no changes in ratios or in the base of foreign currency reserve requirements, which comprises foreign currency sources of funds, including ordinary foreign currency accounts, special foreign currency accounts, foreign currency accounts and foreign currency sight deposits, received foreign currency deposits

and received foreign currency loans, as well as obligations arising from securities issued in foreign currency (excluding banks' equity securities) and hybrid and subordinated instruments). Undrawn credit lines show potential inflows (+) or outflows (-) which would arise from drawdowns under these credits.

The fourth part of the Template lists memo items. Short-term, domestic currency debt indexed to foreign currency (IV(a)) shows obligations arising from the Act on Converting Households' Foreign Currency Deposits into the Public Debt of the Republic of Croatia, which fall due in the next 12 months. Pledged assets (IV(c)) show time deposits in foreign currency with a maturity over 3 months listed in item IB which are also used as collateral. Repo transactions with securities show the value of collateral that is subject to repo and reverse repo transactions with securities as well as how these transactions are registered in the Template.

Table H9 Midpoint exchange rates of the Croatian National Bank (period average) • The annual averages of CNB midpoint exchange rates are calculated based on the midpoint exchange rates effective on the working days in a year, using CNB exchange rate lists whose application dates pertain to the calculation period.

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

The data show the annual and monthly averages of CNB midpoint exchange rates for selected currencies from 1992 to date, in kuna terms. The averages related to the calculation periods from the beginning of 1992, when the legal tender in the

Table H10 Midpoint exchange rates of the Croatian National Bank (end of period)

Year	Month	EUR/HRK	ATS/HRK	FRF/HRK	100 ITL/HRK	CHF/HRK	GBP/HRK	USD/HRK	DEM/HRK
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2003		7.646909				4.901551	10.860544	6.118506	
2004		7.671234				4.971314	10.824374	5.636883	
2005		7.375626				4.744388	10.753209	6.233626	
2006		7.345081				4.571248	10.943208	5.578401	
2007		7.325131				4.412464	9.963453	4.985456	
2008		7.324425				4.911107	7.484595	5.155504	
2009		7.306199				4.909420	8.074040	5.089300	
2010		7.385173				5.929961	8.608431	5.568252	
2011		7.530420				6.194817	8.986181	5.819940	
2011	June	7.373946				6.163961	8.205125	5.127205	
	July	7.452071				6.512340	8.488519	5.215980	
	August	7.470858				6.333383	8.463643	5.183776	
	September	7.492023				6.137481	8.611521	5.493894	
	October	7.485329				6.116464	8.509924	5.282519	
	November	7.498586				6.101372	8.740629	5.588869	
	December	7.530420				6.194817	8.986181	5.819940	
2012	January	7.564800				6.276280	9.037993	5.764975	
	February	7.576699				6.287195	8.931627	5.633652	
	March	7.506917				6.230841	9.005419	5.623580	
	April	7.531440				6.268886	9.237630	5.695712	
	May	7.559568				6.294919	9.456552	6.072430	

Republic of Croatia was the Croatian dinar, until the introduction of the kuna on 30 May 1994, are shown in kuna equivalent, and are denominated by dividing their values by one thousand (1,000).

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

Table H10 Midpoint exchange rates of the Croatian National Bank (end of period) • The table shows CNB midpoint

exchange rates applied on the last day of the observed period.

The data show CNB midpoint exchange rates for selected currencies from 1992 to date, in kuna terms. The end of period midpoint exchange rates related to the periods from the beginning of the time series in 1992 until the introduction of the kuna on 30 May 1994 are shown in kuna equivalent and are denominated by dividing their values by one thousand (1,000).

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

Table H11 Indices of the effective exchange rate of the kuna
indices 2005 = 100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator		Real effective exchange rate of the kuna ^a ; deflator	
			Consumer price index	Producer price index	Unit labour costs in industry	Unit labour costs in the total economy
1998	December	100.05	104.33	106.43		
1999	December	107.42	110.58	110.78		
2000	December	107.39	108.02	104.30	114.64	111.02
2001	December	104.41	104.92	103.86	109.32	108.99
2002	December	102.98	103.92	101.67	111.99	106.10
2003	December	103.17	104.36	102.21	104.66	105.82
2004	December	101.23	102.11	99.97	103.21	102.56
2005	December	100.26	99.62	100.99	100.75	100.23
2006	December	98.76	98.03	101.09	91.21	94.36
2007	December	97.20	94.18	98.64	87.07	89.96
2008	December	96.12	92.10	94.82	87.68	86.28
2009	December	96.36	91.83	92.00	88.05	87.10
2010	December	100.14	95.58	95.15	89.14	92.11
2011	June	99.72	95.01	94.34	90.19	91.36
	July	99.97	95.27	94.78		
	August	100.55	96.12	94.49		
	September	101.05	96.81	95.24	89.95 ^b	93.06 ^b
	October	100.91	96.43	94.56		
	November	100.83	96.23	94.23		
	December	101.50	97.54	94.85		
2012	January	102.50	98.31	95.45		
	February	102.92	98.68	94.49		
	March	102.24	97.65	93.75		
	April	101.71	96.76 ^b	92.83 ^b		
	May	102.54				

^a The values shown are quarterly data. ^b Preliminary data.
Note: Historical data may be revised when the series are updated.

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 selected currencies of the main trading partners. The currencies of the main trading partners and their weights are determined based on the structure of imports and exports of manufactured goods, where the weights used reflect direct import competition, direct export competition and export competition in third markets (see Box 2 in CNB Bulletin No. 165, 2011). The group of countries included in the formation of the index of the effective exchange rate of the kuna comprises the following 16 partner countries: a) eight eurozone countries: Austria (a 6.9% weight), Belgium (2.8%), France (6.4%), Germany (22.5%), Italy (21.4%), the Netherlands (3.2%), Slovenia (6.5%) and Spain (2.6%); b) five EU countries outside the eurozone: the Czech Republic (2.8%), Hungary (2.6%), Poland (2.8%), Sweden (1.9%) and the United Kingdom (3.9%); and c) three non-EU countries: the United States (7.6%), Japan (4.0%) and Switzerland (2.2%). The reference period for the calculation of the weights is the average for the 2007-2009 period. The time series of basic indices were recalculated on the basis of 2005.

The index of the nominal effective exchange rate is an aggregate indicator of the average value of the domestic currency

against a basket of currencies. An increase in the index of the nominal effective exchange rate of the kuna in a certain period indicates that the kuna has depreciated against the basket of currencies and vice versa. The index of the real effective exchange rate is a weighted geometric average of the index of bilateral exchange rates of the kuna adjusted for the corresponding indices of relative prices or costs (the ratio of price indices or costs in partner countries to domestic prices). Producer price indices, consumer price indices and the harmonised consumer price indices for EU member states, unit labour costs in the total economy and in industry are used as deflators. The time series for consumer prices in Croatia is constructed in the following manner: retail price indices are used for the period until and including December 1997 and consumer price indices for the period as of January 1998. Unit labour costs in Croatia are calculated as the ratio of compensation per employee at current prices to labour productivity at constant prices (for more details on the calculation of unit labour costs, see Box 1 in CNB Bulletin No. 141, 2008). Data on the real effective exchange rate for the last month are preliminary. The historical data may be corrected for the subsequent changes in the data on deflators used in the calculation of the index of the real effective exchange rate of the kuna.

	2006	2007	2008	2009	2010	2011	2012		
	Dec.	Dec. ^b	Dec. ^{c,d}	Dec. ^e	Dec.	Dec.	Jan.*	Feb.*	Mar.
Long-term	9,818.9	13,350.1	18,975.7	19,647.1	19,315.7	18,696.5	18,744.8	18,686.3	18,662.9
Bonds	857.4	1,293.4	1,251.6	1,665.8	1,590.1	1,386.2	1,399.1	1,413.2	1,422.1
Credits	8,816.1	11,766.9	17,391.3	17,688.7	17,437.1	17,178.8	17,214.3	17,140.4	17,123.1
Currency and deposits	0.0	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	145.4	289.8	322.2	292.6	288.4	131.4	131.4	132.7	117.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5 Direct investment	2,878.4	3,932.8	5,835.9	7,821.2	8,197.8	6,927.7	6,835.2	6,702.0	6,715.7
Short-term	233.9	540.4	1,415.7	446.8	923.8	1,324.2	1,200.4	1,196.1	1,142.5
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	51.2	216.8	1,314.0	343.2	765.2	1,068.3	958.2	979.9	924.7
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	182.7	323.6	101.6	103.6	158.6	255.9	242.2	216.2	217.8
Principal arrears	158.2	293.9	85.8	73.5	124.5	207.5	190.2	168.5	170.5
Interest arrears	24.5	29.7	15.8	30.1	34.2	48.4	52.1	47.7	47.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,644.5	3,392.5	4,420.2	7,374.4	7,274.0	5,603.6	5,634.8	5,505.9	5,573.2
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	2,618.1	3,374.5	4,414.7	7,373.4	7,271.0	5,600.0	5,631.2	5,502.3	5,569.7
Trade credits	26.4	18.0	5.5	1.0	3.0	3.6	3.6	3.5	3.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	29,725.0	33,720.8	40,590.0	45,244.3	46,483.4	45,733.6	45,699.0	45,745.9	45,858.5
o/w: Round tripping ^a	-	-	825.6	1,499.0	-	-	-	-	-

^a The rise in the external debt of the Republic of Croatia is attributed to the direct investment-related debt which comprises round-tripping transactions. A significant transaction, contributing to the removal of a round tripping component of direct investment, was recorded in December 2010. Nevertheless, the debt is presented in this table under heading 5 Direct investment. ^b The relevant comparable data as at 31 December 2007, reported in the Statistical Survey at the CNB website, should be used for the calculation of the external debt growth rate in 2008. ^c From January 2008 on, the data of non-financial enterprises are estimated on the basis of the data collected from the sample, and the comparable balance as at 31 December 2007 has been calculated by applying the same methodology. ^d The relevant comparable data as at 31 December 2008, reported in the Statistical Survey at the CNB website, should be used for the calculation of the external debt growth rate in 2009. ^e From January 2009 on, the data of non-banking financial institutions and non-financial enterprises are processed with the help of the new reporting system (INOK) which uses market interest rates to calculate the balance and the schedule of interest payments. The comparable balance as at 31 December 2008 has been calculated by applying the same methodology.

Table H12 Gross external debt by domestic sectors • External debt is defined as the external debt liabilities of residents on the basis of debt securities issued in the foreign markets (at face value), credits (repo agreements included) regardless of their contractual maturity, deposits of non-residents, and trade credits granted by non-residents with contractual maturity of more than 180 days (90 days up to 11 July 2001 and 150 days up to 31 December 2002) and, from December 2005 on, non-resident investment in debt securities issued in the domestic market.

External debt by domestic sectors is shown in the same manner as in the capital and financial account of the BOP. Item Government shows the external debt of the general government, comprising the Republic of Croatia, central government funds (including the State Agency for Deposit Insurance and Bank Rehabilitation, the Croatian Roads and, until 31 December 2007, the Croatian Motorways; from this date on, the Croatian Motorways is shown within the subsector public enterprises under item Other sectors), and local government. Item Croatian National Bank shows the debt of the central bank. Item Banks shows the debt of banks. Item Other sectors shows the debt of other banking institutions, non-banking financial institutions (including the Croatian Bank for Reconstruction and Development), enterprises, non-profit institutions and households, including craftsmen. Item Direct investment shows borrower – lender transactions of other sectors that are interrelated by ownership (borrower or lender owns more than 10% of the other).

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

maturity. Data for the previous periods are reported only on a long-term basis.

Outstanding gross external debt includes principal and interest arrears, as well as accrued interest and future principal payments.

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

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

Table H13 Public sector gross external debt, and publicly guaranteed and non-publicly guaranteed private sector gross external debt • The gross external debt position presented in this table highlights the role of the public sector.

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

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

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

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

Table H13 Public sector gross external debt, and publicly guaranteed and non-publicly guaranteed private sector gross external debt^a
in million EUR

	2006 Dec.	2007 Dec. ^b	2008 Dec. ^{c,d}	2009 Dec. ^e	2010 Dec.	2011 Dec.	2012		
							Jan.*	Feb.*	Mar.
1 Public sector	8,673.8	9,986.7	10,852.7	12,820.6	14,364.3	14,076.2	13,962.8	14,021.3	14,173.1
Short-term	165.5	116.2	209.2	429.9	651.1	337.3	285.6	262.5	515.2
Money market instruments	123.9	43.7	24.6	170.3	468.3	157.9	167.1	153.6	274.8
Credits	15.2	35.4	164.1	215.6	108.6	103.7	42.3	33.3	164.7
Currency and deposits	2.6	2.3	2.3	1.1	1.2	0.1	0.1	0.1	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	23.9	34.7	18.2	42.9	73.1	75.7	76.1	75.6	75.8
Principal arrears	20.6	29.9	17.1	39.4	69.3	71.6	71.9	71.4	71.5
Interest arrears	3.3	4.8	1.1	3.6	3.8	4.1	4.2	4.2	4.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	8,506.8	9,868.8	10,641.8	12,207.3	13,346.4	13,522.1	13,567.5	13,622.4	13,570.3
Bonds	3,933.7	4,543.3	4,294.8	5,326.8	5,579.9	5,882.0	5,822.9	5,882.0	5,845.8
Credits	4,485.2	5,120.3	6,068.5	6,608.2	7,495.1	7,525.3	7,629.7	7,625.7	7,626.9
Currency and deposits	0.0	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	87.9	205.2	267.9	272.3	271.4	114.8	114.8	114.6	97.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	1.5	1.8	1.7	183.4	366.8	216.7	109.7	136.4	87.6
2 Publicly guaranteed private sector	204.2	139.9	80.3	9.2	5.4	2.7	2.6	4.0	4.8
Short-term	17.2	11.3	7.1	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
Credits	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
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	17.2	11.3	7.1	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	14.4	9.4	7.1	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	2.8	1.9	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
Long-term	187.0	128.6	73.2	9.2	5.4	2.7	2.6	4.0	4.8
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	187.0	128.6	73.2	9.2	5.4	2.7	2.6	2.6	1.5
Currency and deposits	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	1.4	3.3
Other debt liabilities	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
3 Non-publicly guaranteed private sector	20,847.0	23,594.3	29,657.1	32,414.6	32,113.7	31,654.7	31,733.6	31,720.7	31,680.6
Short-term	4,008.7	3,763.3	4,564.9	4,180.2	4,436.3	4,878.0	4,991.9	5,186.3	4,836.1
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Credits	1,290.2	1,356.4	1,641.6	1,268.9	1,340.6	823.1	787.1	929.0	825.1
Currency and deposits	2,211.1	1,648.8	2,670.3	2,283.9	2,073.0	3,060.6	3,195.4	3,227.2	2,938.1
Trade credits	35.9	31.1	39.5	28.2	30.9	34.1	34.6	36.1	48.3
Other debt liabilities	471.5	727.0	213.5	599.2	991.8	960.0	974.8	994.1	1,024.6
Principal arrears	425.6	645.4	150.2	484.4	824.3	790.3	810.2	827.9	851.2
Interest arrears	45.8	81.7	63.3	114.9	167.5	169.8	164.6	166.2	173.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	13,961.4	15,899.9	19,258.0	20,596.6	19,846.4	20,065.7	20,016.3	19,968.8	20,216.3
Bonds	798.4	628.8	585.5	324.4	332.2	432.6	439.8	449.3	459.8
Credits	10,919.0	12,691.4	16,162.4	16,209.2	15,104.9	15,272.1	15,025.3	14,923.4	15,096.3
Currency and deposits	2,184.7	2,493.9	2,455.0	4,042.7	4,384.9	4,314.4	4,504.4	4,549.1	4,614.9
Trade credits	59.4	85.8	55.0	20.3	24.3	46.6	46.8	46.9	45.3

	Gross external debt 31/3/2012	Imme-diate	Projected future principal payments												
			Q2/12		Q3/12	Q4/12	Q1/13	2012	2013	2014	2015	2016	2017	2018	Other
			Total ^a	o/w: Accrued interest ^a											
Long-term	8,307.0	0.0	466.3	54.5	386.3	512.2	308.8	1,364.8	1,933.3	1,360.6	624.2	642.3	1,241.3	146.2	994.3
Bonds	1.0	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	1.0	0.0	0.0
Credits	3,691.1	0.0	94.3	16.6	105.3	231.3	30.9	431.0	859.8	647.4	366.8	348.8	908.2	57.4	71.6
Currency and deposits	4,614.9	0.0	371.9	37.8	280.9	280.9	277.9	933.8	1,073.5	713.2	257.4	293.5	332.2	88.8	922.7
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	0.0	0.0	0.0	0.0
4 Other sectors	20,296.1	1,100.2	2,458.3	402.2	1,157.4	1,533.0	622.2	5,148.6	3,045.4	1,826.7	1,444.2	1,528.3	1,572.9	850.6	3,779.2
Short-term	1,633.2	1,100.2	90.2	5.1	109.7	222.2	110.9	422.1	110.9	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	484.7	0.0	90.2	5.1	109.7	173.9	110.9	373.8	110.9	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	48.3	0.0	0.0	0.0	0.0	48.3	0.0	48.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1,100.2	1,100.2	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	922.7	922.7	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	177.5	177.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	18,662.9	0.0	2,368.1	397.1	1,047.6	1,310.8	511.3	4,726.5	2,934.5	1,826.7	1,444.2	1,528.3	1,572.9	850.6	3,779.2
Bonds	1,422.1	0.0	46.6	46.1	269.4	15.9	0.0	331.9	41.8	29.6	29.6	473.3	512.1	0.0	3.9
Credits	17,123.1	0.0	2,319.7	350.5	771.2	1,247.8	477.6	4,338.8	2,837.6	1,796.3	1,413.0	1,053.3	1,059.3	849.6	3,775.3
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	0.0	0.0	0.0	0.0
Trade credits	117.7	0.0	1.8	0.5	7.0	47.1	33.7	55.8	55.1	0.8	1.7	1.7	1.5	1.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5 Direct investment	6,715.7	217.8	946.6	272.4	371.2	1,097.3	295.4	2,415.1	867.7	680.5	353.0	325.8	239.7	122.7	1,493.4
Short-term	1,142.5	217.8	275.7	4.7	10.3	543.9	94.8	829.9	94.8	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	924.7	0.0	275.7	4.7	10.3	543.9	94.8	829.9	94.8	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	217.8	217.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	170.5	170.5	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
Interest arrears	47.3	47.3	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	5,573.2	0.0	670.9	267.7	360.9	553.5	200.6	1,585.2	772.9	680.5	353.0	325.8	239.7	122.7	1,493.4
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	5,569.7	0.0	670.1	267.6	360.2	552.5	200.5	1,582.8	772.1	680.1	353.0	325.8	239.7	122.7	1,493.4
Trade credits	3.5	0.0	0.8	0.2	0.7	0.9	0.1	2.4	0.8	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
Total (1+2+3+4+5)	45,858.5	1,318.1	6,362.2	853.0	2,406.6	3,686.3	1,741.6	12,455.1	6,635.6	4,525.2	3,413.3	2,639.4	3,171.1	1,590.2	10,110.5
Supplement: Projected interest payments			209.5		271.8	329.5	289.6	810.7	1,130.2	942.0	787.2	681.4	566.8	471.9	1,847.6

^a Projected payments of accrued 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 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. Projected principal payments and estimated interest payments on currency and deposits of non-residents under item Banks are reported in accordance with the available monetary statistics data on original and remaining maturity.

Estimated interest payments do not include interest on repo transactions and hybrid and subordinated instruments, as well as late interest on these instruments (up to March 2010, estimated

interest payments did not also include interest on currency and deposits). Future interest payments of banks are estimated on the basis of contractual interest rates and do not reflect changes of variable interest rates. Future interest payments of other sectors are estimated on the basis of the benchmark interest rate applicable on the reporting date. Projected payments of accrued interest, which are an integral part of the gross external debt, increase the projected principal payments in the first quarter period and, consequently, decrease the interest payments estimated for the same period.

Table H15 Gross external debt by other sectors
in million EUR

	2006 Dec.	2007 Dec. ^a	2008 Dec. ^{b,c}	2009 Dec. ^d	2010 Dec.	2011 Dec.	2012		
							Jan.*	Feb.*	Mar.
1 Other sectors	10,519.7	14,828.3	19,901.0	20,993.8	20,929.2	20,181.9	20,219.7	20,155.6	20,296.1
Short-term	700.9	1,478.2	925.3	1,346.7	1,613.5	1,485.4	1,474.9	1,469.4	1,633.2
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Credits	155.0	681.0	652.9	677.7	519.1	415.7	390.1	363.7	484.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	35.9	31.1	39.5	28.2	30.9	34.1	34.6	36.1	48.3
Other debt liabilities	510.0	766.0	232.9	640.9	1,063.5	1,035.5	1,050.2	1,069.5	1,100.2
Principal arrears	460.6	683.4	170.4	523.6	892.8	861.8	882.1	899.3	922.7
Interest arrears	49.4	82.6	62.5	117.2	170.7	173.7	168.1	170.3	177.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	9,818.9	13,350.1	18,975.7	19,647.1	19,315.7	18,696.5	18,744.8	18,686.3	18,662.9
Bonds	857.4	1,293.4	1,251.6	1,665.8	1,590.1	1,386.2	1,399.1	1,413.2	1,422.1
Credits	8,816.1	11,766.9	17,401.9	17,688.7	17,437.1	17,178.8	17,214.3	17,140.4	17,123.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	145.4	289.8	322.2	292.6	288.4	131.4	131.4	132.7	117.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1 Other banking institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	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
Credits	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
Other debt liabilities	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
Interest arrears	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
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	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
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2 Non-banking financial institutions	2,871.4	3,922.0	4,949.7	5,396.1	4,633.0	4,068.1	4,110.1	4,083.0	4,047.1
Short-term	60.1	201.6	155.4	436.3	109.1	217.3	230.2	227.6	231.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	46.5	184.5	144.5	431.8	94.1	209.8	222.4	221.1	224.1
Currency and deposits	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
Other debt liabilities	13.6	17.1	10.9	4.5	15.0	7.5	7.7	6.5	6.9
Principal arrears	6.4	2.9	4.2	1.3	11.6	3.4	3.8	2.6	2.9
Interest arrears	7.2	14.2	6.7	3.2	3.4	4.1	3.9	3.9	4.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,811.3	3,720.4	4,794.3	4,959.8	4,523.9	3,850.8	3,879.9	3,855.4	3,816.1
Bonds	531.4	806.7	791.5	1,014.7	936.4	636.8	640.2	643.4	640.5
Credits	2,279.9	2,913.7	3,992.3	3,945.1	3,587.5	3,213.9	3,239.7	3,212.1	3,175.7
Currency and deposits	0.0	0.0	10.6	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
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3 Public enterprises	1,168.5	2,031.6	3,985.5	5,214.0	5,778.2	5,400.3	5,391.8	5,336.6	5,466.2
Short-term	31.6	48.3	145.1	77.7	180.8	179.4	118.5	108.9	240.4
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	15.2	35.4	132.4	34.8	108.6	103.7	42.3	33.3	164.7
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	16.4	12.9	12.7	42.8	72.2	75.7	76.1	75.6	75.8

	2006 Dec.	2007 Dec. ^a	2008 Dec. ^{b,c}	2009 Dec. ^d	2010 Dec.	2011 Dec.	2012		
							Jan.*	Feb.*	Mar.
Principal arrears	14.5	12.5	11.8	39.3	68.6	71.6	71.9	71.4	71.5
Interest arrears	1.9	0.5	0.9	3.6	3.7	4.1	4.2	4.2	4.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,136.9	1,983.3	3,840.5	5,136.4	5,597.4	5,220.9	5,273.3	5,227.7	5,225.8
Bonds	0.0	330.4	341.3	335.6	330.4	318.7	320.0	321.4	322.9
Credits	1,066.8	1,470.2	3,254.7	4,528.5	4,995.6	4,787.4	4,838.5	4,791.7	4,805.3
Trade credits	70.1	182.7	244.5	272.3	271.4	114.8	114.8	114.6	97.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.4 Mixed enterprises	416.5	594.9	741.6	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	6.3	16.5	1.2	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
Credits	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
Other debt liabilities	6.3	16.5	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	6.1	16.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.2	0.1	0.2	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
Long-term	410.2	578.4	740.4	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	394.3	557.1	717.7	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	15.9	21.3	22.7	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
1.5 Other enterprises	5,948.7	8,113.0	9,958.6	10,103.8	10,303.5	10,495.8	10,502.6	10,522.7	10,567.7
Short-term	578.8	1,174.3	619.2	800.4	1,316.7	1,082.8	1,120.3	1,126.9	1,154.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Credits	86.9	451.2	373.8	178.7	309.4	96.2	119.4	103.3	89.1
Trade credits	35.9	31.1	39.5	28.2	30.9	34.1	34.6	36.1	48.3
Other debt liabilities	456.0	692.0	205.9	593.5	976.4	952.3	966.4	987.4	1,017.5
Principal arrears	420.3	630.2	151.2	483.0	812.7	786.8	806.4	825.2	848.2
Interest arrears	35.7	61.8	54.7	110.5	163.7	165.5	160.0	162.2	169.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,369.9	6,938.8	9,339.3	9,303.5	8,986.8	9,413.0	9,382.3	9,395.7	9,412.8
Bonds	326.0	156.3	118.9	315.5	323.4	430.7	438.8	448.4	458.8
Credits	4,989.1	6,701.7	9,168.7	8,968.0	8,646.5	8,965.7	8,926.8	8,929.3	8,934.0
Trade credits	54.8	80.8	51.7	20.0	16.9	16.6	16.6	18.1	20.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.6 Non-profit institutions	5.3	5.4	3.8	3.6	2.6	4.8	4.8	4.9	7.2
1.7 Craftsmen and sole traders	26.8	24.1	17.1	11.5	7.2	5.2	5.1	5.0	4.9
1.8 Households	82.7	137.2	244.7	264.8	204.7	207.9	205.4	203.5	203.1

^a The relevant comparable data as at 31 December 2007, reported in the Statistical Survey at the CNB website, should be used for the calculation of the external debt growth rate in 2008. ^b From January 2008 on, the data of non-financial enterprises are estimated on the basis of the data collected from the sample, and the comparable balance as at 31 December 2007 has been calculated by applying the same methodology. ^c The relevant comparable data as at 31 December 2008, reported in the Statistical Survey at the CNB website, should be used for the calculation of the external debt growth rate in 2009. ^d From January 2009 on, the data of non-banking financial institutions and non-financial enterprises are processed with the help of the new reporting system (INOK) which uses market interest rates to calculate the balance and the schedule of interest payments. The comparable balance as at 31 December 2008 has been calculated by applying the same methodology.

Table H16 International investment position – summary^{a,b}

in million EUR

	2006	2007	2008	2009	2010	2011 ^c	2011				2012
							Q1 ^c	Q2 ^c	Q3 ^c	Q4 ^c	Q1 ^d
1 International investment position (net)	-30,451.9	-40,178.9	-34,975.4	-39,032.3	-41,970.9	-40,250.7	-44,077.0	-43,829.9	-41,586.3	-40,250.7	-41,289.1
2 Assets	18,155.3	21,644.2	22,508.4	24,444.5	23,416.6	23,212.9	23,600.3	23,509.8	23,828.9	23,212.9	22,347.4
2.1 Direct investment abroad	1,833.3	2,580.3	3,750.4	4,556.3	3,283.5	3,500.1	3,658.2	3,556.6	3,430.3	3,500.1	3,290.3
2.2 Portfolio investment	2,488.2	3,250.9	2,646.0	3,219.4	3,562.6	2,894.6	3,552.5	3,655.3	3,089.4	2,894.6	2,815.1
2.2.1 Equity securities	559.3	1,745.5	656.7	804.9	1,255.5	1,213.5	1,501.6	1,492.7	1,245.8	1,213.5	1,316.8
2.2.2 Debt securities	1,928.9	1,505.4	1,989.3	2,414.5	2,307.0	1,681.1	2,050.9	2,162.5	1,843.6	1,681.1	1,498.2
Bonds	1,537.5	1,225.0	1,606.9	1,685.8	1,420.4	1,068.7	1,408.8	1,489.0	1,072.4	1,068.7	896.6
Money market instruments	391.4	280.4	382.4	728.7	886.6	612.5	642.1	673.6	771.2	612.5	601.6
2.3 Financial derivatives	0.0	0.0	0.0	24.1	16.5	16.2	38.5	26.3	106.2	16.2	85.9
2.4 Other investment	5,108.5	6,505.6	6,991.2	6,268.8	5,893.7	5,607.1	4,927.2	4,849.3	5,879.1	5,607.1	4,816.1
2.4.1 Trade credits	230.5	248.9	224.7	123.3	80.5	85.9	86.8	85.2	85.5	85.9	84.7
2.4.2 Loans	239.5	296.4	435.9	384.5	480.0	490.0	475.0	539.3	501.3	490.0	476.4
2.4.3 Currency and deposits	4,638.3	5,960.3	6,330.5	5,760.9	5,333.1	5,031.3	4,365.4	4,224.9	5,292.3	5,031.3	4,255.0
2.4.4 Other assets	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5 Reserve assets (CNB)	8,725.3	9,307.4	9,120.9	10,375.8	10,660.2	11,194.8	11,423.9	11,422.3	11,323.8	11,194.8	11,340.0
3 Liabilities	48,607.2	61,823.1	57,483.8	63,476.8	65,387.5	63,463.6	67,677.4	67,339.7	65,415.2	63,463.6	63,636.4
3.1 Direct investment in Croatia	20,782.0	30,611.5	22,190.9	25,344.0	26,166.3	23,868.4	27,121.1	26,521.7	25,719.5	23,868.4	23,720.5
3.2 Portfolio investment	5,834.6	6,639.5	5,443.7	6,479.1	7,118.5	7,068.3	7,289.8	6,793.4	7,095.9	7,068.3	7,172.1
3.2.1 Equity securities	1,012.8	1,522.3	613.8	657.6	738.0	595.7	836.4	740.9	669.7	595.7	591.8
3.2.2 Debt securities	4,821.8	5,117.1	4,829.9	5,821.5	6,380.5	6,472.7	6,453.4	6,052.4	6,426.1	6,472.7	6,580.4
Bonds	4,698.0	5,073.5	4,805.3	5,651.2	5,912.1	6,314.6	5,905.5	5,731.0	6,254.5	6,314.6	6,305.6
Money market instruments	123.9	43.7	24.6	170.3	468.3	158.1	547.9	321.4	171.7	158.1	274.8
3.3 Financial derivatives	-	-	-	-	197.5	193.6	98.2	202.3	171.3	193.6	181.4
3.4 Other investment	21,990.6	24,572.1	29,849.2	31,601.6	31,905.2	32,333.2	33,168.3	33,822.3	32,428.6	32,333.2	32,562.4
3.4.1 Trade credits	244.9	337.8	367.5	344.4	370.2	216.9	373.4	328.7	274.2	216.9	216.7
3.4.2 Loans	17,347.4	20,088.8	24,343.4	24,929.1	25,075.4	24,741.0	25,873.1	26,080.9	25,162.3	24,741.0	24,792.5
3.4.3 Currency and deposits	4,398.4	4,145.5	5,138.3	6,328.1	6,459.5	7,375.3	6,921.8	7,412.7	6,992.1	7,375.3	7,553.2
3.4.4 Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from December 1998 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Data also include the round tripping which increases direct investment in Croatia and direct investment abroad by the same amount. This type of direct investment was recorded in December 2008 (EUR 825.7m) and August 2009 (EUR 666.5m). Accordingly, they impact the stock of direct investment in Croatia and direct investment abroad from these months onwards. ^c Revised data. ^d Preliminary data.

Table H16 International investment position • This table is made in accordance with the recommendations of the IMF (Balance of Payments Manual, Fifth Edition, 1993). Data sources include: reports from banks, enterprises, the Croatian National Bank, and the Zagreb Stock Exchange (ZSE).

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

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

Data on foreign direct and portfolio equity investment are compiled on the basis of market prices, whenever available. Market prices on the last day of the reporting period taken from the Zagreb Stock Exchange are used in the part related to investment in the Republic of Croatia, while in the part related to investment abroad, the reporting units participating in the research on direct and portfolio equity investments are obliged to state the value at market prices of their equity investment abroad. When this is not possible, the book value of total equity held by direct or portfolio investors is used, regardless of whether investments are made in the Republic of Croatia or abroad (the own

funds at book value method).

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

Item Portfolio debt investment – Assets and liabilities comprises data on investments of residents into debt securities issued by non-residents (assets) and investments of non-residents into debt securities issued by residents (liabilities). The source of data is the register of foreign credit relations kept by the Croatian National Bank and monetary statistics data.

Data on portfolio equity and debt investment are modified by the data submitted by the Central Depository and Clearing Company and commercial banks providing securities custody services, particularly in the part Assets of other sectors.

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

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

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

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

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

Table H17 International investment position – direct investment^a
in million EUR

	2006	2007	2008	2009	2010	2011 ^b	2011				2012
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^c
Direct investment (net)	-18,948.7	-28,031.2	-18,440.6	-20,787.7	-22,882.8	-20,368.3	-23,462.9	-22,965.1	-22,289.1	-20,368.3	-20,430.2
1 Abroad	1,833.3	2,580.3	3,750.4	4,556.3	3,283.5	3,500.1	3,658.2	3,556.6	3,430.3	3,500.1	3,290.3
1.1 Equity capital and reinvested earnings	1,725.2	2,479.3	3,560.6	4,463.1	3,042.4	3,034.1	3,161.6	3,031.9	2,964.3	3,034.1	3,036.3
1.1.1 Claims	1,725.2	2,479.3	3,560.6	4,463.1	3,042.4	3,034.1	3,161.6	3,031.9	2,964.3	3,034.1	3,036.3
1.1.2 Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2 Other capital	108.2	101.0	189.7	93.2	241.1	466.0	496.6	524.6	466.0	466.0	254.0
1.1.1 Claims	144.8	175.4	220.2	217.0	608.7	641.5	669.4	698.9	638.7	641.5	442.2
1.2.2 Liabilities	36.6	74.4	30.5	123.8	367.6	175.5	172.8	174.3	172.7	175.5	188.2
1.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 In Croatia	20,782.0	30,611.5	22,190.9	25,344.0	26,166.3	23,868.4	27,121.1	26,521.7	25,719.5	23,868.4	23,720.5
2.1 Equity capital and reinvested earnings	17,961.2	26,777.2	16,409.8	17,699.5	18,404.5	17,166.8	19,471.1	19,284.5	18,238.0	17,166.8	17,242.1
2.1.1 Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Liabilities	17,961.2	26,777.2	16,409.8	17,699.5	18,404.5	17,166.8	19,471.1	19,284.5	18,238.0	17,166.8	17,242.1
2.2 Other capital	2,820.7	3,834.3	5,781.1	7,644.5	7,761.9	6,701.6	7,650.0	7,237.2	7,481.5	6,701.6	6,478.4
2.2.1 Claims	21.1	24.2	24.3	52.9	68.3	50.7	41.1	44.6	51.2	50.7	49.1
2.2.2 Liabilities	2,841.8	3,858.5	5,805.4	7,697.4	7,830.2	6,752.3	7,691.2	7,281.7	7,532.7	6,752.3	6,527.5
2.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Data also include the round tripping which increases direct investment in Croatia and direct investment abroad by the same amount. This type of direct investment was recorded in December 2008 (EUR 825.7m) and August 2009 (EUR 666.5m). Accordingly, they impact the stock of direct investment in Croatia and direct investment abroad from these months onwards. ^b Revised data. ^c Preliminary data.

Table H18 International investment position – portfolio investment^a
in million EUR

	2006	2007	2008	2009	2010	2011 ^b	2011				2011
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^c
Portfolio investment (net)	-3,346.4	-3,388.6	-2,797.7	-3,259.6	-3,555.9	-4,173.7	-3,737.4	-3,138.1	-4,006.5	-4,173.7	-4,357.1
1 Assets	2,488.2	3,250.9	2,646.0	3,219.4	3,562.6	2,894.6	3,552.5	3,655.3	3,089.4	2,894.6	2,815.1
1.1 Equity securities	559.3	1,745.5	656.7	804.9	1,255.5	1,213.5	1,501.6	1,492.7	1,245.8	1,213.5	1,316.8
1.1.1 Banks	6.7	8.3	11.6	13.7	11.1	15.6	14.7	15.3	15.8	15.6	16.8
1.1.2 Other sectors	552.6	1,737.2	645.1	791.2	1,244.5	1,197.9	1,486.9	1,477.5	1,230.0	1,197.9	1,300.1
1.2 Debt securities	1,928.9	1,505.4	1,989.3	2,414.5	2,307.0	1,681.1	2,050.9	2,162.5	1,843.6	1,681.1	1,498.2
2 Liabilities	5,834.6	6,639.5	5,443.7	6,479.1	7,118.5	7,068.3	7,289.8	6,793.4	7,095.9	7,068.3	7,172.1
2.1 Equity securities	1,012.8	1,522.3	613.8	657.6	738.0	595.7	836.4	740.9	669.7	595.7	591.8
2.1.1 Banks	143.2	164.7	66.5	62.4	56.8	45.3	57.8	61.4	55.7	45.3	48.5
2.1.2 Other sectors	869.5	1,357.6	547.3	595.2	681.2	550.3	778.6	679.6	614.0	550.3	543.3
2.2 Debt securities	4,821.8	5,117.1	4,829.9	5,821.5	6,380.5	6,472.7	6,453.4	6,052.4	6,426.1	6,472.7	6,580.4
2.2.1 Bonds	4,698.0	5,073.5	4,805.3	5,651.2	5,912.1	6,314.6	5,905.5	5,731.0	6,254.5	6,314.6	6,305.6
2.2.1.1 General government	3,402.3	3,406.2	3,162.1	3,976.4	4,313.1	4,926.5	4,467.9	4,318.0	4,859.8	4,926.5	4,882.4
2.2.1.2 Banks	457.9	459.0	456.8	9.0	8.9	1.9	0.0	0.0	2.7	1.9	1.0
2.2.1.3 Other sectors	837.8	1,208.3	1,186.4	1,665.8	1,590.1	1,386.2	1,437.5	1,413.0	1,392.0	1,386.2	1,422.1
2.2.2 Money market instruments	123.9	43.7	24.6	170.3	468.3	158.1	547.9	321.4	171.7	158.1	274.8
2.2.2.1 General government	123.9	43.7	24.6	170.3	468.3	157.9	547.9	321.4	171.7	157.9	274.8
2.2.2.2 Other sectors	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0

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

Table H19 International investment position – other investment^a

in million EUR

	2006	2007	2008	2009	2010	2011 ^b	2011				2012
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	
Other investment (net)	-16,882.1	-18,066.5	-22,858.0	-25,332.8	-26,011.5	-26,726.1	-28,241.0	-28,973.0	-26,549.4	-26,726.1	-27,746.3
1 Assets	5,108.5	6,505.6	6,991.2	6,268.8	5,893.7	5,607.1	4,927.2	4,849.3	5,879.1	5,607.1	4,816.1
1.1 Trade credits	230.5	248.9	224.7	123.3	80.5	85.9	86.8	85.2	85.5	85.9	84.7
1.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2 Other sectors	230.5	248.9	224.7	123.3	80.5	85.9	86.8	85.2	85.5	85.9	84.7
Long-term	177.5	228.8	202.6	96.3	61.4	58.3	62.9	60.7	61.9	58.3	56.6
Short-term	53.0	20.1	22.1	27.0	19.2	27.6	23.9	24.4	23.6	27.6	28.1
1.2 Loans	239.5	296.4	435.9	384.5	480.0	490.0	475.0	539.3	501.3	490.0	476.4
1.2.1 Croatian National Bank	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Long-term	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
1.2.2 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.3 Banks	188.5	214.8	285.3	270.1	340.4	344.7	356.9	433.3	377.0	344.7	317.9
Long-term	140.0	160.0	193.6	233.7	286.3	310.1	311.2	375.8	340.9	310.1	274.2
Short-term	48.5	54.8	91.7	36.5	54.2	34.6	45.7	57.5	36.1	34.6	43.7
1.2.4 Other sectors	50.4	81.1	150.0	113.8	139.0	144.6	117.6	105.4	123.7	144.6	157.9
Long-term	50.2	81.0	146.8	113.6	101.3	140.0	96.4	84.3	112.1	140.0	140.9
Short-term	0.2	0.1	3.3	0.2	37.7	4.6	21.2	21.2	11.6	4.6	17.0
1.3 Currency and deposits	4,638.3	5,960.3	6,330.5	5,760.9	5,333.1	5,031.3	4,365.4	4,224.9	5,292.3	5,031.3	4,255.0
1.3.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2 Banks	3,499.9	4,715.1	4,863.6	4,442.9	4,060.1	3,565.6	3,081.9	2,993.3	3,870.3	3,565.6	2,845.6
1.3.3 Other sectors	1,138.3	1,245.2	1,466.9	1,318.0	1,273.0	1,465.7	1,283.5	1,231.6	1,422.1	1,465.7	1,409.5
1.4 Other assets	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Liabilities	21,990.6	24,572.1	29,849.2	31,601.6	31,905.2	32,333.2	33,168.3	33,822.3	32,428.6	32,333.2	32,562.4
2.1 Trade credits	244.9	337.8	367.5	344.4	370.2	216.9	373.4	328.7	274.2	216.9	216.7
2.1.1 General government	1.9	1.2	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1.9	1.2	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	243.0	336.6	366.7	344.4	370.2	216.9	373.4	328.7	274.2	216.9	216.7
Long-term	207.0	305.5	327.2	316.2	339.3	182.8	340.1	297.1	243.8	182.8	168.4
Short-term	35.9	31.1	39.5	28.2	30.9	34.1	33.3	31.6	30.4	34.1	48.3
2.2 Loans	17,347.4	20,088.8	24,343.4	24,929.1	25,075.4	24,741.0	25,873.1	26,080.9	25,162.3	24,741.0	24,792.5
2.2.1 Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 General government	2,559.0	2,613.7	1,574.6	1,592.7	1,820.8	1,911.6	1,973.2	2,128.2	1,952.2	1,911.6	1,939.1
Long-term	2,559.0	2,613.7	1,542.9	1,592.7	1,820.8	1,911.6	1,798.2	1,953.2	1,952.2	1,911.6	1,939.1
Short-term	0.0	0.0	31.7	0.0	0.0	0.0	175.0	175.0	0.0	0.0	0.0
2.2.3 Banks	5,368.9	4,276.8	4,496.7	4,352.8	4,285.8	4,250.8	4,368.4	4,583.7	4,161.1	4,250.8	4,196.1
Long-term	4,217.4	3,565.2	3,374.7	3,545.3	3,355.7	3,739.7	3,628.0	3,705.8	3,693.6	3,739.7	3,691.1
Short-term	1,151.6	711.7	1,122.0	807.5	930.1	511.1	740.4	877.9	467.5	511.1	505.1
2.2.4 Other sectors	9,419.4	13,198.2	18,272.0	18,983.6	18,968.9	18,578.6	19,531.5	19,369.1	19,049.0	18,578.6	18,657.3
Long-term	9,187.2	12,371.2	17,589.5	18,244.9	18,360.2	18,064.1	18,584.1	18,628.3	18,369.5	18,064.1	18,059.8
Short-term	232.2	827.1	682.5	738.7	608.6	514.5	947.4	740.8	679.5	514.5	597.5
2.3 Currency and deposits	4,398.4	4,145.5	5,138.3	6,328.1	6,459.5	7,375.3	6,921.8	7,412.7	6,992.1	7,375.3	7,553.2
2.3.1 Croatian National Bank	2.6	2.3	2.3	1.1	1.2	0.1	0.4	0.1	0.1	0.1	0.0
2.3.2 Banks	4,395.8	4,143.2	5,125.5	6,327.0	6,458.4	7,375.3	6,921.4	7,412.6	6,992.0	7,375.3	7,553.2
2.3.3 Other sectors	0.0	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4 Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

	2006	2007	2008	2009	2010	2011	2012	
							Jan.	Feb.
3.3 CHANGE IN NET INCURRENCE OF LIABILITIES	1,890.7	560.6	5,654.1	17,432.0	17,248.4	15,040.2	1,814.7	4,983.7
3.3.1 Domestic	5,282.8	2,017.1	6,795.7	10,130.2	12,892.5	6,448.4	1,889.9	4,923.5
A) Budgetary central government	3,166.3	1,477.6	5,656.6	9,576.6	11,835.1	4,793.1	1,938.4	4,925.5
B) Extrabudgetary users	2,116.5	539.5	1,139.1	553.6	1,057.4	1,655.3	-48.6	-2.0
3.3.2 Foreign	-3,392.1	-1,456.5	-1,141.7	7,301.8	4,355.9	8,591.8	-75.2	60.2
A) Budgetary central government	-3,943.2	-2,980.2	-1,445.8	6,878.4	4,277.0	8,597.2	-69.9	-0.1
B) Extrabudgetary users	551.2	1,523.7	304.1	423.4	79.0	-5.4	-5.3	60.3

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

^b The Croatian Privatisation Fund (CPF) ceased to operate on 31 March 2011. The Agency for Management of the Public Property (AUDIO) started to operate on 1 April 2011 and is composed of the CPF and the Central State Administrative Office for State Property Management (the former budget user).

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

Source: MoF.

Table I2 Budgetary central government operations^a
in million HRK

	2006	2007	2008	2009	2010	2011	2012	
							Jan.	Feb.
1 REVENUE	95,235.6	108,320.6	115,772.7	110,257.9	107,466.4	107,069.7	8,099.4	8,425.5
1.1 Taxes	58,469.1	64,234.5	69,572.7	63,678.9	62,856.6	61,422.2	4,600.0	4,930.2
1.2 Social contributions	33,877.1	37,203.5	40,703.5	39,994.7	38,712.4	38,605.1	3,089.9	3,085.6
1.3 Grants	196.0	428.0	468.6	616.3	637.1	869.0	8.6	47.1
1.4 Other revenue	2,693.3	6,454.5	5,027.8	5,968.0	5,260.3	6,173.4	400.9	362.6
2 EXPENSE	95,950.0	108,007.6	115,292.4	117,924.0	120,323.3	119,939.5	9,509.0	8,646.2
2.1 Compensation of employees	24,313.9	27,545.1	29,948.5	31,289.3	31,096.5	31,737.4	2,644.0	2,627.9
2.2 Use of goods and services	6,069.1	7,162.4	8,113.7	7,363.8	7,655.7	7,943.6	435.7	488.0
2.3 Consumption of fixed capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4 Interest	4,713.6	4,535.0	4,683.2	5,225.2	6,236.5	7,097.6	1,005.7	359.0
2.5 Subsidies	5,670.8	6,492.0	6,859.5	6,710.0	6,582.2	6,555.3	283.3	259.9
2.6 Grants	6,653.0	8,363.2	5,783.1	5,559.6	5,778.6	5,083.7	460.7	212.1
2.7 Social benefits	43,444.6	48,176.0	52,593.2	56,148.5	56,906.6	56,483.0	4,410.7	4,430.3
2.8 Other expense	5,085.0	5,733.9	7,311.2	5,627.6	6,067.3	5,039.1	269.0	268.9
3 CHANGE IN NET WORTH: TRANSACTIONS	-714.4	313.0	480.2	-7,666.0	-12,857.0	-12,869.8	-1,409.6	-220.7
3.1 Change in net acquisition of non-financial assets	1,555.8	2,545.2	2,988.1	1,963.4	1,232.4	1,139.0	25.8	20.8
3.1.1 Fixed assets	1,595.1	2,625.7	2,719.5	1,839.7	1,200.4	1,118.7	26.9	20.4
3.1.2 Inventories	-80.2	-161.4	79.4	35.4	11.0	2.5	0.0	0.0
3.1.3 Valuables	7.8	9.6	10.1	8.9	6.1	3.7	0.0	0.2
3.1.4 Non-produced assets	33.1	71.3	179.1	79.3	14.9	14.0	-1.1	0.2
3.2 Change in net acquisition of financial assets	-3,047.2	-3,734.8	1,702.9	6,825.5	2,022.7	-618.4	433.2	4,684.0
3.2.1 Domestic	-3,063.9	-3,752.8	1,690.5	6,823.2	2,022.3	-623.8	433.2	4,684.0
3.2.2 Foreign	16.7	18.0	12.4	2.3	0.4	5.3	0.0	0.0
3.2.3 Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3 Change in net incurrence of liabilities	-777.0	-1,502.6	4,210.8	16,455.0	16,112.0	13,390.4	1,868.6	4,925.4
3.3.1 Domestic	3,166.3	1,477.6	5,656.6	9,576.6	11,835.1	4,793.1	1,938.4	4,925.5
3.3.2 Foreign	-3,943.2	-2,980.2	-1,445.8	6,878.4	4,277.0	8,597.2	-69.9	-0.1

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

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

Source: MoF.

Table I3 Central government debt^a
end of period, in million HRK

	2006 Dec.*	2007 Dec.*	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.*	2012		
							Jan.*	Feb.*	Mar.
1 Domestic debt of central government	56,672.8	58,281.8	64,041.1	74,241.4	87,556.8	101,512.3	104,248.7	110,343.8	108,018.3
1.1 Domestic debt of the Republic of Croatia	51,474.8	51,924.0	61,006.1	70,447.0	82,952.1	95,720.8	98,443.0	104,509.9	102,217.1
Treasury bills	11,503.1	11,420.6	14,260.3	17,558.3	16,886.5	18,990.4	20,393.8	19,851.9	18,079.3
Money market instruments	–	–	10.7	19.3	20.5	20.6	20.6	356.1	326.2
Bonds	33,143.8	34,634.4	35,531.3	36,586.8	48,862.5	56,191.2	56,216.3	61,909.5	61,722.2
Credits from the CNB	0.9	1.0	2.2	2.9	0.3	0.8	–	–	–
Credits from banks	6,827.0	5,867.9	11,201.5	16,279.8	17,182.3	20,517.7	21,812.3	22,392.3	22,089.4
1.2 Domestic debt of central government funds	5,198.0	6,357.8	3,035.0	3,794.4	4,604.7	5,791.5	5,805.8	5,833.9	5,801.2
Money market instruments	–	–	–	–	–	–	–	–	–
Bonds	–	–	–	–	–	–	–	–	–
Credits from banks	5,198.0	6,357.8	3,035.0	3,794.4	4,604.7	5,791.5	5,805.8	5,833.9	5,801.2
2 External debt of central government	44,510.6	44,092.3	34,445.5	41,527.8	48,433.6	52,457.4	52,224.4	52,952.0	53,073.2
2.1 External debt of the Republic of Croatia	35,572.4	34,091.6	32,619.4	39,812.5	46,445.4	50,365.2	50,118.7	50,769.7	50,919.6
Money market instruments	909.8	320.0	180.3	1,244.3	3,458.6	1,189.2	1,264.1	1,163.6	2,062.7
Bonds	24,942.2	24,844.4	22,991.6	28,884.2	31,684.5	36,962.4	36,651.1	37,121.5	36,517.3
Credits	9,720.4	8,927.3	9,447.4	9,684.1	11,302.3	12,213.6	12,203.5	12,484.7	12,339.5
2.2 External debt of central government funds	8,938.2	10,000.7	1,826.1	1,715.3	1,988.2	2,092.2	2,105.7	2,182.2	2,153.6
Money market instruments	–	–	–	–	–	–	–	–	–
Bonds	–	–	–	–	–	–	–	–	–
Credits	8,938.2	10,000.7	1,826.1	1,715.3	1,988.2	2,092.2	2,105.7	2,182.2	2,153.6
3 Total (1+2)	101,183.4	102,374.2	98,486.6	115,769.2	135,990.4	153,969.6	156,473.2	163,295.7	161,091.5
Supplement: Central government guaranteed debt									
– guarantees for domestic debt	7,660.3	8,110.6	13,299.2	15,692.5	20,052.8	22,149.3	22,277.7	22,332.1	22,031.0
– guarantees for external debt	14,303.7	18,925.2	31,371.9	35,275.2	39,333.9	37,720.7	38,362.7	38,461.7	37,838.9

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

Table I3 Central government debt • As from Bulletin No. 154 the table contains the revised data.

The central government debt comprises the domestic and external debt.

The domestic debt of the central government is compiled from the MoF data on T-bills and bonds and the CNB data on money market instruments, credits from banks and credits from the CNB.

The stock of T-bills includes MoF T-bills denominated in kuna, eurobills and T-bills indexed to the euro with a maturity of up to one year. The stock of eurobills includes accrued interest. The difference between the nominal value and the issue value of T-bills denominated in kuna and of T-bills indexed to the euro is the accrued interest which is distributed over the life of instruments using the simple interest calculation method (i.e. in a linear manner) and the method of calculating the number of days where the actual number of days is divided by 360.

The stock of bonds includes central government bonds issued in the domestic market, MoF T-bills with a maturity of over one year and a share of total central government bonds issued in the foreign market which is held by resident institutional units at the end of the reporting period. From December 2005 on, central government bonds and MoF T-bills issued in the domestic market and held by non-resident institutional units have

been included in the external debt of the central government. The difference between the nominal value and the issue value of T-bills with a maturity of over one year is the accrued interest which is distributed over the life of instruments using the compound interest calculation method. The stock of central government bonds includes accrued interest.

From January 2004 onwards, the stock of credits from banks includes both outstanding principal and accrued interest.

The external debt statistics compiled by the CNB is the source of data on the central government external debt.

The supplement contains the data on the central government guaranteed debt. Bank statistical reports and statistical reports of other financial institutions are the source of data on domestic debt guarantees, while the external debt statistics compiled by the CNB is the source of data on external debt guarantees.

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

J Non-financial statistics – selected data

Table J1 Consumer price and producer price indices

Year	Month	Basic indices, 2005 = 100			Chain indices				Monthly year-on-year indices			
		Consumer price indices			Consumer price indices ^a			Producer prices	Consumer price indices ^b			Producer prices
		Total	Goods	Services	Total	Goods	Services		Total	Goods	Services	
1998	December	82.1	84.6	73.7	100.3	100.4	100.0	100.0	105.4	104.3	109.2	97.9
1999	December	85.3	87.2	78.5	100.6	100.8	100.0	100.3	103.9	103.1	106.5	105.9
2000	December	90.0	92.0	82.8	100.4	100.4	100.1	100.2	105.5	105.5	105.5	111.2
2001	December	92.1	93.2	88.5	100.4	100.4	100.5	99.0	102.4	101.3	106.8	96.9
2002	December	93.8	94.2	92.6	100.4	100.6	99.6	99.9	101.8	101.1	104.6	102.3
2003	December	95.4	95.7	94.6	100.3	100.2	100.5	100.0	101.7	101.6	102.2	101.0
2004	December	98.0	98.0	98.0	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	December	101.6	101.4	102.0	100.5	100.5	100.5	99.7	103.6	103.5	104.1	102.7
2006	December	103.7	102.8	106.4	100.0	100.0	100.2	100.0	102.0	101.4	104.2	101.9
2007	December	109.7	109.5	110.0	101.2	101.2	101.3	100.4	105.8	106.6	103.4	105.9
2008	December	112.8	112.2	114.7	99.4	99.1	100.5	98.7	102.9	102.4	104.3	104.3
2009	December	114.9	114.5	117.3	99.4	99.3	100.2	100.0	101.9	101.3	103.9	101.6
2010	December	117.1	117.1	117.6	100.0	100.1	99.9	101.0	101.8	102.2	100.3	105.7
2011	June	119.3	119.6	118.7	99.5	99.2	100.7	99.7	102.0	102.7	99.7	106.0
	July	118.7	118.6	119.8	99.5	99.1	100.9	100.1	101.9	102.7	99.2	106.1
	August	118.6	118.6	119.4	99.9	100.0	99.7	100.7	102.0	102.9	98.7	106.6
	September	119.1	119.8	117.4	100.4	101.0	98.3	100.0	102.2	103.0	99.0	106.1
	October	119.8	120.7	117.0	100.6	100.8	99.7	100.6	102.6	103.6	99.2	106.3
	November	120.0	121.1	116.9	100.2	100.3	99.9	100.5	102.6	103.5	99.3	107.0
	December	119.5	120.6	116.4	99.6	99.6	99.6	99.8	102.1	103.0	98.9	105.8
2012	January	119.1	120.0	116.3	99.6	99.5	99.9	100.9	101.2	101.8	98.7	105.9
	February	119.8	120.9	116.4	100.6	100.7	100.1	102.0	101.3	102.0	98.6	106.3
	March	121.6	122.8	117.8	101.5	101.6	101.2	100.6	102.0	102.6	99.9	106.2
	April	122.6	124.0	118.0	100.8	101.0	100.2	100.6	102.6	103.3	99.9	106.2
	May	124.6	126.5	118.7	101.7	102.0	100.6	101.5	103.9	104.9	100.7	107.2

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

Source: CBS.

Table J1 Consumer price and producer price indices • The Central Bureau of Statistics (CBS) introduced the consumer price index (CPI) in early 2004. This indicator of price movements was compiled in accordance with the methodological principles laid down by the ILO and Eurostat. In its First Release, issued on 17 February 2004, the CBS published the data on movements in the CPI in January 2004 and the time series for the CPI as of January 2001. The CBS subsequently constructed the time series for the consumer price index encompassing the period from January 1998 to December 2000. As expected following the introduction of the new index, the CBS ceased to publish the retail price index (RPI) and the cost of living index, whose calculation methodologies have not been adequately harmonised with internationally accepted standards. The main features of the CPI are

described in the CNB Bulletin No. 91 (see Box 1). The data on the average year-on-year consumer price inflation rate are shown in the Bulletin table on Economic indicators.

Table J2 Core consumer price indices • The core consumer price index is calculated by the Central Bureau of Statistics (CBS) in the manner that agricultural products prices and administrative prices (which among others include the prices of electricity and refined petroleum products) are excluded from the basket of goods and services used in the calculation of the total index. These two groups of products account for a total of 29.3% in the basket in 2011 (agricultural products 6.1 percentage points, and administrative products 23.2 percentage points) and are assigned a zero weight.

Table J2 Core consumer price indices

Year	Month	Basic indices, 2005 = 100			Chain indices			Year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1998	December	87.3	88.6	80.0	99.9	99.9	100.0	....	....	....
1999	December	89.8	91.1	82.3	100.1	100.1	100.1	102.9	102.9	103.0
2000	December	92.8	93.9	86.5	100.4	100.4	100.2	103.3	103.0	105.0
2001	December	93.9	94.6	89.8	99.8	99.7	100.3	101.2	100.8	103.8
2002	December	95.0	95.6	91.9	100.0	100.1	99.4	101.2	101.0	102.4
2003	December	96.2	96.4	94.7	100.2	100.1	101.0	101.2	100.9	103.0
2004	December	98.4	98.5	97.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	December	101.3	101.4	101.0	100.1	100.0	100.5	103.0	102.9	103.7
2006	December	103.6	103.6	103.6	99.8	99.7	100.3	102.3	102.2	102.5
2007	December	108.8	109.1	107.2	100.8	100.8	100.4	105.0	105.3	103.5
2008	December	113.3	113.5	112.5	99.4	99.3	100.2	104.2	104.0	105.0
2009	December	113.6	113.3	115.2	98.8	98.6	100.2	100.2	99.8	102.4
2010	December	113.7	113.4	114.9	99.1	99.0	99.7	100.1	100.1	99.8
2011	June	116.2	115.9	117.8	100.0	99.7	101.3	101.8	102.1	100.1
	July	115.8	115.0	119.8	99.6	99.2	101.7	101.7	102.2	99.3
	August	115.6	114.8	120.1	99.9	99.8	100.3	101.7	102.2	99.2
	September	116.3	116.2	117.0	100.6	101.2	97.4	102.0	102.3	100.4
	October	117.3	117.5	116.2	100.8	101.1	99.4	102.6	103.0	100.7
	November	117.6	117.9	116.1	100.3	100.4	99.9	102.5	102.9	100.7
	December	117.0	117.2	116.1	99.5	99.4	100.1	102.9	103.3	101.1
2012	January	115.9	115.8	116.2	99.1	98.8	100.1	102.0	102.2	100.9
	February	115.6	115.4	116.4	99.7	99.7	100.2	101.3	101.4	100.8
	March	116.9	116.8	117.2	101.1	101.2	100.7	101.6	101.6	101.6
	April	118.0	118.1	117.6	101.0	101.1	100.3	102.3	102.4	101.8
	May	118.7	118.7	118.7	100.6	100.5	100.9	102.1	102.1	102.0

Source: CBS.

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
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	December	3,839.0	98.0	107.2	105.0
2003	December	4,045.0	99.8	105.4	105.9
2004	December	4,312.0	99.1	106.6	105.9
2005	December	4,473.0	97.3	103.7	104.9
2006	December	4,735.0	97.0	105.9	105.2
2007	December	4,958.0	96.6	104.7	105.2
2008	December	5,410.0	100.3	109.1	107.0
2009	December	5,362.0	99.6	99.1	102.6
2010	December	5,450.0	97.6	101.7	100.6
2011	July	5,365.0	97.6	100.8	101.9
	August	5,514.0	102.8	102.3	102.0
	September	5,397.0	97.9	102.0	102.0
	October	5,406.0	100.2	101.0	101.9
	November	5,729.0	106.0	102.6	101.9
	December	5,493.0	95.9	100.8	101.8
2012	January	5,463.0	99.5	102.3	102.3
	February	5,363.0	98.2	102.3	102.3
	March	5,499.0	102.5	100.3	101.6

Source: CBS.

Table J4 Consumer confidence index, consumer expectations index and consumer sentiment index
index points, original data

Year	Month	Composite indices			Response indices (I)						
		Consumer confidence index	Consumer expectations index	Consumer sentiment index	I1	I2	I3	I4	I7	I8	I11
1999	October	-33.7	-14.9	-46.3	-38.4	-12.1	-49.9	-17.6	35.5	-50.7	-69.7
2000	October	-20.9	3.5	-32.2	-26.2	1.2	-22.0	5.7	26.9	-48.3	-63.6
2001	October	-27.0	-11.4	-35.6	-29.6	-10.0	-35.9	-12.7	22.9	-41.3	-62.3
2002	October	-25.2	-8.3	-29.3	-22.6	-5.1	-31.2	-11.5	20.1	-34.1	-64.0
2003	October	-22.2	-4.5	-25.0	-21.5	-2.6	-26.5	-6.4	14.7	-27.1	-65.2
2004	October	-23.9	-7.9	-22.0	-19.1	-4.1	-30.5	-11.6	22.5	-16.5	-57.3
2005	December	-26.4	-13.7	-25.6	-16.4	-5.9	-34.4	-21.5	27.6	-25.9	-50.6
2006	December	-18.9	-4.7	-15.4	-10.9	1.1	-22.4	-10.5	16.9	-12.9	-49.4
2007	December	-24.7	-15.5	-24.5	-16.8	-9.8	-31.8	-21.2	12.8	-25.0	-54.8
2008	December	-42.0	-33.3	-40.9	-30.7	-25.9	-51.8	-40.6	43.4	-40.3	-57.9
2009	December	-46.8	-32.7	-47.6	-35.7	-22.6	-64.5	-42.8	63.9	-42.5	-58.0
2010	December	-42.9	-30.6	-48.7	-40.7	-21.7	-65.9	-39.4	55.7	-39.4	-54.8
2011	July	-33.6	-20.8	-42.1	-32.1	-13.4	-55.8	-28.1	35.3	-38.4	-57.5
	August	-38.0	-27.3	-45.2	-36.5	-20.1	-61.3	-34.5	43.6	-37.7	-53.9
	September	-35.9	-25.2	-43.6	-32.4	-16.7	-60.1	-33.6	39.6	-38.3	-53.8
	October	-38.1	-23.8	-45.6	-32.7	-16.6	-59.9	-30.9	46.2	-44.2	-58.7
	November	-33.5	-19.2	-43.9	-30.8	-12.7	-59.2	-25.7	38.4	-41.7	-57.3
	December	-23.6	-8.9	-43.1	-31.6	-5.5	-56.5	-12.3	25.0	-41.2	-51.4
2012	January	-21.8	-5.9	-39.1	-26.8	-2.8	-54.7	-9.0	25.0	-35.7	-50.2
	February	-33.2	-15.3	-39.3	-30.4	-11.2	-56.5	-19.3	47.1	-31.1	-55.3
	March	-37.6	-23.5	-43.9	-33.6	-16.3	-58.1	-30.7	47.4	-39.9	-56.1
	April	-40.6	-26.5	-48.9	-38.2	-18.3	-63.4	-34.7	49.2	-45.2	-60.2
	May	-42.2	-29.8	-53.6	-42.2	-21.4	-65.9	-38.2	46.8	-52.8	-62.4
	June	-40.3	-26.3	-51.3	-39.2	-18.5	-64.9	-34.0	47.6	-49.7	-61.0

Sources: Ipsos Puls and CNB.

Table J4 Consumer confidence index, consumer expectations index and consumer sentiment index • The 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 survey was conducted once a quarter (in January, April, July and October). As of May 2005, the survey is carried out in monthly frequency in cooperation with the European Commission, using its technical and financial assistance.

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

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

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

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

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

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

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

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

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

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

The components of composite indices are as follows:

CCI: I2, I4, I7 × (-1), I11

CEI: I2, I4

CSI: I1, I3, I8.

List of banks and savings banks

1 June 2012

Authorised banks

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

Authorised savings banks

- 1 Tesla štedna banka d.d., Zagreb

Authorised housing savings banks

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

Other institutions

- 1 Hrvatska banka za obnovu i razvitak, Zagreb, operates in accordance with the Act on the Croatian Bank for Reconstruction and Development (OG 158/2006)

Representative offices of foreign banks

- 1 BKS Bank AG, Zagreb
- 2 Commerzbank Aktiengesellschaft, Zagreb
- 3 Deutsche Bank AG, Zagreb
- 4 LHB Internationale Handelsbank AG, Zagreb

Banks and savings banks undergoing bankruptcy proceedings

Name of bank/savings bank	Date of bankruptcy proceedings opening
1 Agroobrtnička banka d.d., Zagreb	14/6/2000
2 Alpe Jadran banka d.d., Split	15/5/2002
3 Cibalae banka d.d., Vinkovci	20/10/2000
4 Credo banka d.d., Split	16/1/2012
5 Glumina banka d.d., Zagreb	30/4/1999
6 Gradska banka d.d., Osijek	3/5/1999
7 Hrvatska gospodarska banka d.d., Zagreb	19/4/2000
8 Ilirija banka d.d., Zagreb	6/4/1999
9 Komercijalna banka d.d., Zagreb	30/4/1999
10 Međimurska štedionica d.d., Čakovec	17/3/2004
11 Trgovačko-turistička banka d.d., Split	8.9/2000
12 Županjska banka d.d., Županja	3/5/1999

Banks and savings banks undergoing winding-up proceedings

Name of bank/savings bank	Date of winding-up proceedings initiation
1 Investicijsko-komercijalna štedionica d.d., Zagreb	31/5/2000
2 Križevačka banka d.d., Križevci	3/1/2005
3 Obrtnička štedna banka d.d., Zagreb	22/12/2010
4 Primus banka d.d., Zagreb	23/12/2004
5 Štedionica Dora d.d., Zagreb	1/1/2002
6 Štedionica Zlatni vrutak d.d., Zagreb	28/12/2001

Banks and savings banks whose authorisation was withdrawn, but have not initiated winding-up proceedings

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

Management of the Croatian National Bank

1 June 2012

Members of the Council of the Croatian National Bank

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

Management of the CNB

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

Executive directors

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

Abbreviations and symbols

Abbreviations

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

Three-letter currency codes

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

Two-letter country codes

BG	– Bulgaria
CZ	– Czech R.
EE	– Estonia
HR	– Croatia
LV	– Latvia
LT	– Lithuania
HU	– Hungary
PL	– Poland
RO	– Romania
SK	– Slovak R.
SI	– Slovenia

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



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