

Bulletin 141

year xiii • october 2008 quarterly report



CROATIAN NATIONAL BANK

Croatian National Bank

BULLETIN

PUBLISHER Croatian National Bank
Publishing Department
Trg hrvatskih velikana 3, 10002 Zagreb
Phone: 385-1-4564-555
Contact phone: 385-1-4565-006
Fax: 385-1-4564-687

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

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

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

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

Printed in 550 copies

ISSN 1331-6028

Croatian National Bank

BULLETIN

Zagreb, 2008

General Information on Croatia

Economic Indicators

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538.0	56,538
Population (million)	4.554	4.381	4.437	4.443	4.442	4.439	4.442	4.440	4.436
GDP (million HRK, current prices)	141,579	152,519	165,639	181,231	198,422	214,983	231,349	250,590	275,078
GDP (million EUR, current prices) ^a	18,674	19,979	22,171	24,468	26,232	28,681	31,263	34,220	37,497
GDP per capita (in EUR)	4,100	4,560	4,997	5,507	5,905	6,461	7,038	7,707	8,452
GDP – year-on-year rate of growth (in %, constant prices)	-0.9	2.9	4.4	5.6	5.3	4.3	4.3	4.8	5.6
Average year-on-year inflation rate ^b	4.0	4.6	3.8	1.7	1.8	2.1	3.3	3.2	2.9
Current account balance (million EUR)	-1,429	-568	-821	-2,099	-1,889	-1,434	-1,976	-2,696	-3,230*
Current account balance (as of % GDP)	-7.7	-2.8	-3.7	-8.6	-7.2	-5.0	-6.3	-7.9	-8.6
Exports of goods and services (as of % GDP)	41.0	47.1	48.8	45.5	50.1	49.7	48.9	49.7	49.0
Imports of goods and services (as of % GDP)	49.3	52.3	54.6	56.4	57.9	56.5	55.9	57.4	57.3
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
External debt (as of % GDP)	54.5	61.4	61.4	61.9	75.8	80.0	82.4	85.5	87.8
External debt (as of % exports of goods and services)	133.0	130.2	125.9	136.1	151.3	161.0	168.6	172.2	179.5*
External debt service (as % of exports of goods and services) ^{c,d}	24.6	26.2	28.2	29.8	21.3	22.5	25.0	35.8	33.3
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
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
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
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
Average exchange rate (HRK : 1 EUR)	7.5818	7.6339	7.4710	7.4070	7.5642	7.4957	7.4000	7.3228	7.3360
Average exchange rate (HRK : 1 USD)	7.1220	8.2874	8.3392	7.8725	6.7044	6.0312	5.9500	5.8392	5.3660
Consolidated general government balance (as % of GDP) ^e	-7.1	-7.5	-6.8	-4.9	-6.2	-4.8	-4.0	-3.0	-2.3
Public debt (as % of GDP) ^f	....	48.7	49.8	48.8	48.6	48.9	49.2	46.7	44.4
Unemployment rate (ILO, persons above 15 years of age)	13.6	16.1	15.8	14.8	14.3	13.8	12.7	11.2	9.6
Employment rate (ILO, persons above 15 years of age)	44.8	42.6	41.8	43.3	43.1	43.5	43.3	43.6	44.2

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

^b From 1996 to 1998, the rate of inflation was measured by the retail price index. From 1999 on, it is measured by the consumer price index.

^c In accordance with the obligations assumed during the pre-accession negotiations with the European Commission, the new legislative provisions governing the monitoring of foreign borrowing entered into force early in 2008. The new system of reporting, applied to all non-banking financial institutions, public and mixed enterprises, and the selected sample of other non-financial enterprises, led to an upward adjustment in the external debt balance at the end of 2007, increasing it by EUR 295m or to EUR 33,224m.

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

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

^f Public debt includes general government debt and issued government guarantees.

Sources: CBS, MoF and CNB.

Contents

Quarterly Report

Introduction / 3

Demand / 5

Domestic Demand / 5

 Personal Consumption / 5

 Investment Consumption / 6

 Government Consumption / 7

Net Foreign Demand / 7

Output / 8

Industry / 9

Trade / 9

Construction / 10

Hotels and Restaurants / 10

Transport and Communications / 11

Labour Market / 11

Unemployment and Employment / 11

Employment / 12

Wages and Labour Costs / 13

Box 1: Unit Labour Costs in Croatia / 13

Prices / 17

Consumer Prices / 17

Import Prices / 19

Industrial Producer Prices / 20

International Comparison of Consumer Prices / 20

Real Estate Prices / 21

Exchange Rate / 21

Box 2: Indicator of Croatian Economy's Cost

 Competitiveness – Index of the Real Effective Kuna

 Exchange Rate Deflated by Unit Labour Cost / 22

Monetary Policy and Instruments / 25

Monetary Environment / 25

Uses of Instruments of Monetary Policy / 25

Reserve Money and International Reserves / 26

Monetary Developments / 27

 Total Liquid Assets / 27

 Money / 28

 Non-Monetary Deposits / 28

 Placements / 29

 Banks' Placements to the Central Government / 29

 Foreign Assets and Liabilities / 29

Money Market / 30

Money Market Interest Rates / 30

Banks' Interest Rates / 31

Box 3: Effects of Change in the Structure of Loans on

 the Rise in the Weighted Interest Rate on Long-Term

 Household Loans Indexed to Foreign Currency / 33

Capital Market / 35

Equity Securities Market / 36

Debt Securities Market / 37

International Transactions / 40

Current Account / 40

Trade in Goods / 41

Capital and Financial Account / 43

External Debt / 44

International Liquidity / 45

Government Finance / 45

Fiscal Policy Features in the First Half of 2008 / 45

Consolidated General Government Revenues / 46

Consolidated General Government Expenditures / 46

Operating Balance and Transactions in Non-Financial

 Assets and Financial Assets and Liabilities / 47

Balance of the Consolidated General Government on a Cash

 Basis and a Modified Accrual Basis / 47

Government Debt / 47

Statistical Survey

A. Monetary and Credit Aggregates

Table A1: Monetary and Credit Aggregates / 52

B. Monetary Institutions

Table B1: Monetary Survey / 53

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

C. Monetary Authorities

Table C1: Monetary Authorities Accounts / 55

D. Banks

Table D1: Banks' Accounts / 57

Table D2: Banks' Foreign Assets / 58

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

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

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

Table D6: Demand Deposits with Banks / 60

Table D7: Time and Savings Deposits with Banks / 61

Table D8: Foreign Currency Deposits with Banks / 61

Table D9: Bonds and Money Market Instruments / 62

Table D10: Banks' Foreign Liabilities / 62

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

Table D12: Restricted and Blocked Deposits with
Banks / 63

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

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

E. Housing Savings Banks

Table E1: Housing Savings Banks' Accounts / 65

F. Monetary Policy Instruments and Liquidity

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

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

Table F3: Banks' Reserve Requirements / 68

Table F4: Banks' Liquidity Indicators / 69

G. Financial Markets

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

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

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

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

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

Table G5: Banks' Trade with Foreign Exchange / 75

H. International Economic Relations

Table H1: Balance of Payments – Summary / 76

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

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

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

Table H5: Balance of Payments – Other Investment / 80

Table H6: Balance of Payments – Summary / 81

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

Table H8: International Reserves and Foreign Currency Liquidity / 83

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

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

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

Table H12: Gross External Debt by Domestic Sectors / 88

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

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

Table H15: Gross External Debt by Other Sectors / 93

Table H16: International Investment Position – Summary / 95

Table H17: International Investment Position – Direct Investment / 96

Table H18: International Investment Position – Portfolio Investment / 96

Table H19: International Investment Position – Other Investment / 97

I. Government Finance – Selected Data

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

Table I2: Budgetary Central Government Operations / 99

Table I3: Central Government Debt / 100

J. Non-Financial Statistics – Selected Data

Table J1: Consumer Price and Producer Price Indices / 101

Table J2: Core Consumer Price Indices / 102

Table J3: Average Monthly Net Wages / 102

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

List of Banks and Savings Banks / 105

Management of the Croatian National Bank / 106

List of Abbreviations and Symbols / 107

Quarterly Report

Introduction

Real GDP grew by 3.8% annually in the first half of 2008. Economic activity rose at an annual rate of 3.4% in the second quarter, a slowdown compared with 4.3% in the first quarter. These developments were mainly due to a real contraction in personal consumption in the April to June period. This was coupled by an increase in the external imbalance, caused by a strong increase in total imports which was not counterbalanced by an equally strong growth of goods and services exports in the observed period. The opposite effect was produced by the increase in gross fixed capital formation, spurred by strong investments in non-residential building construction. Government consumption also accelerated annually in the second quarter, due to a growth in government expenditures for the use of goods and services. GDP by production approach indicates a slowdown in the annual growth rate of GVA in the economy as a whole, which was primarily due to the weakening of domestic demand for services, especially in trade, and also to some extent to a slowdown in the annual growth rate of industrial production. By contrast, GVA in construction and agriculture grew at an accelerated rate.

Recent monthly indicators of real sector developments point to a continuing economic slowdown at the beginning of the third quarter. This primarily refers to a decline in industrial production and retail trade turnover from the first to the second quarter. These trends are due to the further weakening of household consumption. Investment consumption also decelerated, as suggested by leading indicators of construction activity and a decrease in demand for investment goods.

Positive labour market trends indicated by administrative data at the beginning of the year and confirmed by the latest Labour Force Survey continued into the second quarter of 2008. However, their dynamics weakened, which could be ascribed to the economic slowdown. As shown by CES data, unemployment decreased annually, while employment according to CBS and CPIA data drifted up. In addition, the annual growth rate of nominal wages decelerated in the April to June period, which, coupled with the inflation increase, led to a drop in real net wages in the second quarter. The Act on Amendments to the Income Tax Act, in effect since 1 July this year, and the Minimum Wage Act, in effect since 1 August, had an effect on wage trends.

Consumer price inflation accelerated further in the second quarter and early in the third quarter 2008, primarily due to continued strong inflationary pressures from abroad, and to a small extent to domestic inflationary pressures. The annual consumer price inflation rate increased from 5.7% in March to 7.6% in June 2008 and further to 8.4% in July. The price rise in world raw material prices and substantially accelerated real annual growth of personal consumption in 2007 strengthened domestic demand and, consequently, pushed up inflation with a time lag in 2008. Imported inflationary pressures started to ease at mid-July, as a result of a break in the upward trend in the world prices of food raw materials and crude oil. As a result of this, and a favourable base effect, the annual inflation rate decelerated to 7.4% in August. Ac-

ording to the latest available data, demand-pull inflationary pressures in the domestic economy subsided, which primarily refers to the slowdown in personal consumption. By contrast, data on unit labour cost indicate cost-push inflationary pressures. Specifically, unit labour cost for the total economy rose at an annual rate of 4.7% in the first half of 2008, reflecting a much faster growth of nominal compensation per employee than that of labour productivity.

Consumer price inflation trends in the domestic economy were positively affected by a more marked appreciation of the kuna/euro exchange rate, especially evident since June this year. The kuna strengthened by 1.9% against the euro in the third quarter of 2008, with the exchange rate down to HRK 7.11/EUR. In contrast with the previous years, the CNB did not respond to mounting inflationary pressures during the peak season by foreign exchange interventions, in line with its counter-inflationary and kuna liquidity tightening policies. By permitting a small appreciation of the kuna exchange rate versus the euro, the central bank helped anchor inflationary expectations and alleviated the pressures arising from the price increase in consumer goods and raw materials imported from the eurozone. Appreciation pressures on the kuna exchange rate continued after the peak season, partly also due to foreign capital inflows for Ina share purchases.

Similarly as in the first half of the year, regular reverse repo operations were the main instrument of kuna liquidity creation in the third quarter of 2008. The seasonal increase in the demand for kuna during the summer months lead to an increase in the trading volume at auctions, but the central bank created much less liquidity than in the same period last year. Despite the higher turnover, the average daily liquidity surplus (including banks' overnight deposits with the CNB) halved compared with the first half of the year. Besides the restrictive money supply management, the CNB also continued to implement measures to curb the growth of bank placements, thus alleviating the excessive pressure of domestic demand on inflation.

In an effort to ensure stability in the domestic money and foreign exchange markets and avoid further inflationary pressures, the central bank sterilised the foreign capital inflows for the takeover of Ina. The CNB had issued a decision towards the end of September, excluding banks' vault cash from the reserve requirement maintenance obligation starting from the next reserve requirement maintenance period. As a result of this change, banks now have to maintain their reserve requirements only in the settlement account, using the vault cash exclusively in accordance with the demand for currency.

The pursuit of the more restrictive money supply policy led to a slower growth of all monetary aggregates. At the end of September 2008, reserve money was 2.3% lower than at the end of September 2007, the annual growth rate of money supply more than halved, the same as that of total liquid assets, which dropped from 18.3% at the end of last year to 9.1% at the end of August 2008.

Banks' lending also dropped in 2008, moving within the limits imposed by the central bank. Banks' placements to the non-banking sector increased by 5.7% in the first eight months of 2008 and their annual growth was 11.2%. The

growth rate of placements was below the prescribed limit due to the appreciation of the kuna/euro exchange rate and banks' "adjustments" at the end of last year and at the beginning of 2008, when there was a sudden jump and an almost equal fall in placements.

The strong growth of savings and time deposits, continuing since the beginning of 2008, was fuelled exclusively by the household sector. Household savings surged due to unfavourable capital market developments, primarily a decline in the prices of most shares listed on the ZSE and the consequent drop in the CROBEX, which prompted households to turn to banks in search of a safer form of saving. Although banks offered favourable conditions for kuna savings, the lion's share of the increase in household deposits went to foreign currency deposits, which grew at an especially high rate during the summer months, spurred by the foreign exchange inflow from tourism. In contrast with household deposits, corporate savings and time deposits were on the downward trend since the beginning of the year.

Against a background of a moderate growth of domestic placements, banks used the strong growth of domestic deposits to reduce their foreign liabilities, which dropped by HRK 7.8bn in the period from the beginning of the year to August. This led to a fall in the marginal reserve requirement allocated with the central bank and, in turn, to a decrease in gross international reserves in the third quarter. However, due to the continued increase in foreign currency reserve requirements and CNB's net usable reserves, gross international reserves increased by 5.4% relative to the end of 2007, reaching EUR 9.8bn at the end of September 2008.

Monetary policy measures implemented by the CNB also considerably increased banks' capital adequacy ratios and operational foreign exchange reserves, strengthening the stability of the domestic banking system, which is especially important in light of recent events related to the global financial crisis. In addition, central bank's measures prevented the development of securitisation and financial derivatives and in this way contributed to reducing the banking system's exposure to risks.

In the second quarter and in the first two months of the third quarter, continued good banking system liquidity was accompanied by a further decrease in volatility, but also by a slight rise in interest rates in overnight interbank trading. The weighted interest rates on these loans increased from 3.23% in March to 3.60% in June and 3.90% in August. Interest rates at MoF's T-bill auctions also continued to grow in the second quarter of 2008, reaching their peak values since the beginning of 2005.

Banks' lending rates continued growing in the period from April to August 2008, in line with the accelerating EURIBOR growth, which attained its highest levels in the past seven years, as well as with the strengthening of inflationary expectations. Interest rates on long-term loans were leading the way, and interest rates on short-term loans also slightly increased. Interest rates on time deposits mostly drifted lower.

International economic relations further deteriorated in the second quarter of 2008 due to a continued increase in external imbalances. The current account deficit widened by almost one third, primarily due to poor performance in

foreign trade in goods, and the negative balance in the factor income account increased, partly as a result of the increase in interest expenses on accumulated external debt, and partly due to the growth of retained earnings and dividends of foreign-owned companies. These negative results were to some degree offset by strong service revenues, in particular by the sharp annual increase in tourism revenues (up 15.8%). In addition, the positive balance in the current transfers account, having decreased in the first quarter, rebounded in the second quarter.

According to the latest available data on foreign trade in goods, goods imports accelerated sharply and goods exports decelerated in the first eight months of 2008. Total goods imports (in US dollar terms, at the constant exchange rate) increased at an annual rate of 19.0%, up by 6.4 percentage points from the increase in the same period a year ago. These trends were heavily influenced by negative external shocks, primarily changes in energy products prices, including the price surge in crude oil in the world market. Furthermore, ship imports increased heavily in the observed period, the main reason being the methodology applied in the reporting of finishing operations, which leads to sharp oscillations in the registered exchange of ships. In contrast with this, imports growth in other SITC divisions, taken aggregately, slowed down in the first eight months of 2008, mainly as a consequence of a slowdown in imports of wearing apparel, miscellaneous manufactured articles and non-ferrous metals. Total goods exports increased at an annual rate of 12.4% in the first eight months of 2008, a drop of 1.3 percentage points from the same period in 2007. The growth rate of exports remained relatively strong mainly due to exports of energy products (oil, refined petroleum products and gas) and other transport equipment. If these three divisions are excluded, the slowdown in exports becomes more pronounced, due primarily to the drop in exports of cereals and cereal products.

The capital and financial account recorded a higher net inflow of capital than in the same period in the previous year, which was completely attributable to increased net inflows from other investments (loans, trade credit, currency and deposits). This is on the one hand due to a reduction in foreign assets of banks, and, on the other hand, to an increase in foreign liabilities of other domestic sectors. Net direct investment inflows decreased slightly, whereas the portfolio investment account recorded a net outflow due to the repayment of central government bonds.

In contrast with the balance of payments deficit, external debt growth, having accelerated in the first quarter, decelerated considerably in the following five months compared with the same period in the previous year. Gross external debt increased by 6.4% since the beginning of 2008, reaching EUR 35.4bn at the end of August. The increase in debt was exclusively driven by corporate foreign borrowing continuing to grow at a strong pace, although significantly slower than in the previous year. By contrast, banks' foreign liabilities declined, as already mentioned, and government external debt also decreased from the end of the previous year.

In the first half of 2008, fiscal developments were marked by a strong growth of general government revenues (11.5%),

whereas the growth of government expenditures was more moderate (10.2%), mainly as a result of its low growth in the first quarter and provisional financing, applicable at the time, which restricted government consumption. With government investment activity holding steady at the last year's level, the consolidated general government recorded a surplus of HRK 0.9bn in the first half of 2008 and a small reduction in debt.

Demand

As suggested by the quarterly GDP calculation, real economic activity strengthened by 3.8% in the first half of 2008 relative to the same period last year.¹ Viewed quarterly, the annual rate of change in GDP slowed down from 4.3% in the first to 3.4% in the second quarter. A deceleration of the total economic growth in the April-June period was largely due to the real contraction of household demand. Its contribution to real GDP growth thus fell by 1.3 percentage points compared with the first quarter, standing at 1.4 percentage points in the observed period. The annual acceleration of goods and services imports was not accompanied by an adequate increase in the total exports growth rate, which deepened the international trade imbalance. Net exports made a negative contribution to total real GDP growth, -3.2 percentage points in the April-June period. Opposite effects were produced by the annual strengthening of government consumption, particularly the investment growth, largely fuelled by private sector investments in construction. Consequently, investments were the main generators of total economic growth in the second quarter.

The available real and financial economic activity indicators for the beginning of the third quarter point to a further slowdown in domestic demand. Real retail trade turnover

thus recorded a negative rate of change in July. Moreover, the total volume of industrial output continued downwards in July and August relative to the previous period, particularly as concerns investment goods. Given the leading indicators of construction activity for the first half of the year, investment activity growth is expected to be more moderate in the July-September period. In addition, real demand for foreign-produced goods, notably non-durable consumer goods, weakened during these two months, as a result of a further fall in household consumption.

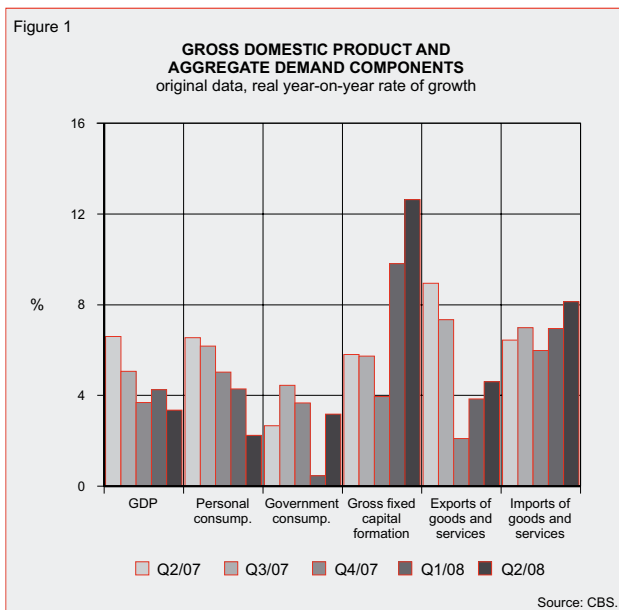
Domestic Demand

The contribution of domestic demand to real GDP growth decreased over the second quarter relative to the beginning of the year (from 7.1 percentage points in the first to 6.5 percentage points in the second quarter), primarily as a result of movements in household consumption and the change in inventories. However, gross fixed capital formation and government consumption growth produced opposite effects. The joint contribution of these two domestic demand components to economic growth was 4.8 percentage points in the April-June period, up 1.7 percentage points on the beginning of 2008.

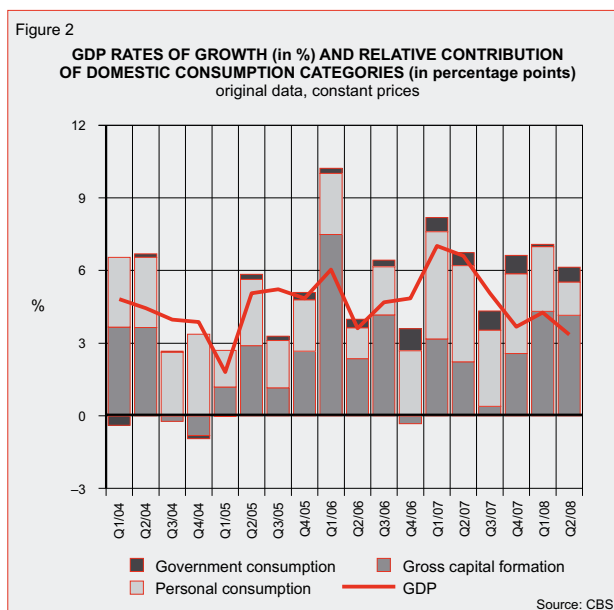
Personal Consumption

A slowdown in the real growth of the main regular and irregular sources of household consumption financing, accompanied by a drop in consumer optimism, led to a further deceleration of personal consumption growth. This trend was most pronounced in the second quarter, as the rate of change fell to a low of 2.2%, compared with the annual growth rate of 4.3% reported early in the year. Concurrently, the contribution of personal consumption to total real GDP growth dropped from 2.7 to 1.4 percentage points.

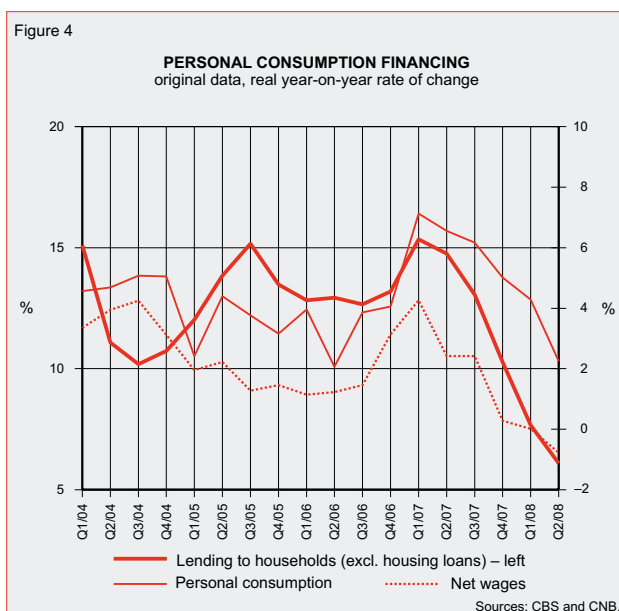
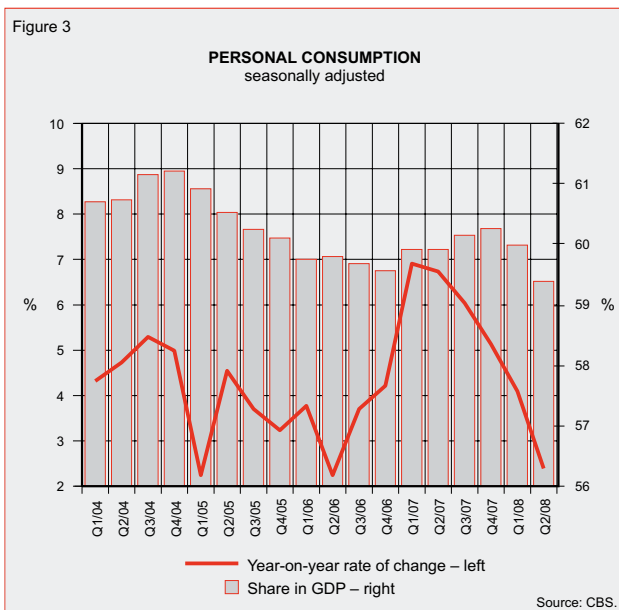
A slowdown in real net wage bill, being the main source of personal consumption financing, was mainly due to an annual decline in average real net wage over the first half of the year, whereas the growth in the number of employed persons,



¹ The data for the period from the first quarter of 2005 to the second quarter of 2008 are preliminary and are based on the CBS's quarterly GDP estimate.

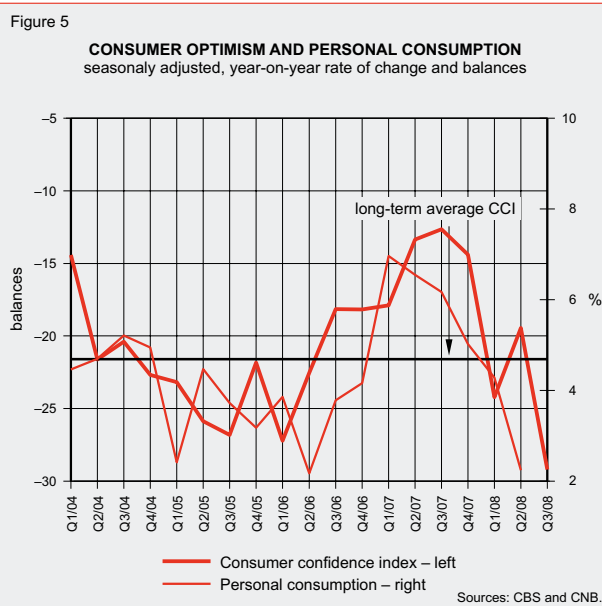


as reported by the CPIA,² remained relatively steady during the observed period. Transfers to households declined markedly versus 2007, when the growth of disposable household income was primarily due to a substantial rise in transfers on account of debt repayment to pensioners. In the period from April to June, personal consumption growth was also hindered by a modest increase in pensions (by as little as 0.55% in real terms or 2.55% in nominal terms), realised in March.³ The first half of 2008 was also marked by a deceleration of bank loans to households and less favourable lending conditions.



2 The number of persons insured with the CPIA represents a more reliable short-term indicator of employment, given the preliminary nature of the recent CBS data on employment by activity (the final data will be published in April 2009).

3 The semi-annual pension indexing has been carried out since 2005, based on the average semi-annual rate of change in the consumer price index and the average nominal gross wage pursuant to the Act on Amendments to the Pension Insurance Act (OG 92/2005).



Unfavourable trends seem to have continued into the third quarter. The annual rate of change in real retail trade turnover was negative in July. Moreover, July and August saw a continued slowdown in the growth of disposable household income, influenced by an annual decline in total employment and the negative annual rate of change in average real net wage.

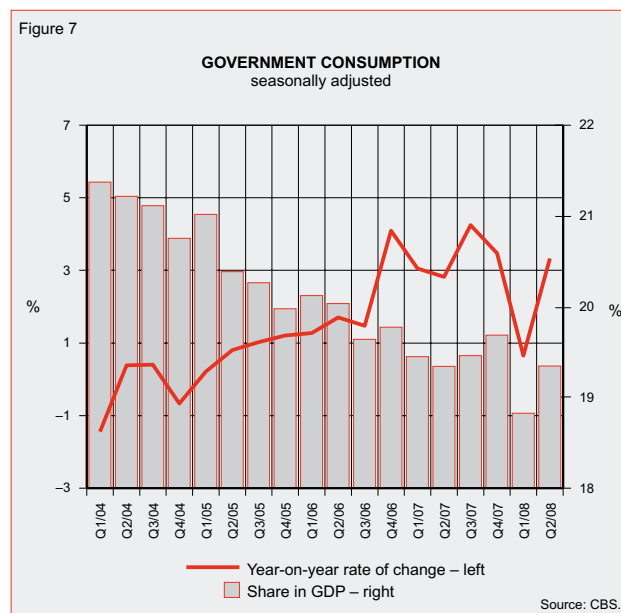
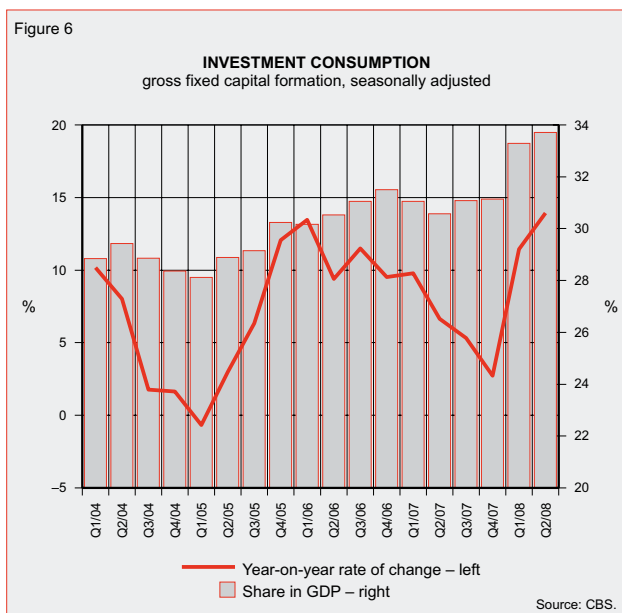
A drop in consumer optimism also points to an annual slowdown in personal consumption. At the beginning of the third quarter, consumer optimism fell considerably below its long-term average.

Investment Consumption

The first six months of 2008 were marked by exceptionally strong private sector investment activity, notably as concerns investment in non-residential building construction. Owing to this, gross fixed capital formation⁴ grew at a rate of 11.2% in the first half of the year, its annual growth being somewhat faster in the second quarter. Consequently, its contribution to real economic growth was 4.2 percentage points, the strongest in the last two years. This supported the long-term upward trend in investment rate, despite the considerable decline in the volume of government net capital investment in the current year.

The planned consolidated general government revenues and expenditures (including the CM transactions), according to the data provided by the Ministry of Finance after the adoption of the budget revision, suggest a possibility of a mild recovery of the public investment dynamics during the second half of 2008, notably in the area of investment in traffic infrastructure construction and maintenance. However, this is not likely to offset the negative movements from the first

4 Gross capital formation is composed of gross fixed capital formation and the change in inventories. However, given the statistical discrepancy included in the change in inventories, it is impossible to accurately assess the size and dynamics of gross capital formation. The “change in inventories” category accounts for less than 3% of GDP and less than one tenth of total investment.



half of the year, so that public investment is expected to remain stagnant at the annual level.

By contrast, the strong growth in private sector investments is expected to continue in the remainder of 2008, but probably at a more moderate pace. Leading indicators of construction activity (net construction project orders and building permits issued) for the first half of the year point to unfavourable movements, announcing more moderate growth of construction activity by end-2008.⁵ This is corroborated by reduced imports of production materials and a reduced volume of current output, as well as by the continued accumulation of intermediate goods inventories in July and August. Moreover, the dynamics of home loans to households moderated at mid-2008.

Government Consumption

Following its modest annual growth of 0.5% early in 2008, as a result of regulations on temporary government financing, government consumption growth accelerated to 3.2% during the second quarter of the year.

This government consumption acceleration is almost entirely attributable to a real increase in general government expenditures for the use of goods and services by about 6.0% relative to the same period last year. Concurrently, expenditures for the compensation of public administration employees, including severance payments, rose nominally by almost 7.0%. However, given the absence of any major changes in the public sector employment policy, these payments provided a stronger stimulus to deflator dynamics of this final consumption category⁶ than to its real growth. Only a small portion of the real growth in total government consumption, approximately one third, was attributable to expenditures for employees.

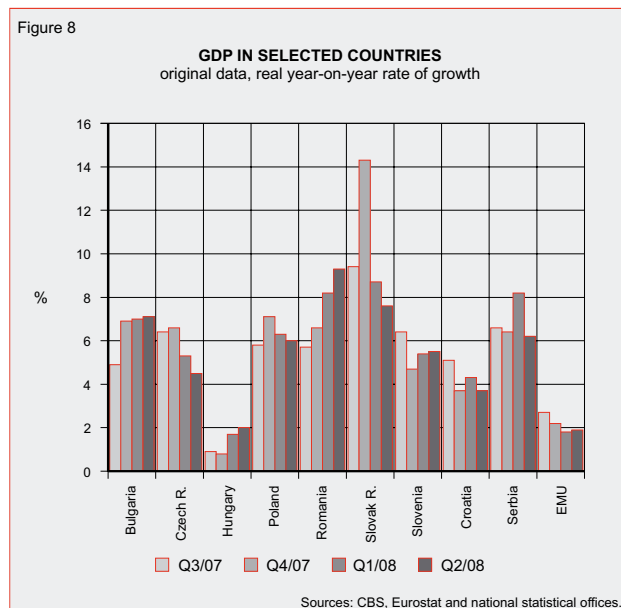
5 Investments in construction account for more than a half of total gross fixed capital formation.

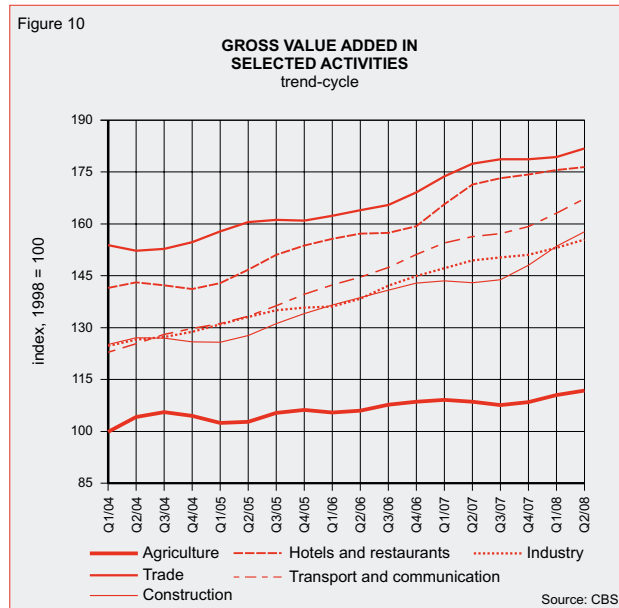
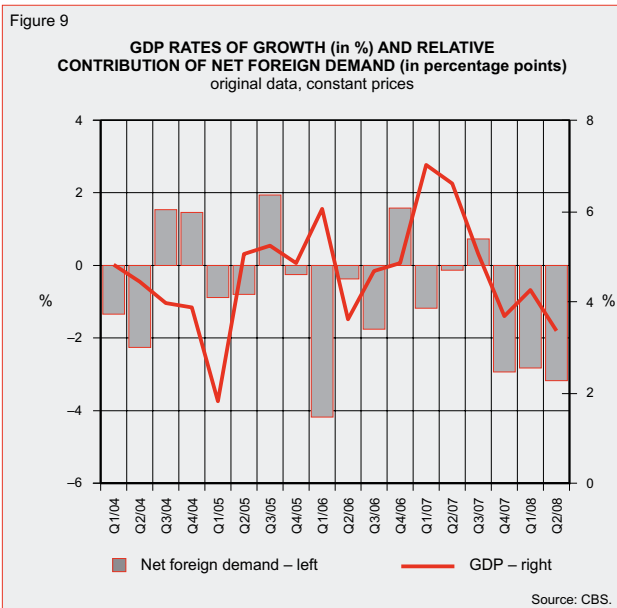
6 It should be noted that severance payments in the public administration dropped significantly at the annual level during the second quarter, and that their dynamics did not have any inflationary effects.

Net Foreign Demand

According to the available Eurostat data, real GDP in the eurozone grew at the annual rates of 1.8% and 1.9% in the first and second quarters of 2008 respectively, slowing down versus the fourth quarter of 2007. Such movements were coupled with a continuous weakening of consumer and business optimism, and diminished foreign demand for domestic goods and services. Owing to poorer export performance accompanied by the annual acceleration of total imports growth, the external imbalance of the economy further deepened.

According to the national accounts, foreign trade was marked by accelerated real growth of goods and services imports in the second quarter, which significantly outdid the real growth of exports. Such trend resulted in a high negative contribution of net foreign demand to real GDP growth of 3.2 percentage points. A large increase in total imports over the observed period was partly due to offsetting the liabilities arising from the Russian clearing debt, and to Croatia Airlines'



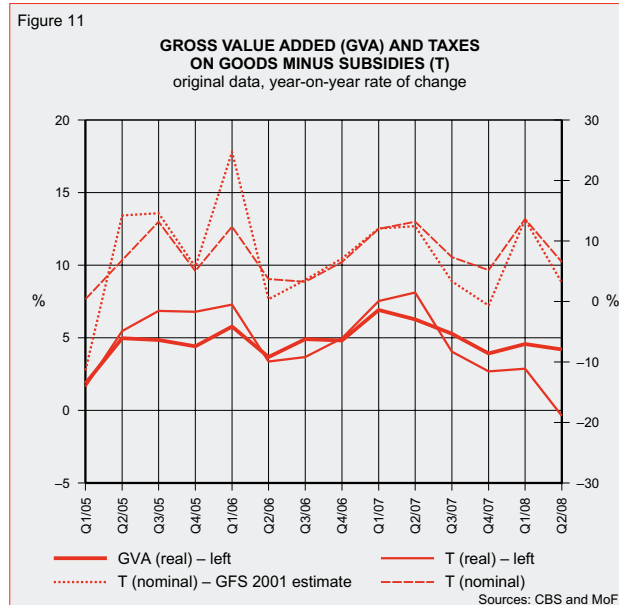


investment in aircraft fleet renewal. This was accompanied by an acceleration of the real annual growth of services imports, partly arising from increased tourist travels of residents to foreign countries during June (European Football Championship). By contrast, negative trends in goods exports were partly offset by a boost in services exports, which resulted in a slightly higher annual growth rate of total exports in the second quarter than in early 2008.

Output

According to quarterly GDP estimate based on production method, the annual growth of GVA⁷ in the economy slowed down from 4.6% in the first quarter to 4.2% in the second quarter of this year. A slower GVA formation in the period from April to July was mostly due to unfavourable movements in service activities, excluding transport and communications, which were primarily caused by weakening domestic demand. It should be noted that the effect of movable public holidays also partly contributed to the slower growth of services in the observed period. The contribution of the service sector to the total real GVA growth in the second quarter thus reduced by 0.6 percentage points relative to the first quarter, while the contribution of the industrial sector reduced by 0.2 percentage points. Such developments were partly compensated by accelerated GVA growth in agriculture and construction.

In the first half of 2008, real GVA growth outstripped GDP growth, with this difference growing even more prominent in the second quarter. The weakening of the overall economic activity in the period from April to June led, via the tax mechanism, to an evident slowdown in revenues from



indirect taxes. The growth of subsidies to public corporations and private enterprises also accelerated so the real GVA rate of change in the observed period exceeded the real GDP rate of change by 0.8 percentage points (in the first quarter this difference amounted to 0.3 percentage points).

Indicators of economic activities, available at monthly level, suggest a further slowdown in the growth of real GVA at the beginning of the third quarter. July and August thus registered a weak annual growth in industrial production, primarily under the influence of weakening domestic demand for investment goods. At the same time, the economic situation test carried out at the end of June this year by *Privredni vjesnik*, a business and financial weekly, indicated that business optimism in this segment of the economy slightly decreased. The beginning of the third quarter was marked by a decrease in consumer optimism, accelerating inflation and a decline in the real retail trade turnover. The opposite effect was produced by the continued strong growth of construction activity.

7 In the national accounts, gross value added (GVA) in the economy is expressed at the so-called basic prices, whereas gross domestic product (GDP) is expressed at market prices. The difference between these two values is the total amount of tax on products reduced by subsidies (net indirect taxes). As the 'net indirect taxes' category is not included in the CBS's GDP calculation at constant prices, this value can be calculated as a GDP and GVA residual at constant 1997 prices.

Industry

Weakened domestic and foreign demand resulted in slower annual GVA growth in industry compared with the beginning of the year. In the first quarter, GVA in industry was 4.5% higher than in the same period last year, while in the remaining part of the first half of the year its real rate of change slowed down to 3.8%. Its contribution to the overall GVA growth reduced from 1.3 percentage points in the first quarter to 1.1 percentage points in the second quarter of 2008.

According to the seasonally and calendar adjusted indicators of the total volume of production in industry in the first two months of the second half of this year, industrial production was 0.5% stronger than in the same period last year. The original data indicate a negative annual rate of change in industrial production (July and August 2008 had two working days less than the same period last year). At the same time, preliminary CBS data on the number of employed persons by activity reflect the increasingly more prominent negative developments in the number of employed persons in this segment of the economy. Seasonally adjusted data also indicate further strong increase in the inventories of finished goods in July and August, thus suggesting further weakening of domestic demand for industrial products.

Viewed by main industrial groupings (MIGs), a slowdown in the growth of production was registered in July and August by investment and consumer goods. The production of goods intended for investments in the period in question was accompanied by strong growth of inventories, while the production of consumer goods in the first two months of the third quarter was marked by a sizeable decline in the production of durable consumer goods. This was probably a consequence of the high level of inventories and also the rising consumer perception that the time is not right for the purchase of these goods. The production of non-durable consumer goods was characterised by more modest growth relative to the previous quarter and swelling of producers' inventories.

Manufacturing, which accounts for some 80% of the total industrial production, grew by only 0.1% in the first two

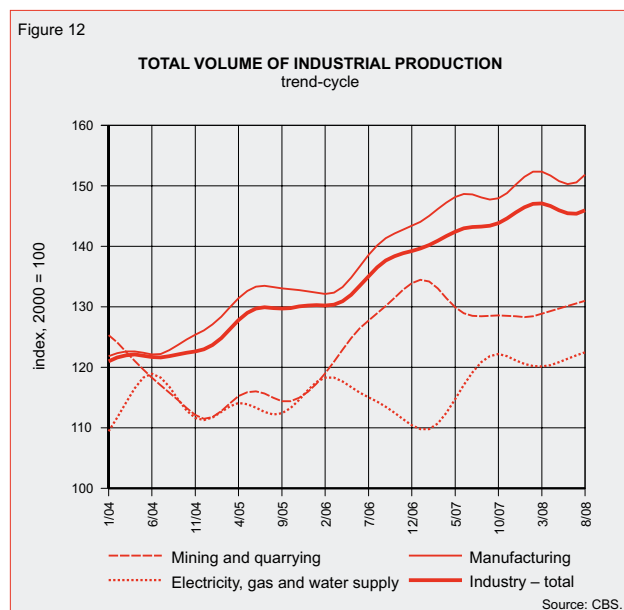


Figure 13



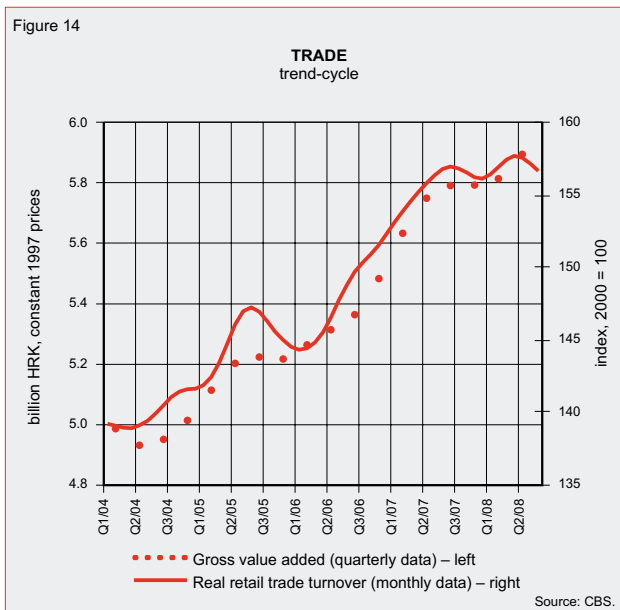
months of the third quarter compared with the same period last year. The annual growth rate slowed down for the majority of activities. Of the activities that contributed the most to the growth of manufacturing in the observed period one should underline the manufacture of food and beverages and manufacture of medical, precision and optical instruments, watches and clocks. A slowdown in the supply of energy products grew even more prominent in July and August. On the other hand, production in mining and quarrying went up by a relatively high 5.0% compared with the same period last year. Such developments were a consequence of the high rate in July which was caused by the base period effect.

Following the high annual growth of labour productivity in industry at the beginning of the year (6.8%, seasonally adjusted), in the second quarter it slowed down. Thus, in the period from April to June this indicator stood at 3.6%, which was a result of the slowdown in the growth of the total volume of industrial production. It should be born in mind that the CBS data on the number of employed persons by activity for the first half of the year are preliminary and generally underestimate the actual number of employed persons. After the review of the preliminary data on the number of employed persons, which is planned in April next year, data on the level and dynamics of labour productivity in industry are likely to be adjusted downwards.

Trade

After having reached the annual growth rate of 4.1% in the first quarter, GVA growth in trade reached only 1.8% in the second quarter. Consequently, the contribution of trade to the total GVA growth reduced by a half compared with the beginning of the year, totalling 0.3% in the second quarter.

At the turn of the first quarter into the second quarter real retail trade further declined. Thus, the annual rate of change in retail trade turnover was negative in July (1.5%). Viewed by individual branch, retail trade turnover in non-specialised food stores could turn out lower than in the same period last year, the same will probably be the case for sales of motor

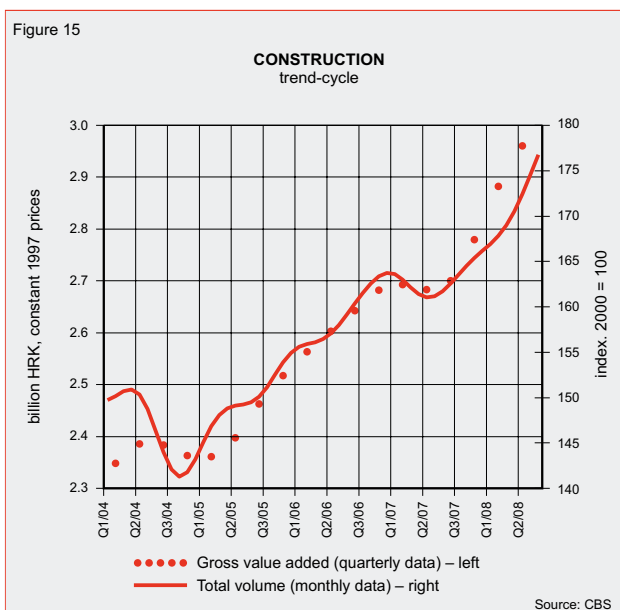


fuels and lubricants. Real retail trade in motor vehicles also went down significantly compared with July last year.

Construction

Strong annual GVA growth in construction that marked the first quarter (7.7%), picked up additional speed in the period from April to June (10.4%). Steep real growth of GVA in this activity was fuelled primarily by the growth of private investments in sports and tourist facilities. They managed to make up for decreasing investments in construction of flats and stagnation of government investments in transport infrastructure.

Seasonally adjusted total volume index of construction works continued its strong growth in July, which is partly attributable to favourable weather and the strengthening of works on buildings under construction. Works on buildings boasted the strongest growth, while civil engineering works grew at a more modest rate.



In the first half of 2008, the index of new construction orders grew at a considerably slower rate compared with the last quarter of last year, with the major portion of orders relating to civil engineering works. Continued slowdown in the growth of home loans indicates a weakening demand of households for real estate that has been confirmed by the CNB's surveys which indicate a downward trend in planned household investments in real estate.

Hotels and Restaurants

The movements of GVA in hotels and restaurants in the first two months of this year largely reflected the effect of the base period. This year, Easter holidays, which usually spur demand for services in tourism, fell in March rather than in April, as last year. This resulted in a steep rise of volume indicators of tourist demand in the first quarter, while the second quarter was marked by their stagnation. In addition, the said movements can partly be explained by the European Football Championship which took place in June. The annual GVA growth in hotels and restaurants thus totalled 7.1% in the first quarter, but slowed down to 1.6% in the second quarter. It is noteworthy that GVA in this activity comprises only a portion of the direct impact of tourism on the domestic economy, while its direct impact on other activities as well as indirect impact on the overall economy cannot be fully assessed. Therefore, the contribution of hotels and restaurants of 0.2 percentage points to the overall GVA formation does not fully comprise the impact of tourism on real economic developments.

The movement of the number of tourist arrivals and nights in July and August indicates a relatively successful high tourist season. The number of tourist nights rose by 2.9% and the number of tourist arrivals by 2.1% in the observed period relative to the same period last year. However, unfavourable macroeconomic situation in EU Member States and real appreciation of the kuna against the euro during the high tourist season negatively affected the real growth of tourist spending. This is partly substantiated by the small annual growth of



real retail trade turnover in July. In addition, weak optimism by both domestic consumers and those from the EU likely additionally affected real tourist spending.

Transport and Communications

In the first six months of 2008, economic activity in more important segments of transport, storage and communications intensified. Accordingly, at the very beginning of 2008, GVA growth in this activity accelerated by a whole percentage point (from 4.8% in the last quarter of the previous year to 5.8% in the first quarter of this year). In the second quarter, GVA growth accelerated even further by 1.5 percentage points.

GVA formation in this activity in the period from April to June was spurred by the growth in passenger transport (probably also under the influence of the European Football Championship in June), larger volume of transshipment and increase in the use of telecommunication services. The recent developments in the transport of goods are difficult to assess with certainty due to a revision of surveys results on transport of goods in public transport and road transport for own-account⁸ conducted in January 2008, which prevented the comparison of data on annual level. However, the rise in manipulated tonnes in transshipment during the observed period indicates positive trends in the transport of goods.

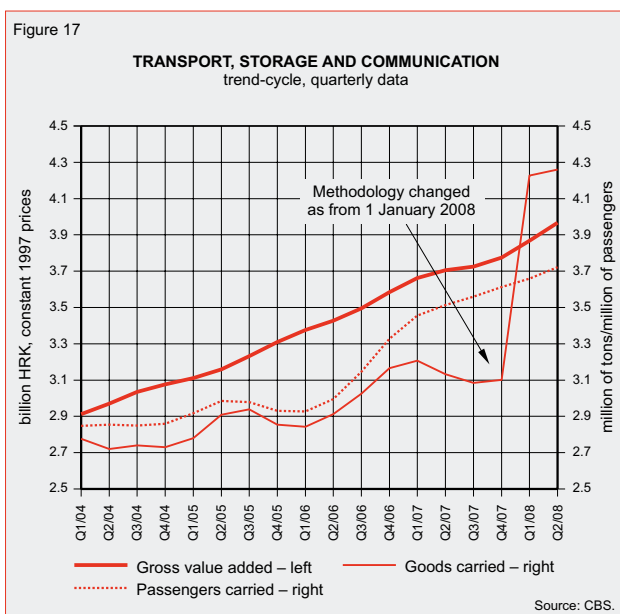
In the second quarter 2008, the annual increase in the transport of passengers in the most important form of transport, road transport, which accounts for almost a half of the total transport of passengers, lagged mildly behind the increase realised in railway transport (measured by the number of passengers carried and passenger miles), which may be linked to the above-mentioned characteristics of demand for these services.

Starting from 2008, the CBS has been obtaining data from the Croatian Telecommunications Agency so the data series on the number of minutes spent in the mobile and fixed network have been revised since 2006. However, these data have not been published in regular CBS releases so it is impossible to consistently monitor the movement of demand for the said services, although it may be assumed with a great degree of certainty that consumption related to mobile telephony continues to be marked by positive tendencies.

Labour Market

Positive trends on the labour market suggested by administrative data at the beginning of the year and confirmed by the latest Labour Force Survey results continued into the second quarter of 2008. Looking at CES data on unemployment and preliminary CBS data and CPIA data on the number of insured persons on an annual level, the second quarter of the year saw a further fall in unemployment and an increase in employment, though slower than at the beginning of the year, which can be explained by a slowdown in the economic activity during that period.

In addition to a small slowdown in employment, the second quarter of the year also witnessed a slowdown in the annual growth rate of nominal gross and net wages. This period also saw acceleration in the growth of the consumer price index, which resulted in a slowdown of growth of real gross and net wages. Under the Act on Amendments to the Income Tax Act, applied as of 1 July 2008, the basic personal tax exemption has been raised from HRK 1,600 to HRK 1,800 a month and under the Minimum Wage Act, applied as of 1 August 2008, the minimum wage has been raised from HRK 2,441.25 to HRK 2,747.00. The provisions of these acts influenced developments in wages paid during that period.

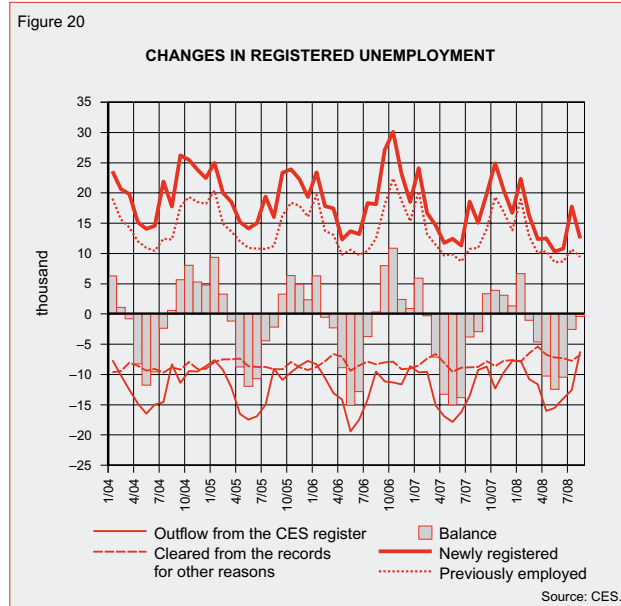
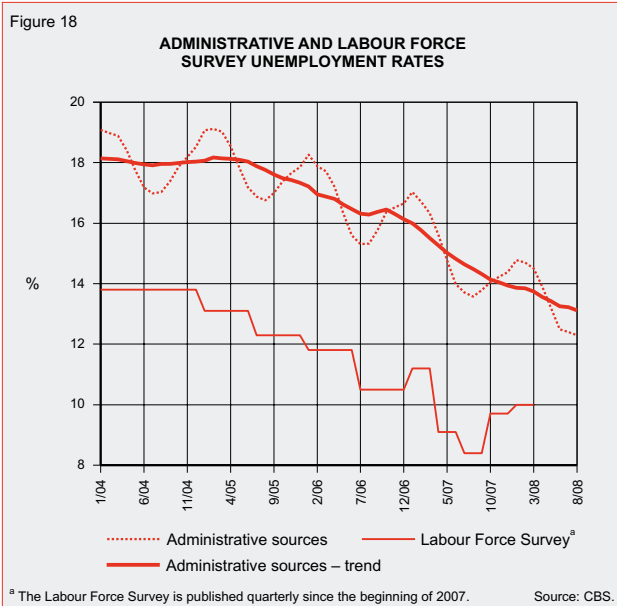


Unemployment and Employment

The last available results of the Labour Force Survey for the first quarter of 2008 confirmed positive developments seen in reduced unemployment and increased employment which had been suggested by administrative data for that period. According to Labour Force Survey data, there were 176,000 unemployed persons in the first three months of the year, which is 21,000 or 10.7% less than in the same period previous year. The Labour Force Survey Unemployment rate stood at 10.0% during that period, which is a decrease of 1.2 percentage points compared with the first quarter of the previous year.

A trend of decline in the level of registered unemployment which started in early 2005, continued into the first half of 2008, leading to a 12.1% decline in the number of unemployed persons in the CES register, compared with the first six months of the previous year. Despite two-digit annual rates of decline during this period, the fall in registered unemployment slowed down slightly towards the middle of the year. The average rate of registered unemployment fell to 13.9% in the first half of 2008, which is a decline of 1.8 percentage points compared with the same period in 2007. The

⁸ The most important methodological change relates to the changed sampling stratification so vehicles are distributed into new classes by loading capacity.



number of unemployed persons also fell in July and August, resulting in a very low level of unemployment at the end of August.

Developments in registered unemployment in the second quarter of 2008 were influenced by a fall in the inflow of unemployed persons into the CES register and increased outflows from the register. A more significant decline in the number of newly registered persons was due to a low level of inflows in all the three months, and particularly in May when 10,300 persons were registered, which is the lowest recorded inflow into the CES register so far. These inflows intensified greatly in July as a result of entry into the register of persons that have completed their education.

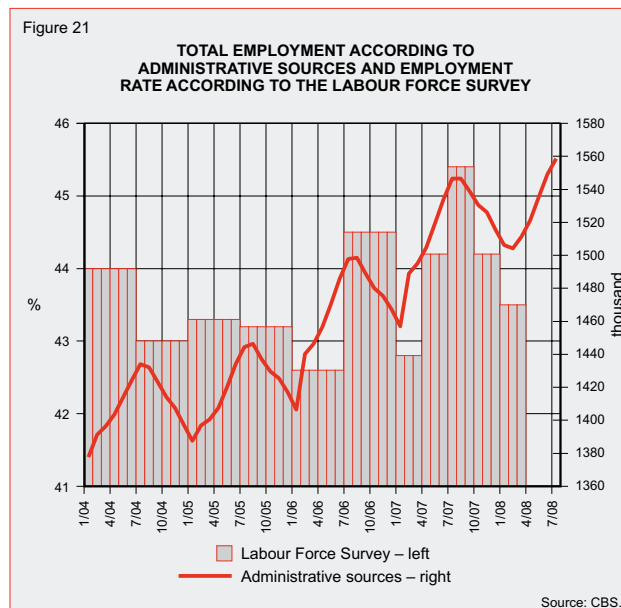
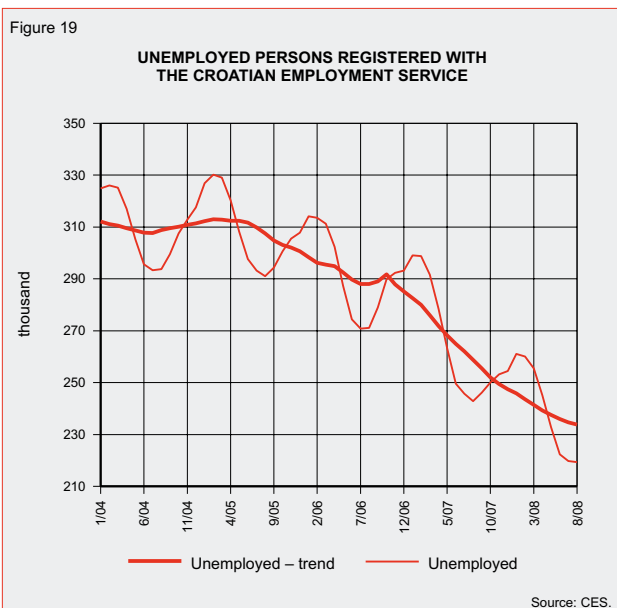
Increased outflows from the register in the second quarter were generated mainly by rising employment from the CES register compared with the beginning of the year. Increased demand for workers from the CES register can be attributed to seasonal effects common for that part of the year, with the largest employment needs coming from hotels and restaurants, wholesale and retail trade and manufacturing, activities that reported to the CES the largest number of vacancies during that period. However, the increased number of employed persons from the register was not sufficient to reflect on the annual growth.

However, the increased number of employed persons from the register was not sufficient to reflect on the annual growth.

Employment

In addition to the described fall in unemployment, the results of the Labour Force Survey for the first quarter of 2008 also point to increased employment on an annual level. In the first three months of this year, the number of persons employed stood at 1,591,000, which is an increase of 28,000 persons (1.8%) compared with the same period previous year, while the Labour Force Survey employment rate stood at 43.5%.

Although CES register employment data point to a fall in the number of persons employed through CES intermediation, preliminary CBS data on employment and data on the



number of persons insured with the CPIA point to the annual growth of total employment in the second quarter of 2008, though somewhat slower compared with the previous quarter. The number of persons insured with the CPIA, which is used as a good short-term indicator of employment not subject to review, was up 2.5% on an annual level. During the same period, total employment, according to provisional CBS data which in the previous years greatly underestimated employment growth, rose by 1.1%. It should be noted that this annual rate of change was obtained from revised employment data for the period until January 2008 and preliminary data following that period, and that it is probable that it will increase after revision expected in April 2009.

According to CBS data, the largest contribution to total employment growth in the first half of 2008, as well as throughout 2007, came from employment in legal entities which accounts for 80% of total employment. Employment in crafts and trades and free-lances rose slightly in annual terms during the observed period (0.6%), while the number

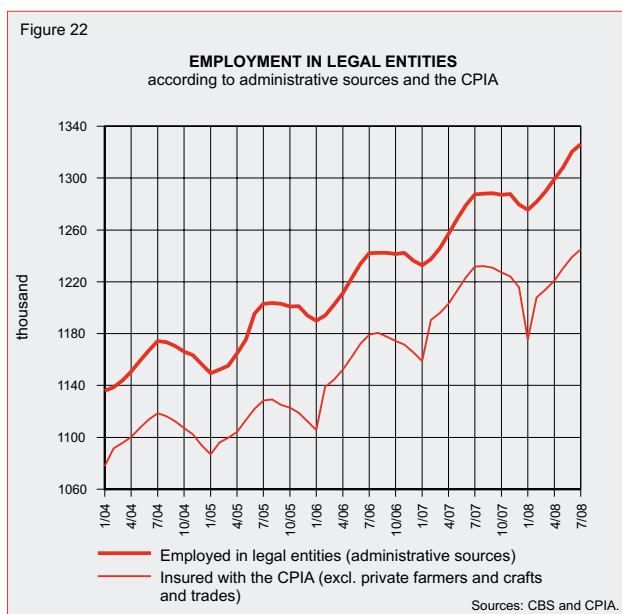
of individual farmers actively insured with the CPIA continued to trend downwards, thus offsetting the small but positive contribution of employment growth in crafts and trades and free-lances to overall employment growth.

The structure of total employment by activities according to NCEA shows that contributions of individual activities to total employment growth did not change significantly in the second quarter compared with the beginning of the year. The most significant annual increase in employment in the second quarter and the first half of this year was seen in real estate, rental and other business services, financial intermediation and wholesale and retail trade. Total public administration, which includes narrowly defined public administration, education, health care and social welfare, saw acceleration in annual employment growth in the second quarter compared with the beginning of the year, fuelled by positive developments in all the three activities, particularly increased employment in the narrowly defined public administration in the second quarter. By contrast, the sharpest annual decline in employment was recorded in mining and quarrying and manufacturing, as a result of falling domestic and foreign demand for industrial products seen in smaller contributions of this activity to real GVA formation in the second quarter.

Wages and Labour Costs

The annual growth of nominal wages paid in the second quarter of 2008 slowed down compared with the first quarter of the year. Under the Act on Amendments to the Income Tax Act,⁹ the non-taxable part of income, i.e. the basic personal tax allowance of each taxable person in employment has been raised from HRK 1,600 to HRK 1,800, while pensioners' tax exemptions have been raised from HRK 3,000 to 3,200 a month. Personal tax allowances for dependent family members and of disabled taxable persons and members of their families have also been raised and so has the marginal amount of receipts of the dependent family member. These changes applied to all payments made after 1 July 2008. As a result, data on wages paid in July point to acceleration in the annual growth of net wages (from 6.1% in June to 6.6% in July), with a simultaneous slowdown in gross wages. The growth of net wages outstripped the growth of gross wages, the situation last seen in 2005 with the coming into force of the Income Tax Act¹⁰. The Minimum Wage Act¹¹ which came into force on 1 July provided for an increase in the minimum wage of HRK 306, i.e. from HRK 2,441.25 to HRK 2,747.00. The effects of this Act, together with the increase in the personal tax allowance described above, can be seen in faster annual growth of wages paid in August.

The growth in nominal wages was accompanied by annual acceleration in the growth of the consumer price index which resulted in a decelerated growth of real wages compared with the beginning of the year. The annual growth rate of real gross wages paid in the second quarter was 0.2%, while at



9 OG 73/2008.
10 OG 177/2004.
11 OG 67/2008.

Box 1: Unit Labour Costs in Croatia

Unit labour costs are defined as the ratio of cost of labour per unit of output. They represent a direct link between total output of an economy, labour productivity, wages and other labour costs and prices, and as such are an extremely important indicator often used in the analysis of macroeconomic developments in individual countries and in international comparisons of cost competitiveness. From the standpoint of monetary policy, unit labour costs are an important indicator of price pressures on the cost and demand side, as well as the sources of future inflationary pressures.

Unit labour costs represent a link between labour productivity and costs of labour. Labour productivity is defined as the ratio of a total output produced to a number of labour units used in production. Depending on data availability, a number of hours worked in production or the number of employees are used as an indicator of labour used, with the number of hours worked being considered a more reliable indicator of actual labour used. Also, compensation of employees in the national accounts is considered to be the most appropriate indicator for measuring labour costs as it provides the broadest coverage of costs associated with labour. If compensation of employees is not available, an estimate is used which is calculated on the basis of the product of multiplication of the total number of employees (employees and self-employed) and the average monthly gross wage increased by compulsory contributions paid by the employer.

There are two main variants of unit labour costs. They are nominal unit labour costs (ULC) and real unit labour costs (RULC). ULC is calculated as the ratio of the nominal labour cost per employee and real labour productivity and is used in the analysis of cost competitiveness of the economy and potential inflationary pressures resulting from increased labour force costs. The growth of ULC, with unchanged cost structure, means faster growth of labour cost per unit of output compared with labour productivity and points to a decline in cost competitiveness of an individual sector or economy as a whole. By contrast, RULC is calculated as the ratio of real costs per employee and real labour productivity and may point to the presence of demand pressures on price growth. The growth of RULC means that the growth of real compensation of employees is faster than productivity growth, which leads to inflationary pressures on the demand side and/or widening of the foreign trade deficit.

Though there are general statistical principles, the calculation of unit labour costs in practice depends primarily upon the availability and quality of statistical data.

Calculation of Unit Labour Costs in Croatia

Unit labour costs in Croatia are calculated as the ratio of compensation per employee at current and constant prices to labour productivity at constant prices. This calculation is not fully aligned with methodologies used internationally by institutions such as the ECB and the OECD, etc. because of unavailability of data on compensations of employees. For

calculation purposes, labour costs are approximated by average nominal or real gross wages per employee increased by contributions paid by the employer. This is why, for instance, labour cost per worker in 2007 was estimated by increasing the average annual gross wage in the economy by 17.2%, the amount of contributions on the salary in that year. In calculating labour productivity, CBS data on the real GDP or real GVA are used, while data on labour used may be obtained from the so called administrative sources and statistical surveys. Administrative sources are monthly CBS data on the number of persons employed or the number of hours worked, which should cover the population of the legally employed in legal entities, crafts and trades, and free lances and individual farmers. Statistical surveys imply quarterly CBS data, provided by the Labour Force Survey. These data should, on the basis of a statistical sample of private households in the country, point to the total population working a minimum of one hour in the reference week, regardless of their formal status and the manner of payment for the work done or the total number of hours worked. The data should include all employees, the self-employed, and unpaid family workers, which means that statistical survey indicators should include persons employed in the unofficial economy.

However, it should be stressed that the use of statistical survey data without additional adjustments for compensations of employees and GDP and GVA provides an inconsistent indicator. Data on the number of persons employed taken from the Labour Force Survey also include persons employed in the unofficial economy, though data on payments made to such persons are not available. As the average annual number of hours worked given in the Survey is much higher than that coming from administrative data sources, it is likely that average annual gross wages are somewhat underestimated. In addition, GDP and GVA data published by the CBS do not include estimates for the grey economy, i.e. income earned in the unofficial economy. What's more, final GDP calculation for the past three years is not available. It follows that the use of inconsistent data from different sources surely underestimates labour productivity, and that the calculated ULC should be interpreted with caution.

Developments in Unit Labour Costs in Croatia

The past ten years have seen a steady increase in total economy ULC, with the exception of the year 2001. The average annual increase in ULC was 3.4%, as seen in a significantly faster growth of nominal compensations per employee compared to labour productivity (6.4% to 2.9%). However, the dynamics of real unit labour costs points to somewhat different developments. Thus RULC saw an average annual decline of 0.1% during the observed period, showing that the growth of real compensation per employee was only slightly slower than productivity. Developments in ULC could point to the existence of inflationary pressures on the output side, as also evidenced to a degree by the coefficient of linear correlation between the ULC and consumer price inflation moved one period forward, which stands at a

Figure 24

UNIT LABOUR COST AND COMPONENTS IN TOTAL ECONOMY AND SELECTED SECTORS
year-on-year rate of change



Sources: CBS and CNB calculations.

relatively high 0.62. However, further analysis by economic sectors shows that the ULC dynamics is highly determined by developments in the public sector¹² and not in industry, the sector which accounts for almost three quarters of the products included in the basket for consumer price index calculation. Note should also be taken of the fact that the public sector employs a little over 20% of total persons employed and that their gross wages significantly influence the amount and the dynamics of the average gross wage in the economy as a whole. Also, in accordance with the methodology applied by the CBS, it is assumed that there are no changes in labour productivity in public sector activities. As regards RULC, its average annual decline shows that employees' purchasing power rose slower than their productivity, and that therefore inflationary pressures on the demand side were accordingly not pronounced. However, note should be taken of the fact that gross wages constitute only one element of the total funds used to finance personal consumption and that without pension, savings and loans analysis, inflationary pressures on the demand side can only be determined partially.

Developments in ULC in the 1997-2007 period fluctuated significantly. The beginning of the observed period was marked by high nominal growth of ULC, which was largely influenced by fast growth of wages in the service activities, particularly public sector and construction. Labour productivity rose only slightly during that period due to the banking crisis and recession (the real growth rate in 1998 was only 2.5%, and in 1999 there was a real fall in GDP of 0.9%). By contrast, although industry also saw a moderate increase in wages, adequate growth of labour productivity, largely also due to a fall in the number of employees, resulted in a relatively stable ULC in industry during that period.

Following stagnation in total economy ULC growth in 2000, the following year saw its decline, again mainly as a result of developments in the public sector and the trade sector. At the beginning of 2001, the Government enacted a Public Services Wages Act and reduced the basis for the calculation of wages of persons employed in the public sector which resulted in a fall in nominal gross wages in public administration and health care and stagnation in education. ULC also fell in trade activities. That year was marked by

the entry of foreign chain stores in the domestic market and trade liberalisation, resulting ultimately in a very high GVA (16.2%), with the growth of gross wages of persons employed in the trade sector being over two times slower.

The 2002-2007 period saw a steady increase in ULC growth. The only exception was the year 2005, when ULC growth slowed down significantly due to high productivity growth in industry. It should be noted that this acceleration in labour productivity growth in industry was partly associated with a fall in employment in this branch of the economy. In addition, in 2005, compensations of employees grew slower than usual during the observed period, which is the result of tax reform at the beginning of 2005. The new income tax act increased the non-taxable basis and introduced additional reliefs for dependents.

The last two years of the observed period saw a stronger growth of ULC. However, it should be borne in mind that GDP data for 2006 and 2007 are provisional data only. These provisional data show that the year 2006 saw the highest ULC growth since the banking crisis and recession in the late 1990's. The largest contribution to this growth was provided by significant acceleration in employment (up from 0.8% in 2005 to 3.3% in 2006) which, together with mild acceleration in the real growth of the economy, resulted in a much slower growth of labour productivity. The same year saw acceleration in the growth of compensations per employee measured by average gross wage, partly as a result of increased demand of companies for labour force, as suggested by CES data on registered vacancies. Gross wages continued to grow at relatively high rates in 2007, largely fuelled by their accelerated growth in the public sector. Namely, as a result of an agreement between the Government of the Republic of Croatia and the public services union to increase the base for the calculation of wages in the 2007-2009 period, the observed period saw an increase in gross wages in education, health care and social welfare, public administration and defence. In addition, towards the end of June 2007, the Government of the Republic of Croatia and seven unions of civil servants signed an agreement which provided for a 25% increase in annual leave bonus, Christmas bonuses and an increase in the amount of gifts for children of employees which fuelled further growth of gross wages in the public sector.

the same time average real net wages had a negative annual rate of change of -0.8%. Following their July fall and negative annual rates of change, real wages recovered in August.

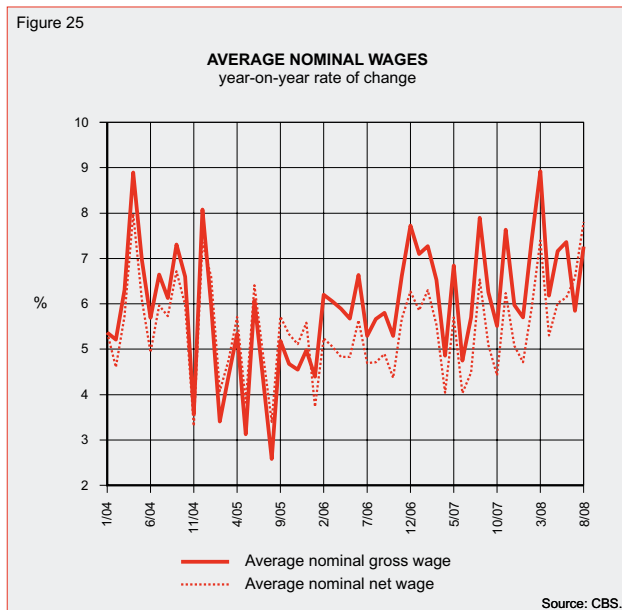
A slowdown in the annual growth rate of average real gross wages was the result of a slowdown in almost all activities which recorded negative annual changes. The most significant contribution to such developments came from private sector activities such as hotels and restaurants, real estate, rental and other business services, construction and manu-

facturing. Activities in which the growth of wages paid in the second quarter accelerated included financial intermediation and narrowly defined public administration. As regards real gross wages, their annual growth accelerated slightly in the second quarter of the year in public administration (including education, health care and social welfare), in contrast with developments in the private sector.

The annual growth of average real gross wage in industry slowed down from 1.9% in the first quarter to -0.2% in the second quarter of 2008, mainly influenced by a decline in mining and quarrying. Labour productivity in industry, measured by the dynamics of gross value added in that activity, at constant prices, per employee, grew by a high 4.7% in the second quarter of 2008.

¹² Persons employed in legal entities classified into areas of activity L, M, N and O according to the 2002 NCEA.

Figure 25



Prices

The annual consumer price inflation rate accelerated from 5.7% in March to 7.6% in June and further to 8.4% in July 2008. The inflation increase in the first seven months of 2008 was influenced by the price rise in world raw material prices and substantially accelerated real annual growth of personal consumption in 2007, which, through the strengthening of domestic demand, had a delayed effect on inflation in 2008. Imported inflationary pressures started to ease at mid-July, as a result of a break in the upward trend in the prices of food raw materials and crude oil on the world market. This, in addition to a favourable base effect, led to a deceleration in the annual inflation rate to 7.4% in August. The largest contribution to the inflation drop in August came from a decrease in the annual rate of change in energy prices, brought about by a sharp fall (8.1%) in domestic refined petroleum products prices relative to the previous month.

Figure 26

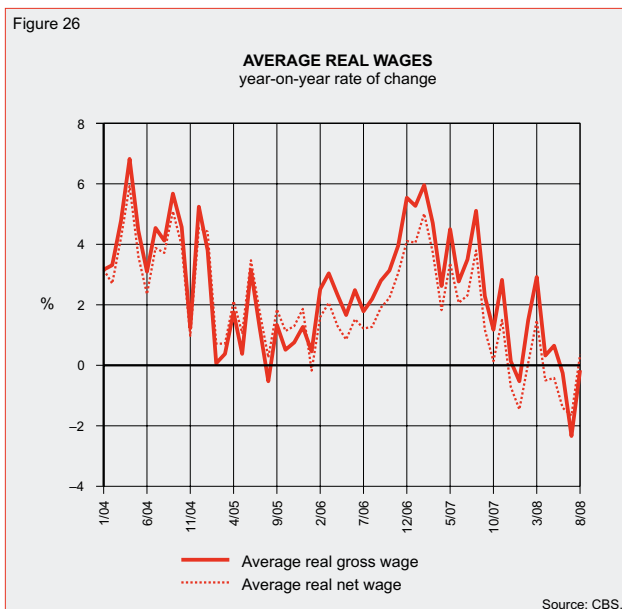


Figure 28

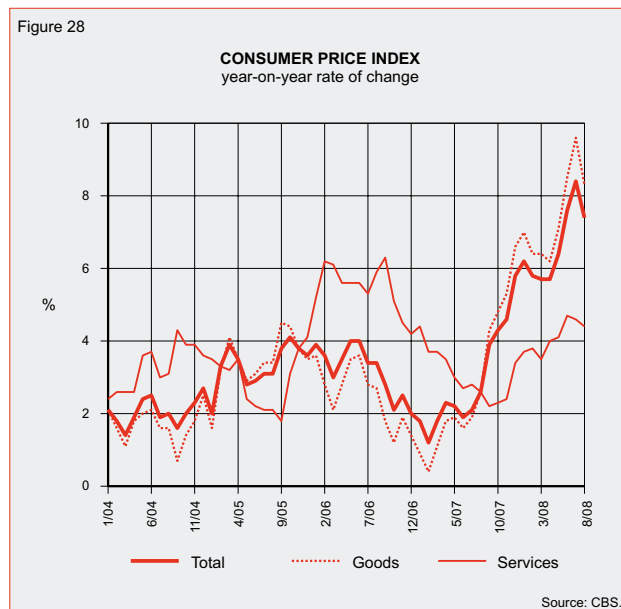
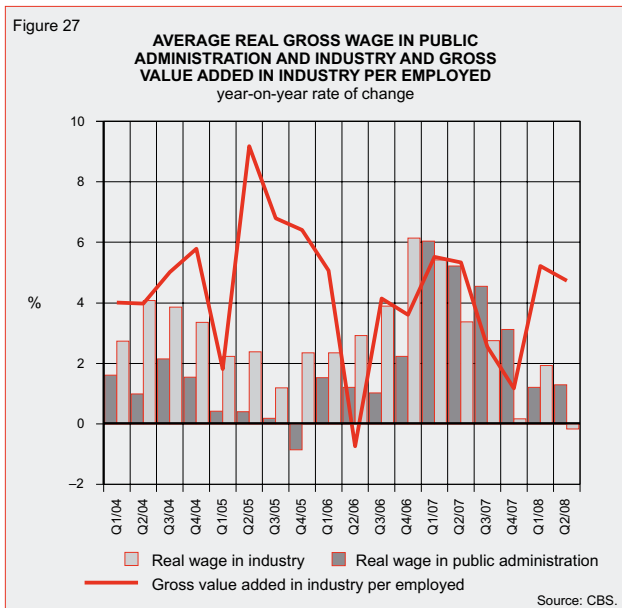


Figure 27



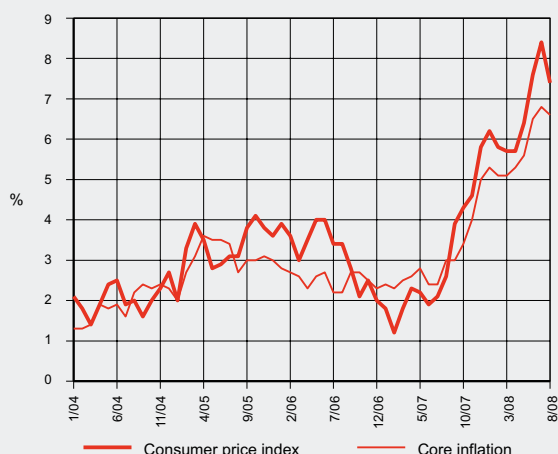
Consumer Prices

The annual inflation rate of 7.4% in August 2008 was 1.6 percentage points higher than that recorded in December 2007 (5.8%). Core inflation remained lower than overall consumer price inflation, but its annual rate of change went up from 5.0% in December 2007 to 6.6% in August 2008, primarily due to the price growth of some food products (meat, bread and cereal products).

In the first half of 2008, strong external pressures on domestic consumer price inflation derived from the price increase in crude oil and food raw materials on the world market. These pressures were partly offset by the appreciation of the kuna/US dollar exchange rate. Imported inflationary pressures started to decrease at mid-July. Consumer price inflation trends in the domestic economy were positively influenced by a slight appreciation of the kuna/euro exchange rate in the first eight months of this year. Such exchange rate movements have a stabilising effect on inflation-

Figure 29

CONSUMER PRICE INDEX AND CORE INFLATION^a
year-on-year rate of change



^a Core inflation is calculated by excluding agricultural product prices and administrative prices (which include, among others, electricity and refined petroleum product prices) from the CPI basket of goods and services.

Source: CBS.

ary expectations and alleviate pressures arising from prices increases in consumer goods and raw materials imported from the eurozone. According to the latest available data, demand-pull inflationary pressures in the domestic economy subsided, giving rise to expectations of an overall reduction in inflationary pressures occurring with a time lag. Specifically, the annual real growth rate of personal consumption was 3.3% in the first half of 2008, a marked slowdown compared with 6.2% in 2007. In contrast, the latest available data show that unit labour cost for the total economy rose at an annual rate of 4.7% in the first half of 2008, reflecting a much faster growth of nominal compensation per employee relative to labour productivity (7.1% and 2.3% respectively). Such trends might indicate the existence of cost-push inflationary pressures.

The increase in the annual consumer price inflation rate in the first eight months of 2008 was to the greatest extent due to the annual rate of change in energy prices jumping from 5.2% in December 2007 to 12.3% in August 2008 and increasing its contribution to inflation by 1 percentage point.

Table 1: Consumer Price Index, classification of personal consumption by purpose, year-on-year rate of change

	Weight 2008	12/07	3/08	6/08	7/08	8/08
Total	100.0	5.8	5.7	7.6	8.4	7.4
Food and non-alcoholic beverages	31.8	10.7	9.6	13.1	13.7	12.3
Alcoholic drinks and tobacco	5.5	6.4	6.6	5.3	4.2	4.3
Clothing and footwear	8.4	5.1	3.8	2.8	2.2	2.1
Housing, water, energy, gas and other fuels	14.2	3.9	4.7	5.9	10.4	9.4
Furniture, equipment and maintenance	5.3	3.0	4.0	5.3	5.8	5.7
Health	2.8	1.3	3.9	5.5	5.6	6.6
Transport	11.4	4.7	5.7	10.0	10.7	6.7
Communication	4.2	-0.3	-1.3	-1.3	-1.4	-1.4
Recreation and culture	6.1	1.8	0.3	1.9	1.5	1.5
Education	1.0	2.3	2.8	2.6	2.0	1.9
Catering services	3.5	2.4	5.0	6.6	7.0	7.3
Miscellaneous goods and services	5.8	4.4	4.0	4.3	4.5	4.5
Goods	76.9	6.6	6.4	8.5	9.6	8.3
Services	23.1	3.4	3.5	4.7	4.6	4.4

Source: CBS.

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

	Weight 2008	12/07	3/08	6/08	7/08	8/08
Total	100.0	5.8	5.7	7.6	8.4	7.4
Energy	13.6	5.2	6.3	11.6	16.5	12.3
Fresh food	14.6	9.3	5.9	10.8	11.5	9.9
Processed food (incl. alcoholic drinks and tobacco)	22.8	10.5	11.4	12.6	12.7	11.7
Industrial non-food without energy	28.5	2.8	3.2	2.7	3.0	3.2
Services	20.5	2.8	3.5	4.4	4.4	4.2

Note: In order to analyse the consumer price inflation trends, the ECB uses the classification which divides the product basket into five main categories. In this classification, the basic product groups differ to some extent from those in the Classification of Individual Consumption by Purpose (COICOP). Hence, for example, the price of water is excluded from the index of services prices, calculated in accordance with the product basket divided into five main categories, and included in the index of goods prices.

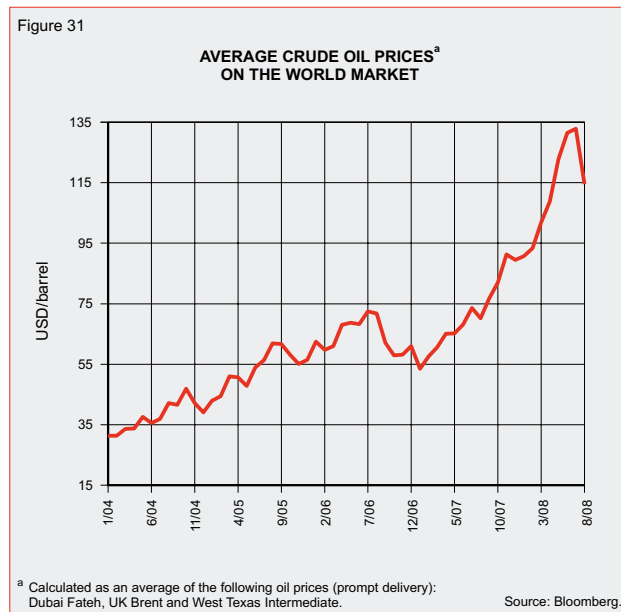
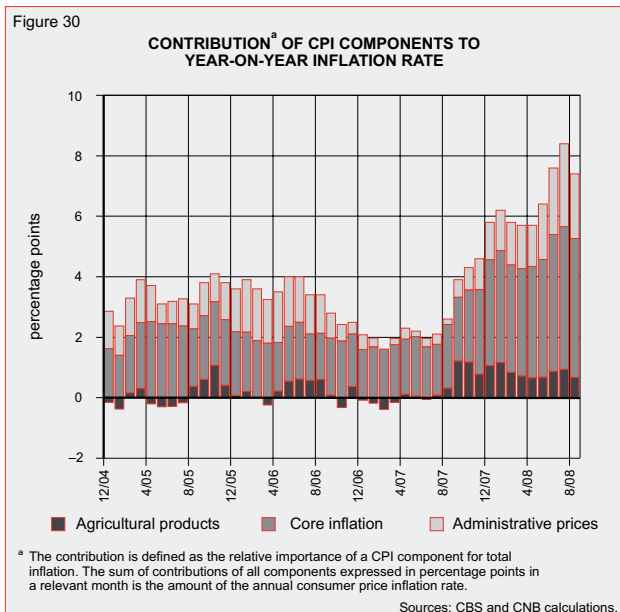
^a Revised data.

Source: CBS.

This increase was predominantly caused by the price rise in refined petroleum products and electricity. Domestic refined petroleum products prices were pushed up by the global surge in crude oil prices. In addition, electricity prices rose by an average of 16.1% in July from June, which was the first price rise of this group of products since the one in September 2005, when electricity prices increased at a monthly rate of 4.9%. The increase in domestic electricity prices resulted from the rise in the world prices energy products (oil, gas and coal) which are important inputs in electricity production.

After having risen at a considerably high rate in the second half of 2007, food prices continued to grow, although at a somewhat slower pace, in the first eight months of 2008. The annual rate of change in the prices of processed food products went up from 10.5% in December 2007 to 11.7% in August 2008 and the contribution of these products prices to inflation increased by 0.4 percentage points. The annual growth rate of processed food products prices accelerated in the first eight months of this year primarily because of the price increase in bread and cereal products and to a lesser degree due to the price rise in edible oil and milk and dairy products. The annual rate of change in fresh food products prices increased from 9.3% in December 2007 to 11.5% in July, dropping to 9.9% in August due to a favourable base effect. The price rise in fresh food products in the first eight months of 2008 was to the largest degree due to the meat price increase, which means that the anticipated indirect impact of the price increase in feedingstuffs (e.g. corn) on the growth of domestic meat prices was partially realised. In contrast, the annual growth rate of fruit and vegetables prices slowed down in the first eight months of this year.

The prices of services grew at a somewhat higher rate in the first eight months of this year than in the same period in 2007; their annual rate of change went up from 2.8% in December 2007 to 4.2% in August 2008. A breakdown by components of the overall services price index reveals a spillover effect from the price increase in food products to the prices of those services in whose production they play a major role. For example, the price increase in services was primarily contributed by the price rise in hotel and restaurant services, especially in restaurant food and beverages. Furthermore, besides the direct impact, the price growth of refined petroleum products also has an indirect impact on the



consumer price growth, generated by price increases in the goods and services in whose production they are used as important inputs. These indirect effects are particularly strongly felt in price developments of transport services and as a rule manifest themselves with a time lag. For example, the prices of transport services rose considerably in the second quarter and early in the third quarter this year, mainly as a result of the price growth of passenger transport by road. In addition, the acceleration in the annual growth rate of services prices was also in a smaller measure due to the increase in the annual rate of change in the prices of municipal services (local rates and garbage and waste disposal) and health services. The opposite effect on price trends in services was produced by the drop in the annual rate of change in the prices of package holidays and communication services.

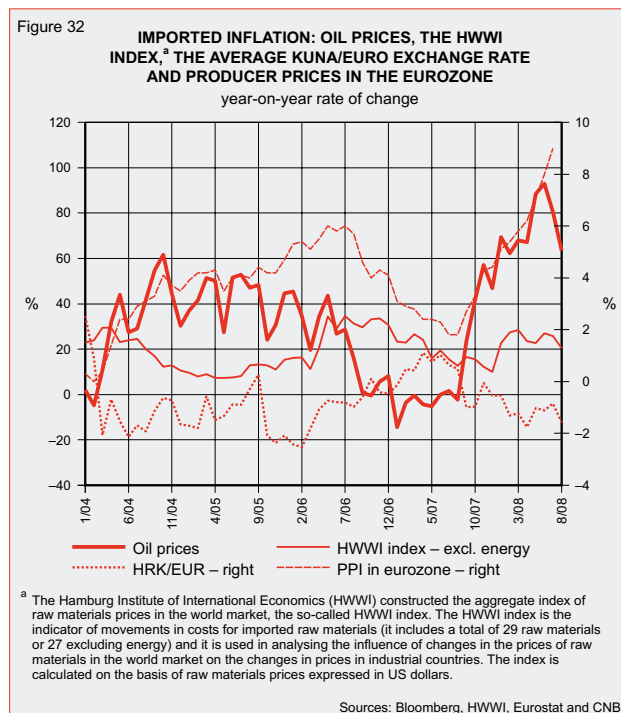
The annual rate of change in the prices of non-food industrial products excluding energy, which account for a large share of 28.5% in the CPI basket, drifted up from 2.8% in December 2007 to 3.2% in August 2008. Upward pressures on the prices of this product group, primarily arising from the price increase in goods for routine household maintenance, medicine and newspapers, were offset by the price drop in clothing and footwear and cars.

Import Prices

The surge in world crude oil prices continued in the first seven months of this year. The average price of crude oil increased by 48.4%, from USD 89.5 per barrel in December 2007 to USD 132.8 per barrel in July 2008, with the daily price of Brent crude oil reaching a record high of USD 145.7 per barrel in early July. This increase was lower in kuna terms, 35.3%, due to the nominal appreciation of the kuna exchange rate against the US dollar. The crude oil price increase in the observed period was mostly related to the escalation of geopolitical tensions, growing concerns over the decline in the US reserves of crude oil and refined petroleum products, as well as to the increase in funds' investments in commodity markets. Crude oil prices plunged at mid-July, with the daily

price of Brent crude oil standing at USD 95.8 per barrel at the end of September, down by 34.2% compared with the beginning of July. These trends resulted from a slowdown in demand for refined petroleum products in the US, improved weather conditions, strengthening of the US dollar versus the euro and expectations of a decrease in demand for crude oil in the following year due to the world economic slowdown.

Imported inflationary pressures, especially marked in the first half of the year, also resulted from the price increase in other raw materials on the world market. They were in particular evident in the growth of food products prices (cereals and oil seeds), coal and iron ore. The annual rate of change in the HWWI Index, which measures commodity price trends in the world market (excluding energy, in US dollar terms), went up from 10.0% in December 2007, to 27.0% in June



2008, falling to 20.4% in August. World raw materials prices dropped in July and August 2008, but remained at a relatively high level. In addition, the latest available data point to a sharp acceleration in consumer price inflation in the eurozone. The annual rate of change in eurozone producer prices increased from 4.4% in December 2007 to 9.0% in July 2008, primarily due to the price increase of energy and intermediate goods.

Industrial Producer Prices

The annual rate of change in industrial producer prices rose from 5.8% in December 2007 to 12.0% in July. The highest increase was observed in the prices of energy and intermediate goods, due to the sharp increase in the prices of crude oil and other raw materials on the world market. The annual growth rate of producer prices decelerated to 11.0% in August as a result of a slowdown in the annual growth rate of energy and intermediate goods prices, which was, in turn, brought about by price stabilisation of raw materials on the world market. This interrupted the upward trend in consumer price inflation started in June 2007. Producer prices increased for all main industrial groupings in the first eight months of this year. This includes an especially marked increase in energy prices, above all in the production of refined petroleum products and electricity supply. The annual rate of change in energy prices went up from 7.0% in December 2007 to 20.0% in July 2008 and decreased to 18.2% in August because of the sharp fall in refined petroleum products prices in that month. In addition, intermediate goods prices rose significantly in the observed period, with their annual rate of change up from 8.8% in December 2007 to 14.3% in July 2008 and down to 12.5% in August. The price increase of intermediate goods in the observed period was to a great extent due to the metal price increase, attributable to the earlier growth in these raw materials prices on the world market. The prices of durable and non-durable consumer goods also increased, with their annual rate of change standing at 5.3% and 5.9% respectively in August 2008. This is an indication that the price increase in energy and intermediate

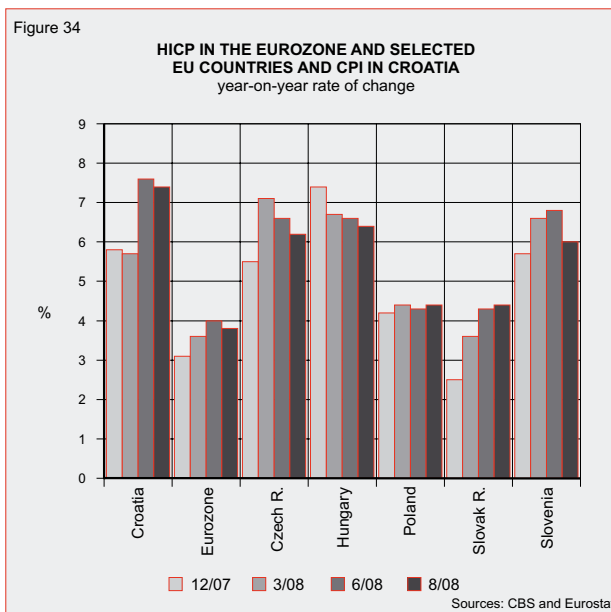
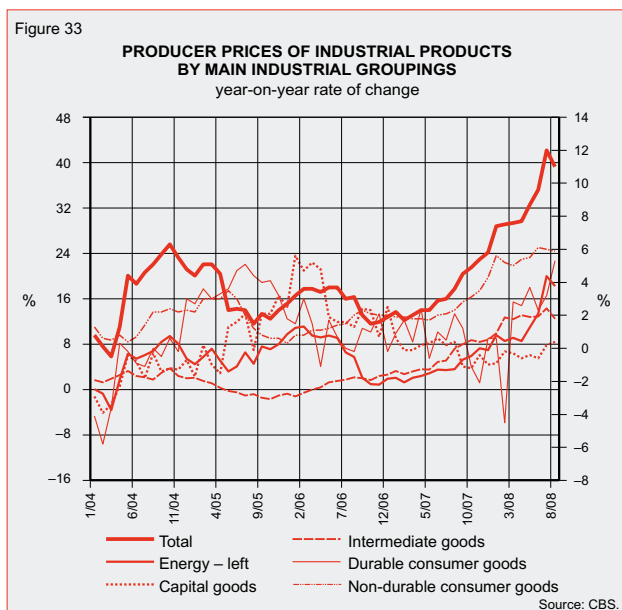
goods spilled over to products for final consumption in the observed period.

International Comparison of Consumer Prices

Croatia's annual consumer price inflation rate of 7.4% in August 2008 exceeded the rates recorded in the eurozone (3.8%), Slovakia (4.4%), Poland (4.4%), Slovenia (6.0%), the Czech Republic (6.2%) and Hungary (6.4%). In comparison with all EU member states, Croatia's annual inflation rate was in August 2008 below only those in Latvia (15.6%), Lithuania (12.2%), Bulgaria (11.8%) and Estonia (11.1%).

The difference of 3.6 percentage points between Croatia's annual consumer price inflation rate (7.4%) and the same rate in the eurozone (3.8%) was above all due to the difference between the contribution of food prices to overall annual inflation in Croatia and in the eurozone. Specifically, fresh and processed food products prices increased at a much higher annual rate in Croatia than in the eurozone in August,¹³ which was also the case in most CEE member states. ECB analysts attribute this to lower competition in retail trade in these countries than in the eurozone, and to their greater use of energy products in agricultural production.

In addition, it should be stressed that the relative share of food products and energy prices in total household expenses in Croatia is higher than in other eurozone members. Specifically, food prices and energy prices have a share of 14.4% and 9.8% respectively in the consumer price index basket in the eurozone and a considerably higher share, 29.1% and 13.6% respectively, in Croatia's CPI basket.



13 Fresh food products prices rose at an annual rate of 9.9% and 3.7% in Croatia and the eurozone respectively in August 2008, whereas the annual growth rate of processed food products prices stood at 11.7% in Croatia and 6.8% in the eurozone. In contrast, energy prices rose annually by 12.3% in Croatia and at a higher annual rate of 14.6% in the eurozone.

Table 3: Croatia's Residential Real Estate Price Index, year-on-year rate of change

	Weight	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2006		2007		2008
												1st half	2nd half	1st half	2nd half	1st half
Croatia	100.0	6.4	0.8	-1.9	6.9	1.8	0.4	12.9	8.8	16.3	13.2	15.1	17.5	17.7	9.0	5.8
Zagreb	65.3	6.2	1.9	-1.4	-5.1	6.5	0.7	11.5	10.0	17.0	11.8	16.1	17.8	14.4	9.4	1.8
Adriatic Coast	22.0	6.0	-2.5	-6.8	26.7	5.6	8.6	9.1	16.6	15.2	17.0	14.4	16.0	23.8	10.9	13.5

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

Real Estate Prices

The annual growth rate of residential real estate prices continued to decline in the first half of 2008, dropping to 5.8% from 9.0% recorded in the previous half of the year. These trends were influenced by a marked drop in the annual price growth rate of residential real estate in Zagreb: from 9.4% in the second half of 2007 to a low of 1.8% in the first half of 2008. In contrast, the annual price growth rate of residential real estate at the Adriatic Coast increased from 10.9% in the second half of 2007 to 13.5% in the first half of 2008.

Croatia's annual real rate of change in newly-granted home loans reduced from 9.2% in the second half of 2007 to -3.2% in the first half of 2008, which is an indication of a decline in demand for real estate. The upward trend in interest rates on home loans was an important factor that led to a drop in demand for these loans. The nominal interest rate on home loans increased by 1.0 percentage point in the past year, rising from 4.9% in July 2007 to 5.9% in July 2008.

Exchange Rate

The kuna/euro exchange rate slightly appreciated in the third quarter of 2008, rising from HRK 7.25/EUR on 30 June to HRK 7.11/EUR on 30 September (1.9%), largely due to an increase in foreign exchange inflows in the peak tourist season and also due to a strong foreign exchange inflow from foreign borrowing by enterprises (EUR 500.1m). In the conditions of mounting inflationary pressures and the growth of the consumer price inflation rate, standing at 8.4% in July, the CNB did not purchase any foreign exchange from banks at foreign exchange auctions, aiming to avoid creating surplus kuna liquidity. Appreciation pressures on the kuna exchange rate continued after the peak season and the kuna/euro exchange rate fell slightly below HRK 7.11/EUR, partly also due to foreign capital inflows for Ina share purchases. The third quarter saw a relatively small volume of foreign exchange transactions between the central bank and the MoF: the CNB purchased a net of EUR 2.9m from the government. The kuna/euro exchange rate exhibited relatively low volatility in the third quarter, i.e. the average absolute rate of change in the daily exchange rate of the kuna versus the euro, a measure of exchange rate volatility, was at 0.06% lower than that at the end of 2007 and the beginning of 2008.

The US dollar/euro exchange rate continued to depreciate from 2007 into the first four months of 2008. This was followed by the resumed upward pressures on the dollar, which were especially strong from mid-July to mid-September, with the result that the dollar strengthened by a total of 13.0%

in that period (from USD 1.60/EUR to USD 1.39/EUR). The Fed's benchmark interest rate remained at 2.0% in the third quarter, while the ECB increased its benchmark rate from 4.0% to 4.25% on 3 July. Some of the causes for US dollar appreciation include unfavourable economic indicators in the eurozone, a drop in world raw materials prices and expectations that the ECB's benchmark rate will remain unchanged in the rest of the year. In a press statement after the ECB meeting on 7 August, the ECB president announced expectations of a considerable economic slowdown in the

Figure 35

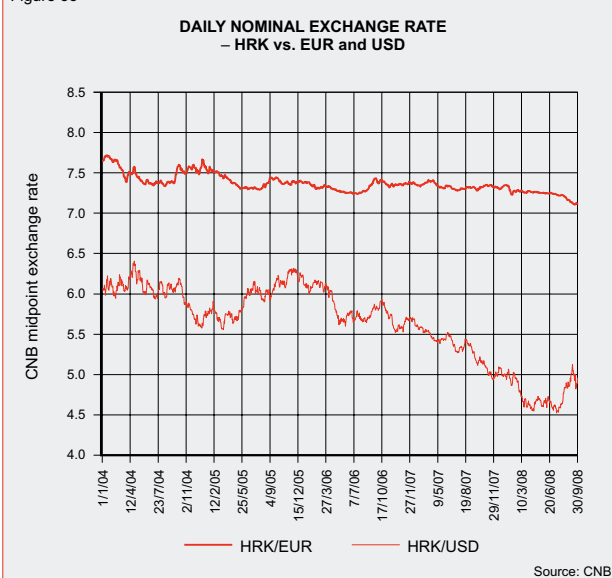
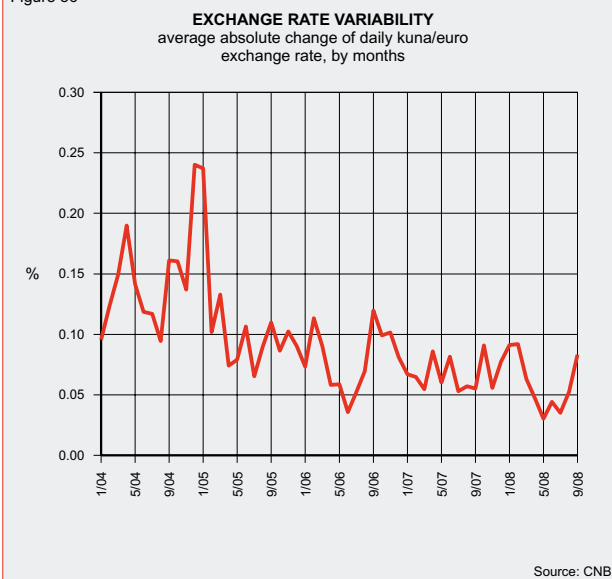


Figure 36



Box 2: Indicator of Croatian Economy's Cost Competitiveness – Index of the Real Effective Kuna Exchange Rate Deflated by Unit Labour Cost

Indices of the real effective exchange rate are the usual indicators in analyses of international competitiveness of an economy. There are several types of real effective exchange rates according to the area of competitiveness one wishes to analyse. Analyses of the price competitiveness of an economy thus use real effective exchange rates deflated by prices (most often consumer prices and producer prices), while analyses of the cost competitiveness of an economy usually use the real effective exchange rate deflated by unit labour cost.

Export prices may be the most logical choice for measuring price competitiveness. However, indices of export prices are usually calculated as indices of unit value of export and are not based on the standardised basket of goods. Those indices, in addition to the influence of the change of prices, also capture the influence of the change in the makeup of goods that are included in their calculation. Changes in the structure of exports can thus lead to changes in relative export prices which do not necessarily reflect changes in competitiveness. Producer prices index is a relatively good substitute for the prices of products in international trade. However, its scope, calculation methodology and the importance that is attributed to individual products in the course of index calculation can vary substantially depending on the country to which they relate. The consumer price index is the most common indicator of exchange rate deflation. Its advantage lies in the fact that it is formed from a basket of products, which is to the largest extent comparable among countries, as well as in the fact that it is published in shorter time intervals (one month) in a large number of countries. However, consumer prices are influenced by indirect taxes, subsidies and certain controls and are at the same time a poor substitute for the prices of products that are traded internationally because they include products (services) that do not participate in international trade. Measures of the real effective exchange rate are usually deflated by consumer price indices and unit labour costs. Certain differences between the two said indicators may be caused by the Balassa-Samuelson effect, which contributes to the appreciation of the real effective exchange rate with consumer prices and to a negligible change in the real effective exchange rate with unit labour cost in industry where the share of internationally tradable goods is substantial.

The index of the real effective kuna exchange rate deflated by unit labour cost indicates changes in competitiveness that arose as a result of the relative changes of the kuna exchange rate against other currencies as well as relative changes in domestic unit labour costs relative to foreign unit labour costs. Shares of individual currencies in the structure of the current account – ITRS data¹⁴ are used as weights

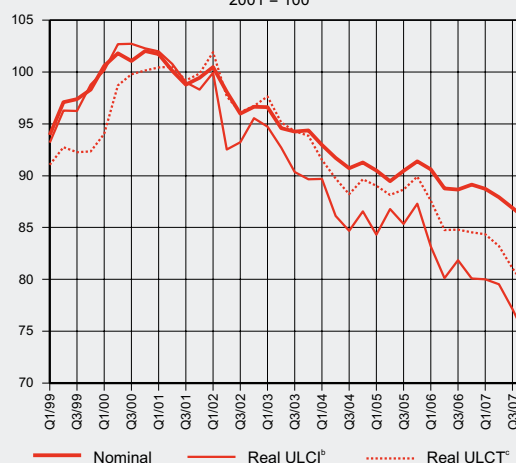
in the calculation of this index, reflecting the relative importance of individual foreign economies for the Croatian economy. A decrease in the index denotes the weakening and an increase in the index denotes the strengthening of the cost competitiveness of Croatian exporters. For instance, when the unit labour cost in the country grows faster than the unit labour cost abroad, it comes to a change, i.e. a reduction (appreciation) in the index, even if the nominal effective exchange rate remains unchanged.

Fluctuations of the index of the real effective exchange rate deflated by unit labour cost indicate the main trends in the area of international cost competitiveness but do not explain what causes these trends. For example, a decline in cost competitiveness may be a consequence of the strengthening exchange rate under the pressure of foreign capital inflow or tightening of the monetary policy accompanied with the growth of domestic interest rates. Competitiveness is also influenced by numerous other factors such as the flexibility of the labour market, business environment, working skills, quality and recognisability of products, technological development, etc.

Unit labour cost (ULC) in Croatia is shown at the level of the total economy and at the level of industry. At the level of the total economy this indicator is the ratio of the average nominal gross wage in the economy (increased by the contributions paid by the employer) to labour productivity, with labour productivity being calculated as the ratio of the real GDP to the total number of employed persons. At the level of industry this indicator is the ratio of the nominal gross wage in industry (increased by the contributions paid by the employer) to the real GVA in industry per person employed. Index series of the real effective kuna exchange rate with ULC start with the first quarter 1999.¹⁵ The base period for the calculation of this indicator is the year 2001.

Figure 37

INDICES^a OF THE NOMINAL AND REAL EFFECTIVE KUNA EXCHANGE RATE WITH ULC IN INDUSTRY AND TOTAL ECONOMY 2001 = 100



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

^b Unit labour cost in industry.

^c Unit labour cost in total economy.

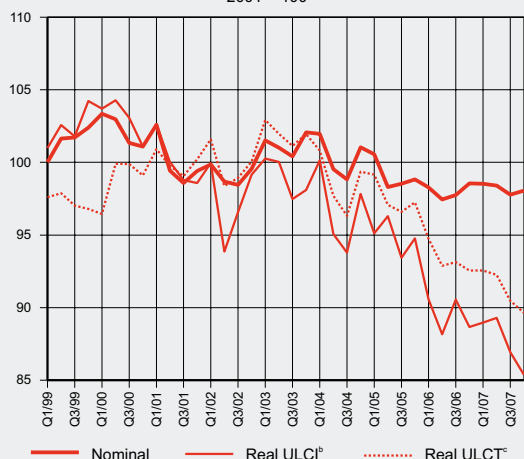
Sources: CBS, ECB, OECD, national sources and CNB calculations.

14 The methodological basis for the calculation of the real effective exchange rate that is applied by the CNB is different from the one applied by the ECB. The methodology for the calculation of weights used by the ECB is based on data on foreign trade, i.e. imports and exports.

15 The choice of the period was determined by the availability of data required to calculate the unit labour cost.

The depreciation trend of the real effective kuna exchange rate with ULC in Croatia was reversed in 2001, when the said indicator started appreciating. This was to a large extent influenced by the reversal in the movement of the kuna exchange rate to the US dollar. Overall from the first quarter 2001 to the fourth quarter 2007 the index of the real effective kuna exchange rate deflated by ULC in industry appreciated by 27.2%, while this index deflated by ULC in total economy appreciated by 20.9%. During the period in question, the index of the nominal effective kuna exchange rate appreciated by a total of 15.8%. This leads to the conclusion that the deterioration in the cost competitiveness of Croatian exporters to a great extent resulted from the nominal effective appreciation of the kuna exchange rate (which was mostly a consequence of the nominal appreciation of the kuna exchange rate against the US dollar), and to a smaller extent from the fact that the growth of ULC in industry and total economy in Croatia outstripped this growth abroad (especially in the eurozone).

Figure 38
INDICES^a OF THE NOMINAL AND REAL EFFECTIVE KUNA/EURO EXCHANGE RATE WITH ULC IN INDUSTRY AND TOTAL ECONOMY
2001 = 100

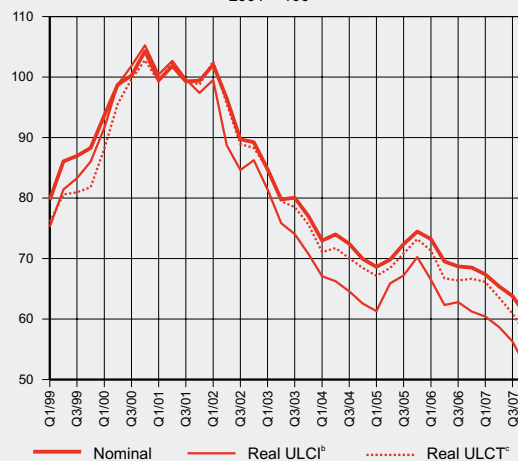


^a The fall in the index denotes an appreciation of the kuna.
^b Unit labour cost in industry.
^c Unit labour cost in total economy.

Sources: CBS, ECB and CNB calculations.

In the analysis of the competitiveness of the Croatian economy special attention should be given to the movements of the index of the real kuna exchange rate against the euro and against the US dollar, due to the importance these two currencies have in international payments of our country. The stability of the kuna/euro exchange rate was one of the key positive features of macroeconomic developments in Croatia during the period under review. The nominal kuna exchange rate against the euro thus appreciated in the period between the first quarter 2001 and the fourth quarter 2007 by only 3.0%. In contrast, the index of the real kuna exchange rate against the euro deflated by ULC in industry appreciated by 15.5% in the period concerned, while the index of the real kuna exchange rate deflated by ULC in total economy appreciated by 9.6%. The movements of the index of the real kuna exchange rate against the euro with ULC in industry and in total economy in the past seven years thus indicate a deterioration in the cost competitiveness of

Figure 39
INDICES^a OF THE NOMINAL AND REAL EFFECTIVE KUNA/US DOLLAR EXCHANGE RATE WITH ULC IN INDUSTRY AND TOTAL ECONOMY
2001 = 100



^a The fall in the index denotes an appreciation of the kuna.
^b Unit labour cost in industry.
^c Unit labour cost in total economy.

Sources: CBS, OECD and CNB calculations.

Croatian exporters compared to the eurozone, primarily as a result of faster growth of ULC in Croatia than in the eurozone.¹⁶ However, by reviewing individual components of the said indicator, it may be noticed that labour productivity in industry and in the total economy in Croatia outstripped this growth in the eurozone. At the same time, the growth of contributions per person employed in Croatia was faster than this growth in the eurozone. The deterioration in the cost competitiveness of Croatian exporters was especially pronounced in 2006.

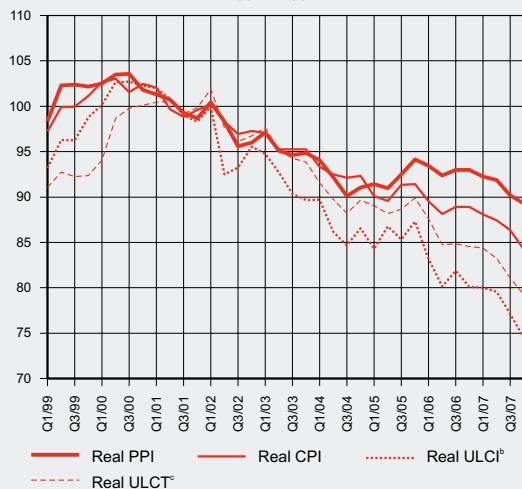
The depreciation trend of the real kuna exchange rate against the US dollar with ULC in 1999 and 2000 was interrupted at the beginning of 2001. In the period between the first quarter 2001 and the fourth quarter 2007 the real kuna exchange rate against the US dollar appreciated by 50.6% (deflated by ULC in industry), that is, by 44.1% (deflated by ULC in total economy), respectively. The nominal exchange rate of the kuna against the US dollar appreciated by 41.9% during the period, in consequence of the weakening of the US dollar against the euro in the global foreign exchange market. These developments indicate that the deterioration of the cost competitiveness of Croatian exporters towards the US in the past seven years was to a greater extent a consequence of the kuna strengthening against the US dollar and to a smaller extent a consequence of faster growth of ULC in Croatia than in the US.¹⁷ During the period under review the growth of labour productivity (in industry and in the total economy) in Croatia was faster than in the US, paired with the parallel faster growth of contributions per person employed in Croatia than in the US.

The indicators of price and cost competitiveness of

16 In the period between the beginning of 2001 and the end of 2007, in Croatia ULC in industry went up by 15.4%, while in the eurozone it increased by only 0.5%. In the same period, in Croatia ULC in total economy went up by 20.3%, while in the eurozone it grew by 12.2%.

17 In the period between the beginning of 2001 and the end of 2007, in Croatia ULC in industry went up by 15.4%, while in the US it decreased by 2.0%. In the same period, in Croatia ULC in total economy went up by 20.3%, while in the US it grew by 15.6%.

Figure 40
INDEX^a OF THE REAL EFFECTIVE KUNA EXCHANGE RATE WITH CONSUMER PRICES, PRODUCER PRICES AND ULC
 2001 = 100



^a The fall in the index denotes an appreciation of the kuna.
^b Unit labour cost in industry.
^c Unit labour cost in total economy.

Sources: CBS, ECB, OECD, national sources and CNB calculations.

Croatian exporters in the past seven years moved unambiguously – they all deteriorated, with more pronounced appreciation being registered by the index of the real effective

exchange rate deflated by unit labour cost. The data on the movement of the index of the real effective kuna exchange rate thus indicate that in the period between the first quarter 2001 and the fourth quarter 2007 the kuna appreciated against the basket of currencies by 12.3% in real terms, deflated by producer prices, i.e. by 17.8% deflated by consumer prices. At the same time, the index of the real effective kuna exchange rate deflated by ULC in total economy appreciated by 20.9%, while the index deflated by ULC in industry appreciated by 27.2%. During the period in question, the index of the nominal effective kuna exchange rate appreciated by 15.8%, primarily due to the influence of the strong kuna appreciation against the US dollar. These developments indicate that the price and cost competitiveness of Croatian exporters deteriorated in the past seven years, primarily as a result of the strong appreciation of the kuna exchange rate against the dollar and faster growth of costs and prices in Croatia than abroad.

Although data indicate that the appreciation of the real effective kuna exchange rate deflated by ULC in industry is relatively more pronounced than the appreciation of this exchange rate deflated by consumer prices (see Figure 40) due to the weak Balassa-Samuelson effect in Croatia,¹⁸ our country did not register a marked divergence between the two indicators.

eurozone in 2008, which was interpreted by investors as the ECB's decision not to raise its benchmark interest rate by the end of the year. The recovery of the dollar on foreign currency exchanges was discontinued at mid-September, after it transpired that the US financial system crisis was of a much larger scale than expected. In line with kuna/euro and US dollar/euro exchange rate trends, the kuna exchange rate depreciated by 8.0% against the US dollar in the third quarter, falling from USD 4.59/HRK on 30 June to HRK 4.96/USD on 30 September.

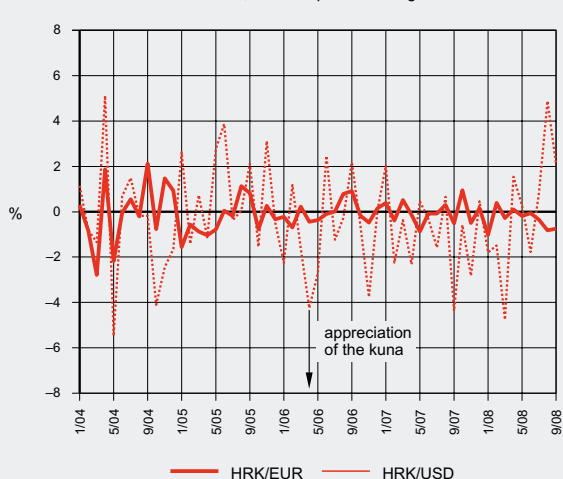
In addition to the said appreciation against the euro (1.9%) and the US dollar (8.0%), the exchange rate of the kuna also

appreciated by 2.2% against the pound sterling and by 0.6% against the Swiss franc in the third quarter of 2008. These kuna exchange rate movements led to a slight depreciation (0.7%) of the index of the daily nominal effective kuna exchange rate (30 September relative to 30 June).

Indicators of export price competitiveness worsened in the first seven months of 2008:¹⁹ the index of the real effective exchange rate of the kuna deflated by consumer prices

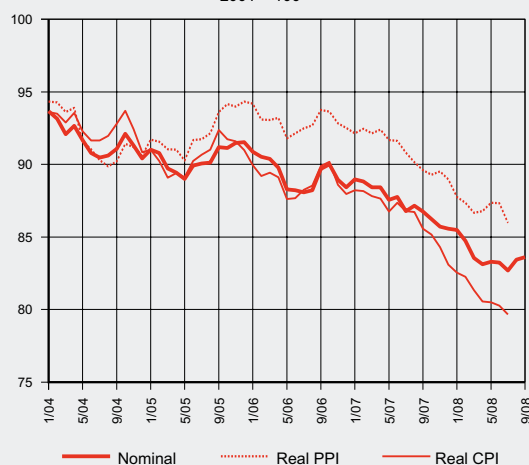
Figure 41

RATES OF CHANGE OF THE NOMINAL EXCHANGE RATE – HRK vs. EUR and USD
 month-on-month, CNB midpoint exchange rate



Source: CNB.

Figure 42
INDICES^a OF THE NOMINAL AND REAL EFFECTIVE KUNA EXCHANGE RATE WITH CONSUMER AND PRODUCER PRICES
 2001 = 100



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

Source: CNB.

¹⁸ See the paper by Lukinić G., J. Funda and I. Ljubaj (2007): *Assessment of the Balassa-Samuelson Effect in Croatia*.

¹⁹ July 2008 relative to December 2007.

appreciated by 4.1%, and the same index deflated by producer prices appreciated by 3.3%, which means that both indicators appreciated at higher rates than in the same period in 2007. These trends were predominantly influenced by the appreciation of the kuna/US dollar exchange rate of 8.8% in the first seven months of 2008, compared with 4.4% in the same period in 2007.

Monetary Policy and Instruments

Monetary Environment

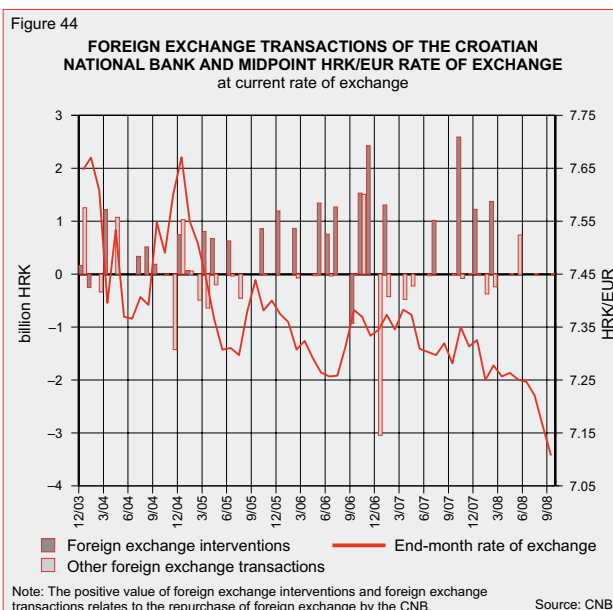
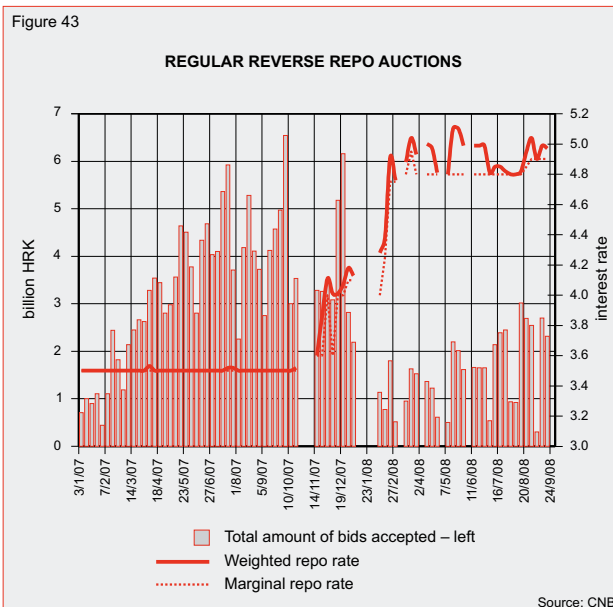
The year 2008 was marked by increased inflationary pressures. In such circumstances, the central bank pursued a more restricted money supply policy which, with the exception of the January intervention, was seen in the absence of foreign exchange interventions and smaller volume of repo operations, with growing interest rates on repo transactions, and accordingly more pronounced seasonal strengthening of the nominal HRK/EUR exchange rate. This led to a slower growth of placements and a real stagnation in money. The CNB continued with its successful implementation of the measures for the slower growth of bank placements thus keeping under control additional pressures of domestic demand on inflation. Monetary developments were under a strong seasonal influence, with the banks recording a significant inflow of deposits with a simultaneous fall in its foreign liabilities.

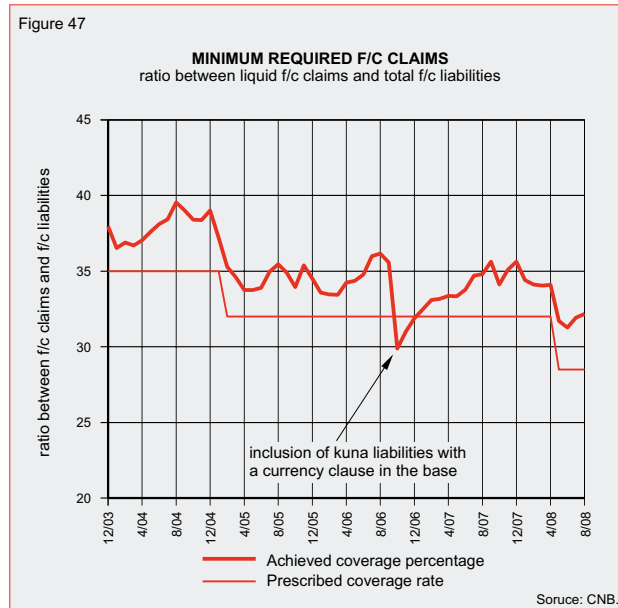
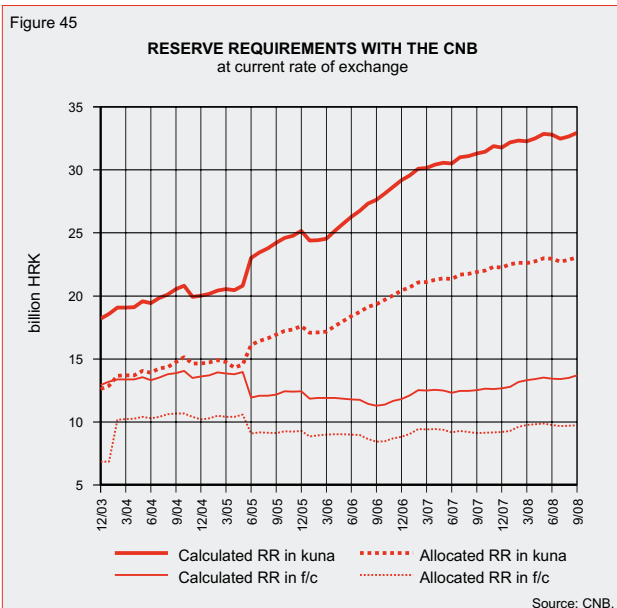
Ina's takeover by a foreign investor at the beginning of the fourth quarter led to an inflow from abroad which had to be sterilised by the central bank. In anticipation of these inflows, the Council of the CNB had issued a decision towards the end of September, excluding the banks' vault cash from the reserve requirement maintenance obligation as of the reserve requirement calculation date on 9 October. As a result of this change, the banks now need to maintain their reserve requirements only in the settlement account, using the vault cash exclusively in accordance with the demand for currency and its distribution into circulation. This change in the instrument of reserve requirements represents alignment with ECB regulations in this area.

The crisis in the global financial markets and negative developments in the capital markets fuelled bank deposits growth in Croatia. CNB's monetary policy measures contributed to this growth and led to high capital adequacy ratios of banks, high operating foreign exchange reserves and increased financial stability. Restrictions on placements growth, together with the fact that sold claims arising from loans granted were also included in placements' growth restrictions, resulted in a smaller risk exposure. As CNB measures prevented development of securitisation and financial derivatives, the Croatian financial market is free from the so called toxic financial assets.

Uses of Instruments of Monetary Policy

Similarly as in the first half of the year, regular reverse repo operations were the main instrument of kuna liquidity creation in the third quarter of 2008. The seasonal increase in the demand for kuna during the summer months resulted in increased volume of trading at auctions. However, compared with the same period previous year, the central bank engaged much less in kuna liquidity creation. The average daily balance of funds placed at reverse repo auctions in the third quarter of the year was HRK 1.8bn, with the largest auction of HRK 3.0bn taking place at the beginning of the new reserve requirement maintenance period in August. Despite higher turnover, the average daily surplus liquidity (including the banks' overnight deposits with the CNB) halved compared with the first half of the year. In light of the above-mentioned and the absence of interventions in the foreign exchange market, it can be concluded that reserve money creation in the third quarter of 2008 was restricted.





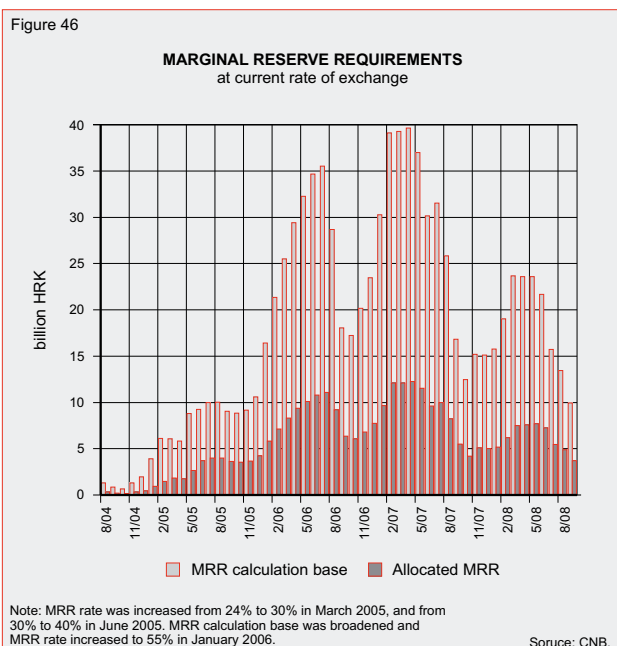
The marginal repo rate in July and in the first half of August stood at 4.80%, rising to 4.90% in the remaining part of the quarter. The banks also offered higher interest rates at almost all auctions, with the weighted repo rate ranging up to 5.04%.

The third quarter saw further growth of the calculated reserve requirements of banks, with foreign currency reserve requirements growing faster than kuna reserve requirements. Such developments reflect changes in the structure of liabilities of banks which were marked by a fast growth of foreign currency deposits in 2008. In September calculation, kuna reserve requirements reached HRK 32.9bn, growing annually by 5.3%, while foreign currency reserve requirements were HRK 13.7bn, growing annually by 9.3%.

Following their increase in the first six months of the year, marginal reserve requirements fell sharply in the third quarter of the year as a result of a seasonal decline in foreign li-

abilities of banks. They stood at HRK 3.7bn, their lowest level since the introduction of the 55% rate.

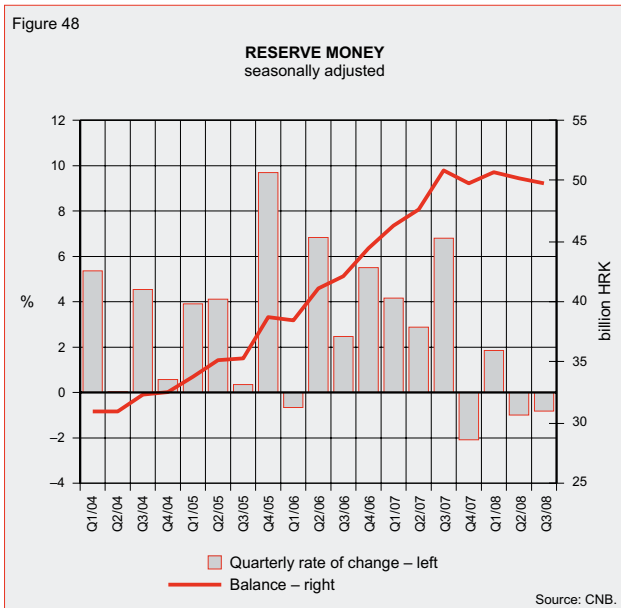
After the central bank cut its prescribed minimum rate of foreign currency liquidity from 32.0% to 28.5% in May, to facilitate refinancing of budget liabilities on the domestic market, the coverage of total foreign currency liabilities by liquid foreign currency assets of banks fell slightly. The system's foreign exchange liquidity continued to move several percentage points above the prescribed minimum, with average coverage in the June to August period standing at 31.9%. At the end of August, total foreign currency liabilities of banks were HRK 168.1bn, while liquid foreign currency claims were HRK 54.1bn. Kuna liabilities with a currency clause which the banks are also obligated to cover by liquid foreign currency claims continued to trend downwards during the summer months. Kuna liabilities of banks with a currency clause fell by almost one third in the first eight months of 2008 and stood at HRK 7.7bn at the end of August.



Reserve Money and International Reserves

At the end of September 2008, reserve money M0 stood at HRK 49.8bn, which is a 2.5% fall compared with the end of September 2007. The fall in reserve money was due to a more restrictive use of monetary policy instruments, seen in a significant fall in surplus liquidity and slower growth of currency in circulation. Its negative growth rate is also due to the base period and its unusually high level associated with the purchase of T-HT shares. The fall in reserve money is also seen in the movements of its seasonally adjusted values.

The annual growth rate of currency at the end of September was 5.8%. This year, currency in circulation was not influenced by any direct transfers to households such as repayment of debt to pensioners or by any quasi-transfers in the form of extraordinary events in the capital market (such as public offering for the purchase of shares) which in the past two years largely influenced this monetary aggregate. This year's slowdown in the growth of currency is also partly attributable to a slowdown in personal consumption.



At the end of September, the demand for reserve money rose by 5.6% on an annual level as a result of very moderate increase in kuna deposits and a somewhat more dynamic growth in foreign currency deposits which, due to a partial kuna allocation, also influenced the demand for reserve money. Compulsory CNB bills held steady at below HRK 0.5bn since May, in accordance with the growth of placements whose rate was below the permissible rate.

Average surplus liquidity²⁰ of banks with the CNB in the third quarter stood at only HRK 0.6bn, in contrast with over HRK 1.2bn in the first half of the year and average HRK 1.1bn throughout 2007. A fall in surplus liquidity in the settlement accounts and in bank vaults is the result of a more restrictive reserve money creation.

Similarly as in the second quarter of 2008, government deposits with the CNB in the third quarter were somewhat higher than at the beginning of the year and exceeded HRK 500m on average. While the high level of government deposits during the second quarter was due to foreign currency inflows under PAL 2 (fully withdrawn during the second quarter), their high level in the third quarter was influenced by developments in kuna deposits. Such average balance of these transit accounts reflects seasonally high budgetary inflows during the summer months. Increased government deposits lead to a fall in bank liquidity.

Gross international reserves fell slightly in the third quarter of 2008. Given the absence of CNB's foreign exchange interventions during that period and any significant foreign exchange purchase or sale transactions with the central government, the change in gross reserves was mainly due to developments in foreign currency and marginal reserve requirements. The growth of foreign currency reserve requirements continued in line with the growth of domestic foreign currency liabilities of banks, while a significant fall in banks' foreign

liabilities led to a sharp fall in marginal reserve requirements. At the end of September, gross international reserves were EUR 9.8bn, which is an increase of 5.4% compared with the end of 2007.

Unlike gross international reserves, net usable international reserves rose slightly in the third quarter, their developments being largely influenced by exchange rate changes. At the end of September 2008, net usable international reserves were EUR 7.9bn, an increase of 8.0% compared with the end of 2007.

Monetary Developments

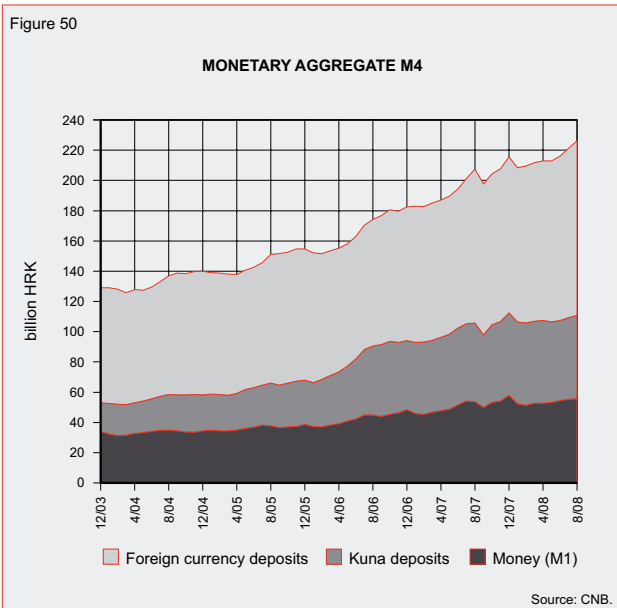
Monetary developments in the first eight months of 2008 were marked by moderate growth of placements to the non-banking sector, growth of net foreign assets, a fall in the banks' external debt and a slowdown in the growth of total liquid assets. Moderate credit activity of banks was largely due to the impact of the Decision on the purchase of compulsory CNB bills. A fall in foreign liabilities of banks enabled a strong growth of household foreign currency deposits. Slower growth of total liquid assets was the result of a slower growth of money and kuna non-monetary deposits. A slowdown in the growth of total liquid assets was even more pronounced if observed in the light of developments in the real value of this monetary aggregate, bespeaking restrictive monetary policy orientation.

Total Liquid Assets

This year's increase in total liquid assets was more moderate than that which took place in the same period previous year, with the annual growth rate of this monetary aggregate steadily slowing down. The annual growth rate of M4 fell from 14.4% at the end of the first quarter, to 11.1% at the end of the second quarter and 9.1% at the end of August 2008.

The growth of this monetary aggregate was even slower if observed in terms of its consumer price index-deflated value. At the end of August 2008, the real value of total liquid assets

²⁰ The amount of funds in the settlement accounts and in bank vaults above the calculated level needed for reserve requirements maintenance, increased by overnight deposits with the CNB.



component of money, led to its increase during the summer months, with this monetary aggregate reaching its maximum by mid-August, at the height of the tourist season. On an annual level, the growth of this monetary aggregate also slowed down, standing at 6.5% at the end of August 2008.

Non-Monetary Deposits

The second quarter of the year and the first two months of the third quarter saw a fast growth of savings and time deposits of households. Such fast growth of these deposits in banks started at the end of the last year as a result of developments in the capital market which turned households increasingly towards safer bank deposits. Fast deposits growth was also boosted by foreign currency income in tourism. Total foreign currency deposits rose by HRK 12.5bn since the beginning of the year, with the household sector accounting for a high HRK 11.1bn of the total increase. Despite banks' efforts to encourage kuna savings, by far the largest share of the total increase in their deposits in 2008 came from foreign currency

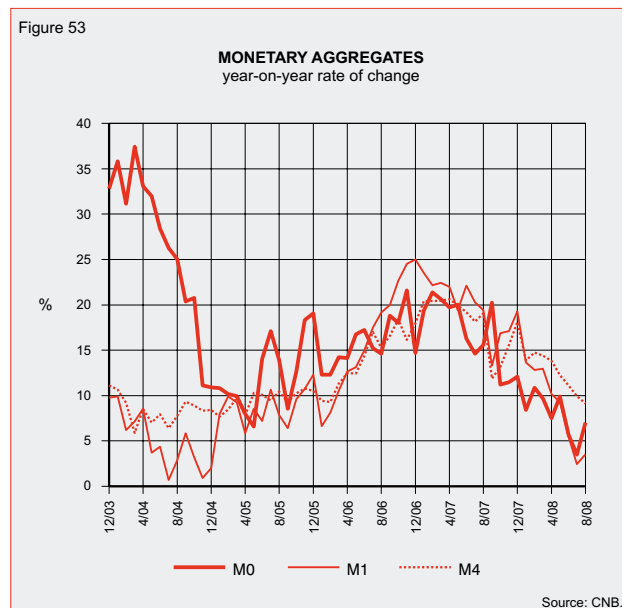
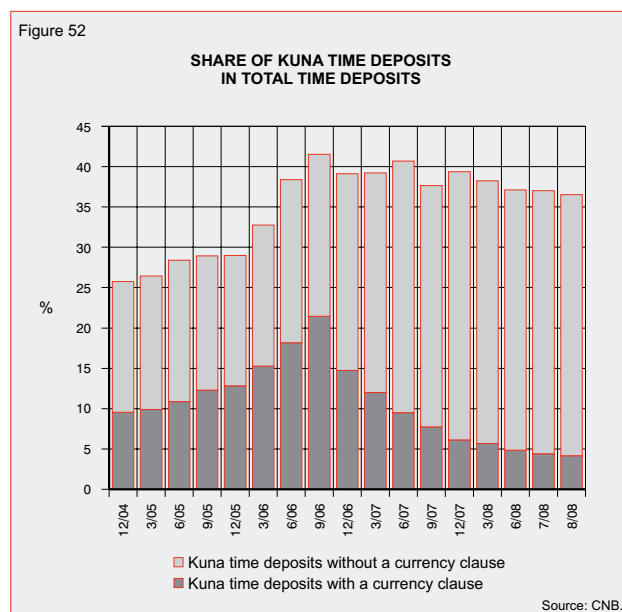
rose by only 1.6% compared with the end of the same month previous year.

Money

Money rose in the second quarter and in the first two months of the third quarter, in line with its seasonal developments during that period. However, its this year's growth of HRK 2.8bn was almost three times slower compared with the year before. As a result, the annual growth rate of this monetary aggregate stood at 3.5% at the end of August 2008.

Moderate growth of money was mainly due to slower growth of demand deposits. Compared with their last year's growth of almost HRK 4.9bn, the balances in current and giro accounts of the domestic private sector rose by HRK 0.4bn in the second quarter and in the first two months of the third quarter. The annual growth rate of demand deposits thus fell to a low 2.2% at the end of August 2008. Such developments can be attributed to slower credit activities of banks.

Stronger demand for currency outside banks, the other



deposits. Owing to such developments, the annual growth rate of foreign currency deposits held steadily at a high level, and amounted to 13.6% at the end of August.

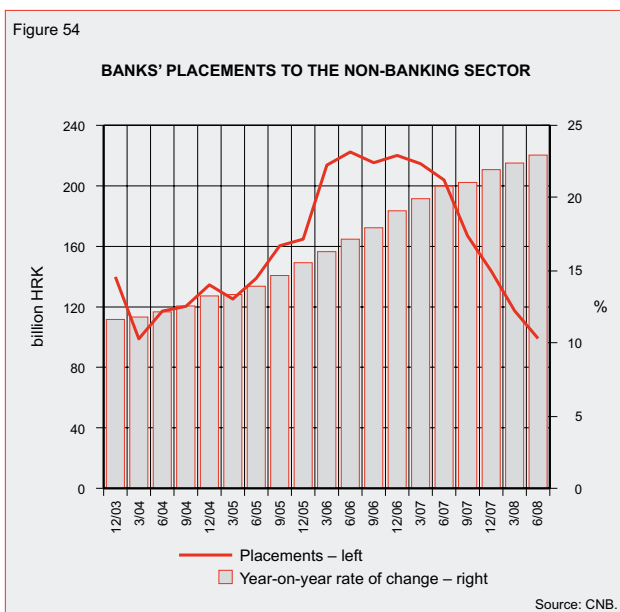
In the first eight months of 2008, kuna non-monetary deposits rose by only HRK 0.5bn. The fact that the banks no longer encouraged kuna deposits with a currency clause was reflected in stagnation of their share in total time deposits (see Figure 52). Developments in this monetary aggregate since the beginning of the year were marked by great volatility. A fall in kuna deposits of the corporate sector in the first eight months of 2008 was reflected in a steady decline of the annual growth rate of total kuna deposits (at end-August, it stood at 5.5%).

Placements

The growth of bank placements to the non-banking sector in the first eight months of 2008 was moderate and moved within the limits prescribed by the central bank. In the first eight months of the year, bank placements rose by 5.7%, 2.3 percentage points below the growth rate not subject to subscription of compulsory CNB bills for that period. However, if the stock of placements is corrected for banks' "adjustments" at the end of the last year and the beginning of 2008, when there was a sudden jump and an almost equal fall in placements to domestic non-banking financial institutions and for the change resulting from exchange rate appreciation, their growth in the first eight months of the year did not, in fact, significantly deviate from the set objective. On an annual level, the growth of placements to the non-banking sector held steady at their previous months' level and stood at 11.2% at the end of August.

More moderate growth of placements was also due to changes on the loan demand side. The growth of lending interest rates of banks, accelerating inflation and changes in expected future interest rates and inflation developments can negatively influence total demand for loans.

The structure of placements by sectors shows equal distribution of banks' financing to households and enterprises in the first eight months of the year. On an annual level, banks'



household loans rose by 12.2%, while the annual growth rate of placements to enterprises rose to 10.6%. Compared with the first eight months last year, the growth of loans granted to households slowed down considerably, in contrast with faster growth of bank placements to enterprises. This shows that even in the conditions of restricted total placements growth, the banks have room for corporate financing. Looking at the structure of loans granted to households, the growth of home loans slowed down the most, with their annual growth rate standing at 13.1% at the end of August.

Banks' Placements to the Central Government

Banks' placements to the central government grew steadily throughout the second quarter and in the first two months of the third quarter. In line with its efforts to secure the funding needed to cover budget deficit in the domestic market, the central government agreed with domestic banks in May 2008 an EUR 760m worth of syndicated foreign currency loan. To help with the implementation of this transaction, the CNB cut its minimum foreign currency liquidity rate from 32% to 28.5%, thus freeing a part of the previously accumulated foreign currency funds for the banks. As the major share of this loan remained unused until end-August, the growth of bank placements to the government remained moderate during that period.

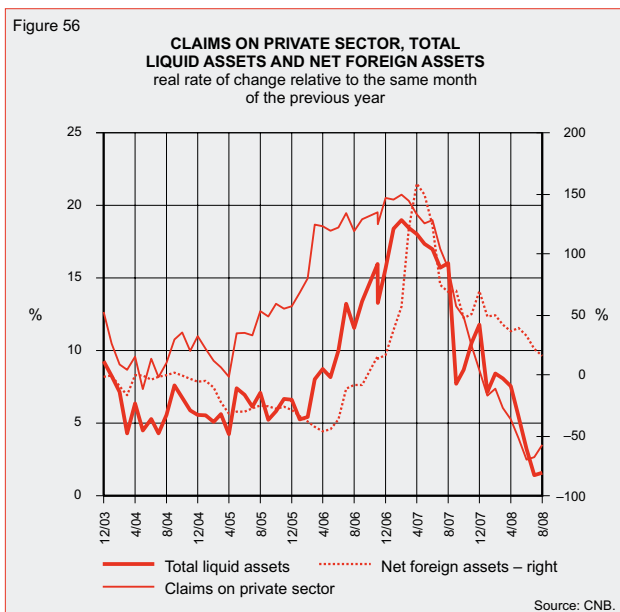
Banks' liabilities towards the government arising from received deposits grew almost steadily since the beginning of the year, with the largest share of the increase relating to the inflow from CBRD. Owing to a somewhat faster growth of deposits compared with placements, banks' net claims on the central government fell. At the end of August 2008, banks' net claims on the central government fell by 24.7% compared with the end of the same month of 2007.

Foreign Assets and Liabilities

Fast growth of household foreign currency deposits, especially in the summer months, made it possible for the banks to reduce their foreign liabilities. In an effort to reduce their foreign liabilities, the banks also used a part of the foreign

currency released after the central bank decided to cut its minimum foreign currency liquidity rate. As a result, foreign liabilities of banks declined steadily throughout the second quarter and in the first two months of the third quarter, with the decline since the beginning of 2008 to end-August amounting to HRK 7.8bn.

Despite their July and August growth, foreign assets of banks fell by HRK 4.8bn in the first eight months of the year. Such developments in foreign assets and liabilities of banks led to an improvement of HRK 3.0bn in net foreign assets of banks. Net foreign assets of banks grew steadily, increasing by 33.1% at the end of August compared with the end of the same month previous year.



half of the year faster growth was registered by interest rates on long-term corporate loans. In addition to the usual volatility, interest rates on short-term loans also slightly increased. Interest rates on time deposits were mostly reduced mildly.

Money Market Interest Rates

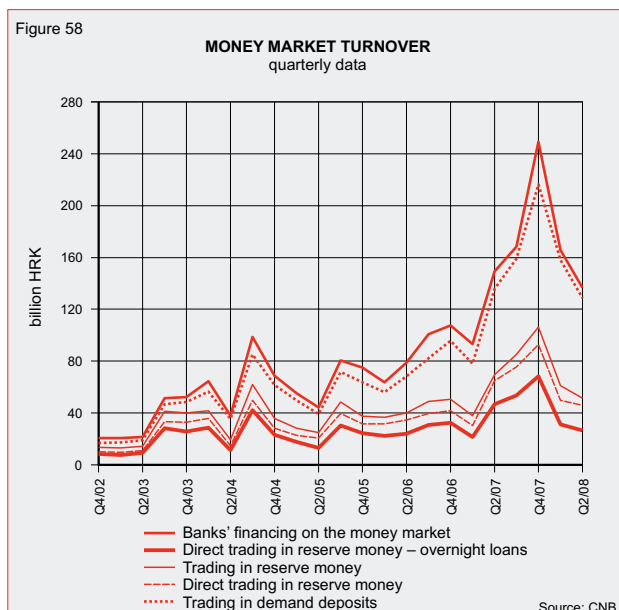
Good liquidity of the banking system in the second quarter 2008 led to a further decrease in turnover on the money market. Banks met their primary liquidity needs on this market in the average daily amount of HRK 2.2bn (a total of HRK 136.8bn in the period), which is HRK 0.4bn less than the average daily turnover in the previous quarter and by as much as HRK 1.8bn less than their record daily turnover in the fourth quarter 2007. A sizeable reduction in banks' demand deposit trading with non-banking financial institutions, of as much as HRK 22.3bn, made the single largest contribution to smaller reliance of banks on the money market compared with the previous quarter (a decrease of HRK 29.0bn),

Money Market

The second quarter and the first two months of the third quarter 2008 were marked by continued good banking system liquidity, accompanied by further decrease in volatility but also a slight rise in interest rates in overnight interbank trading. Demand for the kuna during this period was partly spurred by the usual increase in currency in circulation in the peak tourist season, by mounting inflationary pressures and the expected public bid for the purchase of Ina shares.

Interest rates at MoF T-bill auctions continued growing in the second quarter 2008 despite the rising interest of investors, reaching their highest level since the beginning of 2005.

Banks' lending rates continued to trend upwards in the period from April to August 2008. In line with the accelerating EURIBOR growth, which reached its peak values in the past seven years, and rising inflationary expectations, the growth of interest rates on long-term loans is still strongest by intensity. However, in contrast to the first quarter when such a trend was particularly evident in case of interest rates on long-term household loans, towards the end of the first



although most other categories of money market trading also registered a fall. An exception from these general developments was registered in the category of demand deposit trading with other legal persons, which by rising on the previous period reached a record share of 35.3% in demand deposit trading. By far the largest share of the total HRK 136.8bn in loans received by banks, as usual went to loans in demand deposit trading (HRK 128.8bn), while the purchase of repo agreements and the sale of securities raised HRK 6.7bn and HRK 1.3bn, respectively.

Despite the decrease in direct interbank trading in demand deposits from HRK 49.7bn in the first quarter to HRK 46.0bn in the second quarter of 2008, the dominance of this category in direct interbank demand deposit trading continued. Overnight loans continued to be the most liquid instrument in direct interbank trading in demand deposits, accounting for HRK 26.8bn. The average daily turnover in these loans decreased slightly from HRK 451.2m in March to 425.5m in June, to rise again in August to HRK 861.8m.

Figure 61

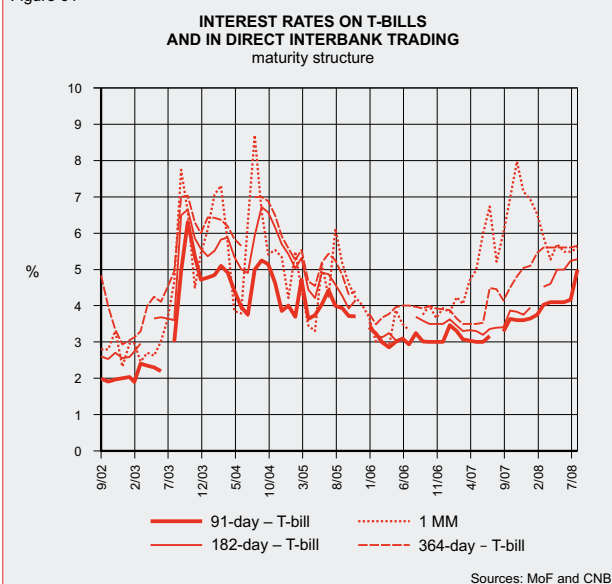
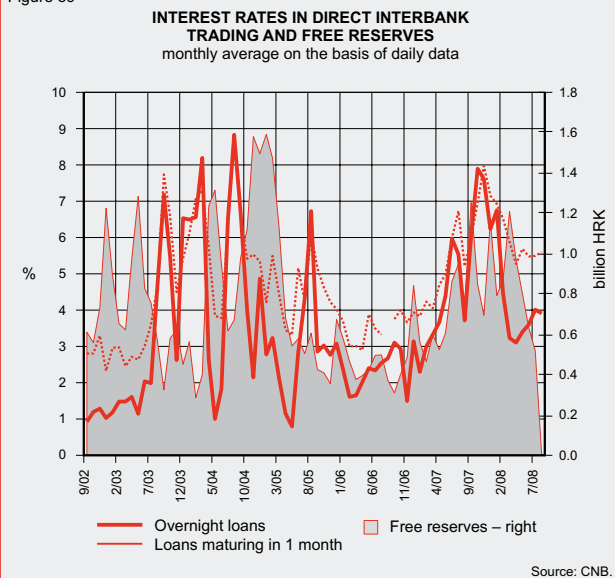


Figure 59



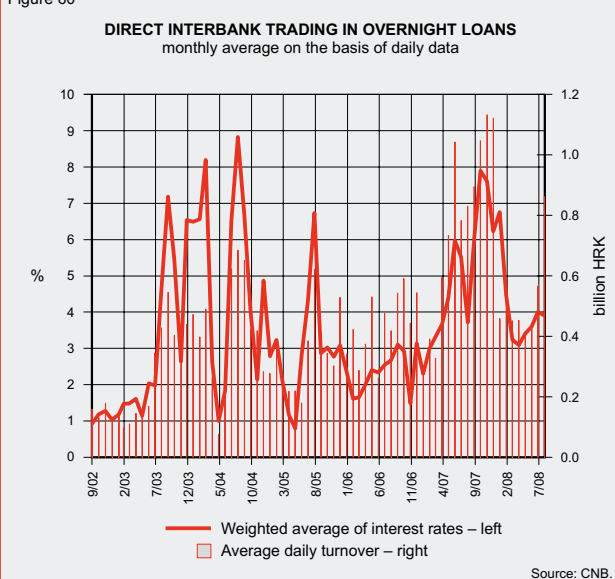
The weighted interest rates on these loans mildly increased from 3.23% in March to 3.60% in June and 3.90% in August, while its volatility on the daily level additionally decreased. Although still relatively high, banks' free reserves decreased compared to the previous quarter.

The Ministry of Finance held eight T-bill auctions in the second quarter 2008, which attracted greater investor interest, with the average amount of bids received per auction rising by HRK 125.8m on the previous quarter, totalling HRK 470.5m. The amount of bids accepted was relatively high (84% on average). The total amount of subscribed T-bills was HRK 3.2bn, rising by HRK 289.0m on the first quarter and HRK 463.0m above the planned amount of issue.

Interest rates at T-bill auctions in the second quarter, in July and August 2008, moved in the same direction as those on the money market, continuing their growth, and thus reached their highest monthly levels since the beginning of 2005. Weighted interest rates on 91 and 182 day T-bills rose sizeably from 4.03% and 4.52%, respectively, in March to 4.10% and 4.99% in June, and 5.00% and 5.29% in August. In contrast, the weighted interest rate on 364 day T-bills remained unchanged until August, when it rose moderately to 5.65%, five basis points above its level in March.

The stock of subscribed T-bills of the Ministry of Finance rose from HRK 11.6bn at the end of March to HRK 11.7bn at the end of June, decreasing to HRK 11.1bn by the end of August due to lower-than-planned subscribed amount at auctions in June and August. One-year bills continued to account for the largest share in the structure of total T-bills, with their share rising additionally from 89.9% at the end of the first quarter to 92.6% at the end of the second quarter 2008. The share of 91 and 182 day T-bills stood at 2.1% and 5.3%, respectively.

Figure 60

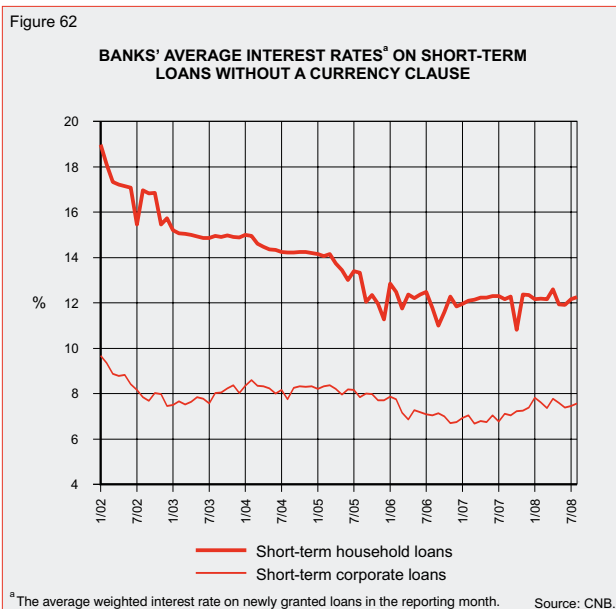


Banks' Interest Rates

Banks' lending rates continued growing in July and August 2008. The growth intensity of interest rates on long-term loans remained strong. In addition to the usual volatility,

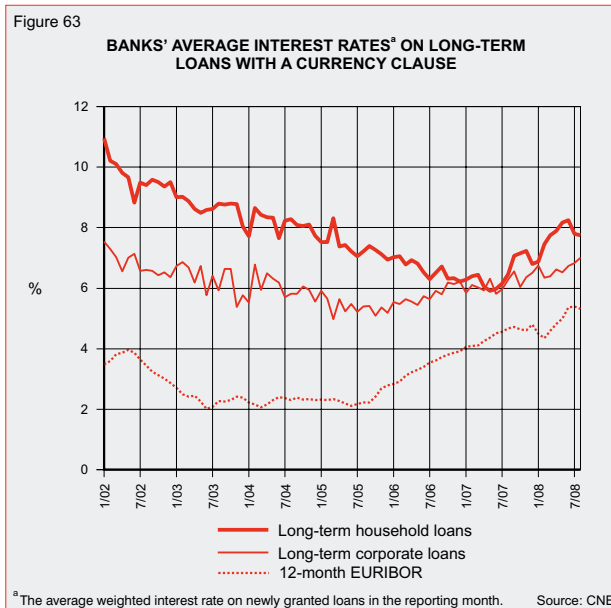
interest rates on short-term loans went up slightly on the previous quarter. The weighted interest rate on short-term corporate loans without a currency clause thus went up from 7.36% in March to 7.38% in June and 7.56% in August. In contrast, the weighted interest rate on short-term household loans without a currency clause first decreased from 12.15% in March to 11.91% in June, to go up again in August to 12.25%.

In accordance with the accelerating EURIBOR growth, which attained its highest levels in the past seven years, as well as strengthening of inflationary expectations, interest rates on long-term loans went up in the period from April to August relative to the first quarter of this year. In contrast to the beginning of the year, when interest rates on long-term loans to households were leading the way, in the period from April to August interest rates on long-term corporate loans went up the most. Thus, the weighted interest rate on long-term kuna corporate loans with a currency clause went up from 6.39% in March to 6.74% in June and 7.00% in Au-



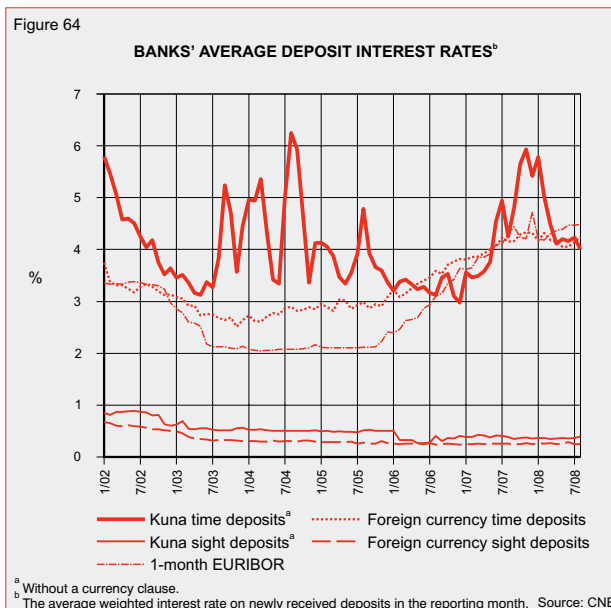
gust. Although the weighted interest rate on long-term loans to households with a currency clause returned to its March level of 7.75% by August, in June it reached its highest level since the beginning of 2005 (8.25%). A contribution to the increase in this interest rate in the past year was provided by a change in the structure of newly-granted long-term household loans in terms of their purpose, with the rising share of more expensive, other long-term, loans at the expense of the cheapest, home loans, and car-purchasing loans, as well as by the decreasing share of traditionally most favourable loans, indexed to the Swiss franc, in the total newly-granted long-term household loans (see Box 3).

Interest rates on time deposits mostly reduced in the second quarter relative to the previous quarter. The weighted interest rate on kuna time deposits without a currency clause reduced from 4.48% in March to 4.16% in June and 4.01% in August. The weighted interest rate on foreign currency time deposits declined more mildly from 4.18% in March to 4.05% in June, rising to 4.24% in August. Interest rates on sight de-



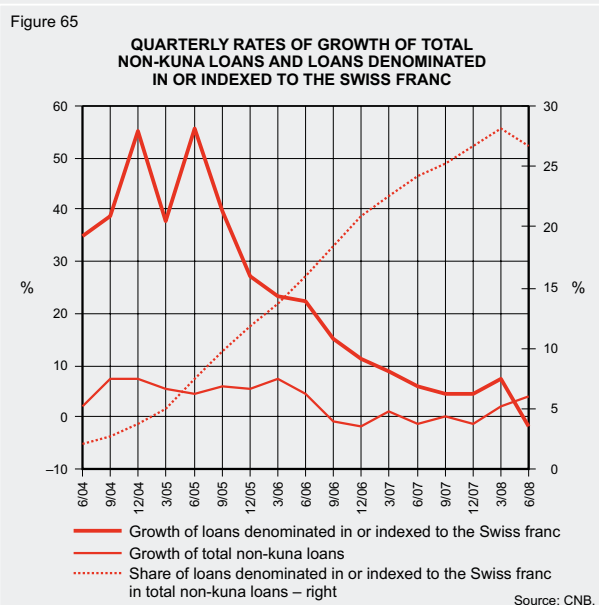
posits were relatively stable, with the weighted interest rate on kuna sight deposits without a currency clause holding steady at its March level of 0.35% and exceeding this value by four basis points in August. After a mild increase from 0.27% in March to 0.28% in June, the weighted interest rate on foreign currency sight deposits reduced to 0.25% in August.

After the years-long trend of lending and deposit rates' spread narrowing reversed at the end of 2007, spreads continued widening in the second quarter of the year and in July and August. The spread between the weighted interest rate on total loans and the weighted interest rate on total deposits reached 6.52 percentage points in August, while the spread between the weighted interest rate on kuna loans without a currency clause and the weighted interest rate on kuna deposits without a currency clause was 7.62 percentage points in August. The spread between the weighted interest rate on kuna loans with a currency clause and the weighted interest rate on foreign currency deposits rose from 3.70 percentage points in March to 4.22 percentage points in June 2008.



Box 3: Effects of Change in the Structure of Loans on the Rise in the Weighted Interest Rate on Long-Term Household Loans Indexed to Foreign Currency

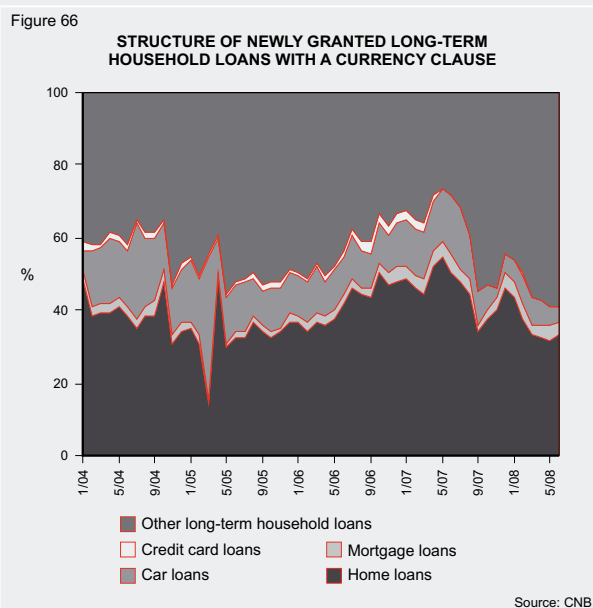
A multi-year decline in the weighted interest rate on newly granted long-term household loans indexed to foreign currency was halted in the middle of 2007, and the trend quickly reversed. As intensive promotion of cheaper loans indexed to the Swiss franc²¹ and stronger supply of home loans relative to other more expensive long-term loans indexed to foreign currency in the period before contributed to the decline in interest rates, the curbing of loans indexed to the Swiss franc and banks' turning more to other loans since the middle of last year contributed to the rise in the weighted interest rate on long-term loans. Since in addition to the price of capital interest rates contain the risk component connected with a particular transaction, this Box aims at establishing the extent to which the rise in the weighted interest rate on long-term household loans indexed to



foreign currency in the last year may be attributed to the increase in interest rates on individual types of long-term loans indexed to foreign currency, that is, to what extent it reflects the change in the behaviour of banks and their clients relating to the risks they assume.

Ever since 2004 households and corporates have in great numbers opted for taking out cheaper loans indexed to the Swiss franc, whose growth rate greatly outstripped the growth rate of total loans denominated in foreign currency (or loans indexed to foreign currency, see Figure 65).²² However, along with cheaper funds that banks were able to secure from favourable sources, clients also took over

21 It is evident from bank advertising that the difference between interest rates on those loans and interest rates on comparable loans indexed to the euro exceeded 50 basis points.
 22 The data banks submit to the CNB do not provide for direct monitoring of newly granted loans indexed to the Swiss franc, therefore broad approximation has been used in this case based on changes in the balance of loans denominated in Swiss francs and loans indexed to the Swiss franc.



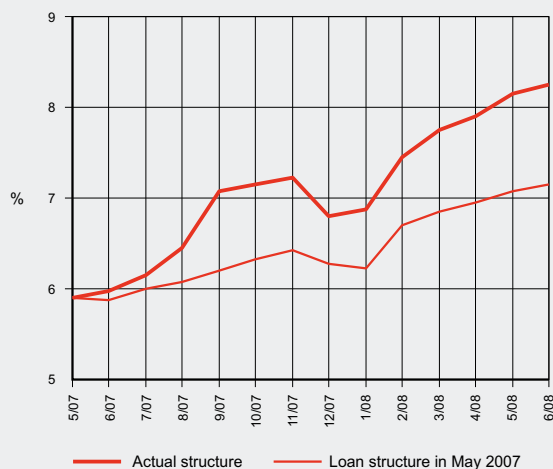
additional currency risk arising from greater volatility of the kuna exchange rate against the Swiss franc than against the euro. As a result, the reduction in the availability of loans indexed to the Swiss franc has raised the weighted interest rate but at the same time reduced the risk transferred down to households.

While the decline in the share of loans indexed to the Swiss franc in total long-term loans reduces the risk of long-term bank loans, the decline in the share of the cheapest, home loans, and the increase in more expensive, other long-term loans (Figure 66), contributes to the rise in credit risk due to higher levels of bad debt relating to these loans over the previous periods. Thus, the rise in the weighted interest rate on newly granted long-term household loans indexed to foreign currency can primarily be a consequence of the increase in the risk exposure of a banks' portfolios arising from the growth in the share of other long-term loans, and to a lesser extent a consequence of the rise in interest rate that banks charge on individual types of loans.

The beginning of the growth in the weighted interest rate on newly granted long-term household loans indexed to foreign currency coincided with the substantial change in the structure of these loans. Thus, the share of home loans has been narrowing since mid-2007, while the growth of loans indexed to the Swiss franc slowed down and finally this year turned into a decline, which is indicated by the reduction of their share in total loans denominated in foreign currency and loans indexed to foreign currency. For the purpose of establishing the extent to which the change in the structure of loans by purpose contributed to the increase in the weighted interest rate on long-term household loans indexed to foreign currency, a simulation has been made of the increase in interest rates on individual subcategories of these loans with the assumption that their structure remains the same. May 2007 has been chosen as the starting point when the loan structure is fixed, because this is the point when the shares of housing and other long-term household loans indexed to foreign currency reached their

Figure 67

WEIGHTED INTEREST RATE ON LONG-TERM HOUSEHOLD LOANS WITH A CURRENCY CLAUSE BY THE STRUCTURE OF LOANS BY PURPOSE



Source: CNB.

highest and their lowest level, respectively, ever since the implementation of the new method of interest rate data collection in 2004. As indicated in Figure 67, if the loan structure remained the same as in May 2007 and interest rates on individual types of loans identical to those from June this year, the weighted interest rate on long-term household loans indexed to foreign currency in June would amount to 7.14%. Its actual level in June was 8.25%, which means that due to the change in the structure of loans by purpose the said rate increased by 111 basis points, which makes up almost a half of the increase in the weighted interest rate in the last year.

Since the CNB does not monitor the dynamics of interest rates on loans indexed to individual currencies but only the cumulative interest rates on non-kuna loans, it is not possible to directly calculate the impact of the change in the currency structure of non-kuna loans on the weighted interest rates. Therefore, banks have been divided into groups by the share of loans indexed to the Swiss franc in total non-kuna loans in order to assess the impact of the change in the currency structure of loans on the weighted interest rates:²³

- 1) The first group is made up of banks whose share of loans indexed to the Swiss franc in total non-kuna loans is below 10%. This group comprises 23, predominantly, smaller banks, of which 11 do not even offer loans indexed to the Swiss franc and only four have a share which exceeds 1%.²⁴
- 2) The second group is made up of banks whose share of loans indexed to the Swiss franc in total non-kuna loans ranges between 10% and 25%. This group comprises one small bank, one medium-sized bank and three large banks.
- 3) The third group is made up of banks whose share of

²³ Data as at 30 June 2008 were used as criteria for distribution into different bank groups.

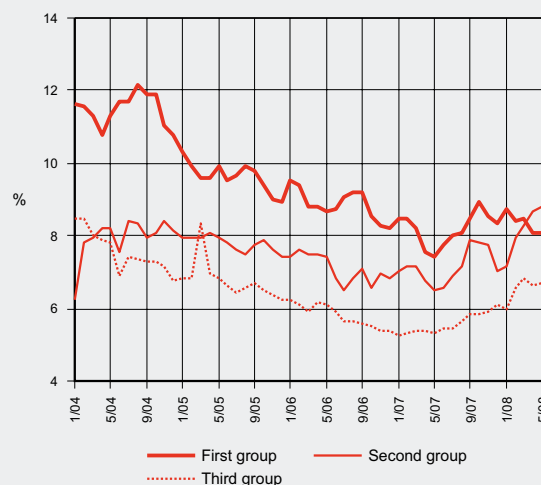
²⁴ Banks that were wound up in the observed period (first quarter 2004 – second quarter 2008) or merged with other banks were placed in the first group.

loans indexed to the Swiss franc in total non-kuna loans exceeds 25%. This group comprises two medium-sized banks and three large banks, with the largest recorded share of a bank from this group in the said loans amounting to 56.3% as at 30 June 2008.

In the past year, banks from the second group increased their weighted interest rates on long-term loans with a currency clause the most (Figure 68). In the period from May 2007 to June 2008, this group increased the said interest rates by 237 basis points, while the increase in the first and the third group totalled 77 and 126 basis points, respectively.²⁵ At the same time, banks from the second group

Figure 68

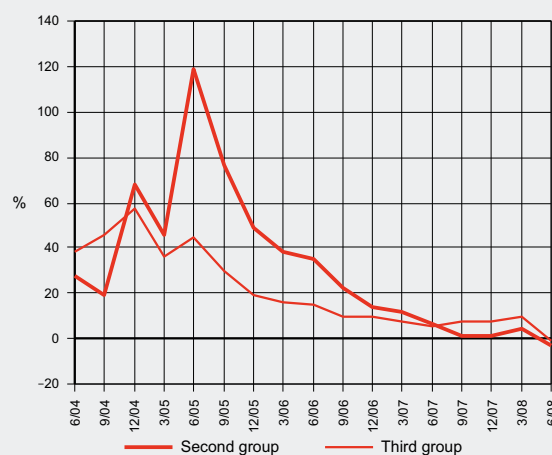
WEIGHTED INTEREST RATE ON LONG-TERM HOUSEHOLD LOANS WITH A CURRENCY CLAUSE BY GROUPS OF BANKS



Source: CNB.

Figure 69

GROWTH RATES OF LOANS DENOMINATED IN OR INDEXED TO THE SWISS FRANC



Note: The growth rates of loans denominated in Swiss francs and those indexed to the Swiss franc for the first group were not shown due to their great volatility and the insignificant share of these loans in this group.

Source: CNB.

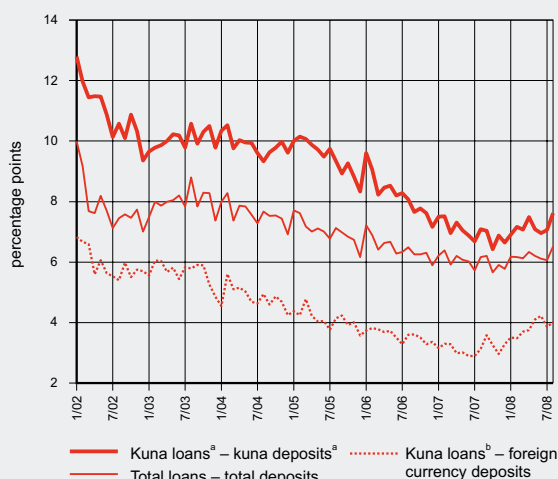
²⁵ The indicated increase in weighted interest rates by bank groups includes the effect of change in the structure of loans by purpose as well as the “pure” increase in interest rates. Since more than 90% of newly granted household loans indexed to foreign currency relates to the second and the third group of banks, the effect of change in the structure of loans by purpose, visible at aggregate level, is primarily seen in these two bank groups.

registered a more intensive slowdown than other banks and at the end of the observed period a contraction of loans indexed to the Swiss franc (Figure 69). This may be explained by the withdrawal of these loans from the range of offered loans by some of the larger banks in this group. However, the weighted interest rate on long-term household loans with a currency clause also increased in the group of banks which did not grant loans indexed to the Swiss franc, indicating that the rise in the weighted interest rate on long-term household loans with a currency clause was only to a lesser extent a result of the change in the structure of newly granted loans at the expense of cheaper loans, indexed to the Swiss franc.

The change in the structure of loans explains a substantial share of the increase in the weighted interest rate on long-term household loans indexed to foreign currency in the past year. Almost a half of this increase may be attributed to the decrease in the share of home loans in favour of other loans, while the increase was probably accounted for by the decline in the share of loans indexed to the Swiss franc in non-kuna loans, although the effect is hard to quantify. The rise in the weighted interest rate on long-term household loans with a currency clause is connected to a certain increase in their total risk, although the currency risk which accompanied strong growth of loans indexed to the Swiss franc reduced.

Figure 70

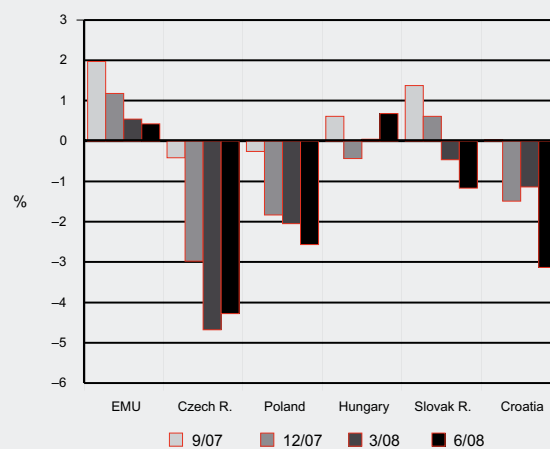
SPREAD BETWEEN BANKS' AVERAGE INTEREST RATES ON LOANS AND DEPOSITS



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

Figure 72

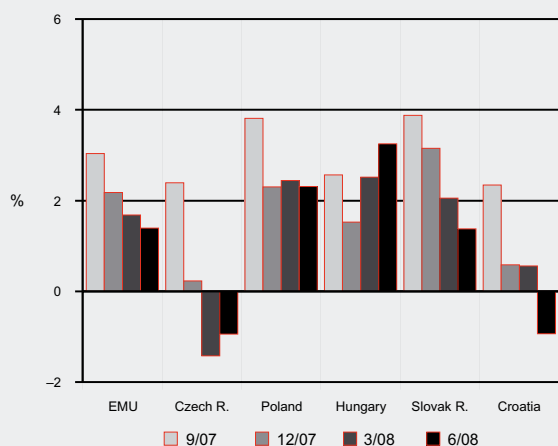
REAL INTEREST RATES ON SHORT-TERM HOUSEHOLD DEPOSITS IN SELECTED COUNTRIES



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

Figure 71

REAL INTEREST RATES ON LONG-TERM CORPORATE LOANS IN SELECTED COUNTRIES



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

corporate loans in Croatia turned negative. At the same time, the real interest rate on long-term kuna corporate loans compared to the previous quarter was reduced in the majority of selected Central and Eastern European countries and in EMU Member States.

Additional growth of the inflation rate relative to the previous quarter was also the main reason for the reduction of the real interest rate on three-month household deposits in the majority of countries under review. This effect, however, was most prominent in Croatia, making it the third month in a row that this rate registered negative values.

Capital Market

Unfavourable developments in the domestic capital market that were observed in the first three months of 2008 and were caused by numerous global and domestic factors continued throughout the second quarter, which saw a substantial decrease in the turnover of shares and bonds and a further downfall in the prices of most shares listed on the ZSE that continued until the end of August 2008.

A shift in the risk perception by domestic, but also global investors, exacerbated by instability and adverse developments

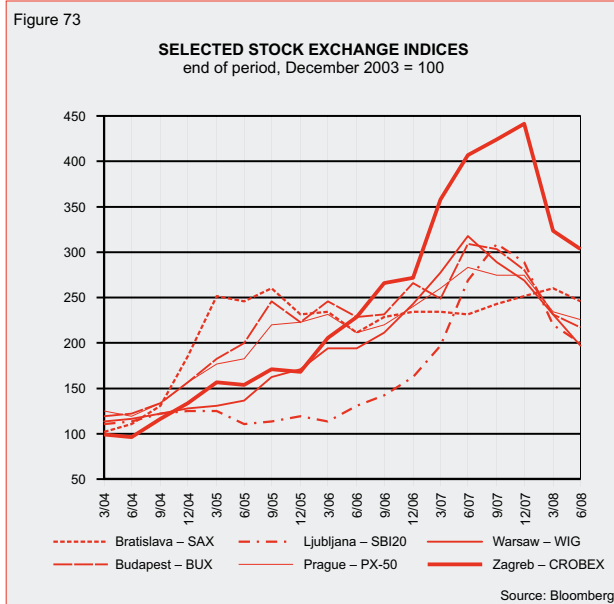
However, by August it reduced to 4.01 percentage points.

As a result of the high level of inflation at the end of the second quarter 2008, the real interest rate on long-term kuna

in the world's financial markets, further strengthening of inflationary pressures in Croatia and most other countries, caused by the strong growth of crude oil prices, that were paired with fears of recession in the world's leading economies, contributed to the continuation of negative trends in the domestic capital market in the second quarter and July and August 2008. This continued to push down the domestic share index, CROBEX, until mid-April when it fell to its lowest level in little over a year. In addition to all these factors, a decline in the price of most shares in the middle of April was also affected by the expiry of a three-year period during which war veterans were prohibited from selling their shares in the War Veterans Fund (WVF). Uncertainty was additionally increased by concerns that a large-scale sale of WVF shares might have a negative impact on the price of its portfolio shares, as well as on the market value of other shares on the domestic capital market. After recovering in May, the value of the CROBEX started declining again in the middle of June, to the greatest extent under the influence of the widening crisis in the world's financial markets caused by problems with subprime mortgages in the US and thus contributing to further losses in the financial sector. By the end of August, prices of most shares listed on the ZSE continued declining, thus contributing to the downward trend started at the beginning of 2008.

The turnover in the domestic market for debt securities sizeably declined in the second quarter 2008, partly due to the small number of new bond issues. In the observed period, quarterly bond turnover fell to the lowest level since the third quarter of 2002, which resulted in a drop in the value of the ZSE bond index, the CROBIS. However, it recovered mildly by the end of August 2008.

Negative developments and declining stock exchange indices were seen at most major stock exchanges in CEE countries. The greatest fall in the period concerned was registered by the WSE index, which went down by 14.3%, followed by the Ljubljana (-9.2%), Zagreb (-6.7%), Budapest (-6.1%), Bratislava (-4.9%) and Prague (-4.4%) stock exchange indices.



All reference CEE stock exchanges had a lower share turnover in June 2008 than in March 2008 and considerably reduced bond turnover. Due to the drop in value of almost all reference stock exchange indices, most reference stock exchanges, except the one in Poland and Slovakia, recorded a decrease in market capitalisation of shares at the end of June 2008 relative to the end of March 2008. Bond market capitalisation dropped in that period at the Ljubljana and Zagreb Stock Exchange, and increased slightly at the Bratislava and Budapest Stock Exchange. Despite a sharp drop, the ZSE's share market capitalisation to GDP ratio, still exceeded the ratios of all reference stock exchanges in the second quarter of 2008, but its bond market capitalisation to GDP ratio remained the lowest.

Equity Securities Market

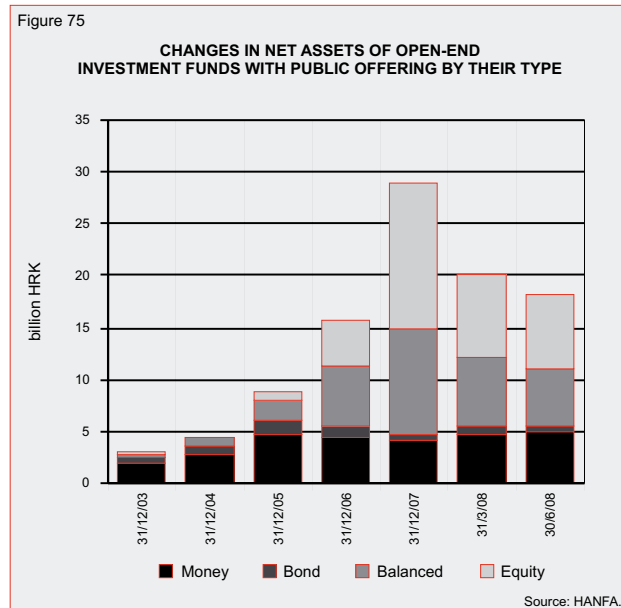
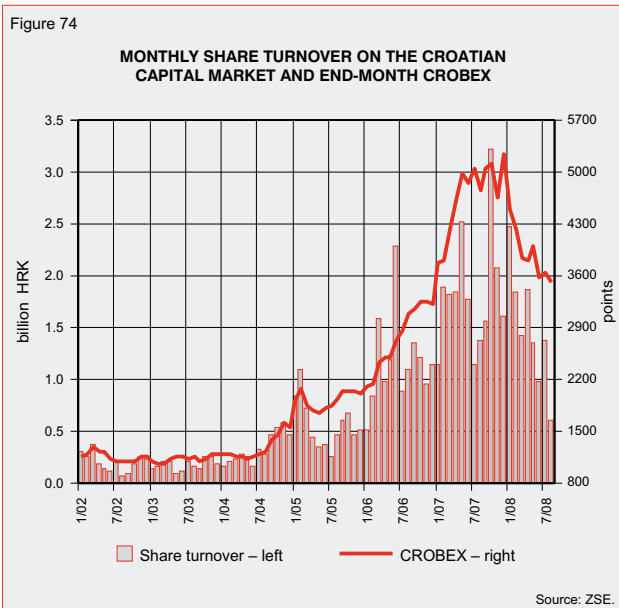
Share turnover reduction²⁶ in the Croatian capital market seen in the first three months of 2008, continued at increased

Table 5: Comparison of Capital Market Indicators

June 2008	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million EUR)	0.02	56.57	2.23	145.97	314.33	6.70
Average daily turnover, bonds (million EUR)	82.97	9.17	0.69	73.67	3.10	4.75
Turnover ^a /GDP ^c , annual level (%)	0.01	14.00	1.63	27.50	24.55	4.39
Turnover ^b /GDP ^c , annual level (%)	36.68	2.27	0.50	13.88	0.24	3.11
Turnover velocity ^d	0.09	54.07	3.87	46.84	n.a.	4.96
Market capitalisation ^a (million EUR), end month	4,917	26,363	14,537	78,533	n.a.	34,073
Market capitalisation ^b (million EUR), end month	14,078	41,207	6,272	n.a.	n.a.	5,173
Market capitalisation ^a /GDP ^c , end month (%)	8.6	25.9	42.1	58.7	n.a.	87.6
Market capitalisation ^b /GDP ^c , end month (%)	24.7	40.5	18.2	n.a.	n.a.	13.3
Share index movement from the beginning of the year (%)	-1.8	-22.3	-30.7	-18.3	-26.1	-31.5
Share index movement from the beginning of the month (%)	-2.6	-9.7	-6.4	-12.0	-11.7	-10.0

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

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

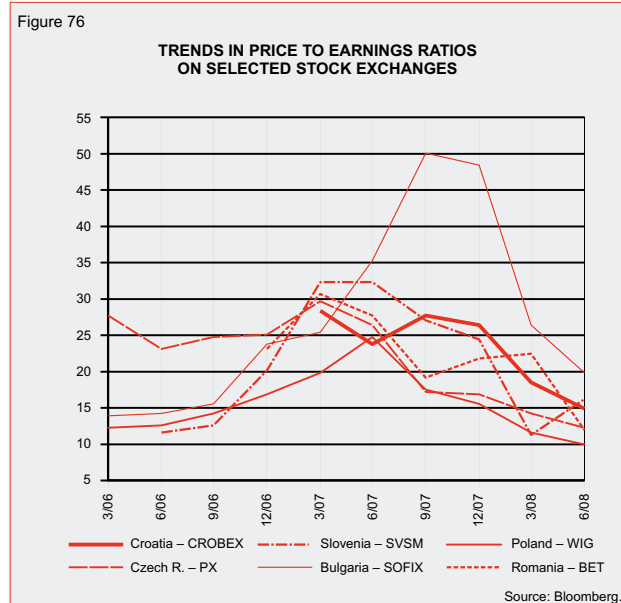


intensity during the second quarter. Total share turnover in that period reduced by a considerable HRK 1.5bn relative to the previous quarter, remaining, however, at relatively high level of HRK 4.2bn. Accounting for 13.1% of the total share turnover, T-HT shares were the most traded in the observed quarter, followed by Ina shares (10.4%) and Atlantska plov idba d.d. (8.9%). In addition to Ina shares (20.7%), the most traded shares in August were those of T-HT (11.6%), Podravka d.d. (6.0%) and Belišće d.d. (6.0%).

Due to the decrease in most share prices in the second quarter 2008, the value of the ZSE share index, the CROBEX,²⁷ decreased by 6.7% at the end of June compared with the end of the previous quarter, standing at 3588 points. In the following two months, the CROBEX fell by further 2.6% and at the end of August 2008 reached 3495 points, its record monthly low since December 2006.

The net assets of open-end investment funds with a public offering continued decreasing in the second half of 2008, although at slightly slower rate, reaching the lowest level since the end of 2006. Due to their exposure to negative trends in the domestic capital market, the decline was largest in net assets of the riskiest funds, equity and balanced funds. Only money investment funds recorded a slight increase in net assets at the end of June compared with the end of March 2008.

Due to the drop in prices of most shares listed on the ZSE, market capitalisation of shares²⁸ decreased by 11.8% at the end of the second quarter of 2008 compared with the end of the previous quarter, standing at HRK 246.9bn. The prices of



most shares continued to drop in the following two months, further reducing share market capitalisation to HRK 234.8bn at the end of August 2008.

The price/earnings ratio for the CROBEX was at 14.90 at the end of June 2008, which was a decline of 19.5% relative to the end of the previous quarter. The P/E ratio reduced in the observed period for the indices of all other reference stock exchanges, except for the Ljubljana Stock Exchange index.

Debt Securities Market

At end-August 2008, 36 bonds were listed on the domestic capital market, of which nine government bonds, eight municipal bonds, one CBRD bond and eight corporate bonds. This was one government and two corporate bonds fewer and one municipal bond more than at the end of the previous quarter. On the last day of June 2008, there were 18 commercial papers at the ZSE, issued by 14 issuers, which was

27 Since 19 March 2007, the CROBEX has been calculated based on the 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.

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

Table 5: Bond Issues in the Domestic Market, stock as at 31 August 2008

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price ^a	Current yield 31/8/2008
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	100.65	6.831%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	103.50	6.643%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	98.90	5.561%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	500,000,000	5.375%	98.55	5.454%
RHMF-O-103A	Republic of Croatia	8/3/2005	8/3/2010	HRK	3,000,000,000	6.750%	101.60	6.644%
RHMF-O-157A	Republic of Croatia	14/7/2005	14/7/2015	EUR	350,000,000	4.250%	91.90	4.625%
RHMF-O-15CA	Republic of Croatia	15/12/2005	15/12/2015	HRK	5,500,000,000	5.250%	96.20	5.457%
RHMF-O-137A	Republic of Croatia	11/7/2006	11/7/2013	HRK	4,000,000,000	4.500%	94.65	4.754%
RHMF-O-172A	Republic of Croatia	8/2/2007	8/2/2017	HRK	5,500,000,000	4.750%	92.90	5.113%
GDKC-O-116A	City of Koprivnica	29/6/2004	29/6/2011	HRK	60,000,000	6.500%	101.30	6.417%
GDZD-O-119A	City of Zadar	1/9/2004	1/9/2011	EUR	18,500,000	5.500%	98.00	5.612%
GDRI-O-167A	City of Rijeka	18/7/2006	18/7/2016	EUR	24,574,513	4.125%	–	–
GDST-O-137A	City of Split	24/7/2006	24/7/2013	EUR	8,000,000	4.563%	100.30	4.549%
GRVI-O-17AA	City of Vinkovci	23/10/2007	23/10/2017	HRK	42,000,000	5.500%	–	–
GROS-O-17AA	City of Osijek	30/10/2007	30/10/2017	HRK	25,000,000	5.500%	–	–
GDST-O-15BA	City of Split	27/11/2007	27/11/2015	EUR	8,100,000	4.750%	–	–
GDST-O-177A	City of Split	8/7/2008	8/7/2017	EUR	8,200,000	6.000%	–	–
HBOR-O-112A	CBRD	11/2/2004	11/2/2011	EUR	300,000,000	4.875%	–	–
BLSC-O-091A	Belišće d.d.	14/1/2005	14/1/2009	EUR	8,000,000	5.500%	101.60	5.413%
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%	95.00	5.395%
NEXE-O-116A	Nexe grupa d.d.	14/6/2006	14/6/2011	HRK	750,000,000	5.500%	95.50	5.759%
MTEL-O-097A	Metronet telekomunikacije d.d.	28/7/2006	28/7/2009	HRK	120,000,000	8.500%	101.90	8.342%
HOTR-O-941A	Hospitalija trgovina d.o.o.	5/10/2006	5/10/2009	HRK	75,000,000	8.250%	99.50	8.291%
HEP-O-13BA	Hrvatska elektroprivreda d.d.	29/11/2006	29/11/2013	HRK	500,000,000	5.000%	92.70	5.394%
ATGR-O-11CA	Atlantic grupa d.d.	6/12/2006	6/12/2011	HRK	115,000,000	5.750%	98.35	5.846%
INGR-O-11CA	Ingra d.d.	6/12/2006	6/12/2011	HRK	200,000,000	6.125%	98.30	6.231%
OPTE-O-142A	Optima telekom d.o.o.	1/2/2007	1/2/2014	HRK	250,000,000	9.125%	94.90	9.615%
JDGL-O-126A	Jadran Galenski laboratorij d.d.	11/6/2007	11/6/2012	HRK	125,000,000	5.650%	–	–
JDRA-O-129A	Jadranka d.d.	13/9/2007	13/9/2012	HRK	75,000,000	6.475%	–	–
JRLN-O-12AA	Jadrolinija d.d.	25/10/2007	25/10/2012	HRK	70,000,000	6.500%	99.50	6.533%
OIV-O-14BA	Odašiljači i veze d.o.o.	20/11/2007	20/11/2014	HRK	100,000,000	7.250%	–	–
HEP-O-17CA	Hrvatska elektroprivreda d.d.	7/12/2007	7/12/2017	HRK	700,000,000	6.500%	–	–
RPRO-O-181A	Rijeka promet d.d.	25/1/2008	25/1/2018	HRK	192,000,000	6.813%	–	–
PLOR-O-133A	Plodine d.d.	4/3/2008	4/3/2013	HRK	100,000,000	9.000%	–	–
SEM-O-101A	Split Tours d.d.	12/1/2007	12/1/2010	HRK	15,000,000	7.000%	–	–

^a Regularly traded shares.
Source: ZSE.

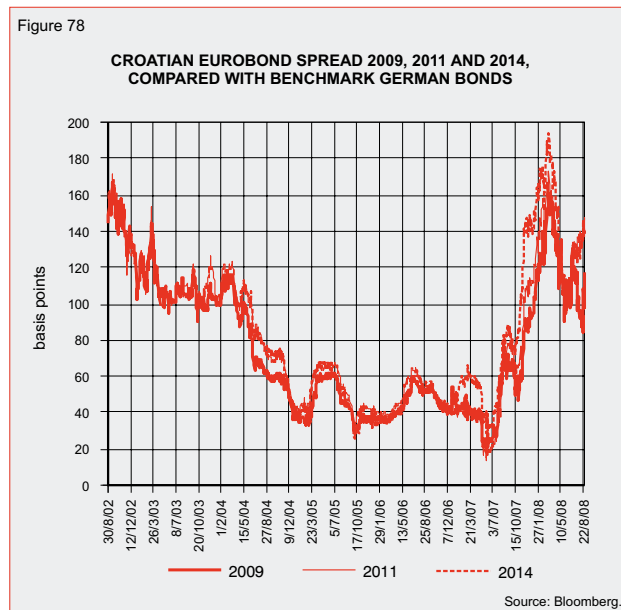
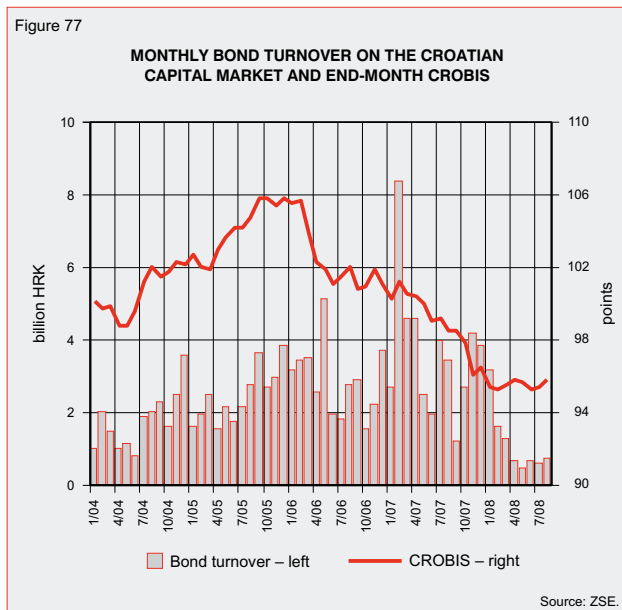
four commercial papers and three issuers fewer than at the end of the previous quarter. Their total nominal value was HRK 858.6m.

In the second quarter 2008, the domestic debt securities market saw the issue of a new municipal bond and a new tranche of an already existing municipal issue. A five-year RC bond nominally valued at HRK 1.0bn matured at the end of May 2008. In addition, by the end of the quarter two more corporate bonds matured, while the listing of one corporate issue at the ZSE was stopped due to its early redemption.

At the end of April 2008, the City of Rijeka issued the third tranche of its ten-year euro bond nominally valued at EUR 8.2m, raising the total worth of the issue to EUR 24.6m. At the beginning of July, the City of Split issued a new nine-year euro bond nominally valued at EUR 8.2m and having a yield to maturity at issue of 6.00%. In addition to the said municipal bonds, a three-year corporate bond of Split Tours d.d., issued in mid-January 2007, was listed at the ZSE, with a nominal value of HRK 15m.

Total turnover of bonds²⁹ fell in the second quarter 2008, and especially in May, dropping by as much as HRK 4.2bn relative to the previous quarter, to HRK 1.9bn. It thus hit a record quarterly low since the third quarter 2001. The largest share in bond turnover in the observed period (22%) was accounted for by a foreign currency indexed kuna bond of the RC due in 2019, followed by the foreign currency indexed government bonds maturing in 2015 (15%) and 2014 (13%). A foreign currency indexed kuna government bond due in 2012 marked the turnover of debt securities in August 2008. The share of all government bonds in the total quarterly turnover slightly increased from the previous quarter to

²⁹ The data on the total bond turnover from January 2004 to February 2007 are the sum of the respective bond turnovers on the VSE and ZSE, with the unified ZSE data used since the VSE and ZSE merger in March 2007. It needs emphasising that the bond turnover on the VSE had been negligible, standing below 0.4% of the total turnover on both stock exchanges in all the observed years.



94.6%, rising further to 96.8% in August. Despite a slight increase in April 2008, the ZSE bond index stood at 95.3 points at the end of the second quarter, which was a decrease of 0.3 points compared with the end of the previous quarter. The CROBIS increased slightly in July and August 2008 to 95.8 points.

The decrease in the bond index in the second quarter of 2008, reduced also the market capitalisation of government bonds, municipal bonds and the CBRD bond by 3.9% relative to March 2008, so it totalled EUR 4.6bn at the end of August, or approximately 12.2% of GDP for 2007. The market capitalisation of corporate bonds also registered a reduction of 17.3% from the end of the previous quarter, due mainly to the maturity of corporate bonds, totalling EUR 556m or some 1.5% of GDP.

With a Samurai bond issued in 2002 falling due in June 2008, at nominal value of JPY 25bn or some HRK 1.1bn, the number of Croatian bonds listed on foreign markets stood at six, of which four were euro-denominated bonds, one yen-denominated bond and one bond denominated in US dollars. Their total nominal value at the end of August 2008 was EUR 3.0bn.

The consequences of the US subprime mortgage market crisis continued to impact financial markets in the second quarter 2008. Unfavourable developments in financial markets were accompanied by the strong growth in the price

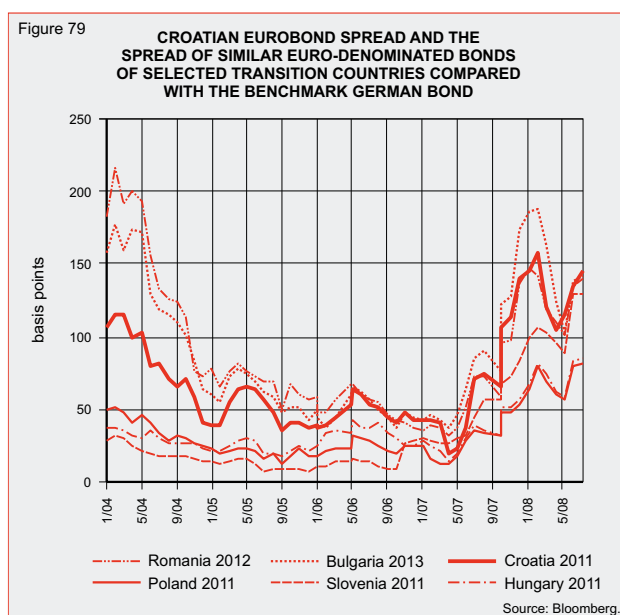
of energy products, especially oil, which grew to its record high in July. However, despite mounting inflationary pressures, in an effort to minimise the risk of recession for the US economy, late in April 2008 the Fed once again lowered its key interest rate to its lowest level since November 2004 (2.00%). In contrast, the ECB, deemed inflation as one of the main risks to Europe’s economy, raising its key interest rate to 4.25% at the beginning of July, its seven-year high. In line with expectations, the increase in the ECB’s key interest rate was marked by the growth in required yields on the benchmark German bonds in the second quarter 2008. After a mild decrease in required yields on Croatian eurobonds in April, by the end of the second quarter Croatian eurobond yields rose again. Since their growth was milder than the growth in required yields on benchmark German bonds, the spreads between their yields reduced. The spreads between required yields on Croatian eurobonds due in 2009, 2011 and 2014 and benchmark German bonds narrowed to 106, 115 and 110 basis points respectively, which was a marked decrease compared with 154, 157 and 179 at the end of March. In July and August 2008, required yields on Croatian eurobonds mildly reduced, with the parallel faster decrease of yields on benchmark German bonds, so that their spread widened to 117, 146 and 139 basis points.

In the second quarter 2008, Croatian eurobond yields were in line eurobond yields of new EU Member States.

Table 6: Republic of Croatia International Bond Issues, stock as at 30 June 2008

Bonds	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread ^a 30/9/2007	Spread ^a 31/12/2007	Spread ^a 31/3/2008	Spread ^a 30/6/2008
London Club A, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.			134	142	176	200
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.75%	6.90%	215	74	112	157	115
Eurobonds, 2009	11/2/2002	EUR	500,000,000	6.25%	6.45%	158	64	94	154	106
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	4.65%	102	64	95	128	84
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	79	147	179	110
Samurai bonds, 2009	26/6/2003	JPY	25,000,000,000	1.23%	1.23%	99	63	66	96	99

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



As the increase in required yields on eurobonds of new EU member states in the second quarter of 2008 was milder than the rise in required yields on the benchmark German bond, their yield spreads, with the exception of the Slovenian bond, decreased by the end of June 2008, relative to the end of the previous quarter. The highest decrease in yield spreads was recorded by Bulgarian, Croatian and Romanian bonds. Yield spreads for all observed countries increased in July and August due to a strong decline of required yields on the benchmark German bond, which outstripped the decline of required eurobond yields of all observed new EU Member States and Croatia.

International Transactions

The current account deficit continued to drift upward in the second quarter of 2008, increasing by one third over the same period in 2007. This is attributed to poor performance in foreign trade – high growth of goods imports (notably oil

and ships) and deceleration in growth of goods exports. International trade in services, especially tourism, performed well in the reference period, and thus mildly mitigated the observed deterioration. The factor income deficit remained on its upward path, while the account of current transfers showed an increase in its positive balance after the fall in the first quarter of 2008.

Unlike the current account deficit, the external debt growth dynamics slowed down markedly in the second quarter of 2008 relative to the same quarter in 2007. All sectors contributed to this development: the government external debt and the corporate external debt (debt investment included) slowed down, while the external debt of banks declined after the increase in the first quarter of 2008. The key factors contributing to the fall of banks' external liabilities were the central bank measures aimed at restricting the growth of placements and a significant inflow of foreign currency the favourable effect of which was also felt in July and August. As shown by the index of exchange market pressure (IEMP), domestic sectors encountered no difficulties in the settlement of their international payments in the second quarter of 2008.

Current Account

According to the preliminary data, the current account deficit rose by 31.6% in the second quarter of 2008 over the same period in 2007, reaching a total of EUR 1.8bn. This is mainly attributed to the worsening of the balance in international trade in goods which accelerated from 7.9% to 22.9%. When interpreting these data one must take into account that the observed acceleration was to a large extent the result of the deterioration in trade in energy products, caused by the growth in prices on the world market. The second major factor contributing to the growth of the current account deficit was weak performance of trade in ships, largely attributed to the methodology that is used for reporting of finishing operations and that results in great volatility of realised net imports of ships. These two SITC divisions excluded, the goods deficit growth rate was lower (9.6%) but somewhat faster than in

Table 7: Current Account, in million EUR

	2006	2007	Apr.–Jun. 2007	Apr.–Jun. 2008 ^a	Indices	
					2007/2006	Apr.–Jun. 2008 ^a / Apr.–Jun. 2007
CURRENT ACCOUNT	-2,696	-3,230	-1,375	-1,809	119.8	131.6
1. Goods	-8,344	-9,434	-2,528	-3,108	113.1	122.9
1.1. Credit (f.o.b.)	8,464	9,193	2,309	2,477	108.6	107.3
1.2. Debit (f.o.b.)	-16,808	-18,626	-4,837	-5,585	110.8	115.5
2. Services	5,710	6,296	1,523	1,806	110.3	118.6
2.1. Credit	8,534	9,155	2,207	2,551	107.3	115.6
2.2. Debit	-2,824	-2,859	-684	-745	101.2	108.9
3. Income	-1,170	-1,135	-639	-792	97.1	123.8
3.1. Credit	892	1,296	334	365	145.3	109.3
3.2. Debit	-2,061	-2,431	-973	-1,157	117.9	118.8
4. Current transfers	1,107	1,043	270	285	94.2	105.5
4.1. Credit	1,640	1,576	403	418	96.1	103.6
4.2. Debit	-532	-533	-133	-133	100.2	99.8

^a Preliminary data. Source: CNB.

the second quarter of 2007 (7.4%), due mainly to the continued intensive growth of road vehicles imports observed since the beginning of 2006.

The positive balance in the account of services grew by 18.6% year-on-year in the second quarter of 2008 due to two times larger growth in revenues than in expenditures. These results are largely attributed to tourism revenues, which grew by 15.8% year-on-year despite the negative base-period effects (the revenue growth in the second quarter of 2007 was generated by the Eastern holiday which was not the case in the second quarter of 2008). The balance in the account of services also improved on account of the rise in revenues from transportation services, notably sea cargo transport services. In addition, the negative balance in trade in other services decreased somewhat in the reference period, due mostly to the growth in revenues from various business services, notably architectural and construction services.

Increased growth of tourism revenues in the second quarter of 2008 is mainly attributed the growth in the average passenger spending, given that the number of foreign tourist arrivals and nights in paid accommodation has, according the CBS data, stagnated at the level observed in the same period last year. The growth in the average passenger spending is explained by the increase in prices of food and fuel which account for a large share in their overall spending. The analysis of tourist nights by the country of residence shows the fall in the number of nights stayed by tourists from old EU Member States, especially from those which are the main issuing markets for Croatian tourism: Austria, Italy and Germany. To some extent, the reason behind this could be the European Football Championship hosted by Austria and Switzerland in June. However, this decline was in part offset by the growth in the number of nights stayed by tourists from new EU Member States, notably Poland and the Czech Republic.

The factor income deficit grew by a strong 23.8% in the second quarter of 2008 due to two times larger growth in expenditures than in revenues. As for individual types of expenditure, the paid out dividends and the retained earnings of foreign owners of domestic enterprises and banks increased

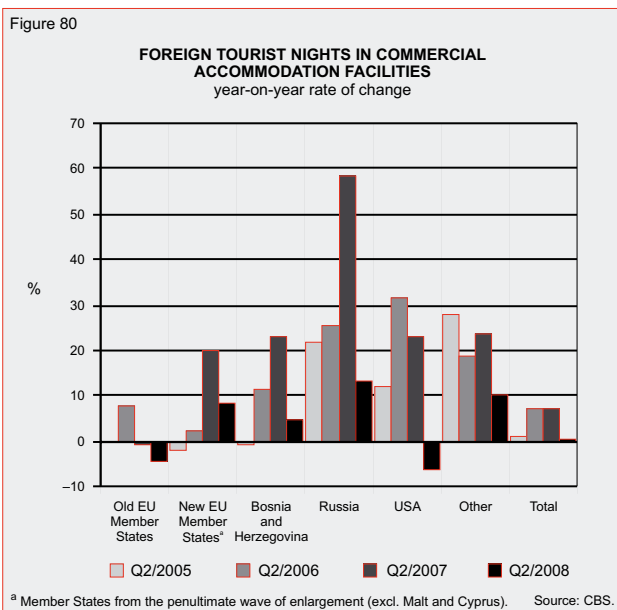
most in the reference period. Interest expenses on foreign borrowings continued to grow at a fairly high rate, with the annual growth in corporate interest expenses standing at 60% in the past several consecutive quarters. In contrast, the main contributors to the modest growth of total factor income revenues were the growth in revenues from compensation of employees abroad and revenues from direct investment abroad.

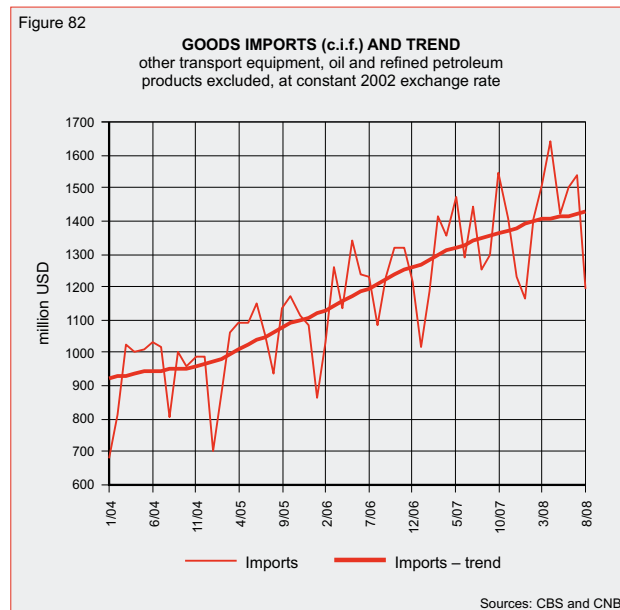
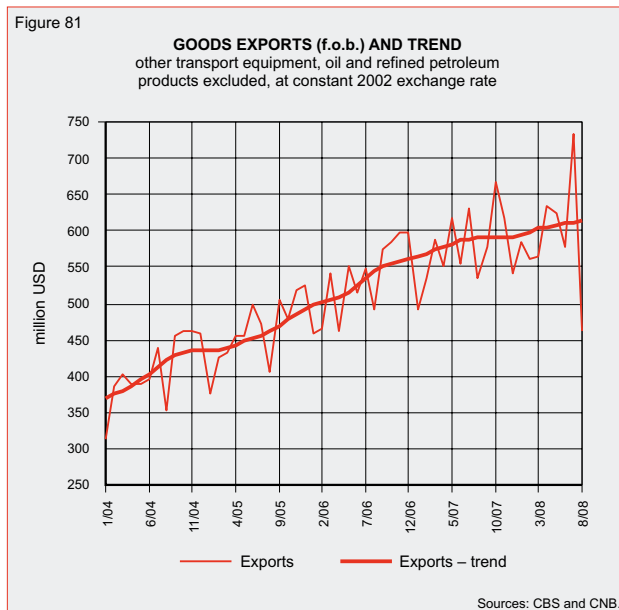
The account of current transfers improved mildly in the second quarter of 2008 (the positive balance in this account rose by 5.5% annually), due to the growth in revenues of domestic sectors. The growth in revenues was largely accounted for by the growth in transfers to households, including, notably, workers' remittances from abroad. The expenditures on current transfers remained at their level from the second quarter of 2007. Within this, government expenditures, especially those arising from the payment of pensions to non-residents, went up, while the expenditures of domestic enterprises for their pension contributions decreased.

Trade in Goods

The trade balance in goods deteriorated by 25% (in constant US dollars) in the first eight months of 2008, which is significantly more than in the same period last year (11.7%). This is mainly associated with the deterioration of trade in the following two SITC divisions: oil and refined petroleum products, and other transport equipment (mostly ships). The deficit in oil trade grew by EUR 0.5bn in the reference period (due mainly to strong rise in prices), contributing 8.7 percentage points to the rise in the foreign trade deficit. Expressed in relative terms, the deterioration in oil trade stood at about 1.1 percentage points of the estimated GDP for 2008. The trade in other transport equipment showed the negative balance of EUR 19m in the first eight months of 2008. In contrast, net exports of other transport equipment ranged between EUR 160m and EUR 360m in the same period in previous years. This substantial deterioration of trade in other transport equipment contributed the additional 4.1 percentage points to the growth of the foreign trade deficit. If we exclude these two SITC divisions from data on total exports and imports, the foreign trade deficit decelerated from 14.7% in the first eight months of 2007 to 12% in the first eight months of 2008.

Total exports of goods (expressed in constant US dollars) grew by 12.4% year-on-year in the first eight months of 2008, down 1.3 percentage points over the same period in 2007. The major contributors to this relatively high growth rate of exports were energy products (oil and refined petroleum products, and natural and manufactured gas) and other transport equipment. It should be noted that the total value of exports of energy products was largely influenced by their rising prices on the world market. This trend was in particular evident in exports of oil. In addition, the accelerated growth of gas exports was also substantially influenced by extremely week performance in the base period. The growth in exports of other transport equipment (notably ships, as well as vehicles on trails and air transportation and similar equipment) also accelerated in the first eight months of 2008 over the





same period in 2007. If we exclude oil, gas and other transport equipment from total exports, the growth rate of total exports is significantly lower in the first eight months of 2008 than in the same period in 2007 (4.2% compared to 13.8%).

The deceleration of growth is largely attributed to the fall in exports of cereals and cereal preparations, caused by extremely high exports in the base period. Specifically, exports of cereals (especially wheat) grew at exceptionally strong rates in July and August of 2007, in part due to the announced introduction of export taxes in September 2007 and in part due to sharp growth in prices of some cereals on the world market. The negative results were also observed in exports of fish and preparations (in part due to the amendments to the Ordinance on tuna fishing, farming and trade adopted in 2007, which, inter alia, regulated the minimum export weight of tuna) and in exports of miscellaneous manufactured articles. Moreover, a considerable deceleration was also observed in exports of cork and wood, non-ferrous metals and furniture and parts thereof.

In contrast to exports, total imports of goods (expressed in constant US dollars) grew at an accelerated rate in the first

eight months of 2008, increasing annually by 19.0%. This was 6.4 percentage points more than in the same period in 2007. The key contributors to this were the strong acceleration in the growth of imports of oil and refined petroleum products and other transport equipment. The surge in the price of crude oil on the world market was the key factor contributing to the growth in the value of imports of oil and refined petroleum products, which was somewhat offset by the decrease in the volume of their imports. As for other transport equipment, in addition to increased imports of ships previously exported for finishing abroad, the increase in imports may also be attributed to higher imports of fishing-boats intended for finishing operations in the domestic market early in the year, as well as to a noticeable growth in imports of air transportation and similar equipment, the most prominent of which were the delivery of helicopters from Russia, aimed at compensating a portion of the clearing debt, and imports of aircrafts from Canada, aimed at the renewal of the aircraft fleet of Croatia Airlines d.d.

If we exclude imports of oil and refined petroleum products and other transport equipment from total imports, total

Table 8: Exports and Imports by Economic Classification of Countries, in %

	Exports				Imports			
	2006	2007	Jan.–Aug. 2007	Jan.–Aug. 2008 ^a	2006	2007	Jan.–Aug. 2007	Jan.–Aug. 2008 ^a
Developed countries	71.7	69.3	68.3	65.5	72.6	71.8	72.6	70.7
EU-25	63.2	59.1	57.3	57.9	65.0	63.3	64.1	62.2
Slovenia	8.2	8.3	8.2	8.1	6.3	5.9	6.1	5.5
Hungary	1.7	2.2	2.0	2.3	3.0	2.9	2.7	3.2
EU-15	48.8	43.7	44.4	43.5	50.1	48.7	50.2	48.4
Austria	6.0	6.1	6.1	5.8	5.4	5.3	5.4	4.8
Italy	23.1	19.1	19.8	18.4	16.7	16.0	16.9	17.0
Germany	10.3	10.0	10.2	11.1	14.5	14.4	14.5	13.3
EFTA	1.5	1.2	1.3	1.2	1.7	1.9	1.9	1.6
Developing countries	28.3	30.7	29.8	33.0	27.4	28.2	27.2	28.9
Bosnia and Herzegovina	12.6	14.4	14.3	16.3	2.8	2.8	3.0	2.6
Serbia, Montenegro	5.4	6.6	6.2	6.8	1.1	1.3	1.2	1.4
Russia	1.2	1.3	1.1	1.3	10.1	10.1	9.4	11.2
China	0.2	0.2	0.1	0.2	5.3	6.2	5.9	5.7

^a Preliminary data.
 Source: CBS.

imports grew at a considerably lower rate of 9.1%, decelerating by 4.3 percentage points over the first eight months in 2007. The main contributors to this were the slowdown in imports of wearing apparel, miscellaneous manufactured articles and non-ferrous metals. In contrast, the acceleration was observed in imports of natural and manufactured gas (in part due to the increase in gas prices on the world market) and in imports of electric current, with the acceleration in imports of machinery specialised for particular industries contributing to the continuation of relatively strong import growth of capital goods (machinery and transport equipment, excluding other transport equipment and road vehicles).

According to the geographic structure of Croatia's exports of goods, the share of exports to developing countries increased in the first eight months of 2008, thanks to two times stronger growth of exports to this group of countries than to the group of developed countries. This exceptionally high rate of growth of exports to developing countries was mainly generated by the countries in the region, notably by Bosnia and Herzegovina (energy products), and by Russia (medical and pharmaceutical products and telecommunication equipment). Exports to developed countries grew in the reference period on account of stronger exports to new EU Member States, notably Cyprus (other transport equipment) and Slovenia (fertilisers and power generating machinery and equipment). Although somewhat lower than exports to new EU Member States, exports to old EU Member States, especially to Italy, Germany and Austria, also accelerated in the reference period.

Similar, although somewhat less pronounced, developments were also observed in the geographic structure of Croatia's imports of goods. Imports from developing countries were two times stronger in the first eight months of 2008 than in the same period of 2007 and largely determined by a severalfold increase in the rate of imports from Russia, caused almost entirely by the increase in imports of oil and refined petroleum products. Concurrently, imports from China slowed down but their growth rate remained fairly high. Despite significant acceleration, caused mainly by the growth of imports from Hungary (oil and refined petroleum products) and Slovenia (iron and steel and oil and refined petroleum

products), imports from new EU Member States fell slightly in the reference period. Imports from old EU Member States accelerated, with the highest growth rates being observed in imports from Italy (oil and refined petroleum products) and Germany (road vehicles).

Capital and Financial Account

The inflow of net capital to the capital and financial account was higher in the second quarter of 2008 than in the same period in 2007. To a large extent, this is contributed to other investment (i.e. the increase in net external debt arising from loans, trade credits, currency and deposits). The net inflow to the account of direct investment was somewhat lower in the reference quarter than in the second quarter of 2007 due to higher resident investment abroad and lower non-resident investment in Croatia. The account of portfolio investment saw a net outflow, comprising the repayment of central government bonds. International reserves grew by EUR 0.1bn in the second quarter of 2008, which was significantly lower than in the previous two quarters.

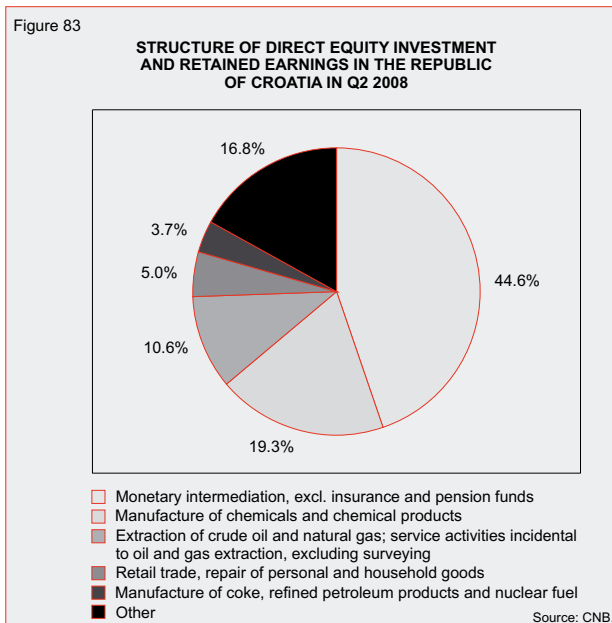


Table 9: Capital and Financial Account, in million EUR

	2006	2007	Apr.–Jun. 2007	Apr.–Jun. 2008 ^a	Indices	
					2007/2006	Apr.–Jun. 2008 ^a / Apr.–Jun. 2007
CAPITAL AND FINANCIAL ACCOUNT	3,680	4,095	1,399	1,692	111.3	120.9
1. Capital account	-134	35	9	12	-	132.2
2. Financial account, excl. reserves	5,226	4,782	1,054	1,776	91.5	168.4
2.1. Direct investment	2,571	3,439	947	787	133.8	83.1
2.1.1. Abroad	-175	-180	-43	-147	103.2	-
2.1.2. In Croatia	2,745	3,619	990	934	131.8	94.4
2.2. Portfolio investment	-543	-3	36	-54	0.6	-
2.2.1. Assets	-472	-413	-329	53	87.4	-
2.2.2. Liabilities	-70	410	365	-107	-	-29.3
2.3. Financial derivatives	0	0	0	0	-	-
2.4. Other investment	3,198	1,346	71	1,042	42.1	1,468.3
2.4.1. Assets	-692	-1,653	-353	273	238.8	-77.5
2.4.2. Liabilities	3,891	3,000	424	769	77.1	181.6
3. Reserve assets (CNB)	-1,412	-722	336	-96	51.1	-28.5

^a Preliminary data.
Source: CNB.

Table 10: Composition of CNB Reserve Assets, end of period, in million EUR and %

	2005	2006	2007	Jul. 2008
Balance	7,438	8,725	9,307	9,789
Share				
1. Foreign currency reserves	7,337	8,163	8,911	8,953
1.1. Securities	3,603	4,198	4,773	6,491
1.2. Total currency and deposits with:	3,735	3,965	4,138	2,461
1.2.1. Other national central banks, BIS and IMF	407	199	191	181
1.2.2. Banks headquartered outside Croatia	3,327	3,767	3,948	2,280
2. IMF reserve position	0	0	0	0
3. SDRs	1	1	1	1
4. Gold	–	–	–	–
5. Reverse repo	100	562	395	835

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

Net foreign direct investment amounted to EUR 0.8bn in the second quarter of 2008, with non-resident investment in Croatia standing at EUR 0.9bn and resident investment abroad at EUR 0.1bn. The structure of non-resident investment in Croatia shows a significant increase in equity investment, the major part of which were the investment in Pliva d.d. (recapitalisation by a foreign owner) and in domestic banks (bank recapitalisation funds were somewhat higher in the second quarter of 2008 than in the same quarter in 2007). The amount of retained earnings was significant, especially in the banking industry. The analysis of investment by countries shows that two major investors in the reference period were Austria (bank recapitalisation) and the Netherlands (recapitalisation of Pliva d.d. through a Dutch branch of Barr Pharmaceuticals Inc.). Direct debt investment (i.e. the increase in debt obligations to affiliated enterprises abroad, excluding banks) also trended up in the reference period, but at a rate which was significantly lower than that in the same period in 2007.

The modest net outflow from the account of portfolio investment in the second quarter of 2008 is attributed to the decrease in liabilities of domestic sectors. This involves, above all, the repayment of Samurai bonds, worth JPY 25bn or about EUR 160m that were issued by the central government and matured in June 2008. Moreover, domestic sectors also decreased their assets, particularly foreign bonds in the

portfolios of domestic banks. In contrast, the investment of domestic investment funds in shares and equity holdings in foreign markets rose slightly after being on a downward trend in the last two quarters.

Other investment (loans, trade credits, currency and deposits) saw a net inflow of EUR 1bn in the second quarter of 2008. The reason for this was twofold: the fall in foreign assets of domestic sectors, caused primarily by the withdrawal of banks' currency and deposits, and the increase in liabilities of domestic sectors, the major portion of which was accounted for by enterprises and only a small share by the government.

According to the balance of payments data (cross-currency changes excluded), international reserves went up by EUR 0.1bn in the second quarter of 2008. This was exclusively the result of the repurchase of foreign currency obtained under PAL2. In contrast, the marginal reserve requirement contributed negatively to the growth of international reserves due to the decrease in banks' foreign liabilities in the second quarter of 2008. The marginal reserve requirement continued to decline substantially in the next two months, causing a EUR 0.1bn fall in international reserves. According to the monetary statistics data (cross-currency changes included), international reserves stood at EUR 9.8bn at the end of August, an increase of 5.7% compared with the end of 2007.

External Debt

Gross external debt grew by EUR 2.1bn or 6.4%³⁰ in the first eight months of 2008, reaching a total of EUR 35.4bn at end of August. The debt growth in the reference period was exclusively the result of the continued strong borrowing of enterprises abroad. However, it must be stressed that they have decreased their debt growth rate in the first eight months of 2008 compared with the same period in 2007. In contrast, banks and the government sector decreased their external debt levels in the reference period relative to the end of 2007.

The external debt of banks declined most in the first eight months of 2008 (EUR 1.1bn). Specifically, after a temporary increase in the first two months of 2008, banks continuously decreased their foreign liabilities in the following months, prompted, on the one hand, by the monetary policy measures

Table 11: Gross External Debt by Domestic Sectors, end of period, in million EUR and %

	2006	2007 ^a	2007 ^b	Aug. 2008	Structure		Indices	
					2007 ^b	Aug. 2008	2007 ^a /2006	Aug. 2008/2007 ^b
1. Government	6,668	6,663	6,729	6,708	20.3	19.0	99.9	99.7
2. Croatian National Bank (CNB)	3	2	2	2	0.0	0.0	91.4	83.5
3. Banks	10,223	8,879	8,888	7,820	26.8	22.1	86.9	88.0
4. Other sectors	9,503	13,452	13,711	16,263	41.3	46.0	141.6	118.6
5. Direct investment	2,878	3,933	3,893	4,573	11.7	12.9	136.6	117.5
o/w: Hybrid and subordinated instruments	167	56	56	217	0.2	0.6	33.5	387.0
Total (1 + 2 + 3 + 4 + 5)	29,274	32,929	33,224	35,366	100.0	100.0	112.5	106.4

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

³⁰ Relative to the balance at the end of 2007 calculated in accordance with the new system of reporting.

Table 12: Current and Contingent External Debt of the Public Sector and the Private Sector Debt, end of period, in million EUR and %

	2006	2007 ^a	2007 ^b	Aug. 2008	Structure		Indices	
					2007 ^b	Aug. 2008	2007 ^a /2006	Aug. 2008/2007 ^b
1. Public sector debt	8,257	9,259	9,408	9,763	28.3	27.6	112.1	103.8
2. Publicly guaranteed private sector debt	204	140	138	83	0.4	0.2	68.5	60.1
3. Non-publicly guaranteed private sector debt	20,813	23,530	23,678	25,520	71.3	72.2	113.1	107.8
Total (1 + 2 + 3)	29,274	32,929	33,224	35,366	100.0	100.0	112.5	106.4

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

aimed at moderating the level of foreign borrowings and, on the other hand, by the inflow of recapitalisation funds in the first part of the year and the strong seasonal inflow of foreign currency deposits in the summer months. This trend was observed in almost all debt instruments, exclusive of short-term loans. Accordingly, the external debt of banks reached EUR 7.8bn at the end of August, while its share in total external debt fell to 22.1%, down 4.6 percentage points over the end of 2007.

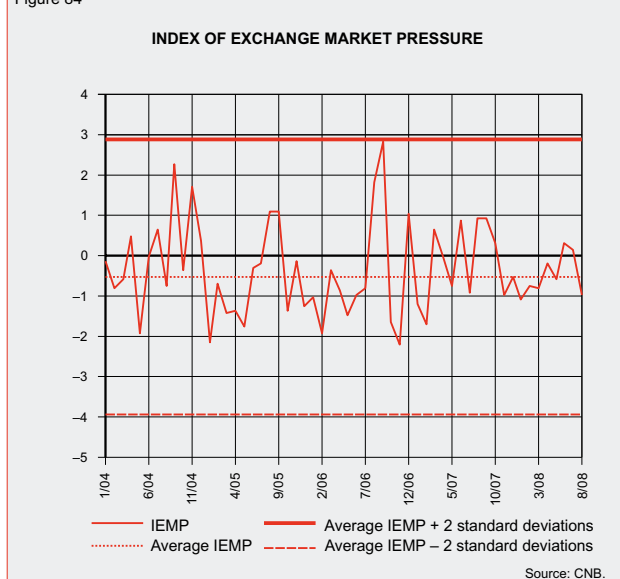
The external debt of the government sector (i.e. the central government, central government funds, CBRD and local government) continued to trend downward in the first eight months of 2008, declining by only EUR 21m relative to the end of 2007. The key contributors to this were the repayment of Samurai bonds, worth JPY 25bn or about EUR 160m, and the repayment of debt owed to the London and Paris club creditors, while new withdrawals largely resulted from the syndicated loan granted to the CBRD in May (EUR 230m) and the first tranche of PAL2 (EUR 100m). In line with this, the external debt of the government sector ended August at EUR 6.7bn, accounting for 19.0% of total external debt. In contrast, the external debt of the public sector (including the government sector, public enterprises and mixed enterprises) increased in the first eight months of 2008. However, its growth rate was significantly lower in the reference period than in the same period last year due to weaker growth in the external debt of public enterprises and mixed-ownership enterprises. The publicly guaranteed private sector debt (i.e. the contingent debt of the public sector) continued to trend down.

Unlike banks and the government sector, other sectors (mainly enterprises) continued to borrow intensively abroad in the first eight months of 2008. However, their debt growth rate was significantly lower in the first eight months of 2008 than in the same period last year. The external debt of this sector rose by EUR 2.6bn or 18.6% in the January-August period of 2008, while its growth rate in the same period last year stood at EUR 2.9bn or 30.0%. Other (mostly private-owned) enterprises were the only grouping that reported higher absolute growth of the external debt in the first eight months of 2008 than in the same period last year, while all other groupings within this sector reported the deceleration of external debt growth. The external debt of other sectors stood at EUR 16.3bn at the end of August, and its share in total external debt rose to 46%. Similarly, the debt arising from direct investment continued to grow robustly in the first eight months of 2008, though at a modestly decelerating rate. After increasing by EUR 0.7bn, direct debt investment reached EUR 4.6bn at the end of August and accounted for 12.9% of total external debt.

International Liquidity

The IEMP³¹ was slightly below its long-term average value in the second quarter of 2008, indicating no difficulties in the settlement of international payments. The major contributors to its mild decrease were the growth in international reserves and slight appreciation of the kuna/euro exchange rate. The value of the IEMP rose slightly by the end of August due to the decline in international reserves caused by smaller allocations of the marginal reserve requirement.

Figure 84



Government Finance

Fiscal Policy Features in the First Half of 2008

In the first half of 2008, fiscal developments were marked by strong growth of general government revenues. By contrast, the growth of government expenditures was more moderate, mainly as a result of low first-quarter growth and

³¹ IEMP is calculated as a weighted average of the monthly growth rate of the kuna/euro exchange rate (at end-period) and the monthly growth rate of gross international reserves (in euro terms), using standard deviations as weights. The value of the index above the critical level (plus two standard deviations) indicates potential difficulties in the settlement of international payments.

provisional financing applicable at the time which restricted government consumption. With government investment activity holding steady at last year's level, the first six months of 2008 recorded consolidated general government surplus and a small debt reduction.

Consolidated General Government Revenues

According to MoF data, consolidated general government revenues rose by 11.5% and reached HRK 66.8bn in the first six months of 2008. Their annual growth, which was somewhat slower than that in the same period 2007, was mainly fuelled by increased revenues from value added tax, social contributions and profit tax.

In absolute terms, tax revenues rose by HRK 4bn annually in the first half of 2008. Of this amount, two thirds can be attributed to an increase in indirect taxes. VAT collection in the first six months of the year generated HRK 20.4bn, which accounts for almost one third of total general government revenues. Compared with the same period previous year, the growth of this type of revenues accelerated from 11.2% to 13.4%. Such developments were largely due to accelerated inflation measured by the consumer price index and a slight acceleration in imports, given that the growth of personal consumption was significantly slower than in the first half of 2007. Revenues from excises which do not depend directly on price developments (except excises on cars) seem to confirm this view. They fell by 2.1% on an annual level during the observed period. Developments in this type of revenues were largely the result of a fall in revenues from excises on refined petroleum products, partly attributable to smaller demand caused by their rising prices and slower growth of domestic and foreign tourist arrivals.

Despite slower economic growth in the first half of 2008 compared with the same period previous year, the labour market continued to witness positive trends, such as those seen in increased employment and gross wages growth and a resultant noticeable growth in revenues from income tax and social contributions. Income tax collected generated HRK 5.1bn or 13.3% more than in the same period 2007. A noticeable increase was seen in revenues from social contributions which reached HRK 19.8bn, an increase of 9.7% compared with the first six months of 2007. The largest share of these strictly earmarked funds can be attributed to contributions for pension insurance, contributions for health insurance and, much less, to employment contributions.

Profit tax revenues generated HRK 6.2bn in the January to June period of this year, which is an increase of 17.2% compared with the previous year. This was a continuation of the high growth of this type of revenues which started in 2005, as a result of steady growth of pre-tax profit reported by Croatian entrepreneurs.

Consolidated General Government Expenditures

Expenditures of the consolidated general government reached HRK 60.9bn in the first half of 2008, which is an increase of 10.2% compared with the same period previous year. Their growth was particularly strong during the second

quarter, which can be explained by restricted government spending under the provisional financing scheme applied until the adoption of the 2008 budget in March. The largest contribution to annual expenditures growth was provided by expenditures on social benefits and compensation of employees, which jointly account for almost 70% of the budget on this level of government.

Expenditures on social benefits were HRK 43.7bn during the observed period, which is an increase of 9.1% compared with the same period previous year. Over two thirds of these expenditures can be attributed to social security benefits which comprise, among others, the bulk of pensions and health care expenditures. They grew by 8.7% annually, also as a result of payments of previous period arrears in health care and an increase in the number of pension beneficiaries and average pension paid. Expenditures on social assistance benefits, which include disability pensions, child's allowance, Croatian war veterans' permanent rights and compensatory supplement to the pension also rose significantly in the January to June period of 2008 and reached HRK 7.5bn.

Expenditures on the compensation of employees were HRK 16.4bn in 2008, which is an increase of 8.6% compared with the same period previous year. Wages and salaries of civil servants and employees accounted for the major share of this amount, while social contributions paid by central government units accounted for its smaller share. The increase in this type of expenditures is the result of an increase in the number of employees in the narrowly defined public administration and defence, education, health care and social welfare. Also, based on an agreement reached between the Government of the Republic of Croatia and the public services union to increase the base for the calculation of wages in the 2007-2009 period, the observed period saw an increase in gross wages in all the mentioned activities.

Expenditures on the use of goods and services (including the use of telephone, postal services, transport and energy and intellectual and personal services) were HRK 6.9bn in the first half of 2008. Compared with the same period previous year, the growth of this category of expenditures slowed down significantly, from 11.5% to 7.0%.

Expenditures on subsidies during the observed period were HRK 4.2bn, an increase of high 22.8% compared with the same period previous year. This acceleration is the result of further relatively large subsidies to public corporations and private enterprises. Subsidies to public corporations, with subsidies to Croatian Railways accounting for their large share, stood at HRK 1.7bn, while subsidies to private enterprises reached HRK 1.9bn.

Interest expense stood at HRK 3.3bn in the first half of 2008, their growth accelerating significantly compared with the previous year. The dynamics of this category of general government expenditures was influenced by increased interest rates on domestic and foreign financial markets, and changes in the structure of general government debt, i.e. greater reliance on longer-maturity instruments. A reduction in general government external debt notwithstanding, the amount of foreign interest paid held steady at its last year's level, while interest paid to domestic creditors rose sharply.

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

Revenues growth which outstripped expenditures growth in the first six months of 2008, led to a further increase in positive net operating balance compared with the previous year (HRK 5.9bn compared with HRK 4.6bn in the January to June period 2007). At the same time, investment activities of consolidated general government units rose only slightly, with their non-financial assets rising by HRK 4bn in the first half of the year. With net operating balance greatly exceeding public investment, net borrowing amounted to HRK 1.9bn during the observed period. A part of the surplus was used to finance due liabilities while the rest was deposited to government accounts with the banks and the CNB.

The acquisition of non-financial assets, which is largely indicative of developments in capital investments of the general government sector, amounted to HRK 4.7bn in the first half of 2008, which is an increase of 3.2% compared with the same period previous year. As infrastructure investments account for the major share of government investments, the largest share of funds was used for the acquisition of buildings and structures, categories which according to GFS 2001 methodology include residential buildings, office buildings, schools, hospitals, motorways, roads, bridges, tunnels, railways, etc. HRK 1.9bn were spent for the construction and renewal of road infrastructure by CM and CR, while HRK 1.7bn were spent by the local government.

Financial assets of the consolidated general government rose by HRK 2.6bn in the January to June period of 2008,

almost entirely as a result of domestic assets growth. Government deposits rose by HRK 3bn, while assets in the form of loans granted rose slightly. The sale of shares in state ownership had an opposite effect. According to available data, 4.2% of T-HT shares and 12.5% of shares of Petrokemija d.d. were sold to employees of these companies in June.

Government liabilities rose by HRK 0.7bn in the first half of 2008, fully due to an increase in domestic liabilities, in contrast with foreign liabilities which continued to fall.

Balance of the Consolidated General Government on a Cash Basis and Modified Accrual Basis

The consolidated general government surplus, exclusive of capital revenues (GFS 1986) on a cash basis stood at HRK 0.9bn in the January to June 2008 period, in contrast with its last year's deficit of HRK 0.3bn. Such developments can be fully attributed to a threefold increase in government budget surplus associated with a sharp increase in revenues. By contrast, the deficit of extrabudgetary users and units of local and regional self-government rose sharply due to a much slower growth of revenues compared with expenditures and acquisitions of non-financial assets.

Government Debt

As shown by CNB data, general government debt, exclusive of CBRD debt, stood at HRK 104.5bn at the end of June 2008. Compared with the end of 2007, general government debt fell by HRK 0.1bn, mainly due to a fall in the external

Table 13: Operating Balance and Transactions in Non-Financial Assets and Financial Assets and Liabilities, GFS 2001, in million HRK and %

	Consolidated general government		
	Jan.–Jun. 2007	Jan.–Jun. 2008	Jan.–Jun. 2008/Jan.–Jun. 2007
1. Change in net worth (net operating balance)	4,617.3	5,883.9	127
1.1. Revenue	59,914	66,825	112
1.2. Expense	55,297	60,942	110
2. Change in net non-financial assets	3,878.4	3,955.3	102
2.1. Acquisition of non-financial assets	4,504	4,650	103
2.2. Disposal of non-financial assets	626	695	111
3. Net lending (+) / borrowing (–) (1 – 2)	738.9	1,928.6	261
3. Financing (5 – 4) Transactions in financial assets and liabilities	–738.9	–1,928.6	261
4. Change in financial assets	1,386.2	2,604.9	188
4.1. Domestic	1,378	2,598	188
4.2. Foreign	8	7	89
5. Change in liabilities	647.3	676.2	104
5.1. Domestic	1,088	1,036	95
5.2. Foreign	–441	–360	82

Note: On a cash basis.
Source: MoF.

Table 14: Consolidated General Government Balance, on a cash basis, in million HRK

	Jan.–Jun. 2007	Jan.–Jun. 2008
1. Net lending (+) / borrowing (–) GFS 2001	739	1,929
2. Disposal of non-financial assets	626	695
3. Net acquisition of financial assets – loans	312	118
4. Acquisition of shares and other equity	134	212
5. Acquisition of securities other than shares	0	0
6. Acquisition of other accounts receivable	1	0
7. Balance without capital revenues, on a cash basis (1 – 2 – 3 – 4 – 5 – 6)	–334	904

Source: MoF.

Table 15: General Government Debt, end of period, in million HRK and %

	Stock				Change	
	Dec. 2006	Jun. 2007	Dec. 2007	Jun. 2008	Jan.–Jun. 2007	Jan.–Jun. 2008
A. General government debt (1+2)	102,725.3	104,535.8	104,629.6	104,483.1	1,810.6	-146.6
1. Domestic general government debt	61,078.1	63,869.8	64,794.3	66,123.2	2,791.8	1,328.9
1.1. Domestic debt of the Republic of Croatia	54,216.7	56,616.2	56,506.5	57,573.2	2,399.5	1,066.7
1.2. Domestic debt of central government funds	5,168.2	5,540.7	6,332.6	6,751.7	372.4	419.1
1.3. Domestic debt of local government	1,693.1	1,712.9	1,955.2	1,798.3	19.8	-156.9
2. External general government debt	41,647.2	40,666.0	39,835.4	38,359.9	-981.2	-1,475.5
2.1. External debt of the Republic of Croatia	32,556.6	31,219.2	29,408.8	27,498.3	-1,337.3	-1,910.5
2.2. External debt of central government funds	8,938.2	9,274.6	10,202.1	10,656.4	336.4	454.2
2.3. External debt of local government	152.5	172.2	224.4	205.3	19.7	-19.2
B. CBRD debt (1+2)	7,686.3	9,133.9	9,662.4	10,574.4	1,447.6	911.9
1. CBRD domestic debt	347.5	280.6	190.7	568.4	-67.0	377.7
2. CBRD external debt	7,338.8	8,853.3	9,471.7	10,005.9	1,514.6	534.3
Supplement:						
C. Total guarantees issued by the Republic of Croatia	14,188.2	14,992.1	17,418.5	17,518.5	803.9	100.0
1. Domestic	7,252.3	8,050.9	7,867.8	7,603.9	798.6	-263.8
2. Foreign	6,935.9	6,941.2	9,550.9	9,914.6	5.3	363.7

Source: CNB.

debt at the level of the Republic of Croatia. Appreciation of the exchange rate of the kuna against the currencies in which the bulk of the debt is denominated (euro, American dollar and yen) recorded during the observed period contributed to its fall in statistical terms. Contingent debt based on issued government guarantees for domestic and foreign liabilities rose by a moderate HRK 0.1bn, reaching HRK 17.5bn during the same period.

In light of consolidated general government surplus generated in the first six months of 2008 and the funds raised through disposals of non-financial assets, the government had to borrow mainly for the purpose of refinancing the liabilities that fell due during that period or bridging the usual short-term illiquidity. The share of the domestic component of the general government debt steadily increased during that period.

In addition to striving towards debt restructuring in terms of creditors' residence (domestic vs. external debt), the MoF is also attempting to increase the share of longer-term instruments in the structure of debt, most specifically bonds maturing in five and/or ten years, and to ensure equal dynamics of liabilities' maturities. However, due to insecurities on the international capital markets, the MoF has given up its issue of eurobonds planned under the budget and has instead agreed a syndicated foreign currency loan worth EUR 760m nominally with domestic banks. The loan falls due in 2010, with an option to extend principal repayments to 2013. To ensure sufficient liquidity of the banking system and avoid squeezing out of the private sector from the loan market, i.e. prevent further foreign borrowing of banks, the CNB lowered the rate of the minimum required foreign currency claims from 32% to 28.5%. The funds made available to the MoF under this

loan will be withdrawn in tranches, and have been or will be used largely to refinance the liabilities due (JPY 25bn worth of Samurai bonds which fell due in June, EUR 200m worth of bonds issued on the domestic market which fall due in December and EUR 200m worth of short-term foreign currency loan that a domestic bank syndicate granted to the government in early March this year), but also to close the planned deficit in the second half of the year. In addition to Samurai bonds, the obligations falling due in the first six months of the year include a five-year HRK 1bn bond issued on the domestic market and this year's first payment obligations under the London and Paris Clubs.

In the January to June period, central government funds borrowed exclusively on the basis of bank loans. Their total debt at end-June reached HRK 17.4bn, of which almost two thirds can be attributed to external debt. Compared with the end of the previous year, their debt rose by HRK 0.9bn, as a result of new foreign borrowing of CM and domestic borrowing of CR and CPF.

CBRD debt rose by HRK 0.9bn in the first six months of 2008, reaching HRK 10.6bn at end-June. In the last several years, CBRD ensured the bulk of the funds needed to finance its credit programmes through foreign bond issues. However, due to unfavourable developments in the international capital markets, there were no new issues during the observed period so that the recorded increase in its debt stock can be fully ascribed to growing loan liabilities. In June, CBRD and a syndicate of twenty foreign banks concluded an agreement on a syndicated loan of EUR 230m, and the same month recorded a significant increase in CBRD debt associated with domestic banks' loans.

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, and the subsector central government funds included 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
1994	December	4,714.2	6,642.6	6,996.7	17,679.9	16,540.1	27,661.5	11.73	2.20	3.83	2.26	11.84	3.45
1995	December	6,744.1	8,234.9	8,503.2	24,623.0	21,576.3	32,819.5	2.97	0.89	1.54	3.41	1.00	1.88
1996	December	8,770.4	11,368.9	11,494.9	36,701.1	24,960.4	33,831.2	11.35	7.83	7.67	4.88	-5.41	-11.61
1997	December	10,346.1	13,731.4	13,848.8	50,742.0	33,829.0	48,863.4	7.86	3.93	3.85	2.16	4.98	4.96
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25
1999	December ^a	10,310.0	13,858.9	13,965.7	56,659.3	40,003.8	55,875.8	4.53	5.46	5.48	2.28	0.35	-4.58
2000	December	11,717.3	18,030.3	18,256.4	73,061.1	44,043.9	60,883.8	7.32	10.04	9.89	3.66	10.46	2.66
2001	December	17,803.2	23,703.5	23,936.5	106,071.4	57,410.0	74,964.5	8.01	13.00	11.96	11.65	3.40	1.16
2002	December	23,027.9	30,869.8	31,876.7	116,141.8	83,324.4	97,463.7	10.72	6.11	6.79	1.65	7.92	2.15
2003	December	30,586.2	33,888.7	34,630.9	128,893.1	96,121.7	111,661.4	8.90	1.78	1.93	0.14	3.11	0.66
2004	December	33,924.4	34,562.1	35,186.5	139,947.7	108,205.1	127,308.6	8.69	2.86	2.68	0.23	2.15	1.99
2005	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	September	50,941.0	49,909.0	50,584.4	197,707.5	152,725.9	202,290.3	4.41	-7.12	-7.23	-4.67	-6.46	0.94
	October	48,280.0	53,183.8	53,952.0	204,409.6	158,467.2	204,273.4	-5.22	6.56	6.66	3.39	3.76	0.98
	November	50,055.2	54,237.8	55,022.9	207,629.0	160,693.7	205,380.1	3.68	1.98	1.98	1.57	1.41	0.54
	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	January	47,405.3	52,247.9	53,025.1	208,400.5	164,016.4	209,357.2	-8.70	-9.73	-9.61	-3.44	-1.42	-0.70
	February	49,095.1	51,224.9	51,909.7	209,602.6	165,568.9	211,926.6	3.56	-1.96	-2.10	0.58	0.95	1.23
	March	49,977.8	52,807.2	53,387.0	211,620.2	168,073.0	215,026.9	1.80	3.09	2.85	0.96	1.51	1.46
	April	49,011.4	52,720.0	53,290.5	212,882.5	168,815.9	216,245.9	-1.93	-0.17	-0.18	0.60	0.44	0.57
	May	51,169.9	53,193.2	53,789.3	212,929.3	168,417.3	217,536.4	4.40	0.90	0.94	0.02	-0.24	0.60
	June	51,173.5	54,400.5	55,022.9	216,046.6	170,686.6	220,228.6	0.01	2.27	2.29	1.46	1.35	1.24
	July	50,631.4	55,452.9	56,207.8	221,249.4	171,529.8	221,589.9	-1.06	1.93	2.15	2.41	0.49	0.62
	August	52,228.3	55,652.7	56,462.4	226,435.4	171,626.0	222,951.4	3.15	0.36	0.45	2.34	0.06	0.61

^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 4,055.8m. 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

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
ASSETS										
1. Foreign assets (net)	32,817.4	32,771.4	31,742.6	23,303.8	27,614.5	49,446.5	43,547.2	45,360.0	49,719.6	54,809.4
2. Domestic credit	112,518.9	126,372.0	141,278.1	168,427.7	200,328.9	226,076.1	231,039.6	234,626.1	235,855.3	237,539.4
2.1. Claims on central government and funds (net)	15,055.2	14,710.6	13,969.6	19,259.4	16,949.4	15,247.7	16,012.7	14,397.5	14,265.5	14,588.0
2.2. Claims on other domestic sectors	96,329.0	110,467.8	125,790.7	147,414.3	181,031.9	207,398.7	213,428.2	218,495.7	219,932.4	221,150.7
2.3. Claims on other banking institutions	219.5	431.8	624.0	592.2	1,029.5	1,640.0	657.6	691.5	554.3	702.5
2.4. Claims on non-banking financial institutions	915.3	761.8	893.9	1,161.8	1,318.1	1,789.7	941.1	1,041.4	1,103.1	1,098.1
Total (1+2)	145,336.3	159,143.4	173,020.7	191,731.5	227,943.3	275,522.6	274,586.8	279,986.1	285,575.0	292,348.8
LIABILITIES										
1. Money	30,869.8	33,888.7	34,562.1	38,817.1	48,521.0	57,878.3	52,807.2	54,400.5	55,452.9	55,652.7
2. Savings and time deposits	13,001.1	18,370.7	22,479.2	27,992.1	44,836.8	53,644.9	53,120.9	52,001.2	52,990.8	54,223.1
3. Foreign currency deposits	72,054.6	76,035.3	81,742.9	86,760.8	88,256.7	103,090.1	104,760.9	108,678.4	111,967.5	115,547.7
4. Bonds and money market instruments	216.3	598.4	1,163.5	1,077.0	844.1	1,208.8	931.1	966.5	838.2	1,011.9
5. Restricted and blocked deposits	1,729.5	1,721.6	2,067.0	2,092.3	2,504.5	2,280.9	2,388.8	2,890.2	2,982.0	3,491.9
6. Other items (net)	27,465.1	28,528.7	31,006.1	34,992.2	42,980.2	57,419.6	60,577.8	61,049.3	61,343.6	62,421.5
Total (1+2+3+4+5+6)	145,336.3	159,143.4	173,020.7	191,731.5	227,943.3	275,522.6	274,586.8	279,986.1	285,575.0	292,348.8

Table B1: Monetary Survey

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

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

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

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

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

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

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

Year	Month	Total number of reporting banks	Reporting banks classified according to their total assets						Total number of reporting savings banks	Savings banks classified according to their total assets		
			Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over		Less than 10 million kuna	10 million kuna to less than 100 million kuna	100 million kuna and over
1	2	3	4	5	6	7	8	9	10	11	12	13
1994	December	50	13	21	6	6	2	2	33	22	9	2
1995	December	53	15	20	7	7	2	2	21	7	13	1
1996	December	57	10	26	6	9	4	2	22	10	11	1
1997	December	60	4	28	9	8	9	2	33	12	18	3
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	December	46	4	13	7	9	8	5	10	3	5	2
2003	December	42	2	13	8	5	8	6	7	3	2	2
2004	December	39	1	12	9	6	5	6	6	3	3	–
2005	December	36	1	10	6	8	5	6	3	2	1	–
2006	December	35	2	6	5	10	4	8	3	2	1	–
2007	September	35	2	5	5	9	5	9	2	1	1	–
	October	35	2	6	3	10	5	9	2	1	1	–
	November	35	2	5	4	10	5	9	2	1	1	–
	December	35	2	5	2	12	5	9	2	1	1	–
2008	January	35	2	5	3	11	5	9	2	1	1	–
	February	35	2	5	4	10	5	9	2	1	1	–
	March	35	2	5	3	11	5	9	2	1	1	–
	April	35	2	5	3	11	5	9	2	1	1	–
	May	35	2	5	3	11	5	9	2	1	1	–
	June	35	2	5	3	11	5	9	2	1	1	–
	July	35	2	5	3	10	6	9	2	1	1	–
	August	36	2	7	2	10	6	9	2	1	1	–

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

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
ASSETS										
1. Foreign assets	42,058.8	50,118.6	49,373.4	54,862.5	64,088.2	68,177.8	71,417.7	72,036.6	70,686.3	70,469.3
1.1. Gold	–	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	17.4	5.0	4.8	6.3	5.3	5.6	8.3	6.0	7.1	4.7
1.3. Reserve position in the IMF	1.6	1.5	1.4	1.4	1.3	1.3	1.2	1.2	1.2	1.2
1.4. Currency and demand deposits with foreign banks	6.4	5.8	5.7	7.7	7.2	7.2	9.3	8.9	9.2	9.1
1.5. Time deposits with foreign banks	28,183.2	25,580.7	24,337.7	28,274.1	33,243.0	33,204.4	35,943.9	25,421.8	23,793.3	24,138.5
1.6. Securities in f/c	13,850.0	24,525.5	25,023.7	26,573.0	30,831.2	34,959.3	35,454.9	46,598.6	46,875.5	46,315.8
1.7. Non-convertible foreign exchange	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	0.5	1.4	3.3	1.4	0.9	–	–	1.0	–	0.9
2.1. Claims in kuna	0.5	1.4	3.3	1.4	0.9	–	–	1.0	–	0.9
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	110.6	93.6	82.9	73.4	64.0	67.9	67.8	65.3	65.2	65.2
4. Claims on banks	17.9	972.0	408.9	4,215.6	3,911.5	4,178.3	1,538.0	1,666.5	953.0	2,570.2
4.1. Credits to banks	17.6	968.9	408.9	4,215.6	3,911.5	4,178.3	1,538.0	1,666.5	953.0	2,556.4
Lombard credits	–	954.4	–	–	–	1,349.1	–	–	–	–
Short-term liquidity credits	–	–	–	–	–	–	–	–	–	–
Other credits	17.6	14.5	15.0	14.5	14.5	14.7	14.4	14.1	14.0	13.8
Reverse repo transactions	–	–	394.0	4,201.1	3,897.0	2,814.5	1,523.6	1,652.4	939.0	2,542.6
4.2. Overdue claims	0.3	3.1	–	–	–	–	–	–	–	13.8
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	42,187.7	51,185.6	49,868.5	59,153.0	68,064.6	72,424.1	73,023.5	73,769.3	71,704.6	73,105.7
LIABILITIES										
1. Reserve money	23,027.9	30,586.2	33,924.4	40,390.8	46,331.2	51,923.9	49,977.8	51,173.5	50,631.4	52,228.3
1.1. Currency outside banks	9,680.9	10,573.1	10,955.6	12,163.8	14,609.3	16,007.5	15,336.6	16,908.8	17,586.9	17,568.0
1.2. Banks' cash in vaults	1,214.8	1,683.2	1,871.0	2,210.7	2,698.0	3,305.8	2,959.3	3,340.4	3,276.2	3,323.2
1.3. Banks' deposits	12,109.4	18,329.3	21,082.6	26,016.3	29,023.9	32,610.6	31,681.9	30,924.4	29,768.4	31,337.0
Settlement accounts	3,923.4	5,616.0	6,408.2	8,411.1	8,535.7	7,553.9	8,913.8	7,508.6	6,577.7	7,996.5
Statutory reserves	8,186.0	12,603.9	14,674.4	17,605.2	20,478.2	22,275.6	22,623.7	22,981.1	22,753.5	22,894.7
CNB bills on obligatory basis	–	109.4	–	–	–	1,991.1	0.3	434.7	437.1	445.8
Overnight deposits	–	–	–	–	10.0	790.0	144.0	–	–	–
1.4. Deposits of other banking institutions	19.1	–	–	–	–	–	–	–	–	–
1.5. Deposits of other domestic sectors ^b	3.5	0.6	15.1	–	–	–	–	–	–	–
2. Restricted and blocked deposits	7,091.2	6,699.2	10,777.1	13,551.8	16,633.5	14,286.0	17,056.6	16,890.8	15,253.9	14,652.0
2.1. Statutory reserve in f/c	7,042.3	6,686.6	10,764.7	13,495.9	16,576.7	14,257.5	17,001.4	16,829.1	15,197.7	14,597.3
2.2. Restricted deposits	49.0	12.6	12.4	55.9	56.9	28.6	55.2	61.7	56.2	54.7
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	195.7	2,798.0	18.1	18.9	18.9	17.2	12.6	14.7	14.8	14.1
3.1. Use of IMF credit	2.8	0.0	–	–	–	–	–	–	–	–
3.2. Liabilities to international organisations	12.6	19.6	18.1	18.9	18.9	17.2	12.6	14.7	14.7	14.1
3.3. Liabilities to foreign banks ^a	180.2	2,778.5	–	–	–	–	–	0.1	0.0	–
4. Central government and funds' deposits	768.1	1,551.1	263.2	332.2	188.0	199.1	307.7	596.7	463.2	513.0
4.1. Demand deposits	608.3	600.2	228.0	319.0	174.5	125.8	266.1	576.3	450.4	500.2
Central government demand deposits	569.5	548.5	123.0	246.3	138.6	100.3	120.4	130.9	102.9	94.4
Central government funds' demand deposits	38.7	51.7	105.0	72.7	35.9	25.4	145.6	445.4	347.6	405.8
4.2. Central government f/c deposits	–	950.9	35.2	13.2	13.5	73.3	41.6	20.4	12.8	12.8
4.3. CNB bills	159.9	–	–	–	–	–	–	–	–	–
5. CNB bills	6,212.4	4,920.2	–	–	–	–	–	–	–	–
5.1. CNB bills in kuna	4,986.2	–	–	–	–	–	–	–	–	–
5.2. CNB bills in f/c	1,226.3	4,920.2	–	–	–	–	–	–	–	–
6. Capital accounts	5,353.5	5,039.0	5,096.5	5,357.4	5,408.8	6,674.8	6,250.5	5,788.1	6,034.8	6,388.9
7. Other items (net)	–461.1	–408.1	–210.8	–498.2	–515.8	–676.9	–581.7	–694.5	–693.5	–690.5
Total (1+2+3+4+5+6+7)	42,187.7	51,185.6	49,868.5	59,153.0	68,064.6	72,424.1	73,023.5	73,769.3	71,704.6	73,105.7

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

Table C1: Monetary Authorities Accounts

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

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

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

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
ASSETS										
1. Reserves with the CNB	20,373.5	26,783.7	33,718.2	41,775.2	48,384.7	50,178.9	51,640.1	51,102.5	48,246.7	49,246.9
1.1. In kuna	13,340.0	20,103.4	22,962.9	28,283.1	31,814.1	35,929.1	34,645.7	34,279.1	33,056.1	34,655.0
1.2. In f/c	7,033.5	6,680.2	10,755.3	13,492.1	16,570.6	14,249.8	16,994.4	16,823.4	15,190.6	14,591.8
2. Foreign assets	25,977.8	35,382.9	43,551.0	35,572.5	39,621.2	46,438.5	41,544.2	37,562.2	40,669.6	41,684.1
3. Claims on central government and funds	21,917.7	21,543.6	21,051.3	28,877.2	27,936.8	28,971.5	29,984.5	30,658.5	31,048.2	30,859.8
4. Claims on other domestic sectors	96,218.4	110,374.3	125,707.9	147,340.9	180,967.8	207,330.7	213,360.3	218,430.4	219,867.2	221,085.5
4.1. Claims on local government	1,422.4	1,563.1	1,787.9	1,767.2	1,892.0	2,140.8	2,029.2	2,022.3	1,990.9	2,012.8
4.2. Claims on enterprises	51,723.4	53,809.8	58,643.3	67,017.9	83,386.5	92,265.1	94,325.3	96,311.7	97,521.1	98,191.1
4.3. Claims on households	43,072.6	55,001.4	65,276.7	78,555.7	95,689.3	112,924.9	117,005.8	120,096.3	120,355.1	120,881.6
5. Claims on other banking institutions	219.5	431.8	624.0	592.2	1,029.5	1,640.0	657.6	691.5	554.3	702.5
6. Claims on non-banking financial institutions	915.3	761.8	893.9	1,161.8	1,318.1	1,789.7	941.1	1,041.4	1,103.1	1,098.1
Total (1+2+3+4+5+6)	165,622.2	195,278.0	225,546.2	255,319.8	299,258.1	336,349.4	338,127.9	339,486.6	341,489.1	344,676.9
LIABILITIES										
1. Demand deposits	21,166.2	23,315.0	23,591.3	26,653.3	33,911.7	41,870.8	37,470.7	37,491.7	37,866.1	38,084.7
2. Savings and time deposits	13,001.1	18,370.7	22,479.2	27,992.1	44,836.8	53,644.9	53,120.9	52,001.2	52,990.8	54,223.1
3. Foreign currency deposits	72,054.6	76,035.3	81,742.9	86,760.8	88,256.7	103,090.1	104,760.9	108,678.4	111,967.5	115,547.7
4. Bonds and money market instruments	216.3	598.4	1,163.5	1,077.0	844.1	1,208.8	931.1	966.5	838.2	1,011.9
5. Foreign liabilities	35,023.5	49,932.0	61,163.7	67,112.3	76,076.0	65,152.6	69,402.1	64,224.1	61,621.5	57,330.0
6. Central government and funds' deposits	6,094.9	5,283.3	6,821.8	9,287.0	10,800.4	13,525.8	13,664.1	15,665.3	16,319.5	15,759.7
7. Credit from central bank	17.6	968.9	408.9	4,215.6	3,911.4	4,178.3	1,538.0	1,666.5	953.1	2,556.4
8. Restricted and blocked deposits	1,680.5	1,709.0	2,054.6	2,036.4	2,447.6	2,252.3	2,333.7	2,828.5	2,925.8	3,437.2
9. Capital accounts	26,323.2	27,389.5	28,666.4	32,665.7	40,805.1	53,178.9	56,451.5	57,883.3	58,394.6	58,851.9
10. Other items (net)	-9,955.6	-8,324.2	-2,546.3	-2,480.4	-2,631.7	-1,753.2	-1,545.1	-1,918.9	-2,387.9	-2,125.7
Total (1+2+3+4+5+6+7+8+9+10)	165,622.2	195,278.0	225,546.2	255,319.8	299,258.1	336,349.4	338,127.9	339,486.6	341,489.1	344,676.9

Table D1: Banks' Accounts

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

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

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

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

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

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

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

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

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

Foreign currency deposits are foreign currency sight deposits as

well as foreign currency time and notice deposits.

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

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

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

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

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

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

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

Tables: D2 – D12

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

Table D2: Banks' Foreign Assets

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Foreign assets in f/c	25,924.4	35,261.9	43,428.1	35,457.9	39,454.5	45,837.2	40,997.4	37,071.2	40,167.7	41,099.8
1.1. Claims on foreign financial institutions	21,333.5	31,877.6	35,911.0	27,228.5	30,404.1	37,824.9	33,070.0	29,468.5	33,213.5	34,181.6
Foreign currencies	1,019.8	1,268.6	1,190.0	1,136.1	1,232.1	1,245.5	1,254.3	1,571.4	1,648.7	1,505.4
Demand deposits	757.7	1,057.0	906.2	860.2	870.1	1,305.2	879.0	930.6	875.9	839.9
Time and notice deposits	17,569.8	27,969.4	30,943.7	20,874.6	23,509.4	31,726.1	27,877.8	24,390.6	27,996.5	29,205.3
Securities	1,690.2	1,364.2	2,674.1	4,197.0	4,441.5	3,210.4	2,739.2	2,221.2	2,341.5	2,278.5
Loans and advances	278.7	203.1	189.0	152.9	339.2	195.9	179.0	182.8	182.1	182.7
Shares and participations	17.2	15.4	8.1	7.8	11.8	141.9	140.7	171.8	168.7	169.8
1.2. Claims on foreign non-banks	4,590.8	3,384.4	7,517.1	8,229.4	9,050.4	8,012.3	7,927.3	7,602.8	6,954.2	6,918.2
Claims on foreign governments	3,855.5	2,905.0	7,066.6	7,735.7	8,217.0	6,696.1	6,436.7	6,042.8	5,443.8	5,391.7
Claims on other non-residents	733.7	478.9	450.2	493.1	798.1	1,295.2	1,448.1	1,460.6	1,416.4	1,428.4
Securities	191.3	32.1	77.4	68.0	141.5	180.9	193.7	245.2	220.9	207.1
Loans and advances	542.4	446.8	372.8	425.2	656.6	1,114.3	1,254.5	1,215.4	1,195.5	1,221.3
Shares and participations	1.6	0.4	0.3	0.5	35.3	20.9	42.4	99.4	94.0	98.1
2. Foreign assets in kuna	53.4	120.9	122.9	114.6	166.7	601.3	546.8	491.0	501.9	584.4
2.1. Claims on foreign financial institutions	19.6	99.1	77.8	71.3	96.9	408.1	327.7	240.7	281.6	294.0
2.2. Claims on foreign non-banks	33.8	21.9	45.1	43.4	69.8	193.3	219.2	250.3	220.3	290.3
o/w: Loans and advances	33.0	21.0	44.3	42.6	69.2	192.7	218.6	249.7	219.7	289.7
Total (1+2)	25,977.8	35,382.9	43,551.0	35,572.5	39,621.2	46,438.5	41,544.2	37,562.2	40,669.6	41,684.1

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

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. In kuna	18,444.4	18,007.1	16,270.2	20,532.7	22,703.0	24,081.8	24,396.2	22,801.0	22,488.0	22,047.8
1.1. Claims on central government	16,443.4	16,032.6	14,465.6	17,352.6	18,361.2	19,057.3	19,160.9	17,267.0	17,382.6	17,011.2
Securities	13,989.1	11,770.0	11,779.1	16,037.7	14,546.7	16,099.8	15,258.8	14,547.8	14,659.9	14,195.8
o/w: Bonds (c/part to f/c savings deposits)	2,473.5	1,531.9	532.0	20.6	8.3	6.4	5.3	5.5	7.0	6.8
Loans and advances	2,454.3	4,262.6	2,686.5	1,314.9	3,814.5	2,957.5	3,902.1	2,719.2	2,722.8	2,815.4
1.2. Claims on central government funds	2,001.0	1,974.5	1,804.6	3,180.1	4,341.9	5,024.5	5,235.2	5,534.0	5,105.4	5,036.6
Securities	560.7	723.6	621.1	–	–	–	–	4.2	10.3	6.1
Loans and advances	1,440.3	1,250.9	1,183.5	3,180.1	4,341.9	5,024.5	5,235.2	5,529.7	5,095.1	5,030.5
2. In f/c	3,473.3	3,536.4	4,781.1	8,344.5	5,233.8	4,889.7	5,588.3	7,857.5	8,560.3	8,812.0
2.1. Claims on central government	2,359.1	3,196.9	3,548.4	7,241.0	4,624.4	4,388.6	5,128.9	7,047.1	7,526.5	7,784.9
Securities	1,733.4	1,805.4	1,117.0	1,248.1	429.0	268.4	227.7	209.3	202.0	203.0
Loans and advances	625.7	1,391.5	2,431.3	5,992.8	4,195.4	4,120.1	4,901.2	6,837.8	7,324.5	7,581.8
2.2. Claims on central government funds	1,114.2	339.5	1,232.8	1,103.5	609.4	501.2	459.4	810.4	1,033.7	1,027.1
Securities	195.0	96.4	163.1	144.2	109.2	82.1	65.8	63.7	63.9	64.1
Loans and advances	919.2	243.1	1,069.7	959.3	500.2	419.1	393.7	746.6	969.8	963.1
Total (1+2)	21,917.7	21,543.6	21,051.3	28,877.2	27,936.8	28,971.5	29,984.5	30,658.5	31,048.2	30,859.8

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

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

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

Table D4: Banks' Claims on Other Domestic Sectors

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Claims in kuna	85,418.7	100,365.0	114,635.7	133,603.5	166,755.1	194,476.7	200,365.0	205,478.4	207,110.4	208,122.1
1.1. Money market instruments	1,394.7	1,314.1	2,510.0	2,329.9	1,980.7	2,147.4	2,384.7	2,440.1	2,446.5	2,353.4
1.2. Bonds	72.4	56.2	559.8	361.6	1,088.8	1,366.0	1,575.2	1,388.8	1,356.6	1,446.2
1.3. Loans and advances	80,887.6	96,081.7	109,523.9	128,882.3	161,694.2	188,462.5	194,078.4	199,333.3	200,936.9	201,968.3
1.4. Shares and participations	3,064.0	2,912.9	2,042.0	2,029.6	1,991.4	2,500.8	2,326.8	2,316.3	2,370.4	2,354.2
2. Claims in f/c	10,799.8	10,009.3	11,072.2	13,737.4	14,212.8	12,854.0	12,995.3	12,952.0	12,756.8	12,963.4
2.1. Securities	243.2	130.6	213.5	307.6	221.1	249.2	180.6	164.5	107.2	108.6
2.2. Loans and advances	10,556.6	9,878.7	10,858.6	13,429.8	13,991.6	12,604.9	12,814.7	12,787.6	12,649.7	12,854.8
Total (1+2)	96,218.4	110,374.3	125,707.9	147,340.9	180,967.8	207,330.7	213,360.3	218,430.4	219,867.2	221,085.5

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

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
LOANS IN KUNA										
1. Loans to central government and funds	3,894.6	5,513.5	3,870.0	4,495.0	8,156.4	7,982.0	9,137.3	8,248.9	7,817.9	7,846.0
1.1. Loans to central government	2,454.3	4,262.6	2,686.5	1,314.9	3,814.5	2,957.5	3,902.1	2,719.2	2,722.8	2,815.4
1.2. Loans to central government funds	1,440.3	1,250.9	1,183.5	3,180.1	4,341.9	5,024.5	5,235.2	5,529.7	5,095.1	5,030.5
2. Loans to local government	1,202.9	1,485.1	1,701.9	1,613.9	1,720.3	1,867.5	1,776.6	1,737.8	1,709.2	1,732.1
3. Loans to enterprises	36,708.1	39,777.4	42,844.7	49,105.9	64,666.3	74,001.7	75,635.8	77,841.2	79,202.9	79,696.9
4. Loans to households	42,976.6	54,819.3	64,977.2	78,162.4	95,307.6	112,593.3	116,666.0	119,754.3	120,024.8	120,539.3
o/w: Housing loans	12,363.4	16,896.2	21,397.9	27,571.1	36,927.3	45,218.6	47,476.4	48,271.9	48,205.4	48,455.6
5. Loans to other banking institutions	17.6	82.3	154.5	46.5	304.4	213.6	95.2	177.6	63.7	172.7
6. Loans to non-banking financial institutions	521.3	427.9	558.0	591.8	854.4	947.6	654.5	736.8	825.4	787.0
A. Total (1+2+3+4+5+6)	85,321.1	102,105.4	114,106.4	134,015.6	171,009.4	197,605.7	203,965.4	208,496.7	209,643.9	210,774.0
LOANS IN F/C										
1. Loans to central government and funds	1,544.9	1,634.7	3,501.0	6,952.1	4,695.6	4,539.2	5,294.8	7,584.4	8,294.4	8,544.9
1.1. Loans to central government	625.7	1,391.5	2,431.3	5,992.8	4,195.4	4,120.1	4,901.2	6,837.8	7,324.5	7,581.8
1.2. Loans to central government funds	919.2	243.1	1,069.7	959.3	500.2	419.1	393.7	746.6	969.8	963.1
2. Loans to local government	152.3	47.1	31.9	63.0	11.3	8.7	7.4	7.4	6.1	6.1
3. Loans to enterprises	10,308.3	9,649.4	10,527.3	12,973.5	13,598.5	12,264.5	12,467.5	12,438.2	12,313.2	12,506.4
4. Loans to households	96.0	182.1	299.5	393.3	381.8	331.6	339.8	342.0	330.3	342.3
5. Loans to other banking institutions	1.2	174.3	52.9	19.9	68.1	74.0	0.0	48.0	17.3	27.2
6. Loans to non-banking financial institutions	28.3	58.8	255.3	512.3	360.5	668.0	104.4	105.4	86.3	122.5
B. Total (1+2+3+4+5+6)	12,131.0	11,746.4	14,667.8	20,914.1	19,115.9	17,886.0	18,214.0	20,525.4	21,047.7	21,549.4
TOTAL (A+B)	97,452.1	113,851.8	128,774.2	154,929.7	190,125.3	215,491.7	222,179.4	229,022.1	230,691.5	232,323.4

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

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Local government	1,910.4	2,006.2	2,020.7	1,688.7	1,803.8	2,689.4	1,974.4	1,776.0	1,812.0	2,106.6
2. Enterprises	12,344.5	12,872.9	12,036.9	13,344.2	16,668.6	19,599.3	16,179.8	15,914.6	16,576.5	16,393.9
3. Households	6,307.4	7,873.1	8,773.0	10,728.3	14,257.8	17,896.7	17,418.4	17,904.5	18,089.0	18,054.9
4. Other banking institutions	42.1	98.9	245.4	322.1	485.1	481.1	556.9	426.5	316.2	402.9
5. Non-banking financial institutions	568.1	468.1	517.5	571.3	697.6	1,205.2	1,342.1	1,472.6	1,073.3	1,127.2
6. Less: Checks of other banks and checks in collection	-6.4	-4.2	-2.2	-1.3	-1.2	-0.9	-0.9	-2.5	-0.9	-0.8
Total (1+2+3+4+5+6)	21,166.2	23,315.0	23,591.3	26,653.3	33,911.7	41,870.8	37,470.7	37,491.7	37,866.1	38,084.7

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

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Savings deposits	2,236.2	2,527.9	2,233.9	2,493.6	2,905.6	3,086.1	3,022.1	2,983.3	2,937.3	2,959.5
1.1. Local government	14.8	14.4	4.6	2.7	2.8	2.5	2.4	2.0	1.9	1.5
1.2. Enterprises	213.3	190.5	38.8	101.6	110.3	154.7	158.7	139.3	131.7	137.6
1.3. Households	1,996.3	2,288.8	2,190.5	2,388.3	2,792.4	2,929.0	2,860.9	2,838.0	2,799.7	2,816.4
1.4. Other banking institutions	0.0	–	–	–	–	–	–	4.0	4.0	4.0
1.5. Non-banking financial institutions	11.8	34.2	0.0	1.0	0.0	–	–	–	–	–
2. Time and notice deposits	10,764.9	15,842.9	20,245.4	25,498.4	41,931.3	50,558.8	50,098.8	49,017.9	50,053.5	51,263.7
2.1. Local government	482.8	551.6	550.8	508.7	491.8	549.5	1,336.8	1,534.6	1,676.2	1,746.5
2.2. Enterprises	4,633.6	7,165.3	8,698.5	8,222.5	14,715.4	18,414.8	16,543.1	13,987.1	14,727.1	15,557.7
2.3. Households	3,793.8	6,194.5	9,321.4	13,254.9	20,755.0	20,479.1	22,779.2	23,412.0	23,452.5	23,486.6
2.4. Other banking institutions	58.4	129.3	215.9	931.9	2,697.9	6,386.5	4,537.5	3,983.3	4,154.6	4,461.5
2.5. Non-banking financial institutions	1,796.3	1,802.2	1,458.8	2,580.4	3,271.3	4,728.9	4,902.2	6,100.9	6,043.1	6,011.3
Total (1+2)	13,001.1	18,370.7	22,479.2	27,992.1	44,836.8	53,644.9	53,120.9	52,001.2	52,990.8	54,223.1

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

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Savings deposits	21,074.4	21,547.0	22,144.6	22,641.0	22,698.6	22,845.0	22,321.8	22,797.1	22,564.7	23,410.4
1.1. Local government	12.2	14.7	15.6	11.9	30.8	27.5	9.8	26.1	12.9	11.6
1.2. Enterprises	3,346.7	3,620.2	4,273.2	4,408.3	4,589.7	5,543.6	5,326.3	5,896.7	5,413.1	5,601.6
1.3. Households	17,537.3	17,690.2	17,708.9	17,933.6	17,609.9	16,720.8	16,139.1	16,265.5	16,667.6	17,267.6
1.4. Other banking institutions	34.7	9.0	15.4	116.0	276.7	251.7	355.8	224.0	286.7	208.9
1.5. Non-banking financial institutions	143.5	212.9	131.6	171.3	191.4	301.5	490.8	384.9	184.2	320.8
2. Time deposits	50,980.3	54,488.4	59,598.3	64,119.7	65,558.1	80,245.1	82,439.1	85,881.3	89,402.9	92,137.3
2.1. Local government	9.5	3.8	0.3	3.2	1.9	2.1	1.9	2.0	2.0	2.1
2.2. Enterprises	6,009.6	7,154.0	8,518.6	8,154.2	7,086.2	10,391.9	9,597.6	9,959.0	10,694.9	11,476.4
2.3. Households	44,159.2	46,805.1	50,636.0	55,036.1	57,210.8	66,465.7	69,660.4	73,044.5	75,183.7	77,040.3
2.4. Other banking institutions	41.5	21.7	20.7	242.0	366.2	1,038.6	1,039.3	764.6	1,022.5	1,078.3
2.5. Non-banking financial institutions	760.5	503.7	422.7	684.2	892.9	2,346.8	2,139.9	2,111.2	2,499.8	2,540.2
Total (1+2)	72,054.6	76,035.3	81,742.9	86,760.8	88,256.7	103,090.1	104,760.9	108,678.4	111,967.5	115,547.7

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

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Money market instruments (net)	5.1	–	–	–	0.8	0.8	0.8	0.8	0.8	0.8
2. Bonds (net)	92.8	151.9	170.5	164.9	340.9	632.0	637.8	452.4	460.3	461.0
3. Other domestic borrowing	118.4	446.5	993.0	912.1	502.5	576.0	292.5	513.3	377.1	550.1
3.1. Local government	–	0.9	–	–	–	–	–	–	–	–
3.2. Enterprises	46.3	92.7	40.3	40.8	0.0	152.9	0.0	0.0	0.0	3.9
3.3. Other banking institutions	10.0	222.1	842.8	828.1	492.8	266.4	265.8	496.3	377.1	546.2
3.4. Non-banking financial institutions	62.0	130.9	109.9	43.2	9.6	156.6	26.6	17.0	–	–
Total (1+2+3)	216.3	598.4	1,163.5	1,077.0	844.1	1,208.8	931.1	966.5	838.2	1,011.9

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

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Foreign liabilities in f/c	34,198.5	44,574.3	54,536.7	52,073.3	55,114.3	48,461.3	51,479.8	47,828.7	46,211.3	42,005.2
1.1. Liabilities to foreign financial institutions	28,662.3	38,623.1	48,967.5	45,747.7	48,561.3	41,483.1	44,727.4	41,061.5	39,387.6	35,025.5
Demand deposits	130.9	266.6	127.6	156.3	195.0	258.8	245.8	223.3	214.8	161.6
Time and notice deposits	9,002.9	12,885.2	16,056.8	12,523.1	12,174.1	10,562.9	12,694.1	9,302.1	8,306.5	7,648.7
Loans and advances	19,528.5	25,471.4	29,369.5	29,775.6	32,903.9	27,373.0	28,528.7	28,280.3	27,621.4	23,996.9
o/w: Subordinated and hybrid instruments	2,801.4	2,949.2	2,399.4	1,167.4	820.7	405.9	1,396.3	1,568.2	1,562.8	1,549.9
Bonds	–	–	3,413.6	3,292.6	3,288.3	3,288.4	3,258.7	3,255.8	3,244.8	3,218.3
1.2. Liabilities to foreign non-banks	5,536.2	5,951.2	5,569.2	6,325.6	6,553.0	6,978.2	6,752.5	6,767.3	6,823.8	6,979.7
Savings and time deposits	4,160.2	4,753.2	5,002.2	5,846.3	6,192.4	6,729.9	6,562.9	6,579.0	6,691.5	6,848.2
Sight deposits	875.6	898.6	1,052.5	1,172.9	1,635.8	1,537.2	1,582.6	1,643.6	1,589.4	1,730.0
Time and notice deposits	3,284.6	3,854.6	3,949.6	4,673.4	4,556.7	5,192.7	4,980.2	4,935.4	5,102.1	5,118.2
Loans and advances	1,376.0	1,198.0	567.1	479.3	360.5	248.3	189.6	188.3	132.3	131.5
o/w: Subordinated and hybrid instruments	39.7	39.1	0.2	–	–	–	–	–	–	–
2. Foreign liabilities in kuna	825.0	5,357.7	6,627.0	15,039.1	20,961.8	16,691.3	17,922.2	16,395.4	15,410.1	15,324.8
2.1. Liabilities to foreign financial institutions	690.9	5,087.8	6,103.9	14,099.6	20,087.0	16,093.8	17,198.1	15,756.2	14,804.8	14,695.6
Demand deposits	53.6	86.4	145.1	179.6	1,438.1	519.0	640.3	537.8	688.8	371.0
Time and notice deposits	635.8	2,664.1	2,846.9	6,979.5	11,198.8	11,423.7	12,406.6	11,069.6	9,967.2	10,175.8
Loans and advances	1.5	2,337.3	3,111.9	6,940.5	7,450.2	4,151.2	4,151.2	4,148.8	4,148.8	4,148.8
o/w: Subordinated and hybrid instruments	–	–	–	405.7	404.0	0.4	0.4	–	–	–
2.2. Liabilities to foreign non-banks	134.1	269.9	523.1	939.5	874.8	597.5	724.1	639.2	605.3	629.2
Demand deposits	56.2	76.8	95.9	180.3	170.1	253.2	250.7	302.9	276.8	314.1
Time and notice deposits	77.9	191.4	419.2	755.2	703.3	340.6	469.7	334.8	327.0	313.5
Loans and advances	–	1.7	8.0	4.0	1.4	3.7	3.7	1.5	1.5	1.5
o/w: Subordinated and hybrid instruments	–	–	–	–	–	–	–	–	–	–
Total (1+2)	35,023.5	49,932.0	61,163.7	67,112.3	76,076.0	65,152.6	69,402.1	64,224.1	61,621.5	57,330.0

Table D10: Banks' Foreign Liabilities

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

Banks' foreign liabilities comprise foreign currency liabilities and

foreign kuna liabilities.

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

Table D11: Central Government and Funds' Deposits with Banks

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. In kuna	4,036.8	4,104.4	5,627.2	7,596.1	9,030.0	11,535.0	11,746.5	14,142.6	14,958.8	14,454.3
1.1. Central government deposits	634.3	506.4	445.1	605.0	497.5	666.4	590.0	1,391.5	2,249.4	1,638.2
Demand deposits	476.4	448.0	373.3	458.1	366.2	454.9	352.8	233.4	238.2	234.6
Savings deposits	3.3	3.0	4.2	1.8	2.1	1.2	1.1	0.9	0.9	0.8
Time and notice deposits	153.6	54.2	66.5	144.0	128.1	209.3	235.1	1,156.2	2,009.4	1,401.8
Loans and advances	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
1.2. Central government funds' deposits	3,402.5	3,598.0	5,182.2	6,991.1	8,532.6	10,868.6	11,156.5	12,751.1	12,709.4	12,816.0
Demand deposits	553.2	294.8	266.3	580.2	254.6	330.1	227.0	389.1	516.7	575.2
Savings deposits	0.0	0.3	3.5	1.9	14.6	2.4	2.2	2.2	4.0	4.0
Time and notice deposits	144.3	156.2	262.3	251.7	496.7	413.6	481.9	712.6	615.8	635.9
Loans and advances	2,705.0	3,146.7	4,650.0	6,157.3	7,766.7	10,122.4	10,445.5	11,647.2	11,572.9	11,600.9
2. In f/c	2,058.1	1,178.9	1,194.6	1,690.9	1,770.4	1,990.8	1,917.6	1,522.7	1,360.7	1,305.4
2.1. Central government deposits	1,938.9	1,158.2	891.0	906.2	811.7	759.4	686.8	729.4	656.1	583.9
Savings deposits	263.0	198.5	189.7	340.6	264.8	527.4	264.7	325.7	379.6	357.7
Time and notice deposits	293.1	–	23.2	38.7	275.0	49.7	282.1	263.7	163.5	107.7
Refinanced loans and advances	1,382.8	959.6	678.1	527.0	271.9	182.3	140.0	140.0	113.0	118.5
2.2. Central government funds' deposits	119.2	20.8	303.6	784.7	958.6	1,231.4	1,230.8	793.3	704.6	721.5
Savings deposits	114.1	20.8	156.5	139.4	93.4	85.7	125.7	167.2	138.5	97.3
Time and notice deposits	5.0	–	147.1	25.8	356.2	153.8	174.2	65.2	76.6	140.0
Loans and advances	–	–	–	619.6	509.0	991.8	931.0	560.9	489.6	484.1
Total (1+2)	6,094.9	5,283.3	6,821.8	9,287.0	10,800.4	13,525.8	13,664.1	15,665.3	16,319.5	15,759.7

Table D11: Central Government and Funds' Deposits with Banks

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

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

Table D12: Restricted and Blocked Deposits with Banks

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Restricted deposits	1,361.2	1,541.2	2,014.6	2,036.4	2,447.6	2,252.3	2,333.7	2,828.5	2,925.8	3,437.2
1.1. In kuna	789.6	730.1	1,267.4	1,277.1	1,427.0	1,322.8	1,296.2	1,551.8	1,383.4	1,382.5
1.2. In f/c	571.6	811.1	747.2	759.3	1,020.5	929.5	1,037.5	1,276.6	1,542.4	2,054.8
2. Blocked f/c deposits of households	319.3	167.8	40.0	–	–	–	–	–	–	–
Total (1+2)	1,680.5	1,709.0	2,054.6	2,036.4	2,447.6	2,252.3	2,333.7	2,828.5	2,925.8	3,437.2

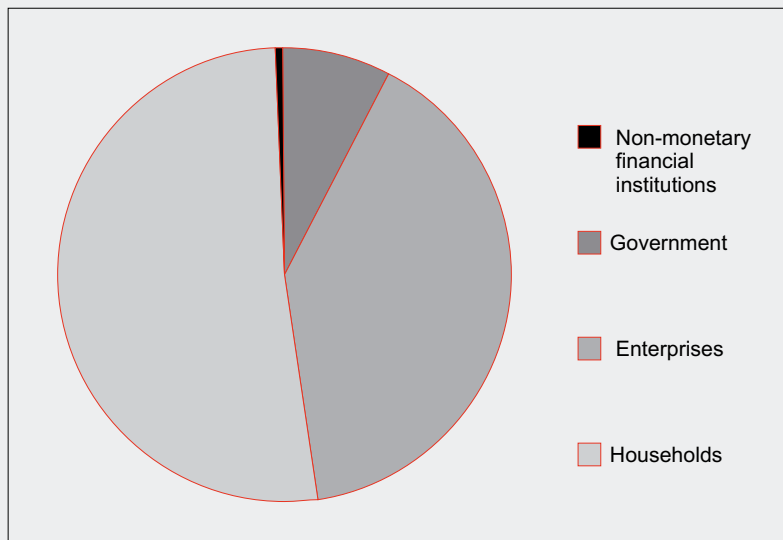
Table D12: Restricted and Blocked Deposits with Banks

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

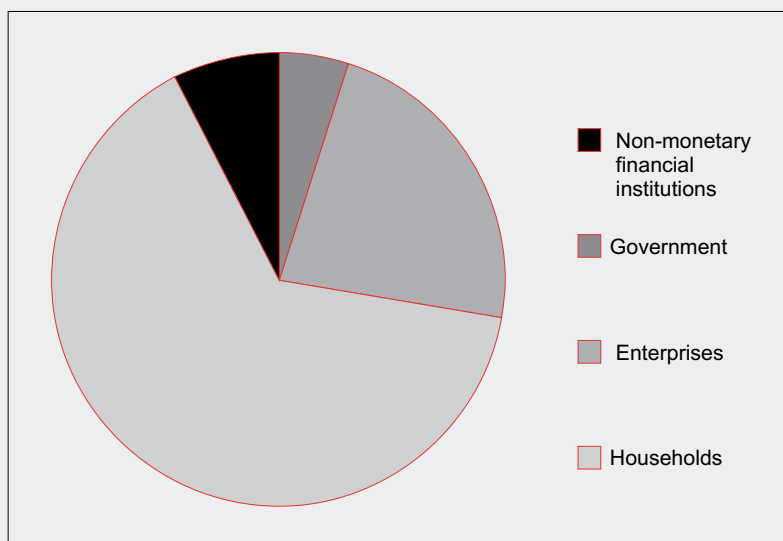
DISTRIBUTION OF BANKS' LOANS BY DOMESTIC INSTITUTIONAL SECTORS



August 2008

Figure D2

DISTRIBUTION OF BANKS' DEPOSITS BY DOMESTIC INSTITUTIONAL SECTORS



August 2008

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

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
ASSETS										
1. Reserves with the CNB	19.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	1,983.9	3,033.5	3,779.1	4,274.3	4,674.8	4,036.5	3,750.6	3,658.2	3,642.2	3,617.0
3. Claims on other domestic sectors	93.3	187.9	373.2	575.5	1,296.0	2,220.4	2,389.9	2,545.3	2,586.5	2,601.7
o/w: Claims on households	91.3	187.9	373.2	575.5	1,296.0	2,220.4	2,389.9	2,545.3	2,586.5	2,601.7
4. Claims on banks	37.2	247.2	824.2	994.4	181.4	133.6	78.6	187.5	181.6	197.0
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	2,133.6	3,468.6	4,976.6	5,844.2	6,152.3	6,390.5	6,219.1	6,391.1	6,410.3	6,415.7
LIABILITIES										
1. Time deposits	2,012.9	3,265.2	4,728.2	5,514.7	5,803.6	6,037.9	5,886.8	5,906.0	5,901.0	5,872.2
2. Bonds and money market instruments	–	11.1	10.7	10.3	61.7	40.1	44.8	91.0	105.4	125.6
3. Capital accounts	141.1	159.7	206.7	258.0	244.7	303.0	298.7	348.3	364.0	365.4
4. Other items (net)	–20.4	32.6	30.8	61.1	42.2	9.6	–11.2	45.8	39.8	52.4
Total (1+2+3+4)	2,133.6	3,468.6	4,976.6	5,844.2	6,152.3	6,390.5	6,219.1	6,391.1	6,410.3	6,415.7

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
1994	December	8.50	–	18.00	19.00	17.00	14.00	19.00	22.00
1995	December	8.50	–	25.49	19.00	17.00	–	19.00	22.00
1996	December	6.50	–	11.00	19.00	17.00	–	19.00	18.00
1997	December	5.90	–	9.50	19.00	17.00	–	19.00	18.00
1998	December	5.90	–	12.00	19.00	7.00	14.00	19.00	18.00
1999	December	7.90	–	13.00	19.00	–	14.00	19.00	18.00
2000	December	5.90	–	12.00	18.00	–	13.00	18.00	18.00
2001	December	5.90	–	10.00	–	–	11.00	15.00	18.00
2002	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2003	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2004	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	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	September	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	October	4.50	3.51	7.50	–	–	8.50	15.00	15.00
	November	4.50	3.86	7.50	–	–	8.50	15.00	15.00
	December	9.00 ^d	4.06	7.50	–	–	8.50	15.00	15.00
2008	January	9.00	4.13	7.50	–	–	10.00	15.00	15.00
	February	9.00	4.63	9.00	–	–	10.00	15.00	15.00
	March	9.00	4.96	9.00	–	–	10.00	15.00	15.00
	April	9.00	4.95	9.00	–	–	10.00	15.00	15.00
	May	9.00	5.05	9.00	–	–	10.00	15.00	15.00
	June	9.00	4.99	9.00	–	–	10.00	15.00	15.00
	July	9.00	4.83	9.00	–	–	10.00	15.00	15.00
	August	9.00	4.92	9.00	–	–	10.00	15.00	15.00

^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
1994	December	5.15	–	9.00	12.00	14.00	–	–	–	–	–	–	–
1995	December	5.50	16.50	12.00	25.54	27.00	–	–	–	–	–	–	–
1996	December	5.50	–	–	8.00	9.50	–	–	–	–	–	–	–
1997	December	4.50	–	–	8.00	9.00	10.00	–	–	–	–	–	–
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–	–
2002	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–	–
2003	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–	–
2004	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2006	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2007	September	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	October	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	November	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	December	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
2008	January	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	February	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	March	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	April	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	May	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	June	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	July	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	August	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50

^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
1994	December	26.20	1,826.0	1,826.0	–	188.3	1,779.2	–	5.63	–
1995	December	30.90	2,431.8	2,431.8	–	826.5	2,215.9	–	7.93	–
1996	December	35.91	3,652.9	3,652.9	–	–	3,312.0	–	4.99	–
1997	December	32.02	4,348.8	4,348.8	–	–	3,914.2	–	4.05	–
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.05	....
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	September	17.00	43,710.7	31,214.4	12,496.3	7,230.6	21,850.1	9,149.0	0.52	1.30
	October	17.00	44,001.4	31,402.4	12,599.0	5,244.5	21,981.7	9,133.8	0.53	1.19
	November	17.00	44,318.8	31,692.2	12,626.7	5,500.1	22,184.5	9,162.5	0.53	1.55
	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	January	17.00	44,828.6	32,068.2	12,760.4	5,207.2	22,447.7	9,274.6	0.52	1.17
	February	17.00	45,269.3	32,262.1	13,007.2	5,521.6	22,580.7	9,482.8	0.52	1.41
	March	17.00	45,550.5	32,293.9	13,256.6	6,778.8	22,604.0	9,701.4	0.52	1.05
	April	17.00	45,815.3	32,440.9	13,374.4	7,654.2	22,708.6	9,794.0	0.52	0.84
	May	17.00	46,172.4	32,701.9	13,470.5	8,075.3	22,891.3	9,851.7	0.52	1.00
	June	17.00	46,264.6	32,807.9	13,456.7	7,906.1	22,965.5	9,806.9	0.52	0.83
	July	17.00	45,952.0	32,547.1	13,404.9	6,627.5	22,783.0	9,695.6	0.52	0.80
	August	17.00	46,045.8	32,586.8	13,459.0	5,733.9	22,810.8	9,688.3	0.52	1.08

Table F3: Banks' Reserve Requirements

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

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

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

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

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

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

Column 7 shows the total amount of other obligatory deposits with the CNB, including CNB bills on an obligatory basis, those CNB bills on a voluntary basis used by banks to maintain the prescribed minimal liquidity (LAR), special statutory reserves until July 1995, special reserve requirement on liabilities arising from issued securities from March 2006, statutory reserves on f/c deposits, f/c credits from foreign banks and guarantees for such credits and marginal reserve requirement (from August 2004).

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

Column 9 shows the portion of the foreign currency reserve requirement which banks deposit in the CNB's foreign currency accounts. The percentage for allocating the foreign currency component of reserve requirements calculated on the basis of foreign currency funds of non-residents and foreign currency funds received

Table F4: Banks' Liquidity Indicators

daily averages and percentages, million kuna and %

Year	Month	Free reserves		Primary liquidity ratio	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna MoF treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
1994	December	119.5	....	1.72	393.7	210.2	–	–
1995	December	49.4	....	0.63	199.4	218.7	–	–
1996	December	267.9	....	2.63	98.5	780.9	–	183.8
1997	December	396.3	....	2.92	32.7	728.9	–	260.7
1998	December	221.9	....	1.65	445.5	850.4	1,377.4	141.3
1999	December	179.6	....	1.30	1,183.6	1,311.1	1,507.6	373.9
2000	December	638.8	10,721.4	3.32	80.1	2,485.3	1,692.7	2,006.5
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,360.9
2002	December	1,225.0	10,398.0	3.53	0.6	4,965.5	1,273.9	4,279.5
2003	December	451.6	20,561.4	0.98	501.6	0.0	4,316.0	3,073.2
2004	December	1,495.5	26,126.1	2.64	0.0	0.0	0.0	4,581.7
2005	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	September	1,253.9	26,547.4	1.14	93.3	0.0	0.0	3,999.5
	October	847.6	28,521.0	0.77	708.6	0.0	0.0	5,542.9
	November	694.8	29,523.2	0.62	1,195.3	0.0	0.0	6,642.4
	December	1,161.5	30,412.6	1.03	330.4	0.0	0.0	4,449.4
2008	January	791.6	29,493.9	0.70	670.3	0.0	0.0	7,990.6
	February	866.1	28,898.6	0.76	251.0	0.0	0.0	7,100.2
	March	1,209.2	27,133.6	1.08	1.7	0.0	0.0	6,771.8
	April	970.7	24,928.8	0.87	0.0	0.0	0.0	6,934.5
	May	799.1	23,353.8	0.71	0.0	0.0	0.0	6,463.4
	June	633.7	22,088.0	0.56	0.0	0.0	0.0	6,266.8
	July	517.9	24,730.7	0.46	0.0	0.0	0.0	5,786.2
	August	733.5	27,287.8	0.65	2.7	0.0	0.0	5,280.1

from legal persons in a special relationship with a bank amounts to 100%, while the percentage for allocating the remaining portion of the foreign currency component of reserve requirements amounts to 60%.

Column 10 shows the weighted average remuneration rate on all forms of immobilised kuna funds which include reserve requirements and other obligatory deposits with the CNB.

Column 11 shows the weighted average remuneration rate on allocated funds in foreign currency, including the marginal reserve requirement funds (from August 2004 on). From June 2005 on, the CNB pays remuneration equalling 50% of the US Federal Funds Target Rate for the funds allocated in US dollars and 50% of the ECB Minimum Bid Refinance Rate for the funds allocated in euros. In both cases the rate in effect on the day of allocation is applied.

Table F4: Banks' Liquidity Indicators

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

Column 3 shows free reserves in kuna, defined as bank's total reserves (in settlement accounts and in vaults) decreased by the minimal average settlement account and vault balance, as prescribed by instruments of the CNB.

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

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

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

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

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

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

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

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

Year	Month	Money market interest rates			Interest rates on kuna credits not indexed to foreign currency								
		On overnight credits	On other credits	Total average	On short-term credits						On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households	
							Total average	Credit lines	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	
1994	December	8.50	17.76	15.39	15.43	....	....	....	....	13.82	....	....
1995	December	27.26	27.15	22.32	22.56	22.23	23.81	23.75	25.58	13.48	13.39	14.38	
1996	December	9.66	10.72	18.46	19.35	19.18	20.18	19.90	23.12	11.51	11.29	14.28	
1997	December	8.46	9.49	14.06	14.12	13.17	19.26	19.34	18.11	13.24	12.98	13.75	
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16	
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16	
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97	
2001	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14	
2002	December	1.58	1.89	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88	
2003	December	5.47	7.02	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69	
2004	December	3.55	6.02	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16	
2005	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	September	4.05	5.27	9.53	10.06	7.04	12.27	13.22	5.72	7.80	6.53	8.17	
	October*	6.52	7.75	9.02	9.33	7.23	10.80	13.22	4.55	7.60	6.84	7.87	
	November	6.41	7.47	9.52	10.00	7.24	12.36	13.22	4.97	7.43	6.83	7.74	
	December	5.33	6.71	9.32	9.74	7.39	12.34	13.19	4.95	7.50	6.66	8.01	
2008	January	6.67	6.97	9.90	10.21	7.81	12.17	12.89	4.91	8.16	7.40	8.42	
	February	4.07	6.42	9.95	10.27	7.62	12.18	12.92	5.29	8.43	7.55	8.99	
	March	2.69	5.78	9.69	9.92	7.36	12.15	12.90	4.92	8.40	7.20	9.02	
	April	2.44	5.85	10.11	10.45	7.78	12.59	13.42	5.66	8.43	7.30	9.03	
	May	2.66	5.20	9.66	9.90	7.58	11.93	12.72	5.36	8.36	7.17	9.28	
	June	3.20	5.31	9.47	9.65	7.38	11.91	12.68	5.56	8.43	7.32	9.32	
	July	3.40	5.30	9.63	9.79	7.44	12.16	12.91	5.34	8.72	7.96	9.45	
	August	3.49	5.14	10.01	10.16	7.56	12.25	12.91	4.50	8.85	7.89	9.71	
	Relative significance ^a	–	–	78.28	69.32	30.83	38.48	35.46	3.02	8.96	4.22	4.75	

^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		
		On short-term credits				On long-term credits					Total average	On short-term credits	On long-term credits
		Total average	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
1994	December	11.99	12.38	....	....	11.65	....	....	....	....	....	....	....
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18
2004	December	6.89	7.25	7.09	8.47	6.77	5.55	7.73	5.71	8.79	5.34	5.92	4.83
2005	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	September	6.86	6.74	6.80	6.55	6.89	6.56	7.07	4.96	8.16	6.73	6.74	6.69
	October	6.64	6.80	6.82	6.69	6.60	6.04	7.15	5.13	8.36	6.81	6.66	7.10
	November	6.37	5.85	5.84	6.19	6.88	6.37	7.23	5.23	8.59	6.63	6.96	6.34
	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	January	6.86	6.99	7.01	6.92	6.83	6.75	6.87	4.82	8.47	6.51	6.83	6.23
	February	6.97	6.98	7.09	6.15	6.97	6.35	7.45	5.44	8.65	7.11	7.23	6.82
	March	7.16	6.83	6.91	6.46	7.26	6.39	7.75	5.65	8.79	6.83	7.00	6.63
	April	7.31	7.21	7.06	8.35	7.34	6.62	7.90	5.75	8.92	6.96	7.06	6.82
	May	7.60	7.32	7.21	8.26	7.68	6.53	8.16	5.84	9.23	6.77	7.05	6.37
	June	7.67	7.47	7.35	8.70	7.73	6.74	8.25	5.85	9.46	6.97	7.22	6.69
	July	7.42	7.45	7.37	8.52	7.41	6.83	7.79	5.90	8.92	7.15	7.18	7.13
	August	7.57	7.77	7.63	8.81	7.51	7.00	7.75	5.96	8.70	7.14	7.18	7.10
Relative significance ^a		17.32	3.45	3.03	0.42	13.87	4.33	9.54	3.31	6.23	4.40	2.05	2.34

^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
1994	December	5.03	3.55	9.65	....	....	....	....	....	....
1995	December	6.10	3.88	13.65	13.80	10.56	14.28	9.88	10.67	9.62
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	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	September	2.50	0.49	4.82	4.69	4.29	4.77	6.04	5.44	6.23
	October	2.60	0.47	5.65	5.57	4.43	5.77	6.36	5.66	6.54
	November	2.64	0.47	5.94	5.91	4.41	6.21	6.24	5.40	6.45
	December	2.67	0.49	5.42	5.34	4.47	5.48	6.28	5.45	6.45
2008	January	3.00	0.47	5.79	5.63	4.57	5.80	7.84	5.56	8.49
	February	2.79	0.46	5.01	4.92	4.80	4.95	5.92	5.35	6.04
	March	2.62	0.46	4.48	4.32	4.69	4.22	5.82	5.43	5.91
	April	2.62	0.45	4.11	3.98	4.69	3.82	5.78	5.45	5.92
	May	2.57	0.44	4.20	4.08	4.68	3.93	5.28	5.41	5.26
	June	2.52	0.44	4.16	4.16	4.64	4.02	4.17	5.46	3.86
	July	2.57	0.44	4.23	4.24	4.65	4.12	4.11	5.36	3.81
	August	2.39	0.42	4.01	4.31	4.61	4.23	1.96	5.26	1.37
Relative significance ^a		54.16	33.54	17.63	15.33	3.35	11.98	2.30	0.35	1.95

^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
1994	December	6.95	....	....	....	....	....	....	....	....
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21
2005	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	September	4.12	3.74	4.64	3.28	0.25	0.23	0.16	0.32	0.58
	October	4.13	3.80	4.56	3.38	0.25	0.23	0.16	0.32	0.63
	November	3.85	4.18	4.30	3.41	0.27	0.22	0.15	0.41	0.65
	December	3.98	3.76	4.35	3.44	0.25	0.22	0.15	0.36	0.43
2008	January	4.00	3.66	4.47	3.36	0.26	0.22	0.15	0.38	0.36
	February	4.25	3.91	5.36	3.49	0.25	0.23	0.15	0.36	0.49
	March	4.12	3.84	4.57	3.46	0.27	0.22	0.16	0.43	0.36
	April	3.89	4.27	4.34	3.56	0.25	0.22	0.15	0.38	0.32
	May	4.03	3.98	5.15	3.50	0.25	0.21	0.15	0.41	0.28
	June	4.13	4.02	5.32	3.45	0.28	0.21	0.15	0.53	0.26
	July	3.95	3.80	4.49	3.57	0.24	0.21	0.15	0.38	0.26
	August	3.81 ^b	3.79	4.95	3.56	0.25	0.21	0.15	0.37	0.40
Relative significance ^a		0.83	0.66	0.16	45.01	21.57	14.84	1.65	4.55	0.52

^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, 17.38% 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

		Interest rates on foreign currency deposits															
Year	Month	On time deposits															
		Total average	On short-term deposits				On long-term deposits										
			Total average	Households		Enterprises		Total average	Households		Enterprises						
1	2	12		13	EUR	USD	EUR		USD	18	EUR	USD	20	EUR	USD	21	22
1994	December	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50					
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50					
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76					
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92					
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77					
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53					
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23					
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30					
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64					
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65					
2005	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	September	4.16	4.09	3.37	2.16	4.76	5.92	4.67	4.72	3.48	4.85	4.85					
	October	4.30	4.25	3.39	2.52	4.95	5.95	4.72	4.77	3.80	4.92	0.00					
	November	4.34	4.28	3.50	2.49	5.00	5.61	4.74	4.79	3.58	4.84	3.11					
	December	4.32	4.25	3.47	2.60	5.10	5.33	4.80	4.83	3.84	5.13	2.19					
2008	January	4.17	4.09	3.45	2.60	4.83	5.01	4.70	4.75	3.69	4.31	5.92					
	February	4.32	4.25	3.53	2.60	5.11	4.34	4.79	4.84	3.88	4.52	4.87					
	March	4.18	4.10	3.51	2.53	4.93	3.97	4.73	4.78	3.46	4.99	2.70					
	April	4.15	4.06	3.62	2.56	4.64	3.81	4.83	4.88	3.82	4.22	2.29					
	May	4.06	3.98	3.63	2.56	4.51	3.55	4.71	4.72	3.96	5.61	3.01					
	June	4.05	3.95	3.51	2.60	4.60	3.70	4.73	4.77	3.75	4.60	2.95					
	July	4.14	4.01	3.65	2.75	4.82	3.35	5.00	4.80	3.76	6.77	5.19					
	August	4.24	4.17	3.68	2.66	5.01	3.52	4.72	4.76	3.94	4.57	3.15					
Relative significance ^a		23.44	20.60	9.26	0.55	8.32	2.48	2.84	2.68	0.12	0.03	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

	2002	2003	2004	2005	2006	2007	2008			
							Mar.	Jun.	Jul. ^a	Aug. ^b
A. Purchase of foreign exchange										
1. Legal persons	4,727.8	6,433.1	7,465.3	8,443.5	14,442.7	26,365.0	2,776.6	2,394.9	3,019.2	2,193.7
2. Natural persons	3,342.6	3,571.6	3,934.4	4,931.8	6,262.7	6,151.3	327.0	436.1	548.8	450.2
2.1. Residents	2,842.0	3,103.3	3,586.1	4,662.6	5,909.4	3,184.0	306.3	375.3	449.7	–
2.2. Non-residents	500.7	468.2	348.3	269.2	353.2	326.3	20.7	60.8	99.1	–
3. Domestic banks	4,104.5	6,324.4	10,799.3	9,069.9	14,380.1	20,141.3	1,339.1	872.4	1,080.4	1,371.8
4. Foreign banks	697.9	1,430.6	1,426.2	2,602.3	5,056.8	5,194.1	427.1	576.1	706.0	671.1
5. Croatian National Bank	294.3	438.3	33.0	0.0	125.5	0.0	–	–	–	–
Total (1+2+3+4)	13,167.1	18,197.9	24,110.1	25,106.0	40,439.5	57,851.7	4,869.8	4,279.6	5,354.5	4,686.7
B. Sale of foreign exchange										
1. Legal persons	9,029.3	10,852.4	11,280.3	13,022.3	17,515.0	28,564.1	2,860.6	2,620.9	3,452.7	2,471.6
2. Natural persons	1,333.6	1,403.1	1,671.1	2,722.5	4,109.1	3,712.5	307.6	262.1	444.8	305.6
2.1. Residents	1,329.7	1,393.1	1,654.5	2,693.9	4,056.4	2,071.3	305.9	259.9	441.6	–
2.2. Non-residents	3.9	10.0	16.6	28.6	52.6	40.0	1.8	2.2	3.2	–
3. Domestic banks	4,104.5	6,324.4	10,799.3	9,069.9	14,380.1	20,141.3	1,339.1	872.4	1,080.4	1,371.8
4. Foreign banks	334.3	765.3	1,001.1	1,407.1	3,526.1	4,072.6	206.9	480.7	616.1	623.2
5. Croatian National Bank	745.3	84.5	543.2	670.8	1,329.5	839.0	–	–	–	–
Total (1+2+3+4)	15,547.0	19,429.7	25,295.0	26,892.7	40,859.7	57,329.5	4,714.2	4,236.1	5,594.0	4,772.2
C. Net purchase (A-B)										
1. Legal persons	–4,301.5	–4,419.4	–3,815.1	–4,578.8	–3,072.3	–2,199.1	–84.0	–226.0	–433.5	–277.9
2. Natural persons	2,009.0	2,168.4	2,263.3	2,209.3	2,153.6	2,438.9	19.4	174.0	104.0	144.6
2.1. Residents	1,512.3	1,710.2	1,931.6	1,968.7	1,853.0	1,112.7	0.4	115.4	8.1	–
2.2. Non-residents	496.7	458.2	331.7	240.6	300.6	286.3	18.9	58.5	95.9	–
3. Foreign banks	363.6	665.3	425.1	1,195.2	1,530.7	1,121.4	220.3	95.5	89.9	47.9
4. Croatian National Bank	–451.0	353.8	–510.2	–670.8	–1,204.0	–839.0	–	–	–	–
Total (1+2+3)	–2,379.9	–1,231.8	–1,636.9	–1,845.2	–592.1	522.2	155.6	43.5	–239.5	–85.4
Memo items: Other Croatian National Bank transactions										
Purchase of foreign exchange	197.5	570.9	145.1	–	3.1	5.1	0.2	0.4	1.5	0.1
Sale of foreign exchange	3.4	94.9	239.3	167.6	441.3	176.7	–	–	–	–

^a Revised data. ^b Preliminary data.**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

million euros

	2002	2003	2004	2005	2006	2007 ^a	2008	
							Q1 ^a	Q2 ^b
A. CURRENT ACCOUNT (1+6)	-2,098.7	-1,888.8	-1,433.7	-1,975.6	-2,696.3	-3,230.4	-2,523.0	-1,808.9
1. Goods, services, and income (2+5)	-3,250.8	-3,133.3	-2,625.5	-3,159.5	-3,803.7	-4,273.4	-2,744.4	-2,093.5
1.1. Credit	11,590.1	13,590.1	14,952.8	15,990.2	17,889.2	19,643.3	3,404.3	5,392.6
1.2. Debit	-14,841.0	-16,723.5	-17,578.3	-19,149.7	-21,692.9	-23,916.7	-6,148.7	-7,486.2
2. Goods and services (3+4)	-2,673.1	-2,038.1	-1,955.3	-2,200.2	-2,633.8	-3,137.9	-2,466.2	-1,301.9
2.1. Credit	11,127.9	13,140.6	14,243.5	15,272.9	16,997.7	18,347.5	3,072.4	5,027.8
2.2. Debit	-13,801.0	-15,178.7	-16,198.8	-17,473.2	-19,631.5	-21,485.4	-5,538.6	-6,329.6
3. Goods	-5,957.9	-6,971.2	-6,724.2	-7,518.0	-8,344.2	-9,434.0	-2,565.3	-3,108.1
3.1. Credit	5,295.6	5,574.7	6,606.8	7,220.3	8,463.6	9,192.5	2,225.9	2,476.7
3.2. Debit	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-16,807.8	-18,626.5	-4,791.2	-5,584.8
4. Services	3,284.8	4,933.0	4,768.9	5,317.7	5,710.4	6,296.0	99.0	1,806.3
4.1. Credit	5,832.3	7,565.9	7,636.7	8,052.6	8,534.1	9,154.9	846.5	2,551.1
4.2. Debit	-2,547.5	-2,632.8	-2,867.8	-2,734.9	-2,823.7	-2,858.9	-747.4	-744.8
5. Income	-577.7	-1,095.2	-670.2	-959.2	-1,169.9	-1,135.5	-278.2	-791.7
5.1. Credit	462.3	449.5	709.3	717.3	891.5	1,295.8	331.9	364.9
5.2. Debit	-1,040.0	-1,544.7	-1,379.6	-1,676.5	-2,061.5	-2,431.3	-610.1	-1,156.5
6. Current transfers	1,152.2	1,244.5	1,191.8	1,183.8	1,107.4	1,043.0	221.4	284.6
6.1. Credit	1,453.2	1,538.7	1,584.6	1,628.4	1,639.5	1,576.1	349.7	417.7
6.2. Debit	-301.1	-294.2	-392.8	-444.6	-532.1	-533.1	-128.3	-133.2
B. CAPITAL AND FINANCIAL ACCOUNT	2,538.0	2,716.9	2,560.4	3,013.5	3,680.1	4,094.5	2,162.4	1,691.8
B1. Capital account	521.6	101.9	31.4	53.8	-133.8	34.5	4.8	12.0
B2. Financial account, excl. reserves	2,758.3	3,850.5	2,572.0	3,781.6	5,226.1	4,781.6	2,853.5	1,775.5
1. Direct investment	530.8	1,656.9	670.8	1,276.1	2,570.7	3,438.6	1,051.6	787.2
1.1. Abroad	-607.1	-105.5	-278.8	-191.8	-174.5	-180.2	158.2	-147.2
1.2. In Croatia	1,137.9	1,762.4	949.6	1,467.9	2,745.2	3,618.8	893.4	934.5
2. Portfolio investment	-437.7	867.6	287.1	-1,177.9	-542.8	-3.4	153.0	-54.1
2.1. Assets	-650.5	121.6	-736.1	-571.2	-472.5	-413.1	270.3	53.0
2.2. Liabilities	212.9	746.0	1,023.2	-606.7	-70.4	409.7	-117.3	-107.1
3. Financial derivatives	0.0	0.0	0.0	-88.4	0.0	0.0	0.0	0.0
4. Other investment	2,665.1	1,326.0	1,614.1	3,771.8	3,198.3	1,346.4	1,648.9	1,042.4
4.1. Assets	460.0	-2,216.9	-498.3	982.0	-692.3	-1,653.5	521.0	273.2
4.2. Liabilities	2,205.0	3,542.9	2,112.4	2,789.7	3,890.6	2,999.9	1,127.8	769.2
B3. Reserve assets	-741.9	-1,235.5	-43.0	-821.8	-1,412.2	-721.6	-696.0	-95.8
C. NET ERRORS AND OMISSIONS	-439.3	-828.1	-1,126.7	-1,037.9	-983.8	-864.1	360.6	117.1

^a Revised data. ^b 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 previously mentioned CBS Report, whereas the value of imports f.o.b. is estimated on the basis of research studies of the CNB on the stratified sample of importers. The resulting value serves as a basis for the estimate of the share of transportation and insurance services by

Table H2: Balance of Payments – Goods and Services

million euros

	2002	2003	2004	2005	2006	2007 ^a	2008	
							Q1 ^a	Q2 ^b
Goods	-5,957.9	-6,971.2	-6,724.2	-7,518.0	-8,344.2	-9,434.0	-2,565.3	-3,108.1
1. Credit	5,295.6	5,574.7	6,606.8	7,220.3	8,463.6	9,192.5	2,225.9	2,476.7
1.1. Exports (f.o.b.) in trade statistics	5,188.2	5,464.4	6,453.8	7,069.4	8,251.6	9,001.6	2,176.5	2,426.6
1.2. Adjustments for coverage	107.4	110.4	153.0	150.9	212.0	191.0	49.5	50.1
2. Debit	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-16,807.8	-18,626.5	-4,791.2	-5,584.8
2.1. Imports (c.i.f.) in trade statistics	-11,327.0	-12,538.0	-13,354.4	-14,949.5	-17,104.7	-18,826.6	-4,860.0	-5,643.7
2.2. Adjustments for coverage	-348.9	-475.6	-474.7	-346.4	-341.1	-370.4	-78.5	-112.2
2.3. Adjustments for classification	422.5	467.7	498.1	557.6	638.0	570.4	147.3	171.0
Services	3,284.8	4,933.0	4,768.9	5,317.7	5,710.4	6,296.0	99.0	1,806.3
1. Transportation	172.0	252.2	299.3	376.1	424.7	465.7	95.8	136.0
1.1. Credit	622.8	696.3	791.3	880.3	987.9	1,100.6	246.8	320.4
1.2. Debit	-450.8	-444.1	-492.0	-504.2	-563.2	-634.8	-150.9	-184.4
2. Travel	3,138.6	4,976.6	4,822.3	5,394.9	5,708.7	6,035.2	118.9	1,723.1
2.1. Credit	3,960.8	5,572.7	5,505.6	5,998.9	6,293.3	6,752.6	307.8	1,886.6
2.1.1. Business	341.2	260.9	328.2	504.0	388.4	389.2	46.6	147.6
2.1.2. Personal	3,619.7	5,311.8	5,177.4	5,494.9	5,904.9	6,363.4	261.3	1,738.9
2.2. Debit	-822.2	-596.1	-683.3	-604.1	-584.6	-717.3	-189.0	-163.5
2.2.1. Business	-482.6	-292.3	-297.3	-267.4	-229.5	-266.9	-61.7	-62.8
2.2.2. Personal	-339.6	-303.8	-386.0	-336.7	-355.1	-450.4	-127.2	-100.7
3. Other services	-25.9	-295.8	-352.7	-453.3	-422.9	-204.9	-115.7	-52.8
3.1. Credit	1,248.6	1,296.9	1,339.8	1,173.4	1,252.9	1,301.8	291.9	344.1
3.2. Debit	-1,274.5	-1,592.7	-1,692.5	-1,626.6	-1,675.8	-1,506.7	-407.5	-396.9

^a Revised data. ^b Preliminary data.

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

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

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

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

Table H3: Balance of Payments – Income and Current Transfers

million euros

	2002	2003	2004	2005	2006	2007 ^a	2008	
							Q1 ^a	Q2 ^b
Income	-577.7	-1,095.2	-670.2	-959.2	-1,169.9	-1,135.5	-278.2	-791.7
1. Compensation of employees	167.6	183.9	233.9	259.7	373.2	494.2	130.4	138.5
1.1. Credit	187.2	217.3	268.3	289.2	404.3	527.8	137.4	147.4
1.2. Debit	-19.5	-33.4	-34.4	-29.5	-31.1	-33.6	-7.0	-8.9
2. Direct investment income	-353.3	-854.7	-441.6	-739.0	-989.0	-926.9	-192.2	-699.5
2.1. Credit	25.1	35.2	175.6	112.7	79.5	177.3	42.8	76.1
o/w: Reinvested earnings	8.3	31.7	165.8	63.8	64.0	125.3	29.4	65.9
2.2. Debit	-378.5	-889.9	-617.3	-851.8	-1,068.5	-1,104.3	-235.1	-775.6
o/w: Reinvested earnings	-160.9	-587.9	-291.7	-570.5	-703.3	-489.8	-8.5	-382.8
3. Portfolio investment income	-219.1	-238.7	-250.0	-217.6	-175.9	-162.4	-38.9	-39.2
3.1. Credit	0.0	0.0	32.7	46.2	57.4	74.5	16.9	16.6
3.2. Debit	-219.1	-238.7	-282.7	-263.8	-233.3	-236.9	-55.8	-55.8
4. Other investment income	-173.0	-185.7	-212.5	-262.3	-378.2	-540.3	-177.5	-191.5
4.1. Credit	249.9	197.0	232.6	269.1	350.4	516.2	134.7	124.7
4.2. Debit	-422.9	-382.7	-445.2	-531.5	-728.6	-1,056.5	-312.2	-316.2
Current transfers	1,152.2	1,244.5	1,191.8	1,183.8	1,107.4	1,043.0	221.4	284.6
1. General government	32.2	70.5	2.6	9.7	-8.6	-16.7	-24.7	-22.7
1.1. Credit	143.4	213.1	180.1	219.6	255.7	260.2	48.3	57.4
1.2. Debit	-111.2	-142.6	-177.5	-209.9	-264.4	-276.8	-72.9	-80.1
2. Other sectors	1,120.0	1,174.0	1,189.2	1,174.1	1,116.0	1,059.6	246.1	307.2
2.1. Credit	1,309.8	1,325.6	1,404.5	1,408.8	1,383.8	1,316.0	301.5	360.3
2.2. Debit	-189.8	-151.6	-215.3	-234.6	-267.7	-256.3	-55.4	-53.1

^a Revised data. ^b Preliminary data.

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

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

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

Foreign direct investments include equity capital, reinvested earnings and debt relations between ownership-related residents and non-residents. Direct investments are investments whereby a foreign

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

Data on equity portfolio investments are collected from the same data source as the data on direct investments. Debt portfolio investments include all investments in short-term and long-term debt securities that cannot be classified under direct investments. In the 1997-1998 period, these data were collected through the CNB Research on direct and portfolio investments, and since 1999 data on external debt relations and monetary statistics data for bank investment have been used. Starting from 2002 and 2004, this position has also been compiled for investment funds and pension funds, respectively.

Other investment encompasses all other debt investments that have not been mentioned, apart from investment constituting reserve assets. Other investments are classified by instruments, maturity and sectors. Trade credits, in the 1996-2002 period, included the CNB estimates of advance payment and deferred payments, made on the

Table H4: Balance of Payments – Direct and Portfolio Investments

million euros

	2002	2003	2004	2005	2006	2007 ^a	2008	
							Q1 ^a	Q2 ^b
Direct investment	530.8	1,656.9	670.8	1,276.1	2,570.7	3,438.6	1,051.6	787.2
1. Abroad	-607.1	-105.5	-278.8	-191.8	-174.5	-180.2	158.2	-147.2
1.1. Equity capital and reinvested earnings	-601.0	-101.9	-259.6	-121.0	-179.0	-235.6	132.3	-145.8
1.1.1. Claims	-603.1	-101.9	-260.0	-122.2	-179.0	-238.8	132.3	-145.8
1.1.2. Liabilities	2.1	0.0	0.4	1.3	0.0	3.3	0.0	0.0
1.2. Other capital	-6.1	-3.6	-19.2	-70.9	4.4	55.4	25.9	-1.5
1.1.1. Claims	-7.7	-15.3	-23.6	-59.8	-13.2	21.5	21.7	-11.1
1.2.2. Liabilities	1.6	11.7	4.4	-11.1	17.6	33.9	4.3	9.7
2. In Croatia	1,137.9	1,762.4	949.6	1,467.9	2,745.2	3,618.8	893.4	934.5
2.1. Equity capital and reinvested earnings	879.3	1,349.8	611.4	1,363.5	2,442.3	2,636.8	355.6	695.1
2.1.1. Claims	0.0	-1.2	-22.4	0.0	-0.1	0.0	0.0	0.0
2.1.2. Liabilities	879.3	1,351.1	633.8	1,363.5	2,442.4	2,636.8	355.6	695.1
2.2. Other capital	258.6	412.5	338.2	104.4	302.9	982.0	537.8	239.4
2.2.1. Claims	-0.3	-1.5	-17.8	0.0	16.6	-2.6	-2.0	-1.7
2.2.2. Liabilities	259.0	414.0	356.0	104.4	286.3	984.6	539.8	241.1
Portfolio investment	-437.7	867.6	287.1	-1,177.9	-542.8	-3.4	153.0	-54.1
1. Assets	-650.5	121.6	-736.1	-571.2	-472.5	-413.1	270.3	53.0
1.1. Equity securities	-78.4	-57.8	-39.1	-193.0	-320.5	-842.9	192.3	-37.0
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. Banks	-2.7	0.3	0.0	0.0	2.6	-0.6	-0.3	6.3
1.1.1.2. Other sectors	-75.6	-58.1	-39.1	-193.0	-323.1	-842.2	192.6	-43.3
1.1.2. Debt securities	-572.2	179.4	-696.9	-378.2	-152.0	429.7	78.0	89.9
1.2.1. Bonds	-586.9	165.9	-567.1	-396.5	98.7	323.0	21.8	89.0
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	-566.6	180.1	-575.0	-360.2	142.4	261.1	28.9	123.1
1.2.1.3. Other sectors	-20.3	-14.1	7.9	-36.3	-43.7	61.9	-7.1	-34.1
1.2.2. Money market instruments	14.7	13.5	-129.9	18.3	-250.6	106.7	56.2	0.9
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	20.9	7.3	-129.9	18.3	-250.6	106.7	56.2	0.9
1.2.2.3. Other sectors	-6.2	6.2	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Liabilities	212.9	746.0	1,023.2	-606.7	-70.4	409.7	-117.3	-107.1
2.1. Equity securities	42.4	13.0	141.6	89.2	325.2	314.6	-34.5	42.3
2.1.1. Banks	2.5	-2.6	0.8	-12.8	41.7	10.1	-5.2	16.0
2.1.2. Other sectors	39.8	15.6	140.7	102.0	283.5	304.5	-29.4	26.3
2.2. Debt securities	170.5	733.1	881.6	-695.9	-395.6	95.2	-82.8	-149.4
2.2.1. Bonds	202.7	698.8	915.6	-695.9	-395.6	95.2	-83.7	-148.5
2.2.1.1. General government	62.1	525.9	429.6	-690.5	-321.9	-2.6	-99.0	-141.8
2.2.1.2. Banks	0.0	0.0	453.2	3.2	1.2	1.0	4.8	4.8
2.2.1.3. Other sectors	140.7	173.0	32.8	-8.6	-74.9	96.7	10.6	-11.5
2.2.2. Money market instruments	-32.2	34.2	-34.0	0.0	0.0	0.0	0.9	-0.9
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	-32.2	34.2	-34.0	0.0	0.0	0.0	0.9	-0.9

^a Revised data. ^b Preliminary data.

basis of the sample of the largest and large importers and exporters. Data on advance payments have been estimated since 1996, while data on short-term deferred payments (first up to 90 days, then up to 150 days, and today from 8 days to 1 year) have been collected since 1999. In 2003, this research was replaced by a new one, where the selected companies, regardless of their size (stratified sample), are obliged to submit data. Data on deferred payments with the original maturity of more than one year are adopted from the CNB foreign credit relations statistics. Credits granted by residents to non-residents, i.e. foreign loans utilised by residents and granted by non-residents, which cannot be classified into direct investments or trade credits, are classified by the institutional sector and maturity under the corresponding positions of other investment. The CNB

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

Table H5: Balance of Payments – Other Investment

million euros

	2002	2003	2004	2005	2006	2007 ^a	2008	
							Q1 ^a	Q2 ^b
Other investment (net)	2,795.0	1,326.3	1,614.1	3,771.8	3,198.3	1,346.4	1,648.9	1,042.4
1. Assets	460.0	-2,216.9	-498.3	982.0	-692.3	-1,653.5	521.0	273.2
1.1. Trade credits	-79.4	-169.7	-188.1	-134.8	-33.4	-99.5	-34.6	-167.8
1.1.1. General government	0.0	0.0	0.0	-0.3	0.2	0.1	0.0	0.0
1.1.1.1. Long-term	0.0	0.0	0.0	-0.3	0.2	0.1	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	-79.4	-169.7	-188.1	-134.6	-33.5	-99.7	-34.6	-167.8
1.1.2.1. Long-term	-6.6	-25.6	18.1	10.7	-5.1	-63.6	3.8	4.2
1.1.2.2. Short-term	-72.7	-144.1	-206.1	-145.3	-28.4	-36.1	-38.4	-172.0
1.2. Loans	-55.5	-85.1	43.8	-116.8	-153.1	-4.5	-22.2	-19.5
1.2.1. General government	0.6	-1.0	-1.8	-1.5	-1.3	-9.5	-1.6	-0.9
1.2.1.1. Long-term	0.6	-1.0	-1.8	-1.5	-1.3	-9.5	-1.6	-0.9
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	-22.6	4.3	3.7	-28.5	-80.4	-32.6	-5.2	-7.5
1.2.2.1. Long-term	-20.9	5.1	-0.1	-20.5	-58.9	-25.4	-5.4	-3.7
1.2.2.2. Short-term	-1.6	-0.8	3.9	-8.0	-21.5	-7.3	0.2	-3.7
1.2.3. Other sectors	-33.5	-88.5	41.8	-86.8	-71.4	37.5	-15.4	-11.1
1.2.3.1. Long-term	-33.4	-88.5	43.2	-87.8	-71.7	37.5	-15.1	-8.4
1.2.3.2. Short-term	-0.1	0.1	-1.3	1.0	0.3	0.0	-0.3	-2.8
1.3. Currency and deposits	594.9	-1,962.1	-354.1	1,233.6	-505.8	-1,549.4	577.9	460.5
1.3.1. General government	-24.2	30.3	72.7	-44.4	26.5	-44.5	6.7	-11.9
1.3.2. Banks	1,516.5	-1,964.5	-446.7	1,313.7	-462.1	-1,317.1	681.5	472.4
1.3.3. Other sectors	-897.4	-27.9	19.8	-35.6	-70.2	-187.8	-110.3	0.0
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	2,335.0	3,543.3	2,112.4	2,789.7	3,890.6	2,999.9	1,127.8	769.2
2.1. Trade credits	501.1	-225.6	-54.5	15.1	11.4	313.5	-156.6	451.5
2.1.1. General government	-0.1	1.5	-0.3	0.4	-0.7	-0.6	0.0	-0.1
2.1.1.1. Long-term	-0.1	1.5	-0.3	0.4	-0.7	-0.6	0.0	-0.1
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	501.2	-227.1	-54.2	14.7	12.1	314.2	-156.6	451.6
2.1.2.1. Long-term	-1.4	-46.2	-16.7	27.4	-3.7	165.0	11.2	34.9
2.1.2.2. Short-term	502.6	-181.0	-37.5	-12.7	15.8	149.2	-167.8	416.7
2.2. Loans	625.3	2,890.0	1,676.4	2,405.8	3,059.2	2,890.3	877.6	958.7
2.2.1. Croatian National Bank	-173.8	358.2	-367.7	0.0	0.0	0.0	0.0	0.0
2.2.1.1. o/w: IMF	-129.5	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	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2. Short-term	-44.3	358.2	-367.7	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	409.3	500.4	425.8	248.1	133.5	183.0	15.8	221.6
2.2.2.1. Long-term	409.3	500.4	425.8	248.1	133.5	183.0	15.8	221.6
2.2.2.1.1. Drawings	645.9	764.8	795.5	590.1	560.4	668.3	96.9	536.4
2.2.2.1.2. Repayments	-236.7	-264.5	-369.7	-342.0	-426.9	-485.3	-81.1	-314.8
2.2.2.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	73.5	1,007.7	650.4	826.0	541.2	-1,065.0	31.6	-52.0
2.2.3.1. Long-term	75.8	929.1	741.7	281.1	419.5	-630.8	-57.0	-164.6
2.2.3.1.1. Drawings	739.1	1,722.8	1,260.0	1,236.1	2,833.6	1,216.2	46.4	60.5
2.2.3.1.2. Repayments	-663.3	-793.7	-518.3	-955.0	-2,414.1	-1,847.0	-103.5	-225.1
2.2.3.2. Short-term	-2.3	78.6	-91.2	544.9	121.7	-434.2	88.6	112.6
2.2.4. Other sectors	316.3	1,023.9	967.9	1,331.7	2,384.5	3,772.4	830.1	789.1
2.2.4.1. Long-term	336.0	977.0	932.4	1,277.2	2,295.6	3,162.9	625.1	625.1
2.2.4.1.1. Drawings	1,494.5	2,140.3	2,232.5	2,686.4	4,183.9	5,816.0	1,266.2	1,276.8
2.2.4.1.2. Repayments	-1,158.5	-1,163.3	-1,300.1	-1,409.2	-1,888.3	-2,653.1	-641.1	-651.8
2.2.4.2. Short-term	-19.7	46.9	35.5	54.5	88.9	609.5	205.0	164.0
2.3. Currency and deposits	1,209.5	879.6	487.5	366.1	817.2	-206.6	406.1	-641.8
2.3.1. General government	0.1	0.1	0.0	0.0	0.1	0.0	-0.6	0.3
2.3.2. Banks	1,209.3	879.5	487.5	366.1	817.1	-206.6	406.6	-642.1
2.4. Other liabilities	-0.9	-0.7	3.0	2.8	2.7	2.7	0.8	0.8

^a Revised data. ^b Preliminary data.

Table H6: Balance of Payments – Summary

million kuna

	2002	2003	2004	2005	2006 ^a	2007 ^a	2008	
							Q1 ^a	Q2 ^b
A. CURRENT ACCOUNT (1+6)	-15,744.2	-14,637.6	-11,167.9	-14,828.6	-19,912.8	-23,877.8	-18,372.2	-13,210.0
1. Goods, services, and income (2+5)	-24,275.5	-24,051.3	-20,094.6	-23,586.7	-28,021.9	-31,528.7	-19,984.9	-15,192.4
1.1. Credit	85,611.4	102,483.3	111,525.2	117,995.0	130,801.0	143,956.0	24,802.7	39,120.8
1.2. Debit	-109,886.9	-126,534.6	-131,619.8	-141,581.7	-158,822.9	-175,484.7	-44,787.6	-54,313.2
2. Goods and services (3+4)	-19,986.2	-15,671.7	-15,083.2	-16,508.1	-19,478.8	-23,132.6	-17,962.2	-9,443.3
2.1. Credit	82,206.3	99,192.2	106,225.6	112,693.7	124,269.8	134,451.3	22,385.8	36,474.4
2.2. Debit	-102,192.6	-114,863.9	-121,308.8	-129,201.8	-143,748.6	-157,583.9	-40,348.1	-45,917.7
3. Goods	-44,117.7	-52,759.8	-50,327.5	-55,568.1	-61,083.9	-69,218.6	-18,690.2	-22,554.7
3.1. Credit	39,216.5	42,190.2	49,507.8	53,397.7	61,988.6	67,424.8	16,217.9	17,970.5
3.2. Debit	-83,334.1	-94,949.9	-99,835.3	-108,965.8	-123,072.5	-136,643.4	-34,908.1	-40,525.2
4. Services	24,131.4	37,088.0	35,244.3	39,060.0	41,605.1	46,086.0	728.0	13,111.4
4.1. Credit	42,989.9	57,002.0	56,717.8	59,296.0	62,281.2	67,026.4	6,167.9	18,503.9
4.2. Debit	-18,858.5	-19,914.0	-21,473.5	-20,236.0	-20,676.1	-20,940.5	-5,439.9	-5,392.5
5. Income	-4,289.2	-8,379.5	-5,011.4	-7,078.6	-8,543.1	-8,396.1	-2,022.7	-5,749.1
5.1. Credit	3,405.1	3,291.2	5,299.6	5,301.3	6,531.2	9,504.7	2,416.9	2,646.4
5.2. Debit	-7,694.3	-11,670.7	-10,311.0	-12,379.9	-15,074.3	-17,900.8	-4,439.6	-8,395.5
6. Current transfers	8,531.3	9,413.6	8,926.8	8,758.1	8,109.0	7,650.9	1,612.7	1,982.3
6.1. Credit	10,761.2	11,639.9	11,872.9	12,047.2	12,005.6	11,562.1	2,548.1	2,949.0
6.2. Debit	-2,229.9	-2,226.3	-2,946.1	-3,289.1	-3,896.5	-3,911.1	-935.4	-966.7
B. CAPITAL AND FINANCIAL ACCOUNT	18,920.4	20,752.3	18,727.4	22,064.2	27,225.7	30,400.6	15,760.3	12,267.5
B1. Capital account	3,847.2	771.3	235.5	396.8	-980.5	253.4	35.2	87.4
B2. Financial account, excl. reserves	20,561.8	29,333.4	18,828.5	27,742.8	38,519.6	35,462.3	20,784.5	12,875.8
1. Direct investment	4,183.5	12,706.4	4,452.8	9,093.0	18,830.9	25,267.6	7,645.1	5,707.5
1.1. Abroad	-4,486.9	-801.9	-2,077.2	-1,415.4	-1,277.5	-1,325.3	1,149.9	-1,075.3
1.2. In Croatia	8,670.4	13,508.3	6,530.0	10,508.5	20,108.3	26,592.9	6,495.2	6,782.8
2. Portfolio investment	-3,260.4	6,593.2	2,097.8	-8,725.0	-3,779.9	286.7	1,118.5	-392.5
2.1. Assets	-4,839.6	938.6	-5,563.8	-4,195.8	-3,241.9	-2,715.7	1,972.4	384.0
2.2. Liabilities	1,579.2	5,654.5	7,661.6	-4,529.2	-537.9	3,002.4	-853.9	-776.5
3. Financial derivatives	0.0	0.0	0.0	-659.4	0.0	0.0	0.0	0.0
4. Other investment	19,638.7	10,033.7	12,277.9	28,034.2	23,468.6	9,908.0	12,021.0	7,560.8
4.1. Assets	3,322.5	-16,854.7	-3,680.4	7,419.8	-5,121.7	-12,079.9	3,807.0	1,983.6
4.2. Liabilities	16,316.1	26,888.4	15,958.3	20,614.4	28,590.3	21,987.9	8,214.0	5,577.2
B3. Reserve assets (CNB)	-5,488.5	-9,352.4	-336.5	-6,075.4	-10,313.4	-5,315.1	-5,059.4	-695.7
C. NET ERRORS AND OMISSIONS	-3,176.2	-6,114.7	-7,559.5	-7,235.6	-7,312.9	-6,522.9	2,611.9	942.6

^a Revised data. ^b 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.

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	
1994	December	1,145.7	3.7	–	–	1,142.0	1,142.0	–	716.6
1995	December	1,479.0	109.1	–	–	1,369.9	1,288.4	81.4	1,038.1
1996	December	1,867.7	101.3	0.0	–	1,766.3	1,627.6	138.7	1,549.2
1997	December	2,303.7	133.4	0.1	–	2,170.2	1,825.2	345.0	2,078.9
1998	December	2,400.2	197.1	0.1	–	2,203.0	1,642.6	560.4	1,607.0
1999	December	3,012.7	188.7	0.2	–	2,823.7	2,449.8	373.9	1,344.7
2000	December	3,783.2	158.5	0.2	–	3,624.5	2,763.0	861.5	2,310.7
2001	December	5,333.6	122.9	0.2	–	5,210.5	3,469.7	1,740.7	4,056.0
2002	December	5,651.3	2.3	0.2	–	5,648.8	3,787.8	1,861.0	2,581.6
2003	December	6,554.1	0.7	0.2	–	6,553.2	3,346.0	3,207.2	3,927.1
2004	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	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	October	8,973.8	1.3	0.2	–	8,972.3	4,361.1	4,611.2	3,946.8
	November	9,112.3	0.8	0.2	–	9,111.3	4,462.5	4,648.8	4,180.6
	December	9,307.4	0.8	0.2	–	9,306.5	4,533.9	4,772.5	4,388.9
2008	January	9,332.8	1.0	0.2	–	9,331.6	4,527.3	4,804.2	4,316.4
	February	9,676.9	0.6	0.2	–	9,676.1	4,510.9	5,165.2	4,112.5
	March	9,841.7	1.1	0.2	–	9,840.4	4,954.5	4,885.9	3,904.5
	April	9,928.5	1.1	0.2	–	9,927.2	4,955.3	4,971.9	3,711.8
	May	10,051.2	0.8	0.2	–	10,050.2	4,432.0	5,618.2	3,485.7
	June	9,941.2	0.8	0.2	–	9,940.2	3,509.5	6,430.7	3,542.5
	July	9,788.8	1.0	0.2	–	9,787.7	3,296.2	6,491.4	4,027.1
	August	9,839.8	0.7	0.2	–	9,839.0	3,371.8	6,467.2	4,220.4
	September ^b	9,808.7	0.7	0.2	–	9,807.9	3,076.3	6,731.6	4,304.8

^a International reserves of the Republic of Croatia consist only of the Croatian National Bank's foreign currency reserves.^b Preliminary data.**Table H7: International Reserves and Banks' Foreign Currency Reserves**

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

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

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

Table H8: International Reserves and Foreign Currency Liquidity

end of period, million euros

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
I. Official reserve assets and other f/c assets (approximate market value)										
A. Official reserve assets	5,651.3	6,554.1	6,436.2	7,438.4	8,725.3	9,307.4	9,841.7	9,941.2	9,788.8	9,839.8
(1) Foreign currency reserves (in convertible f/c)	4,246.9	5,740.1	6,235.4	7,337.3	8,162.8	8,911.0	9,040.4	9,040.2	8,952.5	9,033.6
(a) Securities	1,861.0	3,207.2	3,262.0	3,602.8	4,197.5	4,772.5	4,885.9	6,430.7	6,491.4	6,467.2
o/w: Issuer headquartered in reporting country but located abroad	–	–	–	–	–	–	–	–	–	–
(b) Total currency and deposits with:	2,385.9	2,532.9	2,973.3	3,734.5	3,965.3	4,138.4	4,154.5	2,609.5	2,461.1	2,566.4
(i) Other national central banks, BIS and IMF	325.1	271.1	233.1	407.3	198.7	190.7	199.7	265.9	181.3	190.5
(ii) Banks headquartered in the reporting country	–	–	–	–	–	–	–	–	–	–
o/w: Located abroad	–	–	–	–	–	–	–	–	–	–
(iii) Banks headquartered outside the reporting country	2,060.8	2,261.8	2,740.3	3,327.2	3,766.6	3,947.7	3,954.9	2,343.6	2,279.8	2,375.9
o/w: Located in the reporting country	–	–	–	–	–	–	–	–	–	–
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	2.3	0.7	0.6	0.9	0.7	0.8	1.1	0.8	1.0	0.7
(4) Gold	–	–	–	–	–	–	–	–	–	–
(5) Other reserve assets	1,401.9	813.1	200.0	100.0	561.6	395.5	800.0	900.0	835.2	805.4
– Reverse repo	1,401.9	813.1	200.0	100.0	561.6	395.5	800.0	900.0	835.2	805.4
B. Other foreign currency assets (specify)	–	–	–	–	–	–	–	–	–	–
– Time deposits	–	–	–	–	–	–	–	–	–	–
C. Total (A+B)	5,651.3	6,554.1	6,436.2	7,438.4	8,725.3	9,307.4	9,841.7	9,941.2	9,788.8	9,839.8
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)	–740.9	–1,538.0	–988.6	–899.7	–650.5	–521.1	–1,032.1	–1,015.0	–1,017.5	–1,034.0
(a) Croatian National Bank	–167.4	–646.9	–1.8	–1.1	–1.6	–2.0	–1.8	–1.5	–1.9	–1.5
Up to 1 month	Principal	–136.9	–355.9	–	–	–	–	–	–	–
Interest	–2.2	–1.9	–1.8	–1.1	–1.6	–2.0	–1.8	–1.5	–1.9	–1.5
More than 1 and up to 3 months	Principal	–26.5	–288.3	–	–	–	–	–	–	–
Interest	–0.1	–0.7	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–1.6	–	–	–	–	–	–	–	–
Interest	–0.1	–	–	–	–	–	–	–	–	–
(b) Central government (excl. central government funds)	–573.5	–891.1	–986.8	–898.6	–648.9	–519.1	–1,030.3	–1,013.5	–1,015.6	–1,032.5
Up to 1 month	Principal	–98.1	–85.9	–76.5	–77.9	–48.3	–47.6	–13.0	–49.6	–11.7
Interest	–42.8	–34.4	–13.8	–	–	–	–	–	–	–
More than 1 and up to 3 months	Principal	–8.6	–9.3	–510.1	–603.0	–138.4	–227.4	–65.4	–82.1	–96.0
Interest	–148.1	–168.3	–169.0	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–176.2	–495.2	–143.7	–160.2	–399.8	–648.6	–776.7	–815.8	–825.6
Interest	–99.7	–98.0	–73.8	–57.5	–62.3	–53.8	–141.3	–121.8	–111.8	–99.1
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	–21.5	–363.5	–	–	–	–	–	–	–	–
– Outflows related to repos (–)	–21.5	–363.5	–	–	–	–	–	–	–	–
Up to 1 month	Principal	–21.5	–363.1	–	–	–	–	–	–	–
Interest	0.0	–0.4	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	Principal	–	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–	–
4. Total predetermined short-term net drains on f/c assets (1+2+3)	–762.4	–1,901.5	–988.6	–899.7	–650.5	–521.1	–1,032.1	–1,015.0	–1,017.5	–1,034.0
III. Contingent short-term net drains on f/c assets (nominal value)										
1. Contingent liabilities in foreign currency	–1,631.0	–1,300.4	–1,772.9	–2,273.1	–2,734.9	–2,607.4	–3,071.0	–2,919.3	–2,708.8	–2,772.9
(a) Collateral guarantees on debt falling due within 1 year	–685.9	–426.8	–370.9	–443.8	–478.9	–662.1	–729.1	–597.6	–605.2	–735.4

– Croatian National Bank	–	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)	–685.9	–426.8	–370.9	–443.8	–478.9	–662.1	–729.1	–597.6	–605.2	–735.4
Up to 1 month	–52.3	–55.8	–62.7	–59.6	–71.9	–54.3	–187.2	–51.3	–12.5	–50.3
More than 1 and up to 3 months	–35.2	–94.9	–33.9	–53.0	–84.8	–42.4	–117.2	–83.4	–108.3	–96.5
More than 3 months and up to 1 year	–598.3	–276.1	–274.4	–331.2	–322.2	–565.3	–424.7	–463.0	–484.3	–588.6
(b) Other contingent liabilities	–945.1	–873.6	–1,402.0	–1,829.3	–2,256.0	–1,945.3	–2,341.9	–2,321.7	–2,103.6	–2,037.5
– Croatian National Bank	–945.1	–873.6	–1,402.0	–1,829.3	–2,256.0	–1,945.3	–2,341.9	–2,321.7	–2,103.6	–2,037.5
Up to 1 month	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–945.1	–873.6	–1,402.0	–1,829.3	–2,256.0	–1,945.3	–2,341.9	–2,321.7	–2,103.6	–2,037.5
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)	–1,631.0	–1,300.4	–1,772.9	–2,273.1	–2,734.9	–2,607.4	–3,071.0	–2,919.3	–2,708.8	–2,772.9
IV. Memo items										
(a) Short-term domestic currency debt indexed to the exchange rate	–	–	–	–	–	–	–	–	–	–
o/w: Central government (excl. central government funds)	–	–	–	–	–	–	–	–	–	–
(b) Financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	–	–	–	–	–	–	–	–	–	–
(c) Pledged assets	–	–	–	–	–	–	–	–	–	–
(d) Securities lent and on repo	–	–	–	–	–	–	–	–	–	–
– Lent or repoed and included in Section I	–20.0	–351.0	–	–	–	–	–0.2	–1.5	–1.1	–1.3
– 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	1,330.3	785.1	180.7	88.5	559.5	389.7	788.9	913.3	848.6	794.8
(e) Financial derivative assets (net, marked to market)	–	–	–	–	–	–	–	–	–	–
(f) Currency composition of official reserves assets	–	–	–	–	–	–	–	–	–	–
– Currencies in SDR basket	5,651.3	6,554.1	6,436.2	7,438.1	8,725.0	9,307.1	9,841.6	9,941.1	9,788.7	9,839.7
– Currencies not in SDR basket	0.0	0.0	0.0	0.3	0.3	0.3	0.1	0.1	0.1	0.1
– By individual currencies										
USD	1,600.8	1,937.6	1,609.1	1,104.5	1,266.0	1,357.2	2,680.3	2,719.9	2,592.7	2,597.6
EUR	4,047.9	4,615.6	4,826.3	6,332.5	7,458.0	7,944.2	7,159.4	7,219.7	7,194.3	7,240.7
Other	2.6	0.9	0.8	1.3	1.3	6.0	2.0	1.7	1.8	1.5

Table H8: International Reserves and Foreign Currency Liquidity

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

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

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

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

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

The fourth part of the Template lists memo items. Short-term, domestic currency debt indexed to foreign currency (IV.(a)) shows obligations arising from the Act on Converting Households’ Foreign

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		7.087680	0.524825	1.079616	0.371511	4.381907	9.166621	5.994736	3.692176
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	
2007	October	7.320799				4.384000	10.512950	5.149405	
	November	7.339884				4.453499	10.365513	5.004536	
	December	7.315282				4.410997	10.172190	5.022677	
2008	January	7.326929				4.516125	9.821601	4.987008	
	February	7.266515				4.516712	9.689673	4.933374	
	March	7.266614				4.623619	9.389891	4.689464	
	April	7.265563				4.558372	9.128528	4.606358	
	May	7.254953				4.467798	9.161309	4.663891	
	June	7.247010				4.487972	9.154517	4.665242	
	July	7.229828				4.469877	9.111242	4.580458	
	August	7.196063				4.437266	9.088553	4.797094	
	September	7.126375				4.465702	8.911952	4.955398	

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
1994		6.902400	0.516285	1.052510	0.346500	4.288893	8.784200	5.628700	3.632100
1995		6.812200	0.526742	1.085365	0.335800	4.618693	8.234500	5.316100	3.705900
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.514000
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	
2007	October	7.350060				4.380250	10.543767	5.106691	
	November	7.313666				4.435482	10.227473	4.962455	
	December	7.325131				4.412464	9.963453	4.985456	
2008	January	7.249864				4.492696	9.752306	4.896241	
	February	7.277476				4.536797	9.547987	4.823034	
	March	7.256652				4.612377	9.160126	4.593981	
	April	7.263753				4.498794	9.241416	4.665224	
	May	7.250440				4.453861	9.231525	4.677703	
	June	7.246264				4.509187	9.127427	4.594968	
	July	7.221125				4.427965	9.180758	4.633084	
	August	7.161648				4.431987	8.895352	4.858978	
	September	7.107741				4.480139	8.929323	4.961427	

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

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

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

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

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

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

indices 2001=100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator	
			Producer price index	Consumer price index
1996	December	83.88	90.19	96.70
1997	December	87.77	93.06	98.84
1998	December	91.09	95.99	95.39
1999	December	99.25	102.78	102.09
2000	December	101.63	100.07	101.91
2001	December	99.07	98.63	98.89
2002	December	95.99	95.65	96.26
2003	December	94.18	94.55	94.71
2004	December	90.42	90.61	90.85
2005	December	91.52	94.33	90.99
2006	December	88.42	92.51	87.96
2007	October	86.23	89.29	85.16
	November	85.72	89.52	84.31
	December	85.58	88.97	83.10
2008	January	85.50	87.75	82.55
	February	84.74	87.30	82.25
	March	83.57	86.68	81.32
	April	83.12	86.77	80.57
	May	83.30	87.36	80.50
	June	83.25	87.34	80.28
	July	82.69	86.10 ^a	79.67 ^a
	August	83.45	85.93 ^a	80.55 ^a
	September	83.60		

^a Preliminary data.

Note: From 1 January 2001, the eurozone related price series includes Greece as well. Slovenia became an EMU member on 1 January 2007. Accordingly, the weight assigned to the Slovenian tolar (0.2%) has been added to the euro weight (70.6%), which now amounts to 70.8%. The weights assigned to the US dollar, pound sterling and Swiss franc have been kept at 27.2%, 1.0% and 1.0% respectively.

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

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

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

Table H12: Gross External Debt by Domestic Sectors

million euros

	2002	2003	2004	2005	2006	2007		2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec. ^a	Dec. ^{b*}	Mar.*	Jun.*	Jul.*	Aug.
1. Government	5,884.9	6,570.7	7,257.3	7,047.3	6,667.7	6,663.0	6,729.4	6,607.7	6,672.9	6,644.0	6,708.5
Short-term	1.3	1.3	2.7	2.0	1.3	5.3	3.3	6.3	6.7	6.7	8.7
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	1.3	1.3	2.7	2.0	1.3	5.3	3.3	6.3	6.7	6.7	8.7
Principal arrears	0.9	0.9	2.4	1.8	0.0	1.1	0.3	0.3	0.4	0.5	2.4
Interest arrears	0.4	0.4	0.3	0.2	1.2	4.2	2.9	6.0	6.4	6.3	6.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,883.6	6,569.4	7,254.6	7,045.3	6,666.5	6,657.7	6,726.2	6,601.4	6,666.1	6,637.3	6,699.8
Bonds	3,950.4	4,306.6	4,662.4	4,052.1	3,640.5	3,563.6	3,591.2	3,499.2	3,339.6	3,321.8	3,349.3
Credits	1,932.1	2,260.5	2,590.2	2,990.6	3,024.1	3,093.0	3,133.8	3,101.2	3,325.6	3,314.8	3,349.7
Trade credits	1.1	2.3	2.1	2.6	1.9	1.2	1.2	1.1	0.9	0.8	0.8
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
2. Croatian National Bank	23.2	365.9	2.4	2.6	2.6	2.3	2.3	1.7	2.0	2.0	2.0
Short-term	23.2	365.9	2.4	2.6	2.6	2.3	2.3	1.7	2.0	2.0	2.0
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	21.5	363.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1.7	2.6	2.4	2.6	2.6	2.3	2.3	1.7	2.0	2.0	2.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	3,798.7	6,140.1	7,731.7	8,978.7	10,222.6	8,879.1	8,888.2	9,424.9	8,694.9	8,344.5	7,819.8
Short-term	1.2	605.5	1,969.2	2,505.2	3,362.7	2,361.2	2,358.3	2,932.8	2,453.5	2,316.2	2,060.7
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.3	604.6	519.9	1,064.8	1,150.4	710.8	708.2	801.6	913.9	873.7	641.1
Currency and deposits	0.0	0.0	1,448.4	1,438.6	2,211.1	1,648.8	1,648.8	2,129.4	1,537.1	1,440.9	1,418.1
Other debt liabilities	0.8	0.9	0.9	1.7	1.2	1.7	1.3	1.8	2.5	1.6	1.5
Principal arrears	0.5	0.2	0.0	0.0	0.0	0.1	0.1	0.1	0.3	0.3	0.3
Interest arrears	0.4	0.7	0.9	1.7	1.2	1.5	1.2	1.6	2.3	1.3	1.2
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	3,797.5	5,534.7	5,762.5	6,473.6	6,859.9	6,517.9	6,529.9	6,492.1	6,241.3	6,028.3	5,759.1
Bonds	0.0	0.0	453.2	456.6	457.9	459.0	459.0	463.8	468.6	451.0	452.7
Credits	1,900.6	2,798.5	3,517.4	3,822.7	4,217.3	3,565.1	3,577.0	3,538.7	3,368.6	3,323.5	3,088.3
Currency and deposits	1,896.9	2,736.2	1,791.9	2,194.3	2,184.7	2,493.9	2,493.9	2,489.7	2,404.2	2,253.7	2,218.1
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
4. Other sectors	4,030.9	4,945.7	5,895.6	7,264.0	9,502.5	13,451.9	13,711.0	14,561.8	15,410.8	15,950.3	16,262.8
Short-term	472.6	512.9	535.2	707.7	700.9	1,478.2	861.4	1,124.7	1,518.4	1,564.5	1,674.3
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Credits	25.4	68.1	98.5	140.2	155.0	681.0	506.1	722.6	777.6	821.0	825.8
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	47.5	22.2	23.2	27.8	35.9	31.1	34.1	34.5	35.3	44.2	53.4
Other debt liabilities	399.7	389.0	413.5	539.8	510.0	766.0	321.1	366.6	705.4	699.3	795.1
Principal arrears	366.5	356.3	377.1	496.3	460.6	683.4	266.7	309.9	635.8	626.4	707.6
Interest arrears	33.2	32.7	36.3	43.5	49.4	82.6	54.4	56.7	69.7	72.9	87.5
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	3,558.2	4,432.8	5,360.4	6,556.2	8,801.6	11,973.7	12,849.6	13,437.1	13,892.4	14,385.8	14,588.5
Bonds	171.9	344.8	377.9	375.3	306.4	401.6	405.1	415.2	402.3	390.4	392.2
Credits	3,174.9	3,933.0	4,852.7	6,017.1	8,349.8	11,282.3	12,163.0	12,740.9	13,183.8	13,695.0	13,881.8
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	211.5	155.0	129.8	163.8	145.4	289.8	281.4	281.0	306.3	300.4	314.5

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
5. Direct investment	1,405.4	1,861.4	2,046.1	2,455.0	2,878.4	3,932.8	3,893.1	4,319.0	4,516.5	4,550.1	4,573.4
Short-term	79.8	122.3	124.1	184.6	233.9	540.4	493.3	669.5	739.2	761.8	743.5
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	29.9	38.7	33.0	36.5	51.2	216.8	339.4	481.1	436.4	463.4	470.9
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	49.9	83.6	91.2	148.1	182.7	323.6	153.9	188.4	302.8	298.5	272.5
Principal arrears	42.0	73.4	78.1	128.7	158.2	293.9	128.9	164.8	275.8	276.3	250.2
Interest arrears	7.9	10.2	13.1	19.4	24.5	29.7	25.0	23.7	27.0	22.2	22.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,325.7	1,739.1	1,921.9	2,270.4	2,644.5	3,392.5	3,399.7	3,649.5	3,777.3	3,788.3	3,829.9
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,291.6	1,707.6	1,892.2	2,236.8	2,618.1	3,374.5	3,387.5	3,638.1	3,768.5	3,780.0	3,821.8
Trade credits	34.1	31.5	29.8	33.6	26.4	18.0	12.2	11.4	8.8	8.2	8.1
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
Total (1+2+3+4+5)	15,143.1	19,883.8	22,933.0	25,747.7	29,273.9	32,929.2	33,224.0	34,915.2	35,297.1	35,490.9	35,366.5

^a Old reporting system. ^b New reporting system.

Table H12: Gross External Debt by Domestic Sectors

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

External debt by domestic sectors is shown in the same manner as in the Capital and Financial Account of the BOP. Item Government shows the external debt of the general government, comprising the Republic of Croatia, central government funds (including the Croatian Bank for Reconstruction and Development, the State Agency for Deposit Insurance and Bank Rehabilitation, the Croatian Roads and the Croatian Motorways), 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, enterprises, non-profit institutions and households, including craftsmen. Item Direct investment shows borrower – lender transactions of other sectors that are interrelated by ownership (borrower or lender owns more than 10% of the other).

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

Outstanding gross external debt includes principal and interest

arrears, as well as accrual interest and future principal payments.

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

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

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

The gross external debt position presented in this Table highlights the role of the public sector.

Public sector includes the general government (comprising the Republic of Croatia, central government funds and local government), the central bank, public enterprises and mixed enterprises. 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

million euros

	2002	2003	2004	2005	2006	2007		2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec. ^a	Dec. ^{b*}	Mar.*	Jun.*	Jul.*	Aug.
1. Public sector	7,211.5	8,327.6	8,580.3	8,500.4	8,256.8	9,259.5	9,407.6	9,330.5	9,532.8	9,558.5	9,763.1
Short-term	60.8	415.8	29.5	23.1	41.7	72.5	59.4	101.8	119.8	132.3	128.0
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	21.9	391.2	0.7	2.3	15.2	35.4	35.6	74.7	76.2	88.9	90.5
Currency and deposits	1.7	2.6	2.4	2.6	2.6	2.3	2.3	1.7	2.0	2.0	2.0
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	37.2	22.1	26.4	18.2	23.9	34.7	21.5	25.4	41.6	41.4	35.5
Principal arrears	35.0	20.5	25.4	17.1	20.6	29.9	17.4	13.1	30.6	29.9	26.2
Interest arrears	2.1	1.6	1.0	1.1	3.3	4.8	4.1	12.3	11.0	11.6	9.3
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	7,150.2	7,911.5	8,549.6	8,476.3	8,213.6	9,185.2	9,346.4	9,227.0	9,411.3	9,424.5	9,633.4
Bonds	3,950.4	4,306.6	4,662.4	4,052.1	3,640.5	3,859.7	3,891.0	3,803.0	3,647.4	3,614.7	3,643.6
Credits	3,118.5	3,554.4	3,833.2	4,314.5	4,485.2	5,120.3	5,240.8	5,207.5	5,496.3	5,556.2	5,722.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.7	9.6	10.2
Trade credits	81.4	50.6	54.1	109.7	87.9	205.2	214.6	216.5	248.0	243.9	256.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.5	0.3	1.2	1.0	1.5	1.8	1.8	1.8	1.7	1.7	1.7
2. Publicly guaranteed private sector	559.5	433.7	334.1	290.8	204.2	139.9	138.1	109.3	106.4	81.7	83.1
Short-term	21.8	21.1	23.5	22.1	17.2	11.3	9.8	8.1	8.1	6.6	6.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	21.8	21.1	23.5	22.1	17.2	11.3	9.8	8.1	8.1	6.6	6.9
Principal arrears	13.9	14.3	15.6	14.5	14.4	9.4	8.4	7.0	7.0	6.6	6.9
Interest arrears	7.9	6.8	7.9	7.6	2.8	1.9	1.4	1.1	1.1	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	537.8	412.6	310.6	268.8	187.0	128.6	128.3	101.2	98.4	75.1	76.2
Bonds	31.2	31.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	502.5	378.9	309.1	267.0	187.0	128.6	128.3	101.2	98.4	75.1	76.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	4.0	2.5	1.5	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Non-publicly guaranteed private sector	7,372.1	11,122.4	14,018.6	16,956.4	20,812.9	23,529.9	23,678.3	25,475.4	25,657.8	25,850.7	25,520.3
Short-term	415.8	1,048.6	2,456.4	3,172.3	4,008.7	3,763.3	3,156.1	3,955.6	3,852.8	3,750.5	3,610.9
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Credits	25.4	644.8	617.7	1,202.7	1,290.2	1,356.4	1,178.7	1,449.6	1,615.3	1,605.8	1,376.3
Currency and deposits	0.0	0.0	1,448.4	1,438.6	2,211.1	1,648.8	1,648.8	2,129.4	1,537.1	1,440.9	1,418.1
Trade credits	47.5	22.2	23.2	27.8	35.9	31.1	34.1	34.5	35.3	44.2	53.4
Other debt liabilities	342.9	347.9	367.1	503.2	471.5	727.0	294.5	341.2	665.1	659.6	763.0
Principal arrears	318.9	322.6	338.5	466.4	425.6	645.4	241.4	290.2	598.8	590.6	677.3
Interest arrears	24.0	25.3	28.6	36.8	45.8	81.7	53.0	51.0	66.3	68.9	85.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,551.4	8,212.8	9,517.3	11,330.1	13,927.4	15,835.5	16,630.9	17,202.7	17,290.2	17,551.7	17,337.8
Bonds	140.7	313.7	831.1	831.8	764.3	564.4	564.4	575.2	563.1	548.4	550.6
Credits	3,386.6	5,058.6	6,817.9	8,249.0	10,919.0	12,691.4	13,504.7	14,072.2	14,263.7	14,692.3	14,510.7
Currency and deposits	1,896.9	2,736.2	1,791.9	2,194.3	2,184.7	2,493.9	2,493.9	2,489.7	2,404.2	2,253.7	2,218.1
Trade credits	127.1	104.3	76.3	55.0	59.4	85.8	68.0	65.6	59.2	57.2	58.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	1,404.9	1,861.1	2,044.9	2,454.0	2,876.9	3,931.1	3,891.3	4,317.0	4,514.8	4,548.4	4,571.7
Total (1+2+3)	15,143.1	19,883.8	22,933.0	25,747.7	29,273.9	32,929.2	33,224.0	34,915.2	35,297.1	35,490.9	35,366.5

^a Old reporting system. ^b New reporting system.

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

million euros

	Gross external debt 31/8/2008	Immediate	Projected future principal payments													
			Q3/08	Q4/08	Q1/09	Q2/09	2008	2009	2010	2011	2012	2013	2014	2015	Other	
1. Government	6,708.5	8.7	122.9	201.6	578.0	323.7	324.5	1,179.0	924.1	1,498.7	330.6	267.1	737.6	369.4	1,068.8	
Short-term	8.7	8.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	8.7	8.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	2.4	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	6.3	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	6,699.8	0.0	122.9	201.6	578.0	323.7	324.5	1,179.0	924.1	1,498.7	330.6	267.1	737.6	369.4	1,068.8	
Bonds	3,349.3	0.0	78.0	17.5	522.2	155.9	95.5	720.9	563.4	1,057.2	47.1	29.6	526.1	29.6	279.9	
Credits	3,349.7	0.0	44.9	184.1	55.9	167.8	228.9	458.0	360.6	441.5	283.5	237.3	211.5	339.7	788.8	
Trade credits	0.8	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
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	0.0	0.0	0.0	0.0	
2. Croatian National Bank	2.0	0.0	2.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Short-term	2.0	0.0	2.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	2.0	0.0	2.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	0.0	0.0	0.0	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	7,819.8	1.5	1,466.3	691.3	189.7	868.3	2,157.6	1,917.4	689.8	1,019.6	378.3	89.3	78.7	44.4	1,443.3	
Short-term	2,060.7	1.5	1,348.0	385.7	93.1	187.0	1,733.7	325.5	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	641.1	0.0	418.2	128.9	0.0	93.9	547.1	93.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	1,418.1	0.0	929.7	256.8	93.1	93.1	1,186.6	231.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	1.5	1.5	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	
Principal arrears	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	1.2	1.2	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	5,759.1	0.0	118.4	305.6	96.7	681.3	423.9	1,591.9	689.8	1,019.6	378.3	89.3	78.7	44.4	1,443.3	
Bonds	452.7	0.0	2.7	0.0	0.0	0.0	2.7	450.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	3,088.3	0.0	25.1	193.0	33.9	618.6	218.1	891.2	416.3	810.7	378.3	89.3	78.7	44.4	161.3	
Currency and deposits	2,218.1	0.0	90.6	112.5	62.8	62.8	203.2	250.7	273.4	208.9	0.0	0.0	0.0	0.0	1,282.0	
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	
4. Other sectors	16,262.8	795.1	576.4	1,115.1	808.5	734.5	1,691.5	2,891.9	2,017.1	2,072.8	1,633.5	628.2	585.6	508.6	3,438.5	
Short-term	1,674.3	795.1	84.5	368.3	265.8	90.9	452.8	426.4	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	825.8	0.0	84.5	368.3	212.4	90.9	452.8	373.0	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	53.4	0.0	0.0	0.0	53.4	0.0	0.0	53.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	795.1	795.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	707.6	707.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	87.5	87.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	14,588.5	0.0	491.9	746.8	542.7	643.7	1,238.7	2,465.5	2,017.1	2,072.8	1,633.5	628.2	585.6	508.6	3,438.5	
Bonds	392.2	0.0	8.3	0.0	0.0	0.0	8.3	0.0	0.0	90.7	0.0	0.0	0.0	0.0	293.3	
Credits	13,881.8	0.0	467.1	701.4	495.3	597.9	1,168.5	2,293.5	1,956.6	1,964.6	1,631.4	627.8	585.6	508.6	3,145.2	
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Trade credits	314.5	0.0	16.5	45.4	47.4	45.8	61.9	172.0	60.5	17.5	2.1	0.4	0.0	0.0	0.1	

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	0.0	0.0	0.0	0.0	0.0
5. Direct investment	4,573.4	272.5	153.1	477.2	226.4	264.4	630.3	858.9	431.4	465.1	545.4	204.9	98.2	364.5	702.3	
Short-term	743.5	272.5	47.4	145.0	168.7	79.5	192.4	278.6	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	470.9	0.0	47.4	145.0	168.7	79.5	192.4	278.6	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	272.5	272.5	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	
Principal arrears	250.2	250.2	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	22.3	22.3	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	3,829.9	0.0	105.7	332.3	57.7	184.9	437.9	580.3	431.4	465.1	545.4	204.9	98.2	364.5	702.3	
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	3,821.8	0.0	104.8	331.0	57.2	184.5	435.8	578.3	430.1	464.0	544.7	204.3	97.7	364.5	702.3	
Trade credits	8.1	0.0	0.9	1.3	0.5	0.4	2.1	2.0	1.2	1.1	0.7	0.6	0.5	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)	35,366.5	1,077.9	2,320.6	2,485.3	1,802.7	2,190.9	4,805.9	6,847.1	4,062.3	5,056.2	2,887.8	1,189.4	1,500.1	1,286.9	6,652.9	
Supplement: Projected interest payments			0.1	332.9	313.2	285.1	333.0	1,135.5	900.0	747.8	486.8	423.2	362.3	294.1	1,243.6	

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

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

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

Projected payments of accrual interest, which are an integral part of the gross external debt, increase the projected principal payments in the first quarter period and, consequently, decrease the interest payments estimated for the same period.

Table H15: Gross External Debt by Other Sectors

million euros

	2002	2003	2004	2005	2006	2007		2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec. ^a	Dec. ^{b*}	Mar.*	Jun.*	Jul.*	Aug.
1. Other sectors	4,030.9	4,945.7	5,895.6	7,264.0	9,502.5	13,451.9	13,711.0	14,561.9	15,410.8	15,950.3	16,262.8
Short-term	472.6	512.9	535.2	707.7	700.9	1,478.2	861.4	1,124.7	1,518.4	1,564.5	1,674.3
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Credits	25.4	68.1	98.5	140.2	155.0	681.0	506.1	722.6	777.6	821.0	825.8
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	47.5	22.2	23.2	27.8	35.9	31.1	34.1	34.5	35.3	44.2	53.4
Other debt liabilities	399.7	389.0	413.5	539.8	510.0	766.0	321.1	366.6	705.4	699.3	795.1
Principal arrears	366.5	356.3	377.1	496.3	460.6	683.4	266.7	309.9	635.8	626.4	707.6
Interest arrears	33.2	32.7	36.3	43.5	49.4	82.6	54.4	56.7	69.7	72.9	87.5
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	3,558.2	4,432.8	5,360.4	6,556.2	8,801.6	11,973.7	12,849.6	13,437.1	13,892.4	14,385.8	14,588.5
Bonds	171.9	344.8	377.9	375.3	306.4	401.6	405.1	415.2	402.3	390.4	392.2
Credits	3,174.9	3,933.0	4,852.7	6,017.1	8,349.8	11,282.3	12,163.0	12,740.9	13,183.8	13,695.0	13,881.8
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	211.5	155.0	129.8	163.8	145.4	289.8	281.4	281.0	306.3	300.4	314.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1. Other banking institutions	17.5	26.3	25.4	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	1.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	1.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	16.5	25.3	25.4	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	16.5	25.3	25.4	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Non-banking financial institutions	304.9	685.1	981.2	1,249.1	1,873.7	2,630.7	2,750.8	2,930.7	3,119.7	3,220.9	3,285.2
Short-term	3.1	2.7	9.5	19.6	60.1	201.6	188.4	176.4	222.7	229.7	231.3
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Credits	0.0	0.0	5.4	14.3	46.5	184.5	159.5	165.3	213.3	220.6	221.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	3.1	2.7	4.0	5.3	13.6	17.1	29.0	10.3	9.4	9.1	9.7
Principal arrears	2.1	1.5	1.5	2.9	6.4	2.9	14.7	6.3	3.6	4.3	5.3
Interest arrears	1.1	1.2	2.5	2.4	7.2	14.2	14.3	3.9	5.9	4.9	4.4
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	301.8	682.5	971.7	1,229.5	1,813.7	2,429.2	2,562.3	2,754.3	2,897.0	2,991.2	3,053.8
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	301.8	681.8	971.7	1,229.3	1,813.6	2,429.1	2,562.3	2,753.8	2,896.4	2,990.6	3,053.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.7	0.0	0.2	0.0	0.0	0.0	0.5	0.5	0.5	0.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3. Public enterprises	822.0	1,005.9	972.4	1,120.8	1,168.5	1,997.4	2,082.7	2,158.1	2,295.4	2,284.9	2,372.0
Short-term	31.6	41.8	20.6	13.3	31.6	48.3	52.3	89.7	95.9	107.5	108.0
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	0.4	25.7	0.0	0.0	15.2	35.4	35.6	74.7	76.2	88.9	90.5
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	31.2	16.2	20.6	13.3	16.4	12.9	16.7	15.1	19.7	18.6	17.5
Principal arrears	29.8	15.5	20.0	12.5	14.5	12.5	15.9	11.7	15.3	13.6	14.7
Interest arrears	1.4	0.7	0.6	0.8	1.9	0.5	0.9	3.4	4.3	5.1	2.8
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	790.4	964.0	951.9	1,107.6	1,136.9	1,949.0	2,030.4	2,068.4	2,199.5	2,177.4	2,264.1
Bonds	0.0	0.0	0.0	0.0	0.0	296.2	299.8	303.8	307.8	293.0	294.3

Credits	726.3	929.6	919.4	1,026.8	1,066.8	1,470.2	1,547.5	1,574.1	1,665.6	1,661.4	1,733.5
Trade credits	64.1	34.4	32.5	80.7	70.1	182.7	183.1	190.5	226.1	223.1	236.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.4. Mixed enterprises	480.9	384.9	347.1	328.7	416.5	594.9	591.3	561.1	560.9	625.8	678.9
Short-term	4.7	6.8	3.9	5.3	6.3	16.5	1.5	4.0	15.2	16.1	9.3
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	2.2	0.7	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	4.7	4.6	3.2	3.0	6.3	16.5	1.5	4.0	15.2	16.1	9.3
Principal arrears	4.4	4.1	3.0	2.9	6.1	16.4	1.2	1.2	15.0	15.8	9.1
Interest arrears	0.3	0.6	0.1	0.1	0.2	0.1	0.3	2.8	0.3	0.3	0.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	476.3	378.1	343.2	323.4	410.2	578.4	589.8	557.1	545.7	609.7	669.6
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	460.1	364.3	323.6	297.0	394.3	557.1	559.5	532.2	524.7	589.6	649.7
Trade credits	16.2	13.8	19.6	26.4	15.9	21.3	30.3	24.9	21.0	20.1	19.9
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
1.5. Other enterprises	2,335.3	2,763.8	3,473.2	4,428.1	5,929.1	8,062.2	8,043.7	8,674.6	9,186.3	9,570.8	9,662.9
Short-term	426.7	454.3	482.9	654.8	578.8	1,174.3	606.6	841.9	1,177.6	1,204.2	1,318.5
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	24.2	39.8	81.7	122.0	86.9	451.2	299.4	470.8	481.8	505.3	507.2
Trade credits	47.5	22.2	23.2	27.8	35.9	31.1	34.1	34.5	35.3	44.2	53.4
Other debt liabilities	355.1	358.6	378.1	505.1	456.0	692.0	273.1	336.6	660.5	654.8	757.9
Principal arrears	326.7	330.7	346.8	467.5	420.3	630.2	234.1	290.0	601.3	592.0	677.8
Interest arrears	28.4	27.9	31.3	37.5	35.7	61.8	39.0	46.6	59.2	62.8	80.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,908.6	2,309.6	2,990.2	3,773.3	5,350.3	6,887.9	7,437.1	7,832.7	8,008.7	8,366.6	8,344.4
Bonds	171.9	344.8	377.9	375.3	306.4	105.4	105.4	111.4	94.6	97.4	97.9
Credits	1,627.0	1,874.6	2,545.3	3,348.9	4,989.1	6,701.7	7,268.7	7,660.6	7,859.3	8,216.2	8,192.3
Trade credits	109.7	90.1	67.1	49.1	54.8	80.8	63.0	60.7	54.8	52.9	54.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.6. Non-profit institutions	3.3	2.8	4.0	4.9	5.3	5.4	3.3	3.2	3.1	3.1	3.2
1.7. Craftsmen and sole traders	40.9	50.0	42.7	35.2	26.8	24.1	23.9	21.3	19.8	19.3	18.9
1.8. Households	26.1	26.9	49.7	71.5	82.7	137.2	215.3	212.7	225.7	225.4	241.8

^a Old reporting system. ^b New reporting system.

Table H16: International Investment Position – Summary

million euros

	2002 ^a	2003 ^a	2004	2005	2006	2007 ^a	2008	
							Q1 ^a	Q2 ^b
1. International investment position (net)	-7,275.1	-10,716.7	-15,371.6	-20,229.0	-29,972.1	-39,636.6	-37,516.8	-36,664.5
2. Assets	12,492.1	14,347.6	15,117.6	16,042.7	18,242.9	21,158.1	20,453.4	20,285.1
2.1. Direct investment abroad	1,606.8	1,626.7	1,563.4	1,729.8	1,833.1	2,325.3	2,216.0	2,435.0
2.2. Portfolio investment	876.5	737.4	1,506.0	2,136.8	2,575.9	3,022.0	2,416.1	2,358.2
2.2.1. Equity securities	79.1	141.3	176.8	418.0	720.4	1,601.6	1,077.4	1,117.9
2.2.2. Debt securities	797.4	596.1	1,329.1	1,718.8	1,855.4	1,420.4	1,338.7	1,240.3
Bonds	787.5	593.7	1,168.7	1,571.6	1,464.0	1,140.0	1,117.3	1,019.4
Money market instruments	9.9	2.4	160.4	147.1	391.4	280.4	221.4	221.0
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	4,357.4	5,429.5	5,612.1	4,737.7	5,108.6	6,503.4	5,979.7	5,550.6
2.4.1. Trade credits	222.5	253.4	221.6	263.0	230.6	248.8	233.7	229.7
2.4.2. Loans	108.9	102.1	102.2	146.2	239.5	295.7	315.4	352.4
2.4.3. Currency and deposits	4,026.0	5,074.0	5,288.2	4,328.5	4,638.3	5,958.9	5,430.6	4,968.5
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0
2.5. Reserve assets (CNB)	5,651.3	6,554.1	6,436.1	7,438.4	8,725.3	9,307.4	9,841.7	9,941.2
3. Liabilities	19,767.1	25,064.3	30,489.1	36,271.6	48,215.0	60,794.7	57,970.2	56,949.6
3.1. Direct investment in Croatia	5,790.8	6,808.6	9,114.2	12,332.4	20,782.0	30,381.8	26,323.2	25,193.0
3.2. Portfolio investment	4,361.0	4,918.4	5,981.6	5,530.4	5,442.4	5,840.7	5,438.7	5,213.8
3.2.1. Equity securities	238.7	233.4	488.1	646.5	1,037.5	1,416.6	1,059.5	1,003.3
3.2.2. Debt securities	4,122.2	4,685.1	5,493.5	4,883.9	4,404.8	4,424.2	4,379.1	4,210.5
Bonds	4,122.2	4,651.4	5,493.5	4,883.9	4,404.8	4,424.2	4,378.2	4,210.5
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.9	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	9,615.4	13,337.3	15,393.4	18,408.7	21,990.6	24,572.2	26,208.4	26,542.8
3.4.1. Trade credits	260.0	179.5	155.1	194.2	183.3	322.1	316.6	338.5
3.4.2. Loans	7,055.0	10,027.9	11,578.7	14,035.5	16,896.6	19,332.1	20,891.9	21,531.1
3.4.3. Currency and deposits	1,898.6	2,738.8	3,242.7	3,635.6	4,398.3	4,145.0	4,620.8	3,943.3
3.4.4. Other assets	401.8	391.2	417.0	543.5	512.5	773.0	379.1	729.9

^a Revised data. ^b Preliminary data.**Table H16: International Investment Position**

This table is made in accordance with the recommendations of the IMF (Balance of Payments Manual, Fifth Edition, 1995). Data sources include: reports from banks, enterprises, the Croatian National Bank, and the Zagreb Stock Exchange (ZSE).

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

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

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

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

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

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

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

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

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

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

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

Table H17: International Investment Position – Direct Investment

million euros

	2002	2003	2004	2005	2006	2007 ^a	2008	
							Q1 ^a	Q2 ^b
Direct investment (net)	-4,183.9	-5,181.9	-7,550.8	-10,602.7	-18,948.9	-28,056.5	-24,107.2	-22,758.0
1. Abroad	1,606.8	1,626.7	1,563.4	1,729.8	1,833.1	2,325.3	2,216.0	2,435.0
1.1. Equity capital and reinvested earnings	1,569.1	1,587.0	1,502.3	1,610.4	1,725.0	2,214.9	2,092.3	2,293.4
1.1.1. Claims	1,569.1	1,587.0	1,502.3	1,610.4	1,725.0	2,214.9	2,092.3	2,293.4
1.1.2. Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	37.7	39.7	61.2	119.3	108.2	110.4	123.6	141.6
1.1.1. Claims	49.9	63.4	89.6	138.0	144.8	175.4	179.4	204.2
1.2.2. Liabilities	12.2	23.7	28.4	18.7	36.6	64.9	55.7	62.6
1.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	5,790.8	6,808.6	9,114.2	12,332.4	20,782.0	30,381.8	26,323.2	25,193.0
2.1. Equity capital and reinvested earnings	4,400.6	4,972.7	7,116.4	9,920.6	17,961.3	26,826.1	22,903.3	21,615.9
2.1.1. Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Liabilities	4,400.6	4,972.7	7,116.4	9,920.6	17,961.3	26,826.1	22,903.3	21,615.9
2.2. Other capital	1,390.2	1,835.9	1,997.8	2,411.8	2,820.8	3,555.7	3,419.9	3,577.1
2.2.1. Claims	0.3	1.8	19.9	20.1	21.1	24.2	26.6	28.4
2.2.2. Liabilities	1,390.5	1,837.7	2,017.7	2,431.9	2,841.8	3,579.9	3,446.5	3,605.5
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Revised data. ^b Preliminary data.

Table H18: International Investment Position – Portfolio Investment

million euros

	2002	2003	2004	2005	2006	2007	2008	
							Q1	Q2 ^a
Portfolio investment (net)	-3,486.5	-4,183.3	-4,475.6	-3,393.6	-2,866.5	-2,818.7	-3,022.6	-2,855.5
1. Assets	874.4	735.1	1,506.0	2,136.8	2,575.9	3,022.0	2,416.1	2,358.2
1.1. Equity securities	77.1	139.0	176.8	418.0	720.4	1,601.6	1,077.4	1,117.9
1.1.1. Banks	7.4	4.7	5.1	5.9	6.7	8.3	8.3	15.2
1.1.2. Other sectors	69.6	134.2	171.8	412.1	713.7	1,593.3	1,069.1	1,102.7
1.2. Debt securities	797.4	596.1	1,329.1	1,718.8	1,855.4	1,420.4	1,338.7	1,240.3
2. Liabilities	4,361.0	4,918.4	5,981.6	5,530.4	5,442.4	5,840.7	5,438.7	5,213.8
2.1. Equity securities	238.7	233.4	488.1	646.5	1,037.5	1,416.6	1,059.5	1,003.3
2.1.1. Banks	44.5	46.3	64.7	84.0	156.7	168.0	140.9	113.3
2.1.2. Other sectors	194.3	187.1	423.4	562.6	880.8	1,248.5	918.7	889.9
2.2. Debt securities	4,122.2	4,685.1	5,493.5	4,883.9	4,404.8	4,424.2	4,379.1	4,210.5
2.2.1. Bonds	4,122.2	4,651.4	5,493.5	4,883.9	4,404.8	4,424.2	4,378.2	4,210.5
2.2.1.1. General government	3,950.4	4,306.6	4,662.4	4,052.1	3,640.5	3,563.6	3,499.2	3,339.6
2.2.1.2. Banks	0.0	0.0	453.2	456.6	457.9	459.0	463.8	468.6
2.2.1.3. Other sectors	171.9	344.8	377.9	375.3	306.4	401.6	415.2	402.3
2.2.2. Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.9	0.0
2.2.2.1. Other sectors	0.0	33.7	0.0	0.0	0.0	0.0	0.9	0.0

^a Preliminary data.

Table H19: International Investment Position – Other Investment

million euros

	2002	2003	2004	2005	2006	2007 ^a	2008	
							Q1 ^a	Q2 ^b
Other investment (net)	-5,258.0	-7,907.9	-9,781.4	-13,671.0	-16,882.0	-18,068.8	-20,228.7	-20,992.2
1. Assets	4,357.4	5,429.5	5,612.1	4,737.7	5,108.6	6,503.4	5,979.7	5,550.6
1.1. Trade credits	222.5	253.4	221.6	263.0	230.6	248.8	233.7	229.7
1.1.1. General government	0.0	0.0	0.0	0.3	0.1	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.3	0.1	0.0	0.0	0.0
1.1.2. Other sectors	222.5	253.4	221.6	262.7	230.4	248.8	233.7	229.7
Long-term	216.3	211.5	181.4	190.6	177.4	228.7	217.1	214.4
Short-term	6.2	41.9	40.2	72.1	53.0	20.1	16.6	15.4
1.2. Loans	108.9	102.1	102.2	146.2	239.5	295.7	315.4	352.4
1.2.1. Croatian National Bank	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5
Long-term	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5
1.2.2. General government	4.8	5.3	7.0	8.7	9.5	17.8	19.1	19.8
Long-term	4.8	5.3	7.0	8.7	9.5	17.8	19.1	19.8
1.2.3. Banks	97.5	87.1	81.6	113.2	188.5	214.8	217.6	223.3
Long-term	72.9	63.1	62.6	85.3	140.0	160.0	164.9	167.5
Short-term	24.6	23.9	19.0	27.9	48.5	54.8	52.6	55.9
1.2.4. Other sectors	5.9	9.1	13.0	23.6	40.9	62.5	78.2	108.8
Long-term	5.8	9.1	11.7	23.3	40.7	62.4	77.9	105.7
Short-term	0.1	0.0	1.3	0.3	0.2	0.1	0.3	3.1
1.3. Currency and deposits	4,026.0	5,074.0	5,288.2	4,328.5	4,638.3	5,958.9	5,430.6	4,968.5
1.3.1. General government	115.7	81.9	8.9	54.2	26.4	69.8	62.9	74.7
1.3.2. Banks	2,754.3	3,916.8	4,319.7	3,112.2	3,499.9	4,715.1	4,171.1	3,695.3
1.3.3. Other sectors	1,156.0	1,075.4	959.7	1,162.1	1,111.9	1,174.0	1,196.5	1,198.5
1.4. Other assets	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0
2. Liabilities	9,615.4	13,337.3	15,393.4	18,408.7	21,990.6	24,572.2	26,208.4	26,542.8
2.1. Trade credits	260.0	179.5	155.1	194.2	183.3	322.1	316.6	338.5
2.1.1. General government	1.1	2.3	2.1	2.6	1.9	1.2	1.1	0.9
Long-term	1.1	2.3	2.1	2.6	1.9	1.2	1.1	0.9
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	259.0	177.2	153.0	191.6	181.3	320.9	315.6	337.6
Long-term	211.5	155.0	129.8	163.8	145.4	289.8	281.0	306.4
Short-term	47.5	22.2	23.2	27.8	35.9	31.1	34.5	31.3
2.2. Loans	7,055.0	10,027.9	11,578.7	14,035.5	16,896.6	19,332.1	20,891.9	21,531.1
2.2.1. Croatian National Bank	21.5	363.3	0.0	0.0	0.0	0.0	0.0	0.6
o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	1,932.1	2,260.5	2,590.2	2,990.6	3,024.1	3,093.0	3,101.1	3,321.6
Long-term	1,932.1	2,260.5	2,590.2	2,990.6	3,024.1	3,093.0	3,101.1	3,321.6
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,901.0	3,403.0	4,037.3	4,887.5	5,367.8	4,275.8	4,340.2	4,281.2
Long-term	1,900.6	2,798.5	3,517.4	3,822.7	4,217.3	3,565.1	3,538.6	3,367.4
Short-term	0.3	604.6	519.9	1,064.8	1,150.4	710.8	801.6	913.9
2.2.4. Other sectors	3,200.3	4,001.0	4,951.3	6,157.3	8,504.8	11,963.3	13,450.6	13,927.6
Long-term	3,174.9	3,933.0	4,852.7	6,017.1	8,349.8	11,282.3	12,684.6	13,118.5
Short-term	25.4	68.1	98.5	140.2	155.0	681.0	766.1	809.0
2.3. Currency and deposits	1,898.6	2,738.8	3,242.7	3,635.6	4,398.3	4,145.0	4,620.8	3,943.3
2.3.1. Croatian National Bank	1.7	2.6	2.4	2.6	2.6	2.3	1.7	2.0
2.3.2. Banks	1,896.9	2,736.2	3,240.3	3,632.9	4,395.7	4,142.6	4,619.1	3,941.3
2.4. Other liabilities	401.8	391.2	417.0	543.5	512.5	773.0	379.1	729.9

^a Revised data. ^b Preliminary data.

Table I1: Consolidated Central Government According to the Government Level

million kuna

	2004	2005	2006	2007	2007				2008	
					Mar.	Jun.	Sep.	Dec.	Jan.	Feb.
1. REVENUE (A+B)	87,019.3	92,642.5	100,392.6	113,386.2	8,076.5	8,996.5	10,133.8	10,233.2	10,143.3	9,172.5
A) Budgetary central government	80,463.5	85,653.0	95,234.1	108,297.0	7,800.9	8,607.4	9,703.0	9,758.1	9,849.9	8,765.5
B) Extrabudgetary users	6,555.8	6,989.5	5,158.5	5,089.2	275.6	389.1	430.8	475.1	293.4	407.0
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	161.3	156.5	187.2	279.7	105.7	126.2
5. Fund for Environmental Protection and Energy Efficiency	170.7	214.7	659.8	1,102.9	53.9	62.7	79.3	119.3	76.2	119.3
6. Croatian Motorways Ltd.	2,295.4	2,547.0	1,271.1	1,375.3	54.1	123.6	139.1	33.6	82.3	87.9
7. Croatian Roads Ltd.	1,417.8	1,474.7	64.7	119.9	3.3	36.0	16.4	29.6	3.3	2.7
8. State Agency for Deposit Insurance and Bank Rehabilitation	575.9	367.4	409.6	391.4	2.4	5.5	5.4	4.6	24.2	65.4
9. Croatian Privatisation Fund	62.9	237.0	65.9	58.3	0.6	4.8	3.4	8.4	1.7	5.5
2. EXPENSE (A+B)	86,941.4	92,332.1	98,751.4	109,075.0	8,811.9	8,387.0	9,172.4	11,460.1	7,969.4	9,311.3
A) Budgetary central government	81,861.2	86,715.6	91,979.7	103,004.9	8,481.0	7,884.4	8,729.9	10,527.3	7,601.9	8,977.0
B) Extrabudgetary users	5,080.3	5,616.5	6,771.7	6,070.1	331.0	502.6	442.4	932.8	367.5	334.3
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	104.1	157.7	184.0	369.6	137.7	28.2
5. Fund for Environmental Protection and Energy Efficiency	32.4	172.0	734.8	1,083.3	72.9	60.3	110.1	115.3	46.5	102.6
6. Croatian Motorways Ltd.	752.3	1,085.1	1,272.7	1,509.8	72.2	182.6	78.4	217.0	92.9	128.4
7. Croatian Roads Ltd.	934.6	1,062.4	1,226.9	1,241.9	75.6	83.1	61.2	218.7	82.2	70.0
8. State Agency for Deposit Insurance and Bank Rehabilitation	314.5	183.0	27.4	47.8	1.1	9.3	1.4	1.4	1.2	0.8
9. Croatian Privatisation Fund	60.1	182.1	78.4	88.2	5.0	9.6	7.3	10.9	7.0	4.3
NET/GROSS OPERATING BALANCE (1–2)	77.8	310.3	1,641.2	4,311.2	-735.4	609.5	961.4	-1,226.9	2,173.9	-138.8
3. CHANGE IN NET WORTH: TRANSACTIONS (3.1.+3.2.–3.3.)	77.8	310.3	1,641.2	4,311.2	-735.4	609.5	961.4	-1,226.9	2,173.9	-138.8
3.1. CHANGE IN NET ACQUISITION OF NON-FINANCIAL ASSETS	8,373.5	6,699.4	6,108.6	7,811.0	412.3	520.2	590.7	1,373.0	291.2	367.4
Acquisition	8,648.4	7,024.2	6,836.4	8,378.6	459.0	540.8	616.5	1,439.1	316.0	388.1
A) Budgetary central government	1,663.9	1,828.8	1,908.5	3,043.9	101.7	126.7	191.6	717.6	76.4	46.8
B) Extrabudgetary users	6,984.5	5,195.4	4,927.9	5,334.7	357.3	414.1	424.9	721.5	239.6	341.2
Disposals	274.9	324.8	727.7	567.7	46.8	20.7	25.9	66.2	24.9	20.7
A) Budgetary central government	244.4	275.1	352.7	498.7	32.3	20.5	23.6	52.5	22.2	20.6
B) Extrabudgetary users	30.5	49.6	375.1	69.0	14.5	0.1	2.3	13.6	2.6	0.1
NET LENDING/BORROWING (1–2–3.1.)	-8,295.6	-6,389.1	-4,467.4	-3,499.8	-1,147.7	89.3	370.8	-2,599.8	1,882.7	-506.1
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING) (3.3.–3.2.)	8,295.6	6,389.1	4,467.4	3,499.8	1,147.7	-89.3	-370.8	2,599.8	-1,882.7	506.1
3.2. CHANGE IN NET ACQUISITION OF FINANCIAL ASSETS	28.4	1,609.8	-2,576.7	-2,939.2	-755.0	-193.9	560.4	-2,488.4	998.9	-90.9
3.2.1. Domestic	18.6	1,614.6	-2,593.4	-2,957.2	-755.0	-196.7	560.4	-2,493.0	998.9	-90.9
A) Budgetary central government	138.6	1,747.7	-3,063.9	-3,752.8	-785.6	-235.8	690.4	-3,008.2	1,176.1	-84.8
B) Extrabudgetary users	-120.0	-133.1	470.5	795.6	30.6	39.2	-130.0	515.1	-177.2	-6.0
3.2.2. Foreign	9.8	-4.9	16.7	18.0	0.0	2.7	0.0	4.7	0.0	0.0
A) Budgetary central government	9.8	-4.9	16.7	18.0	0.0	2.7	0.0	4.7	0.0	0.0
B) Extrabudgetary users	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. CHANGE IN NET INCURRENCE OF LIABILITIES	8,324.0	7,998.8	1,890.7	560.6	392.6	-283.3	189.6	111.5	-883.8	415.3
3.3.1. Domestic	4,107.7	12,041.7	5,282.8	2,017.1	472.3	-390.7	185.3	-250.7	-326.3	341.7
A) Budgetary central government	4,038.7	10,591.6	3,166.3	1,477.6	277.8	-388.0	193.5	192.9	-321.1	343.6
B) Extrabudgetary users	69.0	1,450.1	2,116.5	539.5	194.5	-2.6	-8.2	-443.6	-5.1	-1.9
3.3.2. Foreign	4,216.3	-4,042.8	-3,392.1	-1,456.5	-79.6	107.4	4.3	362.2	-557.5	73.6
A) Budgetary central government	270.3	-5,080.6	-3,943.2	-2,980.2	-93.6	-195.6	-30.7	26.6	-467.4	0.3
B) Extrabudgetary users	3,946.0	1,037.8	551.2	1,523.7	14.0	303.0	35.1	335.5	-90.2	73.3

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

million kuna

	2004	2005	2006	2007	2007				2008	
					Mar.	Jun.	Sep.	Dec.	Jan.	Feb.
1. REVENUE	80,463.5	85,653.0	95,235.6	108,320.6	7,803.2	8,607.4	9,702.8	9,770.1	9,849.9	8,765.5
1.1. Taxes	47,149.9	50,687.6	58,469.1	64,234.5	4,502.2	5,157.1	5,256.5	4,675.8	5,940.1	5,181.6
1.2. Social contributions	29,477.6	31,301.3	33,877.1	37,203.5	2,929.4	3,116.4	3,149.9	3,209.7	3,385.9	3,177.7
1.3. Grants	10.1	27.5	196.0	428.0	10.8	40.8	29.3	102.8	33.4	16.4
1.4. Other revenue	3,825.9	3,636.6	2,693.3	6,454.5	360.7	293.1	1,267.1	1,781.8	490.5	389.8
2. EXPENSE	83,131.1	87,857.5	95,950.0	108,007.6	8,703.5	8,150.7	9,007.1	12,328.1	7,831.1	9,168.1
2.1. Compensation of employees	22,268.3	23,182.6	24,313.9	27,545.1	2,152.2	2,224.9	2,250.1	2,555.0	2,406.9	2,367.2
2.2. Use of goods and services	4,358.7	4,951.9	6,069.1	7,162.4	521.9	486.7	546.0	1,087.7	382.2	449.8
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	715.5	370.6	373.7	319.4	289.1	1,105.8
2.5. Subsidies	4,968.1	5,248.7	5,670.8	6,492.0	582.6	349.2	731.3	662.7	359.5	636.6
2.6. Grants	3,420.3	3,796.8	6,653.0	8,363.2	379.6	495.2	511.4	2,429.2	374.5	343.5
2.7. Social benefits	39,730.9	41,358.5	43,444.6	48,176.0	4,013.5	3,851.3	4,251.6	4,474.2	3,847.0	3,941.1
2.8. Other expense	4,412.4	4,931.9	5,085.0	5,733.9	338.2	372.7	343.1	799.8	171.9	324.0
3. CHANGE IN NET WORTH: TRANSACTIONS	-2,667.6	-2,204.5	-714.4	313.0	-900.3	456.7	695.6	-2,557.9	2,018.8	-402.5
3.1. Change in net acquisition of non-financial assets	1,419.5	1,553.7	1,555.8	2,545.2	69.5	106.2	168.0	665.1	54.2	26.2
3.1.1. Fixed assets	1,384.6	1,517.0	1,595.1	2,625.7	62.1	99.3	159.8	650.4	53.0	24.7
3.1.2. Inventories	0.0	0.0	-80.2	-161.4	-1.3	0.0	0.0	-7.2	0.0	-0.2
3.1.3. Valuables	7.5	7.2	7.8	9.6	0.9	2.6	0.3	0.6	0.1	1.2
3.1.4. Non-produced assets	27.3	29.5	33.1	71.3	7.8	4.3	7.9	21.2	1.0	0.5
3.2. Change in net acquisition of financial assets	222.0	1,752.8	-3,047.2	-3,734.8	-785.6	-233.1	690.4	-3,003.5	1,176.1	-84.8
3.2.1. Domestic	212.2	1,757.7	-3,063.9	-3,752.8	-785.6	-235.8	690.4	-3,008.2	1,176.1	-84.8
3.2.2. Foreign	9.8	-4.9	16.7	18.0	0.0	2.7	0.0	4.7	0.0	0.0
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. Change in net incurrence of liabilities	4,309.0	5,510.9	-777.0	-1,502.6	184.2	-583.6	162.8	219.5	-788.5	343.9
3.3.1. Domestic	4,038.7	10,591.6	3,166.3	1,477.6	277.8	-388.0	193.5	192.9	-321.1	343.6
3.3.2. Foreign	270.3	-5,080.6	-3,943.2	-2,980.2	-93.6	-195.6	-30.7	26.6	-467.4	0.3

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

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec. ^a	Dec.	Dec.	Dec.	Dec.	Dec.*	Mar.*	Jun.*	Jul.*	Aug.
1. Domestic debt of central government	31,421.5	34,736.4	41,517.0	55,028.8	59,732.5	63,029.8	64,525,5	64,893,3	65,001,8	64,172,7
1.1. Domestic debt of the Republic of Croatia	23,320.0	28,160.8	37,223.7	50,559.5	54,216.7	56,506,5	57,669,9	57,573,2	57,890,3	57,147,8
Treasury bills	5,632.7	6,548.1	9,022.5	12,533.4	12,662.2	11,975,3	11,874,6	12,038,2	11,913,1	11,136,0
Money market instruments	0.1	0.3	–	0.9	–	–	–	–	–	–
Bonds	15,887.9	17,422.0	23,080.1	30,716.0	34,827.9	38,795,2	38,556,3	37,409,4	37,342,7	37,076,2
Credits from the CNB	0.5	1.4	3.3	1.4	0.9	1,0	–	1,0	–	0,9
Credits from banks	1,798.8	4,189.1	5,117.8	7,307.8	6,725.7	5,735,0	7,239,0	8,124,6	8,634,5	8,934,7
1.2. Domestic debt of central government funds	8,101.5	6,575.5	4,293.3	4,469.2	5,515.8	6,523,4	6,855,6	7,320,1	7,111,5	7,024,9
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	4,460.7	3,616.4	2,040.1	176.9	253.1	121,5	105,2	103,4	103,6	100,4
Credits from banks	3,640.7	2,959.1	2,253.2	4,292.3	5,262.6	6,401,8	6,750,4	7,216,7	7,007,9	6,924,5
2. External debt of central government	43,399.6	49,924.7	55,437.5	51,769.5	48,833.5	49,082,6	47,754,1	48,160,6	47,803,1	47,870,0
2.1. External debt of the Republic of Croatia	37,432.1	41,041.9	42,231.2	36,414.5	32,556.6	29,408,8	28,054,8	27,498,3	27,179,7	27,256,5
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	28,719.3	32,115.1	32,919.3	27,020.1	22,836.9	20,397,3	19,556,3	18,388,1	18,222,9	18,243,5
Credits	8,712.8	8,926.8	9,311.9	9,394.5	9,719.7	9,011,4	8,498,5	9,110,1	8,956,9	9,012,9
2.2. External debt of central government funds	5,967.6	8,882.8	13,206.3	15,354.9	16,276.9	19,673,8	19,699,3	20,662,3	20,623,3	20,613,5
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	680.4	816.9	2,846.8	2,866.5	3,903.0	5,908,9	5,836,3	5,811,7	5,763,9	5,742,7
Credits	5,287.2	8,066.0	10,359.5	12,488.4	12,373.9	13,764,9	13,863,1	14,850,6	14,859,4	14,870,9
3. Total (1+2)	74,821.1	84,661.1	96,954.5	106,798.2	108,566.0	112,112,4	112,279,7	113,053,9	112,804,9	112,042,7
Supplement: Central government guaranteed debt										
– guarantees for domestic debt	7,528.1	6,895.4	4,642.0	5,345.9	7,312.8	7,919,9	7,402,9	7,651,6	7,535,5	7,829,4
– guarantees for external debt	8,764.6	8,713.0	7,787.7	7,248.8	6,965.0	9,572,4	9,754,5	9,931,7	9,781,0	10,286,7

^a Irrespective of the note under the heading "Classification and presentation of data on claims and liabilities", the debt of the Croatian Roads, the Croatian 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, was reclassified from the subsector Republic of Croatia to the subsector central government funds in December 1998 and December 2002 respectively.

Table I3: Central Government Debt

Data on the central government debt are based on the available data and are not reconciled with the Ministry of Finance of the Republic of Croatia. The central government debt comprises the domestic and external debt. The Ministry of Finance Monthly Statistical Review, Monetary Authorities Accounts and Banks' Accounts are

the sources of data on the domestic central government debt. The external debt statistics compiled by the CNB is the source of data on the central government external debt. The supplement contains the data on the central government guaranteed debt. Banks are the source of data on domestic debt guarantees, while the external debt statistics compiled by the CNB is the source of data on external debt guarantees.

Table J1: Consumer Price and Producer Price Indices

Year	Month	Basic indices, 2005 = 100			Chain indices				Monthly year-on-year indices			
		Consumer price indices			Consumer price indices ^a			Producer prices	Consumer price indices ^b			Producer prices
		Total	Goods	Services	Total	Goods	Services		Total	Goods	Services	
1994	December	....	....	....	100.2	100.1	100.8	100.2	97.0	95.0	108.1	94.5
1995	December	....	....	....	100.2	100.2	99.8	100.5	103.7	102.4	109.3	101.6
1996	December	....	....	....	100.0	100.2	99.5	100.3	103.4	102.3	108.7	101.5
1997	December	....	....	....	100.7	100.3	102.3	99.9	103.8	102.7	108.2	101.6
1998	December	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	October	107.3	107.0	108.3	100.3	100.5	99.7	100.4	104.3	104.8	102.3	104.9
	November	108.4	108.3	108.6	101.0	101.2	100.2	100.6	104.6	105.3	102.4	105.4
	December	109.7	109.5	110.0	101.2	101.2	101.3	100.4	105.8	106.6	103.4	105.8
2008	January	110.4	109.9	111.9	100.7	100.4	101.7	102.3	106.2	107.0	103.7	107.4
	February	110.3	109.5	112.6	99.9	99.6	100.7	100.3	105.8	106.4	103.8	107.5
	March	110.9	110.4	112.4	100.6	100.8	99.8	100.8	105.7	106.4	103.5	107.6
	April	111.7	111.4	112.5	100.7	100.9	100.1	100.4	105.7	106.2	104.0	107.7
	May	113.0	113.0	112.5	101.1	101.4	100.0	101.3	106.4	107.1	104.1	108.7
	June	113.8	113.8	113.4	100.7	100.7	100.8	101.3	107.6	108.5	104.7	109.6
	July	113.9	113.7	114.3	100.1	99.9	100.8	102.4	108.4	109.6	104.6	112.0
	August	113.6	113.1	114.7	99.7	99.5	100.3	99.9	107.4	108.3	104.4	111.0
	September	113.8	113.8	113.5	100.2	100.6	98.9	99.9	106.4	107.0	104.4	110.3

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

Table J1: Consumer Price and Producer Price Indices

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

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

Table J2: Core Consumer Price Indices

Year	Month	Basic indices, 2005 = 100 ^a			Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1998	December	87.3	88.6	80.0	99.9	99.9	100.0	....	....	....
1999	December	89.8	91.1	82.3	100.1	100.1	100.1	102.9	102.9	103.0
2000	December	92.8	93.9	86.5	100.4	100.4	100.2	103.3	103.0	105.0
2001	December	93.9	94.6	89.8	99.8	99.7	100.3	101.2	100.8	103.8
2002	December	95.0	95.6	91.9	100.0	100.1	99.4	101.2	101.0	102.4
2003	December	96.2	96.4	94.7	100.2	100.1	101.0	101.2	100.9	103.0
2004	December	98.4	98.5	97.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	December	101.3	101.4	101.0	100.1	100.0	100.5	103.0	102.9	103.7
2006	December	103.6	103.6	103.6	99.8	99.7	100.3	102.3	102.2	102.5
2007	October	107.2	107.3	106.4	100.8	101.1	98.9	103.4	103.4	103.1
	November	108.0	108.2	106.7	100.8	100.9	100.3	104.0	104.2	103.4
	December	108.8	109.1	107.2	100.8	100.8	100.4	105.0	105.3	103.5
2008	January	108.7	108.8	108.2	99.9	99.7	101.0	105.3	105.6	103.8
	February	108.7	108.7	108.8	100.0	99.9	100.5	105.1	105.3	103.7
	March	109.3	109.3	109.1	100.5	100.6	100.3	105.1	105.4	103.8
	April	110.1	110.3	109.2	100.7	100.8	100.1	105.3	105.5	104.0
	May	111.3	111.4	110.3	101.0	101.1	101.0	105.6	105.8	104.3
	June	112.4	112.2	112.8	101.0	100.7	102.3	106.5	106.7	105.7
	July	112.1	111.6	115.2	99.8	99.4	102.1	106.8	107.0	105.8
	August	112.5	111.9	116.0	100.4	100.3	100.7	106.6	106.8	105.3
	September	113.1	113.0	113.2	100.5	101.0	97.6	106.3	106.6	105.2

^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
1994	December	1,646.0	119.0	153.4	233.2
1995	December	1,883.0	99.4	114.4	145.7
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	December	3,839.0	98.0	107.2	105.0
2003	December	4,045.0	99.8	105.4	105.9
2004	December	4,312.0	99.1	106.6	105.9
2005	December	4,473.0	97.3	103.7	104.9
2006	December	4,735.0	97.0	105.9	105.2
2007	August	4,869.0	100.3	105.1	105.2
	September	4,743.0	97.4	104.4	105.1
	October	4,871.0	102.7	106.3	105.2
	November	5,131.0	105.3	105.1	105.2
	December	4,958.0	96.6	104.7	105.2
2008	January	5,019.0	101.2	105.9	105.9
	February	4,993.0	99.5	107.4	106.7
	March	5,042.0	101.0	105.3	106.2
	April	5,036.0	99.9	106.0	106.2
	May	5,174.0	102.7	106.1	106.2
	June	5,167.0	99.9	106.6	106.2
	July	5,234.0	101.3	107.8	106.5

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	November	-15.3	-2.5	-16.3	-13.0	0.9	-18.7	-5.8	6.9	-17.1	-49.4
	December	-24.7	-15.5	-24.5	-16.8	-9.8	-31.8	-21.2	12.8	-25.0	-54.8
2008	January	-21.0	-12.4	-22.8	-15.5	-6.9	-29.8	-17.9	9.1	-23.1	-50.0
	February	-24.2	-16.1	-28.1	-21.1	-8.0	-35.7	-24.2	10.0	-27.5	-54.4
	March	-24.1	-13.7	-27.2	-21.9	-6.4	-38.4	-20.9	14.9	-21.2	-54.2
	April	-20.5	-11.4	-24.7	-21.5	-6.3	-30.7	-16.4	6.4	-21.8	-53.0
	May	-26.8	-18.9	-29.4	-22.5	-10.7	-40.6	-27.0	12.1	-25.1	-57.3
	June	-34.7	-32.0	-34.9	-28.6	-23.8	-49.4	-40.1	17.6	-26.7	-57.4
	July	-30.5	-26.3	-35.0	-29.1	-17.4	-48.2	-35.1	13.5	-27.8	-56.0
	August	-29.5	-24.7	-34.4	-25.8	-17.5	-45.6	-31.8	15.6	-31.8	-53.2
	September	-29.3	-22.8	-36.4	-30.2	-17.3	-48.5	-28.2	15.1	-30.6	-56.7
	October	-28.0	-19.5	-33.7	-25.9	-10.9	-44.3	-28.1	20.0	-30.8	-53.1

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 October 2008

Licensed Banks

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

Licensed Savings Banks

1. Obrtnička štedna banka d.d., Zagreb

Licensed Housing Savings Banks

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

Other Licensed Institutions with Full Authorisation

1. Hrvatska banka za obnovu i razvitak, Zagreb

Representative Offices of Foreign Banks

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

Banks and Savings Banks Undergoing Bankruptcy Proceedings

Name of bank/savings bank	Date of bankruptcy proceedings initiation
1. Agroobrtnička banka d.d., Zagreb	14/6/2000
2. Alpe Jadran banka d.d., Split	15/5/2002
3. Cibalae banka d.d., Vinkovci	20/10/2000
4. 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 License Was Revoked, but Have Not Initiated Winding-up Proceedings

Name of bank/savings bank	Date of revoking operating license
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 October 2008

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

