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BULLETIN

Zagreb, 2009

General Information on Croatia

Economic Indicators

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538
Population (million)	4.554	4.426	4.440	4.440	4.440	4.439	4.442	4.440	4.436	4.435
GDP (million HRK, current prices) ^a	164,054	176,690	190,796	208,223	227,012	245,550	264,367	286,341	314,223	342,159
GDP (million EUR, current prices)	21,638	23,146	25,538	28,112	30,011	32,759	35,725	39,102	42,833	47,370
GDP per capita (in EUR)	4,751	5,229	5,752	6,331	6,759	7,380	8,043	8,807	9,656	10,682
GDP – year-on-year rate of growth (in %, constant prices)	-1.5	3	3.8	5.4	5	4.2	4.2	4.7	5.5	2.4
Average year-on-year inflation rate ^b	4	4.6	3.8	1.7	1.8	2.1	3.3	3.2	2.9	6.1
Current account balance (million EUR)	-1,429	-568	-821	-2,099	-1,889	-1,434	-1,976	-2,717*	-3,238*	-4,369*
Current account balance (as % of GDP)	-6.6	-2.5	-3.2	-7.5	-6.3	-4.4	-5.5	-6.9	-7.6	-9.2
Exports of goods and services (as % of GDP)	35.3	40.7	42.3	39.6	43.8	43.5	42.8	43.5	42.7	42
Imports of goods and services (as % of GDP)	42.5	45.1	47.4	49.1	50.6	49.4	48.9	50.2	50.1	50.1
External debt (million EUR, end of year) ^c	10,175	12,264	13,609	15,143	19,884	22,933	25,748	29,274	32,929	39,125
External debt (as % of GDP)	47	53	53.3	53.9	66.3	70	72.1	74.9	76.9	82.6
External debt (as % of exports of goods and services)	133.0	130.2	125.9	136.1	151.3	161.0	168.6	172.3*	179.9*	196.6
External debt service (as % of exports of goods and services) ^{c,d}	24.3*	25.8*	27.9*	28.6*	21.3	22.5	25	35.8	33.3	28.2
Gross international reserves (million EUR, end of year)	3,013	3,783	5,334	5,651	6,554	6,436	7,438	8,725	9,307	9,121
Gross international reserves (in terms of months of imports of goods and services, end of year)	3.9	4.3	5.3	4.9	5.2	4.8	5.1	5.3	5.2	4.6
National currency: Croatian kuna (HRK)										
Exchange rate on 31 December (HRK : 1 EUR)	7.6790	7.5983	7.3700	7.4423	7.6469	7.6712	7.3756	7.3451	7.3251	7.3244
Exchange rate on 31 December (HRK : 1 USD)	7.6477	8.1553	8.3560	7.1457	6.1185	5.6369	6.2336	5.5784	4.9855	5.1555
Average exchange rate (HRK : 1 EUR)	7.5818	7.6339	7.4710	7.4070	7.5642	7.4957	7.4000	7.3228	7.3360	7.2232
Average exchange rate (HRK : 1 USD)	7.1220	8.2874	8.3392	7.8725	6.7044	6.0312	5.9500	5.8392	5.3660	4.9344
Consolidated general government balance (as % of GDP) ^e	-6.2	-6.5	-5.9	-4.3	-5.4	-4.2	-3.5	-2.6	-2	-1.8
Public debt (as % of GDP) ^f	28.9*	34.5*	35.5*	34.9*	35.7*	37.9*	38.5*	36.0*	33.4*	29.3*
Unemployment rate (ILO, persons above 15 years of age)	13.6	16.1	15.8	14.8	14.3	13.8	12.7	11.2	9.6	8.4
Employment rate (ILO, persons above 15 years of age)	44.8	42.6	41.8	43.3	43.1	43.5	43.3	43.6	44.2	44.5

^a Published by the CBS early in 2009, the revised GDP data for the 1995-2008 period include the estimation of non-observed economy, the new estimation of imputed dwelling rents and the new estimation and distribution of financial intermediation services indirectly measured (FISIM). The GDP data for 2006, 2007 and 2008 are based on quarterly estimates and preliminary.

^b CPI inflation rate.

^c In accordance with the obligations assumed during the pre-accession negotiations with the European Commission, the new legislative provisions governing the monitoring of foreign borrowing entered into force early in 2008. As a result, the external debt balance at end-2007 is reported in accordance with the old system. In order to provide for the comparability of annual data, the external debt is also calculated in accordance with the new system which shows an upward adjustment in the end-2007 balance, increasing it by EUR 325m or to EUR 33,254m.

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

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

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

Sources: CBS, MoF and CNB.

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Quarterly Report

Summary

In the third quarter of 2009, economic activity revived slightly in the majority of the most developed countries and a modest recovery marked many new EU member states. However, it seems that real activity in Croatia weakened slightly again in the reference period. Hence, the continued downturn in real retail trade turnover in the third quarter points to a further weakening of personal consumption, while the decline in construction activity observed in July and August and the additional contraction of production and imports of capital goods confirm the strengthening of negative trends in investment activity. As the real contraction slowed down in the first half of the year, the government acted pro-cyclically in the rest of the year in an effort to maintain the stability of public finances: government consumption fell in real terms and the tax burden on households increased. International trade continued to be marked by a pronounced annual decrease in the volume of trade in goods; the fall in goods exports accelerated in the third quarter and exports of services noticeably decreased. The decline in exports of services, notably tourism services, was the chief reason for the annual decline in the positive current account balance. Specifically, despite favourable movements in tourism volume indicators, the average spending per foreign traveller declined substantially. In contrast, the deficit in the account of goods continued to increase, but at a somewhat slower pace than in the previous two quarters, due to a rise in crude oil prices in the world market.

The labour market continued to be marked by negative developments because the production in most activities continued to decline and contribute to the fall in demand for labour. The number of unemployed persons continued to trend upward, with a steady decrease being observed in the number of employed persons insured with the CPIA. In addition to a number of enterprises adjusting to weaker demand by reducing the number of workers, nominal wages also started to adjust. Following a significant fall in output levels, unit labour costs continued to grow in the entire economy (notably in manufacturing).

The decrease of consumer price inflation present in the first half of 2009 accelerated in the third quarter. Above all, this was due to a noticeable decline in domestic demand, which led to the strengthening of competition and reduction of trading margins. The impact of weak demand was thus stronger than the impact of inflationary pressures generated by the rise in unit labour costs. Moreover, both oil prices, in spite of a rise, and producer prices in countries in the environment were still much lower than in the same period in 2008. As a result, the year-on-year inflation rate stood at a low 1.0% in September, which is half as much as at the end of the previous quarter and can largely be attributed to the favourable changes in the prices of processed food product. With energy and agricultural product prices lower than in the same period in 2008, the overall year-on-year consumer price inflation rate was lower than the year-on-year core inflation rate (1.5%) also in September. Data on price movements (seasonal effects excluded) show that core inflation

was negative in recent months, while the overall year-on-year consumer price inflation moved around 1%. Low inflation was most certainly supported by the stable kuna/euro exchange rate which is one of key determinants of inflationary expectations in the domestic economy.

Low variability of the domestic currency against the euro was present also in October and November 2009. Specifically, appreciation pressures on the kuna prevailed in October and were among other things generated by borrowings of individual public enterprises and the expected issue of US dollar-denominated government bonds. Against this background, the central bank intervened twice in the foreign exchange market and converted a portion of foreign exchange inflows from the government in November in order to prevent excessive strengthening of the kuna/euro exchange rate. As this resulted in the creation of substantial kuna liquidity, there was no need to place reserve money by means of regular reverse repo operations. The average liquidity surplus at the system level was several times higher than in the first nine months of 2009, and money market interest rates stabilised at levels much lower than in the first three quarters. The repurchase of foreign exchange increased gross international reserves of the CNB which ended November at EUR 10.2bn.

Monetary and credit aggregates in the third and early in the fourth quarter moved in line with trends observed in the first half of 2009. Bank placements to the private sector, excluding the exchange rate effect, declined by 1.4% from the beginning of the year, this contraction being most pronounced in placements to the household sector. As in such conditions the Decision on the purchase of compulsory CNB bills was no longer restrictive for the majority of banks, the central bank repealed the decision at the end of November. In contrast, after the temporary fall at the end of the second quarter, banks' net claims on the central government continued to trend upward. Specifically, the budget deficit remained high in the third quarter and funds needed for its financing were largely secured through short-term borrowing from banks.

The M1 aggregate and kuna deposits continued to trend downward in the third and early in the fourth quarter. In contrast, foreign currency deposits continued to grow strongly due to the seasonal inflow of foreign exchange and the continued substitution of kuna deposits by foreign currency deposits, especially in the household sector. Banks used the growth in domestic foreign currency deposits in the third quarter for the improvement of their foreign position which in 2009 was in large part achieved through the increase in foreign assets and a fall in foreign liabilities more moderate than in previous years. As a result, foreign currency liquidity of the banking system remained high and stood at 23.6% at the end of October, which is an increase of about EUR 1bn relative to the minimum stipulated level.

In the stable monetary environment, supported by sufficient amounts of liquidity, total turnover and interest rates on the money market decreased in the July-September period of 2009. Also, the upward pressures on bank lending interest rates abated somewhat, notably on interest rates on corporate loans, which, in addition to the earlier mentioned money and foreign exchange market factors, is partly to be ascribed to

the higher availability of foreign funding sources. Concurrently, interest rates on deposits remained mainly stable, with the exception of interest rates on kuna time deposits without a currency clause, which were atypically high in July due to the seasonal rise in demand for kuna funds. The auctions of the Ministry of Finance in the third quarter saw high turnovers and stable interest rates (which fell slightly in October).

The capital flows between Croatia and foreign countries were in the third quarter marked by a net outflow of funds. The account of other investment saw a net inflow due primarily to the absence of the decline in bank external debt, an uncommon occurrence in the summer months. However, this inflow was smaller than the outflow from the account of direct investment and the account of portfolio investment (particularly including the issue of CBRD bonds and the repayment of Zagrebačka banka bonds). The developments in the financial account resulted in a slight increase in Croatia's gross external debt in the July-September period (EUR 0.3bn), which at the end of the period in question reached EUR 41.2bn.

An analysis of developments in Central and Eastern European EU countries shows that they were heavily hit by the global economic crisis, leading to both macroeconomic and political instabilities. Although considerable, the contraction of economic activity in Croatia in the first half of 2009 was somewhat weaker than in many countries in the region, which may in part be explained by the lower share of exports of goods and services in GDP. Labour markets in all countries saw higher unemployment rates in the first half of 2009 than in the same period in 2008, with Croatia belonging to the group of countries in which this increase was below the average rate. Although positive in the short run, such developments may be an indication of relatively reduced labour market flexibility in Croatia.

As regards the relative competitiveness, the currencies of some Central and Eastern European countries weakened strongly against the euro at the end of 2008 and at the beginning of 2009 and then again strengthened. However, as their exchange rates continue to be higher than in the pre-crisis period, these countries will have a certain advantage when foreign demand again starts to rise more significantly, especially if reforms aimed at substantially increasing the efficiency of market mechanisms and additionally reducing the tax burden on the economy fail to take place in Croatia.

In addition to strongly affecting the real sector and causing the reduction of export demand, the global crisis temporarily thwarted or substantially impeded the access to foreign capital markets in a number of countries, which, inter alia, accentuated the issues of budgetary deficit financing. The governments of the countries covered by the analysis refinanced their foreign liabilities and financed their increased deficits mostly by using domestic bank funds. Hence, bank placements to the government sector surged, a trend also observed in Croatia. In contrast, private sector financing slowed down considerably, while Croatia, unlike other countries, saw a substantial decrease in household sector financing. Following the stabilisation of the international capital market and the reduction in risk premiums on government bonds, the majority of the analysed countries turned again to foreign sources of financing.

International Environment

Available economic indicators suggest a gradual stabilisation and slight revival of real economic activities in the most developed global economies and more dynamic growth in fast-growing developing countries. The eurozone recorded real GDP growth of 0.4% in the third quarter of 2009 relative to the previous quarter, while a 0.2% decline was registered in the second quarter. Economic growth was strongest in the Slovak Republic and Slovenia, while Germany, Italy and France also recorded growth. At the same time, economic contraction continued in Greece and Spain. The eurozone GDP growth in the third quarter of 2009 was largely due to the increase in inventories and net exports of goods and services. On the other hand, personal consumption, which had held steady in the second quarter, resumed a downward path in the third quarter.

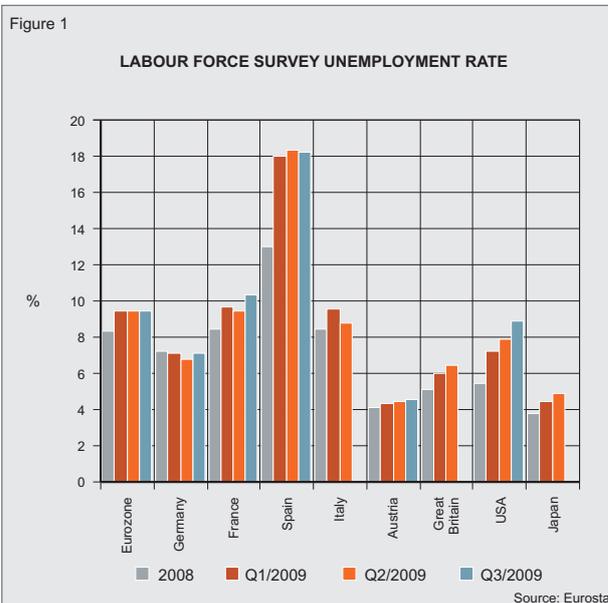
Notwithstanding signs of an economic recovery in the eurozone, the level of industrial production was still much lower than in the previous year, which had a strong impact on the labour market. The unemployment rate was 9.8% in

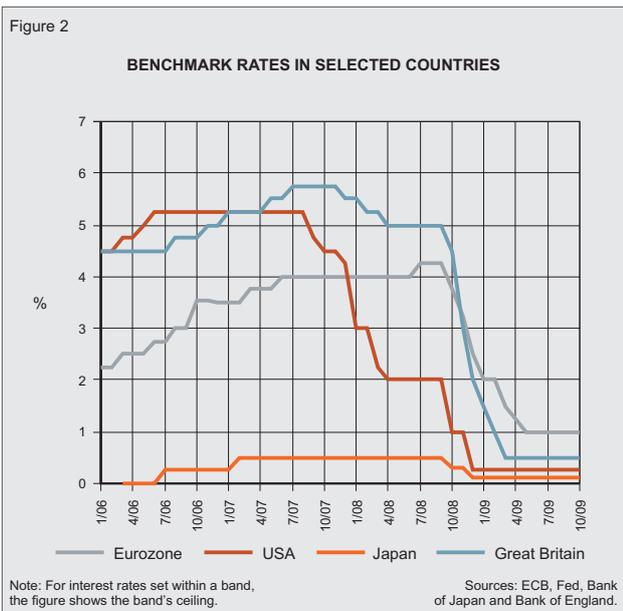
Table 1 GDP in Selected Countries, quarter-on-quarter rate of growth

	2008				2009		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
USA	-0.2	0.4	-0.7	-1.4	-1.6	-0.2	0.7
Eurozone	0.8	-0.3	-0.4	-1.9	-2.4	-0.2	0.4
Germany	1.6	-0.6	-0.3	-2.4	-3.5	0.4	0.7
France	0.5	-0.4	-0.2	-1.5	-1.4	0.3	0.3
Italy	0.5	-0.6	-0.8	-2.1	-2.7	-0.5	0.6
Spain	0.4	0.0	-0.6	-1.1	-1.6	-1.1	-0.3
Austria	1.1	0.5	-0.7	-1.1	-2.6	-0.5	0.9
EU-27	0.8	-0.2	-0.5	-1.9	-2.4	-0.3	0.3
Great Britain	0.6	-0.1	-0.7	-1.8	-2.5	-0.6	-0.3
Japan	1.0	-0.7	-1.7	-3	-3.2	0.7	1.2

Note: Grey-shaded quarters are those in which real GDP increased or held steady (according to seasonally adjusted data), while yellow-shaded quarters are those in which real GDP declined.

Source: Eurostat.





October 2009, while it was 7.9% in the same period of 2008. Among the eurozone countries, unemployment was particularly high in Spain and Ireland and the lowest in the Netherlands and Austria.

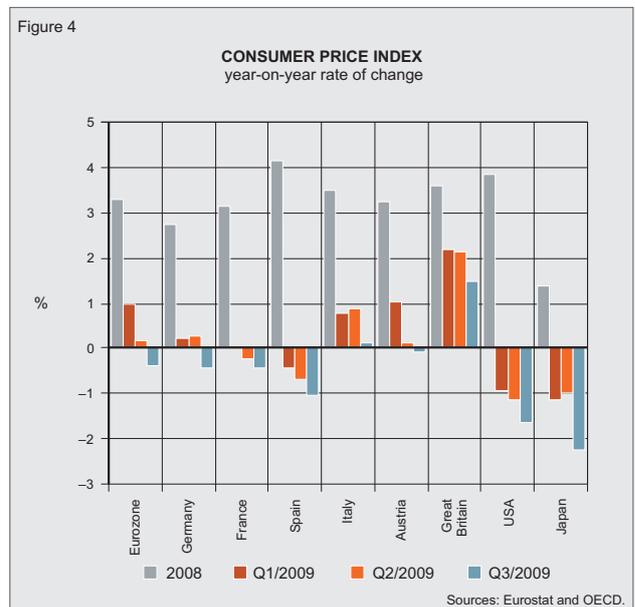
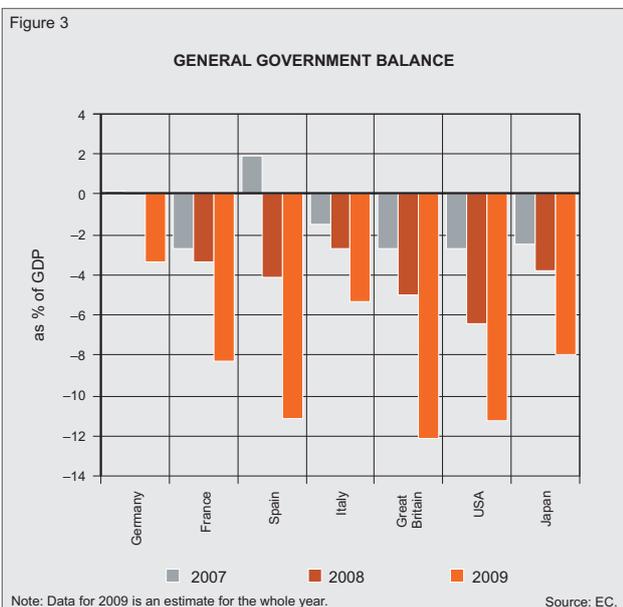
Weak domestic demand and the base effects stemming from the prices of energy products were among the main driving factors of price movements in the eurozone. The year-on-year rate of change in consumer prices of -0.1% in October 2009 largely reflects the drop in energy prices. Weak inflationary pressures in the eurozone in the medium run are also suggested by the low growth rate of the broad monetary aggregate M3. Hence, the European Central Bank's benchmark rate in the eurozone was left at 1% in December. The Bank of England's benchmark rate is also extremely low (0.5%). As the British economy has been contracting for six consecutive quarters, the Bank of England recently stated that it might continue with its bond-buying programme to fend off the crisis and expanded it by GBP 25bn (to GBP 200bn). In contrast, most of the ECB's stimulus measures

are to be unwound in 2010.

Most EU countries outside the eurozone have also shown signs of economic recovery. The decline in real GDP was smaller in the third quarter of 2009 than in the previous quarter, among other countries, in Hungary and Romania. At the same time, economic growth was registered in the Czech Republic, Poland and Sweden.

Due to the weakening of economic activity, EU countries faced growing general government deficits as early as 2008. To speed economic recovery, these countries, like most developed countries, continued with fiscal stimulus programmes, imposing an additional burden on public finances. As the Stability and Growth Pact (SGP) stipulates a 3 percent ceiling on the general government deficit to GDP ratio, except in extraordinary circumstances, the European Commission warned a number of member states that were violating the SGP provisions and proposed a relatively long period to cut the deficit. For example, it was proposed that Germany and France should have until 2013 to adjust their public finances to the SGP rules, while Great Britain was given a more lenient 2015 deadline. On the other hand, it was proposed that Greece, whose general government deficit was too large in both 2007 and 2008 and whose 2009 deficit could exceed 12%, should immediately begin to reduce consumption and/or increase taxes.

According to the first estimates, real US GDP grew by 0.7% in the third quarter of 2009 relative to the preceding quarter (the annualised rate was 2.8%). GDP growth was recorded after four consecutive quarters of decline, primarily due to personal consumption expenditures. Particularly noteworthy was the purchase of motor vehicles, which was strongly encouraged by government incentives. Growth was also boosted by the increase in private domestic investments (primarily related to the change in inventories) and government consumption. At the same time, labour market indicators continued to deteriorate; the unemployment rate soared to its highest level since April 1983, reaching 10.2% in October 2009. Construction, manufacturing and retail trade recorded the largest number of jobs lost relative to the previous month.



The US annual consumer price inflation, which has been negative from March 2009, stood at -0.2% in October. Overall inflation trends were largely driven by the fall in the prices of energy and, to a lesser extent, food. As the US central bank did not expect inflationary pressures to build up strongly despite signs of economic recovery, it kept its benchmark rate at a historic low of $0-0.25\%$ in November. The US benchmark rate can be expected to remain at its current level thanks to the under-utilisation of capacities and stable inflationary expectations.

The US dollar/euro exchange rate continued to weaken in the third quarter and the first half of the fourth quarter of 2009, a trend present in the world's foreign exchange market from March. The weakening of the US dollar was largely due to growing optimism about global economic recovery, which boosted demand for more risky investments and reduced demand for the US dollar. The US dollar depreciated by 5.0% versus the euro from the beginning of the year, standing at USD 1.49/EUR at end-November.

Japan also showed signs of economic recovery; its real GDP grew by 1.2% in the third quarter relative to the previous quarter. The growth was mostly driven by net exports that were, among other things, boosted by more intensive economic activity in other Asian countries. However, as in the US and the eurozone, the year-on-year rate of change in consumer prices remained negative in Japan. It was 2.5% in October, due to base effects related to the previous year's developments in crude oil prices and the drop in domestic consumption. In line with price trends and weak inflationary pressures, at its meeting in late November, the Bank of Japan decided to leave its benchmark rate unchanged at 0.1% .

Positive economic developments occurred also in many developing and emerging market countries. Particularly noteworthy was China's year-on-year GDP growth of 8.9% in the third quarter. However, as this growth was largely underpinned by credit expansion and government stimulus measures, its medium term sustainability is questionable. GDP growth in India, the second largest economy in the reference group, which was largely driven by domestic demand, was

somewhat lower than in China. At the same time, the annual growth rate of consumer prices in India exceeded 10% , mostly due to the upsurge in food prices. On the other hand, the recovery of the Russian economy, which was hit hard not only by the spillover of the financial crisis but also by the sharp drop in crude oil prices, has been largely supported by the increase in raw materials prices and foreign demand.

Having peaked in mid-2008, crude oil prices went steadily down till March 2009 when signs of stabilisation and beginning of economic recovery emerged. This boosted investor optimism and weakened the US dollar. As a result of these factors, crude oil prices began to rise. Given the ongoing uncertainty about the global economic recovery and substantial US oil reserves, upward pressures on crude oil prices were less pronounced in the third quarter of 2009. The further weakening of the US dollar against the euro and positive investor expectations about global economic trends contributed to the increase in crude oil prices in October when they averaged USD 74.1 per barrel.

Prices of other raw materials also increased and were some 20% higher in October 2009 than at the end of 2008. Mostly driven by strong demand from China, metal prices increased the most, followed by the prices of agricultural raw materials and food products (especially sugar and oilseeds).

Although the described real economic developments and trends in raw materials prices suggest that the most developed global economies have weathered the worst of the crisis, leading economic experts agree the recovery will be long and relatively slow. As most other developed transition economies, Croatia felt the spillover effects of the global crisis with a time lag, which would tend to suggest that the first signs of recovery will also appear with some delay.

Demand

The first quarter of 2009 was marked by a strong contraction of aggregate demand in annual terms, reducing the real gross domestic product¹ by 6.5% . According to the seasonally adjusted data, the real economic activity in the first quarter noticeably slackened relative to the end of 2008, followed by a period of slight intensification from April to June. This was primarily caused by a sharp decline in both external demand and household consumption and finally in gross capital formation. The fall in exports is a result of the negative trends in global trade, while the contraction in the two most important components of domestic demand primarily reflects a strong deterioration in consumer and business optimism as well as unfavourable borrowing conditions. On the other hand, government consumption registered a positive annual rate of change in the first six months of this year, thus preventing an even greater fall in economic activity. It is noteworthy that over the period in question the most prominent fall was in demand for imported goods (cars, durable consumer goods, investment goods), which, paired with a

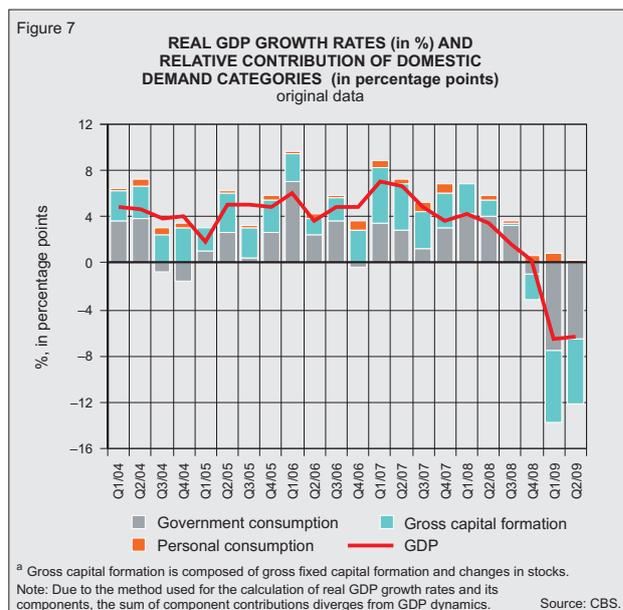
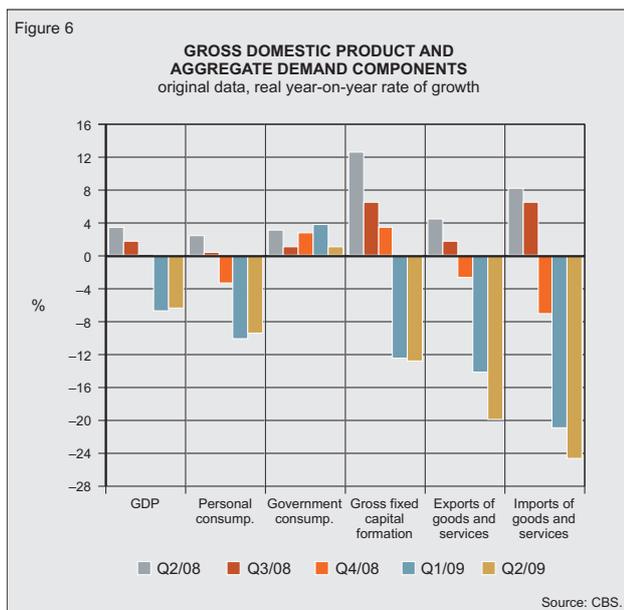
Figure 5

PRICES OF CRUDE OIL AND OTHER RAW MATERIALS³ ON THE WORLD MARKET



³ The HWWI index constructed by the Hamburg Institute of International Economics is an indicator of movements in the cost of raw materials (excluding energy), food and metals. The index is calculated on the basis of raw materials prices expressed in US dollars. Sources: Bloomberg and HWWI.

¹ The data for the period from the first quarter of 2006 to the second quarter of 2009 are preliminary and are based on the CBS's quarterly GDP estimate.



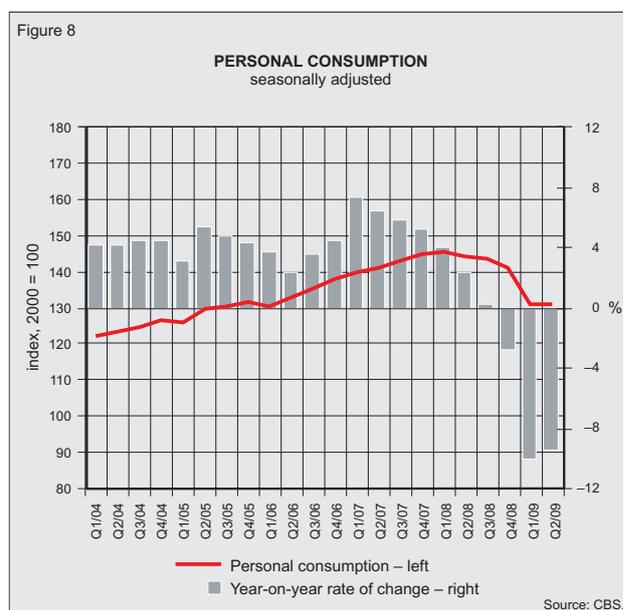
slightly weaker contraction in exports, resulted in a statistically positive contribution of net exports to GDP dynamics in the first half of the year.

Available real and financial indicators of economic developments in the third quarter indicate a weakening of current economic activity. Continued decline of the real retail trade turnover between July and September (although slightly less prominent relative to the previous quarter), paired with low current output and consumer goods imports, indicates further negative developments in personal consumption. The downturn in construction that was observed in July and August 2009 as well as further contraction in output and in imports of capital goods suggest the intensification of negative developments in investment activities. In addition, international trade continued to be marked by a pronounced annual decrease in the volume of trade in goods, while exports of services declined in nominal terms due to a substantial decrease in average spending per traveller.

Domestic Demand

The pronounced negative contribution of domestic demand to real GDP change in the period from January to June 2009 was above all a reflection of the annual decrease in household consumption. The negative annual rates of change in inventories² and gross fixed capital formation worked in the same direction, with the negative contribution mildly increasing in the second quarter relative to the previous quarters only in the category of gross fixed capital formation. The only constituent of domestic demand with a positive contribution to the total change in GDP in the first half of 2009 was government consumption. It is noteworthy that the statistically high negative contribution of domestic demand largely reflects the decline in demand for imported goods while the decline in demand for domestic products, and thus its negative contribution to GDP, is much lower.

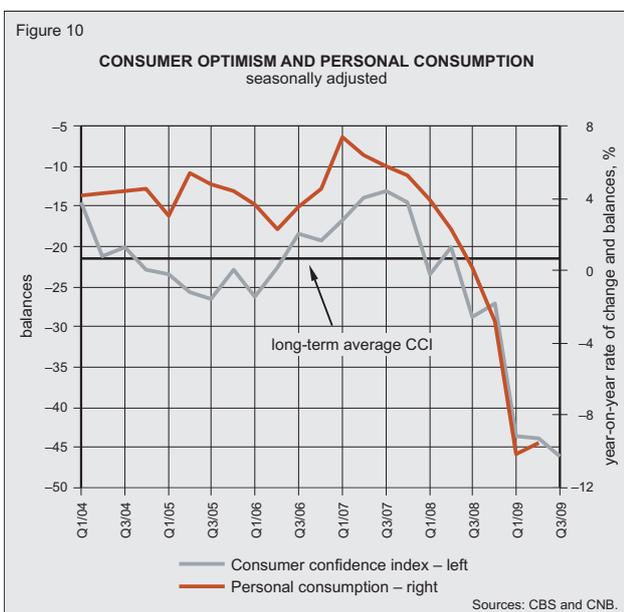
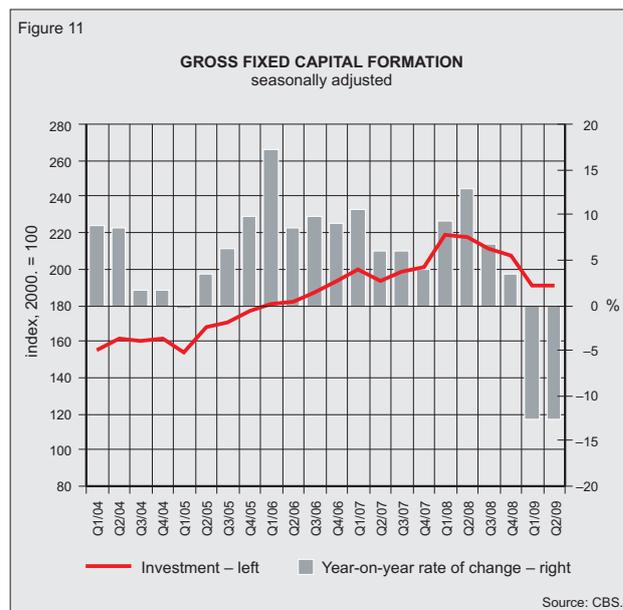
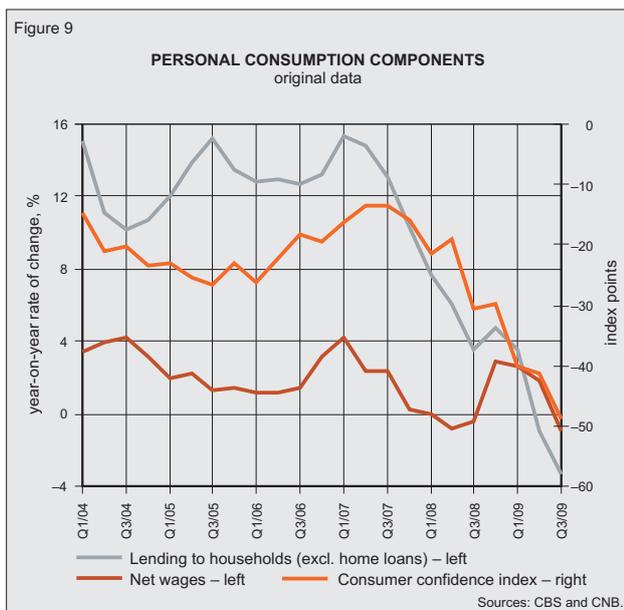
2 This category includes a statistical discrepancy arising from a mismatch between the expenditure and the production GDP calculation methods.



Personal Consumption

In the first half of 2009, household consumption contracted sizeably, with its dynamics during the entire period being primarily marked by high consumer pessimism. Despite the annual decline in the number of employed that has according to CPIA data³ been recorded since March, in the first half of the year the real net wage bill went up relative to the same period in 2008, thanks to the growth of the average real net wage in the economy. The movements of income from transfers (predominantly pensions, child allowance, unemployment benefits and social assistance benefits) also had a positive influence on total disposable income in the first half of the year. The reduction in personal consumption amid rising income indicates that under the influence of rising insecurity as regards the future economic situation households rational-

3 The number of persons insured with the CPIA is a more reliable short-term indicator of employment because recent CBS employment data by activities are preliminary data only (final data will be released in April 2010).



ised their spending, especially the purchases of durable goods and personal vehicles. Reduced availability of new loans and the increased burden of servicing existing loans paired with the decline in financial and real household assets also made their contribution.

In the third quarter 2009, personal consumption continued weakening as confirmed by the data on the movement of real retail trade turnover. The causes of such movements should be sought in the reduction of the real net wage bill amid the decrease in the number of the employed and changes in tax legislation, historically low consumer confidence and the number of households denied access to the loan market. On the other hand, the movement of government transfers to households partially softened negative changes in disposable income.

Gross Fixed Capital Formation

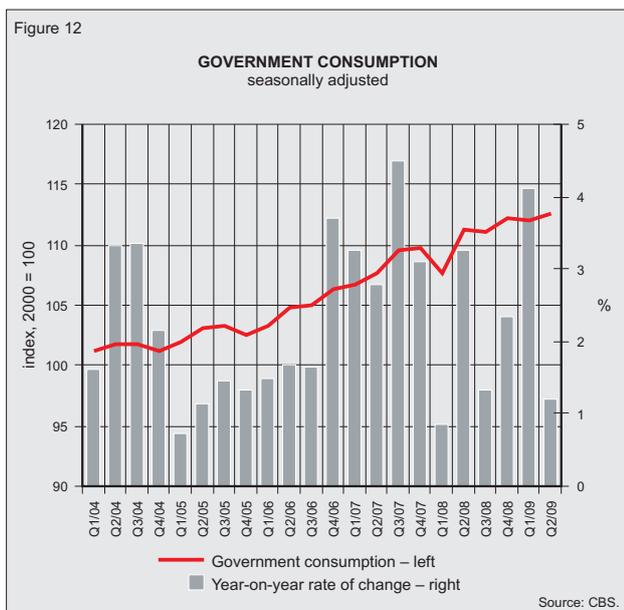
In the first half of 2009, gross fixed capital formation went down at a two-digit rate on an annual level, with negative

developments present in all components of capital consumption. Low aggregate demand as well as insecurity as regards future economic developments contributed to a sizeable reduction of corporate investments in machinery and equipment, as indicated by data on imports and manufacture of capital goods during the period in question. At the same time, investments in construction declined, they normally account for about one half of total gross fixed capital formation. It is noteworthy that the fall in total investment activity was supported by the growing illiquidity in the domestic economy and considerably constrained financing options of capital projects.

The available investment activity indicators for the third quarter of 2009 suggest the intensification of unfavourable developments in this aggregate demand component. Thus, government capital investments slightly reduced in the period under review, while at the same time data from the consumer confidence survey do not suggest a near recovery of residential investments by households. The available surplus in the supply of residential real estate calls into question the feasibility of new investments in residential construction. As regards other private investments, the decrease in domestic demand, insecurity surrounding the recovery of foreign demand and rising illiquidity paired with difficult financing conditions suggest that corporates will continue to refrain from investments with relatively long periods of return. Such a conclusion may be corroborated by the data on negative developments in output and nominal imports of capital goods in the period from July to September and low business confidence.

Government Consumption

Government consumption, as the only constituent of aggregate demand with a positive annual rate of change in the period between January and June 2009, partially softened the overall decline in economic activity. The rise in the first quarter of the year (and at the same time the highest annual growth in the past two years) was induced by the increase in expenditures for the use of goods and services but also the favourable base effect because in the same period last



year government consumption was restricted by temporary budget financing. In the period from April to June, the government maintained its consumption at beginning of the year levels despite the budget revision and changes in the financial plans of extrabudgetary users, while the positive annual rate of change sizeably reduced.

Preliminary MoF data show that expenditures for the use of goods and services, and, most likely, expenditures on health care, mildly reduced in the third quarter 2009, while compensations to employees might, in accordance with the movement of the number of employees in public administration, have risen insignificantly in real terms.

Imports of Goods and Services

Imports of goods and services narrowed by almost a fourth in the first half of 2009 relative to the same period in 2008. The movements of total imports of goods and services are, considering the structure of Croatian imports, determined

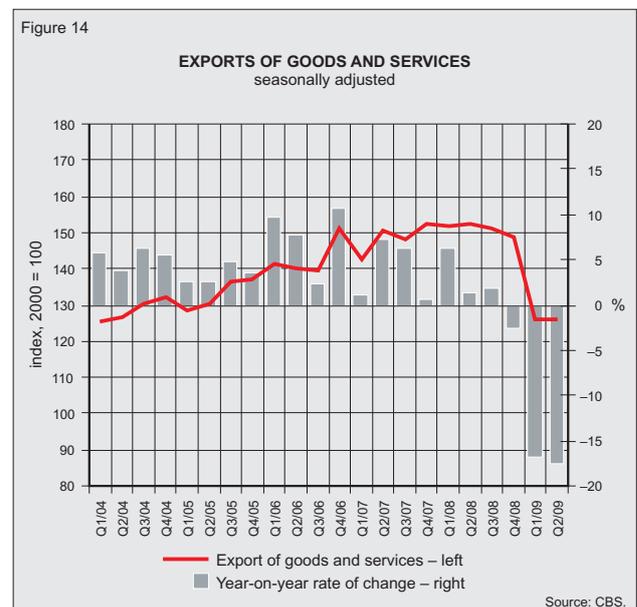
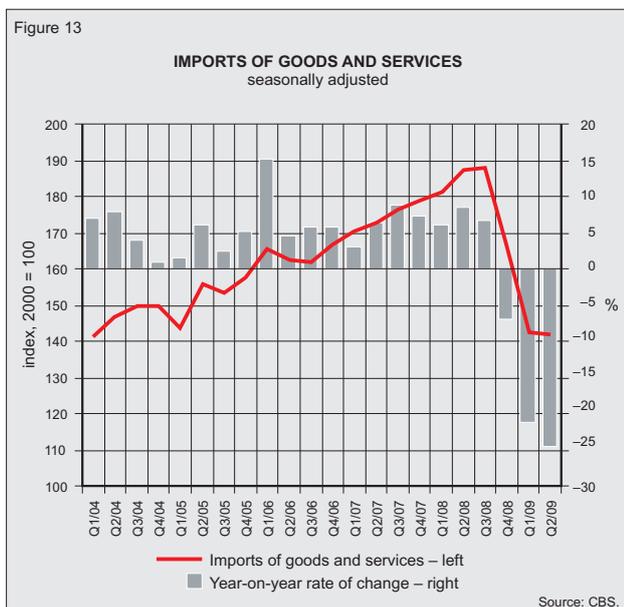
entirely by the decline in the import of goods, visible in all categories of goods. Due to the fall in foreign and domestic demand, domestic business entities did not invest into new production capacities, which reflected itself in the perceptible decline in imports of machinery and equipment while consumers radically reduced their consumption of durable consumer goods and cars. In addition, it is noteworthy that domestic production is characterised by a relatively high degree of dependence on products of foreign origin so a share of the decline in imports of goods may be explained by the reduction of foreign demand for domestic goods and services.

According to the seasonally adjusted nominal data, the annual decline in imports of goods slowed down in the third quarter, while the structure of imports broken down by main industrial groupings shows that such developments may partially be attributed to the recovery of the nominal imports of energy products under the influence of movements in the prices of oil in the world market. On the other hand, it is noticeable that capital goods continued contracting relative to the first two quarters of 2009, probably under the influence of the still prominent reduction in imports of road vehicles and machinery for industrial production.

Exports of Goods and Services

Strong annual reduction in exports of goods and services, i.e. the reduction in foreign demand, made the individually strongest negative contribution to GDP change among all the constituents of aggregate demand in the first half of 2009. Such movements were a consequence of negative annual rates of change in exports of both goods and services.

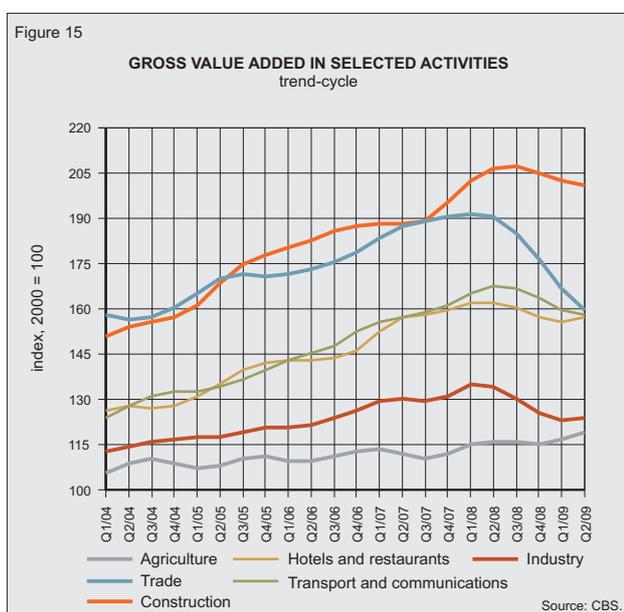
According to the available Eurostat data, the third quarter brought about a mild rise in economic activity both in the eurozone and in the entire European Union. However, more dynamic economic activity in Croatia's most important trade partners thus far failed to reflect itself in the rise of foreign demand for Croatian products, as confirmed by the nominal CBS data on goods exports, which fell even more prominently in the third quarter after the strong annual decline



in the first half of the year. In addition, after the decline in the number of foreign tourist nights and arrivals in the first half of 2009, in the third quarter of the year these numbers reached levels observed in the same period last year. The negative developments in the average spending per traveller observed in the first half of the year continued and so in the period between July and September export of tourist services and consequently total exports of services declined noticeably on an annual level.

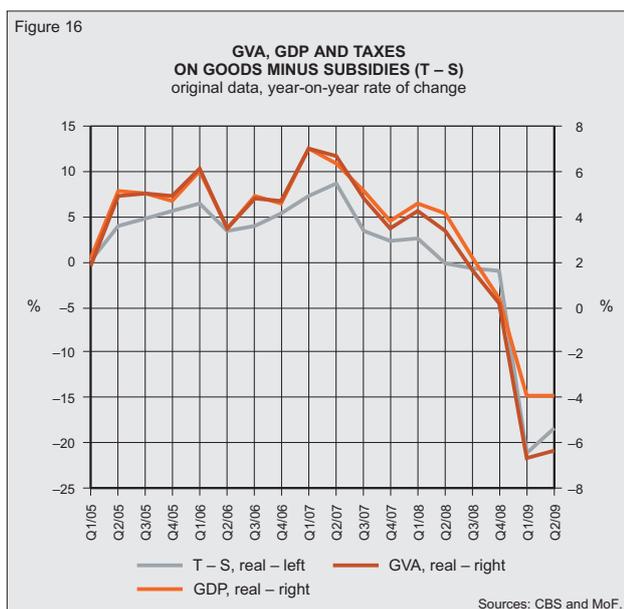
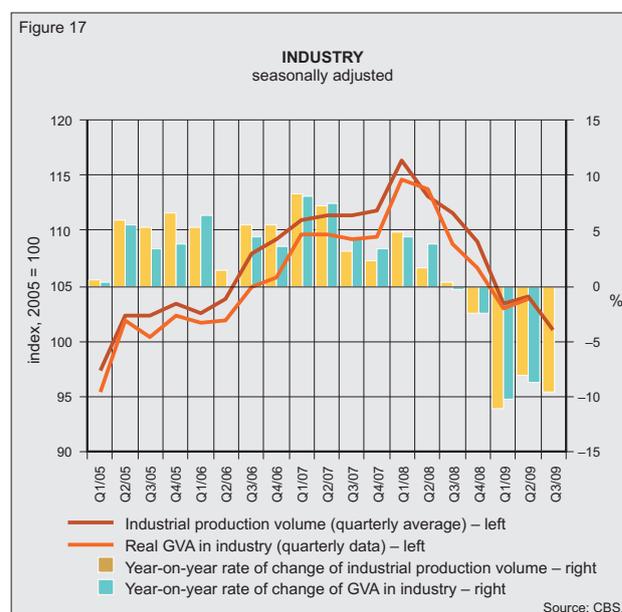
Output

The GDP estimate by production approach shows that GVA⁴ in the economy was 4.0% lower in the first half of 2009 than in the same period of the previous year. Weaker GVA formation was noticeable in the majority of economic sectors, especially in trade and industry, as a result of the marked weakening of both domestic and foreign demand.



Industry

Although GVA formation in industry slightly accelerated in the second quarter relative to the beginning of the year, in the first six months of 2009 the GVA in this activity reduced by 9.4% relative to the same period in 2008. Given that value added in industry accounts for approximately one fifth of the total GVA of the economy, contraction in this sector was one of the main causes of the contraction in total value added in



the first half of the year, with a highly negative contribution of 2.0 percentage points.

It seems that the recovery of industrial output during the second quarter was temporary since data on industrial production volume during the third quarter indicate its renewed weakening. Seasonal and calendar-adjusted data indicate a 3.0% lower industrial output relative to the previous quarter. The parallel weakening of both the domestic and the foreign component of demand contributed to the negative changes in current output, as visible from data on industrial turnover and imports and exports of goods. Almost all categories of industrial products registered a fall. The fall in the produc-

4 In the national accounts, gross value added (GVA) in the economy is expressed in so-called basic prices, whereas gross domestic product (GDP) is expressed in market prices. The difference between these two values is the total amount of tax on products reduced by subsidies (net indirect taxes). As the 'net indirect taxes' category is not included in the CBS calculation of GDP in previous-year prices, this value can be calculated as a GDP and GVA residual in previous-year prices (with year 2000 as the benchmark year).

Box 1 Historical Decomposition of the GDP Growth Rate and the Inflation Rate

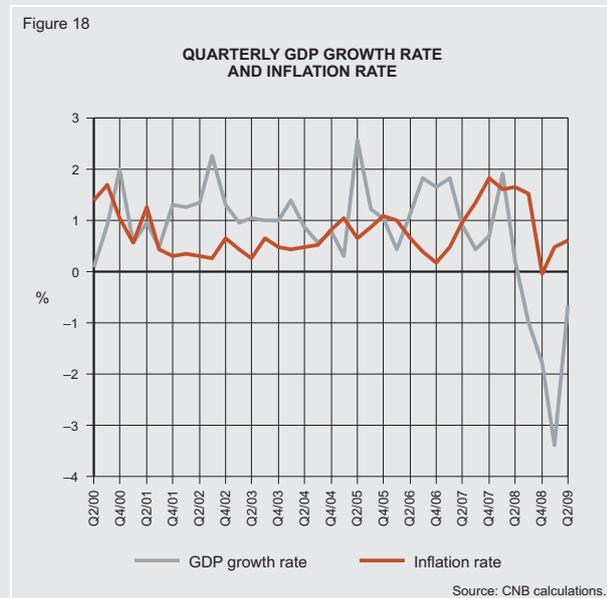
After eight years of uninterrupted growth, the Croatian economy has been registering negative growth since the third quarter of 2008. Figure 18 shows quarterly growth rates of the seasonally adjusted GDP and inflation (consumer prices) in the period from the second quarter 2000 to the second quarter 2009. The significant slowdown in the price growth that started in the third quarter of 2008 indicates that the decline in economic activity is primarily to be attributed to factors on the aggregate demand side. A historical decomposition of the GDP and inflation growth rates in the period of the decline in economic activity has been carried out (from the third quarter of 2008 to the second quarter of 2009) with a view to identifying these factors using a dynamic stochastic general equilibrium model calibrated to Croatian data.⁵

The historical decomposition of the GDP growth rate (Figure 19) shows the structure of contributions of individual model structural shocks⁶ to the divergence of the GDP growth rate from its long-term level.⁷ Thus, the GDP fall during the period under review was primarily affected by the foreign interest rate shock (increase), export shock (drop), household preference shock (rising insecurity) and interest rate shock on household deposits (growth).⁸

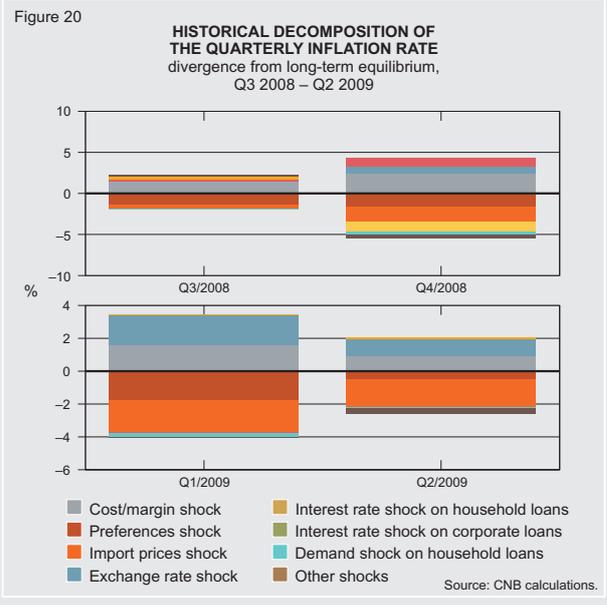
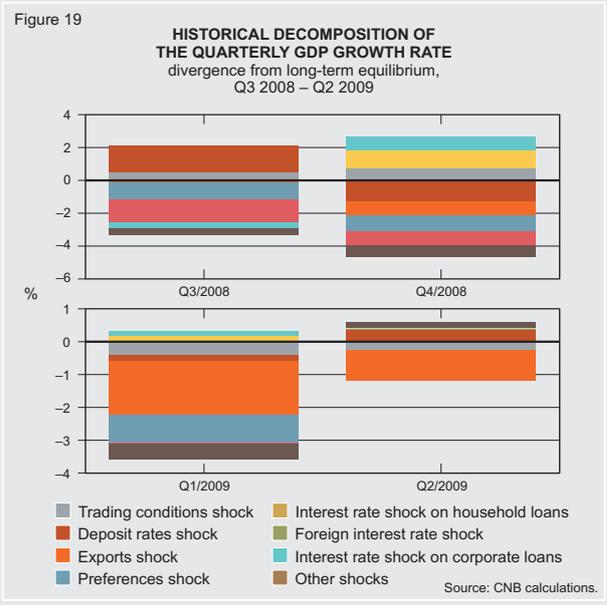
The increase in the foreign interest rate reflects the impact of the spillover of the financial crisis in the international capital market onto the domestic banking system and consequently the goods and services market. Due to the

substantial increase in the cost of foreign borrowing (the rise in foreign interest rates and the risk premium) since mid-September 2008, domestic banks raised their lending rates on household and corporate loans. At the same time, interest rates on household deposits also went up in an attempt to substitute cheaper domestic sources for more expensive foreign sources of financing. Higher deposit rates paired with insecurity as regards the future state of the economy resulted in households postponing their spending and in lower demand for loans, which in turn reduced demand for goods and services. While the impact of the rise in the price of foreign borrowing on GDP is indirect, working through aggregate demand, the declining demand for Croatian exports (since the fourth quarter 2008) directly contributes to the decline in GDP.

In the first half of 2009, the negative impacts of foreign interest rate shocks and interest rate shocks on household deposits disappeared. The greatest contribution to the decline in economic activity during that period came from the



5 For model details see Bokan, N., L. Grgurić, I. Krznar and M. Lang (2009): *The Impact of the Financial Crisis and Policy Responses in Croatia*, CNB Working papers W-25, December 2009.
 6 Structural shocks are a consequence of the difference in the behaviour of variables in reality and their simulated behaviour in the model.
 7 Long-term GDP growth rate may be interpreted as the average GDP growth rate during the period under review.
 8 The results of the historical decomposition are in line with the assumptions underlying the simulation of the impact of financial crisis in Croatia carried out on the basis of the same model, the results of which are published in Bulletin No. 145.



decline in exports, which in the first quarter of 2009 registered its lowest growth rate in the last nine years.

During the time of decline in economic activity the growth of consumer prices slowed down, primarily in the last quarter of 2008, when the price growth was halted. Historical decomposition of the inflation rate (Figure 20) shows that the largest contribution to the slowdown in inflation came from the negative preference shock and as of the end of 2008 from the decline in the price of imported goods. The preference shock includes all of the above factors that reduce aggregate demand for goods and services and are linked to insecurity regarding the future state of the economy.

Regardless of the slowdown in the growth of prices, the historical simulation of the movement of prices suggests that the period of economic downturn has been marked by a

“too-high” inflation rate. In other words, additional shocks materialised which contributed to the growth of prices in the period under review. Depreciation of the kuna exchange rate in the first half of 2009 reflected itself on the growth of prices of imported goods expressed in domestic currency. In addition, costs/margins grew during the entire period.

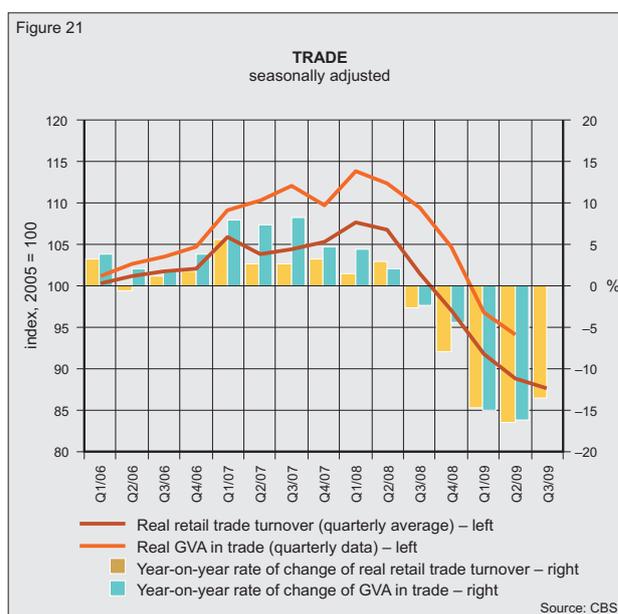
In general, cost/margin shock in the model is interpreted as the ability of enterprises to increase their margin or as an increase in the price of input factors not covered by the model. Sectors whose prices are changed administratively are not covered by the model. Any change in administratively regulated prices will be reflected in the cost/margin shock. The increase in the prices of electricity (July 2008), health care services, gas and excise duties on tobacco (January 2009) may be equated with the increase in cost/margin due to which prices did not go down substantially.

tion of intermediate goods and capital goods was primarily caused by the reduction in the manufacture of fabricated metal products, of machinery and equipment as well as of other non-metallic mineral products. The manufacture of non-durable consumer goods went down slightly, with the largest negative contributions coming from the manufacture of basic pharmaceutical products and preparations, manufacture of wearing apparel and manufacture of food products. On the other hand, durable consumer goods have been registering an increase in current output relative to the previous quarter for the second quarter in a row, indicating a mild rise in demand for these industrial products. However, considering their small share in total output, these positive developments in the manufacture of durable consumer goods failed to have a more significant effect on movements in total industrial production.

Negative changes in manufacturing, which account for over four fifths of total industrial production, contributed the most to the weakening of industrial production (9.6% on an annual level) during the third quarter of 2009. At the same time, mining and quarrying observed a sizeable annual contraction of 11.4%, primarily due to negative movements in ‘other mining and quarrying’. These developments can be linked to the decrease in construction over the period in question.

Trade

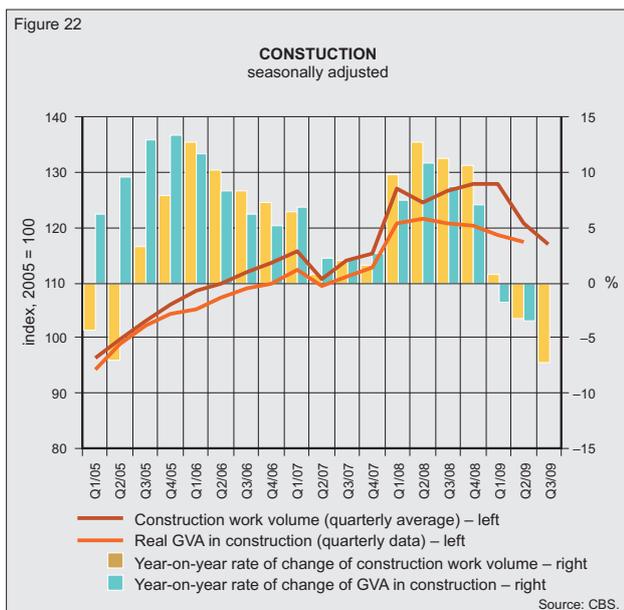
Gross value added in trade went down by a sizeable 15.8% in the first half of 2009, as a consequence of low household consumption. Gross value added in trade went down more noticeably in the period from April to June relative to the first quarter of the year. Accordingly, in the first six months of the year the contribution of trade to the movement of total real value added in the economy was highly negative (–2.0 percentage points), making the contraction of GVA in trade, together with the reduction of value added in industry, the most significant contribution to the decline of total GVA in the economy. Negative developments in trade and industry resulted in the decline of the GVA in transport, storage and communications, the added value of which was 5.7% lower in the first half of 2009 than in the same period in 2008.



Seasonally adjusted data on the real retail trade turnover between July and September point to an additional decrease relative to the previous quarter. However, under the influence of the positive base-period effect, the annual decline slightly narrowed relative to the first half of the year. The described negative developments were a result of the low levels of consumer confidence and more difficult financing conditions, under the influence of the drop in the real net wage bill as well as the reduced availability of new and the increased burden of servicing existing loans. The largest contribution to the realised fall in real retail trade came from the strong drop in the purchase of motor vehicles, primarily cars, as confirmed by the data of the Ministry of the Interior on the number of newly registered vehicles.

Construction

Gross value added in construction went down by 2.5% in the first half of 2009 relative to the same period in 2008, with negative developments in the second quarter of the year being more prominent than in the first quarter. These unfavourable changes can primarily be attributed to lower



investment activity by the private sector in residential and non-residential facilities, while real investment activity of the government probably held at the same level as in the same period of the previous year. However, since the share of value added in this activity accounts for less than a tenth of the total GVA, the negative contribution of construction to the total decline in value added in the first half of 2009 was relatively low, totalling 0.2 percentage points.

The total number of hours worked at building sites in July and August 2009 decreased according to original data by 6.7% relative to the same period of the previous year. This intensified the negative developments that have marked this activity since March 2009. Continued contraction in construction was largely a result of the decline in construction works on buildings relative to civil engineering works. The described changes can be attributed to a lower number of building starts but also to the slowdown in the intensity of construction works already started amid difficulties in their financing. Demand in the residential real estate market is still low, as partially confirmed by the decrease in newly approved housing loans. Due to the large number of unsold flats, mounting pressures are likely to force prices down.

Labour Market

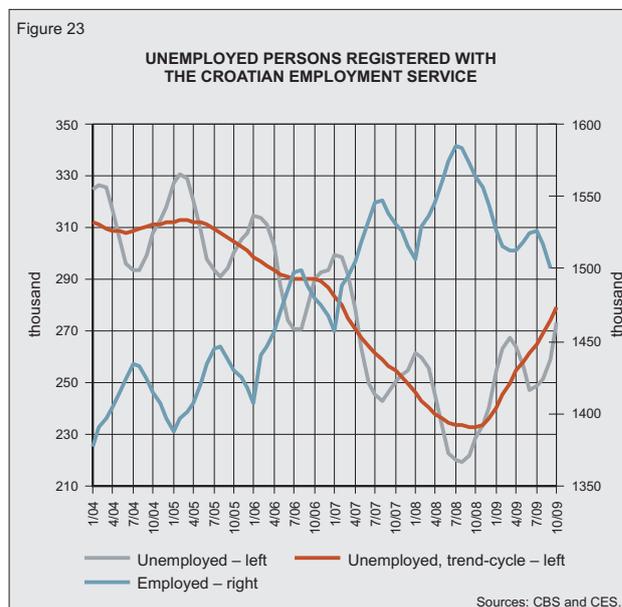
Labour market adjustments to the negative economic trends continued in the third quarter of 2009. According to the seasonally adjusted data, employment steadily decreased and unemployment increased in the reference period, contributing to the continuation of trends first noted at the end of 2008. Adjustments were also evident in wage growth which decelerated year-on-year in the July-September period. The slowdown in the growth of nominal net wages, additionally spurred by the introduction of the special tax on salaries, pensions and other income, was more pronounced than the slowdown in inflation. As a result, real net wages decreased in the reference period.

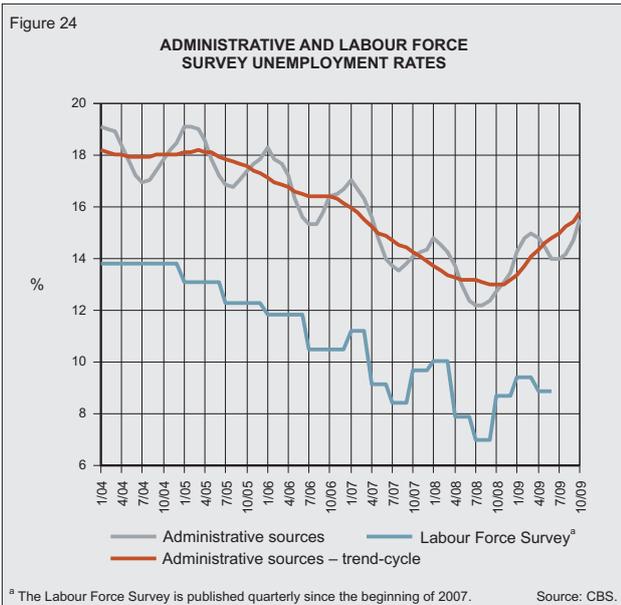
Employment and Unemployment

According to the preliminary CBS data, total employment declined in the third quarter of 2009. Notwithstanding a slight increase in the number of employed in July, the decline in employment in August and September had an adverse effect on the trend which from one month to the next points to increasingly pronounced negative changes. As in previous periods, the most significant negative contribution to the described movement came from the employment in legal persons, crafts and trades and freelance occupations, and individual farmers actively insured with the CPIA. Since the employment data for 2009 are preliminary, the reported employment developments are corroborated by the data on the number of persons insured with the CPIA, a reliable short-term indicator of employment which is not subject to revision. Hence, employment fell by 20,000 in September relative to the end of the previous quarter, while the number of insured dropped by more than 50,000 over the same period in the preceding year.

If we analyse the structure of total employment by activity, we see that almost all activities reported a decline in the number of employed persons. In the first half of 2009, industry experienced the greatest fall in the number of employed and thus made the strongest negative contribution to total employment. Industry continued to report negative trends in the third quarter, which was in line with the movement in real volume indicators. However, the activity with the strongest fall in employment in the reference period was construction which, unlike industry and trade, responded to the economic activity contraction with a time lag. The number of employed continued to decline in trade, accommodation and food service activities, and, accompanied by unfavourable trends in financial activities which account for 40% of total employment, made the largest negative contribution to the growth of total employment in the third quarter.

Although the data of the CBS and the CPIA point to a decrease in employment, the data of the CES indicate stronger employment. The number of those who found work with the





help of the CES increased by 7.9% in the third quarter relative to the same period last year. Even if seasonal employment is excluded, the year-on-year rate of change remains positive, an occurrence which is uncommon for this part of the year and which may be explained by low employment levels in the third quarter of 2008. Apart from increased outflows, the CES register saw a notable pickup in the number of persons looking for job in the reference period (up 41.6% over the July-September period in 2008), the majority of them coming directly from employment, i.e. having been dismissed by their employers.

The increase in outflows from the CES register was insufficient to offset the concurrent increase in the number of registered unemployed persons that in turn pushed up the level of registered unemployment. In line with the seasonally adjusted data, the number of unemployed persons accelerated towards the end of the year, suggesting that recession movements were more pronounced than seasonal movements, which are common for this part of the year. Hence, 259,193 unemployed persons were registered with the CES at the end of September, an increase of 16.6% over the same month in the previous year. The share of women in total unemployment trended downward from the beginning of the year; in September it stood at 58.4%. Moreover, in September and the entire third quarter, unemployment trended up in all age brackets, and especially in the age brackets of 20-24 and 25-29 which made the largest negative contribution to total employment.

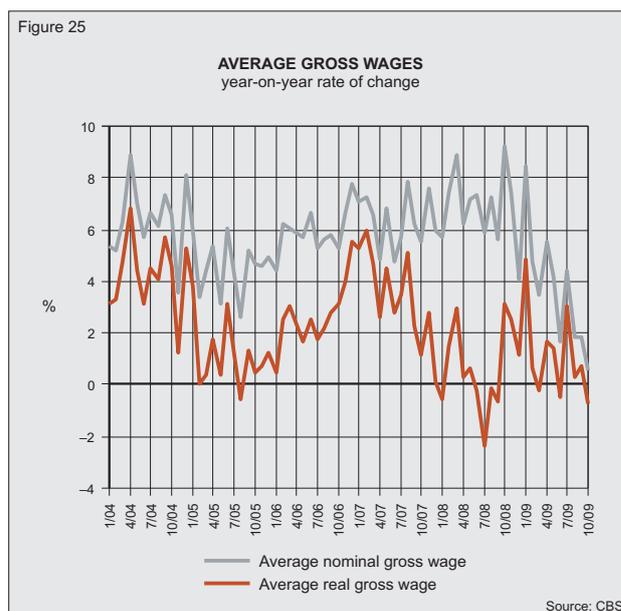
As a result of these movements, the average registered unemployment rate increased by 2.1 percentage points in the third quarter of 2009 relative to the same period last year, ending the quarter at 14.3%. According to the latest results for the first half of the year, the Labour Force Survey unemployment rate stood at 9.2% (as compared with 9.0% in the first half of 2008).

Wages and Labour Costs

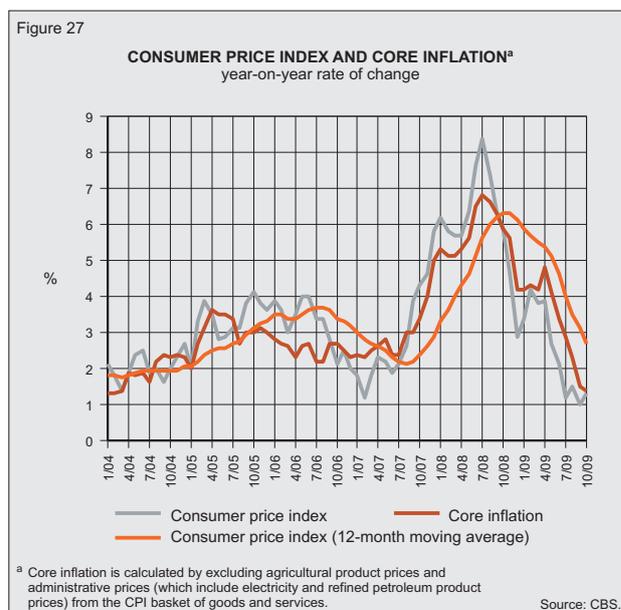
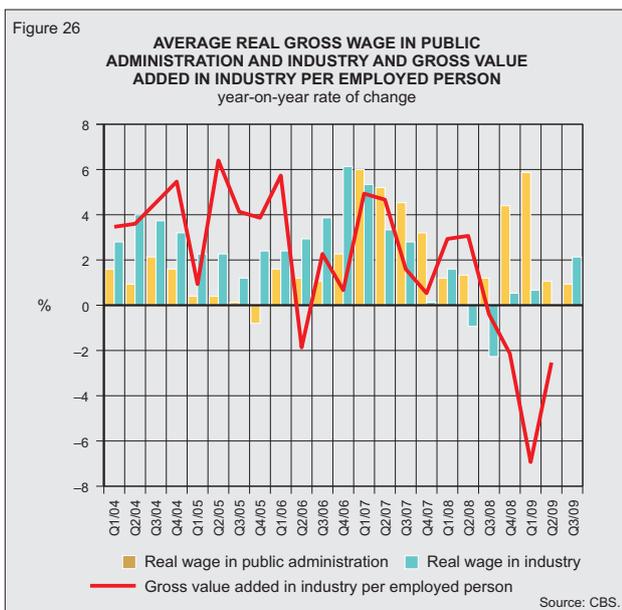
In addition to contribution to the decrease in employment and the increase in unemployment, the weakened economic activity also affected wages. Accordingly, the growth of nominal wages paid in the third quarter decelerated to 2.7% year-on-year in gross and to 2.3% in net terms, while the fact that the negative annual rates of change have not been reported so far shows that during the crisis employers made adjustments primarily on the employment side and less on the wage side. In addition, we should mention that in line with the Act on the Special Tax on Salaries, Pensions and Other Income,⁹ which came into force on 1 August 2009, the special tax of 2% is charged on total monthly income higher than HRK 3,000.00 and lower than HRK 6,000.00 and the special tax of 4% on total monthly income exceeding HRK 6,000.00. According to CBS calculations, the special tax on net wages caused a decrease in the average net wage paid in August and September of 2.8% and 2.9% respectively, which in these months resulted in negative annual rates of change in net wages. The special tax most affected net wages in mining and quarrying and least net wages in administrative and support service activities. The effect of the special tax included, the average net wage paid in the third quarter continued to grow on an annual level; this increase however was less pronounced and stood at 0.4%.

A more significant slowdown in consumer price inflation than in nominal gross wages led to the real acceleration of gross wages. In contrast to gross wages, real net wages, the effect of the special tax included, decreased on an annual level. Although real gross wages in the whole economy failed to experience a fall at an annual level, the few private sector activities, including trade and construction, reported such a fall in the third quarter of 2009.

After showing negative wage trends in the first half of the year, manufacturing reported positive rates of change in the growth of real gross wages in the third quarter, which as a



9 OG 94/2009.



result increased the contribution of industry to the growth of total wages. In contrast, given the decline in production measured by real GVA that was sharper than that in employment, labour productivity in industry fell in the first half of 2009. The negative trends in labour productivity in industry continued also in the third quarter as indicated by the available monthly indicators on industrial production volume (the data on GVA for the period in question were not available at the moment of writing this report) which point to a strong, sustained decline in output in this sector. However, it should be noted that employment data for 2009 are preliminary and that a correction of them, expected in April 2010, will also affect the dynamics of labour productivity.

Prices

The decrease¹⁰ in the inflation rate that marked the first half of 2009 was even more pronounced in the third and at the beginning of the fourth quarter of the year, primarily due to a marked drop in domestic demand. This environment gave rise to an increase in competition and a reduction of trading margins. In addition, world prices of oil and other raw materials and producer prices in countries in the eurozone¹¹ were much lower than in the same period in the previous year. Labour market indicators also had a positive effect on consumer price inflation trends since, according to the latest available data, the annual growth rate of the unit labour cost in industry slowed down in the first half of the year,¹² due exclusively to a sharp deceleration in compensation per employee in that sector. It should be noted that, in conditions of strong downturn pressures on consumer prices arising from a drop in domestic demand, the possibility of costs spilling over onto consumer prices is considerably reduced.

10 Measured by the 12-month moving average of the overall consumer price index.

11 Measured by the eurozone industrial producer price index.

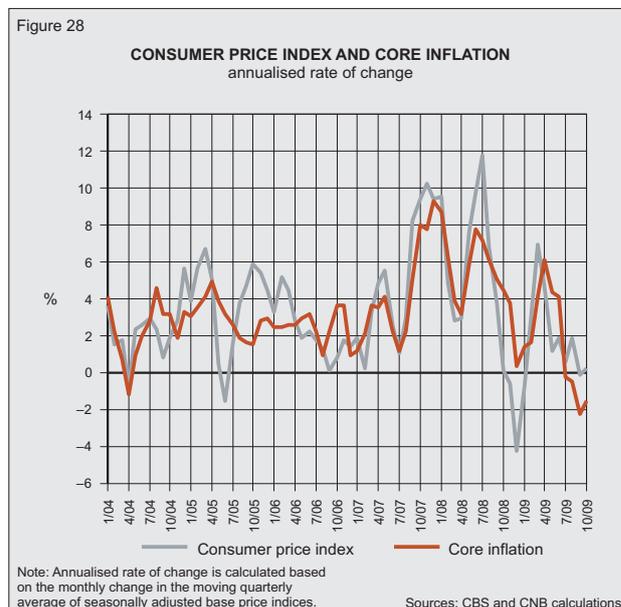
12 From 7.7% in the last quarter of 2008 to 5.0% in the second quarter of 2009.

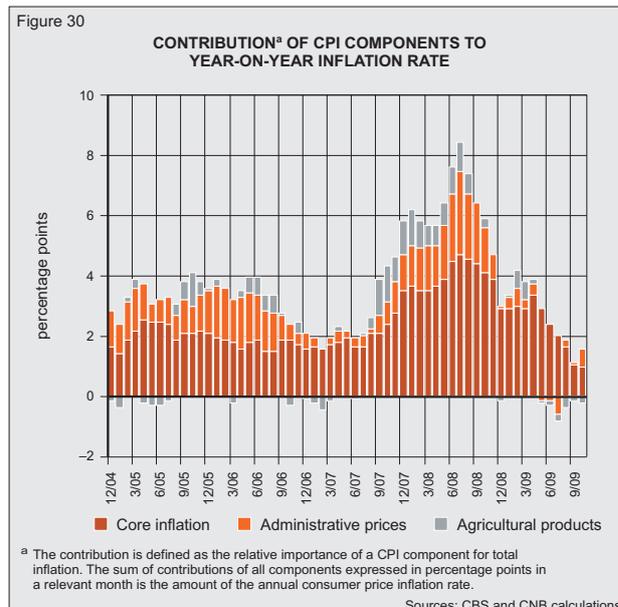
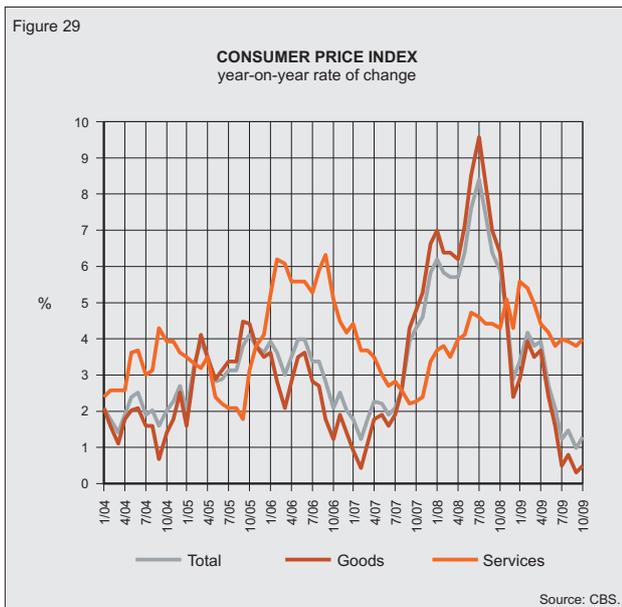
Domestic industrial product prices were also on the decline as a result of weak demand and cost pressures.

Consumer Prices

The annual CPI inflation rate decelerated from 2.1% in June to 1.0% in September. Core inflation also continued to decelerate, with the annual rate of change decreasing from 3.4% in June to 1.5% in September. Due to a price decrease in energy and agricultural products from the same period in the previous year, the overall annual CPI inflation rate remained lower than the annual core inflation rate in September.

Another indicator of short-term CPI inflation trends is the annualised inflation rate calculated using seasonally adjusted data. The data presented in the form of the annualised inflation rate (calculated according to the monthly change in the moving quarterly average of seasonally adjusted base price indices) also point to a significant alleviation of inflationary





pressures in the domestic economy. Especially noticeable is a decrease in core inflation, the annualised rate of change of which was negative since the beginning of the third quarter of 2009.

The structure of the overall CPI indicates that the largest contribution to the slowdown in the annual CPI inflation rate in the third quarter came from the annual growth rate of processed food product prices decelerating from 4.5% in June to 2.1% in September, primarily due to a drop in the annual rate of change in the prices of oil, milk and dairy products, bread and other bakery products and tobacco. The deceleration was significant, considering the fact that the average rate of change in these prices was 4.9% in 2009 and as much as 10.5% in 2008. These trends were strongly affected by a sharp decrease in domestic demand that led to an increase in domestic competition and a reduction of trading margins. In addition, lower cost pressures (lower prices of food raw materials and refined petroleum products) and a favourable base effect also had an impact on the deceleration of the prices of this product group.

The annual growth rate of the prices of industrial products, excluding food and energy, also decelerated considerably (from 2.2% in June to 0.7% in September), for the most part due to a seasonal drop in clothing and footwear prices in the summer months more pronounced this year than in the previous years. Because of a decrease in aggregate demand

and costs, inflationary pressures on the prices of industrial products, excluding food and energy, continued to weaken, which resulted in the already mentioned sharp deceleration of their annual growth rate from an average 3% in the previous year.

Trends in the prices of non-processed food products were also positive, with the annual rate of change down from 1.4% in June to -0.2% in September. This was mainly because of domestic meat prices, which decelerated due to a drop in the third quarter this year and a favourable base effect.

The domestic prices of services were stable in the third quarter. Their annual rate of change stood at 3.8% in September, remaining unchanged from June. The relatively high annual growth rate of services prices was primarily accounted for by administrative prices (medical and hospital services prices), which increased early in the year, making a contribution of 1.9 percentage points to the growth rate in September. This contribution will not be made in January 2010, one year after participation fees in the health sector were raised.

Energy prices remained at a lower level than in the same period in the previous year. However, the annual rate of change in energy prices increased from -4.1% in June to -3.2% in September. The increase was primarily caused by the growth of the annual rate of change in the prices of refined petroleum products (from -24.0% in June to -16.0% in September), caused by an increase in the prices of refined petroleum products in July and August and an unfavourable base effect, deriving from a sharp drop in these prices in the third quarter of 2008.

After having surged in August, world crude oil prices fell in September due to an increase in US crude oil reserves. The average price per barrel was USD 68.3 in September, a decrease of 1.2% from June. This energy product's prices started to climb again in October. Consequently, and due to an unfavourable base effect, the annual rate of change in crude oil prices jumped significantly from -31.4% in September to 1.9% in October.

The latest CBS data show that the annual CPI inflation rate in Croatia accelerated slightly to 1.3% in October. The

Table 2 Consumer Price Index and Its Components, year-on-year rate of change

	Weight 2009	12/08	3/09	6/09	9/09	10/09
Total index	100.0	2.9	3.8	2.1	1.0	1.3
Energy	13.0	-1.7	-1.3	-4.1	-3.2	-1.3
Unprocessed food	14.7	3.7	9.5	1.4	-0.2	-1.7
Processed food (incl. alcoholic drinks and tobacco)	23.2	4.7	4.2	4.5	2.1	2.3
Industrial non-food without energy	28.3	2.2	2.2	2.2	0.7	1.1
Services	20.7	4.2	5.0	3.8	3.8	4.0

Note: In order to analyse the consumer price inflation trends, the ECB uses the classification which divides the product basket into five main categories.
Source: CBS.

Box 2 Assessment of the Role of Base Effects in the Trends in the Annual Rate of Change in Consumer Prices

The annual rate of change in the CPI in Croatia was 1.3% in October 2009, which is an increase of 0.3 percentage points from September. The acceleration in the inflation rate was in a small part due to a monthly increase of 0.1% in October 2009 and in a large part to an unfavourable base effect associated with consumer price trends in the same month in 2008.

What exactly is a base effect?¹³ The annual rate of change in consumer prices shows the change in prices in a certain period in relation to the corresponding period in the previous year. Consequently, the annual rate of change is determined by price developments in the current month and in the same month in the previous year, while the change in the annual inflation rate from one month to another depends on the difference between the monthly rate of change in consumer prices in the observed month and in the same month a year ago. The base effect shows to what extent the change in the annual inflation rate is influenced by unusual monthly rates of change in prices in the same period in the previous year. There is no consensus on the calculation method for the base effect. Instead, the base effect is in the text below regarded as the difference between the monthly rate of change in consumer prices in the same month in the previous year and the average monthly rate of change in the same month in the previous five years. The base effect has an impact on the acceleration in the annual inflation rate (as, for example, in October 2009) providing that the monthly rate of change in prices in the previous year (–0.1%) was lower than the usual rate (0.3%). This is then called an unfavourable base effect; and vice versa.

As shown in the figure above, in the first ten months the assessed base effect on the annual inflation rate was, broken down by months, the strongest in June, when the annual growth rate of consumer prices decreased by 0.6 percentage points (from 2.7% in May to 2.1% in June). As consumer prices slightly increased by 0.1% from the previous month, this slowdown in annual inflation is fully attributable to a favourable base effect, that is, an unusually large monthly increase in prices in June 2008. Specifically, prices then rose at a monthly rate of 0.7%, while this month usually records a drop in prices (–0.3% in the previous five-year period).

The base effects on the trends in the annual inflation rate were mostly positive in the first seven months of 2009 and contributed to a decrease in the annual inflation rate. The only exception is February 2009, the negative base effect in which can be attributed to an unusually high monthly drop of vegetable prices in the same month in the previous year. In other months base effect related to food prices had a

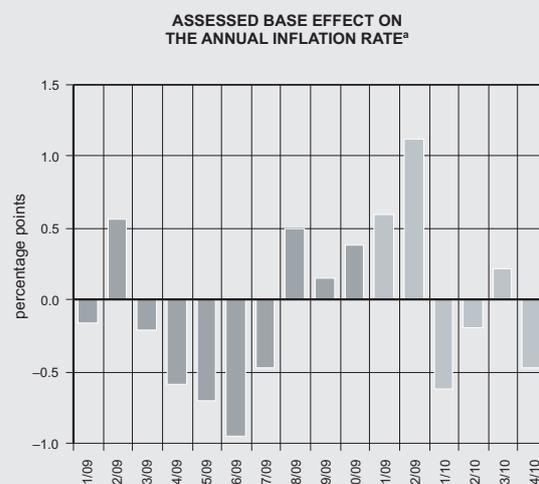
significant favourable impact on the annual consumer price inflation rate due to a strong growth in these prices in the same period in 2008.

In addition to food prices, one of the main sources of favourable base effects in the first seven months of 2009 was a sharp increase in the prices of refined petroleum products in the same period in the previous year. This increase was predominantly spurred by strong demand, especially that from developing countries, geopolitical tensions in the oil-rich areas, the weakening of the US dollar versus the euro and low US oil reserves. In such conditions, the average monthly growth rate of refined petroleum product prices in Croatia was considerably higher than in the previous five years. Therefore, an unusually high growth of refined petroleum product prices in the first seven months of 2008 led, on average, to favourable base effects in the first seven months of 2009.

In addition, the decrease in the annual inflation rate in July 2009 was to a large extent due to a favourable base effect related to electricity prices. Specifically, electricity prices rose by an average of 16.1% in July 2008 compared with June. This was the first price rise in this product group since September 2005, when electricity prices grew at a monthly rate of 4.9%. The increase in domestic electricity prices was due to growing world prices of energy products (oil, gas and coal), which are important input components in electricity production.

In August 2009, base effects started to have a negative impact on the annual growth rate of consumer prices. In other words, base effects started to have an impact on the acceleration in annual inflation, which was to a large part due to the prices of refined petroleum products and food. Base effects on the annual inflation rate will continue to be negative until the end of 2009. In contrast, base effects will mainly have an impact on the decrease in the annual inflation rate in early 2010, to a large extent due to the growth of administrative prices (prices of gas and health and hospital services) and the prices affected by changes in excises (prices of tobacco products) in the first four months of 2009.

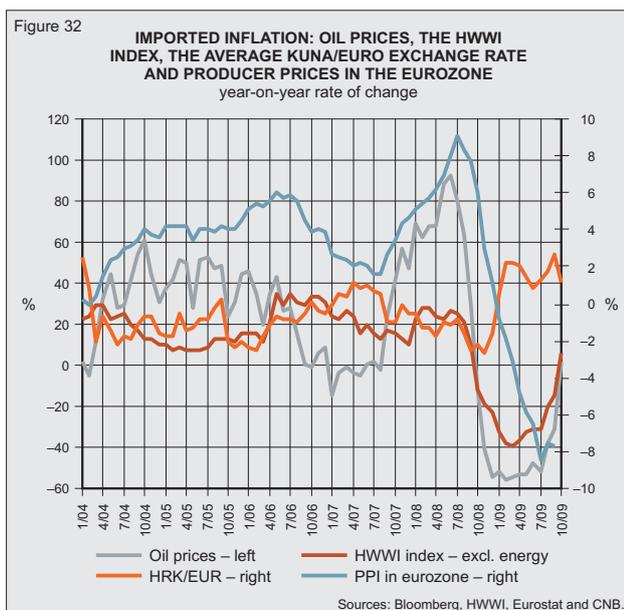
Figure 31



^a An unfavourable base effect has a positive sign, while a favourable base effect has a negative sign.

Sources: CBS and CNB calculations.

13 For more details see ECB (2008): Accounting for recent and prospective movements in HICP inflation: The role of base effects, Monthly Bulletin, December, pp. 63 to 64, ECB (2007): The role of base effects in driving recent and prospective developments in HICP inflation, Monthly Bulletin, January, pp. 33-35, and ECB (2005): Base effects and their impact on HICP inflation in early 2005, Monthly Bulletin, January, pp. 31-33.

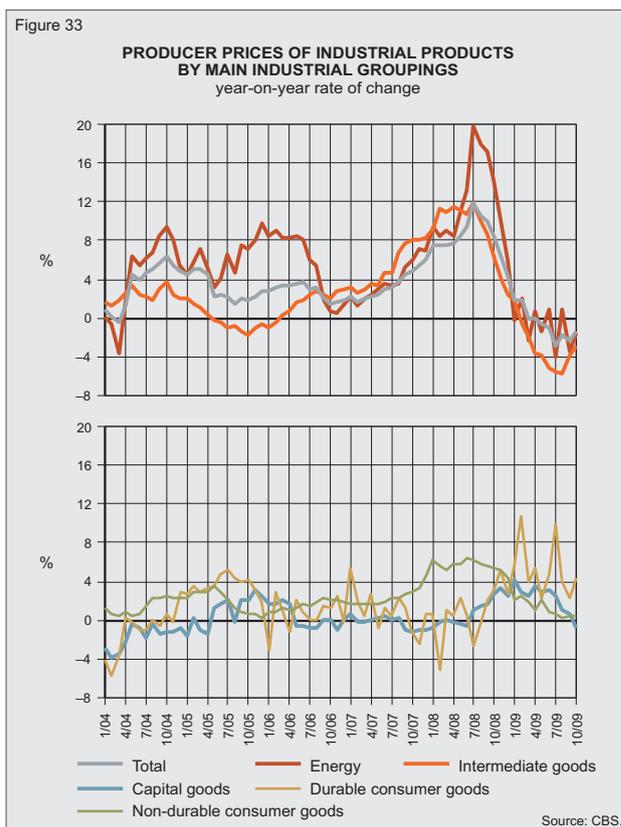


majority of components, with the exception of non-processed food products, recorded increases in annual rates of change. However, with the annual rate of change up from -3.2% in September to -1.3% in October, energy prices increased the most, due predominantly to an adverse base effect on trends in the annual rate of change in the prices of refined petroleum products.¹⁴ Specifically, the impact of the October increase in world crude oil prices on the monthly growth of refined petroleum products prices will be shown by the statistical data in November. The decrease in the core inflation rate, which excludes energy prices, continued in October, when the annual core inflation rate fell to a low of 1.4% , approaching the overall CPI inflation level, which it had exceeded in the previous year.

Industrial Producer Prices

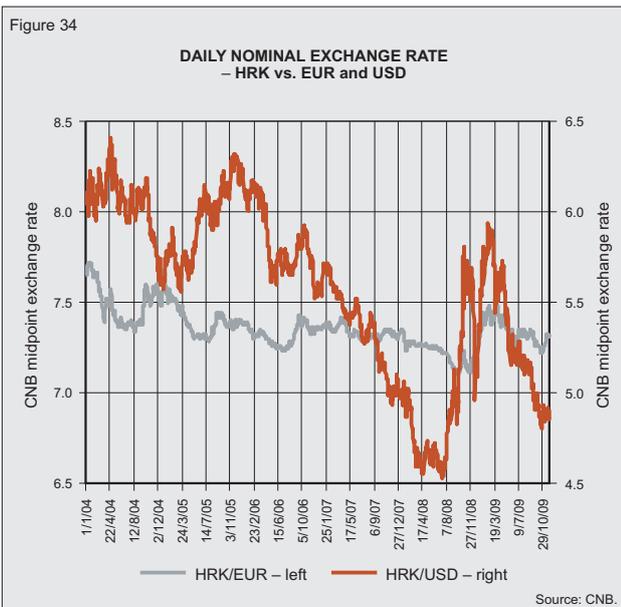
Against a background of weak demand and lower cost pressures, industrial producer prices dropped on an annual basis from March 2009, creating room for a decrease in consumer prices. In the last four months of the year industrial producer prices declined at a faster rate, as evident from a decrease in the annual rate of change from -1.0% in June to -1.4% in October. The annual rate of change in the prices of capital goods decreased the most, and the prices of final goods also decelerated. The annual rate of change in the prices of non-durable consumer goods was at the very low level of 0.8% as early as in June, dropping to 0.5% in October. Although the annual rate of change in the prices of durable consumer goods dropped from 4.8% in June to 4.4% in October, the prices of this product group rose at above-average rates (e.g. furniture prices grew at an annual rate of 5.3% in October).

¹⁴ In October, in addition to a decrease of 0.5% in refined petroleum products prices from the previous month, their annual rates of change increased from -16.0% in September to -11.0% .



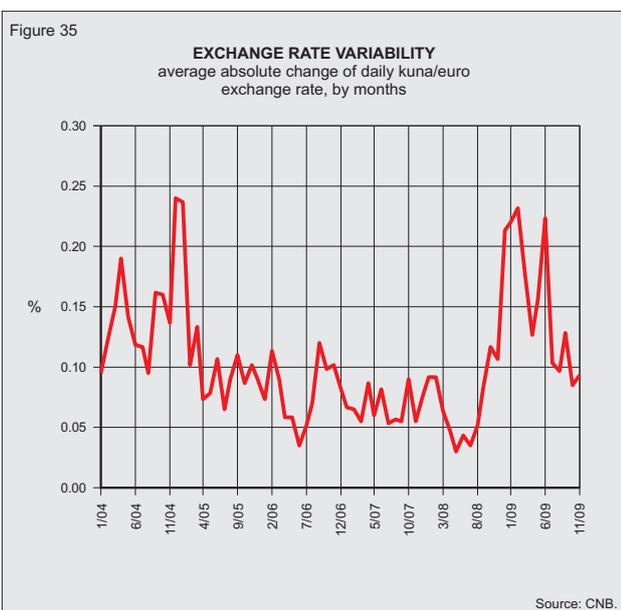
Exchange Rate

Appreciation pressures on the kuna/euro exchange rate marked the beginning of the fourth quarter of 2009. In conditions of high foreign exchange liquidity, they were primarily generated by increased foreign borrowings, including notably borrowings of individual public enterprises and the expected issue of US dollar-denominated government bonds. In such circumstances, the CNB focused on mitigating the intensity of the nominal appreciation of the kuna and intervened two times in the foreign exchange market in October, purchasing a total of EUR 234.0m from banks and issuing HRK 1.7bn. At the end of October, the exchange rate stood at HRK 7.23/EUR, an appreciation of 0.9% relative to the end of September when the exchange rate was HRK 7.29/EUR. In contrast, depreciation pressures on the domestic currency strengthened in November. They were above all spurred by demand for foreign exchange from domestic sectors and notably enterprises due to maturing payments of their foreign liabilities. Following good kuna liquidity, the domestic currency weakened and the central bank did not hold any reverse repo auction in November. In foreign exchange transactions with the Ministry of Finance, the CNB repurchased EUR 54.4m net in October and November 2009, which primarily included the repurchase of a portion of funds generated by the issue of US dollar-denominated government bonds. In addition, the period in question saw relatively low exchange rate variability, moving within a range of -0.6% to 0.8% around the average exchange rate of HRK 7.26/EUR. At the end of November, the exchange rate stood at HRK 7.32/EUR, depreciating by



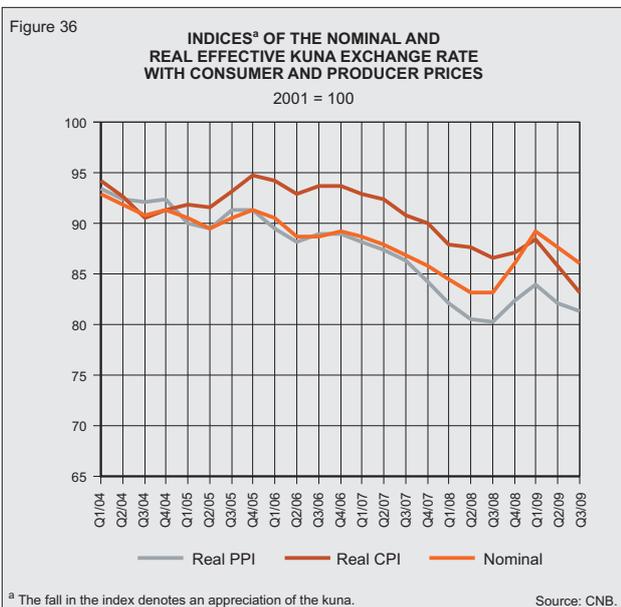
0.4% relative to the end of September.

At the end of November relative to end-September, the kuna also weakened against the Swiss franc (0.6%) and the pound sterling (1.7%). In contrast, it strengthened by 1.9% against the US dollar, from HRK 5.00/USD at the end of September to HRK 4.91/USD at the end of November, reflecting a slight depreciation of the kuna/euro exchange rate and the continued weakening of the US dollar/euro exchange rate in the world foreign exchange market. The continued depreciation of the US dollar is largely contributed to the release of economic indicators that signal the stabilisation and recovery of the world economy and boost investor optimism and demand for riskier investments. At the end of November, the US dollar/euro exchange rate weakened by 2.3% and stood at USD 1.49/EUR. As the strengthening of the kuna/US dollar exchange rate was almost completely offset by the above-mentioned weakening of the kuna against other currencies, the index of the daily nominal kuna exchange rate appreciated by a modest 0.2% against the basket of currencies.

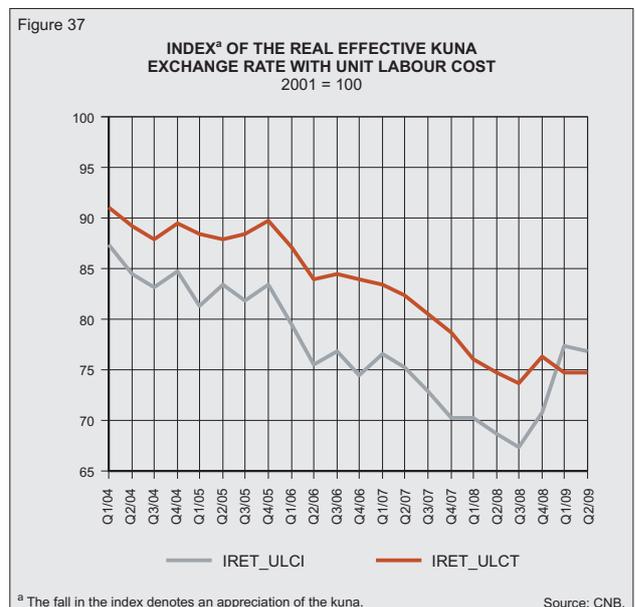


In the third quarter of 2009, the kuna strengthened both in nominal and real terms against the basket of currencies, indicating further deterioration of the price competitiveness of domestic exports. The index of the real effective kuna exchange rate deflated by consumer prices and producer prices appreciated 1.1% and 3.2% respectively relative to the average for the previous quarter. This was largely due to the nominal appreciation of the kuna against the basket of currencies (by 1.9%), spurred by the appreciation of the kuna against the US dollar. The analysis of consumer and producer prices shows that price movements were not uniform. The real appreciation of the kuna deflated by producer prices was stronger than the nominal appreciation due to a faster growth of domestic relative to foreign prices, while the real appreciation of the kuna deflated by consumer prices was weaker than the nominal appreciation due to the fall in prices being stronger in Croatia than abroad.

According to the recent data for the second quarter of 2009, the index of the real effective kuna exchange rate



^a The fall in the index denotes an appreciation of the kuna.



^a The fall in the index denotes an appreciation of the kuna.

deflated by the unit labour cost did not change relative to the average for the previous quarter at the level of the entire economy, while it appreciated by 0.6% at the industry level. With the kuna nominally appreciating against the basket of currencies by 1.7%, this movement of the real effective exchange rate index is ascribed to the fall in the unit labour cost in Croatia, while at the same time the unit labour cost in foreign countries grew or decreased less than in Croatia. The positive impact of the decrease in the unit labour cost on the cost competitiveness of Croatian exports was mostly the result of labour productivity growth associated with the decrease in employment.

Monetary Policy and Instruments

Monetary Environment

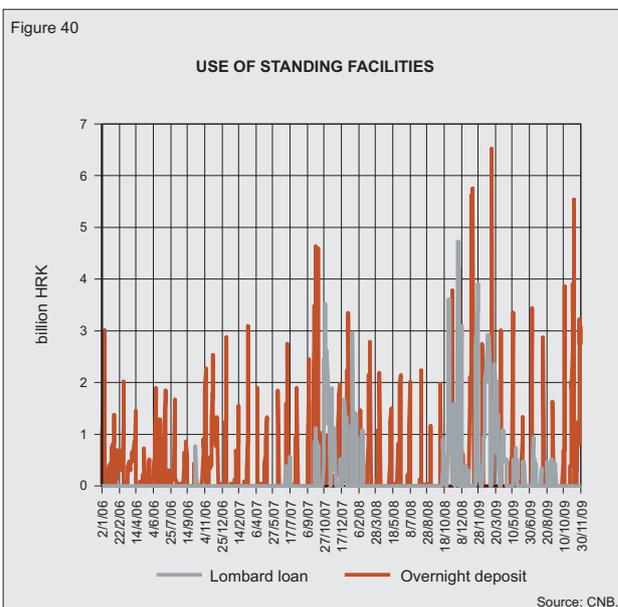
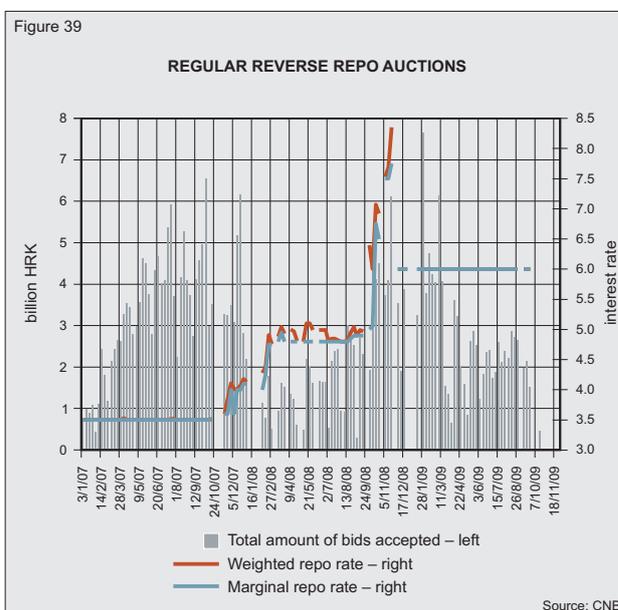
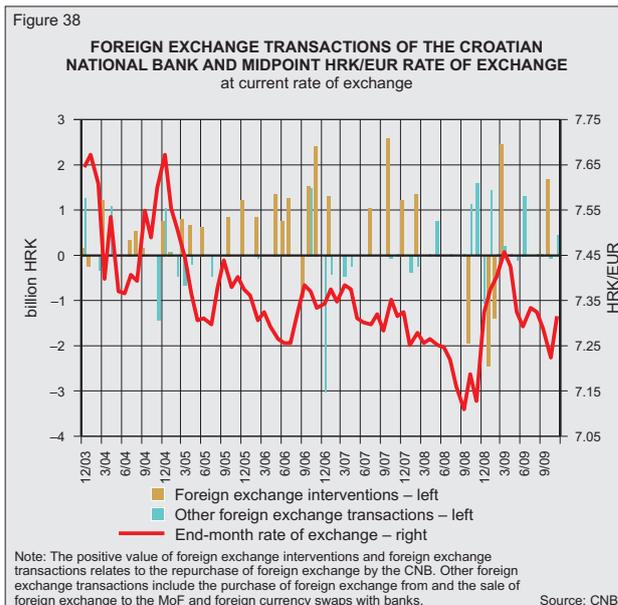
At the beginning of the fourth quarter, the monetary environment was characterised by appreciation pressures on the kuna stemming from stronger capital inflows from abroad. They were largely due to government bonds issued abroad, as well as foreign funding of other domestic sectors, particularly some public enterprises. In such circumstances, the central bank prevented excessive strengthening of the kuna against the euro by intervening in the foreign exchange market and converting some of the foreign exchange receipts of the government. Foreign exchange transactions also boosted the level of gross international reserves, which continued to grow. Due to a comfortable liquidity position, money market interest rates stabilised at a lower level than in the first nine months of 2009.

In late November 2009, the Croatian National Bank repealed the Decision on the purchase of compulsory CNB bills. In the period of strong credit expansion, this decision, which was in force from early 2007, was to slow down bank credit growth that was unsustainable in the long run.

Uses of Instruments of Monetary Policy

Reverse repo operations were almost the only instrument of kuna liquidity creation in the third quarter. In contrast, foreign exchange transactions had a major impact on the flows of reserve money creation in the first two months of the fourth quarter. In its two foreign exchange interventions in October, the CNB purchased from banks a total of EUR 234.0m, thus creating HRK 1.7bn. In early November, it purchased EUR 53.7m from the MoF, releasing an additional HRK 0.4bn.

As these transactions gave a strong boost to the kuna liquidity of the monetary system, it was almost unnecessary to create reserve money by means of regular reverse repo operations. The central bank held only one auction at the beginning of the new maintenance period in October where it placed somewhat less than HRK 0.5bn at a fixed rate of 6.0%, accepting 10% of the bids received from banks. In the absence of reverse repo auctions in November, the average



daily balance of funds placed through auctions stood at HRK 56.0m in the first two months of the fourth quarter, while it came to almost HRK 2.5bn in the first nine months of 2009.

As their liquidity position was satisfactory, banks did not use Lombard loans in October and November. At the same time, liquidity surpluses were increasingly held as overnight deposits with the CNB, which was reflected in the larger number of days of use and amounts, irrespective of the part of the reserve maintenance period, with the amount of deposits reaching up to HRK 5.5bn.

Calculated kuna reserve requirements decreased slightly in the first two months of the fourth quarter, while foreign currency reserve requirements continued to increase mildly due to the continuous seasonal growth in the foreign currency calculation base. Still, observing the developments in the first eleven months of 2009, the kuna component of reserve requirements grew strongly (22.5%), while the foreign currency component almost halved (-42.4%). This was largely due to changes in the instrument itself – the percentage of the

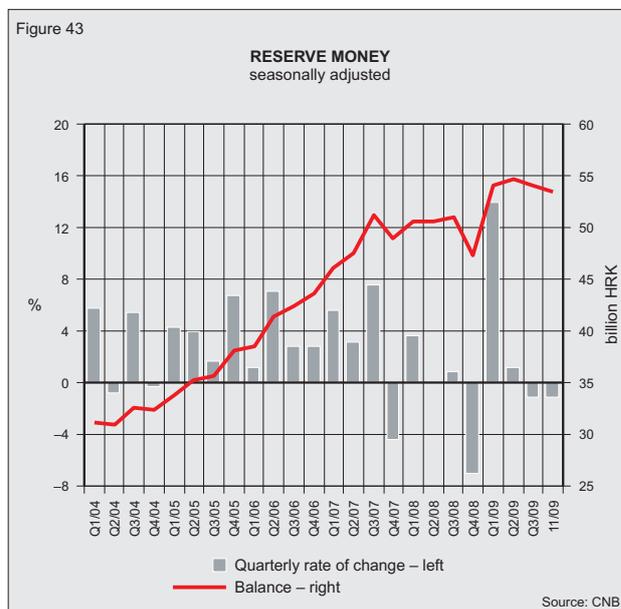
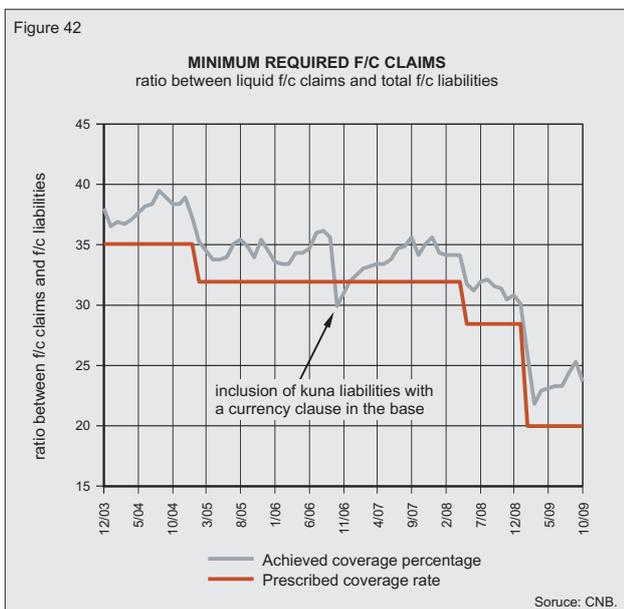
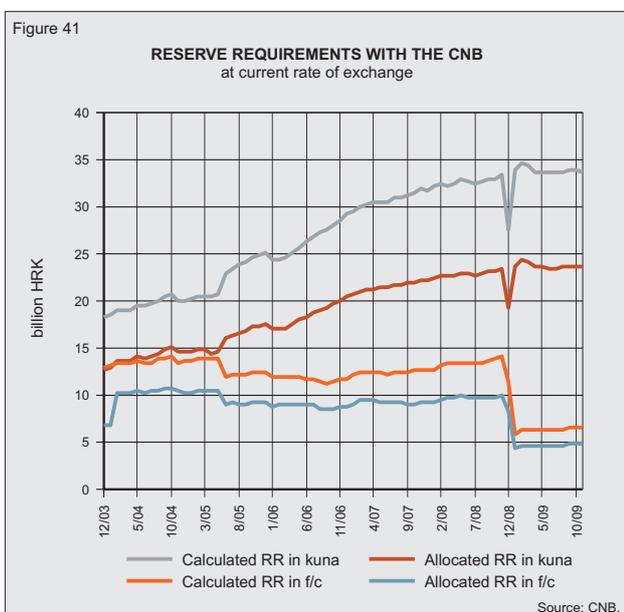
foreign currency reserve requirement that is set aside in kuna was raised from 50% to 75% early in the year. Total bank assets sterilised through kuna and foreign currency reserve requirements grew by 3.3% in 2009.

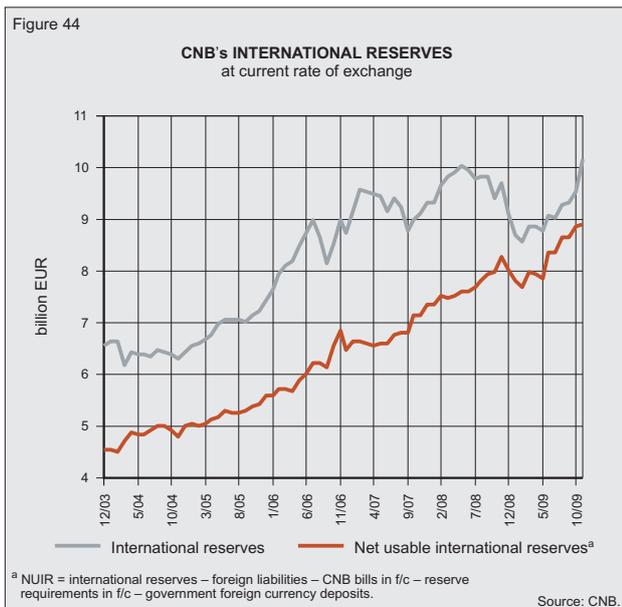
Foreign currency liquidity of banks recorded strong seasonal growth over the summer months (it was 25.3% at end-September, 5.3 percentage points above the prescribed minimum), but dropped at the beginning of the fourth quarter. Banks used some of their surplus foreign exchange liquid assets to decrease their foreign liabilities, which lowered the ratio of their liquid foreign currency claims to total foreign currency liabilities to 23.6% in October. This ratio still implies a high level of foreign currency liquidity as banks have at their disposal a surplus of some EUR 1bn in absolute terms of liquid foreign currency claims, which further strengthens financial system stability.

Reserve Money and International Reserves

Reserve money (M0) stood at HRK 53.7bn at end-November 2009, increasing by 1.7% over the end of the third quarter. Reserve money growth was largely due to a favourable kuna liquidity position of banks, which was generated by foreign exchange transactions of the central bank. Surplus liquidity in banks' transaction accounts and overnight deposits with the CNB exceeded HRK 2.0bn in November 2009, while it was several times lower in the previous part of the year. Among other components of M0, currency outside banks recorded a seasonal fall, while banks' vault cash held mostly steady.

Gross international reserves stood at EUR 10.1bn at end-November 2009, up 4.8% over the end of November 2008. In addition to the purchase of foreign exchange from banks and the government, this growth was due to the inflow of a foreign currency deposit of the MoF of USD 1.5bn based on USD government bonds issued. This deposit decreased to some USD 800m by end-November. According to announcements, it will be used for the payment of domestic and foreign liabilities of the central government in the months to





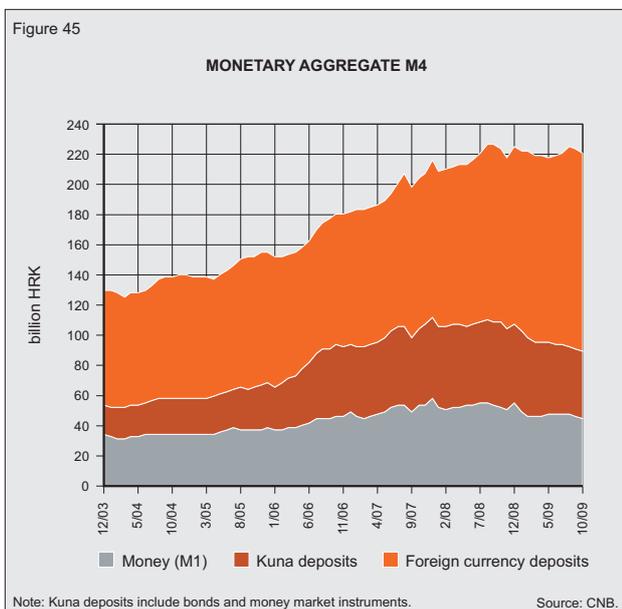
come. The mentioned purchases of foreign exchange from the government and banks also boosted net usable international reserves, which exceeded EUR 8.9bn at end-November, growing annually by 7.8%.

Monetary Developments

A moderate fall in net domestic assets of commercial banks, which marked monetary developments in the third quarter, was largely due to a further contraction of bank lending to the private sector. In such circumstances, the banks used the growth in domestic funding sources during the peak tourist season to improve their foreign position. Early in the fourth quarter, placements to the non-banking sector mostly held steady, while the banks compensated for the decrease in domestic deposits by withdrawing funds from abroad.

Total Liquid Assets

Total liquid assets (M4) grew noticeably in the third quar-

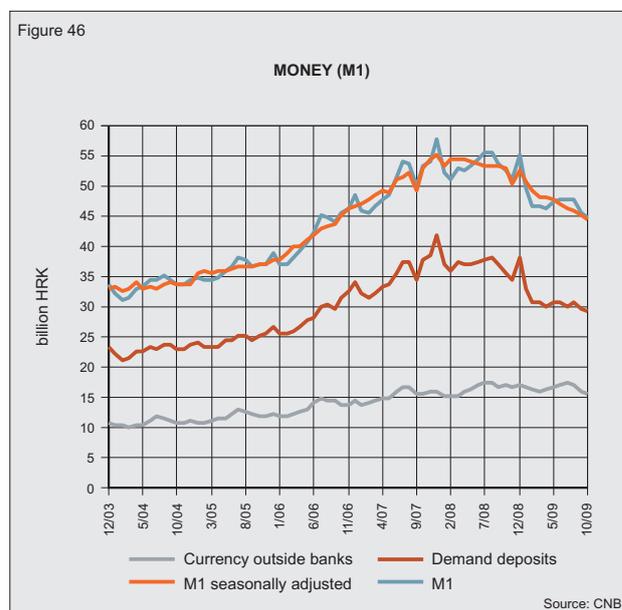


ter thanks to the seasonal growth of foreign exchange deposits over the summer months. Still, as this growth was more moderate than in the same period of 2008, this monetary aggregate recorded a year-on-year fall. Although M4 decreased at the beginning of the fourth quarter, its year-on-year rate of change mostly held steady, -1.0% at end-October, due to its low base period value.

Money

In the third quarter, money (monetary aggregate M1) moved in line with somewhat stronger demand for currency and demand deposits in July and August and weaker demand in late September. In terms of year-on-year changes, it should be noted that the fall in M1 gained additional momentum in the observed period due to a sharp real contraction, which continued into October.

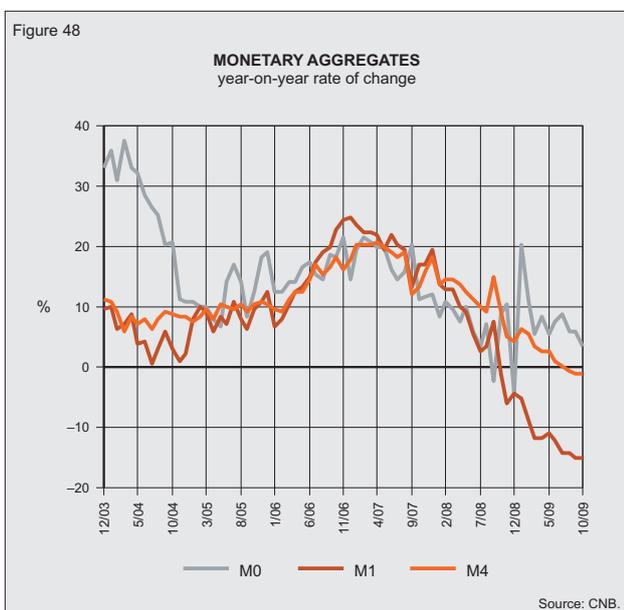
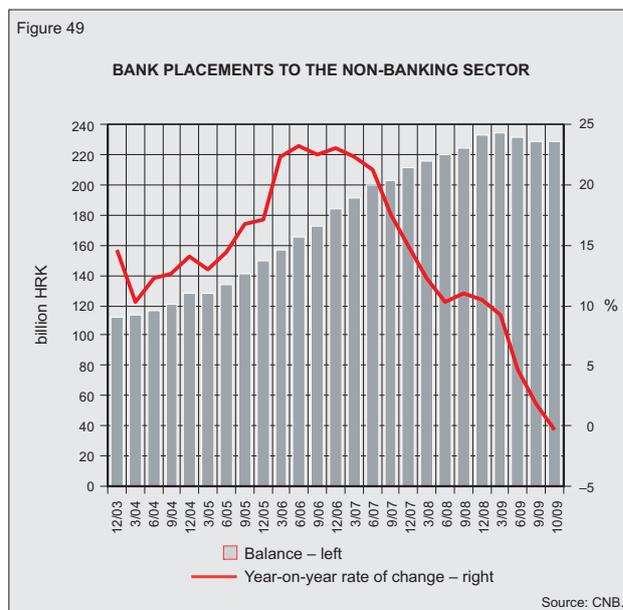
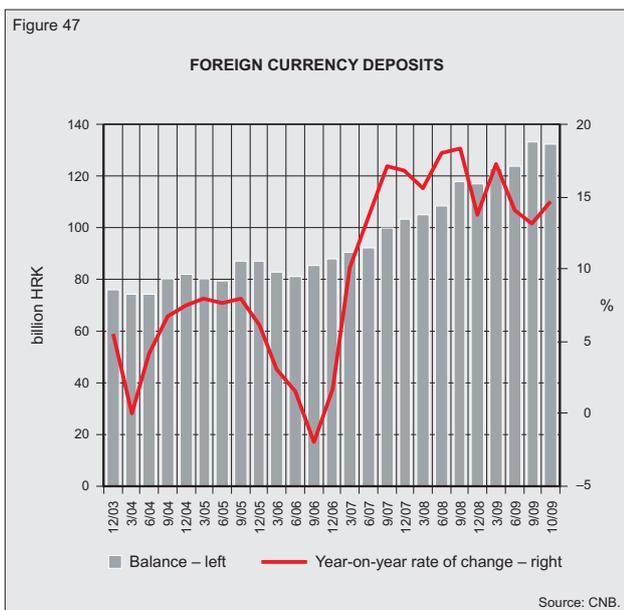
The third-quarter decline in money was equally due to currency and demand deposits. The decrease in both components sped up year-on-year, which is attributable to negative trends



in the real economy (among other things, retail trade developments and lower tourist spending) and a decline in bank loans to the private sector. Early in the fourth quarter, currency outside banks and balances in current and giro accounts continued to decrease, with the year-on-year fall in demand deposits being the most marked (17.9% at end-October).

Non-Monetary Deposits

Foreign currency deposits were the only monetary aggregate that continued to grow strongly, by more than HRK 9.5bn in the third quarter, while their annual growth rate stood at 13.1% at end-September. Still, observing total savings and time deposits, the increase in domestic sector savings with commercial banks was more moderate than in the previous year as kuna deposits continued to decline (they fell by HRK 1.9bn in the third quarter). Thus, some of the increase in foreign currency savings came from the substitution of foreign currency deposits for kuna deposits, i.e. the increase in the level of euroisation of the domestic banking



sult of supply-side factors, as suggested by the rise in lending rates and other tightened lending conditions.

In terms of sectoral structure, the contraction in bank lending was recorded in almost all sectors, but was again most severe in household loans. Following a decline of HRK 3.0bn in the second quarter, household loans dropped by an additional HRK 1.8bn in the following four months and were 3.6% lower at end-October than at the beginning of the year. Within the structure of household loans, the sharpest fall was recorded by car loans (-17.3% on an annual basis), credit card loans (-10.5%) and other any-purpose loans (-3.2%), which can be attributed to persistently weak personal consumption and a steady fall in imports, while home loans remained stagnant.

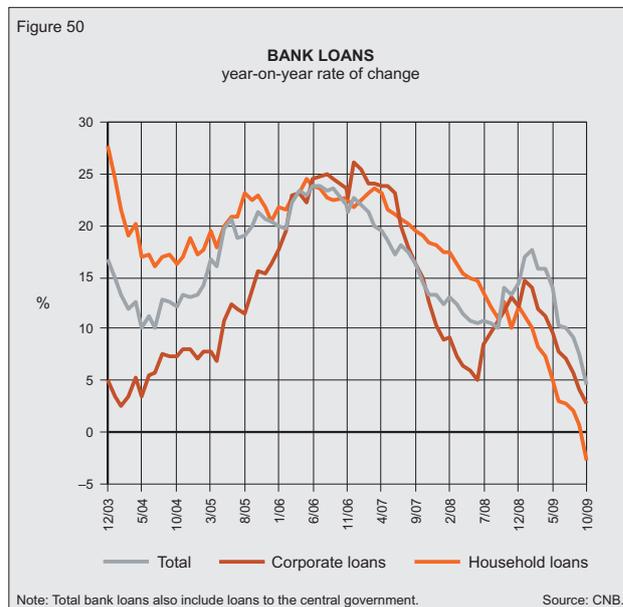
The downward trend in corporate loans, which began in the first part of the year, also continued. Falling by HRK 0.8bn in the third quarter and by an additional HRK 0.2bn in October, corporate loans neared the level at end-2008, while their annual rate of growth was 2.4% at end-October.

system. Similar trends in savings and time deposits continued early in the fourth quarter.

The sectoral structure of deposits shows that foreign currency deposits of all domestic sectors, and households in particular, grew in the third quarter. At the same time, corporate kuna deposits grew the most, while the sharp fall in household savings in kuna suggests that the currency substitution was mainly the result of changes in household preferences about the currency structure of savings.

Placements

The third quarter of 2009 was marked by a further contraction in bank lending to the private sector, which continued early in the fourth quarter. Excluding the exchange rate effect, bank placements to the private sector dropped by a total of 1.4% from the beginning of the year to October. Accordingly, their annual rate of change steadily declined (it was -0.7% in October). In addition to low loan demand due to unfavourable economic conditions, this was also the re-

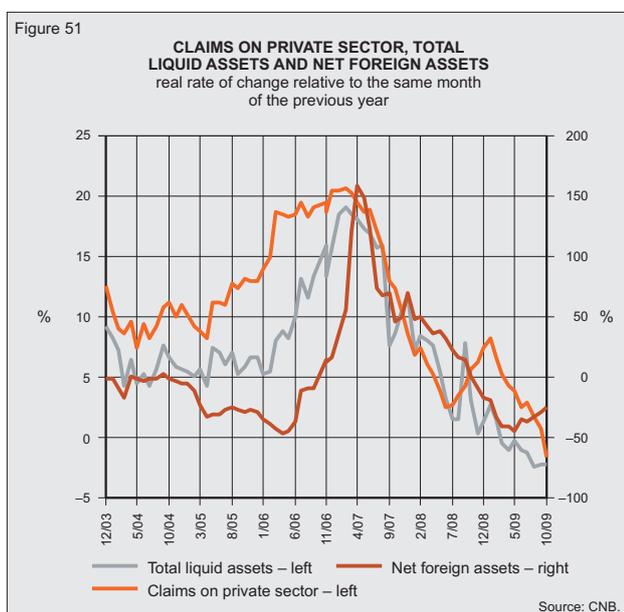


Bank Placements to the Central Government

Following a sharp increase in the first quarter and a temporary downturn in the late second quarter, banks' claims on the central government continued to grow in the third quarter. As placements to the government grew by HRK 1.4bn while government deposits dropped by HRK 0.8bn, banks' net claims on the central government rose by a total of HRK 2.2bn in the third quarter. Although they slightly decreased early in the fourth quarter, their annual growth was still a high 87.6% at end-October.

Foreign Assets and Liabilities

The banks used inflows of domestic funding sources in the third quarter to improve their foreign position. The third quarter is characterised by seasonal growth in foreign currency deposits, which banks usually use to decrease their foreign liabilities. However, this year banks improved their foreign position primarily by increasing their foreign assets (HRK 6.4bn), while the decrease in foreign liabilities was much

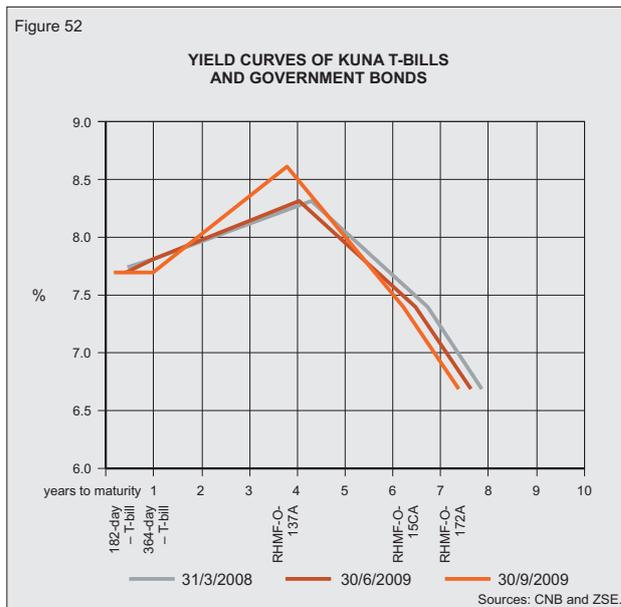


more moderate (HRK 1.2bn). At the beginning of the fourth quarter, banks' foreign liabilities continued to decline moderately, while their foreign assets recorded a sharp downturn. Banks' net foreign assets were 24.1% lower at end-October than at end-2008.

Developments in real values of main monetary aggregates confirm a continued slowdown in lending and economic activity. A slight downward trend in the real value of total liquid assets continued in the third and early fourth quarter, and a similar trend was observed in the real annual change of bank placements to the private sector.

Money Market

Total turnover, the level and volatility of money market interest rates went down slightly in the period from July to September 2009. T-bill interest rates also went down, with interest rates on euro T-bills leading the way. Strong investor



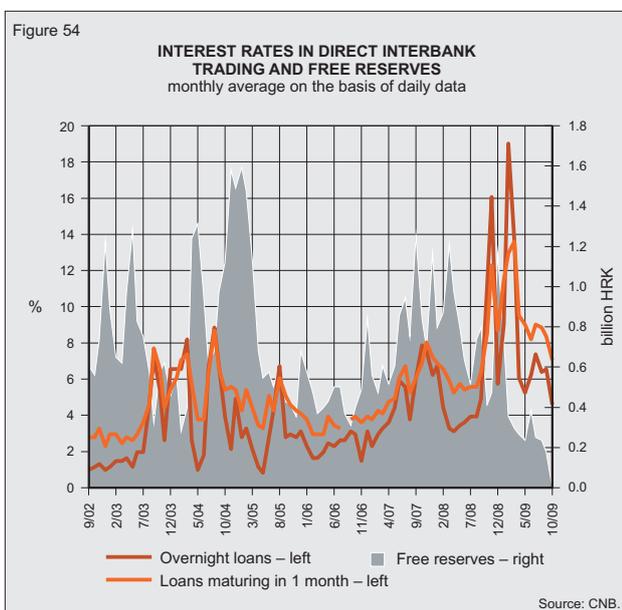
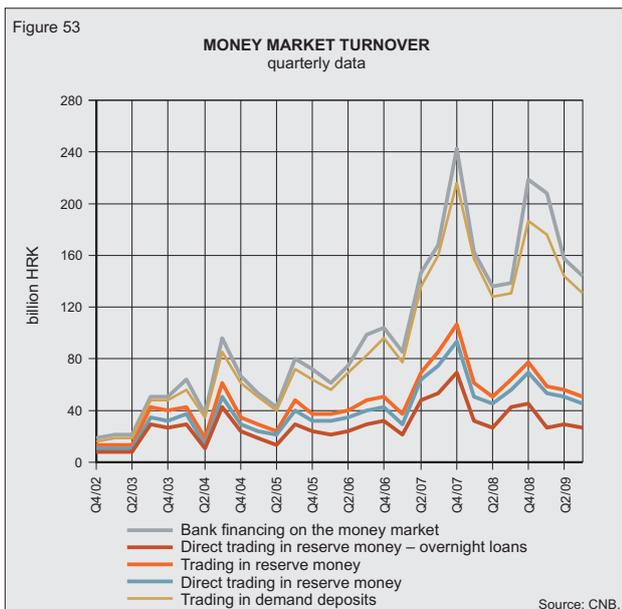
interest in these securities did not subside at the beginning of the second half of the year, so after eight T-bill auctions in the second quarter that raised HRK 4.8bn there were ten more in the third quarter, raising almost an identical amount, of HRK 4.9bn. The total stock of subscribed T-bills thus stood at HRK 20.2bn at end-September 2009, up HRK 2.8bn over the beginning of the year.

The upward pressure on bank lending rates let up to a degree in the third quarter of the year, primarily on corporate loans, which, paired with favourable developments in money and foreign exchange markets resulted in better accessibility of foreign sources of funds. Concurrently, deposit rates mostly held stable, with the exception of interest rates on kuna time deposits without a currency clause, which rose unusually high in July under the influence of the seasonal increase in demand for the kuna. Lending rates grew faster than deposit rates so banks are expected to register a further increase in net interest income under the circumstances of slower credit growth.

Money Market Interest Rates

In the third quarter, banks' need for financing in the money market subsided, with turnover totalling HRK 12.0bn less than in the second quarter and almost HRK 62.0bn less than early in the year. Banks met their primary liquidity needs on this market in the average daily amount of HRK 2.2bn (a total of HRK 145.0bn in the entire quarter), which is only HRK 400m less than the average daily turnover in the second quarter.

Loans in demand deposit trading continued to be the dominant lending channel. Demand deposits accounted for approximately 90% of the total trade in the money market, while repo arrangements accounted for the remaining share. Demand deposit trading shrank during the period regardless of the creditor but predominantly among banks. As a result, financing through non-banking institutions has been growing in importance. Bank trading with other legal persons went down slightly in the second and the third quarter.



Interbank demand deposit trading has been continuously declining in the first nine months of 2009, going down by HRK 6.0bn in the third quarter, which was several times stronger than the decline in the trading volume seen during the previous quarter. Direct interbank trading dominated the segment of reserve money trading. The ZMM-intermediated interbank trading that normally accounts for a much lower share, slightly increased during the third quarter (by some HRK 1.0bn) for the first time in the last year and a half.

Although shrinking by some HRK 2.5bn, overnight loans continued to be the most liquid instrument in direct interbank trading in reserve money during the third quarter of 2009. The reduction in the lending volume was more prominent as regards loans with shorter maturities, while the amounts of loans with maturities of one and three months slightly increased. The share of loans with a one-week maturity is gaining in prominence, which can be attributed to the liquidity optimisation within the context of the CNB's regular open market operations.

The noticeable easing of money market pressures in the second quarter, followed by very good liquidity in the third quarter of 2009 reduced the weighted interest rates on overnight loans in direct interbank trading by almost a half relative to the beginning of the year. Available monthly data from the interbank market indicate a slight increase in these interest rates during the peak tourist season, which can be attributed to higher demand for kuna liquidity due to the seasonal inflow of foreign exchange. However, they decreased at the turn of the quarter, helped by the rise in kuna liquidity following foreign exchange interventions.

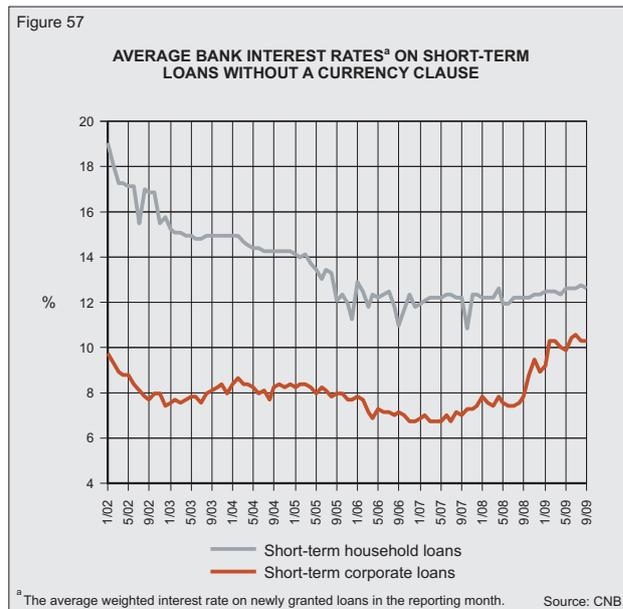
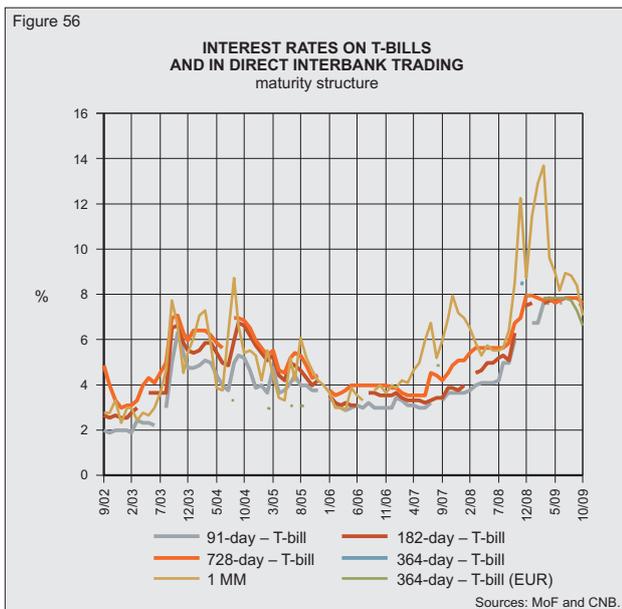
Overnight lending with ZMM intermediation is normally more expensive than direct interbank trading. However, from July to October 2009 interest rates on these short-term liquidity sources were comparable.

The government's need to finance the budget deficit in the third quarter 2009 was lower than in the first half of the year. It was mainly covered by short-term borrowing through T-bill issues and to a smaller extent by bank loans. Due to the positive effects of the seasonal increase in consumption, changes to the VAT rate and introduction of the so-called crisis tax on budgetary income, banks directed relatively a lower volume of liquidity to the government sector, which helped lower money market interest rates.

The highest number of T-bill auctions this year (ten) was held in the third quarter, at which the government issued T-bills worth some HRK 5bn, roughly the same as during the previous quarter. Two thirds of the relevant amount were raised by issuing euro T-bills that met with significant investor interest and that more than made up for the decrease in investments in kuna T-bills with different maturities. Nevertheless, quite high demand relative to the planned issue amounts, equally for both kuna and euro T-bills, indicates that investments in these securities are highly attractive. Changes in the currency and maturity structure of T-bills indicate that domestic investors currently prefer T-bills with lower current yields and longer maturities.

Interest rates on kuna T-bills with one-year maturity held stable during the third quarter (at approximately 7.80%),



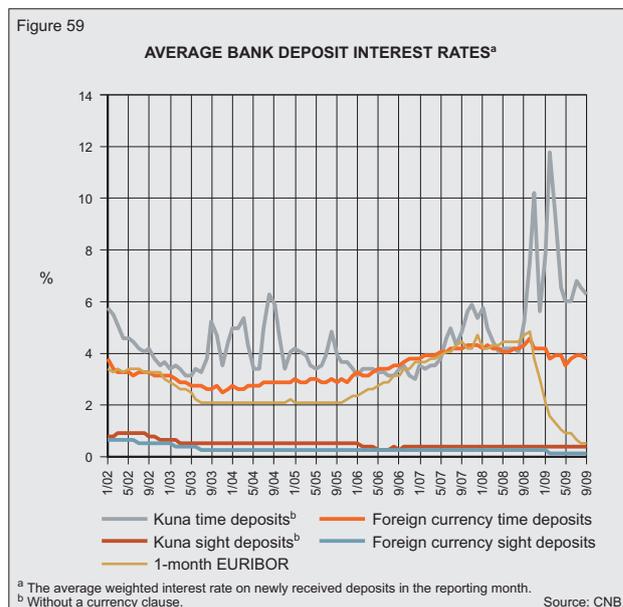
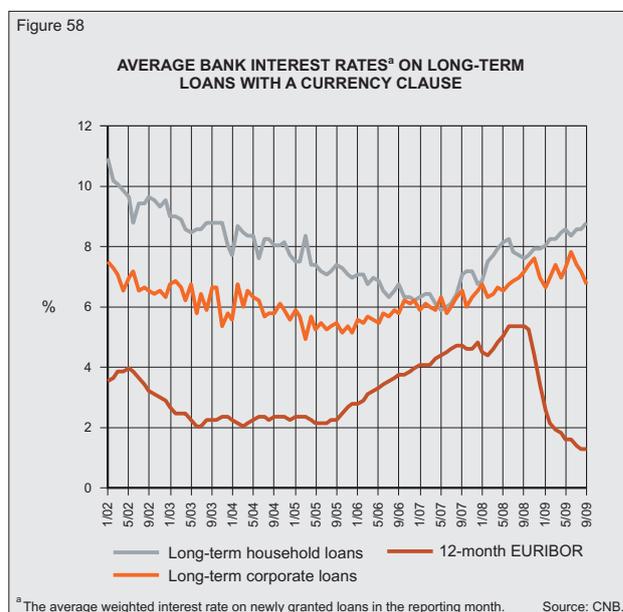


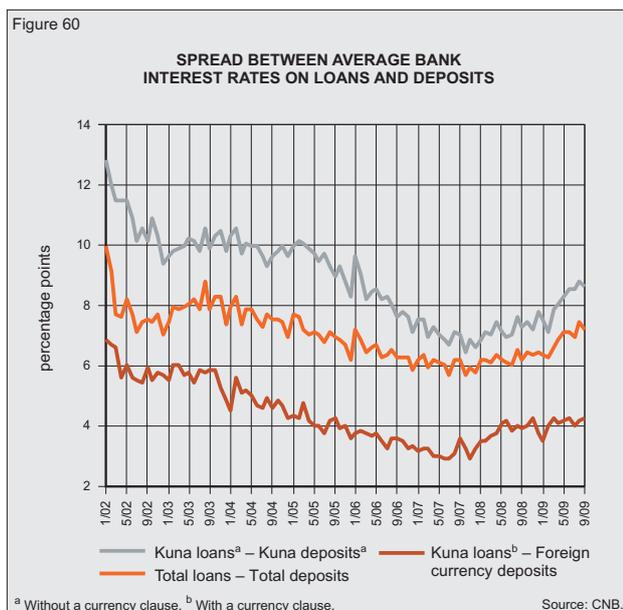
going down to 7.62% in October when only two T-bill auctions were held. Following a several-month long break, 91-day and 182-day T-bills with a weighted interest rate of 7.50% were subscribed in October. On the other hand, strong investor interest in euro T-bills with one-year maturity pushed down interest rates on this instrument from 7.80% in July to 6.68% in October.

The government compensated for the uninterrupted decline in the total stock of subscribed kuna T-bills in 2009 that was more prominent during the summer months by issuing euro T-bills, whose balance stood at HRK 9.5bn at the end of October, only HRK 1bn less than the balance of kuna T-bills at the end of the month. Thus, government debt under the item of T-bills from December of 2008 went up by HRK 3.0bn, from HRK 17.4bn to HRK 20.4bn, while the balance of euro T-bills during the period went up by almost HRK 8.0bn, from HRK 2.2bn to HRK 9.9bn. Regular issuance of euro T-bills very quickly raised their share in the structure of issued T-bills so in October the shares of kuna and euro T-bills with one-year maturity were almost equal, while as early as September euro T-bills dominated the T-bill maturity structure.

Bank Interest Rates

The improvement in system liquidity and the decline of money market rates at the beginning of the second half of 2009 softened the upward pressure on bank lending rates, especially those on corporate loans. This was aided by the reduction in the country risk premium and by weaker use of lending sources by the central government relative to the first half of the year. Slightly lower interest rates on corporate loans partly indicate the possibility of banks turning to the least risky business entities that have satisfactory creditworthiness even at times of recession. However, the volume of newly approved loans to the corporate sector went down in this period, which can be linked to easier corporate foreign borrowing. Interest rates on long-term corporate loans (with and without a currency clause) jumped suddenly in October.





Apart from this rise there were no more noticeable changes in the movement of bank lending rates. The situation was similar with deposit rates, which stabilised during the period. The only exception was their temporary July rise, under the influence of the seasonal increase in demand for the kuna.

Interest rates on short-term kuna corporate loans without a currency clause slightly decreased during the third quarter, from 10.58% in July, when they reached their several-year-long high, to 10.32% in September and then to 10.03% in October. The weighted interest rate on short-term household loans (including tradesmen) without a currency clause reflected more stability in relation to the comparable interest rates on corporate loans, varying within a narrow range of 12.60% to 12.70% from June to October.

Interest rates on long-term corporate loans with a currency clause went down significantly in the third quarter (from 7.85% in June to 6.78% in September), with the earlier mentioned jump to 7.42% occurring in October. On the other hand, interest rates on long-term loans to households grew uninterrupted, rising to 9.01% in October from 8.82% in September and 8.36% in June.

A low off-peak season reduction in demand for kuna liquidity slightly lowered interest rates on time and sight kuna deposits without a currency clause during August and September. On the other side, in the same period interest rates on foreign currency time deposits and foreign currency sight deposits remained stable. The interest spread on kuna deposits without a currency clause remained almost unchanged while the interest spread on sight deposits remained considerably higher.

In the third quarter and at the beginning of the fourth quarter 2009, the interest rate spread on the so-called pure kuna loans and deposits went slightly up from 8.53 percentage points in June to 8.62 percentage points in September and 8.75 percentage points in October. In this period, the interest rate spread on foreign currency-indexed loans and foreign currency deposits went up only slightly. These changes in interest rate spreads resulted in the widening of the general interest rate spread to 7.24 percentage points in October,

from 7.17 percentage points in September and 7.10 percentage points in June, clearly indicating a growth in net interest income amid curbed lending activity.

Capital Market

The positive trends in the domestic capital market that started in the second quarter mostly continued throughout the third quarter of 2009, mimicking developments in the world's financial markets. Improvement in some US macroeconomic indicators paired with unexpectedly good corporate business performance boosted optimism in major stock exchanges and spurred investor appetite for riskier financial instruments. In addition to global influences, developments in the domestic capital market were under the influence of domestic factors. News on the substantial fall of the domestic economy in the first three months of the year that was received early in July 2009 increased investor insecurity as regards the effects of the global financial crisis on Croatia's real sector, additionally reducing the already low liquidity in the domestic capital market during the period under review. However, the domestic equity market recovered in September, supported by good news from the world's stock exchanges, the de-blocking of Croatia's EU accession negotiations, favourable volume indicators in tourism and a rise in investor activity. After a mild decline in July 2009, the Zagreb Stock Exchange share index, the CROBEX, went up 15.9% by the end of September relative to the previous quarter. However, negative news from some domestic companies, poor performance of the real sector in the first nine months of 2009 and continued unfavourable movements of domestic macroeconomic indicators in October negatively affected Croatia's equity market, reducing the CROBEX by the end of the month.

Activity was weak in the domestic debt securities market in the third quarter of 2009, so, as in October, bond turnover continued declining. The prices of government bonds on the CROBIS went up slightly, strengthening the index by 3.2% relative to the end of the previous quarter.

Late in July 2009, new ZSE rules were introduced in the capital market, changing the structure of the securities market. The rules are in line with the new Capital Market Act, which governs trading in financial instruments in the regulated market as well as via an alternative, less demanding market, the so-called multilateral trading platform (MTP).¹⁵ The new rules provide for market makers¹⁶ who are expected to contribute to better liquidity and higher transparency in the domestic capital market. In addition, the new ZSE equity index, the CROBEX 10,¹⁷ was introduced in September with a view to improving public notification, transparency and data comparability.

¹⁵ It is a multilateral trading system that matches supply of and demand for financial instruments by multiple interested parties according to prearranged rules and is run by an investment firm or a market operator.

¹⁶ Market makers or specialists are market participants that are prepared to quote the bid or sell price for particular shares and execute transactions at quoted prices.

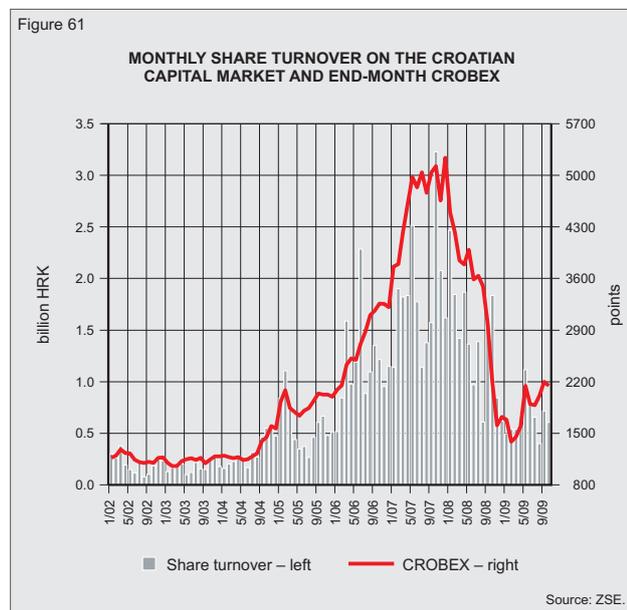
¹⁷ The CROBEX10 includes ten CROBEX constituents with the largest free-float capitalisation and turnover.

Equity Securities Market

After the increase in quarterly share turnover¹⁸ in the second quarter of 2009, share turnover declined in the following three months. It went down by HRK 0.7bn in the third quarter of 2009 relative to the previous quarter, totalling HRK 1.8bn. Accounting for 24.2% of the share turnover, T-HT shares were the most traded in the observed quarter, followed by Atlantska plovidba d.d. (14.1%) and Institut IGH d.d. (6.7%). In addition to T-HT (21.2%), the most traded shares in October 2009 were those of Petrokemija d.d. (8.3%) and Atlantska plovidba d.d. (7.1%).

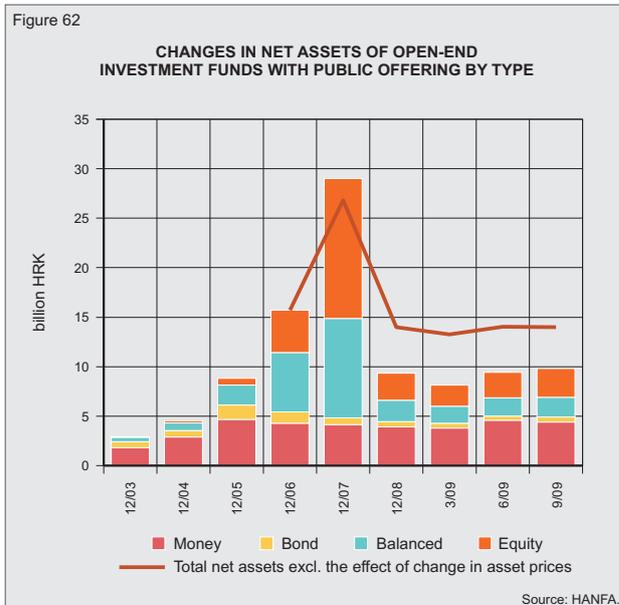
Share prices in the domestic capital market continued to recover up to the end of the third quarter of 2009 so the ZSE equity index, the CROBEX,¹⁹ went up by 15.9% at end-September 2009 relative to the end-June, totalling 2197.4 points. The CROBEX went down by 2.4% in October, ending the month at 2144.8 points.

The continued positive developments in the domestic capital market during the third quarter of 2009 resulted in an additional rise of total assets of open-end investment funds with a public offering, which increased by HRK 0.4bn during the period relative to the end of the previous quarter, standing at HRK 9.8bn at the end of September. Net assets under the management of equity funds went up the most, while only assets under the management of money funds fell slightly. The increase in net assets of investment funds, especially of the riskiest, was, in addition to the growth of the prices of financial instruments, a result of the declining risk aversion of domestic and foreign investors, who stepped up their investments into these instruments.



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

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



Due to the growth in the price of most shares listed on the ZSE, market capitalisation of shares²⁰ went up by 5.3% at the end of September 2009 relative to the end of the previous quarter, totalling HRK 150.0bn. The decline in share prices in October pushed down the market capitalisation of shares to HRK 140.0bn.

Debt Securities Market

There were no new bond issues in the domestic debt securities market in the third quarter of 2009. However, early in October the ZSE listed a four-year corporate bond of Metronet telekomunikacije d.d. nominally valued at EUR 19.8m and having a yield to maturity at issue of 12.1%, while at the end of the same month we saw the listing of a five-year bond of Športski centar Višnjik d.o.o. nominally valued at EUR 9.6m and with a yield to maturity at issue of 8.9%. Those were this year's first debt security issues listed in the domestic capital market. Two corporate bonds fell due by the end of October 2009 and one corporate bond was excluded from trading when new ZSE rules entered into force. On the last day of October 2009, 33 bonds were listed on the ZSE, eight of which were government bonds, eight municipal bonds, one was a CBRD bond and sixteen were corporate bonds. In addition, there were 30 commercial bills at the ZSE at the end of October 2009, issued by 14 issuers, or nineteen commercial bills and four issuers more than at the end of the previous quarter.

In the third quarter of 2009, bond turnover went up slightly relative to the previous quarter, totalling HRK 0.4bn, which continued to be the lowest recorded quarterly turnover since the first quarter of 2002. The largest share in bond turnover in the observed period was realised by a foreign currency indexed kuna bond of the RC due in 2014 (20.4%),

20 The ZSE market capitalisation is calculated so as to include the total market capitalisation of shares traded regularly in the previous three months, half of the market capitalisation of shares not traded in the previous month and a quarter of the market capitalisation of shares not traded in the previous three months.

Table 3 Bond Issues in the Domestic Market, stock as at 31 October 2009

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price ^a	Current yield 31/10/2009
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	99.15	6.934%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	98.25	5.598%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	500,000,000	5.375%	89.10	6.033%
RHMF-O-103A	Republic of Croatia	8/3/2005	8/3/2010	HRK	3,000,000,000	6.750%	98.18	6.875%
RHMF-O-157A	Republic of Croatia	14/7/2005	14/7/2015	EUR	350,000,000	4.250%	89.45	4.751%
RHMF-O-15CA	Republic of Croatia	15/12/2005	15/12/2015	HRK	5,500,000,000	5.250%	88.50	5.932%
RHMF-O-137A	Republic of Croatia	11/7/2006	11/7/2013	HRK	4,000,000,000	4.500%	86.95	5.175%
RHMF-O-172A	Republic of Croatia	8/2/2007	8/2/2017	HRK	5,500,000,000	4.750%	88.00	5.398%
GDKC-O-116A	City of Koprivnica	29/6/2004	29/6/2011	HRK	60,000,000	6.500%	93.52	6.950%
GDZD-O-119A	City of Zadar	1/9/2004	1/9/2011	EUR	18,500,000	5.500%	98.10	5.607%
GDRI-O-167A	City of Rijeka	18/7/2006	18/7/2016	EUR	24,574,513	4.125%	–	–
GDST-O-137A	City of Split	24/7/2006	24/7/2013	EUR	8,000,000	4.563%	101.30	4.504%
GRVI-O-17AA	City of Vinkovci	23/10/2007	23/10/2017	HRK	42,000,000	5.500%	–	–
GROS-O-17AA	City of Osijek	30/10/2007	30/10/2017	HRK	25,000,000	5.500%	–	–
GDST-O-15BA	City of Split	27/11/2007	27/11/2015	EUR	8,100,000	4.750%	–	–
GDST-O-177A	City of Split	8/7/2008	8/7/2017	EUR	8,200,000	6.000%	–	–
HBOR-O-112A	CBRD	11/2/2004	11/2/2011	EUR	300,000,000	4.875%	–	–
RBA-O-112A	Raiffeisenbank Austria d.d.	10/2/2006	10/2/2011	HRK	600,000,000	4.125%	97.50	4.231%
PODR-O-115A	Podravka d.d.	17/5/2006	17/5/2011	HRK	375,000,000	5.125%	89.68	5.715%
NEXE-O-116A	Nexe grupa d.d.	14/6/2006	14/6/2011	HRK	750,000,000	5.500%	87.25	6.304%
HEP-O-13BA	Hrvatska elektroprivreda d.d.	29/11/2006	29/11/2013	HRK	500,000,000	5.000%	91.70	5.453%
ATGR-O-11CA	Atlantic grupa d.d.	6/12/2006	6/12/2011	HRK	115,000,000	5.750%	87.82	6.547%
INGR-O-11CA	Ingra d.d.	6/12/2006	6/12/2011	HRK	200,000,000	6.125%	88.50	6.921%
OPTE-O-142A	Optima telekom d.o.o.	1/2/2007	1/2/2014	HRK	250,000,000	9.125%	67.49	13.521%
JDGL-O-126A	Jadran Galenski laboratorij d.d.	11/6/2007	11/6/2012	HRK	125,000,000	5.650%	–	–
JDRA-O-129A	Jadranska d.d.	13/9/2007	13/9/2012	HRK	75,000,000	6.475%	–	–
JRLN-O-12AA	Jadrolinija d.d.	25/10/2007	25/10/2012	HRK	70,000,000	6.500%	100.50	6.468%
OIV-O-14BA	Odašiljači i veze d.o.o.	20/11/2007	20/11/2014	HRK	100,000,000	7.250%	84.00	–
HEP-O-17CA	Hrvatska elektroprivreda d.d.	7/12/2007	7/12/2017	HRK	700,000,000	6.500%	85.10	–
RPRO-O-181A	Rijeka promet d.d.	25/1/2008	25/1/2018	HRK	192,000,000	6.813%	–	–
PLOR-O-133A	Plodine d.d.	4/3/2008	4/3/2013	HRK	100,000,000	9.000%	85.00	–
MTEL-O-137A	Metronet telekomunikacije d.d.	17/7/2009	17/7/2013	EUR	19,800,000	12.000%	–	–
SCVI-O-14CA	Športski centar Višnjik d.o.o.	23/12/2008	23/12/2014	EUR	9,600,000	8.813%	–	–

^a Regularly traded shares.
Source: ZSE.

Table 4 Republic of Croatia International Bond Issues, stock as at 30 September 2009

Bonds	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread ^a 31/12/2008	Spread ^a 31/3/2009	Spread ^a 30/6/2009	Spread ^a 30/9/2009
London Club A, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.	–	–	827	712	333	234
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.75%	6.90%	215	576	571	363	258
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	4.65%	102	606	546	306	134
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	445	513	371	226
Eurobonds, 2015	27/5/2009	EUR	750,000,000	6.500%	6.57%	–	–	–	470	300

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

followed by foreign currency indexed kuna government bonds maturing in 2012 (20.2%) and 2013 (13.6%). The decline in government bond turnover in the third quarter of 2009 was more intensive than the decline in the turnover of corporate and municipal bonds, so their share in total debt securities turnover went down relative to the previous quarter, totalling 85.3%. Relatively low bond turnover in the domestic market continued through October. The value of the ZSE bond index, the CROBIS, went up slightly at the end of the third quarter of 2009 relative to end-June, totalling 89.1 points. The positive trend continued through October, with the domestic bond index ending the month at 91.0 points.

The rise in government bond prices in the third quarter of 2009 pushed up the market capitalisation of government bonds, municipal bonds and the CBRD bond by 2.9% relative to end-June 2009, so at the end of September it totalled EUR 4.1bn or some 8.8% of GDP.²¹ The market capitalisation of corporate bonds reduced by 4.1% compared with the end of the previous quarter, totalling EUR 502m or some 1.1% of the realised GDP. Market capitalisation of government bonds, municipal bonds and the CBRD bond continued

²¹ Gross domestic product is calculated as the sum of the GDP realised in the last two quarters of 2008 and the first two quarters of 2009.



these spreads stood at 363, 371 and 470 basis points respectively. These were the lowest spreads between required yields on Croatian eurobonds and benchmark German bonds in the past year. The decline in the required yield on the Croatian eurobond maturing in 2011 continued in October, while required yields on Croatian eurobonds of longer maturities went up slightly.

International Transactions

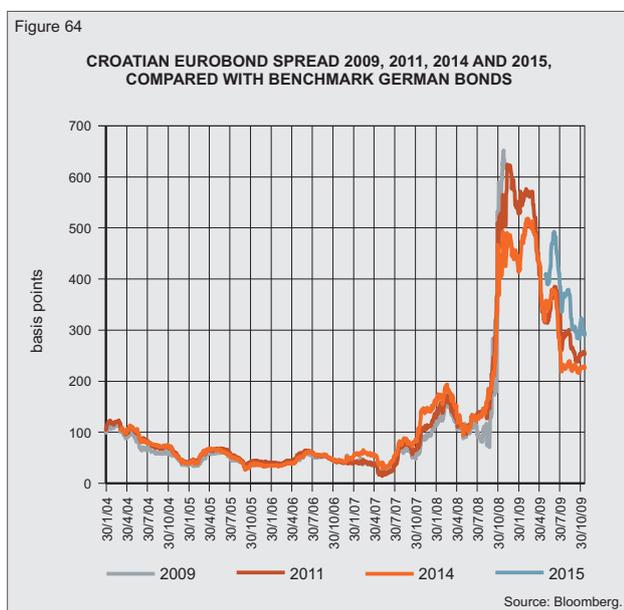
Third-quarter movements in the external sector were similar to those observed in the first half of 2009. First and foremost, they included a decline in the volume of trade in goods and services due to weak demand, modest inflow of foreign direct investment and further deceleration of external debt growth.

Current Account

According to the preliminary data, the positive balance in the current account declined by 7.5% in the third quarter of 2009 relative to the same period in 2008 and stood at EUR 1.8bn. This deterioration was for the most part caused by the fall in net service revenues and especially tourism revenues. The adverse impact on total balance was also produced by the increase in the factor income deficit and by the fall in the positive balance in the account of current transfers. In contrast, the continued strong fall in the goods deficit made a positive contribution to the balance of payments total. Specifically, the fall in the goods deficit decelerated relative to the second quarter. Two key contributors to this development were the accelerated fall in exports in the third quarter and the nearly unchanged dynamics of the decrease in imports. A slight trend reversal in the trade in goods is chiefly ascribed to the recovery of crude oil prices in the world market that softened the fall in the trade deficit in this energy product, notably thanks to the rise in the value of imports. Oil and refined petroleum products excluded, the goods trade deficit contracted more strongly than in the first half of the year.

The positive balance in the account of services declined by 18.7% in the third quarter relative to the same period in 2008 due primarily to the fall in net tourism revenues. Net revenues from transportation services also declined substantially; undoubtedly, this was due to the decline in the volume of trade in goods and the lower average spending of foreign guests during their stay in the country. The unfavourable economic climate most affected net revenues from sea cargo transport services and air passenger transport service. Moreover, a considerable fall was also seen in total revenues from other services, notably construction and telecommunication services and miscellaneous business services, which were also marked by a substantial fall in expenditures.

Tourism revenues totalled EUR 3.9bn in the third quarter of 2009, down 15.7% over the same period in the previous year. Although the tourism outturn was relatively unfavourable, the fall in revenues was twice as slow as that in exports of goods (-30.9%). The fall in tourism revenues was entirely the result of the decline in the average traveller spending,



growing in October, while market capitalisation of corporate bonds remained almost unchanged relative to the previous month.

In the third quarter of 2009, the Republic of Croatia did not issue any new bonds in foreign markets. However, a ten-year international bond issue, denominated in US dollars and nominally valued at USD 1.5bn, at the fixed annual interest rate of 6.75%, was announced at the end of October. Five Croatian bonds were listed on foreign markets at the end of October 2009, four of them denominated in euros and one in US dollars. Their total nominal value at the end of October 2009 was EUR 3.1bn.

The fall in required yields on Croatian eurobonds that started in the second quarter 2009 continued in the following three months. Thus, the end of the third quarter of 2009, the spreads between required yields on Croatian eurobonds maturing in 2011, 2014 and 2015 and yields on benchmark German bonds totalled 258, 226 and 300 basis points respectively, which was much less than at the end of June, when

Table 5 Current Account, in million EUR

	2007	2008	Q3/2008	Q3/2009 ^a	Indices	
					2008 / 2007	Q3/2009 ^a / Q3/2008
CURRENT ACCOUNT	-3,238	-4,369	1,918	1,774	134.9	92.5
1. Goods	-9,434	-10,794	-2,675	-1,835	114.4	68.6
1.1. Credit (f.o.b.)	9,193	9,814	2,733	1,889	106.8	69.1
1.2. Debit (f.o.b.)	-18,626	-20,608	-5,407	-3,725	110.6	68.9
2. Services	6,267	6,958	4,587	3,727	111.0	81.3
2.1. Credit	9,115	10,091	5,411	4,465	110.7	82.5
2.2. Debit	-2,847	-3,133	-824	-738	110.0	89.6
3. Income	-1,114	-1,569	-262	-359	140.8	137.0
3.1. Credit	1,293	1,352	358	211	104.5	58.9
3.2. Debit	-2,407	-2,921	-620	-570	121.3	91.9
4. Current transfers	1,043	1,036	267	241	99.3	90.1
4.1. Credit	1,576	1,684	409	388	106.9	94.8
4.2. Debit	-533	-648	-142	-147	121.6	103.6

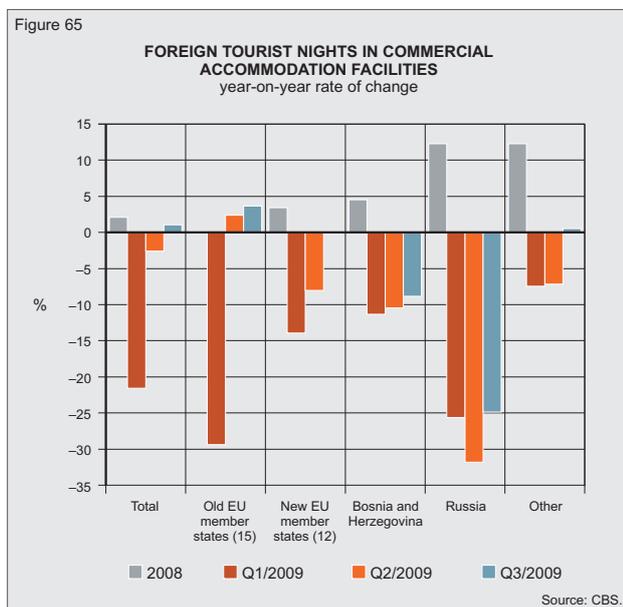
^a Preliminary data.
Source: CNB.

while the number of guests increased slightly. The number of tourist arrivals and nights stayed increased by 1.8% and 1.0% year-on-year respectively according to the CBS indicators, which cover only commercial accommodation capacities. The rise in volume indicators was for the most part the result of the increase in the number of nights stayed by guests from old EU member states, notably Germany and Austria, while the number of nights stayed by guests from new EU member states was roughly the same as in the third quarter of 2008. The number of nights stayed by guests from developing neighbouring countries, especially Bosnia and Herzegovina, was much smaller than in 2008. In addition, despite the measures envisaged in the Action Plan for Croatian Tourism in 2009 and 2010 (the temporary lifting of visa requirements), the nights stayed by guests from Russia fell significantly. The results of the Survey, the official source of data on the structure and the share of foreign visitors in paid and non-paid accommodation and in transit through Croatia, the average traveller spending and total tourism revenues and of the developments in a number of indicators related to tourist

spending against which the Survey data are compared and verified, are shown in detail in Box 3.

The deficit in the factor income account went up by 37.0% year-on-year in the third quarter of 2009 on account of a much stronger fall in revenues than in expenditures (revenues declined by 41.1% and expenditures by 8.1%). A strong fall in revenues, mainly attributable to the fall in interest income from central bank investment of international reserves and bank income from foreign assets, can be observed for the fourth consecutive quarter. An unfavourable effect on total revenues has also for some time now been exerted by the fall in revenues from resident equity investment abroad, while revenues from compensations to employees continued to trend upward, but at a slower pace. The fall in revenues was paralleled with a fall in total expenditures in the account of factor income. The most significant was the fall in expenditures from direct equity investment in Croatia (reinvested earnings and dividends paid out to the foreign owners of domestic enterprises and banks). This said, it should be noted that this year's results are not completely comparable with last year's results due to the change in the statistical monitoring of reinvested earnings.²² Also, after slowing down in the first half of the year, the amount of new expenditures on interest on foreign borrowing declined for the first time, and then only in the enterprise sector, in the third quarter of 2009.

The positive balance in the account of current transfers went down by 9.9% year-on-year in the third quarter of 2009. This downturn may chiefly be attributed to the central government, which generated lower revenues in the reference period than in the same period in 2008. In contrast, the results of other domestic sectors remained at last year's levels. Total expenditures trended up slightly on account of central government payments.



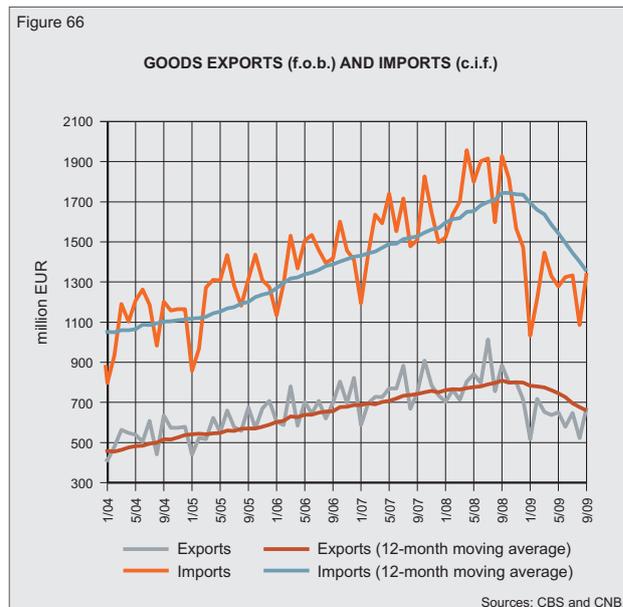
²² See Box 1 in Bulletin No. 149.

Trade in Goods

As shown by the seasonal data, the narrowing of the goods trade deficit, present from the second half of 2008, came to a halt in the third quarter of 2009. In line with quarter-on-quarter data, the fall in the deficit had already begun to slow down in the second quarter and the deficit accelerated slightly in the third quarter of 2009. These developments were caused by the continued fall of exports, while the fall of total imports came almost to a halt. Broken down by SITC divisions, the structure of trade in goods shows that such developments may to a large extent be ascribed to the trade in oil and refined petroleum products; the trade deficit in oil and refined petroleum products rose by almost one half in the third quarter relative to the second quarter due to a slight increase in oil prices in the world market. If we exclude oil and refined petroleum products and the most volatile SITC division of other transport equipment (mostly ships), the seasonally adjusted data show that the goods deficit remained at its second quarter level.

Total exports of goods (expressed in euro terms) declined by 30.7% year-on-year in the third quarter, which is significantly more than in the first (13.4%) and the second quarter (23.6%). The greatest contribution to the reduction in total exports continued to be made by those of oil and refined petroleum products, the fall of which in annual terms, in spite of the rise in prices, additionally accelerated as against the second quarter. The fall in exports of other transport equipment also accelerated significantly. These two divisions excluded, exports of goods fell 20.1% year-on-year (as compared with 13.0% in the first and 17.2% in the second quarter). Almost all SITC divisions saw the continuation of the year-on-year fall in exports which considerably accelerated in divisions of various chemical products (artificial fertilisers, plastics in primary forms), metal raw materials (iron and steel, non-ferrous metals, manufactures of metals (n.e.c.)) and miscellaneous industrial machinery and equipment.

The positive year-on-year rates of change in exports observed in the first half of the year only in a few SITC divisions, notably agricultural and food products (cereals and cereal preparations, fish and preparations), continued in the



third quarter. The rise in exports of cereals, mostly to the Italian market, was to some extent facilitated by the abolishment of the restriction on exports of corn and wheat that was in force in July 2008. Exports of fish and preparations picked up in the summer months and were primarily channelled to the Italian market. The positive results in exports of electricity, natural and manufactured gas and pharmaceutical products from the first half of the year did not continue in the third quarter.

Imports of goods decreased by 30.8% year-on-year in the third quarter, or at a rate similar to that observed in the previous quarter (30.5%). As before, these developments were largely the result of the year-on-year fall in imports of oil and refined petroleum products, although the intensity of that fall, affected by a slight rise in crude oil prices in the world market, decelerated relative to the second quarter. Imports of other transport equipment (mostly ships), which from the beginning of the year strongly contributed to the fall of total imports, continued to decline at a similar pace in the third quarter. Other SITC divisions were mostly marked by the continued year-on-year fall of imports that was somewhat

Table 6 Capital and Financial Account, in million EUR

	2007	2008	Q3/2008	Q3/2009 ^a	Indices	
					2008 / 2007	Q3/2009 ^a / Q3/2008
CAPITAL AND FINANCIAL ACCOUNT	4,147	5,966	45	-163	143.9	-
1. Capital account	35	28	9	6	81.7	69.6
2. Financial account, excl. reserves	4,834	5,607	-347	-197	116.0	56.7
2.1. Direct investment	3,490	3,225	301	-43	92.4	-
2.1.1. Abroad	-180	-965	-67	-769	535.6	-
2.1.2. In Croatia	3,670	4,190	368	726	114.2	197.4
2.2. Portfolio investment	-3	-627	-81	-363	-	450.0
2.2.1. Assets	-414	-273	-20	-203	66.1	-
2.2.2. Liabilities	411	-354	-60	-160	-	264.5
2.3. Financial derivatives	0	0	0	0	-	-
2.4. Other investment	1,347	3,010	-567	209	223.5	-
2.4.1. Assets	-1,653	-1,618	-779	-563	97.8	72.3
2.4.2. Liabilities	3,000	4,627	212	773	154.2	364.4
3. Reserve assets (CNB)	-722	330	383	27	-	7.1

^a Preliminary data.
Source: CNB.

stronger in the third than in the second quarter (26.5% compared with 24.2%). As for individual divisions, the largest falls were seen in imports of road vehicles (they halved in the third quarter of 2009 relative to the third quarter of 2008) and imports of industrial raw materials and machinery for industrial production.

Only a small number of SITC divisions (meat and meat products, tobacco and tobacco manufactures) saw an increase in imports in the third quarter relative to the same period in 2008, making a modest contribution to the total import dynamics. In contrast to the first half of the year, marked by the positive year-on-year rates of change, imports of natural and manufactured gas, medical and pharmaceutical products and power generating machinery and equipment went down in the third quarter.

Capital and Financial Account

In the third quarter of 2009, the financial and capital account saw a net outflow of EUR 0.2bn (excluding the change in international reserves). The net outflow from the account of portfolio investment and the account of direct investment was in part offset by the net inflow to the account of other investment which is usually reported in the summer months. According to the balance of payments data, international reserves declined slightly in the third quarter.

FDIs in Croatia remained relatively modest in the third quarter relative to those observed in previous years, standing at EUR 0.7bn. Of this, direct equity investment accounted for only EUR 0.2bn and reinvested earnings EUR 0.1bn. The bulk of FDIs was directed to the extraction of oil and natural gas, various trade activities and real estate activities. The remaining direct investments were accounted for by direct debt investment in Croatia in which the round-trip transaction of EUR 0.7bn predominated (see Box 4). As this increased resident direct equity investment abroad by about the same amount, the round tripping had a neutral impact on the capital account balance.

The issue of CBRD bonds worth EUR 250m and the

repayment of Zagrebačka banka bonds worth EUR 450m marked the account of portfolio investment in the third quarter, while the banking sector investment in foreign bonds and money market instruments marked the foreign portfolio assets of domestic sectors.

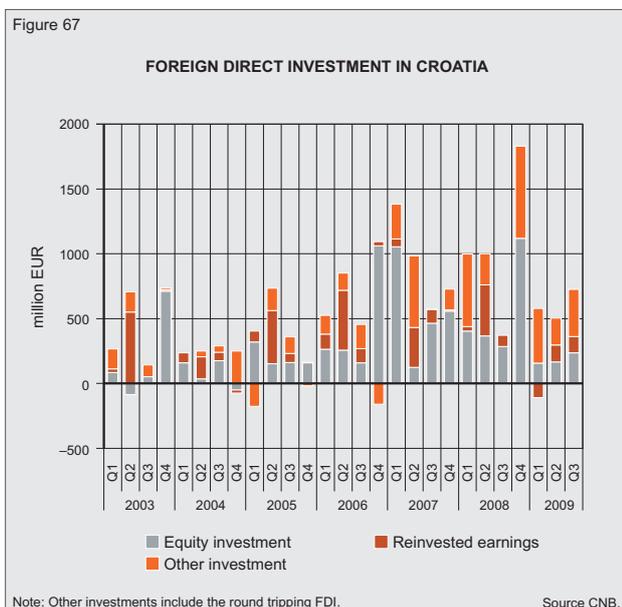
In the third quarter, the account of other investment (loans, trade credits, and currency and deposits) saw a net inflow of EUR 0.2bn, which is not common in the summer months. In contrast to previous years, there was no usual seasonal fall in bank debt on the basis of other investment. Hence, following a slight increase in corporate debt, foreign liabilities increased by a significant EUR 0.7bn. Concurrently, the rise in foreign assets of domestic sectors was somewhat weaker (EUR 0.6bn) and entirely accounted for by the increase in bank currency and deposits held abroad. The balance of foreign assets of other sectors (enterprises), the majority of which is made of trade credits granted to enterprises abroad, decreased due to the weakened foreign trade in goods.

External Debt²³

Croatia's external debt rose by EUR 0.4bn in the third quarter, ending September at EUR 41.3bn. Relative to the same period in 2008, this growth was much smaller, thanks above all to the decline in corporate borrowing. Moreover, the decrease in bank external debt, which is commonly seen in the summer months, was considerably less pronounced during this year's tourist season than in previous years. After increasing its debt in the second quarter (the issue of eurobonds), the central government reported no significant external debt transactions in the third quarter.

Banks decreased their foreign liabilities (hybrid and subordinated instruments included) by EUR 0.2bn in the third quarter. This seasonal decrease was much smaller than in 2008 (EUR 0.8bn) and in previous years. Broken down by maturity, the decrease in bank debt was almost entirely accounted for by short-term instruments, while bank long-term debt slightly increased relative to the end of the previous quarter. Hence, the share of short-term debt in total bank debt fell additionally at the end of September, to 29.5%. Apart from modest changes in the maturity structure, the third quarter also saw changes in the structure of bank debt by debt instruments due to the July repayment of EUR 450m worth of bonds issued by Zagrebačka banka in 2004.

In the third quarter, the central government reported only smaller external debt transactions. The repayment of foreign liabilities due, inter alia, to the Paris and London Clubs, and the smaller withdrawals of new loans decreased the central government external debt by only EUR 1m relative to end-June. In contrast, the external debt of the CBRD and enterprises in public and mixed ownership, which together make the public sector debt, increased by a total of EUR 0.6bn. Within this, the following should be pointed out: the issue of CBRD bonds worth EUR 250m in September and EUR 0.2bn worth of loans taken by the Rijeka-Zagreb Motorway



²³ The reported and analysed external debt data do not include the debt arising from the round-trip transactions (see Box 4).

Table 7 Gross External Debt by Domestic Sectors, end of period, in million EUR and %

	End-period stock			Structure		Absolute growth ^a			
	2007	2008	Sep. 2009	2008	Sep. 2009	2007	2008 ^a	1st half 2009 ^b	Q3/2009
1. Government ^d	5,372	4,197	4,107	10.7	9.9	-298	-1,241	-58	-1
2. Croatian National Bank	2	2	1	0.0	0.0	0	0	-1	0
3. Banks	8,879	10,079	10,207	25.8	24.7	-1,344	1,161	313	-170
4. Other sectors	14,743	19,836	21,423	50.7	51.9	4,243	4,899	702	666
5. Direct investment	3,933	5,010	5,542	12.8	13.4	1,054	1,052	530	-103
o/w: Hybrid and subordinated instruments	56	218	369	0.6	0.9	-113	162	146	4
Total (1 + 2 + 3 + 4 + 5)	32,929	39,125	41,280	100.0	100.0	3,655	5,871	1,486	391

^a Comparable data have been used to calculate the debt growth (the application of the new system of reporting would increase the external debt balance as at end-2007 by EUR 325m or to EUR 33.3bn).

^b Comparable data have been used to calculate the debt growth (the switch to the advanced system of data processing would increase the external debt balance as at end-2008 by EUR 277m or to EUR 39.4bn).

^c Government does not include the CBRD. From early 2008 on, it also excludes CM whose debt at that point stood at EUR 1.2bn. Both CBRD and CM have been reclassified to other sectors. Source: CNB.

Table 8 Current and Contingent External Debt of the Public Sector and Private Sector Debt, end of period, in million EUR and %

	End-period stock			Structure		Absolute growth ^a			
	2007	2008	Sep. 2009	2008	Sep. 2009	2007	2008 ^a	1st half 2009 ^b	Q3/2009
1. Public sector debt	9,259	10,248	11,216	26.2	27.2	1,003	848	237	579
2. Publicly guaranteed private sector debt	140	80	9	0.2	0.0	-64	-58	-26	-29
3. Non-publicly guaranteed private sector debt	23,530	28,797	30,055	73.6	72.8	2,717	5,081	1,275	-158
Total (1 + 2 + 3)	32,929	39,125	41,280	100.0	100.0	3,655	5,871	1,486	391

^a Comparable data have been used to calculate the debt growth (the application of the new system of reporting would increase the external debt balance as at end-2007 by EUR 325m or to EUR 33.3bn).

^b Comparable data have been used to calculate the debt growth (the switch to the advanced system of data processing would increase the external debt balance as at end-2008 by EUR 277m or to EUR 39.4bn).

Source: CNB

and Croatian Motorways. The contingent debt of the public sector (i.e. the publicly guaranteed private sector debt) continued its downward trajectory, ending September at only EUR 9m.

Other sectors (mostly enterprises) slightly increased the intensity of their foreign borrowing in the third quarter relative to the second quarter of 2009 (their debt grew by EUR 0.7bn in the June-September period and by EUR 0.5bn in the previous quarter). In contrast to the second quarter, in which

the bulk of the debt growth was concentrated in enterprises in majority private ownership, the debt growth in the third quarter is solely attributed to public enterprises and non-banking financial institutions (the CBRD), while enterprises in majority private ownership reported a slight decrease in their foreign liabilities. The direct investment-related debt, which is mainly ascribed to enterprises, went down by EUR 0.1bn in the third quarter of 2009.

Box 3 Travel (Tourism) Revenues in 2009

Revenues from tourist spending of foreigners in Croatia and expenditures of domestic travellers abroad are presented under the 'travel services' item in the current account of the balance of payments. According to the standard IMF Balance of Payments Manual, these items should cover goods and services (the payments for accommodation, food and beverages, entertainment, sightseeing and excursions, gifts and souvenirs and the like) that were sold/provided to tourists who stayed for less than one year in the foreign country, including the same-day travellers who did not remain overnight and guests who spent at least one night in the country visited.

Since the Croatian Central Bureau of Statistics does not collect and publish the statistical data on the total number of travellers and on total travel revenues, the Croatian National Bank undertook this task in order to be able to publish the data on transactions in the balance of payments of the Republic of Croatia, which is also its obligation under law. It should be pointed out that different countries estimate revenues and expenditures from tourism with the use of different methods, the selection of the method usually reflect-

ing the importance of tourism for the economy as a whole. Since the share of tourism revenues²⁴ in Croatian GDP is relatively high (in the last several years it exceeded, on average, 15% of GDP), the CNB uses the sampling method for the estimation of total tourism revenues (the average spending of foreign travellers is estimated on the basis of the Survey carried out on a sample of foreign travellers). The by-product of the Survey are data on the structure of travellers by type of stay (travellers staying in paid accommodation, travellers staying in non-paid accommodation and travellers in transit) which enable the total number of travellers visiting Croatia to be estimated from the existing CBS data on the number of arrivals and nights stayed by foreign tourists in commercial accommodation facilities. The Survey is carried out by an external institution (from 1998 to 2002, it was carried out by the Institute for Tourism which designed the initial research methodology, while from 2002 onwards it is carried out by the PULS agency).

Although the methodology for the estimation of tourism revenues has been constantly improved from the first days

²⁴ It refers to tourism revenues in the balance of payments which relate only to the spending of non-residents (foreign visitors).

in which the Survey was conducted up to the present day in order to improve the quality of collected data and increase the comparability of the Survey results with other sources of data on tourism, its key features have not been changed; it is based on a survey of travellers (a stratified sample)²⁵ at border crossings, including non-residents²⁶ leaving Croatia and residents returning to Croatia. The results obtained by the Survey are combined with the CBS data which cover only travellers staying in paid accommodation in order to obtain the final results for the entire population of tourists. In the course of the balance of payments compilation, Survey results are brought up to date with the CIHI data on health care expenditures for non-residents.

The Survey Results for 2009

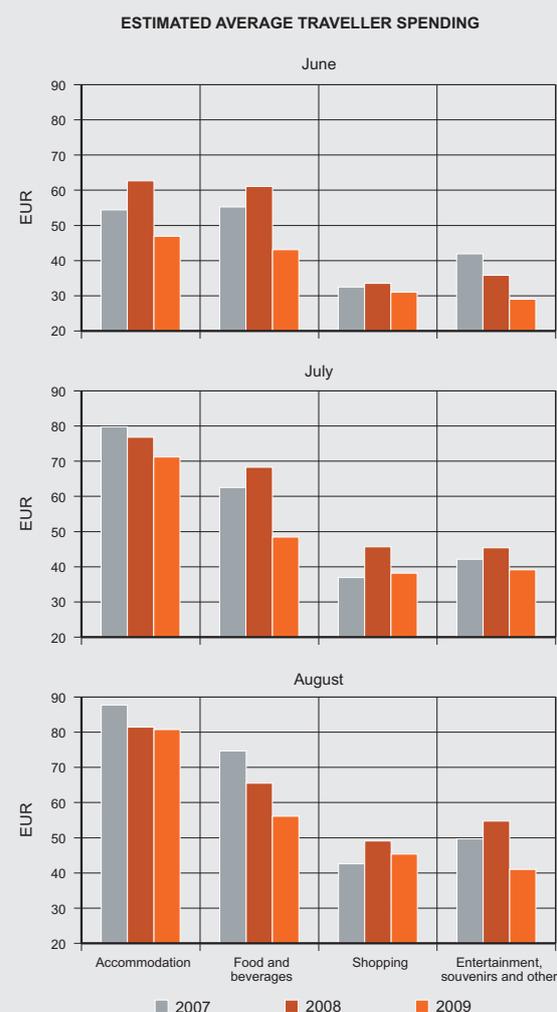
Tourism revenues reported in the services sub-account of the current account and estimated on the basis of the Survey were 15.2% lower in the first nine months of 2009 than in the same period in 2008. Following somewhat less pronounced negative trends at the beginning of the year, when tourism revenues are usually low, tourism revenues in the second and third quarter fell at annual rate of about 15%. Measured in absolute terms, revenues decreased the most in the third quarter when, as experience shows, their growth rate is the highest, and especially in July, in which weather conditions were somewhat less satisfactory. Shown by months comprised by the second and the third quarter, with the exception of April when thanks to the positive impact of the Easter holidays there was only a minimum increase in revenues, the annual rate of decrease in tourism revenues ranged between 22% (May and July) and 11% (August). A detailed analysis shows that the fall in revenues observed throughout the whole of 2009 was the result of the decrease in the spending of foreign travellers, whereas a slight increase was observed in the arrivals of foreign travellers to Croatia.

Tourism revenues declined by 15.9% in the second quarter of 2009 relative to the same quarter in 2008. For the most part, this was due to a decrease in average traveller spending, while the estimate obtained on the basis of the Survey showed an increase in the total number of travellers and tourists over the same period in 2008. The average spending, if all three categories of foreign visitors are analysed at the same time, fell by EUR 37 (from EUR 144 in the second quarter of 2008 to EUR 107 in the same period in 2009²⁷), with the average spending of guests staying in paid accommodation, also marked by the largest average traveller spending, decreasing the most in absolute terms. The above-mentioned estimated increase in the number of trav-

ellers (10% on an annual level) was the result of the strong increase in the number of those travellers who are in transit through Croatia, whereas a slight increase was also seen in the number of the arrivals of guests staying in non-paid accommodation. In contrast, the CBS data on the arrivals of foreign tourists staying in commercial accommodation facilities show a decrease in the number of arrivals of guests in paid accommodation (by 4.2% on an annual level).

The third quarter, which usually generates about two thirds of total annual revenues, showed an annual fall in revenues of 15.7%. This was almost entirely the result of the fall in the average spending because the estimated number of travellers and tourists was only slightly higher than in the same quarter in 2008. The average traveller spending in the April-June period was EUR 39 lower than in the third quarter in 2008 (the fall from EUR 235 to EUR 195 per traveller). A modest increase in the total number of tourists is attributed to a negligible increase in the number of travellers in transit and tourists who stay in paid accommodation (1.8% according to the CBS data), while the Survey estimated that the number of tourists who stay in non-paid

Figure 68



Note: Since some of the Survey respondents did not distribute their total spending by components, the sample used in this analysis is smaller than the total sample. Hence, the sum of components does not have to match exactly the total spending reported by the Survey results.

Source: Survey on Foreign Tourist Spending.

25 The strata are derived from the estimates of the Ministry of the Interiors on traffic load of travellers at individual border crossings.

26 The term 'non-resident' is important because Croats who live and work abroad in a period longer than one year are considered non-residents and revenues from their tourist spending in Croatia are considered revenues from tourist services, i.e. exports of services.

27 This refers to average spending per traveller which also includes the spending of tourist who stay in paid accommodation, foreign visitors who stay in their own real estate property or at their friends' or relatives' property in Croatia, as well as the spending of foreign tourists who are only in transit through Croatia.

accommodation fell by more than one tenth relative to the third quarter in 2008.

A detailed analysis of the average spending on the basis of the Survey results structured by individual type of expenditures (accommodation, food and beverages, shopping expenditures, entertainment, souvenirs and the like) shows that in all three summer months (June, July and August) of 2009 the bulk of the fall in average traveller spending may be explained by lower secondary spending and that accommodation expenses fell by only a smaller amount. Specifically, only June saw a somewhat stronger fall in accommodation expenses while in August they remained at the same average level seen in August 2008. Food and beverage expenses fell the most in all three months, while entertainment expenses decreased the most in August. If the same analysis is made for each group of foreign travellers (those in paid and non-paid accommodation and those in transit), the strongest fall in spending is observed in travellers who stay in paid accommodation and who, shown in absolute terms, decreased their food and beverage expenses the most in all three months (i.e. more than accommodation expenses, which exceed food and beverage expenses). On other hand, guests who stay in non-paid accommodation most decreased their shopping expenditures, which account for the largest share in this group.

Alternative Indicator on Tourism Movements

Other statistical data which to a certain extent reflect or are related to the movements in tourism may be used for the verification of the results of the Survey. Different information contained in a larger number of statistical data may be compiled into one indicator by using the mathematical method of the principal component analysis. The first principal component is the indicator which accounts for as much of the variability in the data as possible, and each succeeding component accounts for as much of the remaining variability as possible. Accordingly, the alternative indicator on tourism movements represents the first principal component of ten series of statistical data shown in Table 9. The calculation of the alternative indicator is based on the an-

Table 9 Movement of Tourism Revenues and Other Tourism-Related Indicators, year-on-year rate of change, in %

	2006	2007	2008	Jan.–Sep. 2009
Tourism revenues (balance of payments)	4.9	7.3	10.5	-15.2
Foreign guest arrivals ^a	2.3	7.5	1.2	-0.6
Foreign guest nights ^a	2.3	5.4	2.1	-0.1
Total revenues of hotels and restaurants ^b	9.4	15.4	1.5	-0.2
The number of employed in hotels and restaurants ^b	6.5	3.0	2.4	-4.5
Consumer price index in hotels and restaurants	3.2	2.2	6.0	4.1
Inflows from ITRS related to tourist spending	9.5	12.6	11.0	-2.0
Foreign currency inflows	7.1	14.0	5.2	3.6
Currency outside banks	13.7	14.3	7.1	1.8
Real retail trade turnover (excl. road vehicles)	1.1	3.1	0.1	-4.4
Index of business expectations (average balance)	0.12	0.14	-0.04	-0.16

^a Commercial accommodation capacities.

^b Accommodation and food service activities, including tradesman.

Sources: CBS, FINA, Eurostat and CNB.

nual rates of change in selected series, with two approaches being used: monthly and quarterly data on the movement of individual series.

Once again, it should be pointed out that tourism revenues from the balance of payments relate to tourists who are not Croatian residents and also include tourists who did not stay in registered tourist facilities (but in facilities in their ownership or at service providers from the informal tourist sector) or were only in transit through Croatia. However, some of data series shown in Table 9 relate to only one segment of accommodation covered by the Survey (arrivals and nights stayed by foreign guests in commercial accommodation facilities correspond to the segment of paid accommodation in the Survey) and sometimes their coverage in that segment is too wide because they also include the spending of domestic tourists (total revenues and the number of employed in accommodation and food service activities, including tradesmen). In addition, the consumer price index in hotels and restaurants, including accommodation prices, also covers only the movements in the formal tourist sector and at the same time excludes short-term promotional price decreases or special offers of hoteliers in the 2009 tourist season aimed at attracting foreign guests and offsetting the effects of the economic crisis. Moreover, inflows from international payment transactions (International Transaction Reporting System, ITRS) related to tourist spending²⁸ also cover similar movements but their coverage is narrower since they only include cashless payment transfers from one account to another.

In attempt to cover the movements in the spending that takes place outside commercial accommodation facilities, we examine the additional series characterised by a high seasonality that is assumed to be related to tourism. However, these series also do not depend exclusively on the movements in tourism. Hence, retail trade turnover (which excludes the trade in motor vehicles and motorcycles) and currency in circulation are affected by the spending of residents, which are not the subject of this analysis, and by various other factors (habits, preferences). Similarly, in addition to showing the value of direct conversion of foreign currencies into kuna by foreign tourists and small domestic hirers that charge their services in foreign currencies, the inflow of foreign currency (the repurchase of foreign currency and traveller cheques at banks and exchange offices of natural persons²⁹) is significantly affected by transactions that are not directly related to tourism (e.g. purchase of real property or used cars) due to the high level of euroisation in Croatia.

Finally, external factors like the expected economic

²⁸ The payments from abroad to the accounts of domestic enterprises which provide tourist services, the purchase of kuna and kuna traveller cheques abroad, renting of road vehicles, operative leasing, business trip expenses and other payments related to tourism (grants and specialist trainings, provision of health care services, credit card payments for goods and services purchased by non-residents in Croatia and the like).

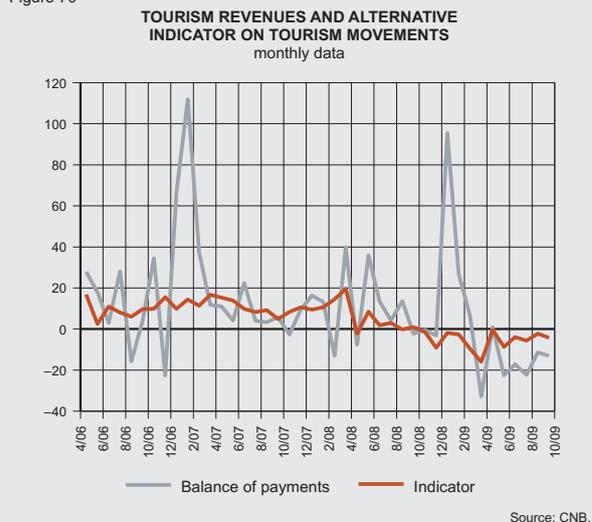
²⁹ Although there are separate data on transactions which include only foreign natural persons, these data are marked by a large break which is explained by low credibility of information on residency. Therefore, we analyse only those data which relate to total inflows of foreign currency from natural persons (domestic and foreign).

Figure 69



Source: CNB.

Figure 70



Source: CNB.

conditions in Croatia’s main tourist-generating markets most certainly affect the decisions on travel and the level of spending of foreign tourists in Croatia. In order to simplify the collection and the analysis of the data, we are going to show these developments by using the index of business expectations in EU countries from which the largest number of tourists arrives in Croatia.

The comparison of the alternative indicator, which represents the linear combination of the annual rates of change in the described series, with tourism revenues reported in the balance of payments, shows that the volatility of this indicator is much smaller, especially when it is estimated using monthly frequency data. Accordingly, since there is no complete correspondence between the observed series, the correlation coefficient (which is shown for quarterly frequency data and somewhat higher than in the case of monthly frequency data) stands at 0.57 in the period shown in the Figures. The largest divergences in the indicator, especially the monthly indicator, from the Survey data as well as the largest volatility are observed during the winter months when tourism revenues are very low. Therefore, a detailed analysis and the comparison of the movements in the second and the third quarter are recommended.

Both approaches to the calculation of the alternative indicator show that neither 2008 nor 2009 was marked by high correspondence between the strength of its movements and the changes in Survey-based tourism revenues. Hence, for example, the Survey results in mid-2008 indicated a growth in tourism revenues of more than 10% at an annual level, whereas in accordance with the movements of the alternative indicator this growth should be minimal (slightly exceeding the stagnation on an annual level). In contrast, the alternative indicator points to a weaker fall in tourism revenues in 2009 than the Survey results, in which the stronger fall in revenues may in part be the result of high average spending amounts estimated by the Survey in 2008.

The table shows that none of the reported data series fell in the first nine months of 2009 in the extent indicated by the Survey results, with the exception of indicators related to the general economic situation in tourist-generating

markets. Here it should also be pointed out that the fall in the Survey-based revenues was mainly determined by the fall in the average spending and that the alternative indicator does not contain a series that would precisely measure foreign tourists’ propensity to spend. The described value is difficult to measure and such data are not available in the coverage needed due among other things to the variable structure of guests so that the approximation by the index of business expectations in the EU only partly describes the required movements.

In addition, among the remaining series only retail trade turnover and the number of employed in tourism show a fall of almost 5% on an annual level, while the fall in other series is much less pronounced. Moreover, foreign currency inflows³⁰ increased relative to the same period in 2008 as a result of increased inflows in the first half of 2009, which are attributable to the return of a portion of funds withdrawn by citizens from banks at the end of 2008 and thus not related to the tourism, and decreased in the third quarter of the year.

Still, although numerous hotel and restaurant service providers reported relatively good operating results (or only slightly weaker than in 2008), this must not be taken ideally to reflect the movement of total spending of foreign tourists. The comparison with the Survey results may lead to the conclusion that a much greater burden of the fall in revenues was taken by small private hirers and independent tourist workers who are not captured by the profit tax system and who provide private accommodation services and various other services in the segment of secondary spending (entertainment, souvenirs) that, according to the Survey results, endured a substantial fall. The fall in the revenues of small private hirers and independent tourist workers is also suggested by much smaller inflow of household deposits in the summer months in 2009 in comparison with several previous years.

30 Since the correlation between the inflow of foreign currency and other series is the lowest within the observed group of data, the indicator that excludes data on the inflow of foreign currency has been alternatively estimated. However, since its movements coincide with the basic result, the mentioned series has been kept in the construction of the alternative indicator.

Box 4 Round Tripping and Its Impact on Croatian Statistical Data

The term 'round tripping' describes an investment made in an enterprise through a legal person set up in another country solely for that purpose. This mode of investment is a common practice in financial circles and often used due to more favourable tax treatment, easier access to financial services and other business or political reasons.

For example, enterprise A buys enterprise B from the same or a different country. In a case referred to as round tripping, enterprise A, in order to make a transaction, sets up a new legal person C in another country and provides it the financial resources to acquire an ownership stake in enterprise B. Enterprise C thus has a special function, i.e. it is set up solely for the purpose of capital channelling and is called a special purpose entity (SPE). If the financial transactions of enterprise C are performed through foreign banks, the channelling of capital through enterprise C does not result in the transfer of funds through the banking system of the country in which enterprise C is set up.

Round tripping is a common and widespread occurrence in countries such as the Netherlands, Luxembourg and Hungary. Since these investments in the above-stated countries are extremely high and frequently overstate the stock of actual direct investment, these countries publish two versions of the balance of payments – one which includes and the other which excludes transactions with domestic enterprises which have the characteristics of SPE. Specifically, while round tripping, on the one hand, inflates investment in domestic economy, on the other, it has a negligible economic effect, which becomes evident only after a longer period of time from the movements in the factor income account.

Enterprises which have the characteristics of SPE were set up in Croatia at the end of 2008. Moreover, the CNB did not receive any information on these enterprises. The subsequent inclusion of data on round tripping resulted in a substantial revision of earlier published statistical data for 2008 and 2009:

- a) The set up of SPE headquartered in Croatia (in our example, enterprise C) is reported:
 - 1) in the financial account of the balance of payments as direct equity investment in Croatia, and
 - 2) in the statistics of the international investment position where the balance of foreign liabilities presented

under direct equity investment is increased by the same amount.

- b) Foreign investments of SPE (in our example, the takeover of foreign enterprise B by Croatian enterprise C) are reported:
 - 1) in the financial account of the balance of payments as Croatia's direct equity investment abroad, and
 - 2) in the statistics of the international investment position where the balance of foreign assets presented under direct equity investment abroad is increased by the same amount.
- c) Liabilities of SPE to the foreign owner (in our example, the takeover financed by foreign loans granted by enterprise A to enterprise C) are reported:
 - 1) in the financial account of the balance of payments as a direct investment from abroad in Croatia on the basis of other investment, and
 - 2) in the statistics of the international investment position where the balance of foreign liabilities presented under other direct investment is increased by the same amount; moreover,
 - 3) the direct investment-related debt is increased by the same amount, contributing to the rise of the stock of total gross external debt.

Although transactions (b) and (c) have no effect on the amount of net FDI inflows in Croatia, and thus no effect on total financial account of the balance of payments, they overstate the amount of direct investment in Croatia and Croatia's direct investment abroad in the period in which these transactions are performed. Hence, Croatia's direct (equity) investment abroad and (other) foreign direct investment in Croatia rose by EUR 0.8bn in December 2008 and by EUR 0.7bn in August. What is even more important is that transaction (c) contributes to a significant increase of gross external debt (by a total of EUR 1.5bn, as compared to the balance that excludes foreign liabilities of enterprises with the characteristics of SPE and according to the data on the debt balance at end-September 2009). However, since the current economic effect of these transactions on the Croatian economy is neutral, the CNB will continue to monitor the developments in gross external debt and derived relative indicators on external debt in its macroeconomic analysis but exclude the above transactions. Also, in line with the practice of other central banks, the CNB may decide in the future to publish two versions of the balance of payments if the amount and frequency of such investments increase.

Government Finance

Fiscal Policy Features in the First Nine Months of 2009

The pronounced downturn in consolidated central government revenues that characterised government finance in the first nine months of 2009 was caused by a sharp economic slump. The substantial fall in revenues can be almost

entirely attributed to the contraction of tax revenues, primarily those from VAT and excise duties. However, this fall in revenues was not accompanied by a decrease in budget expenditures. Instead, almost all expenditure items grew on an annual basis, while the net acquisition of non-financial assets slightly decreased. The consolidated central government deficit (GFS 2001) on a cash basis stood at HRK 8.7bn in the period from January to September 2009, in contrast to the surplus generated in the first nine months of 2008. The deficit was financed by borrowing; most of the funds needed

were raised in the domestic market through new loans and T-bill issuance, so that the consolidated central government debt stood at HRK 108.6bn at end-September. By its targeted measures early in 2009, the CNB helped the government obtain the funds needed, while at the same time striving to prevent the private sector being crowded out.

Owing to a substantial shortfall in revenues the government had to revise the 2009 budget as many as three times. The first two revisions projected lower revenues and a reduction in expenditures, particularly for the use of goods and services and employee compensations. The cut in the latter expenditures was due to the rollback of the wage calculation basis for civil servants and government employees to its December 2008 level. On the other hand, the third 2009 budget revision, adopted in July, was mostly made so as to include in the budget the expected increase in revenues due to changes in the tax system. However, as revenues planned in the budget revisions were reduced more than expenditures and outlays for the acquisition of non-financial assets, the consolidated central government deficit target for 2009 was increased substantially.

Consolidated Central Government Revenues

Preliminary MoF data on budget execution show that consolidated central government revenues dropped by 7.1% in the first nine months of 2009 relative to the same period of 2008. Revenues stood at HRK 83.8bn, i.e. slightly lower than three quarters of the revenues projected for 2009. Observing their quarterly dynamics, it should be noted that the smallest year-on-year fall was recorded in the third quarter, mostly due to the VAT rate increase, the introduction of the special tax on salaries, pensions and other income and mobile phone fees.

The fall in consolidated central government revenues was almost entirely due to adverse trends in tax revenues, with a particularly large negative contribution coming from VAT and excise revenues. The sharp downturn in revenues from these indirect taxes mostly reflects domestic demand contraction, while the trends in excise revenues were strongly affected by arrears on excise duties on refined petroleum products and road fees for the purpose of financing road infrastructure construction and maintenance.³¹ It should be noted that the outturn in excise revenues, and thus the overall budget execution, will depend on the settlement of these arrears by the end of 2009. In addition, due to a major drop in imports of road vehicles, a particularly sharp fall was recorded by revenues from excises on cars, which were half those in the same period of 2008. Despite the January 2009 increase in the special tax on tobacco products, which was made in line with EU practice, this excise category recorded a negative rate of change, largely due to the fact that demand for tobacco products was met from stocks generated in late 2008.

Profit tax revenues also declined substantially, partly as a result of the economic entities' inability to pay advance tax on current year profit due to their illiquidity, and partly as

a result of weaker business performance of profit tax payers in 2008 compared with 2007.³² This also led to a slight year-on-year decline in revenues from social contributions despite the still positive growth in the gross wage bill. On the other hand, by the introduction of the special tax on salaries, pensions and other income in August 2009, the government raised some HRK 0.4bn in two months, which provided a strong boost to revenues from other taxes.

Consolidated Central Government Expenditures

Consolidated central government expenditures stood at HRK 90.3bn in the observed period, up 6.5% on the same period in 2008. After growing strongly in the first quarter of 2009, their annual growth slackened considerably in the second and particularly in the third quarter.

The growth in total expenditures was mostly due to expenditures on social benefits, which account for the largest share of expenditures. Compared with the same period of 2008, these expenditures grew by 8.9%, with expenditures on social security benefits growing even more, due in part to the rise in pension expenditures triggered by the increase in the number of pension beneficiaries and the actual value of pensions. However, it seems that due to the health care reform begun in late 2008 as well as the settlement of some health sector arrears the increase in social security benefits was also caused by the rise in health care expenditures. Growth was also recorded by social assistance benefits, comprising expenditures related to various social rights and a part of pension outlays.

In addition to expenditures on social benefits, employee compensations also grew in the first nine months, by 6.5%, mostly due to developments at the beginning of the year. However, after the wage calculation basis for civil servants and government employees was restored to its December 2008 level, the growth of these expenditures slowed down perceptibly. Furthermore, the rise in outlays for employees was also boosted by employment growth in education, health care and social services.

The planned expenditures for the use of goods and services, which increased in the first three months of 2009, were considerably reduced in the first budget revision. Hence, these expenditures recorded a negative rate of change in the second and third quarters so that their growth rate was a moderate 5.5% from January to September 2009. In contrast, more expensive funding costs and increased borrowing led to a noticeable growth in interest expense. Expenditures on subsidies also increased, though much less than in the same period of 2008, while the only expenditure category that recorded a decrease was "other expenditures". This was mostly not due to actual savings but rather to smaller transfers to Croatian Motorways (CM) of road fees.

³¹ To ensure comparability with historical data, road fees incorporated in fuel prices are reported within excise revenues.

³² Advance tax on current year profit is paid based on the tax return for the previous period (previous year).

Operating Balance of the Consolidated Central Government and Transactions in Non-Financial Assets and Financial Assets and Liabilities

In line with the described developments in revenues and expenditures, a HRK 6.5bn negative net operating balance was generated. As net acquisitions of non-financial assets totalled HRK 2.1bn from January to September 2009, the consolidated central government deficit (GFS 2001) stood at HRK 8.7bn. The major part of the deficit was generated at the state budget level, while the deficit of extrabudgetary funds was almost entirely due to the operations of Croatian Roads (CR). In particular, although current expenditures of CR held steady, while its capital investments were reduced, the drop in revenues from road fees led to a much larger CR deficit relative to the same period of 2008.

As the negative balance was not funded through the disposal of financial assets, financial liabilities of the central gov-

Table 10 Operating Balance and Transactions in Non-Financial Assets and Financial Assets and Liabilities, GFS 2001, in million HRK and %

	Consolidated central government		
	Jan.–Sep. 2008	Jan.–Sep. 2009	Jan.–Sep. 2009 / Jan.–Sep. 2008
1. Change in net worth (net operating balance)	5,455	-6,518	-
1.1. Revenue	90,182	83,756	-7.1
1.2. Expense	84,728	90,274	6.5
2. Change in net non-financial assets	2,296	2,146	-6.6
2.1. Acquisition of non-financial assets	2,669	2,393	-10.4
2.2. Disposal of non-financial assets	373	247	-33.8
3. Net lending (+) / borrowing (-) (1 - 2)	3,159	-8,664	-
3. Financing (5 - 4) Transactions in financial assets and liabilities	-3,159	8,664	-
4. Change in financial assets	2,941	2,684	-8.7
4.1. Domestic	2,934	2,684	-8.5
4.2. Foreign	7	1	-87.3
5. Change in liabilities	-218	11,348	-
5.1. Domestic	1,100	11,267	924.3
5.2. Foreign	-1,318	81	-

Note: On a cash basis.
Sources: MoF and CNB calculations.

Table 11 Consolidated Central Government Debt, end of period, in million HRK

	Stock		Change	
	Dec. 2008	Sep. 2009	Jan.–Sep. 2008	Jan.–Sep. 2009
A. Central government debt (1 + 2)	98,249	98,249	-612	10,363
1. Domestic central government debt	67,997	78,921	1,445	10,924
1.1. Domestic debt of the Republic of Croatia	64,962	75,168	593	10,206
1.2. Domestic debt of central government funds	3,035	3,753	852	718
2. External central government debt	30,252	29,691	-2,056	-561
2.1. External debt of the Republic of Croatia	28,451	27,995	-2,083	-456
2.2. External debt of central government funds	1,800	1,696	27	-105
Supplement:				
B. Total guarantees issued by the Republic of Croatia	44,706	50,774	3,007	6,068
1. Domestic	13,299	14,286	-181	987
2. Foreign	31,407	36,488	3,188	5,082

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

ernment strongly increased in the first nine months of 2009. Apart from deficit financing, the funds borrowed were partly used to increase financial assets, which grew by HRK 2.7bn in the reference period. The increase largely relates to the rise in net loans granted, which was probably to avoid the activation of the guarantees for state-owned shipyards (in the event of activation, government claims against shipyards would probably never be paid). In addition, a smaller amount was spent for shares and other equity holdings. As new loans, of HRK 11.3bn, exceeded deficit financing by a large margin, the government considerably increased its financial assets.

Government Debt

According to CNB data, consolidated central government debt stood at HRK 108.6bn at end-September 2009, up HRK 10.4bn over the end of 2008. The debt increase was entirely the result of domestic market borrowing, while external borrowing was equal to external debt payments. It should be noted that most of the new debt will have to be refinanced in 2009 and 2010. In addition, contingent government debt rose in the first nine months as government guarantees grew by as much as HRK 6.1bn, to HRK 50.8bn at the end of the observed period. Guarantees increased most in September, largely due to new foreign borrowings of CM, the Rijeka-Zagreb Motorway and the CBRD.

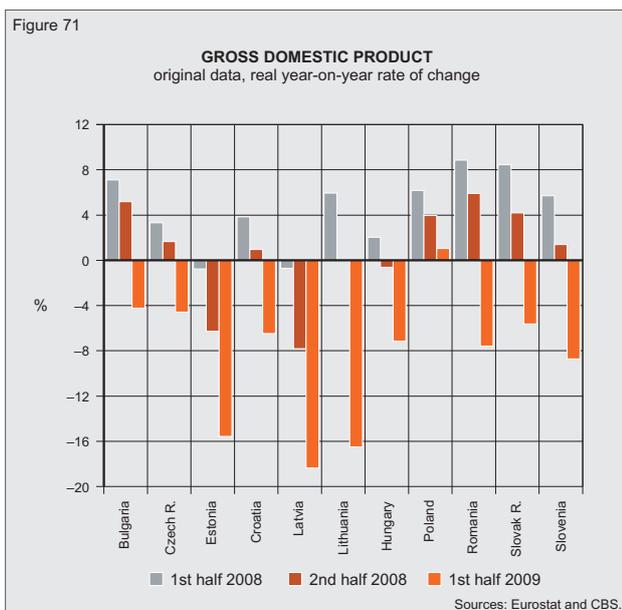
Due to the unfavourable global financial position, i.e. impeded access to foreign capital markets, in the first part of the year the central government borrowed mostly in the domestic market through new loans and T-bill issuance. On the other hand, the government repaid (among other things) EUR 500m worth of seven-year foreign bonds that fell due, JPY 25bn worth of six-year Samurai bonds and the first instalments payable to the London and Paris Clubs in 2009.

As the situation in global financial markets improved near the end of the first half of the year, the government issued EUR 750m worth of foreign bonds in late May. Domestic debt rose by HRK 10.9bn in the first nine months of 2009, while external debt of the central government slightly decreased due to the repayment of the stated foreign liabilities and the appreciation of the kuna exchange rate against the euro and US dollar.

Comparison between Croatia and Selected Central and Eastern European Countries

Central and Eastern European countries⁵³ were affected by the negative impact of the global financial crisis as early as the second half of 2008 when they registered lower, though in most countries still positive, real year-on-year GDP growth. A strong real GDP contraction followed in early 2009 due to

⁵³ In addition to Croatia, this analysis includes: Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovenia and the Slovak Republic.



a reduction in the total volume of global trade, a sharp drop in consumer and corporate confidence, impeded access to capital and more stringent borrowing terms. In the first half of 2009, the annual rate of decline in GDP ranged from a high 18.4% in Latvia to a moderate 4.2% in Bulgaria, while Croatia's GDP fall of 6.5% put it in the middle of the range.

Due to extreme openness, i.e. a large share of exports in GDP, the real contraction was mostly the result of a substantial decline in foreign demand. In the first half of 2009, goods and services exports of the countries concerned decreased in real terms from 13.7% in Estonia to 22.9% in the Slovak Republic (Croatia recorded a fall of 17.4%). Imports fell more than exports in most countries, which led to the contraction of their current account deficits.

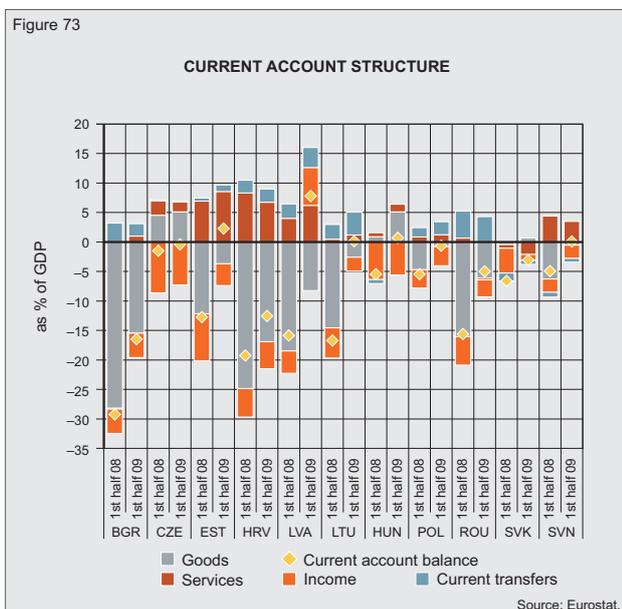
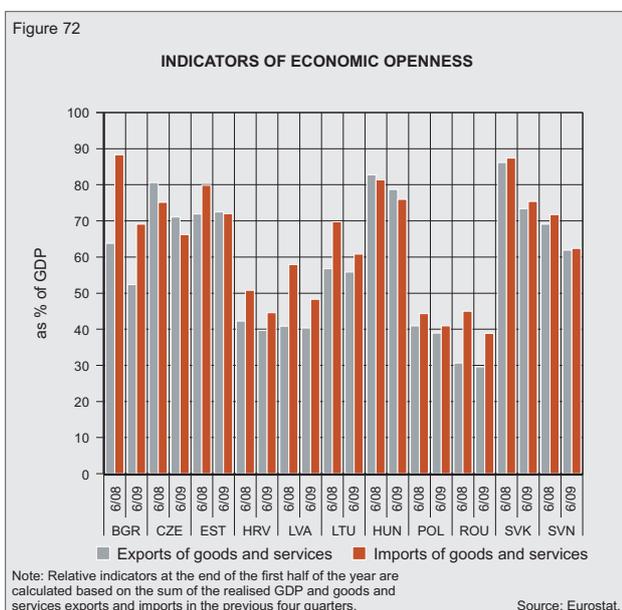
The structure of the current account deficit shows that the analysed countries can be roughly divided into two groups: countries whose current account deficit largely depends on negative trends in the goods account (Croatia, Bulgaria, Estonia, Lithuania, Latvia, Romania) and countries where the current account balance mostly depends on the deficit in the factor income account (Czech R., Hungary, Slovak R.), which is in part due to historically large foreign investments in export-oriented activities.

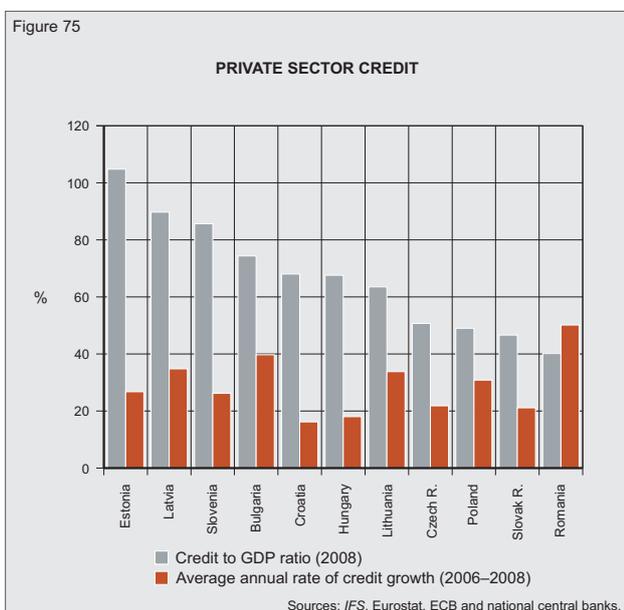
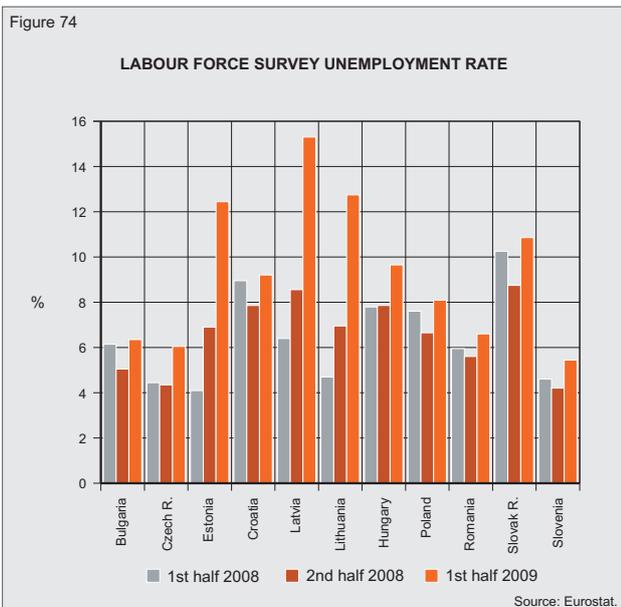
Coupled with plummeting foreign demand, the fall in domestic output was due to a relatively pronounced decline in gross fixed capital formation (a decrease of 39.8% in Lithuania stands out), while personal consumption dropped the most in Latvia (21.5%) and Estonia (19.3%).

Seasonally adjusted data on industrial production from July to September 2009 suggest that this activity picked up slightly in most countries under review. This was probably supported by stronger foreign demand indicated by the nominal data on goods exports. In contrast, the volume of industrial output decreased relative to the second quarter in Croatia, Bulgaria and Estonia. Apart from Lithuania, Croatia was also the only country reviewed in which a recovery of foreign demand had not begun and whose goods exports continued to decrease early in the third quarter.

The adverse economic trends recorded in 2008 and 2009 also affected labour market indicators. Unemployment started to go up in the Baltic countries as early as the third quarter of 2008, and in Croatia in late 2008. The negative impact of the crisis on the labour market occurred in other countries in the first half of 2009. The Labour Force Survey unemployment rate ranged from 5.5% in Slovenia to 15.3% in Latvia in the first six months of 2009, with the most pronounced increase relative to 2008 and the highest unemployment rates being registered in the Baltic countries. Among the unemployed, the most vulnerable were young people whose unemployment rate was around 25% in the majority of the countries surveyed.

Influenced both by the demand side factors (weaker foreign and domestic demand and low level of confidence) and the supply side factors (reduced foreign capital inflows, slower growth in domestic savings, tighter lending terms), bank lending slowed down further in most countries reviewed from the end of 2008. This was mostly reflected in a noticeable slump in lending to the private sector, while lending to the government intensified.





Slower growth in private sector lending was particularly pronounced in Romania and Bulgaria, which recorded strong credit expansion until early 2008. In contrast, compared with other countries, Croatia registered the lowest growth rate of private sector loans in the last two years, which should be attributed to CNB measures aimed at restraining the long-term unsustainable growth in bank loans financed from foreign sources. This is the reason why loan contraction in Croatia has been relatively small over 2009. In the late third quarter of 2009, the year-on-year rate of change in bank credit for the selected group of countries ranged from a negative -3.8% (Romania) to a positive 11.4% (Poland), while it was -0.8%³⁴ in Croatia.

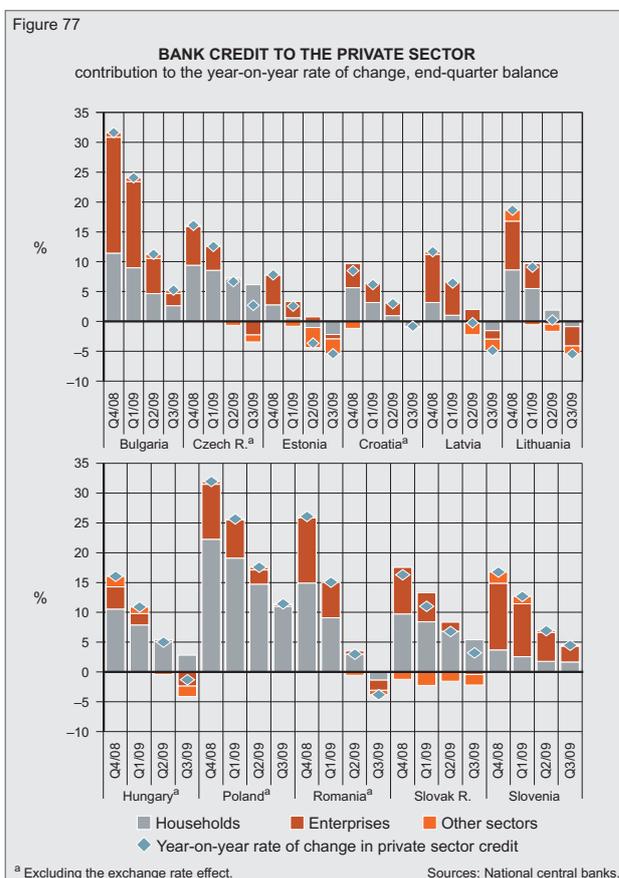
At the same time, the annual growth rate of placements to the government ranged from 11.3% in Hungary to 96.1% in Estonia at-end September, while claims on the government nearly tripled on an annual basis in Romania. Croatia also

registered an exceptionally strong upturn in domestic banks' placements to the government (54.0%) due to the widening budget deficit and impeded access to foreign funding; the channelling of such large amounts to the government gave rise to the fear that the private sector might be crowded out.

With regard to the sectoral structure of private sector credit, recent developments in Croatia have been somewhat different from those in most of the countries surveyed. The slowdown in bank lending in Croatia was largely due to a decline in household loans, which was also registered only in the Baltic countries and Romania. In contrast, the dynamics of bank lending to the private sector, though slower than in previous years, remained positive in other countries reviewed. Slovenia and, to some extent, Bulgaria are the only countries where total loan growth over the last year has been much more the result of lending to enterprises than of lending to households.

Dwindling growth in loans was accompanied by the increase in bank lending rates (exceptions were Slovenia and, due to the rise in the general price level, Hungary) and the ratio of non-performing loans to total loans (NPLR). The Baltic countries recorded the sharpest increase of NPLR. Growing marginally year-on-year, this ratio stayed below 5% in Croatia in 2008, but grew by more than 1 percentage point by the end of June 2009. As the increase of NPLR usually lags behind the deterioration of economic conditions, non-performing loans are expected to continue growing and put pressure on banks' profits in the following period.

The rise in private sector deposits with banks began slowing down in the last quarter of 2008 in most selected



34 Excluding the exchange rate effect.

countries, while a temporary outflow of savings occurred immediately after the collapse of Lehman Brothers. The Slovak Republic was an exception; its robust growth in domestic deposits in late 2008 may be ascribed to the conversion of the

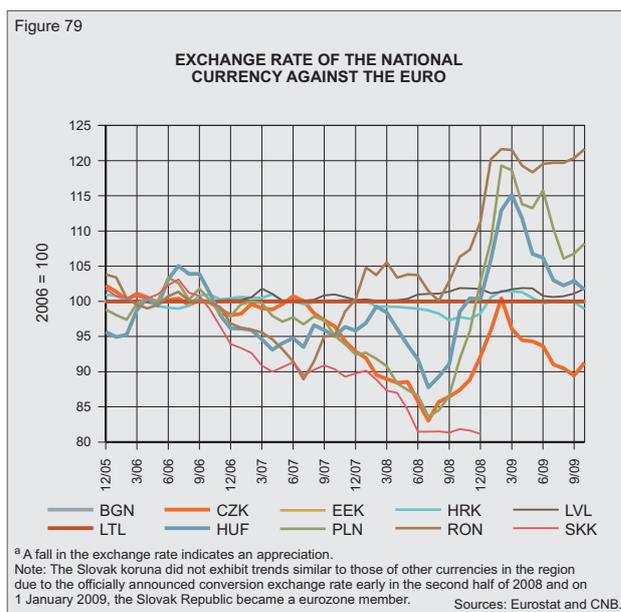
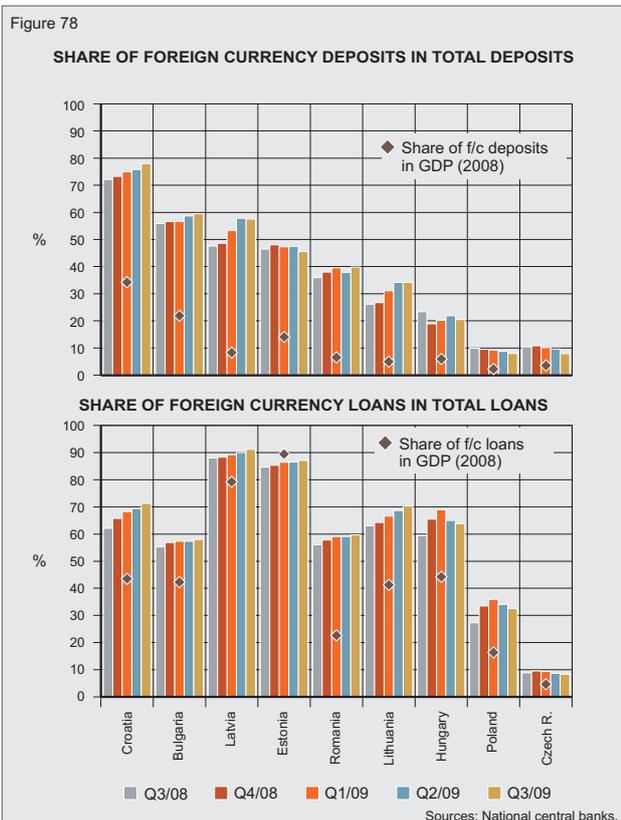
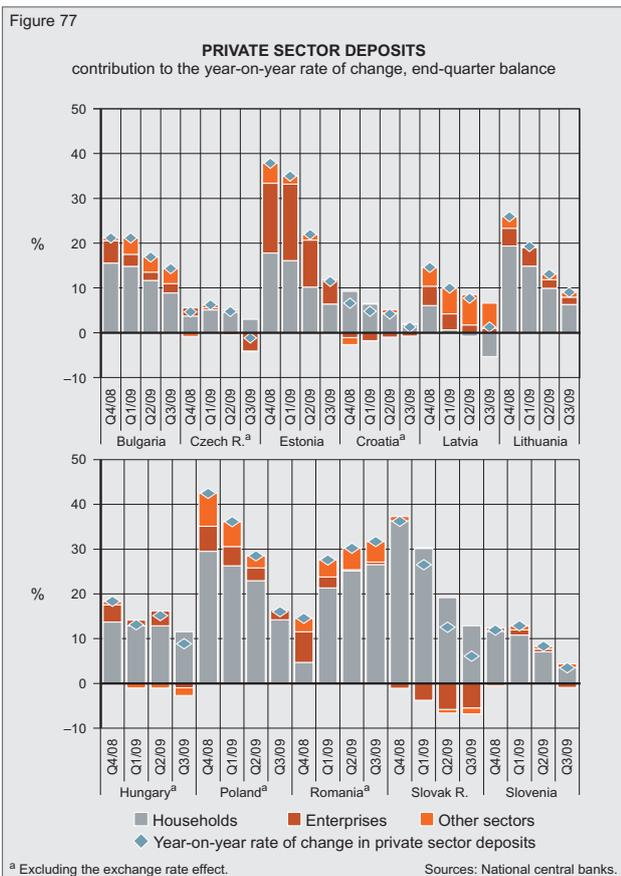
domestic currency to the euro. Adverse trends in savings that continued in the first nine months of 2009 were largely due to slower growth in corporate deposits, while the Slovak and Czech Republics and, to a lesser extent, Croatia and Hungary even registered a fall. In contrast, the increase in household savings, though smaller than in 2008, has remained fairly strong.

The slower growth in savings was accompanied by the increase in the level of euroisation; measured as the share of foreign currency deposits in total deposits, the level of euroisation was the highest in Croatia.

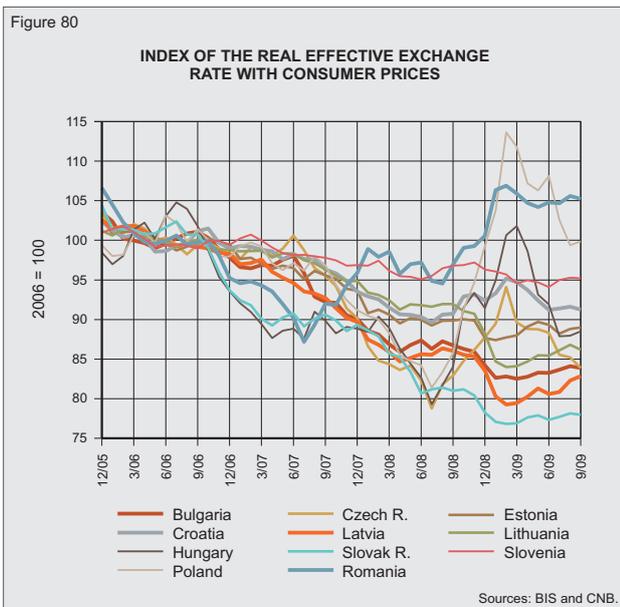
In the majority of countries, the increase in the level of euroisation was mostly due to a noticeable weakening of the national currency against the euro. In Croatia, this trend was largely driven by the negative perception of currency risk, which again made savers more prone to saving in foreign currency, despite the stability of the kuna.

From mid-2008 to the end of the first quarter 2009, the nominal depreciation against the basket of currencies of main trading partners (mostly the euro) was the main factor contributing to the improvement of price competitiveness³⁵ in the surveyed countries with flexible exchange rate regimes. The rise in price competitiveness was much less pronounced in Croatia due to the stability of the nominal exchange rate. In contrast, consumer price developments produced the opposite effect on price competitiveness as prices grew faster in the surveyed countries than in their main trading partners. The trend reversed in late first quarter 2009 when price competitiveness began to deteriorate in most countries under review.

Against the background of much lower demand and favourable base effects associated with the trends in the world prices of crude oil and other raw materials, consumer price growth has lost much of its momentum in most countries surveyed in 2009. The slowdown in inflation was most pronounced in the Baltic countries and Bulgaria, which in part



³⁵ Measured in terms of the index of the real effective exchange rate deflated by consumer prices.

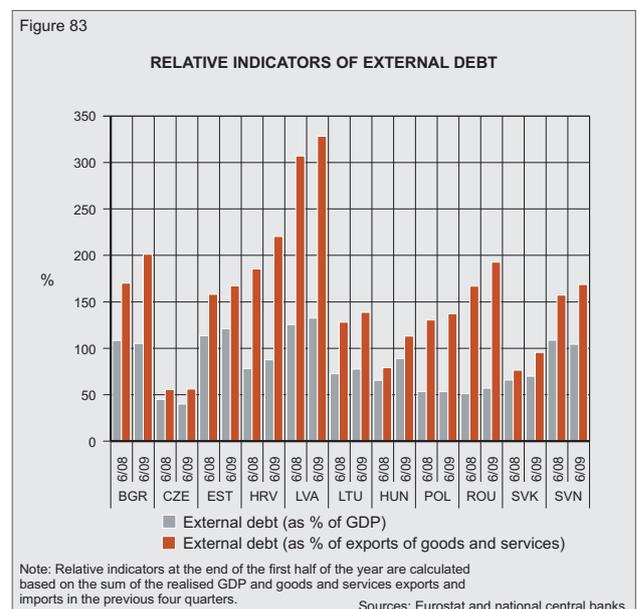
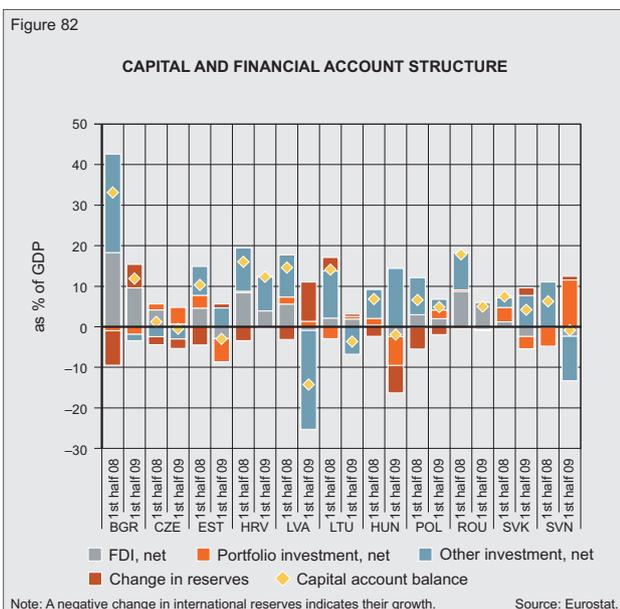
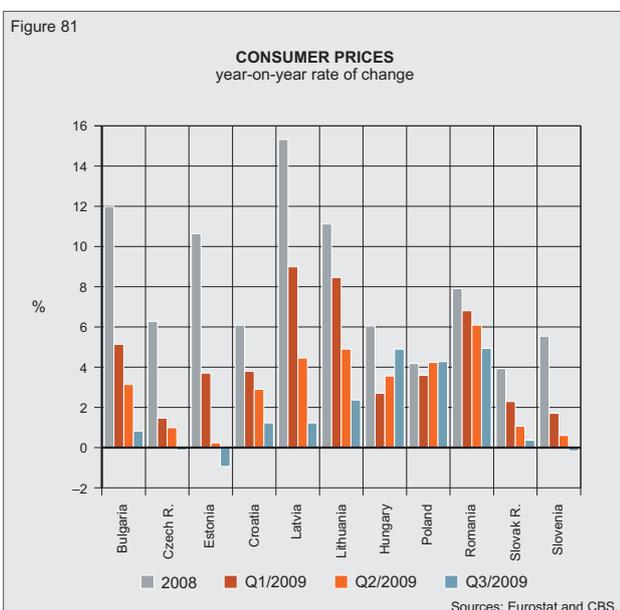


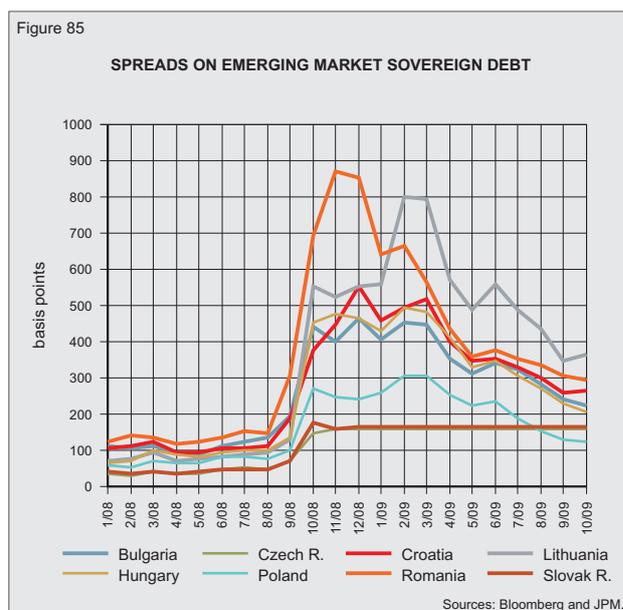
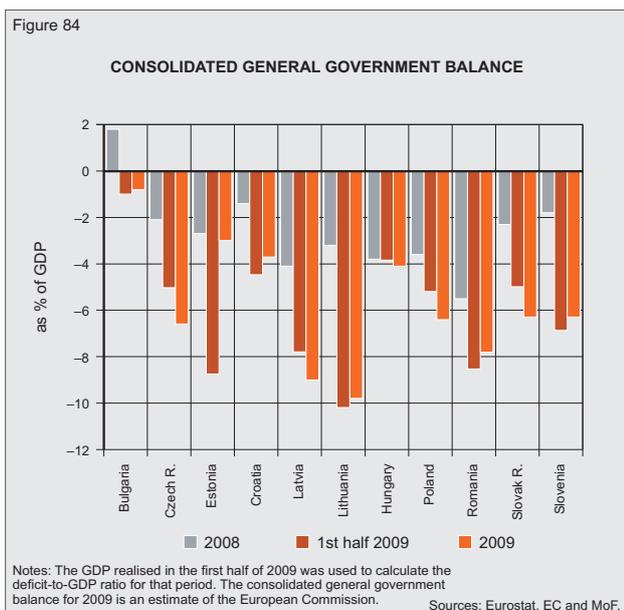
may be explained by the fact that these countries were not exposed to depreciation pressures that would spill over onto domestic prices. This was also true for Slovenia and the Slovak Republic, which are members of the eurozone. The fall in inflation was also substantial in the Czech Republic, while it was relatively small in Croatia due to the price growth brought about by administrative decisions (prices of household gas, tobacco products and health care services) early in the year. In contrast, inflation picked up slightly in Hungary and Poland. It should be noted that, in addition to the depreciation of the Hungarian forint against the euro, which was most pronounced in late 2008 and early 2009, consumer price developments in Hungary were adversely affected by the VAT increase in July 2009.

A noticeable slowdown in capital inflows was registered in most countries in the group under consideration in late 2008 and early 2009. In addition to much smaller foreign direct investment inflows, portfolio and other debt investments also decreased. Weaker capital inflows from abroad in the first half of 2009 led to a decrease in international reserves in most of the surveyed countries, particularly Latvia. Some of the financially most vulnerable countries, e.g. Hungary, avoided a drop in international reserves thanks to abundant support from international financial institutions, which was intended to provide liquidity and strengthen the financial sector. In the same period, the international reserves of Croatia decreased marginally.

As access to foreign sources was impeded and borrowing costs were higher, external debt grew slower in most of the countries surveyed (Hungary, Poland and Croatia) and even decreased in some of them (Romania, Slovenia and Estonia). Notwithstanding modest growth in external debt, the relative indicators of external debt worsened markedly in nearly all the countries, reflecting in part a decrease in GDP. Owing to a sharp fall in foreign demand, the deterioration of relative indicators was even more pronounced when the external debt balance is compared with goods and services exports.

Slower growth followed by the sharp real contraction in GDP had a negative impact on public finance developments





as well. In all countries apart from Hungary and the Slovak Republic, the revenue outturn was lower in the first half of 2009 than in the same period of 2008. In contrast, all countries recorded an increase in expenditures in the first half of 2009 as the dynamics of wages and social transfers were largely predetermined by collective agreements and pension indexation.

The downturn in revenues and the upturn in expenditures in the first six months of 2009 led to a deterioration in the consolidated general government balance in all countries under review (ESA 95). The European Commission estimates for 2009 suggested that these countries' deficit levels would be much higher than in 2008. This trend was further strengthened by the financial effects of various measures on the budget revenue and expenditure sides by which the governments, particularly in the first half of 2009, attempted to act counter-cyclically. However, as it soon emerged that budget deficits were growing out of control, the stabilisation of public finance became the key challenge for the remaining part of 2009.

To stabilise the deficit, several countries resorted to de-

creasing the expenditures projected for 2009 and 2010, while some also tried to increase revenues by introducing new and adjusting the existing tax levies. Croatia and Hungary increased the VAT rate. Croatia also introduced a special tax on salaries, pensions and other income, while Romania increased the rate of social contributions. As the countries covered the budget deficit largely by borrowing, their debt indicators grew considerably.

From the beginning of 2008, Standard & Poor's did not change its credit ratings of only four countries in the surveyed group: the Czech Republic, Croatia, Poland and Slovenia. In addition, Slovenia was also the best rated country. The Slovak Republic was the only country whose rating improved in the last quarter of 2008, i.e. immediately before it joined the eurozone. In contrast, the credit ratings of other countries were reduced, with Latvia and Romania also losing their investment rating.

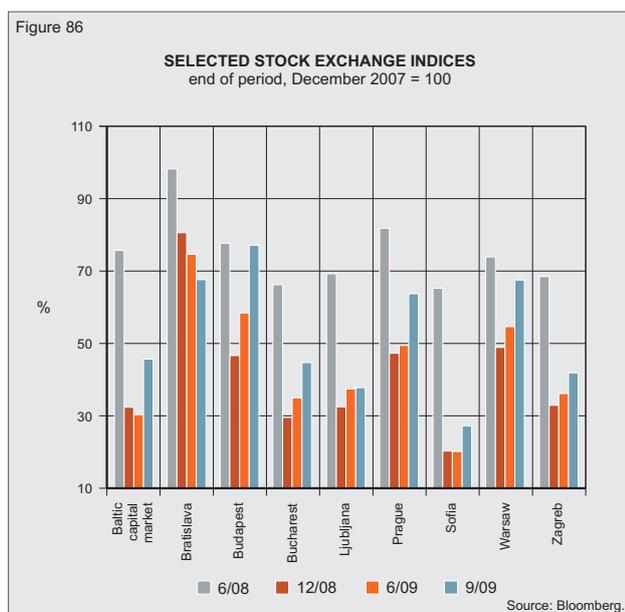
Developments in credit ratings largely reflect the increase in required yields on international bonds. The largest relative increase in the EMBI yield spread³⁶ on government eurobonds in late 2008 was registered by the three countries whose ratings fell (Lithuania, Hungary, Romania) and Croatia. As the risk perception of global investors began to change in early 2009, the spread on the sovereign debt of most countries under review first became more stable and then decreased. The risk premium on eurobonds issued by the analysed countries remained on a downward trend in the third quarter of 2009, but was still much higher than in mid-2008. At end-September 2009, the largest EMBI yield spread on sovereign debt was recorded by Lithuania, followed by Romania, Croatia, Bulgaria and Hungary. At the same time, the lowest EMBI yield spreads were recorded by the Slovak Republic, Poland and the Czech Republic.

Table 12 Standard and Poor's Credit Ratings

	Q1/2008	Q2/2008	Q3/2008	Q4/2008	Q1/2009	Q2/2009	Q3/2009	Q4/2009
Bulgaria	BBB+	BBB+	BBB+	BBB	BBB	BBB	BBB	BBB
Czech R.	A	A	A	A	A	A	A	A
Estonia	A	A	A	A	A	A	A-	A-
Croatia	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Latvia	BBB+	BBB+	BBB+	BBB-	BB+	BB+	BB	BB
Lithuania	A	A-	A-	BBB+	BBB	BBB	BBB	BBB
Hungary	BBB+	BBB+	BBB+	BBB	BBB-	BBB-	BBB-	BBB-
Poland	A-	A-	A-	A-	A-	A-	A-	A-
Romania	BBB-	BBB-	BBB-	BB+	BB+	BB+	BB+	BB+
Slovak R.	A	A	A	A+	A+	A+	A+	A+
Slovenia	AA	AA	AA	AA	AA	AA	AA	AA

Notes: Black letters denote investment rating and red letters refer to speculative rating. Grey-shaded quarters are those in which the rating remained unchanged relative to the previous quarter, yellow-shaded are quarters in which ratings were reduced, while in the green-shaded quarter the rating was improved. Source: Standard & Poor's.

³⁶ Yield spreads on the JP Morgan Euro EMBI Global indices are reliable indicators of yield movements and total returns for bonds of selected countries. To ensure their representative quality and mutual comparability, the indices include only euro-denominated, straight fixed coupon bonds issued by sovereign and quasi-sovereign entities with a remaining maturity of over 2.5 years.



The recent developments in national capital markets suggest a recovery in the value of stock exchange indices of all major stock exchanges in selected countries. In the third quarter of 2009, the sharpest growth was registered by

the Baltic index,³⁷ which went up by 50.5% from the end of June, followed by the Sofia (34.6%), Budapest (32.0%), Prague (28.8%), Bucharest (28.0%), Warsaw (23.5%), Zagreb (15.9%) and Ljubljana (0.9%) stock exchange indices. In the period concerned, only the Bratislava stock exchange index registered a drop. The positive trend on equity markets slowed down considerably or even came to a halt in October.

Almost all reference stock exchanges saw an increase in the average daily share turnover in September relative to June 2009 except for the Bratislava, Warsaw and Zagreb stock exchanges. The rise in the value of nearly all reference stock exchange indices meant that these reference stock exchanges saw an increase in the market capitalisation of shares at the end of the third quarter relative to the end of June 2009, with the exception of the Bratislava, Ljubljana and Warsaw stock exchanges. Bond market capitalisation also increased in that period on all equity markets under review. Although the ZSE's share market capitalisation to GDP ratio had outperformed all other stock exchanges under review in the preceding three years, in the third quarter of 2009 the share market capitalisation to GDP ratio of the Warsaw Stock Exchange took the lead. With the exception of the Baltic equity market, the ZSE's bond market capitalisation to GDP ratio was the lowest.

Table 13 Comparison of Capital Market Indicators

September 2009	Sofia	Prague	Zagreb	Baltic capital market	Budapest	Warsaw	Bucharest	Bratislava	Ljubljana
Average daily turnover, shares (million EUR)	1.51	84.50	4.44	4.99	88.93	378.07	6.96	0.03	2.26
Average daily turnover, bonds (million EUR)	....	76.94	2.00	0.99	2.56	1.24	2.13	77.94	0.62
Turnover ^a /GDP ^c , annual level (%)	1.10	15.00	0.33	1.91	23.06	28.78	1.36	0.01	1.58
Turnover ^b /GDP ^c , annual level (%)	....	13.66	1.08	0.38	0.66	0.09	0.41	30.40	0.43
Turnover velocity ^d	7.05	41.30	5.42	17.83	111.50	58.73	9.16	0.24	6.30
Market capitalisation ^a (million EUR), end month	5,410	51,555	20,642	7,048	20,099	162,225	19,159	3,516	9,049
Market capitalisation ^b (million EUR), end month	....	....	4,627.3	2,236.7	35,804.4	....	....	20,899.1	10,782.4
Market capitalisation ^a /GDP ^c , end month (%)	15.7	36.3	44.4	10.7	20.7	49.0	14.8	5.4	25.1
Market capitalisation ^b /GDP ^c , end month (%)	....	....	9.9	3.4	36.9	....	....	32.3	29.9
Share index movement from the beginning of the year (%)	33.9	34.8	27.6	41.2	65.2	38.0	51.6	-16.1	16.4
Share index movement from the beginning of the month (%)	5.8	-0.4	9.4	10.3	4.3	-1.0	3.5	-1.9	3.7

^a Shares. ^b Bonds. ^c The sum of the GDP realised in the last four quarters. ^d Annualised monthly share turnover × 100 / market capitalisation of shares.
Sources: Bloomberg, web sites of the stock exchanges observed and ZSE.

³⁷ The NASDAQ OMX stock exchanges in Tallinn, Riga and Vilnius together make up the Baltic capital market. It was established to minimise the differences between capital markets in Estonia, Latvia and Lithuania so as to facilitate cross-border trading and attract new investments to the Baltic region. All three stock exchanges share the same trading system and have coordinated rules and market procedures.

Statistical Survey

Classification and Presentation of Data on Claims and Liabilities

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

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

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

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

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

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

Foreign sector includes foreign legal and natural persons.

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

Table A1: Monetary and Credit Aggregates

end of period, million kuna and %

Year	Month	Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth					
								Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit
1995	December	6,744.1	8,234.9	8,503.2	24,623.0	21,576.3	32,819.5	2.97	0.89	1.54	3.41	1.00	1.88
1996	December	8,770.4	11,368.9	11,494.9	36,701.1	24,960.4	33,831.2	11.35	7.83	7.67	4.88	-5.41	-11.61
1997	December	10,346.1	13,731.4	13,848.8	50,742.0	33,829.0	48,863.4	7.86	3.93	3.85	2.16	4.98	4.96
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25
1999	December ^a	10,310.0	13,858.9	13,965.7	56,659.3	40,003.8	55,875.8	4.53	5.46	5.48	2.28	0.35	-4.58
2000	December	11,717.3	18,030.3	18,256.4	73,061.1	44,043.9	60,883.8	7.32	10.04	9.89	3.66	10.46	2.66
2001	December	17,803.2	23,703.5	23,936.5	106,071.4	57,410.0	74,964.5	8.01	13.00	11.96	11.65	3.40	1.16
2002	December	23,027.9	30,869.8	31,876.7	116,141.8	83,324.4	97,463.7	10.72	6.11	6.79	1.65	7.92	2.15
2003	December	30,586.2	33,888.7	34,630.9	128,893.1	96,121.7	111,661.4	8.90	1.78	1.93	0.14	3.11	0.66
2004	December	33,924.4	34,562.1	35,186.5	139,947.7	108,205.1	127,308.6	8.69	2.86	2.68	0.23	2.15	1.99
2005	December	40,390.8	38,817.1	39,855.4	154,647.0	131,343.2	149,168.3	9.38	4.34	3.87	-0.02	1.84	1.94
2006	December	46,331.2	48,521.0	49,141.7	182,458.6	154,844.1	183,379.5	3.17	4.75	4.07	1.57	3.38	2.99
2007	December	51,923.9	57,878.3	58,663.4	215,822.1	166,375.5	210,828.4	3.73	6.71	6.62	3.95	3.54	2.65
2008	November	55,204.1	51,053.7	51,658.3	218,114.2	173,421.1	228,500.3	5.05	-3.11	-3.13	-2.39	-0.35	-0.16
	December	49,743.0	55,222.3	56,044.6	225,018.5	183,279.1	232,982.1	-9.89	8.17	8.49	3.17	5.68	1.96
2009	January	56,966.4	49,573.0	50,271.0	221,452.2	183,953.4	234,476.2	14.52	-10.23	-10.30	-1.58	0.37	0.64
	February	54,449.0	46,762.1	47,344.2	221,445.7	190,333.8	235,352.0	-4.42	-5.67	-5.82	0.00	3.47	0.37
	March	52,693.8	46,636.5	47,203.8	218,626.7	192,083.0	234,856.8	-3.22	-0.27	-0.30	-1.27	0.92	-0.21
	April	53,075.1	46,419.2	46,877.0	218,797.6	192,003.3	234,342.1	0.68	-0.47	-0.69	0.08	-0.04	-0.22
	May	53,900.4	47,447.0	47,941.0	218,112.8	193,128.0	232,234.6	1.55	2.21	2.27	-0.31	0.59	-0.90
	June	55,100.6	47,698.9	48,149.7	218,416.2	188,300.5	230,767.0	2.23	0.53	0.44	0.14	-2.50	-0.63
	July	55,147.1	47,664.7	48,169.2	221,354.8	189,639.5	231,193.3	0.08	-0.07	0.04	1.35	0.71	0.18
	August	55,346.9	47,815.0	48,297.2	224,444.3	186,660.7	230,228.9	0.36	0.32	0.27	1.40	-1.57	-0.42
	September	52,791.1	45,559.4	46,011.5	224,086.6	184,717.4	228,759.2	-4.62	-4.72	-4.73	-0.16	-1.04	-0.64
	October	54,446.1	44,657.2	45,158.6	221,147.8	183,289.0	227,891.2	3.13	-1.98	-1.85	-1.31	-0.77	-0.38

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

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

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

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

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

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

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

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

Table B1: Monetary Survey

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
ASSETS											
1. Foreign assets (net)	31,742.6	23,303.8	27,614.5	49,446.5	41,739.4	26,543.7	30,115.8	31,715.3	37,783.6	39,369.2	37,858.8
2. Domestic credit	141,278.1	168,427.7	200,328.9	226,076.1	254,569.8	264,320.2	258,820.4	261,106.7	260,570.1	259,043.6	257,186.1
2.1. Claims on central government and funds (net)	13,969.6	19,259.4	16,949.4	15,247.7	21,587.7	29,463.4	28,053.5	29,913.3	30,341.2	30,284.4	29,294.9
2.2. Claims on other domestic sectors	125,790.7	147,414.3	181,031.9	207,398.7	231,472.7	233,363.2	228,967.9	229,473.3	228,593.2	227,098.7	226,138.1
2.3. Claims on other banking institutions	624.0	592.2	1,029.5	1,640.0	441.9	417.3	565.6	601.9	541.7	537.9	670.6
2.4. Claims on non-banking financial institutions	893.9	1,161.8	1,318.1	1,789.7	1,067.4	1,076.3	1,233.5	1,118.1	1,094.0	1,122.6	1,082.5
Total (1+2)	173,020.7	191,731.5	227,943.3	275,522.6	296,309.2	290,863.9	288,936.2	292,821.9	298,353.8	298,412.8	295,044.9
LIABILITIES											
1. Money	34,562.1	38,817.1	48,521.0	57,878.3	55,222.3	46,636.5	47,698.9	47,664.7	47,815.0	45,559.4	44,657.2
2. Savings and time deposits	22,479.2	27,992.1	44,836.8	53,644.9	50,070.3	47,233.4	45,005.5	44,444.1	43,254.5	43,089.9	42,417.0
3. Foreign currency deposits	81,742.9	86,760.8	88,256.7	103,090.1	117,194.8	122,865.0	123,889.1	127,325.1	131,314.7	133,426.0	132,162.1
4. Bonds and money market instruments	1,163.5	1,077.0	844.1	1,208.8	2,531.1	1,891.8	1,822.7	1,920.9	2,060.0	2,011.2	1,911.4
5. Restricted and blocked deposits	2,067.0	2,092.3	2,504.5	2,280.9	3,094.2	2,913.1	3,113.2	2,871.3	2,930.6	2,931.3	2,844.4
6. Other items (net)	31,006.1	34,992.2	42,980.2	57,419.6	68,196.5	69,324.1	67,406.7	68,595.9	70,978.8	71,394.9	71,052.7
Total (1+2+3+4+5+6)	173,020.7	191,731.5	227,943.3	275,522.6	296,309.2	290,863.9	288,936.2	292,821.9	298,353.8	298,412.8	295,044.9

Table B1: Monetary Survey

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

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

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

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

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

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

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

Year	Month	Total number of reporting banks	Reporting banks classified according to their total assets						Total number of reporting savings banks	Savings banks classified according to their total assets		
			Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over		Less than 10 million kuna	10 million kuna to less than 100 million kuna	100 million kuna and over
1	2	3	4	5	6	7	8	9	10	11	12	13
1995	December	53	15	20	7	7	2	2	21	7	13	1
1996	December	57	10	26	6	9	4	2	22	10	11	1
1997	December	60	4	28	9	8	9	2	33	12	18	3
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	December	46	4	13	7	9	8	5	10	3	5	2
2003	December	42	2	13	8	5	8	6	7	3	2	2
2004	December	39	1	12	9	6	5	6	6	3	3	–
2005	December	36	1	10	6	8	5	6	3	2	1	–
2006	December	35	2	6	5	10	4	8	3	2	1	–
2007	December	35	2	5	2	12	5	9	2	1	1	–
2008	November	36	2	7	1	11	6	9	2	1	1	–
	December	36	2	7	1	11	6	9	2	1	1	–
2009	January	36	2	7	1	10	7	9	2	1	1	–
	February	36	2	7	1	11	6	9	2	1	1	–
	March	35	2	7	1	10	7	8	2	1	1	–
	April	36	3	7	1	10	7	8	2	1	1	–
	May	36	3	6	2	10	7	8	2	1	1	–
	June	36	3	6	2	10	7	8	2	1	1	–
	July	36	3	6	2	10	7	8	2	1	1	–
	August	36	3	6	2	10	7	8	2	1	1	–
	September	36	3	6	2	10	7	8	2	1	1	–
	October	36	3	6	2	10	7	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.

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

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

Table C1: Monetary Authorities Accounts

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
ASSETS											
1. Foreign assets	49,373.4	54,862.5	64,088.2	68,177.8	66,805.5	66,142.5	66,285.1	66,224.7	68,081.9	67,909.8	68,940.7
1.1. Gold	–	–	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	4.8	6.3	5.3	5.6	5.3	4.7	4.5	4.8	2,169.4	2,406.1	2,366.0
1.3. Reserve position in the IMF	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2
1.4. Currency and demand deposits with foreign banks	5.7	7.7	7.2	7.2	1,472.7	1,499.7	1,465.9	1,473.7	1,766.7	1,756.8	1,795.3
1.5. Time deposits with foreign banks	24,337.7	28,274.1	33,243.0	33,204.4	13,189.3	14,013.6	14,427.3	12,456.0	12,268.6	10,323.5	14,574.4
1.6. Securities in f/c	25,023.7	26,573.0	30,831.2	34,959.3	52,136.9	50,623.0	50,386.1	52,289.0	51,876.0	53,422.1	50,203.7
1.7. Non-convertible foreign exchange	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	3.3	1.4	0.9	1.0	2.2	0.8	1.2	1.0	2.1	–	0.8
2.1. Claims in kuna	3.3	1.4	0.9	1.0	2.2	0.8	1.2	1.0	2.1	–	0.8
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	82.9	73.4	64.0	67.9	64.2	64.2	4.3	4.3	4.3	4.3	4.2
4. Claims on banks	408.9	4,215.6	3,911.5	4,178.3	13.9	1,396.7	2,425.5	2,394.5	2,668.0	13.5	13.4
4.1. Credits to banks	408.9	4,215.6	3,911.5	4,178.3	13.9	1,372.8	2,425.5	2,394.5	2,668.0	13.5	13.4
Lombard credits	–	–	–	1,349.1	–	–	–	–	–	–	–
Short-term liquidity credits	–	–	–	–	–	–	–	–	–	–	–
Other credits	15.0	14.5	14.5	14.7	13.9	14.0	13.6	13.7	13.6	13.5	13.4
Reverse repo transactions	394.0	4,201.1	3,897.0	2,814.5	–	1,358.8	2,412.0	2,380.8	2,654.3	–	–
4.2. Overdue claims	–	–	–	–	–	23.9	–	–	–	–	–
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	49,868.5	59,153.0	68,064.6	72,425.1	66,885.8	67,604.1	68,716.2	68,624.6	70,756.2	67,927.6	68,959.2
LIABILITIES											
1. Reserve money	33,924.4	40,390.8	46,331.2	51,923.9	49,743.0	52,717.7	55,100.6	55,147.1	55,346.9	52,791.1	54,446.1
1.1. Currency outside banks	10,955.6	12,163.8	14,609.3	16,007.5	17,051.0	15,826.2	16,914.7	17,579.6	16,967.7	16,012.8	15,389.3
1.2. Banks' cash in vaults	1,871.0	2,210.7	2,698.0	3,305.8	3,428.3	2,934.4	3,454.5	3,492.9	3,579.5	3,294.7	3,183.0
1.3. Banks' deposits	21,082.6	26,016.3	29,023.9	32,610.6	29,263.7	33,957.1	34,731.5	34,074.3	34,799.8	33,483.5	35,873.8
Settlement accounts	6,408.2	8,411.1	8,535.7	7,553.9	9,520.3	9,307.6	11,097.6	10,399.8	11,130.5	9,689.3	11,569.1
Statutory reserves	14,674.4	17,605.2	20,478.2	22,275.6	19,222.7	24,079.9	23,493.4	23,534.3	23,537.7	23,662.4	23,767.3
CNB bills on obligatory basis	–	–	–	1,991.1	460.6	569.6	140.4	140.1	131.6	131.8	137.3
Overnight deposits	–	–	10.0	790.0	60.0	–	–	–	–	–	400.0
1.4. Deposits of other banking institutions	–	–	–	–	–	–	–	–	–	–	–
1.5. Deposits of other domestic sectors ^b	15.1	–	–	–	–	–	–	0.4	0.0	0.0	0.0
2. Restricted and blocked deposits	10,777.1	13,551.8	16,633.5	14,286.0	8,064.1	4,634.8	4,722.0	4,741.5	4,768.9	4,828.6	4,911.1
2.1. Statutory reserve in f/c	10,764.7	13,495.9	16,576.7	14,257.5	8,008.3	4,581.7	4,668.9	4,683.3	4,715.2	4,777.8	4,859.2
2.2. Restricted deposits	12.4	55.9	56.9	28.6	55.8	53.1	53.1	58.2	53.7	50.8	51.9
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	18.1	18.9	18.9	17.2	16.6	14.9	8.3	8.3	8.1	7.9	7.8
3.1. Use of IMF credit	–	–	–	–	–	–	–	–	–	–	–
3.2. Liabilities to international organisations	18.1	18.9	18.9	17.2	16.6	14.9	8.3	8.3	8.1	7.9	7.8
3.3. Liabilities to foreign banks ^a	–	–	–	–	–	0.0	–	–	0.0	–	–
4. Central government and funds' deposits	263.2	332.2	188.0	199.1	206.9	383.4	962.3	430.5	395.6	277.7	349.8
4.1. Demand deposits	228.0	319.0	174.5	125.8	171.1	376.2	255.7	200.8	327.6	257.7	293.2
Central government demand deposits	123.0	246.3	138.6	100.3	43.0	338.4	118.7	96.8	279.9	212.6	262.8
Central government funds' demand deposits	105.0	72.7	35.9	25.4	128.2	37.7	137.0	104.0	47.7	45.0	30.5
4.2. Central government f/c deposits	35.2	13.2	13.5	73.3	35.8	7.2	706.7	229.7	67.9	20.0	56.6
4.3. CNB bills	–	–	–	–	–	–	–	–	–	–	–
5. CNB bills	–	–	–	–	–	–	–	–	–	–	–
5.1. CNB bills in kuna	–	–	–	–	–	–	–	–	–	–	–
5.2. CNB bills in f/c	–	–	–	–	–	–	–	–	–	–	–
6. Capital accounts	5,096.5	5,357.4	5,408.8	6,664.5	9,562.4	10,579.2	8,639.5	9,029.9	10,970.6	10,759.7	9,992.4
7. Other items (net)	–210.8	–498.2	–515.8	–665.6	–707.1	–725.9	–716.5	–732.7	–733.9	–737.4	–747.9
Total (1+2+3+4+5+6+7)	49,868.5	59,153.0	68,064.6	72,425.1	66,885.8	67,604.1	68,716.2	68,624.6	70,756.2	67,927.6	68,959.2

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

Table C1: Monetary Authorities Accounts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table D1: Banks' Accounts

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
ASSETS											
1. Reserves with the CNB	33,718.2	41,775.2	48,384.7	50,178.9	40,705.6	41,454.4	42,860.4	42,254.0	43,100.3	41,560.4	43,916.9
1.1. In kuna	22,962.9	28,283.1	31,814.1	35,929.1	32,700.5	36,873.4	38,192.0	37,571.4	38,385.6	36,783.4	39,058.2
1.2. In f/c	10,755.3	13,492.1	16,570.6	14,249.8	8,005.1	4,581.0	4,668.5	4,682.6	4,714.7	4,777.1	4,858.6
2. Foreign assets	43,551.0	35,572.5	39,621.2	46,438.5	50,246.6	36,959.4	41,619.5	42,593.8	45,983.4	48,050.2	43,799.0
3. Claims on central government and funds	21,051.3	28,877.2	27,936.8	28,971.5	37,801.1	46,657.2	46,391.7	46,884.4	47,239.6	47,758.1	47,154.6
4. Claims on other domestic sectors	125,707.9	147,340.9	180,967.8	207,330.7	231,408.6	233,299.0	228,963.5	229,469.1	228,588.9	227,094.5	226,133.9
4.1. Claims on local government	1,787.9	1,767.2	1,892.0	2,140.8	2,077.4	1,994.4	1,843.0	1,848.3	1,837.2	1,826.6	1,839.0
4.2. Claims on enterprises	58,643.3	67,017.9	83,386.5	92,265.1	102,779.8	104,546.1	103,335.9	103,861.8	103,335.4	102,550.2	102,356.6
4.3. Claims on households	65,276.7	78,555.7	95,689.3	112,924.9	126,551.4	126,758.5	123,784.6	123,758.9	123,416.3	122,717.6	121,938.3
5. Claims on other banking institutions	624.0	592.2	1,029.5	1,640.0	441.9	417.3	565.6	601.9	541.7	537.9	670.6
6. Claims on non-banking financial institutions	893.9	1,161.8	1,318.1	1,789.7	1,067.4	1,076.3	1,233.5	1,118.1	1,094.0	1,122.6	1,082.5
Total (1+2+3+4+5+6)	225,546.2	255,319.8	299,258.1	336,349.4	361,671.2	359,863.6	361,634.2	362,921.2	366,547.9	366,123.7	362,757.6
LIABILITIES											
1. Demand deposits	23,591.3	26,653.3	33,911.7	41,870.8	38,171.2	30,810.3	30,784.2	30,084.7	30,847.3	29,546.5	29,267.9
2. Savings and time deposits	22,479.2	27,992.1	44,836.8	53,644.9	50,070.3	47,233.4	45,005.5	44,444.1	43,254.5	43,089.9	42,417.0
3. Foreign currency deposits	81,742.9	86,760.8	88,256.7	103,090.1	117,194.8	122,865.0	123,889.1	127,325.1	131,314.7	133,426.0	132,162.1
4. Bonds and money market instruments	1,163.5	1,077.0	844.1	1,208.8	2,531.1	1,891.8	1,822.7	1,920.9	2,060.0	2,011.2	1,911.4
5. Foreign liabilities	61,163.7	67,112.3	76,076.0	65,152.6	75,296.1	76,543.2	77,780.5	77,095.0	76,273.5	76,582.9	74,873.3
6. Central government and funds' deposits	6,821.8	9,287.0	10,800.4	13,525.8	16,007.5	16,811.2	17,377.1	16,541.6	16,504.9	17,196.0	17,510.8
7. Credit from central bank	408.9	4,215.6	3,911.4	4,178.3	14.0	1,372.8	2,425.5	2,394.5	2,667.9	13.5	13.4
8. Restricted and blocked deposits	2,054.6	2,036.4	2,447.6	2,252.3	3,038.4	2,860.0	3,060.1	2,813.1	2,877.0	2,880.5	2,792.5
9. Capital accounts	28,666.4	32,665.7	40,805.1	53,178.9	60,317.4	61,848.5	62,875.9	63,571.7	64,059.8	64,473.8	65,029.2
10. Other items (net)	-2,546.3	-2,480.4	-2,631.7	-1,753.2	-969.7	-2,372.6	-3,386.5	-3,269.4	-3,311.8	-3,096.7	-3,219.9
Total (1+2+3+4+5+6+7+8+9+10)	225,546.2	255,319.8	299,258.1	336,349.4	361,671.2	359,863.6	361,634.2	362,921.2	366,547.9	366,123.7	362,757.6

Table D1: Banks' Accounts

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

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

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

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

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

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

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

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

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

Foreign currency deposits are foreign currency sight deposits as

well as foreign currency time and notice deposits.

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

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

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

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

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

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

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

Tables: D2 – D12

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

Table D2: Banks' Foreign Assets

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Foreign assets in f/c	43,428.1	35,457.9	39,454.5	45,837.2	49,705.1	36,418.8	40,873.9	41,753.7	44,970.5	47,284.3	43,115.9
1.1. Claims on foreign financial institutions	35,911.0	27,228.5	30,404.1	37,824.9	38,038.3	25,953.3	31,059.3	31,960.8	34,458.2	35,483.3	31,465.1
Foreign currencies	1,190.0	1,136.1	1,232.1	1,245.5	1,973.2	1,432.4	1,992.5	1,790.7	1,941.9	1,693.4	1,582.7
Demand deposits	906.2	860.2	870.1	1,305.2	2,109.8	1,122.9	1,224.5	1,229.6	1,310.2	1,400.0	1,224.2
Time and notice deposits	30,943.7	20,874.6	23,509.4	31,726.1	31,444.5	20,865.3	25,559.9	26,852.5	29,117.9	30,471.1	26,775.1
Securities	2,674.1	4,197.0	4,441.5	3,210.4	2,307.1	2,302.2	2,000.0	1,879.4	1,882.9	1,724.4	1,701.7
Loans and advances	189.0	152.9	339.2	195.9	166.3	192.6	234.6	158.7	147.0	137.7	122.1
Shares and participations	8.1	7.8	11.8	141.9	37.4	37.9	47.8	50.0	58.2	56.6	59.2
1.2. Claims on foreign non-banks	7,517.1	8,229.4	9,050.4	8,012.3	11,666.8	10,465.5	9,814.6	9,792.9	10,512.3	11,801.0	11,650.8
Claims on foreign governments	7,066.6	7,735.7	8,217.0	6,696.1	9,976.8	8,801.9	8,441.8	8,337.0	9,014.7	10,322.7	10,192.9
Claims on other non-residents	450.2	493.1	798.1	1,295.2	1,613.5	1,575.1	1,340.7	1,416.5	1,462.6	1,443.2	1,431.0
Securities	77.4	68.0	141.5	180.9	235.1	227.9	222.3	227.1	217.3	198.5	197.7
Loans and advances	372.8	425.2	656.6	1,114.3	1,378.4	1,347.3	1,118.4	1,189.4	1,245.3	1,244.7	1,233.3
Shares and participations	0.3	0.5	35.3	20.9	76.5	88.4	32.2	39.4	34.9	35.2	26.9
2. Foreign assets in kuna	122.9	114.6	166.7	601.3	541.5	540.6	745.5	840.1	1,012.9	765.9	683.2
2.1. Claims on foreign financial institutions	77.8	71.3	96.9	408.1	144.1	133.3	379.4	489.8	662.8	424.1	443.2
2.2. Claims on foreign non-banks	45.1	43.4	69.8	193.3	397.4	407.3	366.2	350.3	350.1	341.8	240.0
o/w: Loans and advances	44.3	42.6	69.2	192.7	396.8	406.7	365.8	350.0	349.8	341.5	239.7
Total (1+2)	43,551.0	35,572.5	39,621.2	46,438.5	50,246.6	36,959.4	41,619.5	42,593.8	45,983.4	48,050.2	43,799.0

Table D2: Banks' Foreign Assets

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

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

eign currency.

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

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

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. In kuna	16,270.2	20,532.7	22,703.0	24,081.8	24,901.6	27,318.0	27,133.0	27,621.1	27,705.7	28,358.3	27,952.1
1.1. Claims on central government	14,465.6	17,352.6	18,361.2	19,057.3	19,899.5	21,952.4	21,892.3	22,411.4	22,484.8	23,208.5	22,864.9
Securities	11,779.1	16,037.7	14,546.7	16,099.8	16,969.0	16,923.2	16,824.1	16,949.4	16,642.3	17,399.3	17,106.1
o/w: Bonds (c/part to f/c savings deposits)	532.0	20.6	8.3	6.4	6.1	5.6	5.5	5.2	5.1	5.6	5.4
Loans and advances	2,686.5	1,314.9	3,814.5	2,957.5	2,930.4	5,029.2	5,068.2	5,462.0	5,842.5	5,809.3	5,758.7
1.2. Claims on central government funds	1,804.6	3,180.1	4,341.9	5,024.5	5,002.1	5,365.6	5,240.8	5,209.7	5,220.9	5,149.7	5,087.3
Securities	621.1	–	–	–	6.1	0.0	–	–	–	6.3	6.3
Loans and advances	1,183.5	3,180.1	4,341.9	5,024.5	4,996.1	5,365.6	5,240.8	5,209.7	5,220.9	5,143.4	5,081.0
2. In f/c	4,781.1	8,344.5	5,233.8	4,889.7	12,899.5	19,339.2	19,258.6	19,263.2	19,533.9	19,399.9	19,202.5
2.1. Claims on central government	3,548.4	7,241.0	4,624.4	4,388.6	9,843.6	15,170.3	15,123.0	15,123.7	14,897.0	14,785.2	14,627.2
Securities	1,117.0	1,248.1	429.0	268.4	300.7	197.3	517.1	470.2	267.1	232.6	229.0
Loans and advances	2,431.3	5,992.8	4,195.4	4,120.1	9,542.9	14,973.1	14,605.9	14,653.5	14,629.9	14,552.7	14,398.2
2.2. Claims on central government funds	1,232.8	1,103.5	609.4	501.2	3,055.9	4,168.8	4,135.6	4,139.6	4,636.9	4,614.6	4,575.3
Securities	163.1	144.2	109.2	82.1	50.9	51.5	51.1	51.5	51.6	52.0	52.0
Loans and advances	1,069.7	959.3	500.2	419.1	3,005.1	4,117.4	4,084.5	4,088.1	4,585.3	4,562.6	4,523.3
Total (1+2)	21,051.3	28,877.2	27,936.8	28,971.5	37,801.1	46,657.2	46,391.7	46,884.4	47,239.6	47,758.1	47,154.6

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

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

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

Table D4: Banks' Claims on Other Domestic Sectors

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Claims in kuna	114,635.7	133,603.5	166,755.1	194,476.7	216,530.8	216,871.5	212,352.8	212,725.3	211,783.2	210,030.5	209,269.7
1.1. Money market instruments	2,510.0	2,329.9	1,980.7	2,147.4	2,674.5	2,488.9	2,369.5	2,189.7	2,137.1	2,098.0	2,083.7
1.2. Bonds	559.8	361.6	1,088.8	1,366.0	1,341.4	1,457.9	1,634.4	1,677.2	1,671.7	1,635.0	1,601.5
1.3. Loans and advances	109,523.9	128,882.3	161,694.2	188,462.5	210,424.0	210,733.2	206,151.3	206,636.9	205,726.4	204,039.7	203,329.0
1.4. Shares and participations	2,042.0	2,029.6	1,991.4	2,500.8	2,090.8	2,191.5	2,197.5	2,221.6	2,248.0	2,257.8	2,255.5
2. Claims in f/c	11,072.2	13,737.4	14,212.8	12,854.0	14,877.8	16,427.6	16,610.8	16,743.8	16,805.7	17,063.9	16,864.2
2.1. Securities	213.5	307.6	221.1	249.2	109.3	97.3	122.1	117.2	113.2	114.8	111.0
2.2. Loans and advances	10,858.6	13,429.8	13,991.6	12,604.9	14,768.5	16,330.3	16,488.6	16,626.6	16,692.6	16,949.1	16,753.2
Total (1+2)	125,707.9	147,340.9	180,967.8	207,330.7	231,408.6	233,299.0	228,963.5	229,469.1	228,588.9	227,094.5	226,133.9

Table D4: Banks' Claims on Other Domestic Sectors

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

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

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

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
LOANS IN KUNA											
1. Loans to central government and funds	3,870.0	4,495.0	8,156.4	7,982.0	7,926.5	10,394.8	10,309.0	10,671.8	11,063.4	10,952.7	10,839.7
1.1. Loans to central government	2,686.5	1,314.9	3,814.5	2,957.5	2,930.4	5,029.2	5,068.2	5,462.0	5,842.5	5,809.3	5,758.7
1.2. Loans to central government funds	1,183.5	3,180.1	4,341.9	5,024.5	4,996.1	5,365.6	5,240.8	5,209.7	5,220.9	5,143.4	5,081.0
2. Loans to local government	1,701.9	1,613.9	1,720.3	1,867.5	1,786.9	1,699.7	1,565.7	1,567.9	1,556.3	1,545.4	1,563.6
3. Loans to enterprises	42,844.7	49,105.9	64,666.3	74,001.7	82,431.7	82,614.9	81,123.7	81,636.2	81,079.0	80,093.3	80,137.9
4. Loans to households	64,977.2	78,162.4	95,307.6	112,593.3	126,205.3	126,418.6	123,461.8	123,432.7	123,091.1	122,401.0	121,627.4
o/w: Housing loans	21,397.9	27,571.1	36,927.3	45,218.6	52,305.5	52,988.7	52,028.6	52,366.5	52,523.6	52,388.1	52,022.7
5. Loans to other banking institutions	154.5	46.5	304.4	213.6	36.1	34.2	141.1	178.5	130.4	127.5	217.9
6. Loans to non-banking financial institutions	558.0	591.8	854.4	947.6	741.4	692.8	772.4	704.9	681.7	709.3	670.7
A. Total (1+2+3+4+5+6)	114,106.4	134,015.6	171,009.4	197,605.7	219,128.0	221,855.1	217,373.8	218,192.0	217,601.9	215,829.2	215,057.3
LOANS IN F/C											
1. Loans to central government and funds	3,501.0	6,952.1	4,695.6	4,539.2	12,548.0	19,090.4	18,690.4	18,741.6	19,215.2	19,115.3	18,921.5
1.1. Loans to central government	2,431.3	5,992.8	4,195.4	4,120.1	9,542.9	14,973.1	14,605.9	14,653.5	14,629.9	14,552.7	14,398.2
1.2. Loans to central government funds	1,069.7	959.3	500.2	419.1	3,005.1	4,117.4	4,084.5	4,088.1	4,585.3	4,562.6	4,523.3
2. Loans to local government	31.9	63.0	11.3	8.7	5.5	5.6	4.3	3.0	3.0	3.0	3.0
3. Loans to enterprises	10,527.3	12,973.5	13,598.5	12,264.5	14,416.8	15,984.8	16,161.5	16,297.3	16,364.3	16,629.5	16,439.4
4. Loans to households	299.5	393.3	381.8	331.6	346.1	339.9	322.8	326.2	325.2	316.6	310.9
5. Loans to other banking institutions	52.9	19.9	68.1	74.0	1.2	22.4	30.3	30.6	18.5	8.6	54.0
6. Loans to non-banking financial institutions	255.3	512.3	360.5	668.0	143.5	211.6	283.1	255.6	255.1	253.7	251.7
B. Total (1+2+3+4+5+6)	14,667.8	20,914.1	19,115.9	17,886.0	27,461.1	35,654.7	35,492.4	35,654.4	36,181.4	36,326.6	35,980.4
TOTAL (A+B)	128,774.2	154,929.7	190,125.3	215,491.7	246,589.1	257,509.8	252,866.1	253,846.5	253,783.3	252,155.8	251,037.7

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

The table shows data on kuna and foreign currency loans granted

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

Table D6: Demand Deposits with Banks

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Local government	2,020.7	1,688.7	1,803.8	2,689.4	2,441.1	1,599.9	1,192.9	1,160.8	1,263.1	1,242.2	1,229.0
2. Enterprises	12,036.9	13,344.2	16,668.6	19,599.3	16,896.1	13,061.2	13,122.8	12,698.7	13,723.2	13,022.5	13,159.3
3. Households	8,773.0	10,728.3	14,257.8	17,896.7	17,620.1	15,318.0	15,565.9	15,544.0	15,016.2	14,526.1	13,941.2
4. Other banking institutions	245.4	322.1	485.1	481.1	293.6	152.9	151.0	135.4	217.5	154.8	186.5
5. Non-banking financial institutions	517.5	571.3	697.6	1,205.2	921.1	678.7	752.1	546.2	627.6	601.3	752.2
6. Less: Checks of other banks and checks in collection	-2.2	-1.3	-1.2	-0.9	-0.7	-0.4	-0.5	-0.4	-0.3	-0.3	-0.4
Total (1+2+3+4+5+6)	23,591.3	26,653.3	33,911.7	41,870.8	38,171.2	30,810.3	30,784.2	30,084.7	30,847.3	29,546.5	29,267.9

Table D6: Demand Deposits with Banks

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

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

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

Table D7: Time and Savings Deposits with Banks

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Savings deposits	2,233.9	2,493.6	2,905.6	3,086.1	2,770.3	2,558.4	2,623.7	2,525.6	2,498.4	2,498.7	2,458.6
1.1. Local government	4.6	2.7	2.8	2.5	0.0	0.1	0.2	0.2	0.2	0.2	0.2
1.2. Enterprises	38.8	101.6	110.3	154.7	108.8	110.4	169.5	136.8	150.0	139.5	159.8
1.3. Households	2,190.5	2,388.3	2,792.4	2,929.0	2,657.7	2,447.0	2,443.7	2,371.0	2,340.8	2,348.9	2,286.4
1.4. Other banking institutions	–	–	–	–	–	–	–	5.0	5.0	5.0	5.0
1.5. Non-banking financial institutions	0.0	1.0	0.0	–	3.7	0.9	10.4	12.5	2.5	5.1	7.2
2. Time and notice deposits	20,245.4	25,498.4	41,931.3	50,558.8	47,300.1	44,675.0	42,381.8	41,918.6	40,756.1	40,591.2	39,958.5
2.1. Local government	550.8	508.7	491.8	549.5	726.0	1,340.8	1,101.6	1,150.0	1,167.3	1,210.3	1,183.5
2.2. Enterprises	8,698.5	8,222.5	14,715.4	18,414.8	16,268.0	13,849.9	12,278.4	13,393.3	13,486.3	13,819.0	13,154.7
2.3. Households	9,321.4	13,254.9	20,755.0	20,479.1	22,721.6	20,976.3	19,849.5	18,678.0	17,581.5	17,077.8	17,053.2
2.4. Other banking institutions	215.9	931.9	2,697.9	6,386.5	2,563.4	2,774.3	3,776.8	3,332.1	3,041.7	3,235.9	3,546.4
2.5. Non-banking financial institutions	1,458.8	2,580.4	3,271.3	4,728.9	5,021.1	5,733.8	5,375.5	5,365.2	5,479.3	5,248.2	5,020.7
Total (1+2)	22,479.2	27,992.1	44,836.8	53,644.9	50,070.3	47,233.4	45,005.5	44,444.1	43,254.5	43,089.9	42,417.0

Table D7: Time and Savings Deposits with Banks

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

Table D8: Foreign Currency Deposits with Banks

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Savings deposits	22,144.6	22,641.0	22,698.6	22,845.0	21,262.2	20,815.2	20,791.9	20,883.4	22,072.0	22,266.5	20,873.7
1.1. Local government	15.6	11.9	30.8	27.5	22.1	9.9	21.5	9.4	9.5	9.5	9.4
1.2. Enterprises	4,273.2	4,408.3	4,589.7	5,543.6	5,132.0	4,497.2	5,135.4	4,823.6	5,146.3	5,755.5	4,898.8
1.3. Households	17,708.9	17,933.6	17,609.9	16,720.8	15,682.8	15,584.0	15,260.8	15,596.6	16,278.3	15,845.5	15,503.5
1.4. Other banking institutions	15.4	116.0	276.7	251.7	121.4	77.6	86.9	141.3	172.0	155.3	135.7
1.5. Non-banking financial institutions	131.6	171.3	191.4	301.5	303.9	646.5	287.2	312.4	466.0	500.7	326.2
2. Time deposits	59,598.3	64,119.7	65,558.1	80,245.1	95,932.6	102,049.7	103,097.2	106,441.8	109,242.7	111,159.5	111,288.4
2.1. Local government	0.3	3.2	1.9	2.1	2.3	2.6	2.5	2.5	2.4	8.5	2.4
2.2. Enterprises	8,518.6	8,154.2	7,086.2	10,391.9	11,215.5	10,815.2	10,910.4	11,207.6	11,736.1	12,914.5	13,142.9
2.3. Households	50,636.0	55,036.1	57,210.8	66,465.7	80,419.6	86,495.8	86,353.9	88,677.9	90,637.6	92,165.0	92,316.6
2.4. Other banking institutions	20.7	242.0	366.2	1,038.6	808.2	590.7	628.4	743.3	708.5	650.7	577.3
2.5. Non-banking financial institutions	422.7	684.2	892.9	2,346.8	3,487.0	4,145.4	5,202.1	5,810.5	6,157.9	5,420.8	5,249.2
Total (1+2)	81,742.9	86,760.8	88,256.7	103,090.1	117,194.8	122,865.0	123,889.1	127,325.1	131,314.7	133,426.0	132,162.1

Table D8: Foreign Currency Deposits with Banks

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

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

Table D9: Bonds and Money Market Instruments

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Money market instruments (net)	–	–	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
2. Bonds (net)	170.5	164.9	340.9	632.0	609.5	601.8	606.4	607.5	608.4	619.9	620.6
3. Other domestic borrowing	993.0	912.1	502.5	576.0	1,920.8	1,289.3	1,215.5	1,312.6	1,450.9	1,390.5	1,290.0
3.1. Local government	–	–	–	–	–	–	–	–	–	–	–
3.2. Enterprises	40.3	40.8	0.0	152.9	3.5	3.8	4.1	4.3	4.1	5.3	5.0
3.3. Other banking institutions	842.8	828.1	492.8	266.4	1,719.2	1,285.5	1,206.4	1,308.3	1,446.7	1,383.1	1,280.4
3.4. Non-banking financial institutions	109.9	43.2	9.6	156.6	198.0	–	5.0	–	–	2.1	4.5
Total (1+2+3)	1,163.5	1,077.0	844.1	1,208.8	2,531.1	1,891.8	1,822.7	1,920.9	2,060.0	2,011.2	1,911.4

Table D9: Bonds and Money Market Instruments

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

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

curities issued.

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

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

Table D10: Banks' Foreign Liabilities

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Foreign liabilities in f/c	54,536.7	52,073.3	55,114.3	48,461.3	54,726.8	56,979.1	56,174.0	56,076.0	56,395.6	57,000.3	55,891.6
1.1. Liabilities to foreign financial institutions	48,967.5	45,747.7	48,561.3	41,483.1	47,878.5	49,858.0	48,661.7	48,081.2	48,475.1	48,976.3	47,812.5
Demand deposits	127.6	156.3	195.0	258.8	176.6	171.0	196.2	231.5	248.3	296.3	200.8
Time and notice deposits	16,056.8	12,523.1	12,174.1	10,562.9	14,016.4	17,744.1	18,245.9	21,556.8	22,004.0	20,913.8	20,206.7
Loans and advances	29,369.5	29,775.6	32,903.9	27,373.0	30,408.3	28,603.7	27,106.3	26,292.9	26,222.8	27,766.3	27,405.1
o/w: Subordinated and hybrid instruments	2,399.4	1,167.4	820.7	405.9	1,585.1	1,958.3	1,922.4	1,932.6	1,933.7	1,925.1	1,909.0
Bonds	3,413.6	3,292.6	3,288.3	3,288.4	3,277.1	3,339.2	3,113.2	–	–	–	–
1.2. Liabilities to foreign non-banks	5,569.2	6,325.6	6,553.0	6,978.2	6,848.4	7,121.1	7,512.4	7,994.7	7,920.4	8,024.0	8,079.1
Savings and time deposits	5,002.2	5,846.3	6,192.4	6,729.9	6,719.0	7,047.4	7,440.4	7,985.5	7,911.2	8,015.4	8,071.0
Sight deposits	1,052.5	1,172.9	1,635.8	1,537.2	1,374.5	1,420.1	1,494.8	1,394.9	1,265.5	1,262.8	1,348.3
Time and notice deposits	3,949.6	4,673.4	4,556.7	5,192.7	5,344.6	5,627.4	5,945.6	6,590.6	6,645.7	6,752.6	6,722.7
Loans and advances	567.1	479.3	360.5	248.3	129.3	73.7	72.0	9.2	9.2	8.6	8.0
o/w: Subordinated and hybrid instruments	0.2	–	–	–	–	–	–	–	–	–	–
2. Foreign liabilities in kuna	6,627.0	15,039.1	20,961.8	16,691.3	20,569.2	19,564.2	21,606.5	21,019.0	19,877.9	19,582.6	18,981.7
2.1. Liabilities to foreign financial institutions	6,103.9	14,099.6	20,087.0	16,093.8	20,061.0	19,087.8	21,175.9	20,584.9	19,487.0	19,191.8	18,597.7
Demand deposits	145.1	179.6	1,438.1	519.0	898.1	426.2	315.7	339.9	308.5	215.8	365.3
Time and notice deposits	2,846.9	6,979.5	11,198.8	11,423.7	15,014.2	14,512.8	15,956.1	15,338.2	14,266.3	14,059.3	13,321.1
Loans and advances	3,111.9	6,940.5	7,450.2	4,151.2	4,148.8	4,148.8	4,904.1	4,906.8	4,912.2	4,916.7	4,911.3
o/w: Subordinated and hybrid instruments	–	405.7	404.0	0.4	–	–	723.7	726.4	731.8	736.3	730.9
2.2. Liabilities to foreign non-banks	523.1	939.5	874.8	597.5	508.2	476.4	430.6	434.1	390.9	390.8	384.0
Demand deposits	95.9	180.3	170.1	253.2	257.0	237.6	217.7	232.9	205.2	208.0	204.6
Time and notice deposits	419.2	755.2	703.3	340.6	245.7	233.2	204.4	192.7	177.2	174.2	170.8
Loans and advances	8.0	4.0	1.4	3.7	5.5	5.5	8.5	8.5	8.5	8.5	8.5
o/w: Subordinated and hybrid instruments	8.0	4.0	1.4	3.7	5.5	5.5	8.5	8.5	8.5	8.5	8.5
Total (1+2)	61,163.7	67,112.3	76,076.0	65,152.6	75,296.1	76,543.2	77,780.5	77,095.0	76,273.5	76,582.9	74,873.3

Table D10: Banks' Foreign Liabilities

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

Banks' foreign liabilities comprise foreign currency liabilities and

foreign kuna liabilities.

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

Table D11: Central Government and Funds' Deposits with Banks

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. In kuna	5,627.2	7,596.1	9,030.0	11,535.0	14,185.1	14,752.1	15,003.4	15,080.1	15,100.7	15,720.0	16,075.4
1.1. Central government deposits	445.1	605.0	497.5	666.4	429.5	378.2	1,021.7	971.9	958.5	1,353.8	1,735.2
Demand deposits	373.3	458.1	366.2	454.9	176.7	154.4	174.2	238.2	174.3	169.3	172.1
Savings deposits	4.2	1.8	2.1	1.2	1.1	0.7	0.8	0.7	0.7	0.7	0.7
Time and notice deposits	66.5	144.0	128.1	209.3	251.6	223.1	846.7	732.9	783.4	1,183.8	1,562.5
Loans and advances	1.1	1.0	1.0	1.0	–	–	–	–	–	–	–
1.2. Central government funds' deposits	5,182.2	6,991.1	8,532.6	10,868.6	13,755.5	14,373.9	13,981.7	14,108.2	14,142.3	14,366.2	14,340.1
Demand deposits	266.3	580.2	254.6	330.1	645.6	412.9	276.6	266.6	307.9	282.8	329.2
Savings deposits	3.5	1.9	14.6	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Time and notice deposits	262.3	251.7	496.7	413.6	385.8	584.7	719.0	466.9	549.5	451.3	404.9
Loans and advances	4,650.0	6,157.3	7,766.7	10,122.4	12,724.1	13,376.4	12,986.2	13,374.6	13,284.8	13,632.1	13,606.0
2. In f/c	1,194.6	1,690.9	1,770.4	1,990.8	1,822.5	2,059.1	2,373.7	1,461.5	1,404.2	1,476.0	1,435.5
2.1. Central government deposits	891.0	906.2	811.7	759.4	1,122.5	1,286.6	1,144.3	1,063.3	1,025.6	1,004.3	1,064.5
Savings deposits	189.7	340.6	264.8	527.4	666.8	754.6	522.2	307.4	331.8	469.2	576.6
Time and notice deposits	23.2	38.7	275.0	49.7	330.0	428.5	526.9	692.3	631.4	474.0	428.4
Refinanced loans and advances	678.1	527.0	271.9	182.3	125.7	103.6	95.3	63.6	62.4	61.1	59.5
2.2. Central government funds' deposits	303.6	784.7	958.6	1,231.4	699.9	772.4	1,229.4	398.1	378.6	471.7	371.0
Savings deposits	156.5	139.4	93.4	85.7	107.1	59.5	86.3	63.9	113.1	94.3	78.6
Time and notice deposits	147.1	25.8	356.2	153.8	519.6	563.8	482.4	238.9	265.5	377.4	292.4
Loans and advances	–	619.6	509.0	991.8	73.2	149.1	660.7	95.3	–	–	–
Total (1+2)	6,821.8	9,287.0	10,800.4	13,525.8	16,007.5	16,811.2	17,377.1	16,541.6	16,504.9	17,196.0	17,510.8

Table D11: Central Government and Funds' Deposits with Banks

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

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

Table D12: Restricted and Blocked Deposits with Banks

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Restricted deposits	2,014.6	2,036.4	2,447.6	2,252.3	3,038.4	2,860.0	3,060.1	2,813.1	2,877.0	2,880.5	2,792.5
1.1. In kuna	1,267.4	1,277.1	1,427.0	1,322.8	1,478.8	1,430.7	1,546.5	1,471.8	1,468.8	1,444.8	1,428.5
1.2. In f/c	747.2	759.3	1,020.5	929.5	1,559.6	1,429.3	1,513.6	1,341.3	1,408.2	1,435.7	1,364.0
2. Blocked f/c deposits of households	40.0	–	–	–	–	–	–	–	–	–	–
Total (1+2)	2,054.6	2,036.4	2,447.6	2,252.3	3,038.4	2,860.0	3,060.1	2,813.1	2,877.0	2,880.5	2,792.5

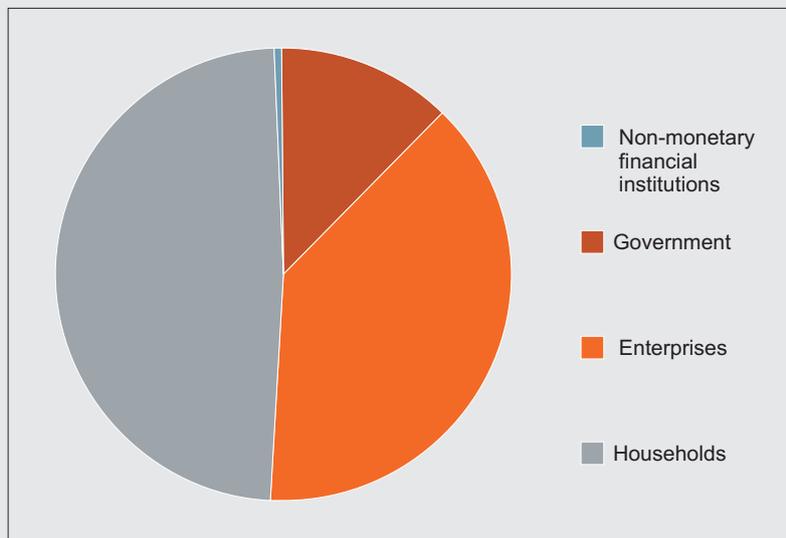
Table D12: Restricted and Blocked Deposits with Banks

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

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

Figure D1

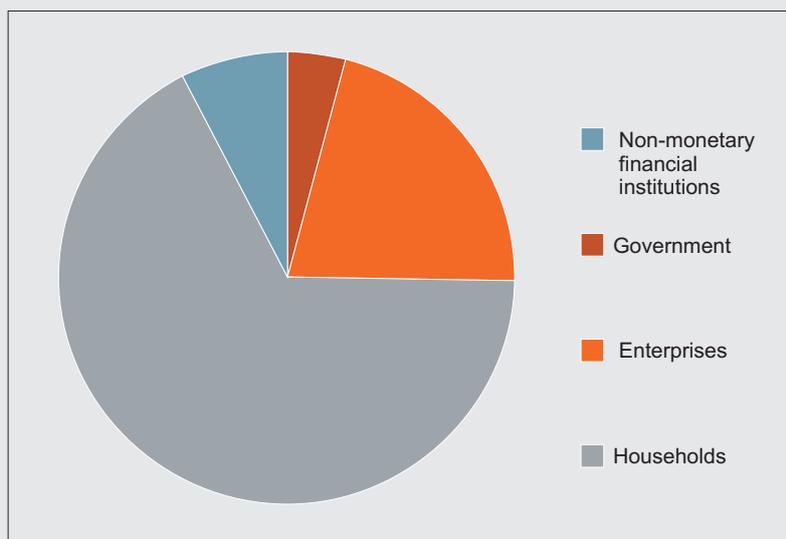
DISTRIBUTION OF BANKS' LOANS BY DOMESTIC INSTITUTIONAL SECTORS



October 2009

Figure D2

DISTRIBUTION OF BANKS' DEPOSITS BY DOMESTIC INSTITUTIONAL SECTORS



October 2009

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

Table E1: Housing Savings Banks' Accounts

end of period, million kuna

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
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	0.0
2. Claims on central government and funds	3,779.1	4,274.3	4,674.8	4,036.5	3,395.5	3,257.2	3,173.7	3,165.9	3,158.9	3,118.7	3,118.2
3. Claims on other domestic sectors	373.2	575.5	1,296.0	2,220.4	2,857.9	2,962.7	2,938.4	2,961.1	2,954.1	2,958.4	2,936.9
o/w: Claims on households	373.2	575.5	1,296.0	2,220.4	2,857.9	2,962.7	2,938.4	2,961.1	2,954.1	2,958.4	2,936.9
4. Claims on banks	824.2	994.4	181.4	133.6	533.7	232.9	257.6	252.7	260.4	286.6	255.0
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	4,976.6	5,844.2	6,152.3	6,390.5	6,787.1	6,452.8	6,369.7	6,379.8	6,373.3	6,363.7	6,310.0
LIABILITIES											
1. Time deposits	4,728.2	5,514.7	5,803.6	6,037.9	6,297.6	5,939.5	5,733.5	5,746.7	5,728.0	5,669.9	5,573.5
2. Bonds and money market instruments	10.7	10.3	61.7	40.1	91.5	102.3	156.4	151.8	140.7	179.7	222.9
3. Capital accounts	206.7	258.0	244.7	303.0	390.6	391.9	446.1	450.7	457.3	464.0	472.6
4. Other items (net)	30.8	61.1	42.2	9.6	7.4	19.0	33.8	30.6	47.3	50.1	41.0
Total (1+2+3+4)	4,976.6	5,844.2	6,152.3	6,390.5	6,787.1	6,452.8	6,369.7	6,379.8	6,373.3	6,363.7	6,310.0

Table E1: Housing Savings Banks' Accounts

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

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

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

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

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

tions with banks.

Claims on other banking institutions include investments in investment funds.

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

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

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

Table F1: Credit Rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	CNB discount rate	CNB repo rate ^a	Credit rates					
				On Lombard credits ^b	On intervention credits	On intra-day refinancing facility ^b	On short-term liquidity credits	On inaccurately calculated statutory reserves ^b	On arrears
1	2	3	4	5	6	7	8	9	10
1995	December	8.50	–	25.49	19.00	17.00	–	19.00	22.00
1996	December	6.50	–	11.00	19.00	17.00	–	19.00	18.00
1997	December	5.90	–	9.50	19.00	17.00	–	19.00	18.00
1998	December	5.90	–	12.00	19.00	7.00	14.00	19.00	18.00
1999	December	7.90	–	13.00	19.00	–	14.00	19.00	18.00
2000	December	5.90	–	12.00	18.00	–	13.00	18.00	18.00
2001	December	5.90	–	10.00	–	–	11.00	15.00	18.00
2002	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2003	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2004	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	December	4.50	3.50	7.50 ^c	–	–	8.50 ^c	15.00	15.00
2006	December	4.50	3.50	7.50	–	–	8.50	15.00	15.00
2007	December	9.00 ^d	4.06	7.50	–	–	8.50	15.00	15.00
2008	November	9.00	7.94	9.00	–	–	10.00	15.00	15.00
	December	9.00	6.00	9.00	–	–	10.00	15.00	15.00
2009	January	9.00	6.00	9.00	–	–	10.00	15.00	15.00
	February	9.00	6.00	9.00	–	–	10.00	15.00	15.00
	March	9.00	6.00	9.00	–	–	10.00	15.00	15.00
	April	9.00	6.00	9.00	–	–	10.00	15.00	15.00
	May	9.00	6.00	9.00	–	–	10.00	15.00	15.00
	June	9.00	6.00	9.00	–	–	10.00	15.00	15.00
	July	9.00	6.00	9.00	–	–	10.00	15.00	15.00
	August	9.00	6.00	9.00	–	–	10.00	15.00	15.00
	September	9.00	6.00	9.00	–	–	10.00	15.00	15.00
	October	9.00	6.00	9.00	–	–	10.00	15.00	15.00

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

Table F1: Credit Rates of the Croatian National Bank

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

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

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

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

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

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

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

Table F2: Deposit Rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis ^a				Interest rates on f/c CNB bills on a voluntary basis					Interest rates on overnight deposits
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1995	December	5.50	16.50	12.00	25.54	27.00	–	–	–	–	–	–	–
1996	December	5.50	–	–	8.00	9.50	–	–	–	–	–	–	–
1997	December	4.50	–	–	8.00	9.00	10.00	–	–	–	–	–	–
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–	–
2002	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–	–
2003	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–	–
2004	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2006	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2007	December	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
2008	November	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
	December	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
2009	January	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
	February	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
	March	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
	April	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
	May	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
	June	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
	July	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
	August	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
	September	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
	October	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50

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

Table F2: Deposit Rates of the Croatian National Bank

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

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

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

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

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

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

Table F3: Banks' Reserve Requirements

daily averages and percentages, million kuna and %

Year	Month	Weighted average res. requirement in % on res. base	Reserve requirement (RR)			Other obligatory deposits with the CNB	Statutory reserves deposited with the CNB		Weighted avg. remuneration rate on immobilised funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
1995	December	30.90	2,431.8	2,431.8	–	826.5	2,215.9	–	7.93	–
1996	December	35.91	3,652.9	3,652.9	–	–	3,312.0	–	4.99	–
1997	December	32.02	4,348.8	4,348.8	–	–	3,914.2	–	4.05	–
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.05	....
2001	December	19.67	21,187.1	8,691.5	12,495.5	–	6,287.8	5,950.0	1.97	2.73
2002	December	19.00	25,985.1	11,447.1	14,538.0	–	8,156.7	7,139.9	1.72	2.16
2003	December	19.00	31,009.4	18,023.8	12,985.6	109.4	12,459.8	6,850.2	1.17	1.47
2004	December	18.00	33,615.7	20,040.9	13,574.8	430.1	14,664.1	10,171.3	1.22	1.36
2005	December	18.00	37,424.5	24,997.9	12,426.6	3,940.2	17,497.7	9,271.4	0.52	0.92
2006	December	17.00	40,736.4	28,966.1	11,770.4	7,332.5	20,257.0	8,780.9	0.52	1.06
2007	December	17.00	44,465.9	31,809.1	12,656.8	6,641.1	22,266.4	9,203.5	0.53	1.29
2008	November	17.00	47,233.1	33,267.0	13,966.1	463.5	23,286.9	9,917.4	0.52	1.43
	December	14.87	41,474.4	29,179.7	12,294.7	461.9	20,425.8	8,807.0	0.52	0.81
2009	January	14.00	39,484.4	31,185.1	8,299.3	487.8	21,829.6	5,987.4	0.52	0.91
	February	14.00	40,527.5	34,390.5	6,137.0	520.7	24,073.3	4,489.8	0.52	0.48
	March	14.00	40,827.0	34,487.6	6,339.4	546.4	24,125.1	4,648.0	0.52	0.39
	April	14.00	40,250.8	33,875.8	6,375.0	380.4	23,707.5	4,667.4	0.52	0.31
	May	14.00	40,074.1	33,683.7	6,390.5	167.1	23,578.5	4,691.6	0.52	0.30
	June	14.00	39,992.9	33,592.4	6,400.5	144.0	23,514.6	4,711.6	0.52	0.25
	July	14.00	39,996.9	33,607.3	6,389.6	140.2	23,525.1	4,703.7	0.52	0.22
	August	14.00	40,057.0	33,623.7	6,433.2	136.0	23,536.5	4,726.5	0.52	0.30
	September	14.00	40,316.3	33,756.0	6,560.3	131.7	23,629.1	4,801.0	0.52	0.26
	October	14.00	40,547.6	33,890.5	6,657.1	134.0	23,723.3	4,859.0	0.52	0.35

Table F3: Banks' Reserve Requirements

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

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

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

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

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

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

Column 7 shows the total amount of other obligatory deposits with the CNB, including CNB bills on an obligatory basis, those CNB bills on a voluntary basis used by banks to maintain the prescribed minimal liquidity (LAR), special statutory reserves until July 1995, special reserve requirement on liabilities arising from issued securities from March 2006 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

Table F4: Banks' Liquidity Indicators

daily averages and percentages, million kuna and %

Year	Month	Free reserves		Primary liquidity ratio	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna MoF treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
1995	December	49.4	....	0.63	199.4	218.7	–	–
1996	December	267.9	....	2.63	98.5	780.9	–	183.8
1997	December	396.3	....	2.92	32.7	728.9	–	260.7
1998	December	221.9	....	1.65	445.5	850.4	1,377.4	141.3
1999	December	179.6	....	1.30	1,183.6	1,311.1	1,507.6	373.9
2000	December	638.8	10,721.4	3.32	80.1	2,485.3	1,692.7	2,006.5
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,360.9
2002	December	1,225.0	10,398.0	3.53	0.6	4,965.5	1,273.9	4,279.5
2003	December	451.6	20,561.4	0.98	501.6	0.0	4,316.0	3,073.2
2004	December	1,495.5	26,126.1	2.64	0.0	0.0	0.0	4,581.7
2005	December	672.5	20,493.4	0.96	0.2	0.0	0.0	4,163.3
2006	December	840.8	20,239.1	0.83	0.0	0.0	0.0	5,993.7
2007	December	1,161.5	30,412.6	1.03	330.4	0.0	0.0	4,449.4
2008	November	469.2	26,975.7	0.41	1,711.2	0.0	0.0	3,728.7
	December	1,168.7	28,101.4	1.03	289.1	0.0	0.0	6,171.2
2009	January	737.9	30,126.4	0.65	778.7	0.0	0.0	7,020.9
	February	347.9	29,085.6	0.30	1,224.6	0.0	0.0	5,099.0
	March	293.1	25,644.7	0.27	1,266.3	0.0	0.0	6,156.5
	April	266.5	25,096.0	0.25	377.8	0.0	0.0	5,244.3
	May	239.3	22,005.5	0.23	200.4	0.0	0.0	4,976.8
	June	377.0	21,308.8	0.37	98.5	0.0	0.0	4,899.3
	July	257.7	22,619.0	0.25	174.1	0.0	0.0	4,513.3
	August	233.3	24,161.5	0.23	79.8	0.0	0.0	3,770.8
	September	181.5	24,897.9	0.18	129.7	0.0	0.0	4,529.6
	October	253.8	24,146.7	0.26	0.0	0.0	0.0	5,406.8

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.

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 June 2005 on, the CNB pays remuneration equalling 50% of the US Federal Funds Target Rate for the funds allocated in US dollars and 50% of the ECB Minimum Bid Refinance Rate for the funds allocated in euros. In both cases the rate in effect on the day of allocation is applied.

Table F4: Banks' Liquidity Indicators

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

Column 3 shows free reserves in kuna, defined as 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 pe-

riod 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.

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

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

Year	Month	Money market interest rates			Interest rates on kuna credits not indexed to foreign currency								
		On overnight credits	On other credits	Total average	On short-term credits						On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households	
							Total average	Credit lines	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	
1995	December	27.26	27.15	22.32	22.56	22.23	23.81	23.75	25.58	13.48	13.39	14.38	
1996	December	9.66	10.72	18.46	19.35	19.18	20.18	19.90	23.12	11.51	11.29	14.28	
1997	December	8.46	9.49	14.06	14.12	13.17	19.26	19.34	18.11	13.24	12.98	13.75	
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16	
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16	
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97	
2001	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14	
2002	December	1.58	1.89	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88	
2003	December	5.47	7.02	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69	
2004	December	3.55	6.02	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16	
2005	December	2.29	3.61	9.91	9.99	7.71	11.26	13.18	5.35	8.75	6.48	10.35	
2006	December	2.02	3.52	9.07	9.37	6.75	11.84	13.21	4.67	7.53	5.86	9.44	
2007	December	5.33	6.71	9.32	9.74	7.39	12.34	13.19	4.95	7.50	6.66	8.01	
2008	November	17.14	15.03	10.97	11.15	9.45	12.41	13.02	4.49	9.19	8.33	9.93	
	December	5.21	7.59	10.71	10.89	8.98	12.33	12.97	4.96	9.05	8.10	10.35	
2009	January	9.88	9.80	11.02	11.09	9.24	12.44	13.03	4.45	9.60	7.84	11.06	
	February	19.92	15.89	11.53	11.59	10.24	12.54	13.10	4.52	10.38	9.57	11.08	
	March	12.99	11.83	11.61	11.69	10.25	12.53	13.15	4.48	10.29	9.26	10.97	
	April	6.32	8.96	11.38	11.44	9.96	12.36	12.93	4.48	10.43	9.63	11.03	
	May	5.56	7.92	11.52	11.58	9.93	12.58	13.17	4.29	10.56	9.84	11.24	
	June	6.49	7.52	11.66	11.78	10.46	12.61	13.17	4.67	10.02	8.88	11.31	
	July	7.65	8.38	11.81	11.86	10.58	12.60	13.17	4.34	10.94	10.16	11.44	
	August	6.60	8.30	11.88	11.93	10.34	12.70	13.22	3.58	10.83	9.99	11.30	
	September	6.07	7.78	11.82	11.89	10.32	12.68	13.22	4.08	10.59	9.20	11.46	
	October	5.07	7.55	11.70	11.74	10.03	12.68	13.24	4.20	10.93	10.16	11.29	
	Relative significance ^a	–	–	70.76	67.31	23.84	43.47	40.79	2.68	3.45	1.09	2.36	

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros			
		Total average	On short-term credits				On long-term credits					Total average	On short-term credits	On long-term credits
			Total average	Enterprises	Households	Total average	Enterprises	Households						
								Total average	Housing credits	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44	
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18	
2004	December	6.89	7.25	7.09	8.47	6.77	5.55	7.73	5.71	8.79	5.34	5.92	4.83	
2005	December	6.18	6.52	6.34	7.91	6.07	5.18	6.98	4.95	8.10	5.29	5.28	5.30	
2006	December	6.30	6.56	6.29	8.33	6.22	6.21	6.22	4.75	7.57	5.65	6.19	5.34	
2007	December	6.73	6.86	6.86	6.84	6.66	6.51	6.80	5.12	8.24	6.79	6.59	7.10	
2008	November	8.04	8.42	8.38	9.00	7.81	7.65	7.88	6.06	9.01	7.58	7.59	7.58	
	December	7.73	8.20	8.18	8.65	7.43	6.92	7.89	6.08	9.02	7.08	7.17	6.83	
2009	January	7.48	7.59	7.54	8.59	7.39	6.61	8.07	6.18	9.33	6.49	6.69	5.84	
	February	7.88	8.05	7.96	9.24	7.73	6.93	8.25	6.21	9.33	6.39	6.52	6.20	
	March	8.20	8.56	8.53	9.12	7.91	7.37	8.25	6.19	9.25	6.98	7.08	6.81	
	April	8.08	8.44	8.36	9.44	7.82	6.95	8.47	6.27	9.53	7.04	7.42	5.70	
	May	8.08	8.11	8.01	9.55	8.05	7.24	8.55	6.33	9.68	7.56	7.72	7.28	
	June	8.21	8.36	8.29	9.43	8.10	7.85	8.36	6.28	9.59	7.65	7.82	7.24	
	July	8.06	8.36	8.23	10.44	7.88	7.34	8.56	6.49	9.73	7.69	7.82	7.50	
	August	8.19	8.47	8.41	9.43	8.00	7.21	8.61	6.45	9.87	7.77	8.08	7.43	
	September	8.25	8.76	8.69	9.80	7.86	6.76	8.82	6.55	9.83	7.48	7.93	7.06	
	October	8.30	8.33	8.28	9.64	8.27	7.42	9.01	6.41	9.94	7.32	7.38	7.21	
	Relative significance ^a	25.56	12.21	11.72	0.49	13.35	6.24	7.11	1.87	5.24	3.68	2.49	1.19	

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	On time deposits						
				Total average	On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
1995	December	6.10	3.88	13.65	13.80	10.56	14.28	9.88	10.67	9.62
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	December	1.58	0.61	3.36	3.34	3.89	3.23	4.12	5.04	3.49
2006	December	1.91	0.56	2.98	2.94	4.10	2.69	4.32	4.98	3.11
2007	December	2.67	0.49	5.42	5.34	4.47	5.48	6.28	5.45	6.45
2008	November	3.78	0.47	10.25	10.60	5.30	11.60	7.32	5.85	7.68
	December	2.92	0.43	5.65	5.60	5.34	5.64	6.58	5.88	6.85
2009	January	3.50	0.43	7.81	7.75	5.26	8.18	8.97	5.70	9.80
	February	4.41	0.47	11.83	11.96	5.68	12.73	9.67	5.67	10.24
	March	3.77	0.46	9.30	9.28	5.51	9.69	9.82	5.89	10.56
	April	3.32	0.44	6.49	6.41	5.30	6.56	8.12	6.17	8.46
	May	3.19	0.44	6.01	5.87	5.38	5.94	8.17	6.21	8.53
	June	3.13	0.45	6.05	5.93	5.38	6.01	7.93	6.27	8.22
	July	3.27	0.45	6.83	6.69	5.23	6.86	8.80	6.12	9.13
	August	3.12	0.46	6.48	6.34	5.12	6.45	8.46	6.18	8.70
	September	3.20	0.46	6.32	6.19	5.25	6.28	8.09	6.13	8.32
	October	2.95	0.45	5.05	4.96	5.30	4.92	6.26	6.14	6.27
	Relative significance ^a	54.01	24.62	27.08	25.12	2.49	22.62	1.97	0.20	1.76

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

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

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

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

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

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

Column 3 reports the weighted averages of monthly interest rates

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

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

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

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

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

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

Year	Month	Interest rates on savings and time deposits indexed to f/c			Interest rates on foreign currency deposits					
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits				
						Households		Enterprises		
1	2	3	4	5	6	7	EUR	USD	EUR	USD
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21
2005	December	3.99	3.63	4.77	2.61	0.27	0.27	0.17	0.27	0.76
2006	December	3.67	3.30	4.07	2.94	0.25	0.23	0.17	0.32	0.44
2007	December	3.98	3.76	4.35	3.44	0.25	0.22	0.15	0.36	0.43
2008	November	3.75	3.94	4.35	3.79	0.23	0.20	0.15	0.34	0.32
	December	4.09	4.05	4.42	3.97	0.21	0.20	0.15	0.26	0.13
2009	January	4.25	3.87	4.55	3.99	0.24	0.20	0.15	0.41	0.31
	February	4.23	3.74	4.55	3.90	0.19	0.20	0.15	0.20	0.09
	March	3.52	3.72	4.83	3.92	0.19	0.21	0.16	0.16	0.12
	April	3.94	3.75	2.67	3.96	0.19	0.21	0.17	0.14	0.11
	May	3.70	3.66	4.25	3.88	0.19	0.21	0.16	0.14	0.09
	June	3.99	3.59	4.21	3.96	0.18	0.21	0.16	0.11	0.08
	July	4.24	3.68	4.82	4.03	0.18	0.20	0.16	0.12	0.08
	August	3.95	3.27	4.01	3.98	0.18	0.20	0.16	0.11	0.07
	September	4.06	3.15	4.48	4.01	0.18	0.21	0.15	0.11	0.06
	October	3.40 ^b	3.08	3.37	3.99	0.18	0.21	0.15	0.10	0.07
	Relative significance ^a	0.67	0.64	0.03	45.32	17.94	12.37	1.40	3.86	0.31

^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, 37.95% refers to enterprises.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on foreign currency deposits										
		On time deposits										
		Total average	On short-term deposits				On long-term deposits					
			Total average	Households		Enterprises		Total average	Households		Enterprises	
EUR	USD	EUR		USD	EUR	USD	EUR		USD			
1	2	12	13	14	15	16	17	18	19	20	21	22
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65
2005	December	3.07	2.94	2.99	1.76	2.63	4.34	3.69	4.25	0.48	4.39	–
2006	December	3.82	3.76	3.16	2.05	4.24	5.84	4.25	4.47	2.26	4.79	4.61
2007	December	4.32	4.25	3.47	2.60	5.10	5.33	4.80	4.83	3.84	5.13	2.19
2008	November	4.17	3.96	3.87	2.62	4.15	3.66	5.34	5.41	3.85	4.91	3.01
	December	4.15	3.95	4.33	2.69	4.13	1.84	5.51	5.57	3.58	5.52	2.38
2009	January	4.18	4.02	4.38	2.70	4.04	2.33	5.38	5.47	3.95	4.82	3.13
	February	3.74	3.52	4.18	2.72	3.62	1.85	5.48	5.57	3.68	5.11	2.00
	March	3.88	3.71	4.11	2.67	3.68	2.18	5.17	5.44	3.78	4.59	–
	April	3.91	3.72	4.16	2.69	3.49	2.44	5.44	5.57	3.69	5.13	3.50
	May	3.60	3.43	4.10	2.67	2.97	2.07	5.18	5.42	3.85	3.25	–
	June	3.85	3.71	4.25	2.69	3.42	2.59	5.29	5.55	3.99	3.54	2.27
	July	3.95	3.80	4.39	2.72	3.51	2.54	5.54	5.60	3.86	5.57	3.04
	August	3.95	3.83	4.48	2.77	3.45	2.38	5.37	5.40	3.99	5.71	–
	September	3.86	3.76	4.58	2.73	3.34	2.52	5.18	5.25	3.73	5.39	3.50
	October	3.61	3.46	4.27	2.79	3.08	1.73	5.36	5.42	3.81	5.41	0.00
	Relative significance ^a	27.38	25.16	9.35	0.55	14.15	1.11	2.22	2.05	0.09	0.09	0.00

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

Table G5: Banks' Trade with Foreign Exchange

million euros, current exchange rate

	2004	2005	2006	2007	2008	2009					
						Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
A. Purchase of foreign exchange											
1. Legal persons	7,465.3	8,443.5	14,442.7	26,365.0	33,058.3	1,435.6	1,410.9	1,640.7	1,170.7	1,800.8	1,743.4
2. Natural persons	3,934.4	4,931.8	6,262.7	6,151.3	4,755.3	337.0	461.8	575.8	483.3	384.0	367.6
2.1. Residents	3,586.1	4,662.6	5,909.4	3,184.0	4,252.9	316.9	395.3	490.0	376.3	335.7	332.4
2.2. Non-residents	348.3	269.2	353.2	326.3	502.4	20.1	66.5	85.8	107.0	48.4	35.2
3. Domestic banks	10,799.3	9,069.9	14,380.1	20,141.3	20,017.6	425.9	1,208.8	1,067.7	886.5	1,163.3	637.9
4. Foreign banks	1,426.2	2,602.3	5,056.8	5,194.1	7,342.5	381.6	643.8	594.3	487.1	439.4	382.9
5. Croatian National Bank	33.0	0.0	125.5	0.0	420.6	261.3	288.0	–	–	–	–
Total (1+2+3+4)	24,110.1	25,106.0	40,439.5	57,851.7	65,594.2	2,841.4	4,013.3	3,878.5	3,027.6	3,787.5	3,131.8
B. Sale of foreign exchange											
1. Legal persons	11,280.3	13,022.3	17,515.0	28,564.1	35,448.8	1,360.2	1,790.6	1,907.7	1,486.6	1,961.2	1,822.9
2. Natural persons	1,671.1	2,722.5	4,109.1	3,712.5	4,366.4	268.4	178.3	458.9	362.5	230.7	161.8
2.1. Residents	1,654.5	2,693.9	4,056.4	2,071.3	4,335.2	267.3	176.9	456.0	360.2	229.0	160.5
2.2. Non-residents	16.6	28.6	52.6	40.0	31.2	1.1	1.4	2.9	2.3	1.7	1.3
3. Domestic banks	10,799.3	9,069.9	14,380.1	20,141.3	20,017.6	425.9	1,208.8	1,067.7	886.5	1,163.3	637.9
4. Foreign banks	1,001.1	1,407.1	3,526.1	4,072.6	6,615.7	450.3	662.1	519.0	468.7	395.1	272.7
5. Croatian National Bank	543.2	670.8	1,329.5	839.0	409.1	619.2	–	–	–	1.3	234.0
Total (1+2+3+4)	25,295.0	26,892.7	40,859.7	57,329.5	66,857.5	3,124.0	3,839.8	3,953.3	3,204.3	3,751.7	3,129.4
C. Net purchase (A-B)											
1. Legal persons	–3,815.1	–4,578.8	–3,072.3	–2,199.1	–2,390.5	75.4	–379.7	–267.0	–315.9	–160.4	–79.5
2. Natural persons	2,263.3	2,209.3	2,153.6	2,438.9	388.9	68.6	283.5	116.9	120.8	153.3	205.7
2.1. Residents	1,931.6	1,968.7	1,853.0	1,112.7	–82.2	49.6	218.4	34.0	16.0	106.7	171.9
2.2. Non-residents	331.7	240.6	300.6	286.3	471.1	19.0	65.1	82.8	104.7	46.6	33.9
3. Foreign banks	425.1	1,195.2	1,530.7	1,121.4	726.8	–68.7	–18.2	75.3	18.4	44.2	110.2
4. Croatian National Bank	–510.2	–670.8	–1,204.0	–839.0	11.5	–357.9	288.0	–	–	–1.3	–234.0
Total (1+2+3)	–1,636.9	–1,845.2	–592.1	522.2	–1,263.3	–282.6	173.5	–74.8	–176.7	35.8	2.4
Memo items: Other Croatian National Bank transactions											
Purchase of foreign exchange	145.1	–	3.1	5.1	265.4	0.2	473.2	0.2	3.3	0.2	2.5
Sale of foreign exchange	239.3	167.6	441.3	176.7	83.7	–	–	–	–	1.6	8.7

Table G5: Banks' Trade with Foreign Exchange

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

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

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

Table H1: Balance of Payments – Summary^{a,b}

million euros

	2004	2005	2006	2007 ^c	2008 ^c	2009		
						Q1 ^c	Q2 ^c	Q3 ^d
A. CURRENT ACCOUNT (1+6)	-1,433.7	-1,975.6	-2,717.1	-3,237.7	-4,368.8	-1,843.5	-871.4	1,774.1
1. Goods, services, and income (2+5)	-2,625.5	-3,159.5	-3,824.5	-4,280.7	-5,404.7	-2,050.3	-1,165.9	1,533.0
1.1. Credit	14,952.8	15,990.2	17,883.1	19,600.2	21,256.5	2,916.6	4,221.8	6,565.4
1.2. Debit	-17,578.4	-19,149.7	-21,707.6	-23,880.9	-26,661.2	-4,967.0	-5,387.8	-5,032.3
2. Goods and services (3+4)	-1,955.3	-2,200.2	-2,641.6	-3,166.6	-3,835.9	-1,597.1	-612.8	1,892.3
2.1. Credit	14,243.5	15,272.9	16,990.4	18,307.2	19,904.6	2,701.9	4,019.6	6,354.8
2.2. Debit	-16,198.8	-17,473.2	-19,632.0	-21,473.8	-23,740.5	-4,298.9	-4,632.5	-4,462.5
3. Goods	-6,724.2	-7,518.0	-8,344.2	-9,434.0	-10,793.8	-1,731.8	-2,012.1	-1,835.1
3.1. Credit	6,606.8	7,220.3	8,463.6	9,192.5	9,814.0	1,928.5	1,901.1	1,889.5
3.2. Debit	-13,330.9	-14,738.3	-16,807.8	-18,626.5	-20,607.8	-3,660.3	-3,913.1	-3,724.6
4. Services	4,768.9	5,317.7	5,702.7	6,267.4	6,957.9	134.8	1,399.3	3,727.4
4.1. Credit	7,636.7	8,052.6	8,526.8	9,114.7	10,090.6	773.3	2,118.6	4,465.3
4.2. Debit	-2,867.8	-2,734.9	-2,824.2	-2,847.3	-3,132.7	-638.6	-719.3	-737.8
5. Income	-670.2	-959.2	-1,182.9	-1,114.1	-1,568.8	-453.3	-553.1	-359.3
5.1. Credit	709.4	717.3	892.7	1,293.0	1,351.9	214.7	202.2	210.6
5.2. Debit	-1,379.6	-1,676.5	-2,075.6	-2,407.1	-2,920.7	-668.0	-755.3	-569.9
6. Current transfers	1,191.8	1,183.8	1,107.4	1,043.0	1,035.9	206.8	294.6	241.1
6.1. Credit	1,584.6	1,628.4	1,639.5	1,576.1	1,684.4	348.7	431.0	387.8
6.2. Debit	-392.8	-444.6	-532.1	-533.1	-648.5	-141.9	-136.4	-146.7
B. CAPITAL AND FINANCIAL ACCOUNT	2,561.0	3,014.3	3,670.4	4,146.7	5,966.0	2,253.3	539.1	-163.3
B1. Capital account	31.4	53.8	-133.8	34.5	28.2	4.7	8.0	6.1
B2. Financial account, excl. reserves	2,572.6	3,782.3	5,216.4	4,833.8	5,607.4	1,837.9	863.5	-196.6
1. Direct investment	670.8	1,276.1	2,556.6	3,490.0	3,225.0	439.2	472.9	-43.1
1.1. Abroad	-278.8	-191.8	-208.2	-180.2	-965.2	-30.9	-30.5	-768.8
1.2. In Croatia	949.6	1,467.9	2,764.8	3,670.2	4,190.2	470.1	503.4	725.7
2. Portfolio investment	287.1	-1,177.9	-542.3	-2.9	-627.2	-445.6	309.0	-362.9
2.1. Assets	-736.1	-571.2	-472.5	-413.7	-273.3	126.0	-126.0	-203.3
2.2. Liabilities	1,023.2	-606.6	-69.8	410.8	-353.9	-571.6	435.0	-159.5
3. Financial derivatives	0.0	-88.4	0.0	0.0	0.0	0.0	0.0	0.0
4. Other investment	1,614.7	3,772.5	3,202.1	1,346.7	3,009.6	1,844.2	81.6	209.4
4.1. Assets	-498.4	982.2	-692.3	-1,653.4	-1,617.7	1,889.1	-927.9	-563.2
4.2. Liabilities	2,113.0	2,790.3	3,894.4	3,000.1	4,627.3	-44.9	1,009.6	772.6
B3. Reserve assets	-43.0	-821.8	-1,412.2	-721.6	330.4	410.7	-332.4	27.2
C. NET ERRORS AND OMISSIONS	-1,127.3	-1,038.6	-953.2	-909.0	-1,597.2	-409.7	332.3	-1,610.9

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

Table: H1-H6: Balance of Payments

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

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

applying the exchange rate from the CNB exchange rate list in one of the following manners:

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

The Report of the Central Bureau of Statistics on foreign trade in goods of the Republic of Croatia represents the basic data source for the balance of payments items related to exports and imports. These data are adjusted, in accordance with the recommended compilation method, for coverage and classification. Accordingly, goods exports and imports in the balance of payments are reported at f.o.b. parity. The value of exports at this parity is already contained in the previ-

Table H2: Balance of Payments – Goods and Services

million euros

	2004	2005	2006	2007	2008 ^a	2009		
						Q1 ^a	Q2 ^a	Q3 ^b
Goods	-6,724.2	-7,518.0	-8,344.2	-9,434.0	-10,793.8	-1,731.8	-2,012.1	-1,835.1
1. Credit	6,606.8	7,220.3	8,463.6	9,192.5	9,814.0	1,928.5	1,901.1	1,889.5
1.1. Exports (f.o.b.) in trade statistics	6,453.8	7,069.4	8,251.6	9,001.6	9,585.1	1,892.7	1,864.1	1,836.0
1.2. Adjustments for coverage	153.0	150.9	212.0	191.0	228.9	35.8	37.0	53.4
2. Debit	-13,330.9	-14,738.3	-16,807.8	-18,626.5	-20,607.8	-3,660.3	-3,913.1	-3,724.6
2.1. Imports (c.i.f.) in trade statistics	-13,354.4	-14,949.5	-17,104.7	-18,826.6	-20,817.1	-3,707.0	-3,951.4	-3,737.2
2.2. Adjustments for coverage	-474.7	-346.4	-341.1	-370.4	-421.4	-65.7	-81.5	-100.6
2.3. Adjustments for classification	498.1	557.6	638.0	570.4	630.8	112.3	119.7	113.2
Services	4,768.9	5,317.7	5,702.7	6,267.4	6,957.9	134.8	1,399.3	3,727.4
1. Transportation	299.3	376.1	474.2	542.1	508.5	51.2	72.4	90.8
1.1. Credit	791.3	880.3	1,037.5	1,165.4	1,209.4	173.9	197.2	220.6
1.2. Debit	-492.0	-504.2	-563.2	-623.3	-700.9	-122.7	-124.8	-129.8
2. Travel	4,822.3	5,394.9	5,708.7	6,035.2	6,694.0	171.9	1,397.1	3,650.1
2.1. Credit	5,505.6	5,998.9	6,293.3	6,752.6	7,459.4	300.7	1,587.3	3,886.3
2.1.1. Business	328.2	504.0	388.4	389.2	386.4	40.0	94.2	65.5
2.1.2. Personal	5,177.4	5,494.9	5,904.9	6,363.4	7,073.1	260.7	1,493.1	3,820.8
2.2. Debit	-683.3	-604.1	-584.6	-717.3	-765.5	-128.8	-190.2	-236.1
2.2.1. Business	-297.3	-267.4	-229.5	-266.9	-261.3	-40.2	-70.1	-63.9
2.2.2. Personal	-386.0	-336.7	-355.1	-450.4	-504.2	-88.7	-120.0	-172.2
3. Other services	-352.7	-453.3	-480.3	-310.0	-244.6	-88.4	-70.2	-13.5
3.1. Credit	1,339.8	1,173.4	1,196.0	1,196.8	1,421.8	298.7	334.1	358.4
3.2. Debit	-1,692.5	-1,626.6	-1,676.3	-1,506.7	-1,666.4	-387.1	-404.3	-371.9

^a Revised data. ^b Preliminary data.

ously 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 transportation are not adopted from this research. They are compiled by using ITRS data. As regards transportation of goods, expenditures are sup-

plemented by a portion of transportation and insurance costs related to imports of goods which belongs to non-residents and which is estimated by adjusting the value of imports at c.i.f. parity to the value of imports f.o.b.

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

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

Transactions in the income account are classified into four main groups. Compensation of employees item is compiled on the basis of the ITRS. Income from direct investment, portfolio investment and other investment are reported separately. Data on reinvested earnings are reported separately, under direct investment income, calculated on the basis of the CNB Research on direct and other equity investment. In contrast to data on dividends, these data are not available for the 1993-1996 period, since at that time they were not reported separately. 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,

Table H3: Balance of Payments – Income and Current Transfers

million euros

	2004	2005	2006	2007 ^a	2008 ^a	2009		
						Q1 ^a	Q2 ^a	Q3 ^b
Income	-670.2	-959.2	-1,182.9	-1,114.1	-1,568.8	-453.3	-553.1	-359.3
1. Compensation of employees	233.9	259.7	373.2	494.2	564.1	146.0	149.3	141.8
1.1. Credit	268.3	289.2	404.3	527.8	599.7	154.9	159.1	151.1
1.2. Debit	-34.4	-29.5	-31.1	-33.6	-35.5	-8.9	-9.8	-9.3
2. Direct investment income	-441.6	-739.0	-1,002.0	-923.3	-1,135.8	-273.3	-388.2	-185.2
2.1. Credit	175.6	112.7	80.7	174.5	194.6	-6.9	-9.3	10.5
o/w: Reinvested earnings	165.8	63.8	64.0	123.3	118.6	-15.2	-18.4	-3.5
2.2. Debit	-617.3	-851.8	-1,082.7	-1,097.8	-1,330.4	-266.4	-378.9	-195.7
o/w: Reinvested earnings	-291.7	-570.5	-717.5	-483.3	-508.5	108.4	-129.6	-126.5
3. Portfolio investment income	-250.0	-217.6	-175.9	-162.9	-145.8	-29.7	-33.8	-43.4
3.1. Credit	32.7	46.2	57.4	74.5	74.6	17.8	15.3	12.0
3.2. Debit	-282.7	-263.8	-233.3	-237.4	-220.4	-47.5	-49.1	-55.4
4. Other investment income	-212.5	-262.3	-378.2	-522.2	-851.3	-296.3	-280.4	-272.5
4.1. Credit	232.7	269.1	350.3	516.2	483.0	48.9	37.1	37.0
4.2. Debit	-445.2	-531.4	-728.6	-1,038.4	-1,334.3	-345.2	-317.5	-309.5
Current transfers	1,191.8	1,183.8	1,107.4	1,043.0	1,035.9	206.8	294.6	241.1
1. General government	2.6	9.7	-8.6	-16.7	-54.6	-31.5	20.4	-30.5
1.1. Credit	180.1	219.6	255.7	260.2	342.6	52.2	100.7	59.9
1.2. Debit	-177.5	-209.9	-264.4	-276.8	-397.3	-83.7	-80.3	-90.4
2. Other sectors	1,189.2	1,174.1	1,116.0	1,059.6	1,090.5	238.3	274.1	271.6
2.1. Credit	1,404.5	1,408.8	1,383.8	1,316.0	1,341.7	296.5	330.2	327.8
2.2. Debit	-215.3	-234.6	-267.7	-256.3	-251.2	-58.2	-56.1	-56.3

^a Revised data. ^b Preliminary data.

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

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

transactions related to insurance services.

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

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

Data on equity portfolio investments are collected from the same data source as the data on direct investments. Debt portfolio investments include all investments in short-term and long-term debt securities that cannot be classified under direct investments. In the 1997-1998 period, these data were collected through the CNB Research on direct and portfolio investments, and since 1999 data on external debt relations and monetary statistics data for bank investment have

Table H4: Balance of Payments – Direct and Portfolio Investments^{a,b}

million euros

	2004	2005	2006	2007 ^c	2008 ^c	2009		
						Q1 ^c	Q2 ^c	Q3 ^d
Direct investment	670.8	1,276.1	2,556.6	3,490.0	3,225.0	439.2	472.9	-43.1
1. Abroad	-278.8	-191.8	-208.2	-180.2	-965.2	-30.9	-30.5	-768.8
1.1. Equity capital and reinvested earnings	-259.6	-121.0	-211.9	-234.3	-1,071.0	-103.7	-43.7	-742.7
1.1.1. Claims	-260.0	-122.2	-211.9	-237.4	-1,071.0	-119.0	-62.2	-746.2
1.1.2. Liabilities	0.4	1.3	0.0	3.1	0.0	15.2	18.4	3.5
1.2. Other capital	-19.2	-70.9	3.7	54.1	105.7	72.8	13.2	-26.1
1.1.1. Claims	-23.6	-59.8	-13.9	20.2	106.8	51.5	-13.7	-41.0
1.2.2. Liabilities	4.4	-11.1	17.6	33.9	-1.1	21.4	26.9	14.8
2. In Croatia	949.6	1,467.9	2,764.8	3,670.2	4,190.2	470.1	503.4	725.7
2.1. Equity capital and reinvested earnings	611.4	1,363.5	2,460.9	2,685.8	2,682.4	48.0	296.7	362.7
2.1.1. Claims	-22.4	0.0	-0.1	0.0	-6.9	-108.4	0.0	0.0
2.1.2. Liabilities	633.8	1,363.5	2,461.0	2,685.8	2,689.3	156.4	296.7	362.7
2.2. Other capital	338.2	104.4	303.8	984.5	1,507.8	422.1	206.7	363.0
2.2.1. Claims	-17.8	0.0	16.6	-2.7	-26.3	-13.5	8.4	0.7
2.2.2. Liabilities	356.0	104.4	287.3	987.2	1,534.1	435.6	198.3	362.3
Portfolio investment	287.1	-1,177.9	-542.3	-2.9	-627.2	-445.6	309.0	-362.9
1. Assets	-736.1	-571.2	-472.5	-413.7	-273.3	126.0	-126.0	-203.3
1.1. Equity securities	-39.1	-193.0	-320.5	-843.5	147.3	12.2	-56.1	-16.4
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1. Banks	0.0	0.0	2.6	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	-39.1	-193.0	-323.1	-843.5	147.3	12.2	-56.1	-16.4
1.2. Debt securities	-696.9	-378.2	-152.0	429.7	-420.6	113.8	-70.0	-187.0
1.2.1. Bonds	-567.1	-396.5	98.7	323.0	-322.6	113.7	-125.8	-63.9
1.2.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2. Banks	-575.0	-360.2	142.4	261.1	-221.0	189.7	0.8	-98.1
1.2.1.3. Other sectors	7.9	-36.3	-43.7	61.9	-101.6	-76.0	-126.6	34.2
1.2.2. Money market instruments	-129.9	18.3	-250.6	106.7	-98.1	0.1	55.9	-123.1
1.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2.2. Banks	-129.9	18.3	-250.6	106.7	-98.1	0.1	55.9	-123.1
1.2.2.3. Other sectors	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
2. Liabilities	1,023.2	-606.6	-69.8	410.8	-353.9	-571.6	435.0	-159.5
2.1. Equity securities	141.6	89.2	325.7	315.7	-87.1	-0.3	-22.2	0.9
2.1.1. Banks	0.8	-12.8	41.7	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	140.7	102.0	284.0	315.7	-87.1	-0.3	-22.2	0.9
2.2. Debt securities	881.7	-695.8	-395.6	95.1	-266.8	-571.2	457.2	-160.4
2.2.1. Bonds	915.6	-695.8	-395.6	95.1	-266.8	-571.2	457.2	-160.4
2.2.1.1. General government	165.7	-705.9	-463.7	-276.4	-208.0	-572.4	460.1	45.9
2.2.1.2. Banks	453.2	3.2	1.2	1.0	-1.6	2.8	3.3	-452.6
2.2.1.3. Other sectors	296.7	6.9	66.9	370.5	-57.3	-1.7	-6.1	246.3
2.2.2. Money market instruments	-34.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.3. Other sectors	-34.0	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 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.

been used. Starting from 2002 and 2004, this position has also been compiled for investment funds and pension funds, respectively.

Other investment encompasses all other debt investments that have not been mentioned, apart from investment constituting reserve assets. Other investments are classified by instruments, maturity and sectors. Trade credits, in the 1996–2002 period, included the CNB estimates of advance payment and deferred payments, made on the basis of the sample of the largest and large importers and exporters. Data on advance payments have been estimated since 1996, while data on short-term deferred payments (first up to 90 days, then up to 150 days, and today from 8 days to 1 year) have been

collected since 1999. In 2003, this research was replaced by a new one, where the selected companies, regardless of their size (stratified sample), are obliged to submit data. Data on deferred payments with the original maturity of more than one year are adopted from the CNB foreign credit relations statistics. Credits granted by residents to non-residents, i.e. foreign loans utilised by residents and granted by non-residents, which cannot be classified into direct investments or trade credits, are classified by the institutional sector and maturity under the corresponding positions of other investment. The CNB foreign credit relations statistics represent the data source for these positions. Currency and deposit position shows residents' claims on

Table H5: Balance of Payments – Other Investment^a

million euros

	2004	2005	2006	2007	2008 ^b	2009		
						Q1 ^b	Q2 ^b	Q3 ^c
Other investment (net)	1,614.7	3,772.5	3,202.1	1,346.7	3,009.6	1,844.2	81.6	209.4
1. Assets	-498.4	982.2	-692.3	-1,653.4	-1,617.7	1,889.1	-927.9	-563.2
1.1. Trade credits	-188.1	-134.8	-33.3	-99.6	-123.4	11.6	-39.2	129.3
1.1.1. General government	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
1.1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	-188.1	-134.8	-33.3	-99.6	-123.4	11.6	-39.2	129.3
1.1.2.1. Long-term	18.1	10.4	-4.9	-63.5	26.7	16.8	10.9	11.1
1.1.2.2. Short-term	-206.1	-145.3	-28.4	-36.1	-150.0	-5.2	-50.0	118.2
1.2. Loans	43.8	-116.8	-153.1	-4.5	-107.5	16.7	35.8	1.1
1.2.1. General government	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
1.2.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2. Banks	3.7	-28.5	-80.4	-32.6	-66.7	-1.8	28.2	-9.7
1.2.2.1. Long-term	-0.1	-20.5	-58.9	-25.4	-26.8	-0.9	4.9	-23.4
1.2.2.2. Short-term	3.9	-8.0	-21.5	-7.3	-39.9	-0.9	23.3	13.7
1.2.3. Other sectors	40.0	-88.3	-72.7	28.1	-40.8	18.5	7.6	10.8
1.2.3.1. Long-term	41.4	-89.2	-73.0	28.1	-37.6	22.8	9.2	8.7
1.2.3.2. Short-term	-1.3	1.0	0.3	0.0	-3.2	-4.2	-1.5	2.1
1.3. Currency and deposits	-354.1	1,233.8	-505.9	-1,549.4	-1,386.8	1,860.8	-924.6	-693.6
1.3.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2. Banks	-446.7	1,313.7	-462.1	-1,317.1	-136.4	1,752.9	-855.5	-693.6
1.3.3. Other sectors	92.6	-79.8	-43.8	-232.3	-1,250.5	107.9	-69.1	0.0
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	2,113.0	2,790.3	3,894.4	3,000.1	4,627.3	-44.9	1,009.6	772.6
2.1. Trade credits	-54.5	15.1	18.5	313.5	32.0	-250.5	109.3	51.7
2.1.1. General government	-0.3	0.4	-0.7	-0.6	-0.5	0.0	0.0	0.0
2.1.1.1. Long-term	-0.3	0.4	-0.7	-0.6	-0.5	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
2.1.2. Other sectors	-54.2	14.7	19.2	314.2	32.5	-250.5	109.3	51.7
2.1.2.1. Long-term	-16.7	27.4	-3.7	165.0	34.9	-1.9	-33.8	7.9
2.1.2.2. Short-term	-37.5	-12.7	22.9	149.2	-2.4	-248.6	143.1	43.9
2.2. Loans	1,676.4	2,405.7	3,059.2	2,890.3	3,703.9	-141.3	506.1	541.3
2.2.1. Croatian National Bank	-367.7	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
2.2.1.1.1. Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.2. Repayments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2. Short-term	-367.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	571.4	97.2	165.0	161.0	96.7	35.9	17.5	-34.7
2.2.2.1. Long-term	571.4	97.2	165.0	161.0	65.0	44.4	26.1	-26.1
2.2.2.1.1. Drawings	767.5	342.0	477.8	523.5	330.1	106.7	106.7	35.7
2.2.2.1.2. Repayments	-196.1	-244.8	-312.8	-362.5	-265.2	-62.3	-80.6	-61.8
2.2.2.2. Short-term	0.0	0.0	0.0	0.0	31.7	-8.6	-8.6	-8.6
2.2.3. Banks	650.4	826.0	541.2	-1,065.0	115.2	-341.1	-111.4	77.5
2.2.3.1. Long-term	741.7	281.1	419.5	-630.8	-276.1	16.0	-218.2	-26.7
2.2.3.1.1. Drawings	1,260.0	1,236.1	2,833.6	1,216.2	609.4	138.6	411.3	184.8
2.2.3.1.2. Repayments	-518.3	-955.0	-2,414.1	-1,847.0	-885.4	-122.6	-629.4	-211.5
2.2.3.2. Short-term	-91.2	544.9	121.7	-434.2	391.3	-357.1	106.8	104.2
2.2.4. Other sectors	822.2	1,482.6	2,353.0	3,794.4	3,492.0	163.9	600.0	498.6
2.2.4.1. Long-term	786.7	1,428.1	2,264.1	3,184.9	3,175.7	149.2	401.9	429.5
2.2.4.1.1. Drawings	2,260.4	2,934.5	4,266.4	5,960.8	6,700.9	842.9	1,661.8	1,173.7
2.2.4.1.2. Repayments	-1,473.8	-1,506.4	-2,002.3	-2,775.9	-3,525.2	-693.7	-1,259.9	-744.1
2.2.4.2. Short-term	35.5	54.5	88.9	609.5	316.2	14.7	198.1	69.0
2.3. Currency and deposits	488.2	366.7	814.0	-206.4	890.2	346.6	393.6	179.2
2.3.1. General government	0.0	0.1	0.1	-0.1	-0.1	-0.3	-0.8	0.0
2.3.2. Banks	488.2	366.6	813.9	-206.4	881.6	351.8	398.4	181.0
2.3.3. Other sectors	0.0	-0.1	0.1	0.1	8.7	-4.9	-3.9	-1.8
2.4. Other liabilities	3.0	2.8	2.7	2.7	1.3	0.3	0.5	0.4

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

Table H6: Balance of Payments – Summary^a

million kuna

	2004	2005	2006	2007 ^b	2008 ^b	2009		
						Q1 ^b	Q2 ^b	Q3 ^c
A. CURRENT ACCOUNT (1+6)	-11,167.8	-14,828.7	-20,064.6	-23,886.5	-31,661.7	-13,670.1	-6,437.6	12,993.7
1. Goods, services, and income (2+5)	-20,094.6	-23,586.8	-28,173.7	-31,537.4	-39,137.5	-15,205.4	-8,605.8	11,230.2
1.1. Credit	111,525.4	117,994.9	130,756.5	143,640.8	153,418.7	21,610.0	31,050.2	48,055.3
1.2. Debit	-131,620.0	-141,581.7	-158,930.2	-175,178.2	-192,556.1	-36,815.4	-39,656.0	-36,825.0
2. Goods and services (3+4)	-15,083.2	-16,508.1	-19,535.2	-23,342.4	-27,771.7	-11,844.3	-4,533.8	13,860.3
2.1. Credit	106,225.6	112,693.7	124,216.9	134,156.6	143,655.7	20,018.2	29,562.2	46,514.6
2.2. Debit	-121,308.8	-129,201.8	-143,752.1	-157,499.0	-171,427.5	-31,862.4	-34,096.1	-32,654.3
3. Goods	-50,327.5	-55,568.1	-61,083.9	-69,218.6	-77,984.3	-12,848.3	-14,813.8	-13,432.8
3.1. Credit	49,507.8	53,397.7	61,988.6	67,424.8	70,856.8	14,291.5	13,996.3	13,829.2
3.2. Debit	-99,835.3	-108,965.8	-123,072.5	-136,643.4	-148,841.1	-27,139.8	-28,810.1	-27,262.0
4. Services	35,244.3	39,060.0	41,548.7	45,876.2	50,212.6	1,004.1	10,280.0	27,293.0
4.1. Credit	56,717.8	59,296.0	62,228.3	66,731.8	72,798.9	5,726.7	15,566.0	32,685.4
4.2. Debit	-21,473.5	-20,236.0	-20,679.6	-20,855.6	-22,586.3	-4,722.6	-5,286.0	-5,392.3
5. Income	-5,011.4	-7,078.7	-8,638.5	-8,195.0	-11,365.7	-3,361.1	-4,072.0	-2,630.0
5.1. Credit	5,299.8	5,301.2	6,539.7	9,484.1	9,762.9	1,591.8	1,488.0	1,540.7
5.2. Debit	-10,311.1	-12,379.9	-15,178.1	-17,679.1	-21,128.6	-4,953.0	-5,559.9	-4,170.7
6. Current transfers	8,926.8	8,758.1	8,109.0	7,650.9	7,475.7	1,535.3	2,168.2	1,763.5
6.1. Credit	11,872.9	12,047.2	12,005.6	11,562.1	12,159.5	2,586.1	3,170.7	2,841.0
6.2. Debit	-2,946.1	-3,289.1	-3,896.5	-3,911.1	-4,683.7	-1,050.8	-1,002.5	-1,077.6
B. CAPITAL AND FINANCIAL ACCOUNT	18,720.3	22,085.4	26,919.8	30,304.7	42,752.8	16,682.2	3,984.1	-1,185.5
B1. Capital account	235.5	396.8	-980.5	253.4	203.8	40.6	58.5	53.4
B2. Financial account, excl. reserves	18,821.3	27,764.0	38,213.6	35,366.3	40,240.9	13,632.1	6,356.5	-1,437.9
1. Direct investment	4,452.8	9,093.0	18,726.0	25,643.9	22,886.2	3,257.4	3,482.2	-314.3
1.1. Abroad	-2,077.2	-1,415.4	-1,525.6	-1,325.3	-6,945.8	-230.3	-226.6	-5,629.6
1.2. In Croatia	6,530.0	10,508.5	20,251.6	26,969.2	29,832.0	3,487.7	3,708.8	5,315.3
2. Portfolio investment	2,111.7	-8,713.6	-4,008.6	-29.7	-4,436.3	-3,294.4	2,253.7	-2,655.5
2.1. Assets	-5,563.8	-4,195.8	-3,483.3	-3,050.8	-1,913.9	952.0	-921.7	-1,486.8
2.2. Liabilities	7,675.5	-4,517.8	-525.3	3,021.2	-2,522.4	-4,246.4	3,175.4	-1,168.6
3. Financial derivatives	0.0	-659.4	0.0	0.0	0.0	0.0	0.0	0.0
4. Other investment	12,256.9	28,044.0	23,496.2	9,752.0	21,791.0	13,669.1	620.6	1,531.9
4.1. Assets	-3,671.1	7,421.4	-5,121.6	-12,079.4	-11,564.7	14,040.8	-6,833.0	-4,120.9
4.2. Liabilities	15,927.9	20,622.6	28,617.9	21,831.4	33,355.8	-371.7	7,453.5	5,652.8
B3. Reserve assets (CNB)	-336.5	-6,075.4	-10,313.4	-5,315.0	2,308.1	3,009.5	-2,431.0	199.1
C. NET ERRORS AND OMISSIONS	-7,552.5	-7,256.7	-6,855.2	-6,418.3	-11,091.0	-3,012.0	2,453.5	-11,808.3

^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.

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

Since 1999, this position has included only the data based on the Bank for International Settlement quarterly data, while data in the fourth quarter of 2001 and in the first two quarters of 2002 relate to the effect of the EMU countries' currencies changeover to the euro.

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

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

end of period, million euros

Year	Month	International reserves of the Croatian National Bank							Banks' foreign currency reserves
		Total	Special drawing rights	Reserve position in the Fund	Gold	Foreign currency			
						Total	Currency and deposits	Bonds and notes	
1995	December	1,479.0	109.1	–	–	1,369.9	1,288.4	81.4	1,038.1
1996	December	1,867.7	101.3	0.0	–	1,766.3	1,627.6	138.7	1,549.2
1997	December	2,303.7	133.4	0.1	–	2,170.2	1,825.2	345.0	2,078.9
1998	December	2,400.2	197.1	0.1	–	2,203.0	1,642.6	560.4	1,607.0
1999	December	3,012.7	188.7	0.2	–	2,823.7	2,449.8	373.9	1,344.7
2000	December	3,783.2	158.5	0.2	–	3,624.5	2,763.0	861.5	2,310.7
2001	December	5,333.6	122.9	0.2	–	5,210.5	3,469.7	1,740.7	4,056.0
2002	December	5,651.3	2.3	0.2	–	5,648.8	3,787.8	1,861.0	2,581.6
2003	December	6,554.1	0.7	0.2	–	6,553.2	3,346.0	3,207.2	3,927.1
2004	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	December	7,438.4	0.9	0.2	–	7,437.3	3,834.5	3,602.8	2,938.4
2006	December	8,725.3	0.7	0.2	–	8,724.4	4,526.9	4,197.5	3,315.0
2007	December	9,307.4	0.8	0.2	–	9,306.5	4,533.9	4,772.5	4,388.9
2008	December	9,120.9	0.7	0.2	–	9,120.0	2,001.8	7,118.2	4,644.5
2009	January	8,674.7	0.8	0.2	–	8,673.7	2,001.9	6,671.8	4,859.2
	February	8,557.8	0.6	0.2	–	8,556.9	2,323.8	6,233.1	3,855.4
	March	8,869.5	0.6	0.2	–	8,868.7	2,080.3	6,788.4	3,002.2
	April	8,885.1	0.7	0.2	–	8,884.2	2,284.1	6,600.1	3,408.6
	May	8,788.5	0.6	0.2	–	8,787.7	2,299.1	6,488.7	3,428.8
	June	9,090.1	0.6	0.2	–	9,089.3	2,179.5	6,909.7	3,802.7
	July	9,030.9	0.7	0.2	–	9,030.1	1,899.5	7,130.5	3,942.3
	August	9,292.2	296.1	0.2	–	8,995.9	1,915.6	7,080.3	4,279.8
	September	9,317.6	330.1	0.2	–	8,987.3	1,657.5	7,329.8	4,463.1
	October	9,540.9	327.4	0.2	–	9,213.3	2,265.4	6,947.8	3,963.6
	November ^b	10,145.4	327.8	0.2	–	9,817.5	2,753.5	7,064.0	3,963.9

^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, 1995), and include those foreign claims of the Croatian National Bank that can be used to bridge imbalances in international payments. International

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

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

Table H8: International Reserves and Foreign Currency Liquidity

end of period, million euros

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
I. Official reserve assets and other f/c assets (approximate market value)											
A. Official reserve assets	6,436.2	7,438.4	8,725.3	9,307.4	9,120.9	8,869.5	9,090.1	9,030.9	9,292.2	9,317.6	9,540.9
(1) Foreign currency reserves (in convertible f/c)	6,235.4	7,337.3	8,162.8	8,911.0	8,625.0	8,319.2	8,437.3	8,765.1	8,690.9	8,697.3	8,683.3
(a) Securities	3,262.0	3,602.8	4,197.5	4,772.5	7,118.2	6,788.4	6,909.7	7,130.5	7,080.3	7,329.8	6,947.8
o/w: Issuer headquartered in reporting country but located abroad	-	-	-	-	-	-	-	-	-	-	-
(b) Total currency and deposits with:	2,973.3	3,734.5	3,965.3	4,138.4	1,506.7	1,530.8	1,527.5	1,634.5	1,610.6	1,367.5	1,735.4
(i) Other national central banks, BIS and IMF	233.1	407.3	198.7	190.7	1,397.3	1,468.7	1,329.4	1,263.0	1,262.9	942.4	1,265.5
(ii) Banks headquartered in the reporting country	-	-	-	-	-	-	-	-	-	-	-
o/w: Located abroad	-	-	-	-	-	-	-	-	-	-	-
(iii) Banks headquartered outside the reporting country	2,740.3	3,327.2	3,766.6	3,947.7	109.5	62.1	198.1	371.5	347.7	425.1	470.0
o/w: Located in the reporting country	-	-	-	-	-	-	-	-	-	-	-
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	0.6	0.9	0.7	0.8	0.7	0.6	0.6	0.7	296.1	330.1	327.4
(4) Gold	-	-	-	-	-	-	-	-	-	-	-
(5) Other reserve assets	200.0	100.0	561.6	395.5	495.0	549.5	652.0	265.0	305.0	290.0	530.0
– Reverse repo	200.0	100.0	561.6	395.5	495.0	549.5	652.0	265.0	305.0	290.0	530.0
B. Other foreign currency assets (specify)	-	-	-	-	-	-	-	-	-	-	-
– Time deposits	-	-	-	-	-	-	-	-	-	-	-
C. Total (A+B)	6,436.2	7,438.4	8,725.3	9,307.4	9,120.9	8,869.5	9,090.1	9,030.9	9,292.2	9,317.6	9,540.9
II. Predetermined short-term net drains on f/c assets (nominal value)											
1. F/c loans, securities, and deposits (total net drains up to one year)	-988.6	-899.7	-650.5	-521.1	-1,084.1	-1,039.0	-864.9	-849.7	-860.5	-896.2	-935.2
(a) Croatian National Bank	-1.8	-1.1	-1.6	-2.0	-0.9	-0.2	-0.1	-0.2	-0.1	-0.2	-0.2
Up to 1 month											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest	-1.8	-1.1	-1.6	-2.0	-0.9	-0.2	-0.1	-0.2	-0.1	-0.2	-0.2
More than 1 and up to 3 months											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
More than 3 months and up to 1 year											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
(b) Central government (excl. central government funds)	-986.8	-898.6	-648.9	-519.1	-1,083.2	-1,038.8	-864.8	-849.5	-860.3	-896.1	-935.0
Up to 1 month											
Principal	-76.5	-77.9	-48.3	-47.6	-50.8	-13.9	-55.2	-3.7	-5.2	-8.2	-8.5
Interest	-13.8	-	-	-	-	-	-	-	-	-	-
More than 1 and up to 3 months											
Principal	-510.1	-603.0	-138.4	-133.2	-616.8	-273.2	-49.8	-73.5	-93.9	-119.7	-160.6
Interest	-169.0	-	-	-	-	-	-	-	-	-	-
More than 3 months and up to 1 year											
Principal	-143.7	-160.2	-399.8	-284.5	-348.3	-647.8	-630.5	-657.2	-660.3	-677.3	-650.3
Interest	-73.8	-57.5	-62.3	-53.8	-67.4	-103.9	-129.4	-115.1	-100.9	-90.8	-115.6
2. Aggregate short and long positions in forwards and futures in f/c vis-a-vis the domestic currency (including the forward leg of currency swaps)	-	-	-	-	-	-	-	-	-	-	-
(a) Short positions (-)	-	-	-	-	-	-	-	-	-	-	-
Up to 1 month	-	-	-	-	-	-	-	-	-	-	-
More than 1 and up to 3 months	-	-	-	-	-	-	-	-	-	-	-
More than 3 months and up to 1 year	-	-	-	-	-	-	-	-	-	-	-
(b) Long positions (+)	-	-	-	-	-	-	-	-	-	-	-
Up to 1 month	-	-	-	-	-	-	-	-	-	-	-
More than 1 and up to 3 months	-	-	-	-	-	-	-	-	-	-	-
More than 3 months and up to 1 year	-	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	-	-
– Outflows related to repos (-)	-	-	-	-	-	-	-	-	-	-	-
Up to 1 month											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
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)	-988.6	-899.7	-650.5	-521.1	-1,084.1	-1,039.0	-864.9	-849.7	-860.5	-896.2	-935.2
III. Contingent short-term net drains on f/c assets (nominal value)											
1. Contingent liabilities in foreign currency	-1,772.9	-2,273.1	-2,734.9	-2,607.4	-1,896.1	-1,399.0	-1,445.4	-1,400.5	-1,378.4	-1,459.0	-1,456.8
(a) Collateral guarantees on debt falling due within 1 year	-370.9	-443.8	-478.9	-662.1	-803.2	-784.7	-805.1	-761.9	-734.9	-803.6	-784.4

	2004	2005	2006	2007	2008	2009					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
– Croatian National Bank	–	–	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)	–370.9	–443.8	–478.9	–662.1	–803.2	–784.7	–805.1	–761.9	–734.9	–803.6	–784.4
Up to 1 month	–62.7	–59.6	–71.9	–54.3	–91.8	–31.3	–45.0	–19.6	–30.0	–34.3	–41.3
More than 1 and up to 3 months	–33.9	–53.0	–84.8	–42.4	–58.4	–252.0	–70.0	–76.8	–120.7	–306.0	–309.2
More than 3 months and up to 1 year	–274.4	–331.2	–322.2	–565.3	–652.9	–501.4	–690.1	–665.4	–584.2	–463.3	–433.9
(b) Other contingent liabilities	–1,402.0	–1,829.3	–2,256.0	–1,945.3	–1,092.9	–614.3	–640.2	–638.6	–643.5	–655.4	–672.4
– Croatian National Bank	–1,402.0	–1,829.3	–2,256.0	–1,945.3	–1,092.9	–614.3	–640.2	–638.6	–643.5	–655.4	–672.4
Up to 1 month	–	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–1,402.0	–1,829.3	–2,256.0	–1,945.3	–1,092.9	–614.3	–640.2	–638.6	–643.5	–655.4	–672.4
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)	–	–	–	–	–	–	–	–	–	–	–
2. Foreign currency securities issued with embedded options (puttable bonds)	–	–	–	–	–	–	–	–	–	–	–
3. Undrawn, unconditional credit lines provided by:	–	–	–	–	–	–	–	–	–	–	–
– BIS (+)	–	–	–	–	–	–	–	–	–	–	–
– IMF (+)	–	–	–	–	–	–	–	–	–	–	–
4. Aggregate short and long positions of options in f/c vis-a-vis the domestic currency	–	–	–	–	–	–	–	–	–	–	–
5. Total contingent short-term net drains on f/c assets (1+2+3+4)	–1,772.9	–2,273.1	–2,734.9	–2,607.4	–1,896.1	–1,399.0	–1,445.4	–1,400.5	–1,378.4	–1,459.0	–1,456.8
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	–2.5	–3.5	–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	180.7	88.5	559.5	389.7	478.6	528.2	623.0	267.7	301.0	275.6	512.4
(e) Financial derivative assets (net, marked to market)	–	–	–	–	–	–	–	–	–	–	–
(f) Currency composition of official reserves assets											
– Currencies in SDR basket	6,436.2	7,438.1	8,725.0	9,307.1	9,120.8	8,869.5	9,090.0	9,030.9	9,292.2	9,317.6	9,540.8
– Currencies not in SDR basket	0.0	0.3	0.3	0.3	0.1	0.1	0.1	0.0	0.0	0.0	0.1
– By individual currencies											
USD	1,609.1	1,104.5	1,266.0	1,357.2	2,064.6	1,842.2	1,932.0	1,870.1	1,855.7	1,801.0	1,845.4
EUR	4,826.3	6,332.5	7,458.0	7,944.2	7,054.9	7,025.9	7,156.7	7,159.4	7,139.6	7,185.7	7,367.2
Other	0.8	1.3	1.3	6.0	1.5	1.4	1.4	1.4	296.9	330.9	328.3

Table H8: International Reserves and Foreign Currency Liquidity

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

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

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

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

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

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1995		6.757247	0.518724	1.047746	0.321349	4.425013	8.250868	5.229850	3.649215
1996		6.805527	0.513812	1.062870	0.352204	4.407070	8.476847	5.433979	3.614716
1997		6.960719	0.505335	1.056368	0.362049	4.248502	10.089408	6.161849	3.556098
1998		7.139159	0.514631	1.080018	0.366853	4.396452	10.537622	6.362284	3.620795
1999		7.581823	0.550993	1.155840	0.391568	4.739965	11.514804	7.122027	3.876528
2000		7.633852	0.554774	1.163773	0.394256	4.903244	12.530514	8.287369	3.903127
2001		7.471006	0.542939	1.138947	0.385845	4.946810	12.010936	8.339153	3.819865
2002		7.406976				5.049125	11.793108	7.872490	
2003		7.564248				4.978864	10.943126	6.704449	
2004		7.495680				4.854986	11.048755	6.031216	
2005		7.400047				4.780586	10.821781	5.949959	
2006		7.322849				4.656710	10.740292	5.839170	
2007		7.336019				4.468302	10.731537	5.365993	
2008		7.223178				4.553618	9.101622	4.934417	
2008	December	7.196956				4.669888	8.015481	5.377415	
2009	January	7.362986				4.930391	7.982449	5.529454	
	February	7.431246				4.983357	8.365523	5.802756	
	March	7.426911				4.936146	8.096949	5.710075	
	April	7.417872				4.893342	8.243502	5.624643	
	May	7.358491				4.867836	8.305715	5.408127	
	June	7.303089				4.825087	8.502475	5.208034	
	July	7.319051				4.815732	8.499728	5.197322	
	August	7.322721				4.802812	8.497132	5.140614	
	September	7.314846				4.828248	8.215257	5.030900	
	October	7.244857				4.786519	7.906241	4.890609	
	November	7.283676				4.822430	8.110227	4.885203	

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 I.B. which are also used as collateral. Repo transactions with securities show the value of collateral that is subject to repo and reverse repo transactions with securities as well as how these transactions are registered in the Template.

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

The annual averages of CNB midpoint exchange rates are calculated based on the midpoint exchange rates effective on the working

days in a year, using CNB exchange rate lists whose application dates pertain to the calculation period.

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

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

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

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1995		6.812200	0.526742	1.085365	0.335800	4.618693	8.234500	5.316100	3.705900
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.514000
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2003		7.646909				4.901551	10.860544	6.118506	
2004		7.671234				4.971314	10.824374	5.636883	
2005		7.375626				4.744388	10.753209	6.233626	
2006		7.345081				4.571248	10.943208	5.578401	
2007		7.325131				4.412464	9.963453	4.985456	
2008		7.324425				4.911107	7.484595	5.155504	
2008	December	7.324425				4.911107	7.484595	5.155504	
2009	January	7.373294				4.958837	8.179825	5.724163	
	February	7.403887				4.980416	8.286387	5.838567	
	March	7.457249				4.920977	8.015100	5.660151	
	April	7.425124				4.932326	8.283271	5.610218	
	May	7.326488				4.841398	8.388468	5.204211	
	June	7.292035				4.774461	8.596057	5.204507	
	July	7.333135				4.792272	8.592846	5.209672	
	August	7.326773				4.827550	8.326825	5.107545	
	September	7.288341				4.824479	7.922110	4.999548	
	October	7.225837				4.788811	8.049278	4.867522	
	November	7.317610				4.855747	8.055493	4.905880	

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

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

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

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

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

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

indices 2001=100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator	
			Producer price index ^a	Consumer price index
1996	December	83.88	91.18	96.68
1997	December	87.77	94.10	98.83
1998	December	91.09	97.37	95.38
1999	December	99.25	103.19	102.09
2000	December	101.63	100.15	101.91
2001	December	99.07	98.68	98.89
2002	December	95.99	95.70	96.26
2003	December	94.18	94.84	94.71
2004	December	90.42	90.93	90.85
2005	December	91.52	95.03	90.98
2006	December	88.42	93.00	87.95
2007	December	85.58	89.69	83.09
2008	December	86.03	86.20	82.11
2009	January	88.13	87.78	82.91
	February	89.94	88.87	84.57
	March	89.47	88.84	84.18
	April	89.03	87.48	83.27
	May	87.59	85.75	82.09
	June	86.25	84.45	81.05
	July	86.33	83.42	81.20
	August	86.10	83.15	81.41
	September	85.51	82.86 ^b	81.08 ^b
	October	84.23	82.00 ^b	79.99 ^b
	November	84.56		

^a Data have been revised – producer price indices in the period between January 2005 and December 2008 have been recalculated by the CBS according to the NCEA 2007 with the implementation of the NIP 2008 and MIGs 2009 and reduced to the year 2005 (a base year). Moreover, data on producer price indices in the eurozone have been revised by the Eurostat according to the new classification (NACE Rev. 2) and reduced to the year 2005 (a base year). ^b Preliminary data.

Note: The eurozone related consumer price series includes Greece from 1 January 2001, Slovenia from 1 January 2007, Cyprus and Malta from 1 January 2008 and Slovakia from 1 January 2009, while the producer price series for the entire period includes 16 member states. Accordingly, the weight assigned to the Slovenian tolar (0.2%) has been added to the euro weight (70.6%), which now amounts to 70.8%. The weights assigned to the US dollar, pound sterling and Swiss franc have been kept at 27.2%, 1.0% and 1.0% respectively.

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

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

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

Table H12: Gross External Debt by Domestic Sectors^a

million euros

	2004	2005	2006	2007	2008 ^b		2009				
	Dec.	Dec.	Dec.	Dec. ^a	Dec. ^{c*}	Dec. ^{d*}	Mar.*	Jun.*	Jul.*	Aug. ^{c*}	Sep.
1. Government	6,546.5	6,152.7	5,670.1	5,371.8	4,197.3	4,166.2	3,665.4	4,107.8	4,066.4	4,103.2	4,106.5
Short-term	2.7	2.0	1.3	5.3	35.7	36.5	28.1	19.2	19.3	13.5	11.2
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	31.7	31.7	23.1	14.5	11.7	8.8	5.9
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	2.7	2.0	1.3	5.3	4.0	4.8	5.0	4.7	7.6	4.7	5.3
Principal arrears	2.4	1.8	0.0	1.1	3.9	4.7	4.7	4.7	7.6	4.7	5.2
Interest arrears	0.3	0.2	1.2	4.2	0.1	0.1	0.2	0.0	0.0	0.0	0.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,543.9	6,150.7	5,668.8	5,366.5	4,161.6	4,129.7	3,637.3	4,088.5	4,047.1	4,089.7	4,095.3
Bonds	4,291.2	3,663.4	3,109.1	2,756.9	2,621.9	2,562.4	2,000.4	2,444.4	2,434.4	2,473.5	2,488.4
Credits	2,250.6	2,484.8	2,557.8	2,608.4	1,538.9	1,566.5	1,636.1	1,643.4	1,612.0	1,615.5	1,606.3
Trade credits	2.1	2.6	1.9	1.2	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	2.4	2.6	2.6	2.3	2.3	2.3	2.0	1.1	1.1	1.1	1.1
Short-term	2.4	2.6	2.6	2.3	2.3	2.3	2.0	1.1	1.1	1.1	1.1
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	2.4	2.6	2.6	2.3	2.3	2.3	2.0	1.1	1.1	1.1	1.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	7,731.7	8,978.7	10,222.6	8,879.1	10,079.1	10,063.9	10,053.1	10,376.9	10,204.2	10,110.6	10,206.8
Short-term	1,969.2	2,505.2	3,362.7	2,361.2	3,793.3	3,793.1	2,977.4	3,252.3	3,297.0	3,251.5	3,009.2
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	519.9	1,064.8	1,150.4	710.8	1,121.1	1,121.1	779.9	888.1	764.6	755.7	992.4
Currency and deposits	1,448.4	1,438.6	2,211.1	1,648.8	2,670.3	2,670.3	2,196.3	2,362.9	2,531.4	2,494.9	2,015.4
Other debt liabilities	0.9	1.7	1.2	1.7	2.0	1.7	1.1	1.3	1.0	1.0	1.4
Principal arrears	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.9	1.7	1.2	1.5	2.0	1.7	1.1	1.3	1.0	1.0	1.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,762.5	6,473.6	6,859.9	6,517.9	6,285.8	6,270.8	7,075.7	7,124.6	6,907.2	6,859.1	7,197.6
Bonds	453.2	456.6	457.9	459.0	456.8	440.8	442.7	445.5	0.0	0.0	0.0
Credits	3,517.4	3,822.7	4,217.3	3,565.1	3,373.9	3,375.0	3,379.4	3,164.1	3,141.6	3,147.8	3,142.6
Currency and deposits	1,791.9	2,194.3	2,184.7	2,493.9	2,455.0	2,455.0	3,253.6	3,515.0	3,765.6	3,711.3	4,055.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other sectors	6,606.7	8,176.4	10,500.2	14,743.1	19,835.7	20,055.2	20,292.1	20,757.7	20,787.3	20,866.8	21,423.4
Short-term	535.6	706.7	700.9	1,478.2	925.2	988.0	981.4	1,173.3	1,092.8	1,084.3	1,116.2
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	98.5	133.0	155.0	681.0	652.9	725.3	669.6	814.9	722.7	721.0	724.8
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	23.7	27.8	35.9	31.1	39.5	37.0	39.2	42.1	32.3	32.4	35.6
Other debt liabilities	413.5	545.9	510.0	766.0	232.9	225.7	272.7	316.3	337.9	331.0	355.9
Principal arrears	377.1	502.1	460.6	683.4	170.4	175.8	211.8	247.7	265.3	264.3	284.5
Interest arrears	36.3	43.8	49.4	82.6	62.5	49.8	60.9	68.6	72.5	66.6	71.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,071.1	7,469.7	9,799.3	13,264.9	18,910.5	19,067.2	19,310.7	19,584.4	19,694.5	19,782.5	20,307.2
Bonds	749.0	763.9	837.8	1,208.3	1,186.4	1,195.1	1,194.1	1,187.7	1,172.5	1,178.2	1,434.4
Credits	5,192.3	6,542.1	8,816.1	11,766.9	17,391.3	17,522.4	17,763.5	18,085.9	18,176.5	18,271.3	18,557.9
Currency and deposits	0.0	0.0	0.0	0.0	10.6	10.6	5.7	1.8	1.8	1.7	0.0
Trade credits	129.8	163.7	145.4	289.8	322.2	339.1	347.5	309.0	343.8	331.3	314.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	2004	2005	2006	2007	2008 ^b		2009				
	Dec.	Dec.	Dec.	Dec. ^a	Dec. ^{c*}	Dec. ^{d*}	Mar.*	Jun.*	Jul.*	Aug. ^{e*}	Sep.
5. Direct investment	2,046.1	2,450.7	2,878.4	3,932.8	5,835.9	5,940.1	6,200.5	6,487.9	6,534.1	7,213.4	7,022.5
Short-term	124.1	177.5	233.9	540.4	1,415.7	1,349.1	1,283.1	1,239.6	1,309.0	1,311.6	1,299.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	33.0	36.3	51.2	216.8	1,314.0	1,266.3	1,203.4	1,154.9	1,220.9	1,223.5	1,215.6
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	91.2	141.2	182.7	323.6	101.6	82.8	79.6	84.7	88.1	88.1	83.4
Principal arrears	78.1	121.8	158.2	293.9	85.8	61.1	55.3	61.4	65.4	65.6	61.0
Interest arrears	13.1	19.4	24.5	29.7	15.8	21.7	24.3	23.3	22.7	22.5	22.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,921.9	2,273.2	2,644.5	3,392.5	4,420.2	4,591.0	4,917.4	5,248.3	5,225.1	5,901.9	5,723.4
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,892.2	2,239.3	2,618.1	3,374.5	4,414.7	4,589.5	4,911.8	5,242.8	5,219.6	5,896.4	5,717.9
Trade credits	29.8	33.9	26.4	18.0	5.5	1.5	5.6	5.5	5.5	5.5	5.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	22,933.4	25,761.1	29,273.9	32,929.2	39,950.2	40,227.7	40,213.0	41,731.4	41,593.1	42,295.1	42,760.3

^a The relevant comparable data as at 31 December 2007, published in Bulletin No. 146, 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. ^c Data include the growth in the direct investment debt which comprises the round tripping and which in turn increased the external debt of the Republic of Croatia. The stated investments in the Republic of Croatia were realised through the conclusion of credit transactions in December 2008 (EUR 825.7m) and August 2009 (EUR 666.5m). ^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 H12: Gross External Debt by Domestic Sectors

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

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

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

Outstanding gross external debt includes principal and interest arrears, as well as 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

million euros

	2004	2005	2006	2007	2008 ^b		2009				
	Dec.	Dec.	Dec.	Dec. ^a	Dec. ^{c*}	Dec. ^{d*}	Mar.*	Jun.*	Jul.*	Aug. ^{c*}	Sep.
1. Public sector	8,580.3	8,501.6	8,256.8	9,259.5	10,247.8	10,400.2	10,110.1	10,637.3	10,671.1	10,751.6	11,216.0
Short-term	29.5	23.2	41.7	72.5	184.6	241.4	209.9	244.3	244.8	224.6	220.5
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.7	2.3	15.2	35.4	164.1	215.8	183.8	200.5	197.1	180.4	176.9
Currency and deposits	2.4	2.6	2.6	2.3	2.3	2.3	2.0	1.1	1.1	1.1	1.1
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	26.4	18.3	23.9	34.7	18.2	23.4	24.0	42.6	46.6	43.1	42.5
Principal arrears	25.4	17.1	20.6	29.9	17.1	19.5	19.9	39.2	43.0	39.6	39.0
Interest arrears	1.0	1.2	3.3	4.8	1.1	3.9	4.1	3.4	3.6	3.6	3.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	8,549.6	8,477.3	8,213.6	9,185.2	10,061.5	10,157.1	9,898.6	10,391.3	10,424.6	10,525.3	10,993.7
Bonds	4,662.3	4,052.0	3,640.5	3,859.7	3,714.5	3,656.3	3,094.8	3,539.7	3,513.7	3,557.9	3,828.8
Credits	3,833.2	4,314.5	4,485.2	5,120.3	6,068.5	6,203.2	6,508.2	6,587.2	6,611.8	6,680.0	6,895.1
Currency and deposits	0.0	0.0	0.0	0.0	10.6	10.6	5.7	1.8	1.8	1.7	0.0
Trade credits	54.1	110.8	87.9	205.2	267.9	287.0	289.9	262.6	297.4	285.7	269.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	1.2	1.0	1.5	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7
2. Publicly guaranteed private sector	334.1	289.7	204.2	139.9	80.3	64.1	38.0	38.0	10.3	10.3	9.1
Short-term	23.5	21.8	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	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	23.5	21.8	17.2	11.3	7.1	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	15.6	14.2	14.4	9.4	7.1	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	7.9	7.6	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	0.0	0.0
Long-term	310.6	267.9	187.0	128.6	73.2	64.1	38.0	38.0	10.3	10.3	9.1
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	309.1	267.3	187.0	128.6	73.2	64.1	38.0	38.0	10.3	10.3	9.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	1.5	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Non-publicly guaranteed private sector	14,019.0	16,969.7	20,812.9	23,529.9	29,622.2	29,763.4	30,064.9	31,056.1	30,911.7	31,533.2	31,535.2
Short-term	2,456.9	3,171.4	4,008.7	3,763.3	4,564.9	4,578.4	3,779.0	4,201.7	4,165.4	4,125.8	3,917.2
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	617.7	1,195.5	1,290.2	1,356.4	1,641.6	1,662.3	1,288.8	1,517.0	1,301.7	1,305.0	1,546.2
Currency and deposits	1,448.4	1,438.6	2,211.1	1,648.8	2,670.3	2,670.3	2,196.3	2,362.9	2,531.4	2,494.9	2,015.4
Trade credits	23.7	27.8	35.9	31.1	39.5	37.0	39.2	42.1	32.3	32.4	35.6
Other debt liabilities	367.1	509.5	471.5	727.0	213.5	208.8	254.7	279.7	300.0	293.6	320.1
Principal arrears	338.5	472.5	425.6	645.4	150.2	161.0	196.6	213.2	230.0	229.5	250.7
Interest arrears	28.6	37.0	45.8	81.7	63.3	47.8	58.1	66.5	70.0	64.1	69.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	9,517.3	11,348.7	13,927.4	15,835.5	19,223.1	19,246.5	20,087.1	20,368.2	20,214.0	20,195.7	20,597.3
Bonds	831.1	831.8	764.3	564.4	550.6	542.0	542.4	537.9	93.3	93.8	93.9
Credits	6,817.9	8,267.8	10,919.0	12,691.4	16,162.4	16,196.7	16,232.7	16,268.2	16,308.0	16,344.3	16,402.5
Currency and deposits	1,791.9	2,194.3	2,184.7	2,493.9	2,455.0	2,455.0	3,253.6	3,515.0	3,765.6	3,711.3	4,055.0
Trade credits	76.3	54.8	59.4	85.8	55.0	52.8	58.3	47.1	47.1	46.3	45.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	2,044.9	2,449.6	2,876.9	3,931.1	5,834.2	5,938.5	6,198.8	6,486.2	6,532.4	7,211.8	7,020.8
Total (1+2+3)	22,933.4	25,761.1	29,273.9	32,929.2	39,950.2	40,227.7	40,213.0	41,731.4	41,593.1	42,295.1	42,760.3

^a The relevant comparable data as at 31 December 2007, published in Bulletin No. 146, 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. ^c Data include the growth in the direct investment debt which comprises the round tripping and which in turn increased the external debt of the Republic of Croatia. The stated investments in the Republic of Croatia were realised through the conclusion of credit transactions in December 2008 (EUR 825.7m) and August 2009 (EUR 666.5m). ^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 H14: Gross External Debt by Domestic Sectors and Projected Future Payments^a

million euros

	Gross external debt 30/9/2009	Immediate	Projected future principal payments													
			Q4/09	Q1/10	Q2/10	Q3/10	2009	2010	2011	2012	2013	2014	2015	2016	Other	
1. Government	4,106.5	5.3	138.8	543.5	50.9	99.1	138.8	751.4	932.6	152.3	136.7	600.7	914.2	86.1	388.4	
Short-term	11.2	5.3	5.9	0.0	0.0	0.0	5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	5.9	0.0	5.9	0.0	0.0	0.0	5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	5.3	5.3	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	
Principal arrears	5.2	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	4,095.3	0.0	133.0	543.5	50.9	99.1	133.0	751.4	932.6	152.3	136.7	600.7	914.2	86.1	388.4	
Bonds	2,488.4	0.0	65.4	518.5	0.0	25.5	65.4	544.0	728.9	0.0	0.0	484.0	666.1	0.0	0.0	
Credits	1,606.3	0.0	67.4	25.0	50.9	73.6	67.4	207.3	203.6	152.2	136.6	116.7	248.1	86.0	388.4	
Trade credits	0.7	0.0	0.1	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
2. Croatian National Bank	1.1	0.0	1.1	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Short-term	1.1	0.0	1.1	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	1.1	0.0	1.1	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
3. Banks	10,206.8	1.4	2,703.3	283.7	419.0	681.9	2,703.3	2,104.7	2,557.8	1,241.9	451.6	346.6	45.2	53.8	700.5	
Short-term	3,009.2	1.4	2,382.7	179.0	265.2	180.8	2,382.7	625.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	992.4	0.0	897.2	2.0	88.2	5.0	897.2	95.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	2,015.4	0.0	1,485.5	177.0	177.0	175.8	1,485.5	529.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	1.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	1.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	7,197.6	0.0	320.6	104.7	153.8	501.1	320.6	1,479.6	2,557.8	1,241.9	451.6	346.6	45.2	53.8	700.5	
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	3,142.6	0.0	82.2	32.4	81.5	426.5	82.2	790.8	875.6	420.0	451.6	346.6	45.2	53.8	76.8	
Currency and deposits	4,055.0	0.0	238.3	72.3	72.3	74.7	238.3	688.8	1,682.3	821.9	0.0	0.0	0.0	0.0	623.8	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
4. Other sectors	21,423.4	355.9	2,105.8	1,116.9	1,419.4	882.0	2,105.8	4,206.6	3,207.2	1,880.5	1,988.9	1,608.6	854.4	901.0	4,314.6	
Short-term	1,116.2	355.9	254.9	197.9	209.9	95.6	254.9	505.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	724.8	0.0	254.9	197.9	174.3	95.6	254.9	470.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Trade credits	35.6	0.0	0.0	0.0	35.6	0.0	0.0	35.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	355.9	355.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	284.5	284.5	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	71.3	71.3	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	20,307.2	0.0	1,850.9	919.0	1,209.5	786.4	1,850.9	3,701.1	3,207.2	1,880.5	1,988.9	1,608.6	854.4	901.0	4,314.6	
Bonds	1,434.4	0.0	45.8	0.0	0.0	0.0	45.8	18.3	407.0	298.2	29.9	29.9	29.9	29.9	545.2	
Credits	18,557.9	0.0	1,726.3	872.8	1,168.6	701.3	1,726.3	3,488.0	2,761.6	1,579.5	1,958.9	1,578.7	824.5	871.0	3,769.4	
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	314.9	0.0	78.8	46.2	41.0	85.1	78.8	194.8	38.5	2.8	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	

	Gross external debt 30/9/2009	Immediate	Projected future principal payments												
			Q4/09	Q1/10	Q2/10	Q3/10	2009	2010	2011	2012	2013	2014	2015	2016	Other
5. Direct investment	7,022.5	83.4	1,581.3	321.6	331.0	162.4	1,581.3	1,243.3	1,123.5	595.2	308.1	223.2	151.6	242.4	1,470.3
Short-term	1,299.0	83.4	1,002.0	93.4	105.0	14.2	1,002.0	213.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,215.6	0.0	1,002.0	93.4	105.0	14.2	1,002.0	213.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	83.4	83.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	61.0	61.0	0.0	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	22.4	22.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,723.4	0.0	579.3	228.1	226.0	148.3	579.3	1,029.7	1,123.5	595.2	308.1	223.2	151.6	242.4	1,470.3
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	5,717.9	0.0	578.9	228.1	226.0	148.3	578.9	1,029.5	1,118.9	595.1	308.0	223.2	151.6	242.4	1,470.3
Trade credits	5.5	0.0	0.4	0.0	0.0	0.0	0.4	0.1	4.6	0.1	0.2	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)	42,760.3	446.0	6,530.3	2,265.7	2,220.4	1,825.5	6,530.3	8,305.9	7,821.1	3,870.0	2,885.2	2,779.3	1,965.5	1,283.3	6,873.8
Supplement: Projected interest payments			235.8	279.2	240.1	191.2	235.8	914.8	722.8	517.2	434.2	347.8	254.3	179.0	601.5

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

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

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

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

Projected payments of 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^a

million euros

	2004	2005	2006	2007	2008 ^b		2009				
	Dec.	Dec.	Dec.	Dec. ^a	Dec.	Dec. ^{c*}	Mar.*	Jun.*	Jul.*	Aug.*	Sep.
1. Other sectors	6,606.7	8,176.4	10,500.1	14,743.1	19,835.7	20,055.2	20,292.1	20,757.7	20,787.3	20,866.8	21,423.4
Short-term	535.6	706.7	700.9	1,478.2	925.3	988.0	981.4	1,173.3	1,092.8	1,084.3	1,116.2
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	98.5	133.0	155.0	681.0	652.9	725.3	669.6	814.9	722.7	721.0	724.8
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	23.7	27.8	35.9	31.1	39.5	37.0	39.2	42.1	32.3	32.4	35.6
Other debt liabilities	413.5	545.9	510.0	766.0	232.9	225.7	272.7	316.3	337.9	331.0	355.9
Principal arrears	377.1	502.1	460.6	683.4	170.4	175.8	211.8	247.7	265.3	264.3	284.5
Interest arrears	36.3	43.8	49.4	82.6	62.5	49.8	60.9	68.6	72.5	66.6	71.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,071.1	7,469.7	9,799.3	13,264.9	18,910.5	19,067.2	19,310.7	19,584.4	19,694.5	19,782.5	20,307.2
Bonds	749.0	763.9	837.8	1,208.3	1,186.4	1,195.1	1,194.1	1,187.7	1,172.5	1,178.2	1,434.4
Credits	5,192.3	6,542.1	8,816.1	11,766.9	17,391.3	17,522.4	17,763.5	18,085.9	18,176.5	18,271.3	18,557.9
Currency and deposits	0.0	0.0	0.0	0.0	10.6	10.6	5.7	1.8	1.8	1.7	0.0
Trade credits	129.8	163.7	145.4	289.8	322.2	339.1	347.5	309.0	343.8	331.3	314.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1. Other banking institutions	25.4	25.7	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	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	25.4	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	25.4	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Non-banking financial institutions	1,691.8	2,132.1	2,871.4	3,922.0	4,949.7	5,205.6	5,158.8	5,231.1	5,203.4	5,237.4	5,550.7
Short-term	9.5	19.6	60.1	201.6	155.4	177.7	184.2	268.4	272.4	286.7	305.1
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	5.4	14.3	46.5	184.5	144.5	172.4	179.4	263.3	267.3	282.2	300.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	4.0	5.3	13.6	17.1	10.9	5.3	4.8	5.1	5.1	4.6	4.3
Principal arrears	1.5	2.9	6.4	2.9	4.2	1.4	1.3	1.5	1.5	1.2	1.2
Interest arrears	2.5	2.4	7.2	14.2	6.7	3.9	3.4	3.5	3.7	3.4	3.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,682.4	2,112.5	2,811.3	3,720.4	4,794.3	5,027.9	4,974.7	4,962.7	4,930.9	4,950.7	5,245.7
Bonds	371.1	388.6	531.4	806.7	791.5	796.3	791.6	788.7	784.8	788.0	1,042.5
Credits	1,311.3	1,723.8	2,279.9	2,913.7	3,992.3	4,221.0	4,177.4	4,172.3	4,144.4	4,160.9	4,203.2
Currency and deposits	0.0	0.0	0.0	0.0	10.6	10.6	5.7	1.8	1.8	1.7	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3. Public enterprises	972.4	1,121.9	1,168.5	1,997.4	3,945.4	4,865.7	5,058.3	5,034.6	5,110.4	5,119.5	5,332.9
Short-term	20.6	13.3	31.6	48.3	145.1	202.6	149.5	167.7	168.0	154.1	152.5
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	15.2	35.4	132.4	184.1	130.5	129.9	129.1	115.8	115.3
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	20.6	13.3	16.4	12.9	12.7	18.6	19.0	37.8	38.8	38.3	37.2
Principal arrears	20.0	12.5	14.5	12.5	11.8	14.8	15.1	34.5	35.4	34.8	33.8
Interest arrears	0.6	0.8	1.9	0.5	0.9	3.7	3.9	3.3	3.5	3.5	3.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	951.9	1,108.6	1,136.9	1,949.0	3,800.4	4,663.1	4,908.8	4,866.9	4,942.4	4,965.5	5,180.5
Bonds	0.0	0.0	0.0	296.2	301.2	297.6	302.8	306.6	294.4	296.3	297.9

	2004	2005	2006	2007	2008 ^b		2009				
	Dec.	Dec.	Dec.	Dec. ^a	Dec.	Dec. ^{c*}	Mar.*	Jun.*	Jul.*	Aug.*	Sep.
Credits	919.4	1,026.8	1,066.8	1,470.2	3,254.7	4,079.3	4,316.9	4,298.4	4,351.4	4,384.2	4,613.4
Trade credits	32.5	81.8	70.1	182.7	244.5	286.3	289.2	261.9	296.6	284.9	269.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.4. Mixed enterprises	347.1	328.8	416.5	594.9	741.6	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	3.9	5.3	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	0.0	0.0
Credits	0.7	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	3.2	3.0	6.3	16.5	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	3.0	2.9	6.1	16.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.1	0.2	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	0.0	0.0
Long-term	343.2	323.5	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	0.0	0.0
Credits	323.6	297.1	394.3	557.1	717.7	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	19.6	26.4	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	0.0	0.0
1.5. Other enterprises	3,473.6	4,454.5	5,929.1	8,062.2	9,933.4	9,718.3	9,806.3	10,213.0	10,197.1	10,225.3	10,257.2
Short-term	483.4	653.7	578.8	1,174.3	619.2	603.3	642.9	711.3	626.3	609.3	623.4
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	81.7	114.8	86.9	451.2	373.8	366.7	357.1	398.4	302.7	291.4	276.1
Trade credits	23.7	27.8	35.9	31.1	39.5	37.0	39.2	42.1	32.3	32.4	35.6
Other debt liabilities	378.1	511.1	456.0	692.0	205.9	199.6	246.7	270.9	291.3	285.5	311.8
Principal arrears	346.8	473.4	420.3	630.2	151.2	157.5	193.1	209.1	225.9	225.7	247.0
Interest arrears	31.3	37.7	35.7	61.8	54.7	42.2	53.5	61.7	65.4	59.8	64.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,990.2	3,800.9	5,350.3	6,887.9	9,314.2	9,115.0	9,163.4	9,501.7	9,570.8	9,616.0	9,633.8
Bonds	377.9	375.3	306.4	105.4	93.8	101.2	99.7	92.4	93.3	93.8	93.9
Credits	2,545.3	3,377.5	4,989.1	6,701.7	9,168.7	8,964.2	9,008.3	9,364.8	9,432.8	9,478.1	9,496.1
Trade credits	67.1	48.1	54.8	80.8	51.7	49.5	55.4	44.6	44.8	44.2	43.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.6. Non-profit institutions	4.0	4.9	5.3	5.4	3.8	2.8	2.7	2.6	2.6	2.6	2.5
1.7. Craftsmen and sole traders	42.7	35.2	26.8	24.1	17.1	17.1	15.8	14.3	13.9	13.5	13.0
1.8. Households	49.7	73.3	82.7	137.2	244.7	245.8	250.2	262.0	260.0	268.4	267.1

^a The relevant comparable data as at 31 December 2007, published in Bulletin No. 146, 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. ^c 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}

million euros

	2004	2005 ^c	2006 ^c	2007 ^c	2008 ^c	2009		
						Q1 ^c	Q2 ^c	Q3 ^d
1. International investment position (net)	-15,371.4	-20,228.0	-30,061.0	-39,658.2	-35,289.8	-36,884.5	-38,399.5	-39,438.5
2. Assets	15,118.2	16,061.4	18,154.0	21,428.3	22,261.5	19,738.5	21,034.2	22,629.3
2.1. Direct investment abroad	1,563.4	1,729.8	1,833.1	2,361.5	3,513.5	3,513.3	3,478.5	4,105.4
2.2. Portfolio investment	1,506.0	2,155.7	2,487.0	3,255.2	2,641.5	2,270.0	2,613.7	2,748.9
2.2.1. Equity securities	176.8	379.6	559.4	1,754.8	659.0	492.3	614.8	717.4
2.2.2. Debt securities	1,329.1	1,776.1	1,927.6	1,500.4	1,982.5	1,777.8	1,998.9	2,031.5
Bonds	1,168.7	1,628.9	1,536.2	1,220.0	1,600.1	1,412.6	1,690.5	1,599.9
Money market instruments	160.4	147.1	391.4	280.4	382.4	365.1	308.5	431.6
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	5,612.7	4,737.6	5,108.5	6,504.2	6,985.5	5,085.7	5,851.8	6,457.3
2.4.1. Trade credits	222.2	262.9	230.5	248.9	224.7	153.1	154.0	144.2
2.4.2. Loans	102.2	146.2	239.5	296.4	435.9	407.7	363.8	360.6
2.4.3. Currency and deposits	5,288.2	4,328.5	4,638.3	5,958.9	6,324.9	4,524.9	5,334.1	5,952.5
2.4.4. Other assets	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
2.5. Reserve assets (CNB)	6,436.1	7,438.4	8,725.3	9,307.4	9,120.9	8,869.5	9,090.1	9,317.7
3. Liabilities	30,489.5	36,289.4	48,215.0	61,086.5	57,551.3	56,623.0	59,433.6	62,067.7
3.1. Direct investment in Croatia	9,114.2	12,332.4	20,782.0	30,606.2	22,821.6	22,045.1	23,598.5	25,660.0
3.2. Portfolio investment	5,981.5	5,530.4	5,442.4	5,908.2	4,880.6	4,202.5	4,669.3	4,592.6
3.2.1. Equity securities	488.1	646.5	1,037.5	1,484.1	615.4	565.3	591.7	669.8
3.2.2. Debt securities	5,493.4	4,883.8	4,404.8	4,424.2	4,265.2	3,637.2	4,077.6	3,922.8
Bonds	5,493.4	4,883.8	4,404.8	4,424.2	4,265.2	3,637.2	4,077.6	3,922.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.4. Other investment	15,393.9	18,426.6	21,990.6	24,572.1	29,849.2	30,375.3	31,165.8	31,815.1
3.4.1. Trade credits	209.4	249.5	244.9	337.8	367.5	388.1	372.6	370.5
3.4.2. Loans	11,941.7	14,541.4	17,347.4	20,088.8	24,343.4	24,529.3	24,912.2	25,372.9
3.4.3. Currency and deposits	3,242.7	3,635.6	4,398.4	4,145.5	5,138.3	5,457.9	5,881.1	6,071.8
3.4.4. Other assets	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.

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

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

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

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

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

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

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

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

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

Table H17: International Investment Position – Direct Investment^a

million euros

	2004	2005	2006	2007 ^b	2008 ^b	2009		
						Q1 ^b	Q2 ^b	Q3 ^c
Direct investment (net)	-7,550.7	-10,602.7	-18,948.9	-28,244.8	-19,308.0	-18,531.8	-20,120.0	-21,554.6
1. Abroad	1,563.4	1,729.8	1,833.1	2,361.5	3,513.5	3,513.3	3,478.5	4,105.4
1.1. Equity capital and reinvested earnings	1,502.3	1,610.4	1,725.0	2,260.5	3,323.8	3,405.1	3,389.6	4,034.0
1.1.1. Claims	1,502.3	1,610.4	1,725.0	2,260.5	3,323.8	3,405.1	3,389.6	4,034.0
1.1.2. Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	61.2	119.3	108.2	101.0	189.7	108.2	88.9	71.4
1.1.1. Claims	89.6	138.0	144.8	175.4	220.2	213.7	220.8	220.6
1.2.2. Liabilities	28.4	18.7	36.6	74.4	30.5	105.6	131.9	149.1
1.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	9,114.2	12,332.4	20,782.0	30,606.2	22,821.6	22,045.1	23,598.5	25,660.0
2.1. Equity capital and reinvested earnings	7,116.4	9,920.6	17,961.3	26,771.9	17,040.4	15,984.3	17,265.0	18,805.8
2.1.1. Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Liabilities	7,116.4	9,920.6	17,961.3	26,771.9	17,040.4	15,984.3	17,265.0	18,805.8
2.2. Other capital	1,997.8	2,411.8	2,820.7	3,834.3	5,781.1	6,060.8	6,333.5	6,854.2
2.2.1. Claims	19.9	20.1	21.1	24.2	24.3	34.1	22.5	19.1
2.2.2. Liabilities	2,017.7	2,431.9	2,841.8	3,858.5	5,805.4	6,094.9	6,356.0	6,873.3
2.3. Financial derivatives (net)	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

million euros

	2004	2005 ^b	2006 ^b	2007 ^b	2008 ^b	2009		
						Q1 ^b	Q2 ^b	Q3 ^c
Portfolio investment (net)	-4,475.5	-3,374.7	-2,955.3	-2,653.0	-2,239.1	-1,932.5	-2,055.6	-1,843.7
1. Assets	1,506.0	2,155.7	2,487.0	3,255.2	2,641.5	2,270.0	2,613.7	2,748.9
1.1. Equity securities	176.8	379.6	559.4	1,754.8	659.0	492.3	614.8	717.4
1.1.1. Banks	5.1	5.9	6.7	6.4	9.7	11.1	8.3	10.0
1.1.2. Other sectors	171.8	373.7	552.7	1,748.4	649.2	481.1	606.5	707.4
1.2. Debt securities	1,329.1	1,776.1	1,927.6	1,500.4	1,982.5	1,777.8	1,998.9	2,031.5
2. Liabilities	5,981.5	5,530.4	5,442.4	5,908.2	4,880.6	4,202.5	4,669.3	4,592.6
2.1. Equity securities	488.1	646.5	1,037.5	1,484.1	615.4	565.3	591.7	669.8
2.1.1. Banks	64.7	84.0	156.7	164.6	70.2	64.3	63.4	74.6
2.1.2. Other sectors	423.4	562.6	880.8	1,319.5	545.3	501.0	528.3	595.2
2.2. Debt securities	5,493.4	4,883.8	4,404.8	4,424.2	4,265.2	3,637.2	4,077.6	3,922.8
2.2.1. Bonds	5,493.4	4,883.8	4,404.8	4,424.2	4,265.2	3,637.2	4,077.6	3,922.8
2.2.1.1. General government	4,291.2	3,663.4	3,109.1	2,756.9	2,621.9	2,000.4	2,444.4	2,488.4
2.2.1.2. Banks	453.2	456.6	457.9	459.0	456.8	442.7	445.5	0.0
2.2.1.3. Other sectors	749.0	763.9	837.8	1,208.3	1,186.4	1,194.1	1,187.7	1,434.4
2.2.2. Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.1. Other sectors	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.

Table H19: International Investment Position – Other Investment^a

million euros

	2004	2005	2006	2007	2008 ^b	2009		
						Q1 ^b	Q2 ^b	Q3 ^c
Other investment (net)	-9,781.2	-13,689.0	-16,882.1	-18,067.8	-22,863.7	-25,289.6	-25,314.0	-25,357.9
1. Assets	5,612.7	4,737.6	5,108.5	6,504.2	6,985.5	5,085.7	5,851.8	6,457.3
1.1. Trade credits	222.2	262.9	230.5	248.9	224.7	153.1	154.0	144.2
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	222.2	262.9	230.5	248.9	224.7	153.0	154.0	144.1
Long-term	181.4	190.9	177.5	228.8	202.6	138.4	130.7	118.3
Short-term	40.8	72.0	53.0	20.1	22.1	14.6	23.3	25.8
1.2. Loans	102.2	146.2	239.5	296.4	435.9	407.7	363.8	360.6
1.2.1. Croatian National Bank	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
1.2.2. General government	0.0	0.0	0.0	0.0	0.0	0.7	0.7	0.7
Long-term	0.0	0.0	0.0	0.0	0.0	0.7	0.7	0.7
1.2.3. Banks	81.6	113.2	188.5	214.8	285.3	293.2	262.6	271.3
Long-term	62.6	85.3	140.0	160.0	193.6	206.1	199.3	221.7
Short-term	19.0	27.9	48.5	54.8	91.7	87.1	63.4	49.6
1.2.4. Other sectors	20.0	32.3	50.4	81.1	150.0	113.2	99.8	88.0
Long-term	18.7	32.0	50.2	81.0	146.8	107.1	97.1	87.3
Short-term	1.3	0.3	0.2	0.1	3.3	6.1	2.8	0.6
1.3. Currency and deposits	5,288.2	4,328.5	4,638.3	5,958.9	6,324.9	4,524.9	5,334.1	5,952.5
1.3.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2. Banks	4,319.7	3,112.2	3,499.9	4,715.1	4,863.6	3,156.8	3,984.1	4,655.0
1.3.3. Other sectors	968.5	1,216.3	1,138.3	1,243.8	1,461.3	1,368.1	1,350.0	1,297.5
1.4. Other assets	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
2. Liabilities	15,393.9	18,426.6	21,990.6	24,572.1	29,849.2	30,375.3	31,165.8	31,815.1
2.1. Trade credits	209.4	249.5	244.9	337.8	367.5	388.1	372.6	370.5
2.1.1. General government	2.2	2.6	1.9	1.2	0.7	0.7	0.7	0.7
Long-term	2.2	2.6	1.9	1.2	0.7	0.7	0.7	0.7
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	207.2	246.9	243.0	336.6	366.7	387.4	371.8	369.7
Long-term	183.6	219.1	207.0	305.5	327.2	348.3	329.8	334.2
Short-term	23.7	27.8	35.9	31.1	39.5	39.2	42.1	35.6
2.2. Loans	11,941.7	14,541.4	17,347.4	20,088.8	24,343.4	24,529.3	24,912.2	25,372.9
2.2.1. Croatian National Bank	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
2.2.2. General government	2,253.1	2,486.7	2,559.0	2,613.7	1,574.6	1,664.2	1,662.6	1,617.5
Long-term	2,253.1	2,486.7	2,559.0	2,613.7	1,542.9	1,641.1	1,648.1	1,611.6
Short-term	0.0	0.0	0.0	0.0	31.7	23.1	14.5	5.9
2.2.3. Banks	4,038.1	4,889.2	5,368.9	4,276.8	4,496.7	4,160.1	4,053.2	4,136.1
Long-term	3,517.4	3,822.9	4,217.4	3,565.2	3,374.7	3,379.4	3,164.2	3,142.8
Short-term	520.7	1,066.3	1,151.6	711.7	1,122.0	780.7	888.9	993.3
2.2.4. Other sectors	5,650.5	7,165.5	9,419.4	13,198.2	18,272.0	18,705.0	19,196.4	19,619.3
Long-term	5,499.9	6,964.8	9,187.2	12,371.2	17,589.5	17,979.0	18,323.6	18,833.1
Short-term	150.6	200.8	232.2	827.1	682.5	726.0	872.8	786.2
2.3. Currency and deposits	3,242.7	3,635.6	4,398.4	4,145.5	5,138.3	5,457.9	5,881.1	6,071.8
2.3.1. Croatian National Bank	2.4	2.6	2.6	2.3	2.3	2.0	1.1	1.1
2.3.2. Banks	3,240.3	3,633.0	4,395.8	4,143.2	5,125.5	5,450.2	5,878.2	6,070.7
2.3.3. Other sectors	0.0	0.0	0.0	0.0	10.6	5.7	1.8	0.0
2.4. Other liabilities	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.

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

million kuna

	2004	2005	2006	2007	2008	2009				
						Mar.	Apr.	May	Jun.	Jul.
1. REVENUE (A+B)	87,019.3	92,642.5	100,392.6	113,386.2	120,036.7	10,185.6	10,633.6	7,875.3	9,003.7	10,024.2
A) Budgetary central government	80,463.5	85,653.0	95,234.1	108,297.0	115,766.5	9,894.4	10,258.5	7,616.7	8,723.2	9,604.4
B) Extrabudgetary users	6,555.8	6,989.5	5,158.5	5,089.2	4,270.2	291.3	375.0	258.6	280.6	419.7
1. Croatian Pension Insurance Administration	129.9	38.0	293.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian Institute for Health Insurance	663.1	863.9	848.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian Employment Service	15.5	18.9	18.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Croatian Waters	1,224.4	1,227.8	1,526.9	2,041.2	2,105.0	176.7	154.5	129.9	149.4	204.0
5. Fund for Environmental Protection and Energy Efficiency	170.7	214.7	659.8	1,102.9	1,221.2	97.5	63.1	118.6	102.5	86.2
6. Croatian Motorways Ltd.	2,295.4	2,547.0	1,271.1	1,375.3	0.0	0.0	0.0	0.0	0.0	0.0
7. Croatian Roads Ltd.	1,417.8	1,474.7	64.7	119.9	81.0	11.0	9.9	4.3	6.2	9.4
8. State Agency for Deposit Insurance and Bank Rehabilitation	575.9	367.4	409.6	391.4	808.3	4.9	146.6	0.3	15.5	115.7
9. Croatian Privatisation Fund	62.9	237.0	65.9	58.3	54.7	1.3	0.8	5.6	7.1	4.3
2. EXPENSE (A+B)	86,941.4	92,332.1	98,751.4	109,075.0	118,686.0	10,927.8	10,923.8	9,394.4	10,038.3	10,271.8
A) Budgetary central government	81,861.2	86,715.6	91,979.7	103,004.9	113,309.5	10,448.4	10,575.2	9,032.6	9,600.5	9,818.3
B) Extrabudgetary users	5,080.3	5,616.5	6,771.7	6,070.1	5,376.5	479.4	348.7	361.8	437.8	453.5
1. Croatian Pension Insurance Administration	587.4	382.2	565.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian Institute for Health Insurance	831.3	914.3	931.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian Employment Service	141.3	145.9	155.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Croatian Waters	1,426.3	1,489.5	1,779.1	2,099.0	2,335.4	128.5	174.2	145.4	218.6	177.1
5. Fund for Environmental Protection and Energy Efficiency	32.4	172.0	734.8	1,083.3	1,106.7	96.1	61.5	106.6	81.9	125.4
6. Croatian Motorways Ltd.	752.3	1,085.1	1,272.7	1,509.8	0.0	0.0	0.0	0.0	0.0	0.0
7. Croatian Roads Ltd.	934.6	1,062.4	1,226.9	1,241.9	1,592.6	223.4	84.0	79.9	104.1	122.9
8. State Agency for Deposit Insurance and Bank Rehabilitation	314.5	183.0	27.4	47.8	254.7	22.6	23.8	24.0	23.9	22.2
9. Croatian Privatisation Fund	60.1	182.1	78.4	88.2	87.0	8.8	5.2	6.0	9.3	5.9
NET/GROSS OPERATING BALANCE (1–2)	77.8	310.3	1,641.2	4,311.2	1,350.7	-742.2	-290.3	-1,519.1	-1,034.5	-247.7
3. CHANGE IN NET WORTH: TRANSACTIONS (3.1.+3.2.–3.3.)	77.8	310.3	1,641.2	4,311.2	1,350.7	-742.2	-290.3	-1,519.1	-1,034.5	-247.7
3.1. CHANGE IN NET ACQUISITION OF NON-FINANCIAL ASSETS	8,373.5	6,699.4	6,108.6	7,811.0	4,228.2	422.0	152.7	182.5	232.4	330.4
Acquisition	8,648.4	7,024.2	6,836.4	8,378.6	4,713.2	457.6	184.0	206.7	258.3	351.3
A) Budgetary central government	1,663.9	1,828.8	1,908.5	3,043.9	3,291.5	265.5	135.1	123.4	184.3	257.5
B) Extrabudgetary users	6,984.5	5,195.4	4,927.9	5,334.7	1,421.7	192.1	48.9	83.2	74.0	93.8
Disposals	274.9	324.8	727.7	567.7	485.0	35.5	31.3	24.1	25.8	20.9
A) Budgetary central government	244.4	275.1	352.7	498.7	303.4	28.9	23.4	22.9	25.4	20.6
B) Extrabudgetary users	30.5	49.6	375.1	69.0	181.6	6.7	7.9	1.2	0.5	0.3
NET LENDING/BORROWING (1–2–3.1.)	-8,295.6	-6,389.1	-4,467.4	-3,499.8	-2,877.5	-1,164.2	-443.0	-1,701.6	-1,267.0	-578.1
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING) (3.3.–3.2.)	8,295.6	6,389.1	4,467.4	3,499.8	2,877.5	1,164.2	443.0	1,701.6	1,267.0	578.1
3.2. CHANGE IN NET ACQUISITION OF FINANCIAL ASSETS	28.4	1,609.8	-2,576.7	-2,939.2	2,776.6	1,101.3	1,425.8	-1,664.9	1,414.4	-342.1
3.2.1. Domestic	18.6	1,614.6	-2,593.4	-2,957.2	2,764.1	1,101.3	1,425.8	-1,664.9	1,413.5	-342.1
A) Budgetary central government	138.6	1,747.7	-3,063.9	-3,752.8	1,690.5	829.3	1,309.8	-1,572.5	1,495.1	-323.7
B) Extrabudgetary users	-120.0	-133.1	470.5	795.6	1,073.6	272.1	116.0	-92.3	-81.6	-18.4
3.2.2. Foreign	9.8	-4.9	16.7	18.0	12.4	0.0	0.0	0.0	0.0	0.0
A) Budgetary central government	9.8	-4.9	16.7	18.0	12.4	0.0	0.0	0.0	0.9	0.0
B) Extrabudgetary users	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. CHANGE IN NET INCURRENCE OF LIABILITIES	8,324.0	7,998.8	1,890.7	560.6	5,654.1	2,265.5	1,868.8	36.7	2,681.4	236.0
3.3.1. Domestic	4,107.7	12,041.7	5,282.8	2,017.1	6,795.7	2,222.4	1,671.9	61.3	-1,615.9	703.7
A) Budgetary central government	4,038.7	10,591.6	3,166.3	1,477.6	5,656.6	1,677.5	1,687.3	65.3	-1,589.7	737.6
B) Extrabudgetary users	69.0	1,450.1	2,116.5	539.5	1,139.1	545.0	-15.4	-4.0	-26.2	-33.9
3.3.2. Foreign	4,216.3	-4,042.8	-3,392.1	-1,456.5	-1,141.7	43.1	196.9	-24.5	4,297.3	-467.8
A) Budgetary central government	270.3	-5,080.6	-3,943.2	-2,980.2	-1,445.8	27.7	115.5	-29.1	4,243.1	-494.3
B) Extrabudgetary users	3,946.0	1,037.8	551.2	1,523.7	304.1	15.4	81.4	4.6	54.1	26.5

^a CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. The Notes on Methodology can be found in the Ministry of Finance Monthly Statistical Review. Note: On a cash basis. Source: MoF.

Table I2: Budgetary Central Government Operations^a

million kuna

	2004	2005	2006	2007	2008	2009				
						Mar.	Apr.	May	Jun.	Jul.
1. REVENUE	80,463.5	85,653.0	95,235.6	108,320.6	115,772.7	9,894.4	10,258.5	7,616.7	8,723.2	9,604.4
1.1. Taxes	47,149.9	50,687.6	58,469.1	64,234.5	69,572.7	4,743.6	6,275.5	4,169.5	4,944.5	5,680.7
1.2. Social contributions	29,477.6	31,301.3	33,877.1	37,203.5	40,703.5	3,329.5	3,378.7	3,257.6	3,353.4	3,526.9
1.3. Grants	10.1	27.5	196.0	428.0	468.6	44.0	82.2	47.1	8.1	29.4
1.4. Other revenue	3,825.9	3,636.6	2,693.3	6,454.5	5,027.8	1,777.2	522.1	142.5	417.3	367.5
2. EXPENSE	83,131.1	87,857.5	95,950.0	108,007.6	115,292.4	10,533.6	10,639.8	9,124.9	9,721.6	9,934.6
2.1. Compensation of employees	22,268.3	23,182.6	24,313.9	27,545.1	29,948.5	2,625.1	2,640.6	2,551.0	2,547.0	2,810.9
2.2. Use of goods and services	4,358.7	4,951.9	6,069.1	7,162.4	8,113.7	857.8	666.2	594.3	638.2	671.9
2.3. Consumption of fixed capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Interest	3,972.5	4,387.0	4,713.6	4,535.0	4,683.2	856.4	416.9	334.3	369.4	201.4
2.5. Subsidies	4,968.1	5,248.7	5,670.8	6,492.0	6,859.5	728.4	1,076.9	507.7	528.3	510.5
2.6. Grants	3,420.3	3,796.8	6,653.0	8,363.2	5,783.1	396.2	533.4	389.7	454.3	523.1
2.7. Social benefits	39,730.9	41,358.5	43,444.6	48,176.0	52,593.2	4,690.5	4,813.4	4,306.3	4,752.9	4,715.0
2.8. Other expense	4,412.4	4,931.9	5,085.0	5,733.9	7,311.2	379.3	492.4	441.6	431.5	501.8
3. CHANGE IN NET WORTH: TRANSACTIONS	-2,667.6	-2,204.5	-714.4	313.0	480.2	-639.3	-381.3	-1,508.2	-998.5	-330.2
3.1. Change in net acquisition of non-financial assets	1,419.5	1,553.7	1,555.8	2,545.2	2,988.1	236.6	111.7	100.5	158.9	236.9
3.1.1. Fixed assets	1,384.6	1,517.0	1,595.1	2,625.7	2,719.5	228.9	104.0	94.7	148.2	203.4
3.1.2. Inventories	0.0	0.0	-80.2	-161.4	79.4	1.4	-0.1	-0.4	4.0	11.7
3.1.3. Valuables	7.5	7.2	7.8	9.6	10.1	0.6	3.0	1.0	0.4	0.6
3.1.4. Non-produced assets	27.3	29.5	33.1	71.3	179.1	5.7	4.9	5.2	6.4	21.2
3.2. Change in net acquisition of financial assets	222.0	1,752.8	-3,047.2	-3,734.8	1,702.9	829.3	1,309.8	-1,572.5	1,496.0	-323.7
3.2.1. Domestic	212.2	1,757.7	-3,063.9	-3,752.8	1,690.5	829.3	1,309.8	-1,572.5	1,495.1	-323.7
3.2.2. Foreign	9.8	-4.9	16.7	18.0	12.4	0.0	0.0	0.0	0.9	0.0
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. Change in net incurrence of liabilities	4,309.0	5,510.9	-777.0	-1,502.6	4,210.8	1,705.2	1,802.8	36.2	2,653.4	243.3
3.3.1. Domestic	4,038.7	10,591.6	3,166.3	1,477.6	5,656.6	1,677.5	1,687.3	65.3	-1,589.7	737.6
3.3.2. Foreign	270.3	-5,080.6	-3,943.2	-2,980.2	-1,445.8	27.7	115.5	-29.1	4,243.1	-494.3

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

Table I3: Central Government Debt^a

end of period, million kuna

	2004	2005	2006	2007	2008	2009				
	Dec.*	Dec.*	Dec.*	Dec.*	Dec.*	Mar.*	Jun.*	Jul.*	Aug.*	Sep.
1. Domestic debt of central government	41,295.1	54,794.2	59,688.4	63,240.9	67,996.8	76,932.6	77,433.9	77,712.5	78,138.2	78,921.0
1.1. Domestic debt of the Republic of Croatia	37,364.0	50,840.7	54,490.4	56,883.1	64,961.8	72,876.9	73,517.0	74,146.2	74,372.1	75,168.0
Treasury bills	8,811.7	12,278.0	12,412.9	11,740.6	14,440.7	15,066.2	15,390.5	15,465.6	15,663.3	16,912.8
Money market instruments	–	0.9	–	–	10.7	7.0	7.0	7.0	20.7	19.2
Bonds	23,371.7	31,151.8	35,249.6	39,273.5	39,306.7	39,079.7	39,608.9	39,670.6	39,262.9	39,204.6
Credits from the CNB	3.3	1.4	0.9	1.0	2.2	0.8	1.2	1.0	2.1	–
Credits from banks	5,177.2	7,408.6	6,827.0	5,867.9	11,201.5	18,723.2	18,509.4	19,002.0	19,423.2	19,031.4
1.2. Domestic debt of central government funds	3,931.2	3,953.5	5,198.0	6,357.8	3,035.0	4,055.7	3,916.8	3,566.3	3,766.1	3,752.9
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	1,731.2	–	–	–	–	–	–	–	–	–
Credits from banks	2,200.0	3,953.5	5,198.0	6,357.8	3,035.0	4,055.7	3,916.8	3,566.3	3,766.1	3,752.9
2. External debt of central government	49,978.2	45,164.3	41,494.8	39,610.7	30,251.7	27,057.5	29,685.6	29,576.6	29,819.7	29,690.7
2.1. External debt of the Republic of Croatia	42,231.2	36,414.5	32,556.6	29,424.0	28,451.4	25,277.7	27,912.8	27,836.0	28,089.8	27,995.1
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	32,919.3	27,020.1	22,836.9	20,397.3	18,768.2	14,917.8	17,824.7	17,852.1	18,122.7	18,136.2
Credits	9,311.9	9,394.5	9,719.7	9,026.7	9,683.2	10,359.9	10,088.1	9,983.8	9,967.1	9,858.9
2.2. External debt of central government funds	7,747.0	8,749.8	8,938.2	10,186.7	1,800.3	1,779.7	1,772.8	1,740.7	1,729.9	1,695.6
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	–	–	–	–	–	–	–	–	–	–
Credits	7,747.0	8,749.8	8,938.2	10,186.7	1,800.3	1,779.7	1,772.8	1,740.7	1,729.9	1,695.6
3. Total (1+2)	91,273.3	99,958.5	101,183.1	102,851.6	98,248.5	103,990.1	107,119.5	107,289.1	107,957.9	108,611.7
Supplement: Central government guaranteed debt										
– guarantees for domestic debt	5,024.2	5,880.2	7,660.3	8,110.6	13,299.2	13,983.7	13,863.7	13,799.6	14,414.2	14,285.9
– guarantees for external debt	13,247.0	13,853.9	14,303.7	19,024.2	31,406.6	32,021.9	32,551.9	33,009.3	33,148.4	36,488.4

^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. 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 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.

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 ^b	Consumer price indices ^c			Producer prices ^b
		Total	Goods	Services	Total	Goods	Services		Total	Goods	Services	
1995	December	....	....	....	100.2	100.2	99.8	100.5	103.7	102.4	109.3	101.6
1996	December	....	....	....	100.0	100.2	99.5	100.3	103.4	102.3	108.7	101.5
1997	December	....	....	....	100.7	100.3	102.3	99.9	103.8	102.7	108.2	101.6
1998	December	82.1	84.6	73.7	100.3	100.4	100.0	100.0	105.4	104.3	109.2	97.9
1999	December	85.3	87.2	78.5	100.6	100.8	100.0	100.3	103.9	103.1	106.5	105.9
2000	December	90.0	92.0	82.8	100.4	100.4	100.1	100.2	105.5	105.5	105.5	111.2
2001	December	92.1	93.2	88.5	100.4	100.4	100.5	99.0	102.4	101.3	106.8	96.9
2002	December	93.8	94.2	92.6	100.4	100.6	99.6	99.9	101.8	101.1	104.6	102.3
2003	December	95.4	95.7	94.6	100.3	100.2	100.5	100.0	101.7	101.6	102.2	101.0
2004	December	98.0	98.0	98.0	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	December	101.6	101.4	102.0	100.5	100.5	100.5	99.7	103.6	103.5	104.1	102.7
2006	December	103.7	102.8	106.4	100.0	100.0	100.2	100.0	102.0	101.4	104.2	101.9
2007	December	109.7	109.5	110.0	101.2	101.2	101.3	100.4	105.8	106.6	103.4	105.9
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	January	114.2	114.1	115.3	101.2	101.0	102.2	99.9	103.4	102.9	105.6	101.8
	February	114.9	114.9	115.7	100.6	100.7	100.3	100.2	104.2	103.9	105.4	101.8
	March	115.2	115.2	115.6	100.2	100.3	99.9	98.8	103.8	103.5	105.0	99.9
	April	116.0	116.4	115.3	100.8	101.0	99.8	100.5	103.9	103.7	104.4	99.9
	May	116.0	116.3	115.7	100.0	99.9	100.3	100.6	102.7	102.4	104.2	99.3
	June	116.1	116.1	116.9	100.1	99.8	101.0	100.9	102.1	101.6	103.8	99.0
	July	115.3	114.7	118.4	99.3	98.7	101.3	100.6	101.2	100.5	104.0	97.2
	August	115.2	114.5	118.9	99.9	99.8	100.4	100.8	101.5	100.8	103.9	98.2
	September	115.0	114.5	117.3	99.8	100.1	98.7	99.3	101.0	100.3	103.8	97.7
	October	115.1	114.8	116.9	100.1	100.2	99.6	99.8	101.3	100.5	104.0	98.6
	November	115.6	115.4	117.1	100.4	100.5	100.2	100.1	101.8	101.3	104.0	100.2

^a Data from January 1992 to December 1997 relate to the retail price index. ^b Data have been revised from January 2005 onwards due to changes in the methodology used by the CBS. ^c Data from January 1992 to December 1998 relate to the retail price index.
Source: CBS.

Table J1: Consumer Price and Producer Price Indices

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

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

Table J2: Core Consumer Price Indices

Year	Month	Basic indices, 2005 = 100 ^a			Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1998	December	87.3	88.6	80.0	99.9	99.9	100.0	....	....	....
1999	December	89.8	91.1	82.3	100.1	100.1	100.1	102.9	102.9	103.0
2000	December	92.8	93.9	86.5	100.4	100.4	100.2	103.3	103.0	105.0
2001	December	93.9	94.6	89.8	99.8	99.7	100.3	101.2	100.8	103.8
2002	December	95.0	95.6	91.9	100.0	100.1	99.4	101.2	101.0	102.4
2003	December	96.2	96.4	94.7	100.2	100.1	101.0	101.2	100.9	103.0
2004	December	98.4	98.5	97.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	December	101.3	101.4	101.0	100.1	100.0	100.5	103.0	102.9	103.7
2006	December	103.6	103.6	103.6	99.8	99.7	100.3	102.3	102.2	102.5
2007	December	108.8	109.1	107.2	100.8	100.8	100.4	105.0	105.3	103.5
2008	December	113.3	113.5	112.5	99.4	99.3	100.2	104.2	104.0	105.0
2009	January	113.2	113.3	112.9	99.9	99.8	100.4	104.2	104.1	104.3
	February	113.4	113.4	113.6	100.2	100.1	100.6	104.3	104.3	104.4
	March	113.9	114.1	113.0	100.5	100.6	99.5	104.2	104.4	103.6
	April	115.4	115.9	112.7	101.3	101.6	99.7	104.8	105.1	103.2
	May	115.8	116.3	113.3	100.4	100.3	100.6	104.1	104.4	102.8
	June	116.2	116.3	115.4	100.3	100.0	101.8	103.4	103.6	102.3
	July	115.4	114.9	117.9	99.3	98.8	102.2	102.9	103.0	102.4
	August	115.1	114.4	118.6	99.7	99.5	100.6	102.3	102.3	102.3
	September	114.8	114.6	115.7	99.7	100.1	97.5	101.5	101.4	102.2
	October	115.1	115.1	114.7	100.3	100.5	99.1	101.4	101.2	102.3
	November	115.0	115.0	114.9	99.9	99.8	100.3	100.9	100.6	102.4

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

Table J2: Core Consumer Price Indices

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

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

Table J3: Average Monthly Net Wages

in current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	December	3,839.0	98.0	107.2	105.0
2003	December	4,045.0	99.8	105.4	105.9
2004	December	4,312.0	99.1	106.6	105.9
2005	December	4,473.0	97.3	103.7	104.9
2006	December	4,735.0	97.0	105.9	105.2
2007	December	4,958.0	96.6	104.7	105.2
2008	November	5,397.0	102.5	105.2	106.8
	December	5,410.0	100.3	109.1	107.0
2009	January	5,307.0	98.1	105.7	105.7
	February	5,230.0	98.6	104.8	105.3
	March	5,367.0	102.6	106.5	105.6
	April	5,295.0	98.7	105.1	105.5
	May	5,326.0	100.6	102.9	105.0
	June	5,370.0	100.8	103.9	104.8
	July	5,308.0	98.8	101.4	104.3
	August	5,267.0	99.2	101.6	103.9
	September	5,236.0	99.4	100.6	103.6

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	January	-40.8	-31.3	-35.8	-23.1	-18.5	-50.0	-44.0	49.1	-34.4	-51.7
	February	-44.1	-31.3	-41.7	-30.4	-20.8	-55.8	-41.7	56.6	-38.9	-57.4
	March	-45.3	-35.0	-41.7	-31.1	-23.8	-57.7	-46.1	59.6	-36.4	-51.6
	April	-44.3	-32.2	-43.6	-32.0	-20.7	-58.3	-43.6	54.3	-40.6	-58.6
	May	-38.9	-26.5	-39.2	-31.5	-16.6	-54.4	-36.4	47.8	-31.7	-54.6
	June	-45.0	-32.4	-42.4	-33.4	-21.7	-60.3	-43.1	55.5	-33.6	-59.7
	July	-47.7	-39.2	-46.0	-38.0	-30.2	-62.2	-48.2	56.4	-37.7	-56.0
	August	-52.3	-44.5	-50.0	-39.9	-34.8	-65.5	-54.2	61.5	-44.7	-58.5
	September	-40.8	-27.6	-44.7	-36.3	-20.4	-59.7	-34.7	48.0	-38.2	-60.1
	October	-41.0	-25.1	-46.8	-35.8	-18.2	-62.3	-31.9	57.1	-42.2	-56.9
	November	-40.2	-24.6	-42.3	-35.2	-18.0	-52.7	-31.2	53.8	-39.1	-57.8

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The components of composite indices are as follows:

CCI: I2, I4, I7×(-1), I11

CEI: I2, I4

CSI: I1, I3, I8.

List of Banks and Savings Banks

1 December 2009

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. Credo banka d.d., Split
8. Croatia banka d.d., Zagreb
9. Erste & Steiermärkische Bank d.d., Rijeka
10. Hrvatska poštanska banka d.d., Zagreb
11. Hypo Alpe-Adria-Bank d.d., Zagreb
12. Imex banka d.d., Split
13. Istarska kreditna banka Umag d.d., Umag
14. Jadranska banka d.d., Šibenik
15. Karlovačka banka d.d., Karlovac
16. Kreditna banka Zagreb d.d., Zagreb
17. Međimurska banka d.d., Čakovec
18. Nava banka d.d., Zagreb
19. OTP banka Hrvatska d.d., Zadar
20. Partner banka d.d., Zagreb
21. Podravska banka d.d., Koprivnica
22. Primorska banka d.d., Rijeka
23. Privredna banka Zagreb d.d., Zagreb
24. Raiffeisenbank Austria d.d., Zagreb
25. Samoborska banka d.d., Samobor
26. Slatinska banka d.d., Slatina
27. Sociétés Générale – Splitska banka d.d., Split
28. Štedbanka d.d., Zagreb
29. Vaba d.d. banka Varaždin, Varaždin
30. Veneto banka d.d., Zagreb
31. Volksbank d.d., Zagreb
32. Zagrebačka banka d.d., Zagreb

Authorised savings banks

1. Obrtnička štedna banka d.d., Zagreb
2. A štedna banka malog poduzetništva 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 138/2006)

Representative offices of foreign banks

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

Banks and savings banks undergoing bankruptcy proceedings

Name of bank/savings bank	Date of bankruptcy proceedings opening
1. Agroobrtička banka d.d., Zagreb	14/6/2000
2. Alpe Jadran banka d.d., Split	15/5/2002
3. Cibalae banka d.d., Vinkovci	20/10/2000
4. Glumina banka d.d., Zagreb	30/4/1999
5. Gradska banka d.d., Osijek	3/5/1999
6. Hrvatska gospodarska banka d.d., Zagreb	19/4/2000
7. Ilirija banka d.d., Zagreb	6/4/1999
8. Komercijalna banka d.d., Zagreb	30/4/1999
9. Međimurska štedionica d.d., Čakovec	17/3/2004
10. Trgovačko-turistička banka d.d., Split	8/9/2000
11. 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. Primus banka d.d., Zagreb	23/12/2004
4. Štedionica Dora d.d., Zagreb	1/1/2002
5. Štedionica Zlatni vrutak d.d., Zagreb	28/12/2001

Banks and savings banks whose 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 December 2009

Members of the Council of the Croatian National Bank

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

Management of the CNB

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

Executive Directors

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

Abbreviations and Symbols

Abbreviations

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

Three-letter currency codes

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

Symbols

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

