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General Information on Croatia

Economic Indicators

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538.0
Population (million)	4.501	4.554	4.381	4.437	4.443	4.442	4.439	4.442	4.441
GDP (million HRK, current prices)	137,604	141,579	152,519	165,639	181,231	198,422	214,983	231,349	250,590
GDP (million EUR, current prices) ^a	19,274	18,673	19,977	22,171	24,468	26,232	28,681	31,263	34,220
GDP per capita (in EUR)	4,282	4,100	4,560	4,997	5,507	5,905	6,461	7,038	7,706
GDP – year-on-year rate of growth (in %, constant prices)	2.5	-0.9	2.9	4.4	5.6	5.3	4.3	4.3	4.8
Average year-on-year inflation rate ^b	5.7	4.0	4.6	3.8	1.7	1.8	2.1	3.3	3.2
Current account balance (million EUR)	-1,308*	-1,311*	-477*	-806*	-2,091*	-1,874*	-1,457*	-1,992*	-2,671*
Current account balance (as of % GDP)	-6.8*	-7.0*	-2.4*	-3.6*	-8.5*	-7.1*	-5.1*	-6.4*	-7.8*
Exports of goods and services (as of % GDP)	39.8	40.9	47.1	48.7	45.5	50.1	49.6	48.8	49.6
Imports of goods and services (as of % GDP)	49.1	49.3	52.3	54.6	56.4	57.9	56.5	55.9	57.3
External debt (million EUR, end of year) ^c	9,173	10,175*	12,264*	13,609*	15,143*	19,884*	22,933*	25,748*	29,150*
External debt (as of % GDP)	47.6	54.5*	61.4*	61.4*	61.9*	75.8*	80.0*	82.4*	85.2*
External debt (as of % exports of goods and services)	119.4	133.1*	130.3*	126.0*	136.1*	151.4*	161.0*	168.6*	171.8*
External debt service (as % of exports of goods and services) ^{c,d}	12.3	22.7*	25.0*	27.5*	28.5*	21.0*	22.0*	24.4*	35.0*
Gross international reserves (million EUR, end of year)	2,400	3,013	3,783	5,334	5,651	6,554	6,436	7,438	8,725
Gross international reserves (in terms of months of imports of goods and services, end of year)	3.0	3.9	4.3	5.3	4.9	5.2	4.8	5.1	5.3
National currency: Croatian kuna (HRK)									
Exchange rate on 31 December (HRK : 1 EUR)	7.3291	7.6790	7.5983	7.3700	7.4423	7.6469	7.6712	7.3756	7.3451
Exchange rate on 31 December (HRK : 1 USD)	6.2475	7.6477	8.1553	8.3560	7.1457	6.1185	5.6369	6.2336	5.5784
Average exchange rate (HRK : 1 EUR)	7.1392	7.5818	7.6339	7.4710	7.4070	7.5642	7.4957	7.4000	7.3228
Average exchange rate (HRK : 1 USD)	6.3623	7.1220	8.2874	8.3392	7.8725	6.7044	6.0312	5.9500	5.8392
Consolidated central government balance (as % of GDP) ^e	....	-7.1	-7.5	-6.8	-4.9	-6.2	-4.8	-4.0	-3.0
Public debt (as % of GDP) ^f	....	....	48.7*	49.8*	48.8*	48.6	48.9	49.2	46.6
Unemployment rate (ILO, persons above 15 years of age) ^g	11.4	13.6	16.1	15.8	14.8	14.3	13.8	12.7	11.2
Employment rate (ILO, persons above 15 years of age) ^g	47.0	44.8	42.6	41.8	43.3	43.1	43.5	43.3	43.6*

^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 External debt indicators for the period 1998-2005 are shown on a gross basis, while the indicators for the period up to 1997 do not include interest arrears and accrual interest, hybrid and subordinated instruments, repo transactions of banks and the CNB, deposits of international financial institutions with the CNB, and one-side effects of the secondary bond market.

^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.

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

Sources: CBS, MoF and CNB.

Contents

Quarterly Report

Introduction / 3

Demand / 6

Foreign Demand / 7

Domestic Demand / 8

Personal Consumption / 8

Investment Consumption / 9

Government Consumption / 10

Box 1: CNB Estimate of General Government Sector

Savings and Investments / 10

Output / 11

Industry / 12

Trade / 13

Construction / 13

Hotels and Restaurants / 14

Transport and Communications / 14

Labour Market / 15

Unemployment and Employment / 15

Employment / 16

Wages and Labour Costs / 17

Prices / 18

Exchange Rate / 21

Monetary Policy and Instruments / 22

Monetary Environment / 22

Uses of Instruments of Monetary Policy / 23

Reserve Money and International Reserves / 25

Monetary Developments / 26

Total Liquid Assets / 26

Money / 26

Non-Monetary Deposits / 27

Placements / 28

Bank Placements to the Central Government / 28

Foreign Assets and Liabilities / 29

Money Market / 29

Money Market Interest Rates / 30

Banks' Interest Rates / 31

Capital Market / 33

Equity Securities Market / 34

Debt Securities Market / 35

International Transactions / 37

Current Account / 37

Goods Trade / 39

Box 2: New Factors of Conversion of the Value of Goods

Imports from C.I.F. to F.O.B. / 41

Capital and Financial Transactions / 42

External Debt / 43

Box 3: Methodological Changes in External Debt

Calculation and their Effect on External Debt Stock and Values of Transactions in the Balance of Payments of the Republic of Croatia / 45

International Liquidity / 47

Government Finance / 47

Budget Outturn / 47

Consolidated General Government Revenues / 49

Consolidated General Government Expenditures / 49

Operating Balance and Transactions in Non-Financial and Financial Assets and Liabilities / 50

Consolidated General Government Balance on a Cash Basis / 50

Government Debt / 50

Domestic General Government Debt / 50

External General Government Debt / 51

Statistical Survey

A. Monetary and Credit Aggregates

Table A1: Monetary and Credit Aggregates / 56

B. Monetary Institutions

Table B1: Monetary Survey / 57

Table B2: Number of Reporting Banks and Savings Banks and their Classification by Total Assets / 58

C. Monetary Authorities

Table C1: Monetary Authorities Accounts / 59

D. Banks

Table D1: Banks' Accounts / 61

Table D2: Banks' Foreign Assets / 62

Table D3: Banks' Claims on the Central Government and Funds / 63

Table D4: Banks' Claims on Other Domestic Sectors / 63

Table D5: Distribution of Banks' Loans by Domestic Institutional Sectors / 64

Table D6: Demand Deposits with Banks / 64

Table D7: Time and Savings Deposits with Banks / 65

Table D8: Foreign Currency Deposits with Banks / 65

Table D9: Bonds and Money Market Instruments / 66

Table D10: Banks' Foreign Liabilities / 66

Table D11: Central Government and Funds' Deposits with Banks / 67

Table D12: Restricted and Blocked Deposits with Banks / 67

Graph D1: Distribution of Banks' Loans by Domestic Institutional Sectors / 68

Graph D2: Distribution of Banks' Deposits by Domestic Institutional Sectors / 68

E. Housing Savings Banks

Table E1: Housing Savings Banks' Accounts / 69

F. Monetary Policy Instruments and Liquidity

Table F1: Credit Rates of the Croatian National Bank / 70

Table F2: Deposit Rates of the Croatian National Bank / 71

Table F3: Banks' Reserve Requirements / 72

Table F4: Banks' Liquidity Indicators / 73

G. Financial Markets

Table G1: Banks' Interest Rates on Kuna Credits Not Indexed to Foreign Currency / 74

Table G2: Banks' Interest Rates on Kuna Credits Indexed to Foreign Currency and on Credits in Euros / 75

Table G3: Banks' Interest Rates on Kuna Deposits Not Indexed to Foreign Currency / 76

Table G4a: Banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits / 77

Table G4b: Banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits / 78

Table G5: Banks' Trade with Foreign Exchange / 79

H. International Economic Relations

Table H1: Balance of Payments – Summary / 80

Table H2: Balance of Payments – Goods and Services / 81

Table H3: Balance of Payments – Income and Current Transfers / 82

Table H4: Balance of Payments – Direct and Portfolio Investments / 83

Table H5: Balance of Payments – Other Investment / 84

Table H6: Balance of Payments – Summary / 85

Table H7: International Reserves and Banks' Foreign Exchange Reserves / 86

Table H8: International Reserves and Foreign Currency Liquidity / 87

Table H9: Midpoint Exchange Rates of the Croatian National Bank (period average) / 89

Table H10: Midpoint Exchange Rates of the Croatian National Bank (end of period) / 89

Table H11: Indices of the Effective Exchange Rate of the Kuna / 90

Table H12: Gross External Debt by Domestic Sectors / 91

Table H13: Public Sector Gross External Debt, and Publicly Guaranteed and Non-Publicly Guaranteed Private Sector Gross External Debt / 93

Table H14: Gross External Debt by Domestic Sectors and Projected Future Payments / 94

Table H15: International Investment Position – Summary / 96

Table H16: International Investment Position – Direct Investment / 97

Table H17: International Investment Position – Portfolio Investment / 97

Table H18: International Investment Position – Other Investment / 98

I. Government Finance

Table I1: Consolidated Central Government / 99

Table I2: Budgetary Central Government Operations / 100

Table I3: Central Government Debt / 101

J. Non-Financial Statistics

Table J1: Consumer Price and Producer Price Indices / 102

Table J2: Core Consumer Price Indices / 103

Table J3: Average Monthly Net Wages / 103

Table J4: Consumer Confidence Index, Consumer Expectations Index and Consumer Sentiment Index / 104

List of Banks and Savings Banks / 107

Management of the Croatian National Bank / 108

List of Abbreviations and Symbols / 109

Quarterly Report

Introduction

The real sector of the economy recorded relatively positive trends in 2006. Real GDP accelerated from 4.3% in 2005 to 4.8% in 2006. Although comparatively high, Croatia's annual growth rate of real GDP in 2006 fell behind the real economic growth in almost all the advanced transition countries joining the EU in the last and second last accession wave.

Gross fixed capital formation and personal consumption made major contributions to the economic growth in 2006, while the negative contribution of net foreign demand was partly offset by a recovery in real government consumption growth. Recent economic indicators, available on a monthly basis, confirm that most of the positive trends from 2006 continued at the beginning of 2007 as well.¹ Volume indicators for industry, trade and construction, as well as consumer and business optimism surveys, suggest a strengthening of domestic demand, whereas available CBS data on Croatia's foreign trade show that foreign demand increased at a considerably slower rate.

According to seasonally adjusted data, industrial production rose at an annual rate of 7.9% in the first four months of 2007. Almost all the industrial groupings recorded a sharp upturn, which was especially evident in the production of capital goods and durable consumer goods, primarily due to the strengthening of domestic demand. Industrial labour productivity growth accelerated in the same period.

In addition to industry, positive trends were also observed in other activities. Real retail trade turnover accelerated from 4.3% in the fourth quarter 2006 to 6.8% in the first quarter 2007. The cumulative annual growth rate of construction was also high (10.3%) in January and February this year, with the growth rate of construction works on buildings even slightly exceeding the already high rate of other civil engineering works. Besides boosting the intensity and volume of construction works, the uncommonly warm winter also had a favourable effect on the activity of hotels and restaurants, as it led to a sharp increase in tourist arrivals and nights, especially those of foreign tourists.

Strong production growth and a sharp increase in investment goods imports in the first quarter 2007 suggest continued investment growth early in the year. This is also confirmed by continuously high growth rates of bank corporate placements, while private investments could be expected to rise further early in the year on the grounds of a sharp rise in housing loans.

As regards foreign demand, despite the latest forecasts from the European Commission showing only a slight slowdown in the overall annual real GDP growth in the eurozone in 2007, the growth rates of the main Croatian trading partners have been mainly projected to be lower in the current year than in the year before. Should these projections prove accurate, foreign demand can be expected to drop annually,

a trend already observed in the first quarter 2007.

Positive trends also prevailed on the labour market in 2006. The latest Labour Force Survey figures, applicable to the second half of 2006, show a decrease in unemployment and a concurrent increase in employment. The Labour Force Survey unemployment rate for the second half of 2006 stood at 10.5%, with the result that the rate for the whole 2006 dropped to a nine-year low of 11.2%.

Favourable labour market trends continued in the first quarter and in April 2007. The registered unemployment rate was 15.9% at end-April, dropping by 0.8 percentage points compared with end-2006. The drop in registered unemployment was both due to a decline in the number of the newly registered with the CES and to an increase in employment from the register. The preliminary CBS data and data on the number of the insured with the CPIA point to total employment growth – the number of the insured with the CPIA rose at an annual rate of 2.7% in the first quarter, while total employment increased by 1.9%.

Real gross wages accelerated by 5.3% year-on-year in the first three months of 2007, 1.1 percentage points more than in the last quarter of 2006. The year-on-year growth rate of average nominal gross wages stood at 7% from January to March in 2007, a rise of 0.4 percentage points compared with the October to December period in 2006. Due to average real gross wages growing at faster year-on-year rates than average nominal gross wages in the first quarter 2007, the CPI slowed on an annual basis in the same period. Overall, the acceleration of both nominal and real gross wage growth could be considered as minor and as not posing a significant risk to inflation. In support of this are available monthly indicators suggesting that industrial productivity growth could be expected to surpass wage growth in the first quarter of 2007, so that price pressures coming from the labour market will remain subdued.

The relatively high GDP growth in 2006 was realised in the environment of low inflation, and such price trends continued in the first four months of 2007. The year-on-year consumer price inflation rate was up only slightly in the observed period, from 2.0% in December 2006 to a still low level of 2.3% in April 2007. Among the overall CPI components, the increase in the year-on-year rate of change in core inflation (primarily caused by the price rise of clothes and footwear) and in the year-on-year rate of change in agricultural products prices made the largest contribution to the year-on-year inflation rate increase in April 2007 compared with December 2006, 0.2 percentage points respectively. With its year-on-year rate of change up from 2.3% in December 2006 to 2.6% in April 2007, core inflation remained above overall consumer price inflation.

The growth in the year-on-year rate of change in administrative prices slowed in the first four months of 2007, from 2.0% in December 2006 to 1.5% in April 2007. This was primarily because of a drop in the year-on-year rate of change in the prices of water supply and various utility services. In contrast, domestic retail prices of refined petroleum products were pushed up by the crude oil price increase in the world market in the observed period. Having plummeted in January, the world market price of crude oil increased in the

¹ According to the CBS's Calendar of Statistical Data Issues 2007, an estimate of Q1 GDP will be available on 29 June 2007.

following three months, averaging at USD 65.8 per barrel on 30 April, up by 17.2% compared with end-January. Imported inflationary pressures on domestic consumer prices in the first four months this year also stemmed from price increases of other raw materials on the world market. World market prices of raw materials measured by the HWWI index (excluding energy, in US dollar terms), grew by a total of 10.0% in the first four months this year, with the prices of iron ore, industrial and agricultural raw materials and non-ferrous metals growing at especially high rates.

The inflation of domestic industrial producer prices also slightly accelerated; its year-on-year rate of change rose from 1.9% in December 2006 to 2.3% in April 2007. An analysis of trends in the PPI by main industrial groupings shows acceleration in the year-on-year growth rate of producer prices of durable consumer goods, intermediate goods and energy. The prices of metal manufacturing and water supply grew at high year-on-year rates in April 2007.

The exchange rate of the kuna depreciated slightly by 0.5% against the euro in the first quarter of 2007, as a result of a seasonal increase in foreign exchange demand in January, but also due to a rising corporate demand for foreign exchange in March. The exchange rate of the kuna appreciated by 1.0% against the euro in the first two months of 2007, due to a somewhat more pronounced appreciation of the kuna exchange rate in late April and in May. The appreciation of the kuna/euro exchange rate resulted from a rise in demand for the kuna at Easter holidays and increase in foreign exchange supply, caused, among other things, by a good start of the tourist season and the decisions of some foreign parent banks to recapitalise subsidiary banks in Croatia. There was no need for the central bank to intervene in the foreign exchange market either in April and May or in the first quarter, and banks met their liquidity needs at regular reverse repo auctions.

The exchange rate of the kuna strengthened by 2.5% versus the US dollar in the first five months of 2007 due to the weakening of the US dollar against the euro on the world foreign exchange market. In addition to the nominal appreciation against the euro (0.5%) and US dollar, the kuna exchange rate also appreciated against the pound of sterling and Swiss franc (by 1.7% and 2.9% respectively) in the said period. Due to these kuna exchange rate developments, the index of the daily nominal effective exchange rate of the kuna appreciated by 1.1% against the basket of currencies from 31 December 2006 to 31 May 2007.

The index of the real effective exchange rate of the kuna deflated by producer prices indicates that the kuna exchange rate appreciated by 0.4% in real terms against the basket of currencies in the first quarter 2007 (March 2007 compared with December 2006), whereas the same index deflated by consumer prices points to a slightly lower appreciation of 0.2%. As the average monthly index of the nominal effective kuna exchange rate appreciated by a mere 0.01% in that period, the differences between the appreciation pace of the nominal and real effective kuna exchange rate are to be ascribed to a slightly faster growth of domestic than foreign prices.

Though it maintained price stability in 2006 and thus ful-

filled its primary objective, the central bank, prompted by further worsening of external imbalances facing Croatia, decided to add a new monetary policy instrument to its existing instruments in 2006. The instrument, effective as of January 2007, provides for a compulsory purchase of CNB bills on each placements growth of banks exceeding 12% in 2007 and is intended to help, together with the existing instruments and measures, slow down aggressive credit activities of domestic banks financed from foreign sources. In February 2007, the central bank lifted cumulative restriction of one percentage point on placements growth which is not subject to compulsory CNB bills purchase, keeping the annual growth of placements not subject to compulsory CNB bills purchase at 12%, thus providing banks greater credit growth flexibility, in terms of taking into account seasonal developments in placements during the year.

The first four months of 2007 witnessed a slowdown in bank placements growth, with April growth, exchange rate effects excluded, standing at 6.2%, compared with December last year. By comparison, this indicator was 1.8 percentage points higher in April 2006. As regards the structure of bank placements, placements to the corporate sector slowed down, despite large March loans for shipyards restructuring granted against guarantees by the Ministry of Finance. Placements to the household sector did not change much during that period. The first subscriptions of compulsory CNB bills which took place in April and May 2007 were only symbolic in terms of the amounts involved.

Monetary environment in the first five months of 2007, as previously mentioned, was not marked by any stronger pressure on the exchange rate of the kuna against the euro, making it possible for the CNB to create reserve money exclusively through regular reverse repo operations with T-bills of the Ministry of Finance, unlike the same period in 2006 when the central bank created kuna liquidity primarily through foreign currency purchases from the banks. As regards repo auctions, all the bids received were accepted at an unchanged marginal rate of 3.5%. Bank liquidity was good and stable.

Data relating to developments in reserve requirements in the first five months of 2007 indicate a steady increase in kuna reserve requirements of banks, while foreign currency reserve requirements, after initial increase in the first quarter of 2007, held steady in April and May, pointing to faster growth of kuna than foreign currency sources of funds. Banks' adjustment to the amended decision on the minimum required foreign currency claims provided a contribution in this respect. The inclusion of kuna liabilities with a currency clause into the base for the calculation of minimum required foreign currency claims in October 2006, prompted the banks to make significant changes to their liabilities. The banks were successful in replacing a significant share of their kuna liabilities with a currency clause by kuna liabilities without a currency clause, reaching the prescribed 32% minimum liquidity at end-March.

Marginal reserve requirements, following robust first quarter growth, held steady in April and fell sharply in May. Such developments are the result of a significant fall in external debt of banks, largely caused by significant recapitali-

sation amounts. Further credit activities of domestic banks, in addition to recapitalisation-related inflows, were also made possible by an increase in savings and time deposits.

Kuna and foreign currency savings and time deposits rose by a total HRK 4.4bn or 3.3% in the first quarter of this year. The largest contribution to foreign currency deposits growth with the banks was provided by an increase in household foreign currency deposits, while kuna non-monetary deposits growth was almost entirely due to corporate' and other banking institutions' deposits growth. Domestic sources continued their growth into the beginning of the second quarter. Kuna non-monetary deposits rose by additional HRK 0.5bn in April, reaching HRK 47.2bn at the end of the month with their annual growth rate at a still high 45.7%. With an increase of HRK 0.2bn, foreign currency deposits reached HRK 90.9bn at the end of April, with their annual growth rate, partly on account of the effects of the base period, rising to 11.3%. As a result of such developments, total liquid assets (M4) rose by HRK 4.6bn or 2.5% in the first four months of this year. At end-April, M4 reached HRK 187.1bn, its annual growth rate standing at a high 20.6%.

Despite reasonably good growth in the real sector of the economy, employment growth and unemployment fall, low inflation and stable exchange rate, negative developments in the external sector such as further growth of foreign borrowing and the associated worsening of the relative debt indicators and widening of the current account deficit are a cause of concern. Gross external debt reached EUR 29.8bn at end-March 2007, which is an increase of 2.2% or EUR 0.6bn compared with the end of 2006. Net transactions (balance between new foreign borrowing and principal and interest payments) rose by EUR 716m, while cross-currency changes led to a (statistical) debt reduction of EUR 68m.

Before moving to individual contributions by domestic sectors to total external debt growth, note should be made of methodological changes to external debt statistics, effective as of this issue of CNB Bulletin, relating to the manner of calculation of accrual interest. The debt stock now also includes accrual interest and interest arrears for all the instruments, in contrast with the previous calculation which excluded hybrid and subordinate bank instruments, currency, deposits and repo transactions. However, accrual interest and interest arrears associated with bonds issued abroad and owned by residents have been excluded from the calculation. The authorities have made a revision of the external debt stock series since end-1999.

The largest boost to steady external debt growth in the first three months of 2007 was provided by increased foreign liabilities of the corporate sector, most notably other companies and non-banking financial institutions. By contrast, the banks slowed down considerably their foreign liabilities growth, which is partly attributable to tightened CNB measures restricting the annual growth of bank placements which are not subject to compulsory CNB bills subscription and to the costs associated with marginal reserve requirements allocations, as well as to further channelling of corporate clients to direct foreign borrowing. Funds provided for recapitalisation ensured for banks an additional source of financing of credit activities, with a large amount of recapitali-

sation in the first quarter of 2007 going exclusively to Zagrebačka banka d.d. April saw further sharp fall in foreign liabilities of banks. As regards the government sector, it also started reducing its foreign liabilities in early 2007, mostly on the basis of bonds on account of regular London Club repayments and interest payments on international government bond issues.

As stated above, external debt growth in the first quarter of 2007 was accompanied by further widening of the current account deficit. Total current account deficit thus rose by 4.7% on an annual level, mostly due to further worsening of the foreign trade deficit and less to a fall in current transfers account surplus. By contrast, international services trade and factor income account balances improved.

Foreign trade deficit growth was primarily due to an evident slowdown in the growth of total goods exports (the annual growth of 32.7% in the first quarter of 2006 slowed down to a mere 1.7% in the first quarter of 2007). Poorer export growth was largely due to a fall in exports of other transport equipment (mostly ships) and oil and refined petroleum products which were the main generators of strong annual exports growth in the first quarter of 2006, though exports in other divisions, most notably electric current and fish and preparations also fell considerably.

Annual imports growth also decelerated, though less than that of exports (8.5% in the first quarter of 2007 compared with 25.0% in the same period previous year), which can mainly be ascribed to a fall in imports of oil and refined petroleum products. Apart from smaller import volume, a contribution to the fall in the value of imports of oil and refined petroleum products was also provided by a fall in the price of this energy product. Imports also decreased in some other division, such as gas, natural and manufactured, though this was largely compensated by increased imports of road vehicles, iron and steel and ships.

Negative balance in the factor income account declined in the first quarter of 2007 by over one-third, compared with the same period previous year, mainly due to strong income growth. Revenues doubling compared with the first quarter of 2006 was the result of growth of revenues from compensation of employees, revenues earned on central bank international reserves investment and retained earnings generated by domestic owners of foreign companies. As regards expenditures, their growth received the largest boost from increased interest payments based on accrued and growing external debt. Worth noting is that the ratio of external debt repayment burden to goods and services exports had worsened drastically already in 2006 when it reached 37.9%, equalling an extremely high annual growth of 11.2 percentage points, as a result of pronounced annual growth of bank and other domestic sectors long-term loan repayments.

As regards developments in the capital and the financial accounts, they were marked by an extremely fast growth of net foreign direct investment which reached EUR 1.1bn in the first three months of 2007, mainly associated with significant bank recapitalisation efforts. The portfolio investment account saw a net outflow of financial funds totalling EUR 0.2bn, as a result of growth of foreign assets and a fall in domestic sector liabilities. This net outflow shrank consider-

ably on an annual level mainly due to a much smaller amount of government liabilities arising from bonds issued abroad which fell due compared with the first three months of 2006. A large contribution to portfolio investment foreign assets' growth was provided by the growing role of investment funds' investments in foreign securities.

With growing domestic sector liabilities based on other investment, and a simultaneous fall in their foreign assets, the first three months of 2007 saw a net inflow of financial funds of EUR 1.2bn, which is a twofold fall compared with the same period previous year. Smaller net capital inflows primarily reflect a fall in the growth of banks' liabilities and much smaller withdrawals of currency and deposits from abroad.

International reserves in the first three months of 2007, according to the balance of payments data which exclude cross-currency changes, rose by EUR 0.8bn, so far their largest quarterly increase. This growth was due to increased allocations based on foreign currency reserve requirements, including the marginal reserve requirements and foreign exchange interventions from end-2006, whose monetary impact took place in January 2007. The sale of foreign currency to the Ministry of Finance had an opposite effect on reserves developments. According to monetary statistics data which include cross-currency changes, international reserves reached EUR 9.5bn at end-March 2007. Owing to strong international reserves growth, the index of exchange market pressures was maintained within its usual range during the observed period, indicating that there was no threat of potential difficulties in international payments.

Positive fiscal trends at the consolidated general government level continued in the first quarter 2007. Total revenues rose annually by 11.2%, primarily due to an increase in revenues from VAT, social contributions and administrative fees. This was coupled by a moderate annual growth in expenditures (7.3%), driven by a rise in social benefits (including, inter alia, pensions and health care expenditures), expenditures on the compensation of employees and expenditures on the use of goods and services.

Although positive in the observed period, the net operating balance (GFS 2001) of the consolidated general government was insufficient to fund a buoyant government investment activity, so that additional funds had to be secured through borrowing.

Consolidated general government debt stood at HRK 104.2bn at end-March 2007, an increase of HRK 1.7bn over the end of the previous year, completely generated by borrowing on the domestic financial market. The debt expanded at a faster pace in the first quarter 2007 than in the first three months of 2006, primarily in consequence of several times lower external debt repayments, and partly due to a slight weakening of the kuna exchange rate against the euro and yen, which resulted in a statistical increase in the debt in kuna terms.

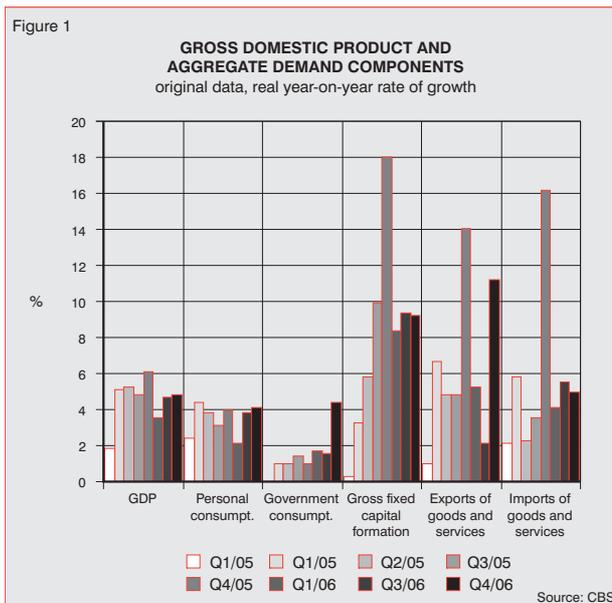
The domestic capital market was marked by a surge in the prices and liquidity of most shares, primarily stemming from a sharp increase in institutional investor assets, especially the assets of equity and balanced investment funds, coupled by a lack of new share issues. The stock exchange index,

CROBEX, hit its all-time high of 4613 points at end-April 2007, while the market capitalisation of shares, standing at HRK 300bn at end-April 2007, increased by 52% over end-December 2006. Especially important for the Croatian market was the completion of the merger of the Varaždin Stock Exchange with the Zagreb Stock Exchange in March 2007, which has turned the ZSE into a focal point for security trading in Croatia.

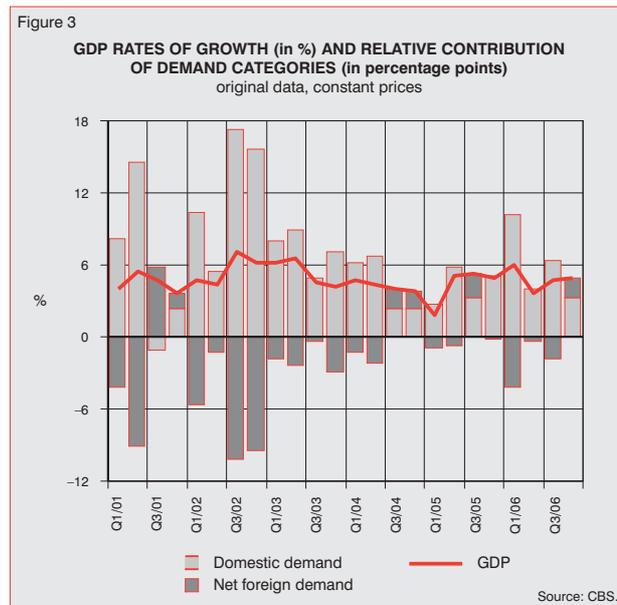
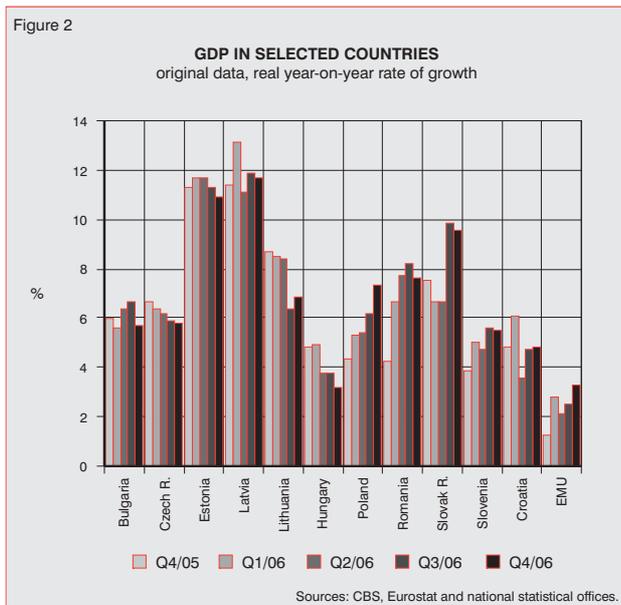
Demand

According to quarterly GDP estimate, the annual real growth of GDP accelerated from 4.3% in 2005 to 4.8% in 2006.² The most significant contribution to economic activity growth in 2006 was again provided by gross fixed capital formation (3.2 percentage points or 1.8 percentage point increase compared with the previous year). In addition to heightened investment activity, personal consumption also stood out in 2006 as a significant booster of total economic activity. Its contribution to real GDP growth held steady at its 2005 level (2.1 percentage point). The annual growth of government consumption accelerated in 2006, contributing to final consumption recovery. At -1.1 percentage points, net foreign demand made a negative contribution to real GDP growth, mainly as a result of faster growth of goods and services imports compared with their exports growth in 2006.

Though relatively high, the annual growth of Croatia's real GDP growth in 2006 lags behind the real growth of economic activities of almost all advanced transition countries which entered the EU in the two last waves of enlargement. In light of further growth of relative indicators of external



² CBS data on GDP for 2005 and 2006 are provisional data based on quarterly GDP estimate.



debt and widening of the current account deficit in 2006, such developments seem to indicate that foreign savings which had flowed into Croatia in the past several years were not used efficaciously and instead of being invested into activities for improving competitiveness and exports and reaching the economic standard of more developed countries, they were mostly channelled into unproductive consumption, with the help of domestic banks.

Monthly economic activity indicators show that most of the relatively positive developments in the past year continued into early 2007.³ Volume indicators in industry, trade and construction point to domestic demand strengthening while foreign demand, according to available CBS data on Croatia's foreign trade, grew much slower.

Foreign Demand

The last three months of 2006 saw an exceptionally rapid real growth of goods and services exports on an annual level (11.2%). This exports' growth, boosted by stronger foreign demand for investment and consumer goods, surpassed the growth of other components of aggregate demand and contributed 4.8 percentage points to domestic product formation, equal to total GDP growth in 2006. By contrast, real annual growth of goods and services imports in the fourth quarter of 2006 was more than twice slower compared with total exports growth, with positive net effect of international trade on economic growth. The contribution of net foreign demand to real GDP growth amounted to a significant 1.6 percentage points in the first quarter of 2006.

In the first quarter of 2007 a much more moderate annual exports growth of goods and services can be expected compared with the last quarter of last year, with further total imports growth. Looking at developments in goods trade, it

should be noted that the latest nominal data on goods trade provided by the CBS (seasonally adjusted series of the kuna value of goods imports and exports) point to falling foreign demand. However, note should also be taken of the fact that imports growth, among other things, partly also reflects increasing demand for investment goods and particularly consumer goods, which, according to a February survey, points to rising business optimism in production, construction and transport and services. As regards services, nominal balance of payments data indicate strong annual growth of services exports, primarily reflecting positive developments in tourism. On the other hand, a fall in total services imports on an annual level in the first quarter of 2007 should provide a positive contribution to net services exports on GDP formation.

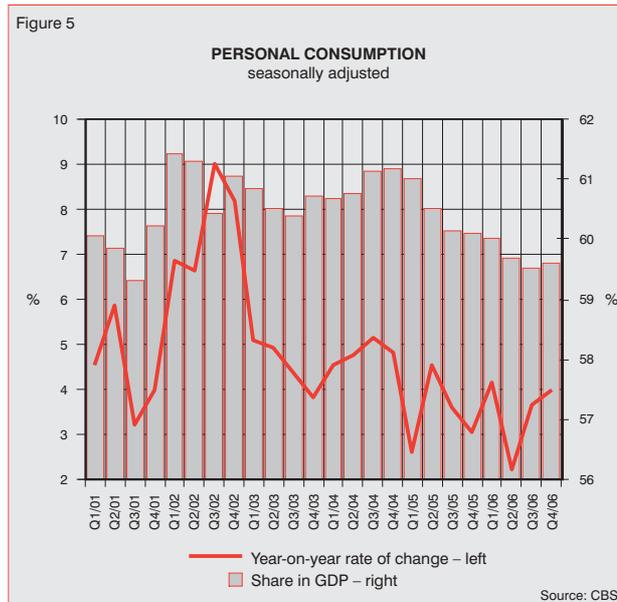
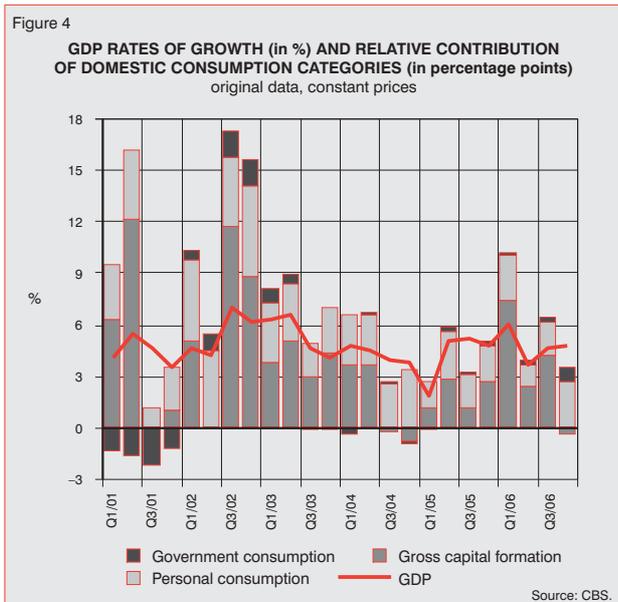
Domestic Demand

Changes in domestic demand in the last quarter of 2006 (most notably further acceleration of personal consumption and gross fixed capital formation growth) account for around two thirds of total GDP growth during that period. In that context, government consumption saw its fastest growth in the past four years, contributing almost a full percentage point to total economic activity dynamics. In contrast with the said developments, changes in inventories⁴ declined heavily on an annual level.

Developments and contributions which marked the fourth quarter also largely marked the entire 2006. During that period, gross capital formation was the main driver of total economic growth with personal consumption coming next in terms of the size of contribution. Positive contribution to GDP growth was also provided by government consumption, while the contribution of net foreign demand was negative.

³ According to the CBS's Calendar of Statistical Data Issues 2007, an estimate of Q1 GDP will be available on 29 June 2007.

⁴ Changes in inventories include statistical discrepancy resulting from a mismatch of methodological approaches to gross domestic product calculation.



Further positive developments in individual segments of domestic demand may be expected to take place early this year, as suggested by available volume and financial data and consumer and business optimism surveys.

Personal Consumption

The growth of personal consumption accelerated from 3.9% in the third to 4.1% in the last quarter of 2006. Available leading monthly indicators of developments in personal consumption in early 2007 mostly point to further growth of personal consumption in the first quarter.

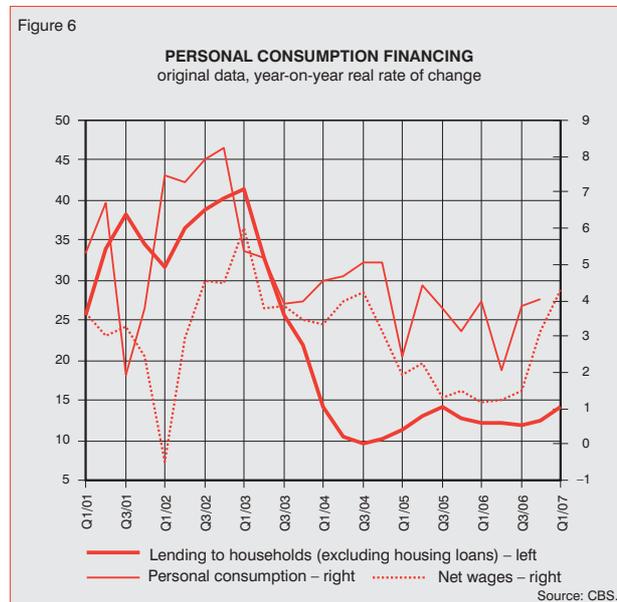
The growth of real retail trade turnover accelerated in the first three months of 2007 compared with the fourth quarter of 2006 (4.3% according to seasonally adjusted data, on an annual level) and stood at 6.8%, which is in line with the fast growth of VAT revenues during that period. Volume of industrial production and nominal imports of durable and non-durable consumer goods also rose sharply, providing an additional proof of strengthening of this segment of domestic demand.

Changes in main regular and irregular sources of personal consumption financing do not offer clear signals as to personal consumption growth in the first quarter of 2007. On the one hand, its growth might benefit from increased bank placements and government transfers and pension indexation, while on the other, a slowdown in wage bill growth might contribute to its slowdown.

The annual real growth of bank placements to the households in the third quarter of 2006, (13.2% according to average loans stock during that period), housing loans excluded, was faster than in the third quarter (12.7%) and continued to accelerate in the first quarter of 2007, when their annual growth rate reached 15.3%. Strong growth of government transfers to the households towards the end of 2006, including the second tranche of repayment of debt and Christmas bonuses to pensioners in December, together with the mentioned developments in bank placements, might boost personal consumption. Even the regular semi-annual pension indexation⁵ which took place in March this year (1.3% of

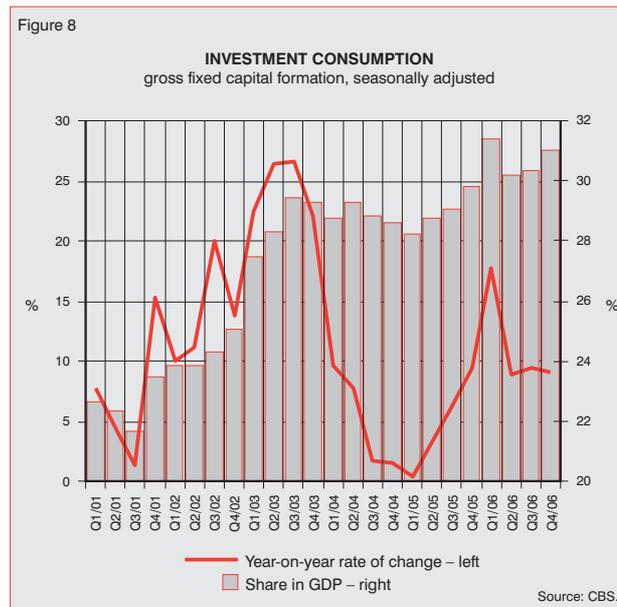
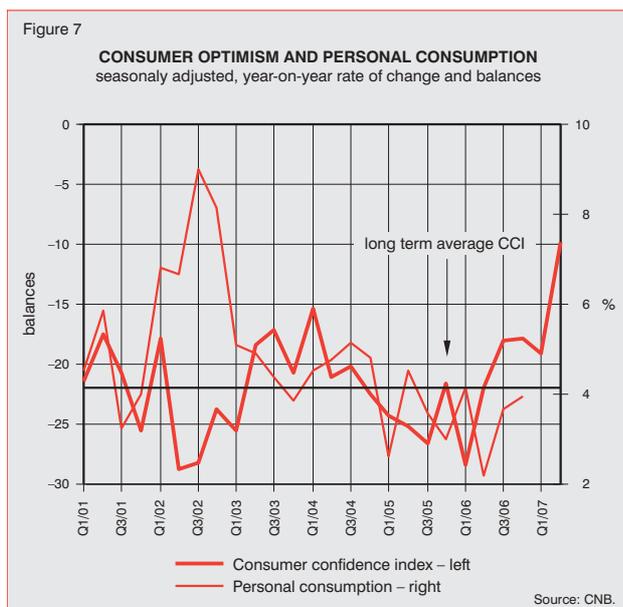
pensions paid since January 2007), though smaller than those that took place last year, led to higher payments in real terms on account of lower inflation, and might be expected to also have positive effects on personal consumption dynamics.

By contrast, the beginning of 2007 was marked by somewhat more moderate growth of employment compared with the end of last year,⁶ which alongside stable real net wages growth of 3.5% resulted in a mild deceleration of wage bill growth. Confirmation of such developments in the labour



5 Pension indexation has been carried out since 2004 pursuant to the Act on Amendments to the Pension Insurance Act (OG 30/2004). As provided by the new Act on Amendments to the Pension Insurance Act (OG 92/2005), which came into force on 31 December 2005, the semi-annual pension indexation is carried out on the basis of the average semi-annual rate of change in consumer price index and average gross wage.

6 CBS employment data for February and March 2007 are provisional. Final data will be published in April 2008.



market is also provided by data on the number of insured persons (CPIA data), which are considered to be a more reliable short-term indicator of employment dynamics.

Growing consumer optimism as regards their financial position and general economic situation in the country in the next year, with positive expectations in terms of unemployment during that period, led to a significant increase in consumer confidence index from January to April this year. Accordingly, positive developments can be expected to take place in household consumption towards mid-2007.

Investment Consumption

The most intensive growth in 2006 was seen in gross fixed capital formation whose volume, with the exception of the second quarter, rose steadily throughout the year. Thus, the annual growth of gross fixed capital formation, which accounts for the bulk of total gross capital formation, after standing at 18.1% in the first quarter, slowed down to 8.4% in the second quarter, accelerated again by almost one full percentage point in the third quarter and held steady at 9.2% throughout the last quarter of 2006. These developments are due mainly to faster real investment activity in the private sector (most notably in construction) which fully compensated for the real fall in public investment in 2006.

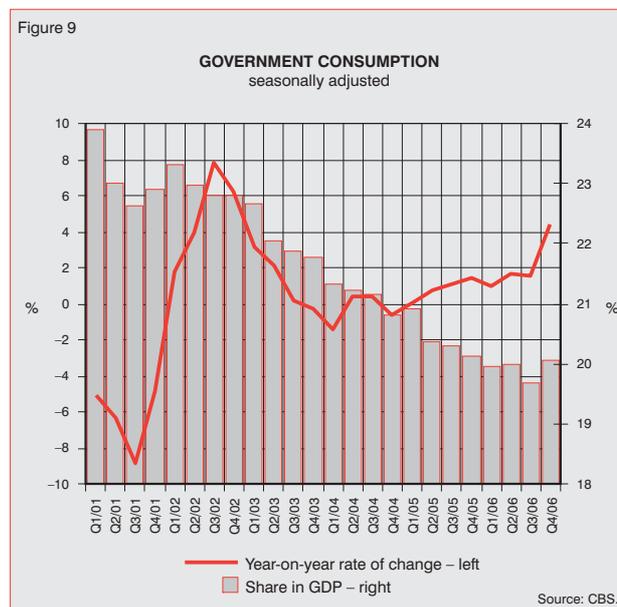
Extremely fast growth of production and imports of investment goods intended for investment consumption in the first quarter of 2007 points to further increase in investment activity at the beginning of the year. The first two months of 2007 saw positive developments in construction activity, particularly construction of buildings which is in line with noticeable annual growth of housing loans (over 30.0% during the observed period). Higher level of planned household investment in real estate at the beginning of the year compared with the end of last year as shown by a consumer confidence survey, provides additional indication of positive trends and increase of private investment in housing construction. Further growth of private investment at the beginning of the year can also be expected as a result of extensive corporate lending in the first two months of 2007 (over 20%

on an annual level). Alongside loans, the companies also made intensive use of additional sources of financing.

As regards public investment, according to available MoF date, recovery in government capital investment which started towards the end of 2006 continued into the first quarter of 2007, its high growth rates partly reflecting the effects of the base period.

Government Consumption

According to quarterly GDP estimate, government consumption rose by 4.4% in the last quarter of 2006, compared with the same period the year before, making it the fastest growth of this category of final consumption since end-2002. Though government consumption largely contributed to domestic product formation towards the end of last year (0.9 percentage points), its growth followed the trend of acceleration of total economic activity growth, so there was no simultaneous significant increase in the share



Box 1: CNB Estimate of General Government Sector Savings and Investments

The examination of the relationship between savings and investments, that is, the key changes in the process of deficit accrual and financing, is one of the central elements of economic analysis. The savings-investment relationship is also an essential component of the Croatian National Bank's monetary policy projection. Given the importance of these indicators and the need for their wide application, it is unfortunate that Croatia's national account statistics are still incomplete and that there are neither official statistical data on the disposable national income and its distribution, nor related sectoral accounts and capital and financial accounts presenting more closely the sources of financing of final consumption and investments.

The data used for estimating the relationship between savings and investments are subject to various changes and revisions which affect the intensity and direction of an observed item. For example, the release of final GDP data regularly involves considerable revisions of this aggregate and its components. Balance of payments statistics are also continuously revised based on newly collected and processed information. The major methodological change related to estimating savings and investments was made in government financial statistics, when a switch was made

from the GFS 1986 to GFS 2001 methodology.

In line with the changes made in the System of National Accounts (SNA 1993), the GFS 2001 methodology introduced into government financial statistics the concept of capital transfers, consisting of transfers of assets without charges (financial or non-financial).⁷ However, data reclassification under the new methodology also resulted in a significant decrease in the government expenditure item "Use (Purchase) of Goods and Services". Capital transfers, as opposed to the purchase of goods and services, are not included in final government consumption, so that the implementation of the new methodology resulted in a drop in reported final government consumption.

The estimate of the savings and investment relationship becomes even more complex due to different definitions and statistical scopes of the government sector, making it necessary for an estimator to decide which economic entities to include in the definition and statistical scope of the government sector in each estimate.

So far, there are three definitions of the government sector in Croatia. The definition of the general government sector formulated by the Ministry of Finance of the RC is based on GFS 2001 and it is relatively narrow. The reporting system used as a basis for establishing data on the government sector thus excludes public sector institutions (schools, hospitals, kindergartens, etc.), which are vital for

Table 1: Estimate of the General Government Sector Savings and Investments, in million HRK

	2002	2003	2004	2005	2006
(1) Gross disposable income ^a (5+16)	36,212	38,110	42,026	45,512	51,052
(2) Compensation of employees	22,551	24,625	25,874	26,950	28,350
(3) Use of goods and services	9,773	9,494	9,679	10,876	13,302
(4) Consumption of fixed assets: fixed assets	0	0	0	0	0
(5) Final consumption ^a (2+3+4)	32,324	34,119	35,553	37,827	41,652
(6) Revenues	82,896	89,315	96,427	103,101	112,282
(7) Expenditures	81,319	87,296	94,287	100,511	107,708
(8) Capital transfers (received) (9+10)	3	5	9	29	133
(9) Capital grants (received, including non-compulsory capital transfers)	1	3	6	26	131
(10) Taxes on estate, inheritance and gifts	2	2	2	2	2
(11) Capital transfers (outlaid) (12+13)	2,314	1,978	4,342	5,124	4,959
(12) Capital grants (outlaid)	86	349	536	888	721
(13) Miscellaneous other expense – capital	2,227	1,629	3,805	4,236	4,238
(14) Current revenues (6–8)	82,892	89,309	96,418	103,072	112,149
(15) Current expenditures (7–11)	79,005	85,318	89,945	95,387	102,749
(16) Savings (gross) (14–15)	3,888	3,992	6,473	7,685	9,400
(17) Net capital transfers (8–11)	-2,310	-1,973	-4,333	-5,095	-4,826
(18) Acquisition of fixed non-financial assets (18+19+20+21)	7,917	10,398	11,360	9,924	10,347
(19) Acquisition of fixed assets	7,549	10,078	10,928	9,437	9,602
(20) Acquisition of inventories	0	0	0	0	1
(21) Acquisition of valuables	72	7	8	7	8
(22) Acquisition of non-produced assets	296	313	424	480	736
(23) Disposal of fixed non-financial assets (23+24+25+26)	652	734	865	865	1,272
(24) Disposal of fixed assets	478	535	557	537	858
(25) Disposal of inventories	0	0	0	0	81
(26) Disposal of valuables	0	0	0	0	0
(27) Disposal of non-produced assets	174	198	308	328	333
(28) Investments (gross) (18–22–23+27)	7,143	9,550	10,379	8,907	8,672
(29) Net acquisition of non-produced non-financial assets (22–27)	122	115	116	152	403
(30) Net financing (16+17–28–29)	5,688	7,646	8,354	6,470	4,501
(31) Difference between savings and investments (16–28) as % of GDP	-3,256 -1.8	-5,558 -2.8	-3,906 -1.8	-1,222 -0.5	728 0.3

^a The estimate of gross disposable income was indirect (based on an estimate of final consumption and gross savings), while a direct calculation would require precise data on factor income and transfer payments to other sectors. The estimate of final consumption based on MoF data is somewhat lower than the CBS's estimate due to the discrepancies between certain items at the available level of fiscal data reporting, differences between the estimates of some categories by the CBS and by the MoF (consumption of fixed capital), and finally due to the differences between data shown on accrual and cash basis.
Sources: MoF, CBS and CNB estimates.

⁷ Financial investment grants are typical examples of capital transfers.

the government and definitely receive the largest portion of government capital transfers. Since these public institutions are excluded from the statistical scope of the “government”, the related capital transfers are not treated as part of government investments.

The Croatian National Bank applies a somewhat wider definition of the government which, in addition to the institutions comprised by the government sector according to the Ministry of Finance definition, also includes the Croatian Bank for Reconstruction and Development and all local government units.⁸ The third and widest definition is applied by the Central Bureau of Statistics.

It should be stressed that the scope of the general government sector affects not only the appropriateness of data classification, but also the appropriateness of measuring the deficit and government consumption. The economic entities providing public services that are outside the statistical system which produces government operations statistics may have balanced or unbalanced budgets. The size of the budget deficit and government expenditures will remain unaffected if entities with balanced budgets are omitted from the system. However, the omission of a public service entity operating with a deficit will result in underestimating the size of the general government deficit.

To illustrate the above, Table 1 presents the CNB estimate of general government sector savings and investments. For a better understanding of the final estimates it should be explained that the national (gross) savings is defined as the difference between gross disposable national income⁹ and final consumption (savings is an offsetting item in the income use account). The amount by which the

value of gross fixed capital formation (net acquisition of produced non-financial assets by resident units) exceeds the value of gross savings and net capital transfers is covered by net acquisition of non-produced non-financial assets (e.g. land) and finally by net borrowing.¹⁰ These capital and financial transactions are recorded in accumulation accounts.

Savings of the general government sector is calculated by estimating current revenues and expenditures (total revenues and expenditures less capital transfers received and outlaid), that is, gross disposable income of the general government sector (current revenues net of factor income and transfer payments to other sectors) and government final consumption. Public investments, the other key component, are calculated as the difference between the purchase and disposal of non-financial assets, excluding net disposal of non-produced non-financial assets. This concept of the deficit corresponds to the difference between savings and investments of the national economy, and enables a reliable estimate of the public sector share in the total balance of payments current account deficit.

According to the estimates shown in Table 1, current revenues of the general government sector exceeded current expenditures in the previous five-year period, with (gross) savings growing each year in absolute terms. In contrast, gross investments peaked in 2004 and then started to reduce, with the capital account deficit showing identical trends. The estimated negative difference between gross savings and gross investments persisted up until (and including) 2005, while in 2006 general government gross savings exceeded gross investments.

of government consumption in GDP (in the last three months of 2006, this share, according to seasonally adjusted values at constant prices, stood at one-fifth of GDP).

According to nominal data of the MoF on consolidated general government revenue and expenditure on a cash basis, the growth of government consumption, on an annual level, slowed down nominally in the first quarter as a result of a much slower growth of nominal expenditures for the use of goods and services after their exceptional growth towards the end of 2006, probably also boosted by preaccession funds. Such developments, given slower growth of employment in public administration, might lead to a slowdown in the real growth of total government consumption in the first three months of 2007, despite a slowdown in consumer price growth.

⁸ The definition of the Ministry of Finance includes only larger local government units.

⁹ The CBS does not release estimates of gross disposable national income. The CNB's estimate of this macroeconomic aggregate includes data on net transfer payments and net factor income from the balance of payments by which GDP is increased. Some inconsistencies in the national accounts are due to discrepancies between the estimates of export and import values according to different sources, implying that the deficit in the national economy somewhat exceeds the balance of payments current account deficit.

Output

As shown by quarterly GDP estimate based on production method, gross value added rose by 4.8% in real terms in 2006 compared with 4.1% in 2005. The largest contribution to GVA growth in 2006, just like in the previous year, was provided by industry and financial intermediation but significant contribution also came from transport, storage, communications and construction.

Further positive developments in the real sector of the economy may also be expected to take place in the first quarter of 2007, as suggested by monthly economic indicators. The beginning of the year was marked by rapid acceleration in retail trade, fast growth of volume of industrial production and a large increase in tourist arrivals and tourist nights. Positive developments in volume indices of construction works and passenger and goods transport also point to strengthening of economic activities at the beginning of the year.

Looking at dynamics of developments in gross value

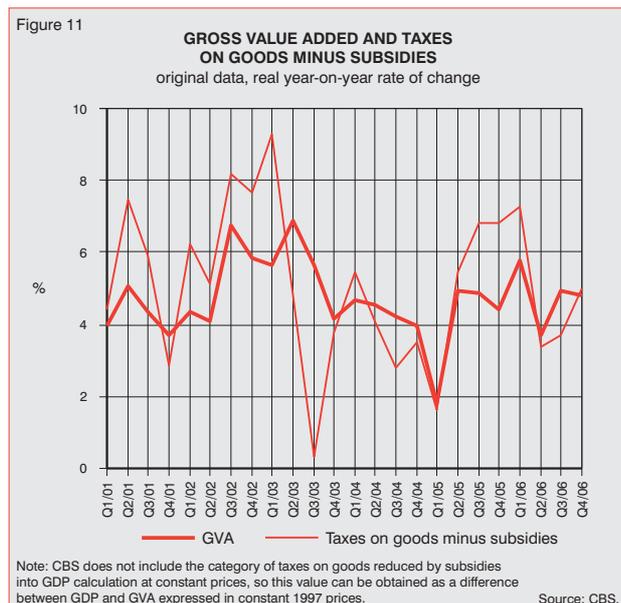
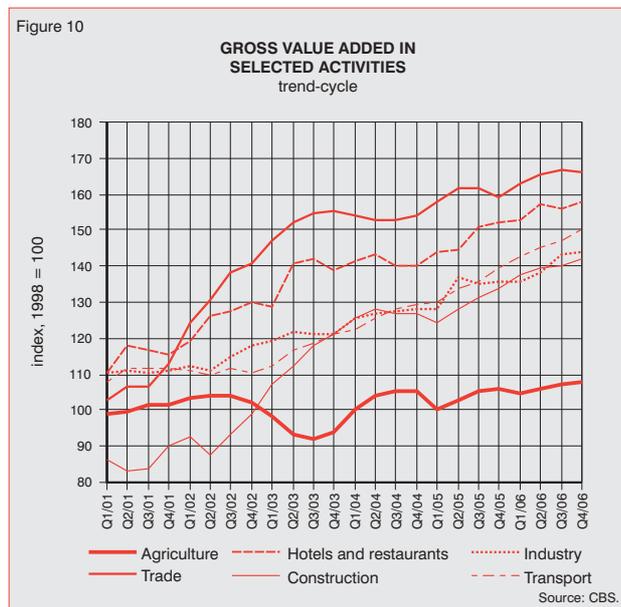
¹⁰ In the economy as a whole the net acquisition of non-produced non-financial assets by definition equals zero, which is not the case with sectoral accounts.

added and taxes on goods reduced by subsidies, it should be noted that the real growth of taxes on goods reduced by subsidies was only slightly slower than total GVA growth. On the other hand, preliminary MoF data point to a high nominal annual increase in income from indirect taxes and a mild increase in expenditures for subsidies paid to public corporations and private enterprises in the first quarter of 2007, on consolidated general government level.

Industry

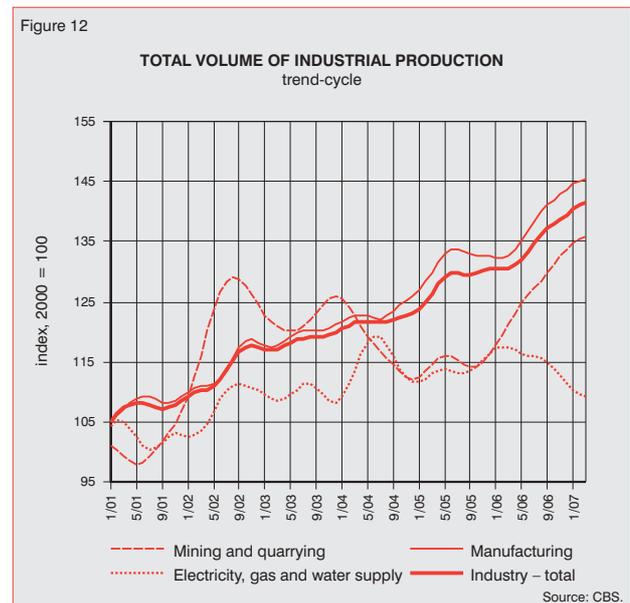
The real growth of GVA in industry slowed down from 5.5% in 2005 to 4.7% in 2006. Such developments reflect the effects of the base period but are also the result of a difference in the number of working days (in 2006 there was one working day less than in 2005). Nevertheless, this activity remained the strongest generator of total GVA growth, similarly as in the previous years.

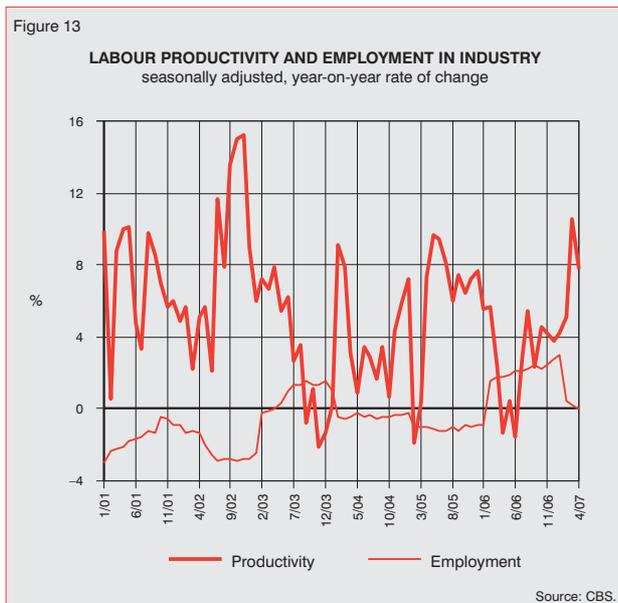
Monthly data on the volume of industrial production



point to acceleration in aggregate industrial production in the first four months of 2007, particularly in March. According to seasonal and calendar adjusted data, industrial production rose by 7.9% in the first quarter of the year, its fastest growth rate since the last quarter of 2002. High annual growth was also achieved in April. This growth can be attributed to increased business optimism in industry towards the end of the first quarter, as shown by a business survey of Privredni vjesnik. From the cumulative standpoint, industrial production rose by 7.9% in real terms in the first four months of the year. All main industrial groupings grew fast, particularly manufacture of capital goods and durable consumer goods. This is due to stronger domestic demand for investment and consumer goods which in turn led to both higher production volume and stronger imports growth of these products. By contrast, production declined significantly in energy supply, partly as a result of warm winter which led to a fall in domestic and foreign demand for energy. According to seasonally adjusted nominal CBS goods trade data, the first quarter of this year saw a slowdown in the annual growth of goods exports which is primarily due to a fall in exports of energy products (oil and refined petroleum products and electrical energy). Fallen foreign demand led to a change in inventories, leading to their further accumulation (particularly energy products and non-durable consumer goods) in the first four months of 2007.

According to the National Classification of Economic Activities, fast growth of industrial production in the period from January to April was mostly the result of more dynamic activity in manufacturing. According to seasonally adjusted data, production in manufacturing rose by a high 10.2% on an annual level, largely due to the contribution coming from manufacture of food products and beverages, manufacture of other non-metallic mineral products and manufacture of radio, television and communication equipment, with negative contribution coming from manufacture of chemicals and chemical products and manufacture of wearing apparel. In addition to production in manufacturing, production in





mining and quarrying also rose considerably which is in line with good indicators in construction at the beginning of the year. By contrast, production in energy supply fell significantly (−8.6%) due to warm weather uncommon for that part of the year.

Final CBS industry employment data caused a revision in the annual growth rate of labour productivity in industry in 2006, from the preliminary 5.7% to the final 2.8%, reflecting strong employment growth in this economic activity due to further industry restructuring and steady growth of production in this activity.

The growth of labour productivity in industry accelerated in the first four months of 2007, with the annual growth rate of productivity, according to seasonally adjusted data, standing at 6.9%. Such developments were mainly the result of a significant increase in industrial production. However, it should be noted that the activity's preliminary CBS employment data used in this calculation will probably have to be revised upwards, after final data become available in April 2008, which will result in a correction of labour productivity dynamics in line with changes that took place in 2006.

Trade

The annual growth of GVA in trade stood at 3.4% in 2006, which is a somewhat slower growth compared with the year before. However, given that trade accounts for a relatively large share in the structure of total gross value added, its contribution to GVA growth in 2006 stood at significant 0.5 percentage points.

Available monthly data point to a significant increase (6.8%) in real annual growth of retail trade turnover. Thus the trend of accelerated growth of retail trade turnover which started in mid-2006 continued into the beginning of this year, as evidenced by a strong increase in income from value added tax and data on accelerated growth in consumer goods manufacturing. Excluding the sale of motor vehicles and motorcycles, the annual growth of retail trade turnover was somewhat slower during the said period and stood at

5.8%.

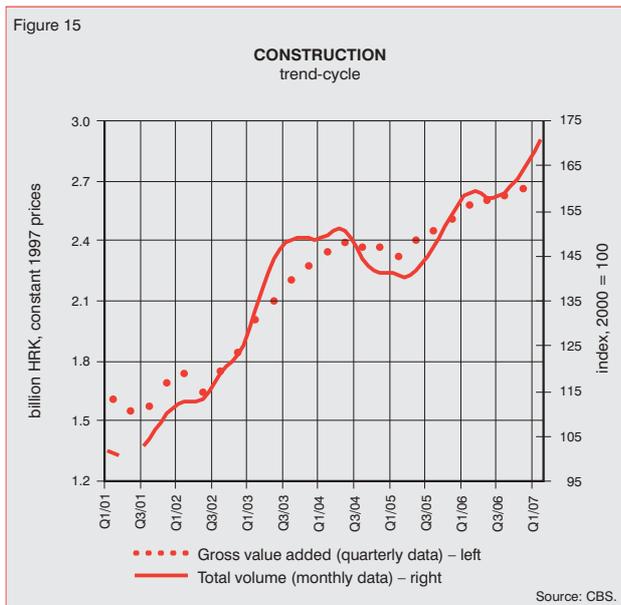
Seasonally adjusted data provided by CNB survey and a business survey carried out by Privredni vjesnik indicate that the first quarter of this year was marked by mainly positive trends in terms of consumer and business optimism in trade, which points to positive retail trade developments in the rest of the year.

Looking at retail trade turnover by branches, non-specialised stores with food and motor fuels and lubricants saw a particularly high nominal growth rates in the period from January to March 2007, making the largest positive contribution to nominal retail trade growth. The biggest negative contribution to retail trade growth during the observed period came from textiles and other household goods.

Construction

Following a sizeable slowdown in construction activity growth in 2005, the year 2006 saw its renewed strengthening. On an annual level, GVA in construction rose by 8.2% in 2006, which is the result of a large increase in construction works on buildings and other civil engineering works. Such developments led to a considerable increase in the contribution of the observed activity to total GVA growth in 2006 compared with the previous year.

As shown by available monthly indicators, construction activity was strong at the beginning of 2007. Measured by volume indices of construction works, the cumulative growth rate of construction activity in January and February was 10.3%. Somewhat stronger activity was seen in the construction works on buildings and other civil engineering works and stood at 12.3% and 8.6%, respectively. Contribution to such activities came from heightened government activity in road construction, as shown by MoF data; the acquisition of buildings and structures¹¹ by CM and CR rose significantly in the first quarter of 2007 (25.8% on an annual level). Such high intensity and scope of works on capital infrastructure was made possible by extremely favourable



weather conditions.

The value of net construction project orders and the value of works according to construction permits issued, which are used as leading indicators of construction works, as well as growing business optimism in construction at the beginning of the second quarter 2007 (based on a business survey conducted by Privredni vjesnik) show that positive developments in this activity can be expected to continue into the next period. Further indication that such trends are to continue is provided by high growth of housing loans in the last quarter of 2006 and in the first quarter of this year and by relatively greater output growth as well as acceleration in the growth of imports in mining and quarrying.

Hotels and Restaurants

The real growth of GVA in hotels and restaurants stood at 5.2% in 2006. As these activities' GVA accounts for less than 5% of total GVA, its contribution to total GVA growth in 2006 remained small and stood at only 0.2 percentage points. It should be noted that developments in GVA of these activities only partly bespeak the importance of tourism for the entire economy as there are significant direct and indirect effects of this activity on other economic activities which are difficult to measure.

According to original CBS data, tourist nights rose by 7.2% annually in the first quarter of 2007, a small slowdown compared with their growth in the last quarter of 2006. Though historical data seem to point that domestic and foreign tourists equally contribute to overnight stays in the first quarter, the first three months of 2007 saw an extremely high annual growth of foreign overnight stays. Tourists from Germany, Austria, Italy, and Slovenia accounted for the largest number of overnight stays. Unlike overnight stays, the annual growth of tourists accelerated to 14.4% in the first quarter of 2007.

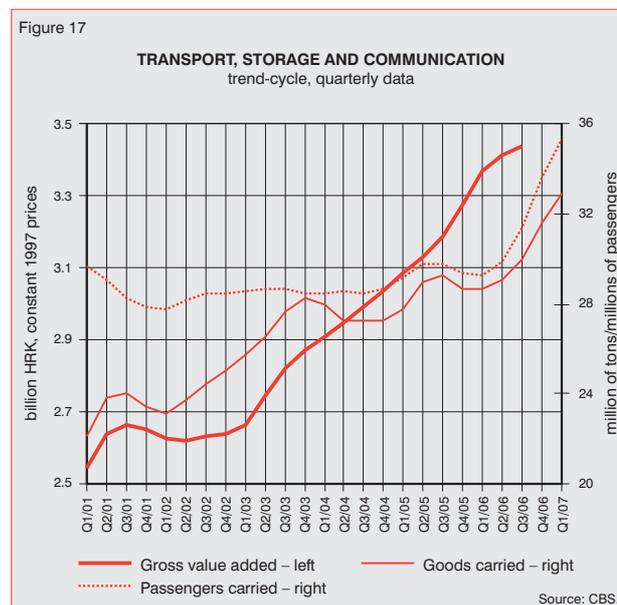
Financial results in tourism, as recorded in the balance of

payments in the first quarter of 2007, were in line with the volume indicators. Exceptionally strong annual growth of income from services in tourism (36.7%) expressed in kuna, points to favourable GVA expectations in the area of hotels and restaurants in the first quarter of the year.

Transport and Communications

GVA in transport, storage and communications grew by 8.5% in 2006, accelerating 2 percentage points compared with its growth in the previous year. Given that the share of GVA of this activity in total GVA rose slightly in 2006, the contribution of transport, storage and communications to total real GVA growth was 0.8 percentage points.

Available monthly volume indicators point to further strengthening of economic activity in this area in early 2007. Total passenger transport (as measured in thousands of persons carried) rose by a considerable 21.6% on an annual level (according to seasonally adjusted data) in the first quarter of



11 Roads and motorways included.

2007 which is its highest growth rate since the third quarter of 2001. The same period also saw a rapid annual growth of total goods transport (14.1%, as measured in thousands of tons).

Although road transport used to be the most important form of passenger transport, in the first quarter of 2007 the largest number of passengers were carried by rail transport (according to original data this form of transport rose by a high 52.1%), while the number of passengers in road transport held steady. Measured by millions of passenger kilometres, road transport continues to be the dominant form of transport, although the annual growth rate of rail transport is several times higher. Conversely, road goods transport, as measured by ton-kilometres, held steady in the first quarter, with faster growth taking place in rail transport and inland waterway transport.

As regards telecommunication services, the downward trend in the number of minutes spent in the fixed network continued into the January to March 2007 period, though this quarter's annual fall (-11%) was slighter compared with the previous two quarters. By contrast, the number of minutes spent in the fixed network continued to grow at a significant rate (30.2%).

Labour Market

Published in mid-May 2007, the Labour Force Survey for the second half of 2006 showed a decrease in the number of unemployed persons and an increase in the number of employed persons. The Labour Force Survey unemployment rate stood at 10.5% in the second half of 2006, down 1.3 percentage points over the first half of 2006, while that rate for the whole 2006 dropped to a nine-year low of 11.2%.

Favourable labour market trends continued in the first quarter of 2007, with lower inflows into and stronger outflows from the CES register contributing to the fall in registered unemployment. The downward trend in unemployment continued in April, when registered unemployment amounted to 278,384, and the registered unemployment rate stood at 15.9%.

According to the preliminary CBS data on employment and the data on the number of insured persons with the CPIA, total employment grew in the first quarter of 2007 compared with the same period last year. Thus, the number of insured persons with the CPIA rose at an annual rate of 2.7%, while total employment, according to the preliminary CBS data, grew by 1.9%.

The average real gross wage in the first quarter grew at an annual rate of 5.3%, 2.0% above its growth in the same quarter of 2006. However, owing to the tax progression effect, the average real net wage rose at a lower annual rate of 4.3%.

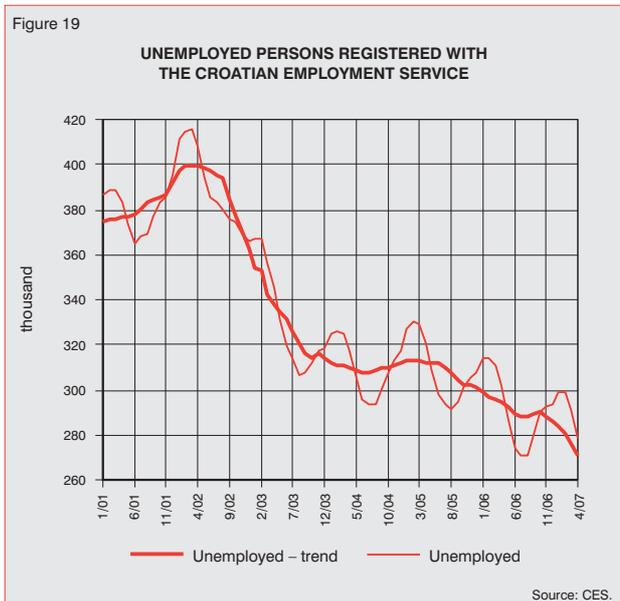
Unemployment and Employment

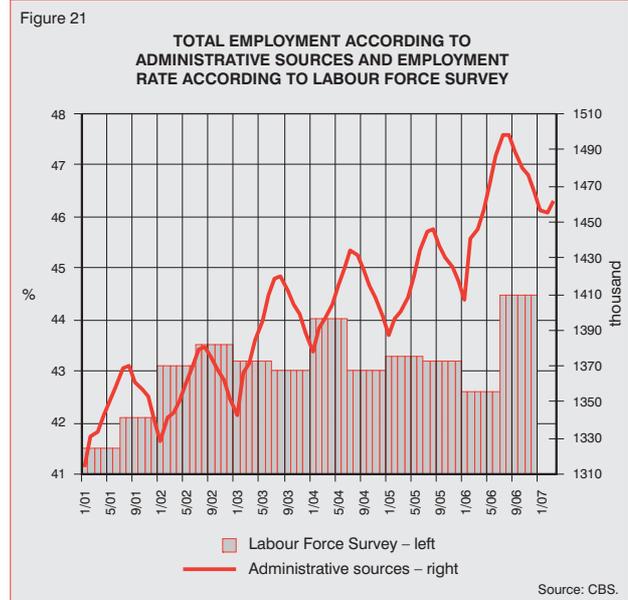
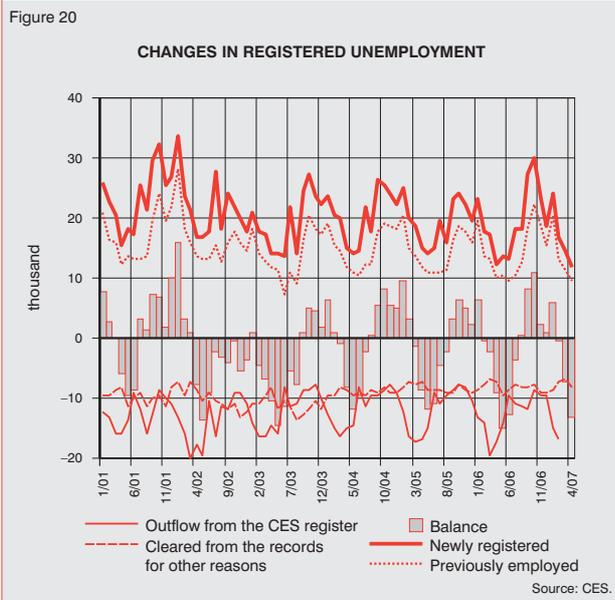
The Labour Force Survey data for the second half of 2006 point to a continued slowdown in unemployment, first recorded in 2001. The number of unemployed persons fell to 191,000, a record low since 1998. The average unemployment for the whole 2006 stood at 198,500, a decrease of

30,500 or 13.3% compared with 2005. As a result, the Labour Force Survey unemployment rate for the second half of 2006 amounted to 10.5%, lowering the average for the year as a whole to 11.2% (the Labour Force Survey unemployment rate stood at 11.8% in the first quarter of 2006).

Registered unemployment declined by 16,500 or 5.3% in the first quarter of 2007 over the same period last year. In addition, the average registered unemployment rate arrived to 16.9% in the first quarter of 2007, down 1 percentage point compared with the first quarter of 2006.

The key factors behind the fall in registered unemployment in the first quarter of the year were lower inflows into and higher outflows, including especially employment, from the CES register. In the first three months of 2007, the number of the newly registered with the CES stood at 55,400, down 3,300 or 5.6% on the same period in 2006. Of the total number of the newly registered, 80.5% were persons with work experience, most of them coming from the following activities: retail and wholesale trade, manufacturing, hotels





and restaurants and construction. Lower inflows into the CES register continued in April, with the monthly number of newly registered standing at 11,700 or its record low since 1998.

In contrast, outflows from the CES register, covering persons employed from the register and those cleared from the records for reasons other than employment, increased in the first quarter of 2007. Specifically, the number of persons employed from the register stood at 34,400 in the first quarter of 2007, up 2,400 or 7.5% on the same period in 2006. The number of persons cleared from the records for reasons other than employment remained at a low level recorded since 2004.

Employment

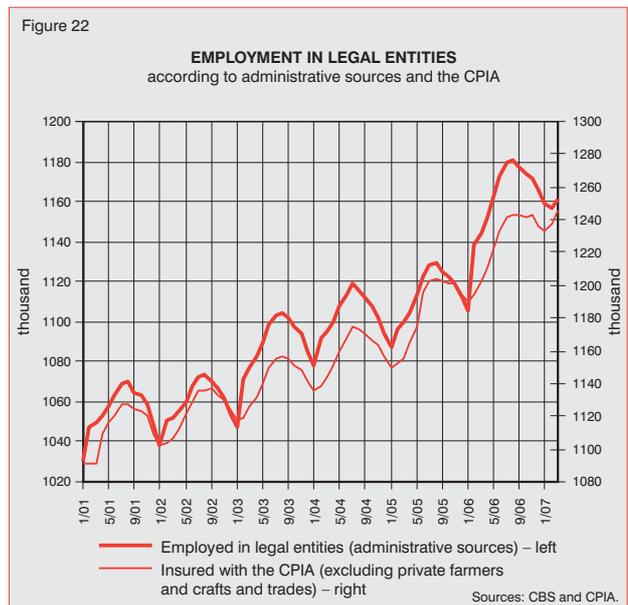
In addition to lower unemployment, the Labour Force Survey data also showed positive trends in employment. The average employment reached 1.624 million in the second half of 2006, an increase of 76,000 (4.9%) over the first half of 2006. The average employment for the whole 2006 amounted to 1.586 million or 13,000 (0.8%) more than in 2005.

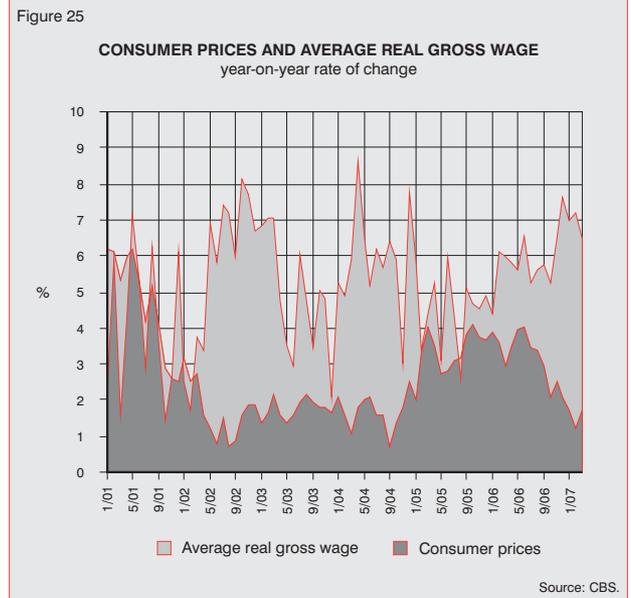
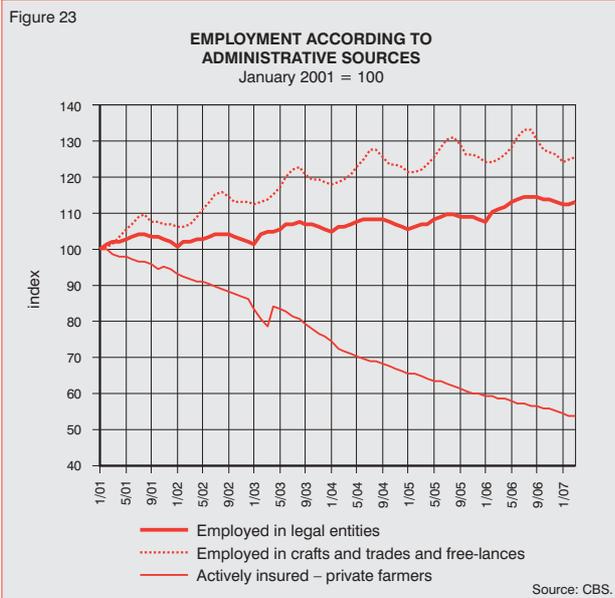
According to the administrative sources, the annual growth of total employment continued in the first quarter of 2007. The number of insured persons with the CPIA, being a reliable short-term indicator of employment, rose at an annual rate of 2.7% in the first quarter of 2007. According to the preliminary CBS data, the average employment stood at 1.458 million in the first three months of 2007, with the annual growth rate in employment standing at 1.9%. It should be clarified that this rate of growth is derived from the revised data on employment in the period up to January 2007 and the preliminary data for the period after January 2007. Hence, the employment growth rate is expected to increase following the update in the preliminary 2007 data on employment at the end of April 2008.

In line with the CBS data, the increase in employment in legal entities in the January-March period of 2007 contributed the most to the growth in total employment. The num-

ber of persons employed in crafts and trades and free-lances rose at an annual rate of 0.5%, while the number of private farmers actively insured with CPIA continued downwards over the first quarter, completely offsetting the small, but positive contribution of the growth of employment in crafts and trades and free-lances to total employment.

Total employment analysis by activity shows that in the first quarter of 2007 the key contributors to total employment growth were real estate and other business services (6.0 thousand or 6.4%), construction (7.1 thousand or 5.7%), mining and quarrying (0.3 thousand or 3.4%) and financial intermediation (1.1 thousand or 3.2%). The increase in employment in education and health care offset its decrease in the narrowly defined public administration, so that employment in overall public administration rose annually in the first quarter of 2007 (by 3,200 or 1.1%). In contrast, the sharpest annual decline in employment was registered in the activity of energy, water and gas supply (0.2





thousand or 0.9%).

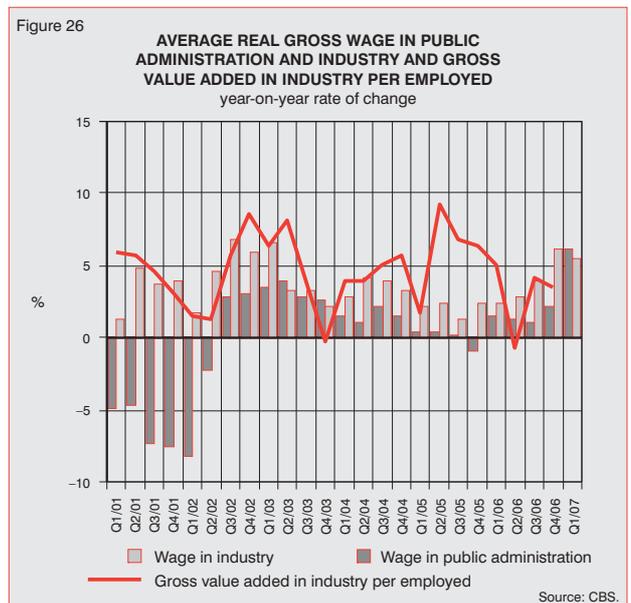
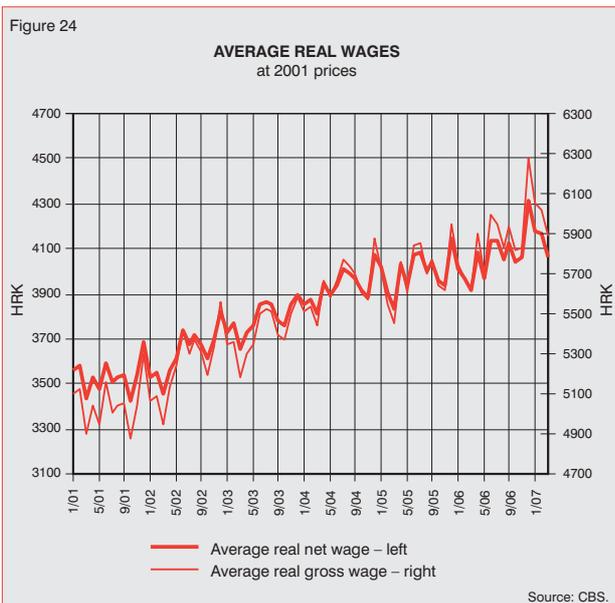
Wages and Labour Costs

The annual growth rate of the average real gross wage accelerated to 5.3% in the first quarter of 2007, up 1.1 percentage points over the last quarter of 2006 and 2.6 percentage points over the whole 2006. Due to the effect of tax progression, the growth of the average real net wage was somewhat lower than the growth of the average real gross wage. As a result, the annual growth rate of the average real net wage was 4.3%, an acceleration compared with the last quarter of 2006 (3.1%) and the whole 2006 (1.7%).

The annual growth in the average nominal gross wage amounted to 7% in the first quarter of 2007, up 0.4 percentage points over its growth in the last quarter of 2006. Due to growth dynamics of nominal gross wages being slower than that of real gross wages, the acceleration of the annual

growth rate of the average real gross wage in the first quarter of 2007 is to be attributed to both higher growth rates in nominal gross wages and a slowdown in the annual growth of CPI in the same period.

Strong wage growth in the majority of NCEA activities was the key factor behind faster annual growth of the average real gross wage in the first quarter of 2007. Given their large shares, manufacturing (1.2%) and retail and wholesale trade (0.8%) made the largest positive contribution to the average real gross wage growth. The highest annual growth rates of real wages were reported by agriculture (11.7%) and construction (6.8%). The annual growth of the real gross wage in the public administration (including education, health care and social welfare) stood at 6%, up 3.8 percentage points over the last quarter of 2006 and 4.5 percentage points over the whole 2006. Compared with 2006, this growth was, inter alia, the result of a 6% increase in the 2007 base for the calculation of public administration wages.



The annual growth in the average real gross wage in industry slowed down from 6.1% in the last quarter of 2006 to 5.5% in the first quarter of 2007. Labour productivity in industry, measured by the GVA dynamics in industry, at constant prices, per employee, grew at a rate of 3.6% in the last quarter of 2006, and was lower than the growth in real gross wages in this period. Moreover, as suggested by the available monthly economic activity indicators for the first quarter of 2007, labour productivity growth in industry is expected to outpace the growth of wages in industry, thus keeping price pressures from the labour market low.

Prices

The consumer price inflation rate rose slightly in the first four months of 2007, from 2.0% year-on-year in December 2006 to 2.3% in April 2007. The year-on-year rate of change in the CPI prices ranged from 2.3% in April to 1.2% in February. Looking at overall CPI components, the increase of 0.2 percentage points in the year-on-year core inflation rate (primarily due to an increase in the prices of clothing and footwear), and in the year-on-year rate of change in agricultural product prices, contributed the most to the increase in the year-on-year inflation rate in April 2007 compared with December 2006. In contrast, the year-on-year rate of change in administrative prices dropped in the observed period (mostly due to a decrease in housing and utility services prices), reducing its contribution to the overall year-on-year consumer price inflation rate by 0.1 percentage point.

Core inflation, i.e. the index of prices freely formed on the market, which includes 70.0% of the prices from the CPI basket of goods and services, remained above overall consumer price inflation, with its year-on-year rate of change up from 2.3% in December 2006 to 2.6% in April 2007. The core inflation increase in the said period was primarily due the year-on-year rate of change in clothing and footwear prices rising from 3.2% in December 2006 to 5.3% in April

Table 2: Consumer Price Index, year-on-year rate of change

	Weight 2007	12/06	1/07	2/07	3/07	4/07
Total	100.0	2.0	1.8	1.2	1.8	2.3
Food and non-alcoholic beverages	30.5	0.8	0.1	-1.0	0.2	1.7
Alcoholic drinks and tobacco	5.5	1.9	1.6	1.2	1.3	1.2
Clothing and footwear	8.5	3.2	5.2	4.8	5.2	5.3
Housing, water, energy, gas and other fuels	14.5	5.4	4.9	3.8	3.0	3.2
Furniture, equipment and maintenance	5.4	2.5	2.0	1.9	2.0	2.0
Health	2.9	1.9	2.2	2.3	1.9	2.3
Transport	11.5	1.1	0.7	1.0	2.1	1.9
Communication	4.4	-0.1	-0.2	-0.2	-0.3	-0.2
Recreation and culture	6.3	0.9	0.8	1.5	2.5	2.3
Education	1.0	0.2	0.1	0.0	0.0	-0.1
Catering services	3.6	2.3	2.3	2.2	2.4	2.4
Miscellaneous goods and services	5.9	2.9	3.5	3.4	3.4	3.5
Goods	76.4	1.4	0.9	0.4	1.1	1.8
Services	23.6	4.2	4.4	3.7	3.7	3.5

Source: CBS.

2007, mainly because the seasonal drop in clothing and footwear prices in January this year from the previous month was weaker than in the same period in the previous year. In addition, with the year-on-year growth rate of services prices freely formed on the market up from 2.5% in December 2006 to 3.5% in April 2007, these prices also increased their contribution to core inflation. The highest increase was observed in package holidays prices, whose year-on-year rate of change went up from 0.2% in December 2006 to 21.1% in April 2007, contributing an additional 0.1 percentage point to the year-on-year core inflation rate. This was due to the fact that package holidays prices, having fallen in the first four months of 2006, rose in the same period in 2007.

Agricultural products prices rose at a faster pace in the first four months of this year than in the same period in 2006, with their year-on-year rate of change increasing from 1.3% in December 2006 to 1.9% in April 2007. As this product group (fish, fruit and vegetables) is assigned a considerable weight of 6.0% in the CPI basket, the volatility of agricultural products prices to a large extent spills over to the overall year-on-year consumer price inflation rate, causing its volatility in the short-term.

On the other hand, the increased contribution of the rise in the prices of products included in the core inflation calculation and agricultural products to overall consumer price inflation in the first four months in 2007 offset, although only partially, the slowdown in administrative prices.

Administrative prices have a large share of 24.1% in the CPI basket. As more than half of this share is accounted by the prices of refined petroleum products prices and energy, administrative prices are under a strong influence of trends in energy prices on the world market, especially those of crude oil, and developments in the kuna/US dollar exchange rate. Additionally, national and local government election cycles also have a strong impact on administrative price trends. The year 2007 being an election year, the government administration will probably exert as close a control of administrative prices as possible.

The year-on-year rates of change of administrative prices decelerated from 2.0% in December 2006 to 1.5% in April

Figure 27



Table 3: Administrative Prices, year-on-year rate of change

	Share in CPI in 2007 (in %) ^a	12/05	3/06	6/06	9/06	12/06	3/07	4/07
Administrative prices – total	24.10	6.1	6.0	6.3	3.5	2.0	0.8	1.5
Refined petroleum products and energy	12.39							
Electricity	4.14	4.9	4.9	4.9	0.0	0.0	0.0	0.0
Gas	2.23	0.0	0.1	0.1	0.1	0.1	0.0	0.0
Heat energy	0.55	4.3	8.8	3.1	1.0	2.2	10.2	-2.4
Refined petroleum products	5.47	15.7	11.3	9.2	-2.5	-1.9	-1.7	-0.6
Communication	4.41	0.2	0.1	0.0	0.0	-0.1	-0.3	-0.2
Water supply and utility services	2.81	0.6	16.3	14.1	16.5	16.6	5.7	8.3
Education	1.00	6.2	5.8	5.8	0.3	0.2	0.0	-0.1
Rent	0.72	26.2	27.7	31.4	34.4	7.6	13.6	12.9
Medical services	0.60	37.1	40.1	35.8	35.8	0.3	0.1	0.3
Railway traffic	0.28	5.6	0.0	0.0	0.0	0.0	4.2	4.2
Hospital services	0.25	1.9	1.0	1.0	11.1	11.1	12.9	12.9
Social protection	0.23	1.3	1.5	1.4	0.4	0.5	0.0	0.0

^a Included are the administrative prices whose share in the CPI exceeds 0.2%.
Sources: CBS and CNB calculations.

2007. This was primarily due to the year-on-year rate of change in the prices of water supply and various utility services dropping from 16.6% in December 2006 to 8.3% in April 2007, which was in turn because of a slower growth of these prices in the first four months of this year than in the same period in 2006. In contrast, domestic refined petroleum products prices went up by 4.9% from December 2006 to April 2007, with the decrease in their year-on-year rate of change slowing from -1.9% in December to -0.6% in April. The growth of domestic retail prices of refined petroleum products was caused by crude oil price trends on the world market, which prompted Ina to repeatedly increase refined petroleum products prices. Given the world market price increase in crude oil, which put upward pressures on domestic refined petroleum products prices, already at end-April 2006 the Croatian Government proposed amendments to the Act on Special Taxes on Refined Petroleum Products, empowering the Government to take decisions on the amount of excises on refined petroleum products. The Government used this opportunity in late April this year and issued an Ordinance on the Change of Excises on Refined Petroleum Products, reducing excises on all types of

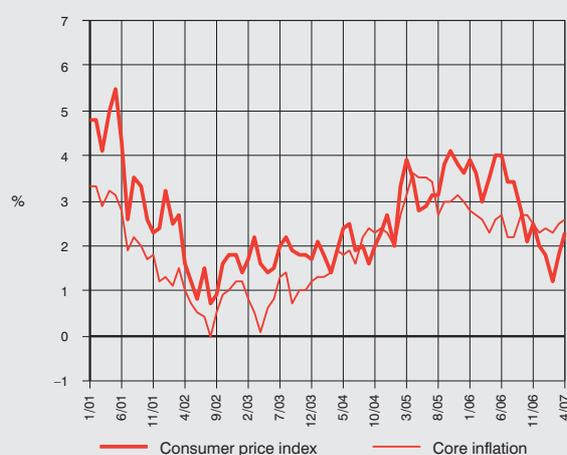
non-leaded petrol in order to keep the price of Euro Super 95 below the ceiling of HRK 8.00.

Having plummeted in January,¹² the price of crude oil per barrel increased in the following three months, reaching an average of USD 65.8 per barrel, a rise of 17.2% from end-January. The oil price increase was a result of geopolitical tensions in the Middle East and factors on the supply and demand side (the most important being the OPEC's decision to cut production, an unexpectedly slow growth in oil production in non-OPEC countries and expectations that the growth in crude oil demand in 2007 could outstrip that in 2006). In addition to the world market oil price increase, imported inflation pressures on domestic prices in the first four months of this year also arose from the price rise in other raw materials on the world market. For example, raw materials prices (excluding energy, in US dollar terms)¹³ rose by a considerable 10.0% in April compared with the end of last year, with iron ore, industrial and agricultural raw materials and non-ferrous metals prices growing at especially high rates of 16.6%, 13.1% and 11.8% percent respectively.

According to the latest available data, the year-on-year rate of change in producer prices in the eurozone declined from 4.1% in December 2006 to 2.7% in March 2007, mostly due to a slowdown in the year-on-year rate of change in energy prices, partly attributable to a favourable base effect. The growth of intermediate goods prices in the eurozone slowed down slightly, with the year-on-year rate of change down from 6.1% in December 2006 to 5.8% in March 2007. The year-on-year rate of change of capital goods prices rose from 1.8% in December 2006 to 2.0% in March 2007 and that of consumer goods was up from 1.7% to 2.0%. In the same period, the year-on-year rate of change of non-durable consumer goods prices held unchanged at 1.4%. ECB analysts see the relatively high year-on-year rate of change in intermediate goods prices and the increase in the year-on-year rate of change in capital and durable con-

Figure 28

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

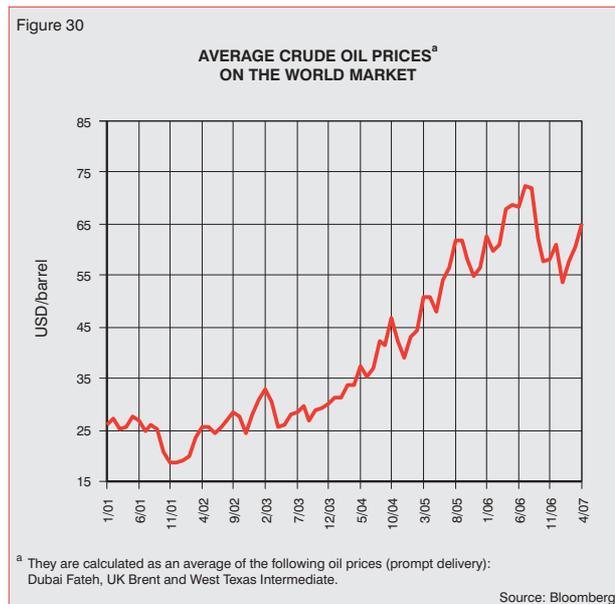
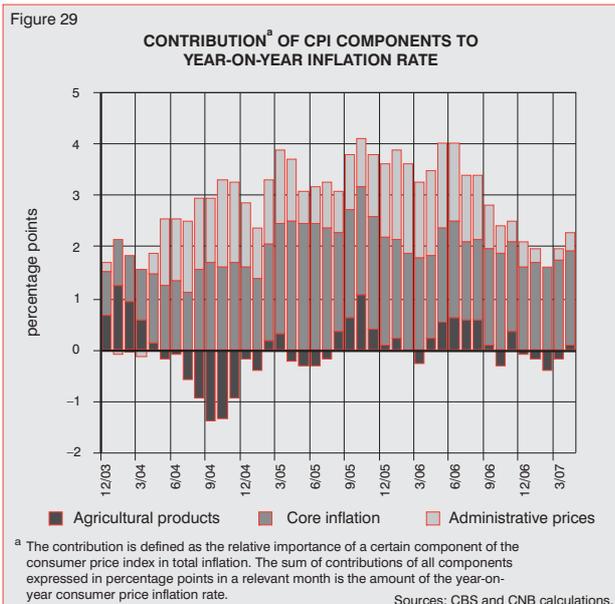


^a Core inflation is calculated in the manner that agricultural products prices and administrative prices (which, among others, include the prices of electricity and refined petroleum products) are excluded from the basket of goods and services used in the calculation of the consumer price index.

Source: CBS.

¹² The unexpected drop in crude oil prices on the world market resulted, inter alia, from the uncommonly warm weather early in this year and, consequently, a weakened demand for crude oil. The average price of crude oil per barrel reduced by 12.3% in January 2007 compared with December 2006.

¹³ Measured by the HWWI index.

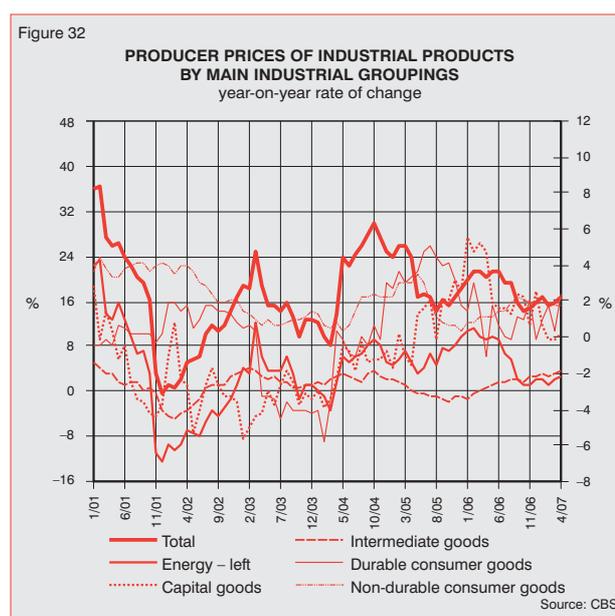
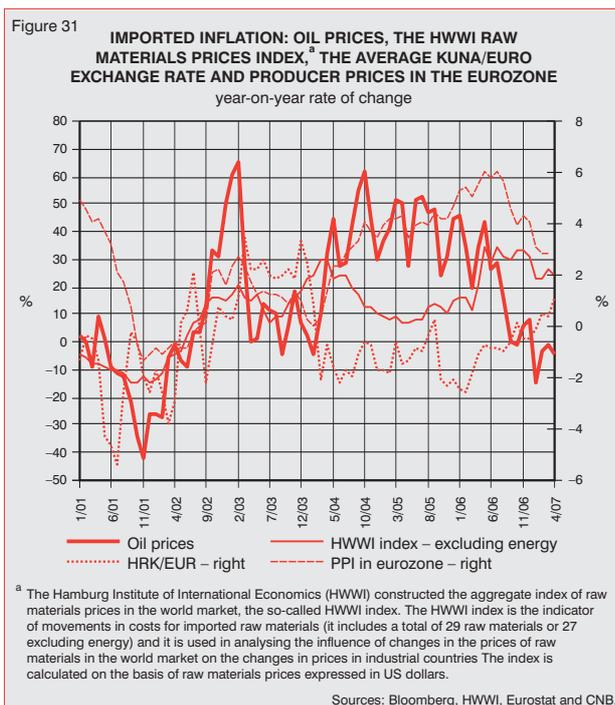


sumer goods prices as resulting from a spillover of costs generated by high raw material prices. However, given the still relatively low year-on-year rates of change of producer prices of final goods in the eurozone and a relatively stable kuna/euro exchange rate, the related upward pressures on import prices in Croatia cannot be considered as significant.

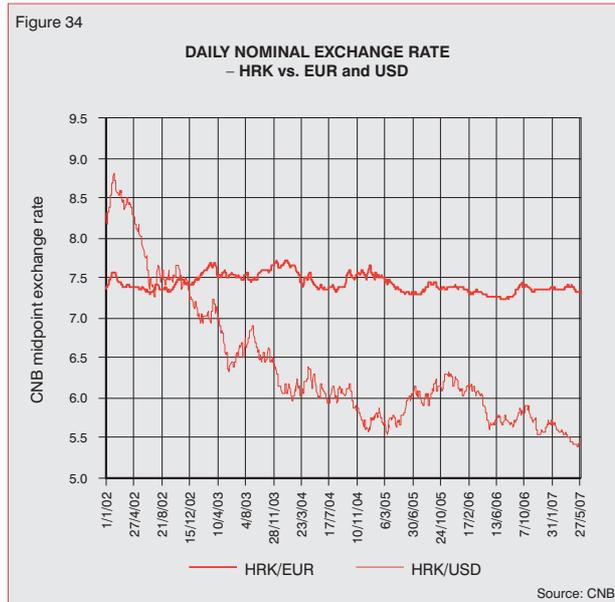
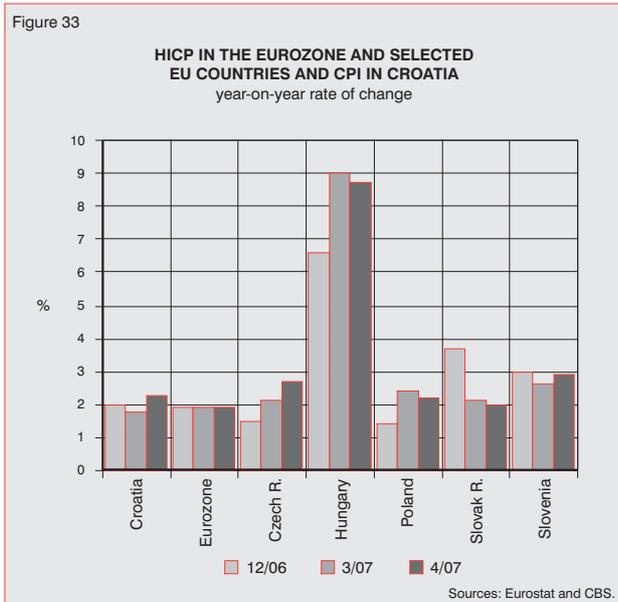
The year-on-year rate of change in domestic industrial producer prices increased from 1.9% in December 2006 to 2.3% in April 2007. An analysis of trends in the producer price index by main industrial groupings shows an acceleration in the year-on-year rate of growth of producer prices of durable consumer goods (from -0.2% in December to 2.4% in April), intermediate goods (from 2.6% in December to 3.6% in April) and energy (from 1.9% in December to 2.4% in April). Much like in the eurozone, a spillover of costs gen-

erated by rising raw materials prices on the world market on intermediate goods prices has also been observed in Croatia. The prices of metal products and water supply grew at high year-on-year rates in April this year, 14.9% and 18.9% respectively. The year-on-year rate of change of producer prices of capital goods dropped from 2.5% in December to 0.2% in April and that of non-durable consumer goods went down from 2.0% to 1.8% in the same period.

Croatia's year-on-year consumer price inflation rate was at 2.3% in April 2007 higher than that in the eurozone (1.9%), Slovakia (2.0%) and Poland (2.2%), and lower than that in Hungary (8.7%), Slovenia (2.9%) and the Czech Republic (2.7%). The spread between Croatia's year-on-year consumer price inflation rate and the same rate in the eurozone widened to 0.4 percentage points in April 2007,



14 In December 2006, the year-on-year consumer price inflation rate stood at 2.0% in Croatia and at 1.9% (measured by the harmonised CPI) in the eurozone.



compared with 0.1 percentage points in December 2006.¹⁴ The main reason for this was a growing spread between the year-on-year rates of change of the prices of food and clothing and footwear in Croatia and in the eurozone in the first four months of 2007 (April 2007 compared with December 2006). For example, Croatia's food prices accelerated from 0.8% in December 2006 to 1.7% in April 2007, while in the eurozone these prices slowed down from 2.6% in December 2006 to 2.5% in April 2007. It should be pointed out that the 30.5% share of food prices in the CPI basket in Croatia considerably exceeds the share of 15.6% in the eurozone. Furthermore, the year-on-year rate of change in the prices of clothing and footwear in Croatia increased by 2.1 percentage points in the said period, from 3.2% in December 2006 to 5.3% in April 2007, while the same rate in the eurozone rose by 0.5 percentage points, up from 0.9% in December 2006 to 1.4% in April 2007. In addition, food and footwear prices have a slightly larger share in the CPI index in Croatia (8.5%) than in the eurozone (6.9%).

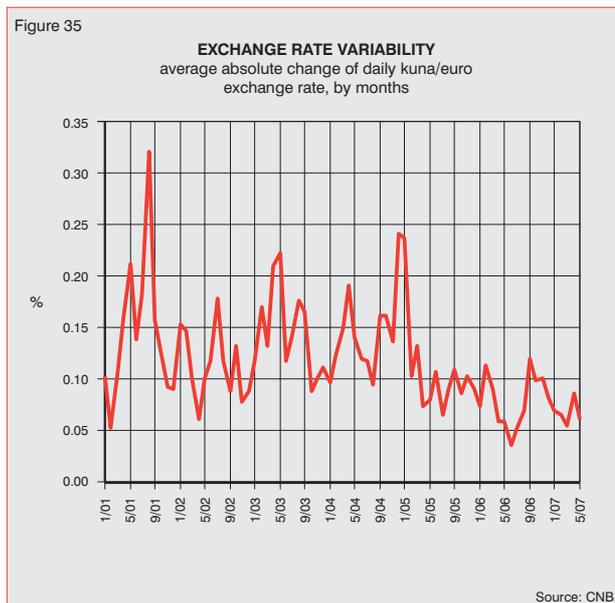
Exchange Rate

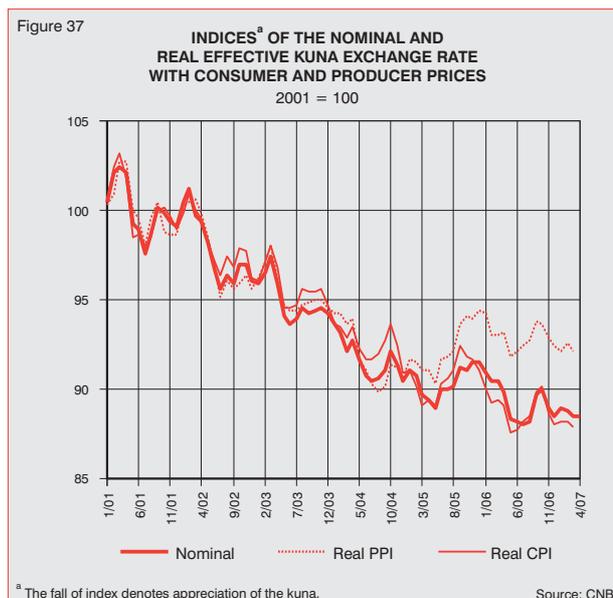
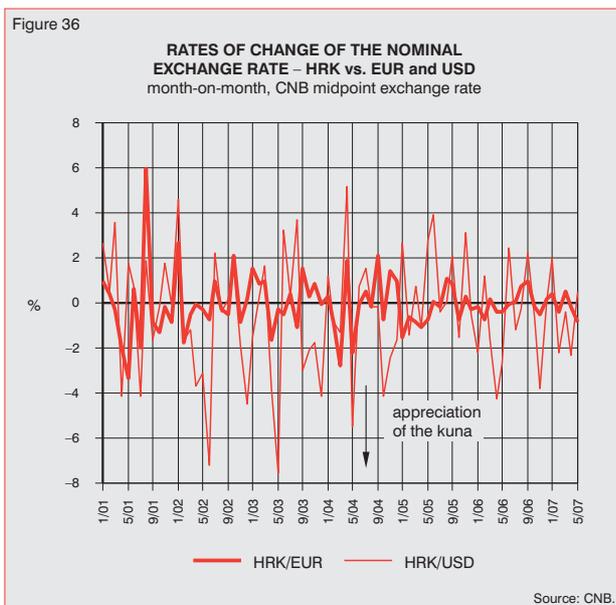
The kuna/euro exchange rate weakened by 0.5% in the first quarter of 2007, with the euro rising from HRK 7.35/EUR at end-2006 to HRK 7.38/EUR at end-March 2007. The depreciation of the kuna/euro exchange rate was the outcome of a customary increase in demand for foreign currency in January and a rise in corporate demand for foreign currency in March. Mild depreciation pressures in January were stemming from a rising demand for foreign currency required for the settlement of external government debt and short-term external liabilities of enterprises. The central bank purchased EUR 177.0m from banks at a foreign exchange auction on 28 December 2006, producing a monetary effect (issuance of HRK 1.3bn) in January 2007. The kuna/euro exchange rate continued to depreciate from January in the first nine days of February, starting to appreciate afterwards and remaining relatively stable in February.

Liquidity remained good, unaffected by a new government bond issue (8 February) worth HRK 2.5bn. The exchange rate of the kuna slightly strengthened versus the euro in February, but in March the kuna again came under depreciation pressures on the domestic foreign exchange market.

There were no central bank foreign exchange auctions in the first quarter of 2007 and banks met their liquidity requirements through reverse repo auctions. CNB sold EUR 121.6m of foreign currency to the MoF in the first quarter of 2007, withdrawing from circulation HRK 0.9bn. The CNB issued a total net amount of HRK 0.4bn through foreign exchange transactions in the said period. The average absolute change in the daily exchange rate of the kuna against the euro, a measure of the exchange rate volatility, reduced from 0.09% in the fourth quarter of 2006 to 0.06% in the first quarter of 2007.

Having weakened in the first quarter, the kuna/euro exchange rate appreciated in the first two months of the





second quarter, due to a somewhat stronger appreciation of the kuna exchange rate of 1.0% at the end of April and in May, with the euro falling in value from HRK 7.38/EUR on 31 March to HRK 7.31/EUR on 31 May 2007. The appreciation of the kuna exchange rate was due to a rise in demand for the kuna during Easter holidays and an increased supply of foreign exchange resulting, among other things, from the start of the tourist season and decisions of some foreign parent banks to recapitalise subsidiary banks in Croatia. Central bank foreign exchange interventions were not needed either in April and May or in the first quarter, and banks met their requirements for foreign exchange through reverse repo auctions. The central bank sold a net of EUR 30.4m of foreign currency to the MoF in April and May, withdrawing from circulation HRK 0.2bn.

The US dollar exchange weakened by 2.0% against the euro on the international foreign exchange market in the first five months of 2007, with the euro rising in value from USD 1.32/EUR on 31 December 2006 to USD 1.34/EUR on 31 May 2007. The downward pressures on the US dollar versus the euro were attributed to expectations of a further narrowing of the interest rate spread between the US and eurozone and an economic recovery in the eurozone. The ECB raised its benchmark rate by 0.25 percentage points (to 3.75%) in March, while the US benchmark rate remained unchanged at 5.25%.¹⁵ The US dollar also weakened due to market concern over a slower than expected US economic growth and unfavourable indicators in the mortgage loan market. Primarily due to the weakening of the US dollar against the euro on the world foreign exchange market, the exchange rate of the kuna strengthened by 2.5% against the euro, up from HRK 5.58/USD on 31 December 2006 to HRK 5.44/USD on 31 May 2007. In addition to appreciating nominally by 0.5% against the euro and against the US dollar, the exchange rate of the kuna appreciated by 1.7% and 2.9% against the pound of sterling and Swiss franc respectively in the first five months of 2007. Such kuna ex-

change rate trends resulted in a 1% appreciation of the index of the daily nominal effective kuna exchange rate against the currency basket (31 May 2007 in relation to 31 December 2006).

According to the latest available data, the indicator of export price competitiveness slightly worsened in the first quarter 2007. The index of the real effective exchange rate of the kuna deflated by producer prices shows that the kuna exchange rate appreciated by 0.4% in real terms against the currency basket from December 2006 to March 2007, while the index deflated by consumer prices points to a slightly lower appreciation of the kuna exchange rate against the currency basket (0.2%). The average monthly index of the nominal effective exchange rate of the kuna appreciated by a mere 0.01% in the said period, so that the differences in the pace of nominal and real effective appreciation of the kuna exchange rate resulted from a faster growth of domestic than foreign prices.

Monetary Policy and Instruments

Monetary Environment

In 2007, the set of monetary policy instruments used by the CNB has been broadened by an instrument imposing the purchase of compulsory CNB bills on banks whose placement growth exceeds 12%. The application of this new instrument, in combination with the other, previously adopted measures, provided a stable monetary environment in the first five months of 2007, without strong pressures on the kuna exchange rate. The CNB created reserve money exclusively by means of regular reverse repo auctions of MoF T-bills, which is in contrast to the same period in 2006 when the central bank created kuna liquidity mostly by purchasing foreign exchange from banks. At repo auctions, all the bids

15 The Fed raised its benchmark rate the last time in June 2006.

received were accepted and the marginal repo rate held steady at 3.5%. The liquidity of banks was favourable and stable.

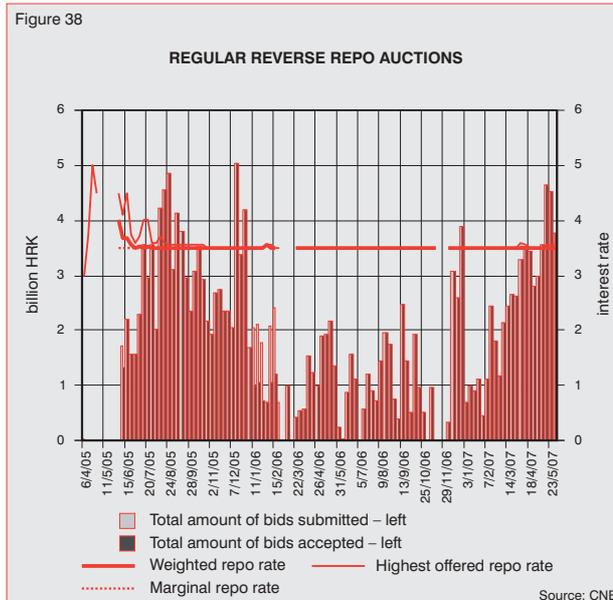
Developments in kuna and foreign currency reserve requirements were divergent. The kuna reserve requirement steadily grew in the first five months of 2007, while the foreign currency reserve requirement, which rose in the first quarter of 2007, remained flat in April and May. In addition, the marginal reserve requirement, which rose sharply in the first quarter, was stagnant in April and plummeted in May. Developments in the marginal reserve requirement were the outcome of a considerable reduction of external debt of banks, which was aided by major recapitalisation of several banks. Developments in general reserve requirements suggest that kuna sources grew faster than foreign sources. This was also contributed to by the banks' adjustment to the amended Decision on the minimum required amount of foreign currency claims. The inclusion of kuna liabilities with a currency clause in the base for the calculation of the minimum required amount of foreign currency claims, which was effected in October 2006, prompted the banks to make a major restructuring of their liabilities; they managed to replace a large portion of their kuna liabilities with a currency clause by "pure" kuna liabilities and to attain the required 32% minimum liquidity at end-March 2007.

The Decision on the purchase of compulsory CNB bills was amended in February 2007 in such a way that a one percentage point restriction on placement growth per month, which did not entail the purchase of compulsory CNB bills, was removed, whereas the cumulative annual placement growth rate, which did not require the purchase of compulsory CNB bills, remained at 12%. These amendments ensured for the banks greater flexibility of loan growth by taking account of seasonal movements in placements over the year. The first purchases of compulsory CNB bills occurred in April and May 2007, but the purchased amounts were negligible when compared with monetary aggregates.

Uses of Instruments of Monetary Policy

The main flows of creating kuna liquidity in the first five months of 2007 were regular weekly reverse repo auctions. The intensity of their use depends above all on the creation and withdrawal of reserve money through foreign exchange auctions, and on changes in monetary policy instruments. As the stated factors have had no effect so far in 2007, demand for kuna has been fully satisfied at reverse repo auctions. By accepting all the bids received, the central bank eased the maintenance of a favourable liquidity level of the system and kept the marginal repo rate at 3.5%.

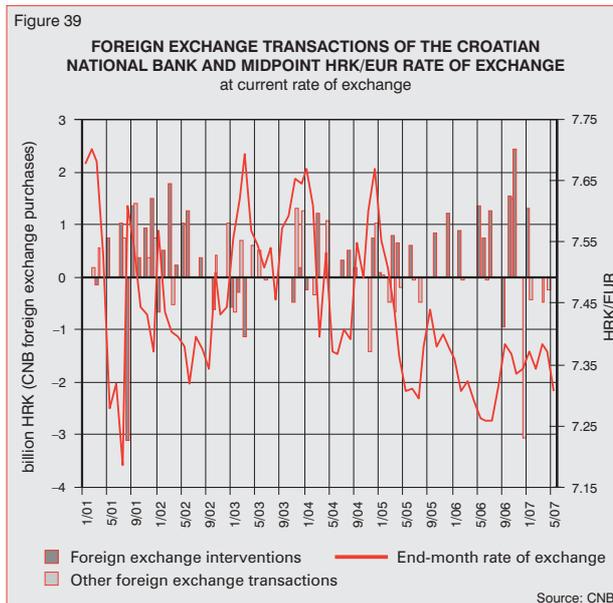
The average daily balance of the funds placed at regular reverse repo auctions was HRK 1.6bn in the first quarter of 2007, which is HRK 0.8bn more than in the same period last year. Early in the second quarter, demand for kuna further intensified due to the rise in the kuna reserve requirement, bank recapitalisation and their stronger lending activity. An additional boost to demand for kuna was made by the seasonal rise in currency outside banks over the Easter holidays and soaring foreign exchange supply arising from good

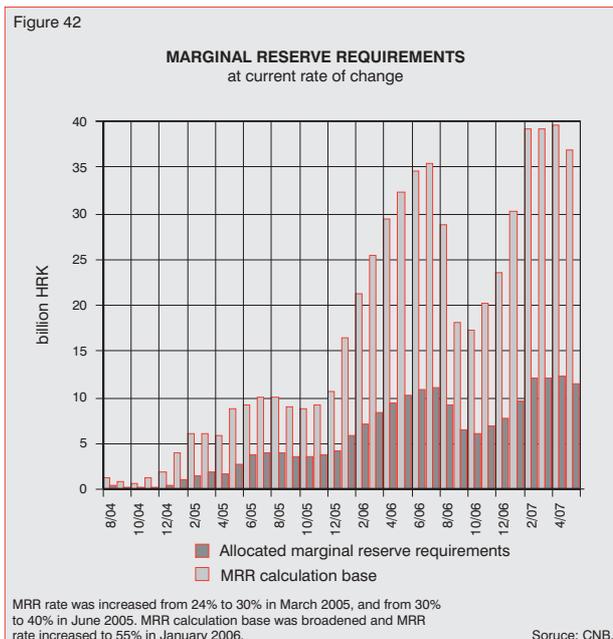
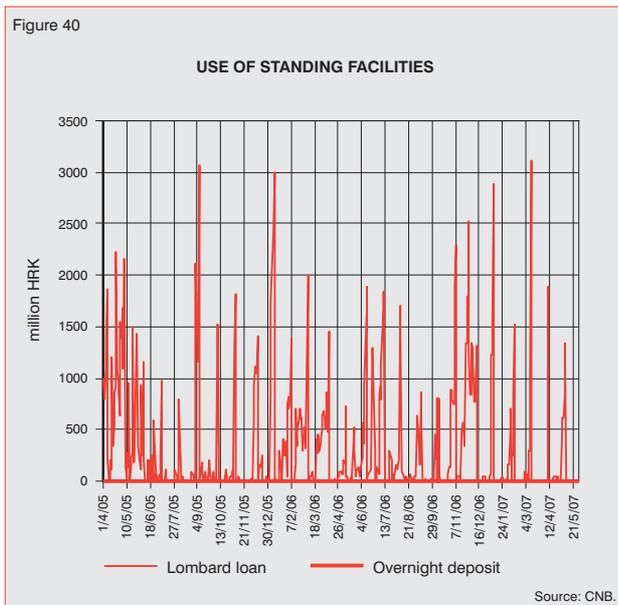


tourism results in the period before the peak tourist season. Such developments were confirmed by the May appreciation of the kuna and upward pressures on money market interest rates. At several auctions some banks offered higher repo rates (3.55% and 3.6%) so as to ensure the necessary liquidity.

Owing to the acceptance of all the bids received from banks and creation of plentiful kuna funds in April and May, the average amount of the funds placed rose to HRK 3.6bn. The auction at which the largest amount (HRK 4.6bn) has been placed in 2007 was held in mid-May when the banks had lower than usual amount of free reserves in the first part of the reserve requirement maintenance period. The average amount of surplus liquidity later returned to its usual level of around HRK 0.7bn, which is only slightly less than its 2006 average.

In the first five months of 2007, the central bank's transactions in the foreign exchange market were limited to the transactions with the central government. In contrast to the





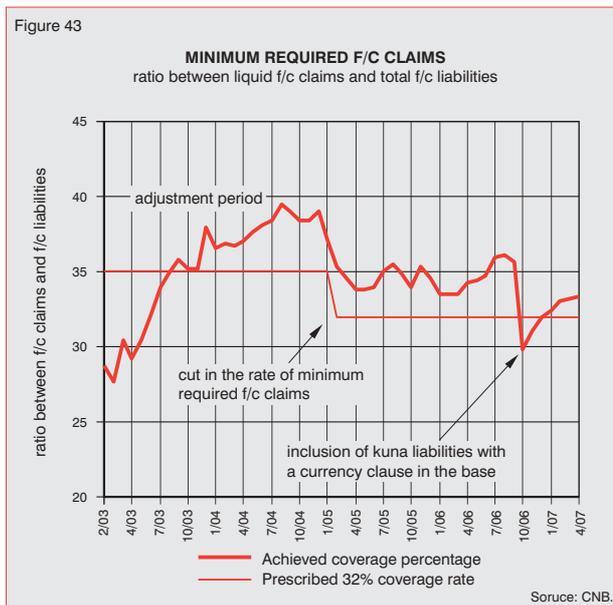
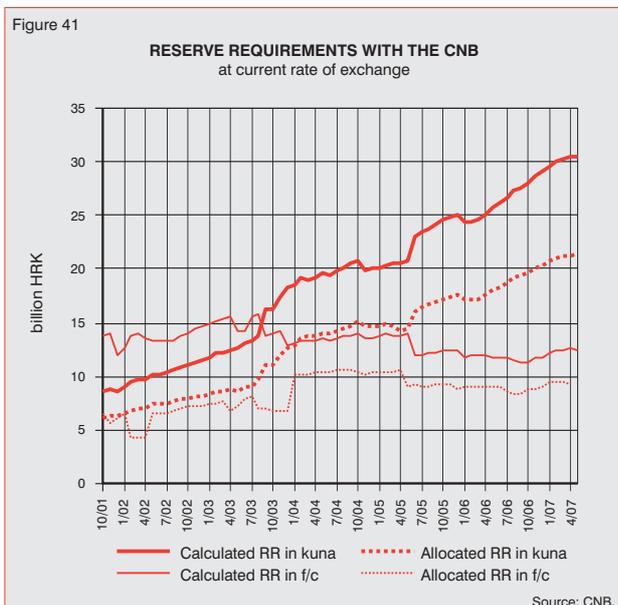
first quarter of 2006 when the amount of foreign exchange transactions was negligible, in the first quarter of 2007, the CNB sold EUR 121.6m net to the Ministry of Finance to provide foreign exchange funds for the repayment of foreign liabilities, and additional EUR 30.4m in April and May. A total of HRK 1.1bn was withdrawn through foreign exchange transactions with the MoF in the first five months of 2007.

A steady rise in domestic funding sources of banks led to an increase in the reserve requirement calculation base in the first five months of 2007. The calculated kuna reserve requirement grew by HRK 1.0bn in the first quarter and by another HRK 0.4bn in April and May, whereas the calculated foreign currency reserve requirement, which rose by HRK 0.7bn in the first three months, held steady in April and May.

Standing at HRK 30.6bn in May, the calculated kuna reserve requirement went up 18.9% relative to the same month last year. The calculated foreign currency reserve requirement was HRK 12.5bn in May and its annual growth rate was 5.5%.

Following an upsurge in the marginal reserve requirement early in 2007, a decline in foreign liabilities of banks at the beginning of the second quarter released a portion of the funds that had previously been allocated with the central bank on the basis of this monetary policy instrument. The rise in domestic funding sources together with recapitalisation funds enabled the banks to continue financing domestic credit activities, reduce their foreign liabilities, and consequently lower the marginal reserve requirement calculation base. In addition, the impact of the marginal reserve requirement on lowering the profitability of banks' foreign financing augmented due to higher interest rates on foreign markets, particularly in the eurozone.

The marginal reserve requirement calculation base, which grew by a substantial HRK 16.2bn in the first four months of 2007, fell by HRK 2.7bn in May, to HRK 37.0bn. Thus, the allocated marginal reserves, after hitting a record



high of HRK 12.2bn in April, decreased by HRK 0.7bn in May, whereas their annual growth rate was 13.9% relative to the same month last year.

The end of the first quarter of 2007 was also the end of the stipulated period of the banks' adjustment to the amended Decision on the minimum required amount of foreign currency claims, under which kuna liabilities with a currency clause were also included in the base for the calculation of the minimum foreign currency coverage of 32%. In line with the projected dynamics, banks were allowed to gradually increase their foreign currency coverage ratios by a minimum 2 percentage points per month, starting from the minimum 20% coverage at the beginning of last October until their final adjustment to the prescribed 32% coverage at end-March 2007. To a large extent, banks made the adjustment by decreasing their kuna liabilities with a currency clause, from HRK 39.8bn to HRK 20.3bn in the stated period. Furthermore, banks raised their foreign currency claims by HRK 7.9bn. At end-March, the minimum foreign currency liquidity of the system surpassed the required level and was at 33.2%.

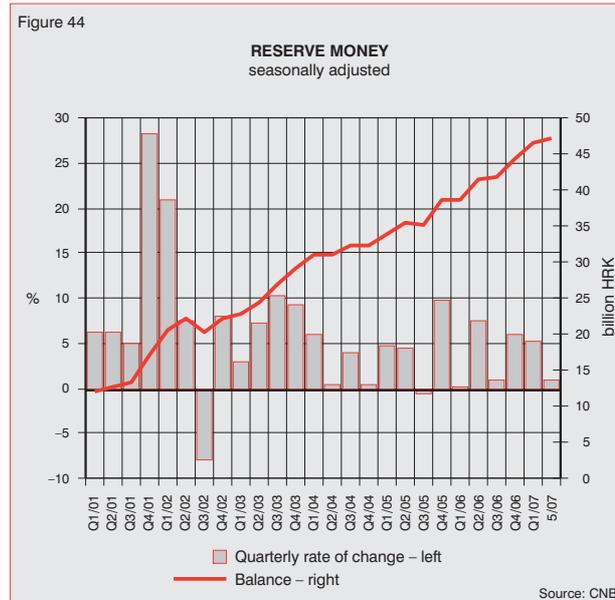
Early in the second quarter, the minimum foreign currency coverage ratio continued to grow mostly on account of a decline in banks' external foreign currency liabilities. At end-April, total foreign currency liabilities of banks, including kuna liabilities with a currency clause, stood at HRK 165.2bn, and foreign currency claims were HRK 55.1bn. Thus, the minimum foreign currency liquidity rose to 33.4% at the system level.

Reserve Money and International Reserves

Demand for reserve money (M0) usually dwindles early in the year due to a seasonal decline in currency in circulation. Reserve money developments at the beginning of the year were as expected: after a slight decrease in the first quarter relative to end-2006, reserve money held steady in April and recovered in May, to HRK 46.6bn, while its annual growth rate remained at a high 20.0%. Comparison with the developments in the first five months last year is hindered by the fact that the reserve requirement rate was cut from 18% to 17% early in 2006, so that the annual growth rate of reserve money recorded last May was 16.7%.

Both main components within the structure of reserve money have continued to grow. Bank deposits with the CNB remained on an upward trend early in the second quarter; their year-on-year growth rate was 22.6% in May, whereas the annual growth rate of currency was 15.0%. A high level of bank deposits reflects comfortable liquidity conditions and growing demand for reserve money on the basis of reserve requirements, which has been the result of the previously described developments in kuna and foreign currency base early in the year. The upturn in reserve requirement funds held in settlement accounts was exactly the reason why the average balance in settlement accounts was HRK 7.3bn in the first five months of 2007, compared with HRK 6.0bn in the same period last year (an annual increase of 21.4%).

An important source of increasing bank deposits with the CNB was again the allocated kuna reserve requirement,

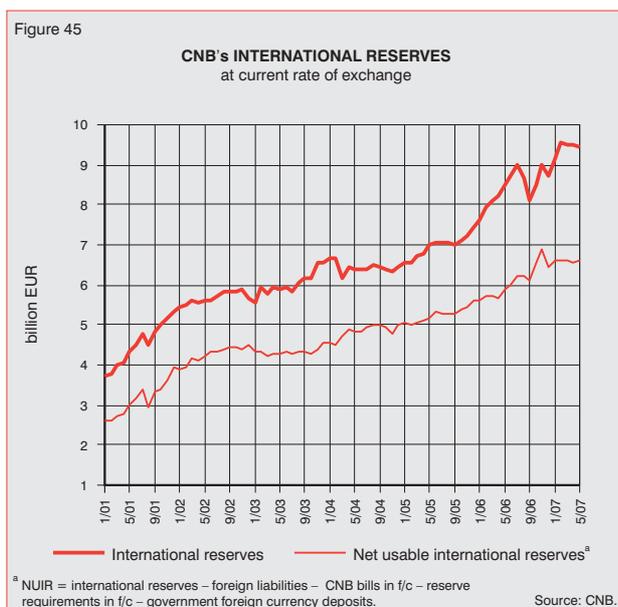


which grew by HRK 1.0bn in the first five months of 2007 or 17.9% at the annual level. The 2007 rise in the kuna reserve requirement has been particularly fuelled by the upturn in corporate kuna deposits as well as household foreign currency deposits, which also added to the increase in the base for the kuna reserve requirement calculation. A steady expansion of kuna and foreign currency deposits has, among others, been spurred by the banks' efforts to replace more expensive foreign sources by more favourable domestic sources, which has fuelled demand for reserve money needed for the maintenance (in settlement accounts) and allocation (in special accounts) of reserve requirements. The allocated kuna reserve requirement stood at HRK 21.5bn at the end of May 2007.

Under the December 2006 Decision on the purchase of compulsory CNB bills, as of 2007, bank deposits with the CNB include also compulsory CNB bills purchased by the banks which exceed the "non-taxable" placement growth limit of 12%. The first compulsory CNB bills purchase on the basis of the calculated first-quarter growth in placements amounted to HRK 0.05m and was effected in late April. Larger amounts of compulsory CNB bills were recorded in May when a total of HRK 28.8m worth of these bills was purchased.

As in the past, banks intensified their use of the standing overnight deposit facility just before the new calculation of reserve requirement. On the day before the reserve requirement calculation in April, overnight deposits stood at HRK 1.9bn, whereas in late April this standing facility was used only for several days and in very small amounts (HRK 40m). Between 3 and 8 May, i.e. the period preceding the May calculation of reserve requirements, the deposit level averaged HRK 622m. Overnight deposits were again the highest just before the new reserve requirement calculation on 8 May when they reached HRK 1.3bn.

In the first five months of 2007, government deposits were characterised by somewhat lower balances and subdued volatility compared with the same period of 2006,



which may suggest better liquidity management on the part of the government. The comparison of 2007 and 2006 movements in government deposits is made difficult by the upsurge in government foreign currency deposits coming from a Programmatic Adjustment Loan (PAL) in early 2006, whereas no such extraordinary inflows have been recorded this year. The average balance of government deposits was HRK 447m and HRK 267m in the first five months of 2006 and 2007 respectively.

In contrast to last year when the central bank intervened 12 times in the foreign exchange market, in the first five months of 2007 the CNB relied exclusively on reverse repo auctions as the instrument of liquidity creation. Hence, the balance of international reserves was not, as in the previous periods, boosted by foreign exchange purchased from banks, but was affected by other transactions. This mostly refers to regular transactions with the Ministry of Finance, whereby EUR 152m net has been sold to the government in 2007. The exception is the last purchase of foreign exchange from banks at end-2006 whose effect on the expansion of reserves of HRK 177m became observable in early January 2007.

A slight downward trend in (gross) international reserves, which began in March 2007, continued into May. In March and April, the fall in reserves was largely the result of the sale of foreign exchange to the government, whereas the May decrease was mostly due to a substantial EUR 83.5m contraction of the marginal reserve requirement. At end-May, gross international reserves stood at EUR 9,452m, which is EUR 727m more than at end-2006.

Monetary Developments

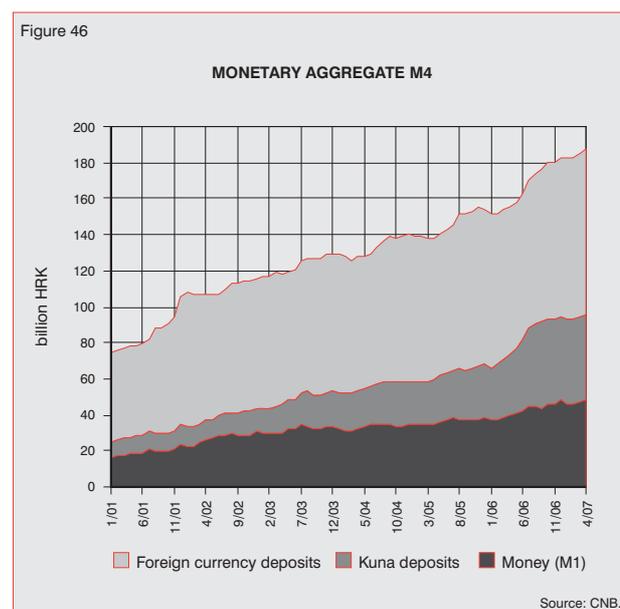
Bank placements grew at a somewhat slower pace in the first four months of 2007 relative to the same period last year. Excluding the exchange rate effect, their growth rate compared with the December level was 6.2% in April 2007 and 8.0% in April 2006. Within the structure of placements,

corporate placement growth slowed down notwithstanding the fact that large shipyard restructuring loans, guaranteed by the Ministry of Finance, were granted in March, while the rise in household placements continued at almost the same pace. In addition, particularly pronounced was the upturn in “pure” kuna placements, which the banks started to actively encourage as a form of domestic sector financing. Despite somewhat slacker growth in placements, their annual growth rate kept high, standing at 22.0% at end-April.

As the first quarter of 2007 saw an upsurge in quasi money, total liquid assets (M4) recorded an increase despite a seasonal fall in money (M1). Together with the rise in savings and time deposits of domestic sectors, recorded was a substantial inflow of funds on the basis of recapitalisation of some banks, which provided for a continued strong surge in their lending activities. In addition to financing domestic placements, banks used these inflows to decrease their foreign liabilities, which was particularly observable at the end of the first and beginning of the second quarter.

Total Liquid Assets

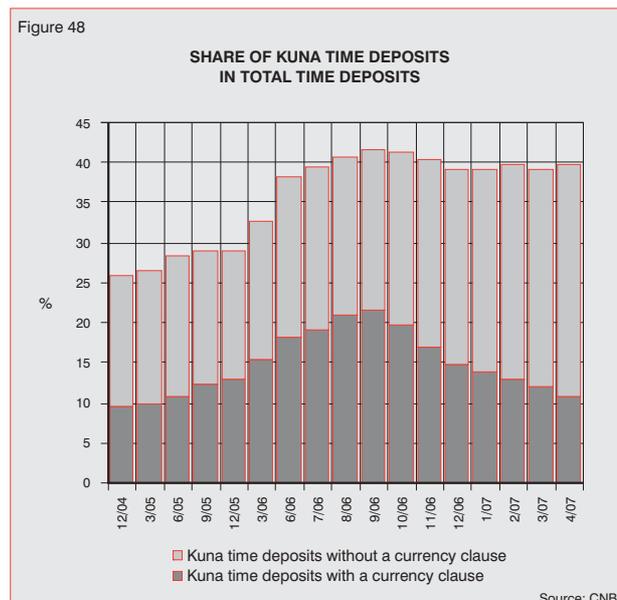
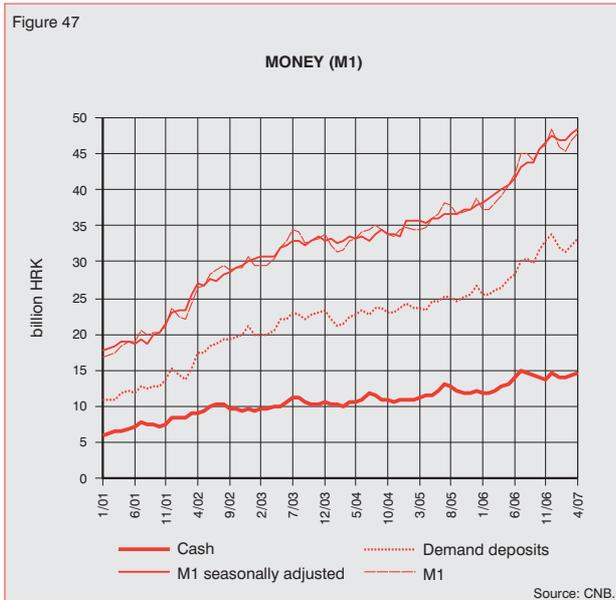
Total liquid assets continued to grow strongly in the first quarter of 2007. Contrary to the first three months of 2006 when it dropped by HRK 1.1bn, M4 rose by HRK 2.6bn or



1.4% in the first quarter of 2007. The upturn in this broadest monetary aggregate was the result of large expansions of kuna and foreign currency deposits. M4 remained on a strong upward trend at the beginning of the second quarter, reaching HRK 187.1bn at end-April 2007, while its annual growth rate stayed at a high 20.6%.

Money

A seasonal fall in money, which is usual for the beginning of the year, was especially pronounced in the first three months of 2007. M1 dropped by a total of HRK 1.8bn (3.6%) in the first quarter, mostly on account of a decline in



demand deposits early in 2007. It recovered late in the first and early in the second quarter, reaching HRK 47.9bn at end-April 2007, HRK 0.7bn less than at end-2006. Observed at the annual level, the continued rise in this monetary aggregate over 2007 has been reflected in its high annual growth rate, which was 22.0% at end-April.

A decline in demand deposits recorded in the first quarter of 2007 (of HRK 1.5bn) was mostly due to falling balances in corporate giro accounts, which decreased by HRK 2.1bn in that period. Such developments were mostly triggered by a withdrawal of high liquidity, which was accumulated in late 2006 owing to an upsurge in bank loans to this sector. With continued bank lending early in the second quarter of 2007, demand deposits resumed their upward trend. At end-April 2007, balances in current and giro accounts of all domestic sectors held with commercial banks totalled HRK 33.1bn and their annual growth rate was 25.1%.

The other component of money, currency outside banks, which fell by HRK 0.7bn in January, grew in the following months and stood at HRK 14.7bn at the end of April. The average daily balance of this monetary aggregate was HRK 14.4bn in the first four months of 2007, up 18.5% over its average daily balance in the same period last year.

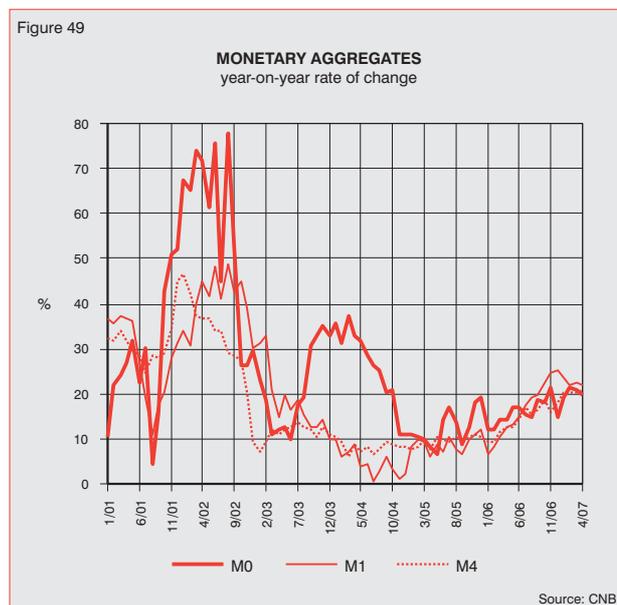
Non-Monetary Deposits

Savings and time deposits in domestic and foreign currency went up by HRK 4.4bn or 3.3% in the first quarter of 2007. A strong upturn in savings of almost all domestic sectors continued from 2006 and was mostly the outcome of the policy of banks which strive to further encourage domestic savings growth in view of expensive foreign funding sources.

Kuna non-monetary deposits rose by HRK 1.9bn or 4.3% in the first quarter of 2007. Although the same period last year saw stronger kuna deposit growth (of HRK 3.6bn), it occurred in the conditions of falling foreign currency deposits and was mostly due to intensified replacement of foreign currency deposits by kuna deposits with a currency clause. In contrast, the rise in kuna deposits in the first quarter of 2007 was due solely to “pure” kuna deposits, which are a

cheaper funding source relative to foreign currency deposits and kuna deposits indexed to foreign currency. Growing by HRK 0.5bn, total kuna non-monetary deposits stood at HRK 47.2bn in April, and their annual growth rate remained high, at 45.7%. In the same period, the share of kuna deposits with a currency clause in total kuna non-monetary deposits continued to decline, falling to 26.9% at end-April.

Observed by sector, a decline in household kuna deposits, which began in September 2006, has continued into 2007. In the first four months of 2007, these deposits fell by almost HRK 1.0bn, to HRK 22.6bn at end-April, and their annual growth rate more than halved relative to its maximum level recorded last September (70.6%), to 30.1% at end-April 2007. On the other hand, the largest contribution to the rise in kuna non-monetary deposits in the first four months this year came from kuna deposits of other banking and non-banking institutions (an increase of HRK 1.7bn), whereas the rest came from corporate kuna deposits (an in-



crease of HRK 1.2bn), which were HRK 16.1bn at end-April, with the annual growth rate of 55.8%.

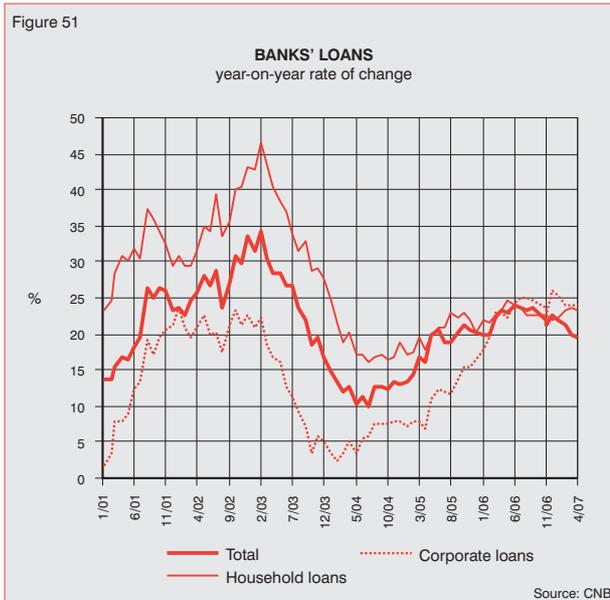
After a recovery recorded in the last quarter of 2006, foreign currency deposits have continued to trend up in 2007. In the first quarter this year, foreign currency savings and time deposits of domestic sectors held with commercial banks went up by a total of HRK 2.4bn or 2.8%. Growing moderately in April, by HRK 0.2bn, total foreign currency deposits stood at HRK 90.9bn at the month-end, while their annual growth rate, partly due to the base period effect, rose to 11.3%.

Contrary to kuna deposits, the main contribution to the rise in foreign currency deposits in the first four months of 2007 came from household deposits, which grew by HRK 2.3bn in the observed period. At end-April 2007, total household foreign currency deposits held with banks stood at HRK 77.1bn, up 8.0% over the end of the same month last year. The rest of the increase in foreign currency deposits in the first four months of 2007 (HRK 0.4bn) related to the rise in foreign currency deposits of other financial institutions.

Placements

In the first quarter and early in the second quarter of 2007, a rise in bank placements to the non-banking sector proceeded at only a slightly slower pace. Bank placements grew by a total of HRK 8.2bn or 4.5% in the first quarter of the year and by another HRK 2.6bn or 1.3% in April. The achieved upturn in total placements was more moderate compared with 2006. At end-April 2007, total bank placements to the non-banking sector stood at HRK 194.1bn, and their annual growth rate dropped slightly relative to end-2006, to 22.0% at end-April (22.7% excluding the exchange rate effect).

The largest contribution to the rise in placements to the non-banking sector in the first quarter and early in the second quarter of 2007 came from household loans, which continued to grow at a pace similar to that recorded in 2006. Since the beginning of 2007, loans to this sector rose by a total of HRK 6.3bn, standing at HRK 102.0bn at end-April.



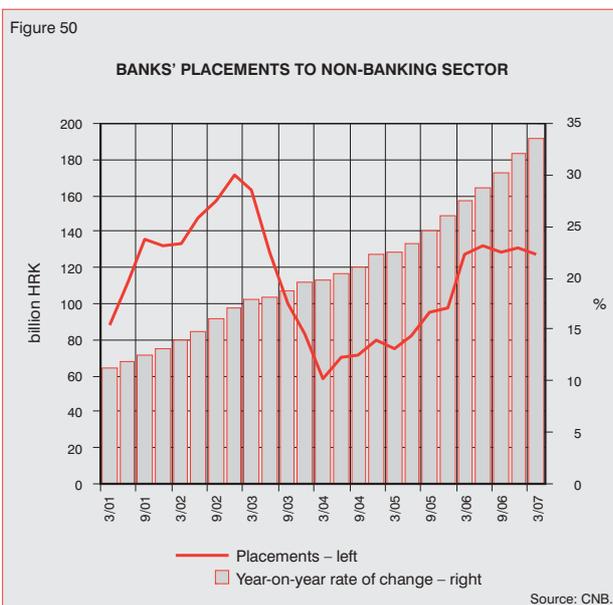
Excluding the exchange rate effect, their annual growth rate kept at its end-2006 level, being 22.9% late in April. Within the structure of household loans, the fastest growth pace has been recorded by housing loans which, despite a mild slow-down in early 2007, have continued to swell at growth rates over 30% (31.8% at end-April). In addition to housing loans, the strongest rise was recorded by other all-purpose loans (which include current account overdrafts). Their year-on-year growth rate was 21.8% in April, up 3.7 percentage points over end-2006. Other all-purpose loans stood at HRK 45.4bn at end-April, and their share in total household loans was 44.6%.

Bank placements to the corporate sector recorded a lower growth rate in the first quarter of 2007 relative to the same period of 2006. They expanded by HRK 3.8bn or 4.6% in the observed period, which is 2.0 percentage points less than in the same period last year, notwithstanding an upsurge in March when banks, after obtaining government guarantees, granted shipyard restructuring loans.

Early in the second quarter, placements to the corporate sector continued to grow at a pace similar to that recorded in the first quarter. Going up by HRK 1.2bn or 1.4% in April, they reached HRK 88.4bn at the end of the month. Observed at the annual level, the growth rate of these placements was 21.7% at end-April (23.0% excluding the exchange rate effect), down 2.8 percentage points compared with end-2006.

Bank Placements to the Central Government

In the first quarter of 2007, banks' claims on the central government grew by a net HRK 0.4bn mostly on account of increased claims arising from subscribed government bonds (HRK 1.9bn), while the claims based on loans and subscribed MoF T-bills decreased (by HRK 0.8bn and HRK 0.6bn respectively). Still, the beginning of the second quarter saw an impressive improvement in the government's position vis-à-vis banks. Banks' net claims on the central government fell by HRK 1.5bn in April as a result of reduced claims based on both subscribed government bonds (of HRK 0.8bn) and money market instruments (HRK 0.7bn). At



end-April, total bank placements to the central government stood at HRK 26.8bn, down 13.6% over the end of the same month last year.

Following a slight downturn in the first quarter (of HRK 0.3bn), central government deposits rose by HRK 1.3bn in April. If this is added to the decline in banks' claims on the central government, banks' net claims on the government fell by HRK 2.1bn in the first four months of 2007. At end-April, bank placements to the central government stood at HRK 14.8bn, which is as much as 31.6% less than at end-April 2006.

Foreign Assets and Liabilities

Foreign assets of banks decreased by HRK 3.7bn (9.3%) in the first quarter of the year. This downward trend continued into April when banks' foreign assets fell by another HRK 1.1bn. At end-April, foreign assets of banks stood at HRK 34.8bn, up 26.0% over end-April 2006.

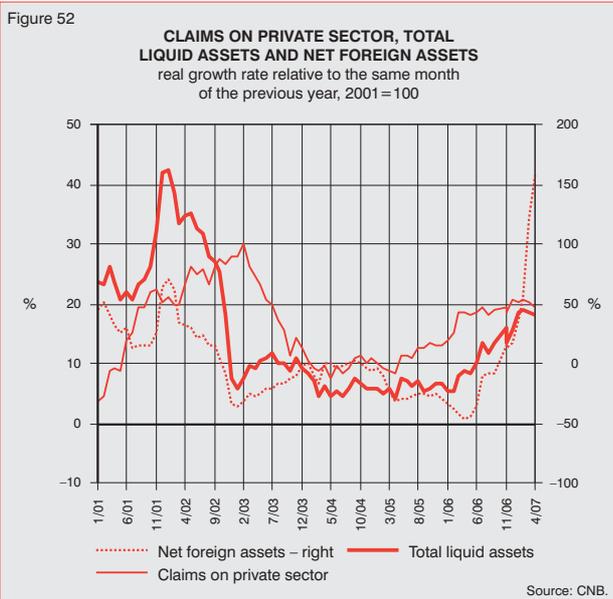
On the other hand, strong inflows of domestic funding sources together with the funds raised on the basis of recapitalisation allowed the banks to decelerate their external debt growth in the first two months of 2007 and to strongly decrease their foreign liabilities in March and April. Foreign liabilities of banks, which grew by HRK 1.0bn in the first quarter 2007, fell by as much as HRK 3.0bn in April, to HRK 74.1bn, down 2.2% over end-April 2006.

Recorded developments in banks' foreign assets and liabilities in the first four months of 2007 led to a HRK 2.9bn decline in net foreign assets of banks (NFA), which stood at HRK -39.3bn at the end of April.

Money Market

Liquidity in the financial system remained good in the first quarter and in April 2007. Demand for the kuna on the Croatian money market was boosted in February by a kuna government bond issue worth a total of HRK 2.5bn and a kuna corporate bond issue of HRK 250m. Demand for the kuna rose late in the first quarter due to seasonal pressures on kuna liquidity related to Easter holidays and the start of the period preceding the peak season, foreign exchange transactions between the government and central bank, withdrawing HRK 476.8m from the market, and an increase in kuna lending by banks. In contrast, HRK 1.3bn released by the central bank through a foreign exchange intervention in late 2006 provided a boost to liquidity in early 2007. In addition, the CNB conducted thirteen reverse repo auctions in the first quarter, with average placements per an auction amounting to HRK 1.6bn, HRK 0.45bn more than in the previous quarter. All this resulted in the growth of interest rates on overnight loans in direct interbank trading in reserve money, but also in the rise of the stock of total subscribed MoF T-bills in the first quarter and in April 2007.

Interest rates on short-term household loans not indexed to foreign currency rose in the first quarter of 2007. At the same time, following a several-year-long downward trend, interest rates on long-term household loans indexed to foreign currency also increased. Bank interest rates on short-term corporate loans not indexed to foreign currency continued to drop and interest rates on long-term corporate loans indexed to foreign currency decreased after a long period of uninterrupted growth in 2006. In the first quarter of 2007, all the observed bank deposit rates recorded an increase, with interest rates on sight deposits and foreign currency time deposits only drifting up and interest rates on kuna time deposits not indexed to foreign currency growing considerably. These interest rate trends were for the most part a result of expected adjustments of banks to CNB's measures and interest rate increase in the eurozone, contin-



uing in 2007, as both of the two factors affect the profitability of the part of the placements banks have to finance either by external borrowing or by domestic borrowing in foreign currency.

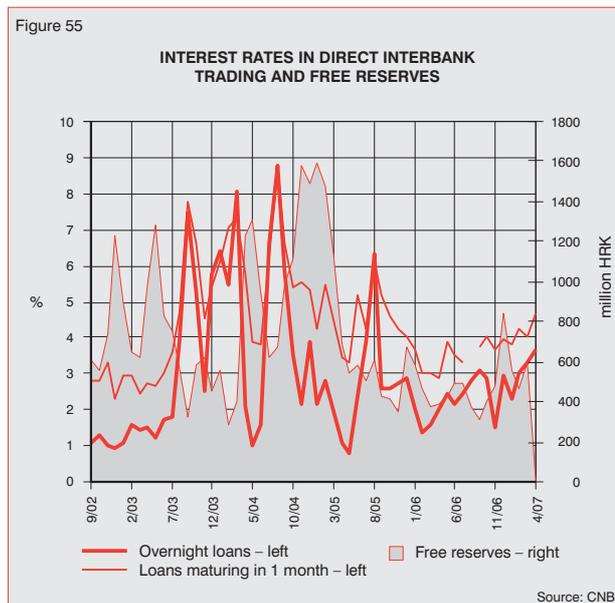
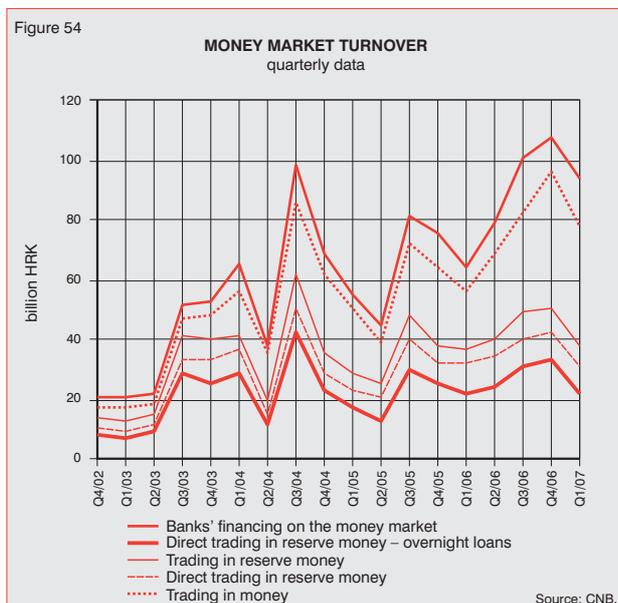
Money Market Interest Rates

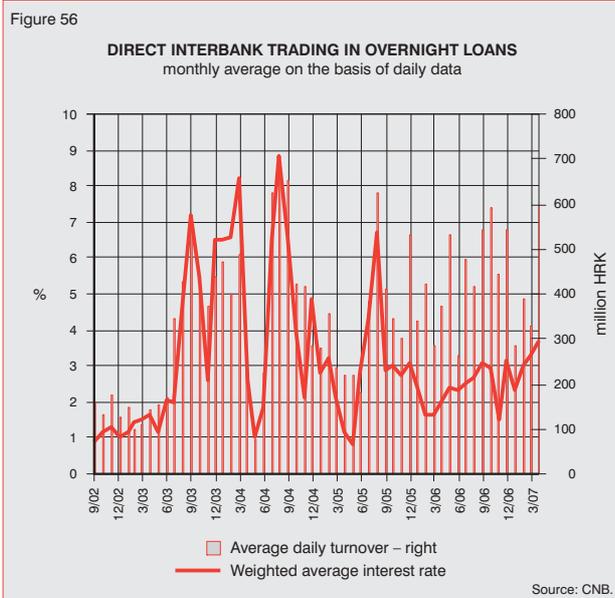
In the first quarter of 2007, banks were financing their primary liquidity using money market secondary liquidity sources to an average daily amount of HRK 1.5bn (a total of HRK 93bn for the quarter), which is HRK 0.2bn less than in the last quarter of 2006, but also HRK 0.5bn more than in the same period last year. This means that banks' financing on the money market was HRK 14bn lower than in the previous quarter, which was mainly due a drop of close to HRK 13bn in trading in reserve money, while turnovers in other money market segments remained mostly unchanged. As a result of these developments, banks' financing through trading in reserve money was in the first quarter of 2007 for the first time lower (49% of the total) than trading in demand deposits and securities. Specifically, out of HRK 93bn worth of loans banks received on the money market, the largest share as usual went to loans in money trading (HRK 78bn), while the purchase of repo agreements and sale of securities accounted for about HRK 7.5bn of banks' financing in each of these two segments (HRK 15bn in total). Of the HRK 78bn in loans in money trading, HRK 38bn was accounted for by trading in reserve money (loans received from banks), and HRK 40bn went to trading in demand deposits (HRK 19.5bn were loans received from other financial institutions and HRK 20.5bn were loans received from other legal persons).

Although, as previously mentioned, both the total amount of loans received by banks on the money market and turnover in trading in reserve money dropped in the first quarter of 2007, interest rates in interbank trading (in reserve money) continued to increase. Trading in reserve money was dominated by direct interbank trading, which generated

a turnover of HRK 30.5bn, while turnover in interbank trading intermediated by the ZMM was HRK 7.5bn, which is in line with the usual relations between these two market segments. This is why the increase in the price of money on the money market in the first quarter of 2007 was primarily caused by the considerable rise in weighted interest rates in direct interbank trading in demand deposits, which were up from 25 basis points in the previous quarter to 73 basis points, with an unequal distribution along the yield curve. In comparison with the same quarter in the previous year, these rates rose by an approximate one percentage point along the whole yield curve from overnight loans to loans maturing in up to one month. Due to the fact that the short-term yield curve remained stable in the said one-year period, and that the growth of banks free reserves remained subdued, based on the previous experience it can be expected that interest rates in interbank trading in reserve money charged on loans with the shortest maturities may increase further.

Direct interbank trading in reserve money generated a turnover of HRK 30.5bn in the first quarter of 2007, of which HRK 21bn was accounted for by the most liquid instrument, overnight loans. The average daily turnover in these loans mostly trended upwards during this quarter, rising from HRK 288m in January to HRK 597m in April, and was followed by a correspondent increase in the weighted interest rate, up from 2.30% in January to 3.67% in April. A monthly breakdown shows that both the turnover in overnight loans in direct interbank trading and their interest rates trended upwards since December 2006, after the weighted interest rate on these loans dropped to an all-time low of 1.49% in November. In contrast, while the average daily turnover in overnight loans intermediated by the ZMM showed a decrease in the same period, their weighted interest rate rose from 1.23% in November 2006 to 3.21% in April 2007. These weighted interest rate trends were to the largest extent due to changes in the price of money in direct interbank trading, and only to a small extent to the relationship between the supply of and demand for smaller overnight





loans that are most often traded in this segment of the inter-bank market.

The weighted interest rates on auctioned 90-day T-bills drifted up in the first quarter of 2007, while the weighted rates on T-bills of other maturities remained low, standing at 3.07%, 3.30% and 3.50% for 91, 182 and 364-day T-bills respectively in March 2007, compared with 3.00%, 3.50% and 3.90% in December 2006. The weighted interest rates on T-bill auctions remained almost stagnant in April relative to March. Due to such interest rate trends in the primary T-bill market, the negative spreads between T-bill interest rates and interest rates in trading in reserve money widened.

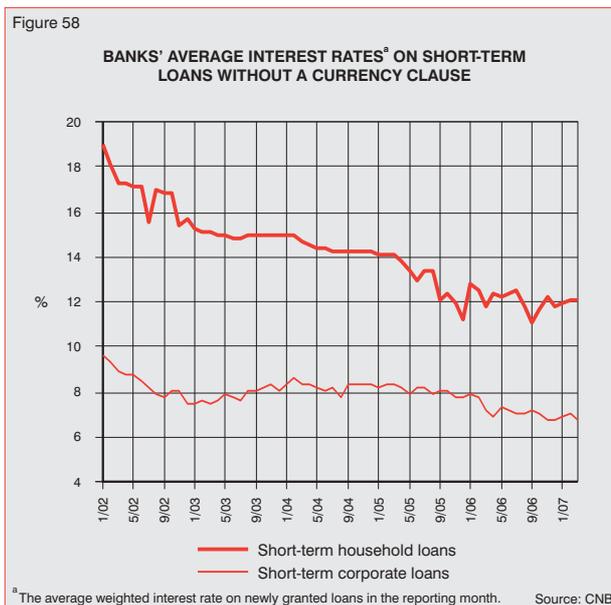
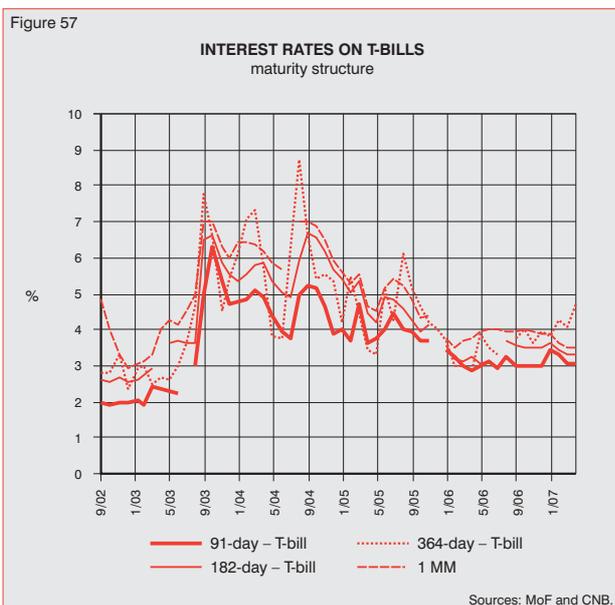
The negative spread between the weighted monthly interest rate on MoF auctions of 364-day T-bills and the weighted interest rate on loans due in less than one month (in direct interbank trading in reserve money) increased gradually from 0.04 in December 2006 to 1.19 in April

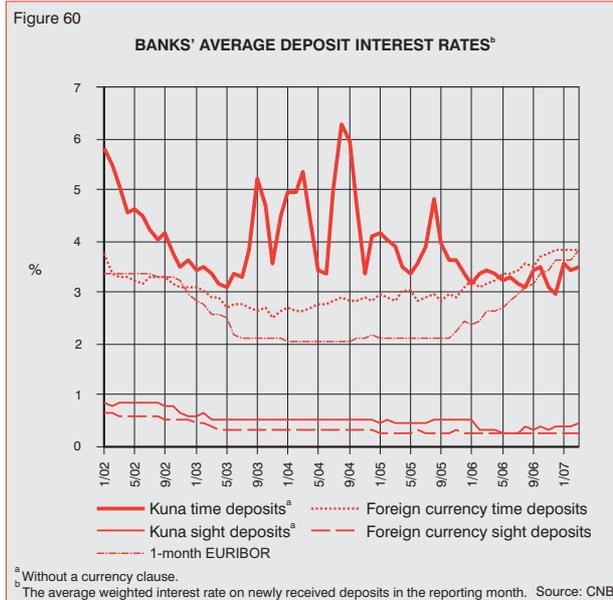
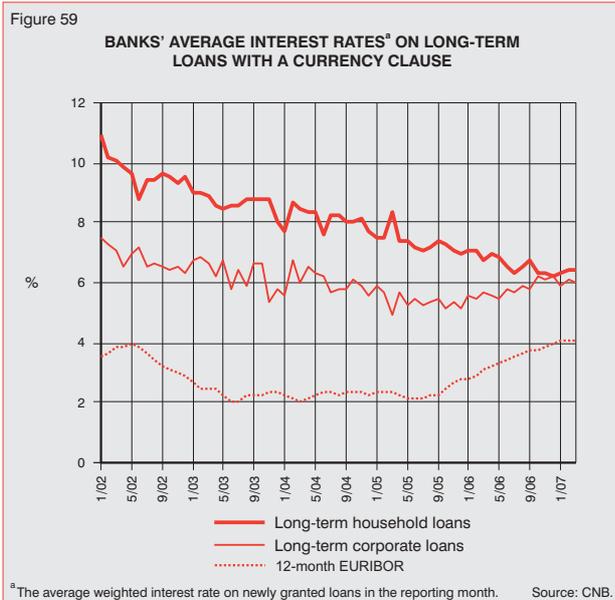
2007. The stock of subscribed T-bills amounted to HRK 13.5bn at end-April 2007 (HRK 13.2bn at the first quarter end), rising by a mere HRK 1.1bn compared with end-December 2006, with an increase of HRK 0.9bn in this month alone. Given substantial current government revenues, the stock of T-bills is not expected to be increased in the following short-term period.

Seven T-bill auctions were held by the MoF in the first quarter of 2007. Standing at HRK 8.0bn in the first quarter, the amount of received bids was HRK 0.25bn higher than in the previous quarter. Slightly over 40% of the submitted bids were accepted, on average, totalling HRK 3.3bn, HRK 1.0bn over the planned amount. At the end of the third quarter in 2007, one-year T-bills still had by far the largest share in total subscribed bills, 92.3%. The second largest share was that of 182-day bills, 4.2%, while the shortest maturity bills had a share of 3.5%. The share of 364-day bills increased to 93.5% over April, that of 182-day bills to 4.7%, while the share of 91-day T-bills reduced to 1.8%.

Banks' Interest Rates

Banks' interest rates on short-term corporate loans not indexed to foreign currency continued to drop in the first quarter of 2007, while those on short-term household loans increased. The weighted interest rate on short-term kuna corporate loans not indexed to foreign currency reduced from 6.75% in December to 6.68% in March, while the weighted interest rate on short-term household loans not indexed to foreign currency rose from 11.84% to 12.14% in the same period. This increase was primarily due to the seasonal rise in the share of overdrafts, commonly the most expensive loans, from 83.9% in December to 87.6% in March, despite a slight drop in their interest rate, from 13.21% to 13.17%. The interest rate on other household loans rose considerably in the same period, from 5.96% to 7.38%, a record high in the last two years (these loans had a share of 5.4% in total short-term kuna household loans not indexed to foreign currency at





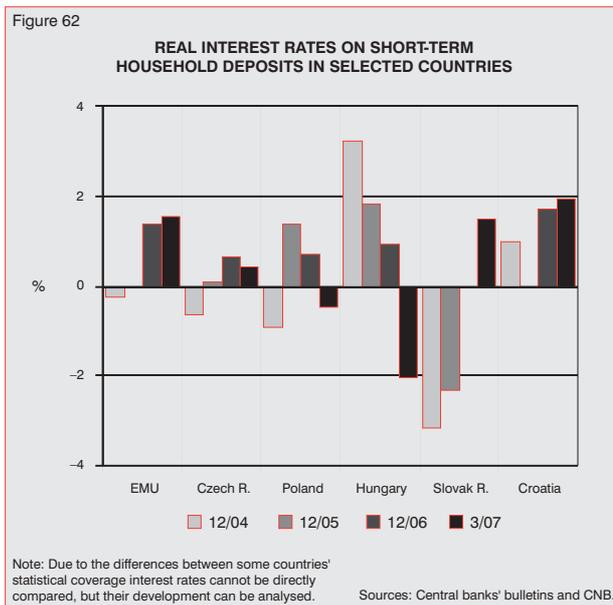
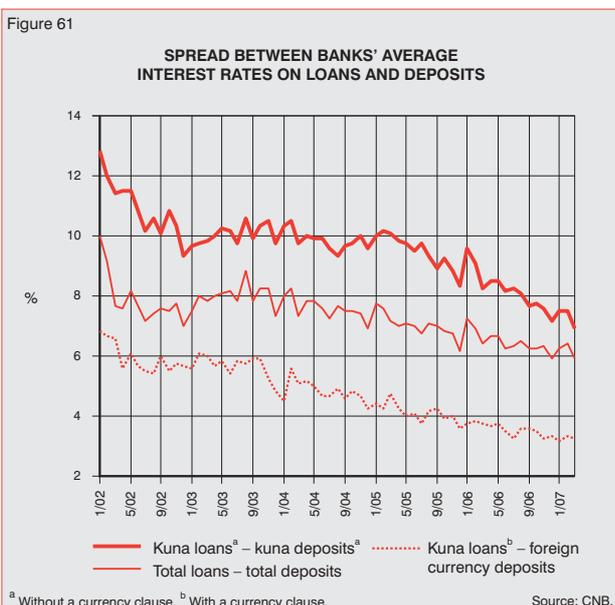
end-March).

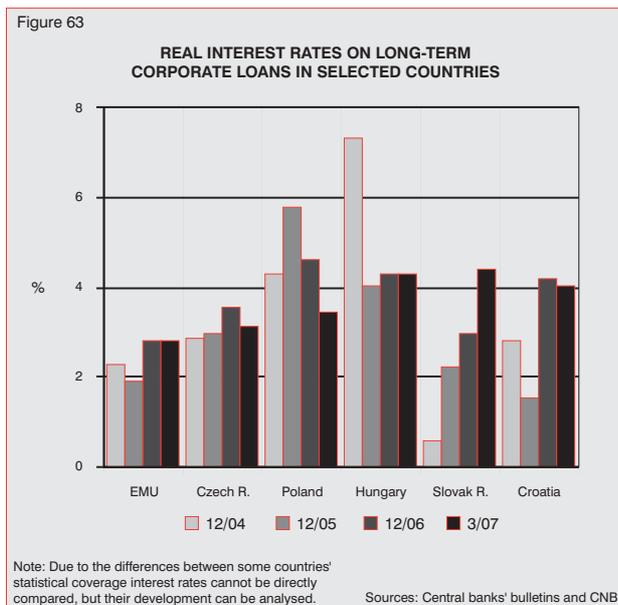
The weighted interest rate on long-term corporate loans indexed to foreign currency, which had grown slowly but steadily throughout 2006, reduced in the first quarter of 2007 to 6.03% in March, a considerable drop from 6.21% in December 2006. The weighted interest rate on long-term household loans indexed to foreign currency, having registered a several-year downward trend, increased from 6.22% to 6.44% in the same period. The primary cause of such developments in interest rates on long-term household loans indexed to foreign currency was the growth of interest rates on housing loans and other long-term household loans. These two categories of kuna household loans indexed to foreign currency jointly made up 80% of total newly granted loans in this group. The increase in the weighted interest rate on long-term household loans was probably affected by the growth of the interest rates in the eurozone, which determine the price of some sources of bank funds, which has for

a long time been driving up the weighted interest rate on long-term corporate loans.

The weighted interest rate on kuna time deposits not indexed to foreign currency, standing at 2.98% in December, rose sharply to 3.49% in March. This was an indication that banks continued adjusting to CNB's measures from late 2006, making these deposits the cheapest source of bank funds in terms of regulatory costs. The weighted interest rate on foreign currency time deposits also grew further, from 3.82% in December to 3.86% in March. This rate had exceeded the weighted interest rate on kuna time deposits not indexed to foreign currency ever since May 2006, in the first place due to rising interest rates on foreign currency time deposits of households. The weighted interest rate on kuna savings deposits went up to 0.43% in March and the weighted interest rate on foreign currency sight deposits rose to 0.26% in the same month.

The spreads between lending and deposit rates did not





change much in the first quarter of 2007 from the previous quarter. The spread between the weighted interest rate on total loans and that on total deposits drifted up from 5.89 percentage points in December to 5.91 percentage points in March, remaining at its lowest level since the introduction of the new interest rate reporting methodology in January 2002. Due to the fall of the weighted interest rate on kuna loans not indexed to foreign currency (primarily caused by the increase in interest rates on long-term loans and their share in total kuna loans not indexed to foreign currency), coupled by the increase in the weighted interest rate on total kuna deposits not indexed to foreign currency, their spread narrowed from 7.16 percentage points in December to 6.95 percentage points in March, the lowest level since the beginning of 2002. The spread between the weighted interest rate on kuna loans indexed to foreign currency and weighted interest rate on foreign currency deposits dropped from 3.36 percentage points in December to 3.29 percentage points in March, due to a faster growth of the weighted interest rate on foreign currency deposits than the weighted interest rate on kuna loans indexed to foreign currency.

The mentioned decrease in the weighted nominal interest rate on long-term corporate loans indexed to foreign currency in the first quarter of 2007 also reduced the weighted interest rate on all long-term kuna corporate loans (with or without a currency clause) in Croatia. This, in addition to a slightly lower decrease in the inflation rate, resulted in a drop in the real interest rate on long-term corporate loans in the first quarter of 2007. In the same period, this interest rate dropped in the Czech Republic, Poland and Hungary. As regards the Czech Republic and Poland, these trends were due to declining nominal interest rates on long-term corporate loans and a concurrent inflation rise, while in Hungary they resulted from inflation growth outstripping nominal interest rate growth. In the EMU and Slovakia, with the inflation rate fall more marked than the drop in nominal interest rates, real interest rates on long-term corporate loans increased.

Due to the inflation rate fall and a slight increase in the nominal interest rate on household deposits, the real interest

rate on household deposits rose in the first quarter of 2007 in Croatia and in the EMU. The real interest rate on household deposits also increased in Slovakia, mainly on account of a sharp decrease in the inflation rate, for the first time since December 2002. Real interest rates on household deposits dropped in the other observed countries, mainly because of the inflation rate rise.

Capital Market

Both the share turnover and domestic stock exchange indices recorded modest growth in the last quarter of 2006. However, the first quarter of 2007 saw most share prices surge, stock exchange indices hit a record high and both turnover and transaction number rise significantly. Especially important for the Croatian capital market was the completion of the merger of the Varaždin Stock Exchange into the Zagreb Stock Exchange, which has turned the Zagreb Stock Exchange into the focal point of securities trading in Croatia.

The unexpected surge in share prices was a result of several factors causing the domestic capital market demand to significantly surpass the supply of quality shares. The demand was considerably increased due to a sharp rise in investment funds assets and especially due to asset transfers from less risky investment, money and bond investment funds into riskier equity and balanced investment funds. In addition, there has been an increasing number of individual investors trading in shares on their own account, a trend intensified by the successful initial public offering of Ina shares, whose prices sharply increased in the first quarter of 2007. Some share prices rose due to expected further privatisation of government owned joint-stock companies, prevaillingly positive financial reports for 2006 and favourable reports anticipated for the first quarter of 2007, whereas the increase in share prices of some other joint-stock companies was related to expectations of their imminent takeovers. Trends in the Croatian capital market

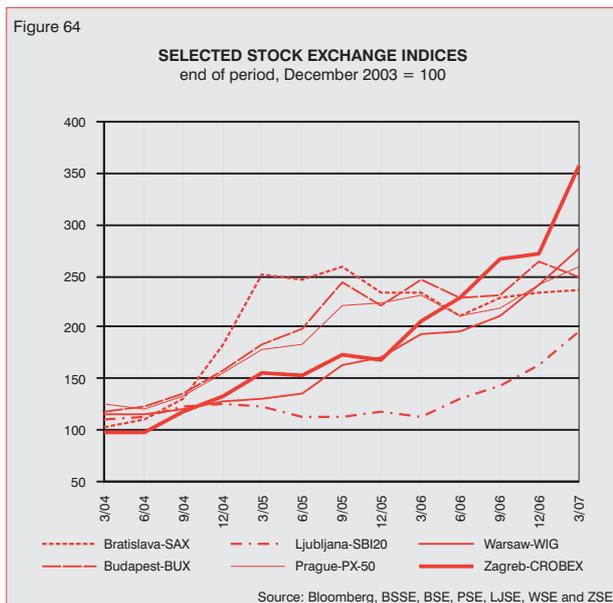


Table 4: Comparison of Capital Market Indicators

March 2007	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million EUR)	0.1	118.4	6.5	164.3	500.3	11.2
Average daily turnover, bonds (million EUR)	103.0	1.6	0.4	64.0	5.0	28.5
Turnover ^a /GDP ^c , annual level (%)	0.0	33.5	5.8	38.4	49.0	8.6
Turnover ^b /GDP ^c , annual level (%)	61.9	0.5	0.3	14.9	0.5	22.0
Turnover velocity ^d	0.3	99.7	12.9	....	....	8.3
Market capitalisation ^a (million EUR), end month	4,680	29,927	13,389	59,302	....	35,798
Market capitalisation ^b (million EUR), end month	12,567	38,025	6,740	....	....	5,791
Market capitalisation ^a /GDP ^c , end month (%)	10.6	33.6	45.0	52.5	....	104.6
Market capitalisation ^b /GDP ^c , end month (%)	28.6	42.6	22.7	....	....	16.9
Index movement from the beginning of the year (%)	0.6	-5.7	20.5	7.8	14.1	32.0
Index movement from the beginning of the month (%)	0.2	0.2	8.7	5.2	10.8	11.6

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

were given additional impetus by optimism reigning on the world's capital markets in the last several months and waning only temporarily after the Chinese government announced the formation of a task force against illegal share trade and borrowing for trading shares. This announcement resulted in the sharpest decrease in Chinese share prices observed in the last decade, with the adjustment of share prices soon extending to Asian and almost all international capital markets. Most domestic share prices fell in that period, rebounding, however, shortly afterwards due to large amounts of investment funds liquid assets and a relatively minor role of foreign investors on the domestic capital market. Such development led to an increase in almost all share prices, which was unmatched, however, by improved financial performance of listed joint-stock companies.

The Croatian debt securities market was also vibrant, with bond turnover in February alone outstripping that in the last quarter of 2006 and doubling in the first quarter of 2007 compared with the second quarter in 2006. The high turnover was partly due to increased bond trading by pension funds and partly to a new ten-year government bond issue worth HRK 2.5bn in February. February also saw a corporate bond issue, worth HRK 250m in nominal terms. In late March 2007, and in consideration of the exceptional importance of government bonds for the domestic market, the MoF released the Annual Debt Report and Public Debt Management Strategy. In this publication, the government for the first time sets out the dates of T-bill auctions and bond issues, as well as indicative targets, for the year ahead. The introduction of this practice is seen as a big step towards a more transparent and efficient government debt management and improved investors' liquidity management.

The stock exchange indices also increased and share trading intensified on other Central and East European markets in the first quarter of 2007. The Zagreb Stock Exchange index rose at the highest rate over the end of the previous quarter (32%), but a significant increases were also observed in the indices of the Ljubljana and Warsaw stock exchanges (20.5% and 14.1% respectively). The Prague Stock Exchange index rose at a lower rate of 7.8%, while the Bratislava Stock Exchange index drifted up just 0.6%. The only index reducing in value in the observed period was that of the Budapest Stock Exchange, which was down by 5.7%.

Recording similar trends as stock exchange indices, market capitalisation of shares increased in all the countries observed at end-March 2007 over December 2006, except in

Hungary. The Zagreb Stock Exchange had the highest stock market capitalisation to GDP ratio, whereas its bond market capitalisation to GDP ratio was still the lowest. Share trading surged in March 2007 compared with December 2006 on all the observed stock exchanges, except the one in Bratislava. In contrast, bond trading rose only on the Zagreb Stock Exchange in March 2007, dropping on all the other stock exchanges.

Equity Securities Market

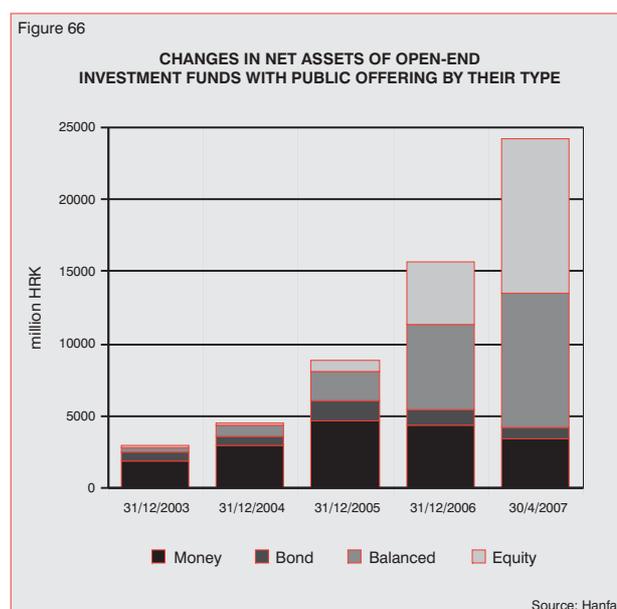
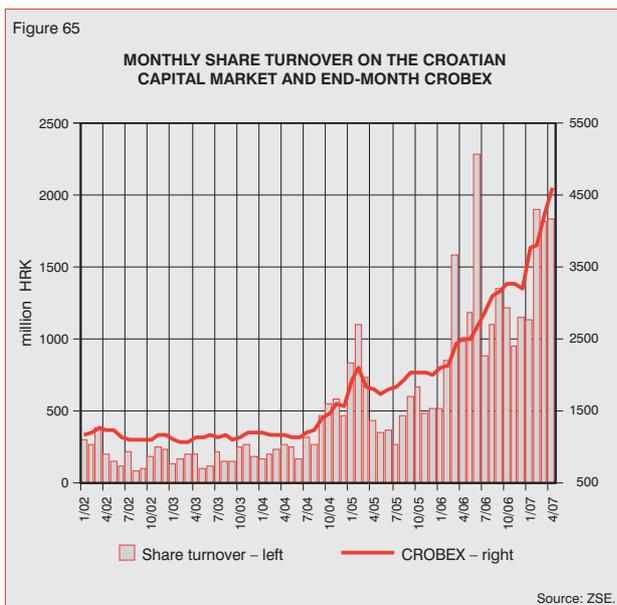
In the first quarter of 2007, share turnover¹⁶ on the Croatian capital market hit an all-time high of HRK 4.9bn, up HRK 1.6bn over the last quarter of 2006 and HRK 1.9bn over the same period in 2006. As in the previous quarter, the most traded share was that of Ina, accounting for 10.6% of the total share turnover. Adris grupa d.d. was the second most traded share (9.3%), preceding the shares of Podravka d.d. (4.5%) and Dalekovod (4.3%). The shares of Jadransko osiguranje d.d., listed on the Parallel market on 18 April, made up 10.1% of the total monthly turnover in that month, while the shares of Adris grupa d.d. and Ina, also heavily traded, accounted for 7.4% and 5.2% of the monthly turnover respectively.

Having grown at a somewhat weaker rate of 1% in the last quarter of 2006, the Zagreb Stock Exchange index, CROBEX,¹⁷ rose as much as 32% in the first quarter of 2007, standing at 4238 points at end-March. The CROBEX continued to rise sharply in April, reaching a record level of 4613 points, 44% more than at end-December 2006 and 84% more than at the end of the same month in 2005.

Thanks to the strong growth of most share prices, market capitalisation of shares on the unified Zagreb Stock Ex-

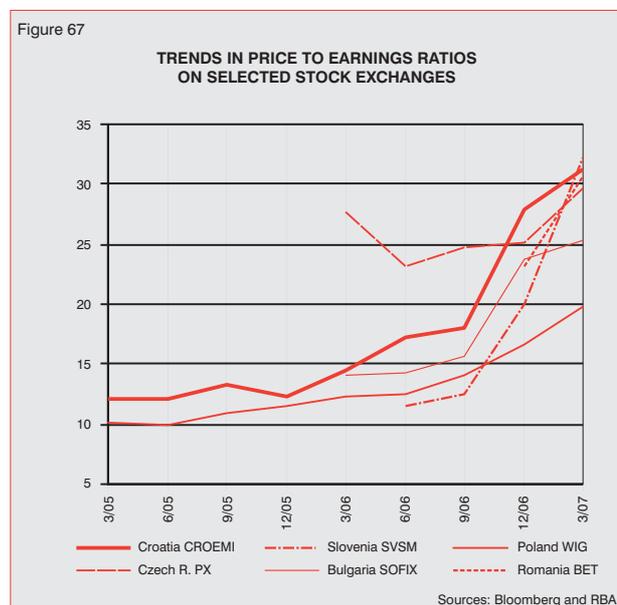
¹⁶ The data on the total share turnover from January 2002 to February 2007 are the sum of individual shares' turnovers on the stock exchanges in Varaždin and Zagreb. The data of the unified Zagreb Stock Exchange have been used since March 2007 and the merger of the Varaždin Stock Exchange and the Zagreb Stock Exchange.

¹⁷ 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 installed providing for the accelerated listing of the most liquid new shares. As a result of these methodological changes and the Varaždin Stock Exchange ceasing its operations, as of 19 March 2007 the CROBEX consisted of thirty shares, seventeen of which were included in the previous index composition, seven were comprised by the Varaždin Stock Exchange index, VIN, five were included after having met the new index inclusion criteria and one share was included following the accelerated listing requirements.



change stood at HRK 264bn at the end of the first quarter in 2007, rising by 34% over share capitalisation on the domestic capital market at the end of the previous quarter. In addition to the growth of share prices, the rise in share market capitalisation on the Zagreb Stock Exchange was also due to a significant increase in liquidity of some shares.¹⁸ Market capitalisation continued to rise sharply in April 2007, reaching HRK 300m at the month's end, up by a further 13%. The increase in share prices and liquidity resulted from the asset growth of equity and balanced investment funds, coupled by a lack of new public share offerings on the domestic market.

It should be stressed that the surge in share prices was mostly unmatched by the improvement in financial indicators of listed joint-stock companies, as evident from the price to earnings ratio which was, according to the CROEMI,¹⁹ over 30 in at the end of the first quarter in 2007, more than twice higher than at the end of the same period in 2006.²⁰ However, such a marked increase in this ratio is not only characteristic of the Croatian capital market, as similar trends could be observed in other transition countries.



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

19 The Croatian Equity Market Index, CROEMI, is a Raiffeisenbank Austria d.d. index, calculated since 20 May 2003 as the only index monitoring share prices prior to the merger of the Varaždin Stock Exchange into the Zagreb Stock Exchange irrespective of the stock exchange of their listing, which was because the constituent shares of the CROBEX and VIN were exclusively those listed on either the Zagreb or the Varaždin Stock Exchange. The CROEMI is weighted based on the market capitalisation of shares available for trading, with the maximum weight assigned to a share limited to 15%. As opposed to the CROBEX, for which data on the price to earnings ratios of constituent shares have been compiled since as early as September 2006, such data have been compiled for the CROEMI since June 2004 and they are also comparable, as the CROEMI calculation methodology has not changed, in contrast with the CROBEX calculation methodology.

20 The price to earnings ratio (P/E) for the CROEMI is calculated as a weighted mean of the ratio between the share price and anticipated earnings per share in the observed calendar year for the constituent joint-stock companies, using the weights the shares are assigned in the index.

Debt Securities Market

The MoF issued a new ten-year kuna bond, worth a total of HRK 2.5bn, with yield to maturity at issue of 4.910% in February 2007. February also saw the issue of an Optima telekom d.o.o seven-year kuna bond, worth a total of HRK 250m in nominal terms, with yield to maturity at issue of 9.224%. There were 31 bonds listed on the domestic capital market on 30 April 2007 (Podravka d.d. bond matured in February 2007), including eleven government bonds, four municipal bonds, one government agency bond (CBRD) and fifteen corporate bonds. Market capitalisation²¹ of the government

21 The CNB calculates bond market capitalisation based on the latest price achieved in regular trading and, in converting the kuna exchange rate into the euro equivalent and vice versa, uses the exchange rate valid at the end of the observed month. As the ZSE calculates this indicator applying the weighted average price on the last trading day, irrespective of the turnover and the exchange rate valid on that day, minor discrepancies might be discovered between the amounts of bond market capitalisation stated here and those presented in Table 5.

Table 5: Bond Issues in the Domestic Market

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price ^a	Current yield 30/4/2007
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	103.00	6.675%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	108.70	6.325%
RHMF-O-085A	Republic of Croatia	28/5/2003	28/5/2008	HRK	1,000,000,000	6.125%	102.25	5.990%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	103.50	5.314%
RHMF-O-077A	Republic of Croatia	7/7/2004	7/7/2007	EUR	400,000,000	3.875%	99.50	3.894%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	200,000,000	5.375%	110.45	4.866%
RHMF-O-103A	Republic of Croatia	8/3/2005	8/3/2010	HRK	3,000,000,000	6.750%	107.40	6.285%
RHMF-O-157A	Republic of Croatia	14/7/2005	14/7/2015	EUR	350,000,000	4.250%	105.90	4.013%
RHMF-O-15CA	Republic of Croatia	15/12/2005	15/12/2015	HRK	5,500,000,000	5.250%	107.00	4.907%
RHMF-O-137A	Republic of Croatia	11/7/2006	11/7/2013	HRK	4,000,000,000	4.500%	98.15	4.585%
RHMF-O-172A	Republic of Croatia	8/2/2007	8/2/2017	HRK	2,500,000,000	4.750%	100.15	4.743%
GDKC-O-116A	City of Koprivnica	29/6/2004	29/6/2011	HRK	60,000,000	6.500%	102.20	6.360%
GDZD-O-119A	City of Zadar	1/9/2004	1/9/2011	EUR	18,500,000	5.500%	102.55	5.363%
GDRI-O-167A	City of Rijeka	18/7/2006	18/7/2016	EUR	8,191,504	4.125%	-	-
GDST-O-137A	City of Split	24/7/2006	24/7/2013	EUR	8,000,000	4.563%	100.30	4.549%
HBOR-O-112A	CBRD	11/2/2004	11/2/2011	EUR	300,000,000	4.875%	-	-
BLSC-O-051A	Belišće d.d.	14/1/2005	14/1/2009	EUR	8,000,000	5.500%	101.60	5.413%
HYBA-O-086A	Hypo Alpe-Adria-Bank d.d.	6/6/2003	6/6/2008	HRK	150,000,000	6.500%	102.00	6.373%
BNAI-O-22CA	Bina Istra d.d.	15/12/2002	15/12/2022	EUR	210,000,000	8.000%	100.00	8.000%
PLVA-O-115A	Pliva d.d.	12/5/2004	12/5/2011	EUR	75,000,000	5.750%	101.00	5.693%
ATGR-O-077A	Atlantic Grupa d.o.o.	15/7/2004	15/7/2007	EUR	15,000,000	5.750%	98.35	5.846%
MDKA-O-087A	Medika d.d.	11/7/2005	11/7/2008	EUR	16,500,000	4.500%	99.10	4.541%
RBA-O-112A	Raiffeisen Bank Austria d.d.	10/2/2006	10/2/2011	HRK	600,000,000	4.125%	98.55	4.186%
PODR-O-115A	Podravka d.d.	17/5/2006	17/5/2011	HRK	375,000,000	5.125%	97.35	5.265%
NEXE-O-116A	Nexe grupa d.d.	14/6/2006	14/6/2011	HRK	750,000,000	5.500%	98.40	5.589%
MTEL-O-097A	Metronet telekomunikacije d.d.	28/7/2006	28/7/2009	HRK	120,000,000	8.500%	101.50	8.374%
HOTR-O-941A	Hospitalija trgovina d.o.o.	5/10/2006	5/10/2009	HRK	75,000,000	8.250%	101.85	8.100%
HEP-O-13BA	Hrvatska elektroprivreda d.d.	29/11/2006	29/11/2013	HRK	500,000,000	5.000%	97.90	5.107%
ATGR-O-11CA	Atlantic grupa d.d.	6/12/2006	6/12/2011	HRK	115,000,000	5.750%	-	-
INGR-O-11CA	Ingra d.d.	6/12/2006	6/12/2011	HRK	200,000,000	6.125%	99.00	6.187%
OPTE-O-142A	Optima telekom d.o.o.	1/2/2007	1/2/2014	HRK	250,000,000	9.125%	99.50	9.171%

^a Regularly traded shares. Source: ZSE.

Table 6: Republic of Croatia International Bond Issues

Bond	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread ^a 3/6/2006	Spread ^a 30/9/2006	Spread ^a 31/12/2006	Spread ^a 31/3/2007
London Club A, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.	-	-	89	100	86	86
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.75%	6.90%	215	65	53	40	40
Eurobonds, 2009	11/2/2002	EUR	500,000,000	6.25%	6.45%	158	58	52	39	38
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	4.65%	102	58	50	39	40
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	58	54	42	43
Samurai bonds, 2007	11/7/2000	JPY	40,000,000,000	3.00%	3.00%	135	31	59	46	62
Samurai bonds, 2008	26/6/2002	JPY	25,000,000,000	2.15%	2.15%	144	46	48	40	40
Samurai bonds, 2009	26/6/2003	JPY	25,000,000,000	1.23%	1.23%	99	59	50	46	44

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

bonds, municipal bonds and CBRD bond totalled EUR 5.0bn at end-April 2007, accounting for about 14.7% of GDP for 2006, while market capitalisation of the corporate bonds stood at EUR 743m or about 2.2% of GDP for 2006. As at end-March 2007, twenty two commercial paper issues by thirteen issuers were listed on the Zagreb Stock Exchange, the largest number of commercial paper issues listed up to that date, totalling HRK 852m in nominal terms.

Thanks to strong bond trading in the first quarter of 2007, and especially in February, total bond turnover²² was at HRK 15.7bn more than twice higher in that period than in

²² The data on the total bond turnover from January 2004 to February 2007 are the sum of the respective bond turnovers on the Varaždin Stock Exchange and Zagreb Stock Exchange, with data of the unified Zagreb Stock Exchange used since March 2007 and the merger of the Varaždin Exchange into the Zagreb Stock Exchange. It needs emphasising that the Varaždin Stock Exchange bond turnover had been negligible, standing below 0.4% of the total turnover on both stock exchanges in all the observed years.

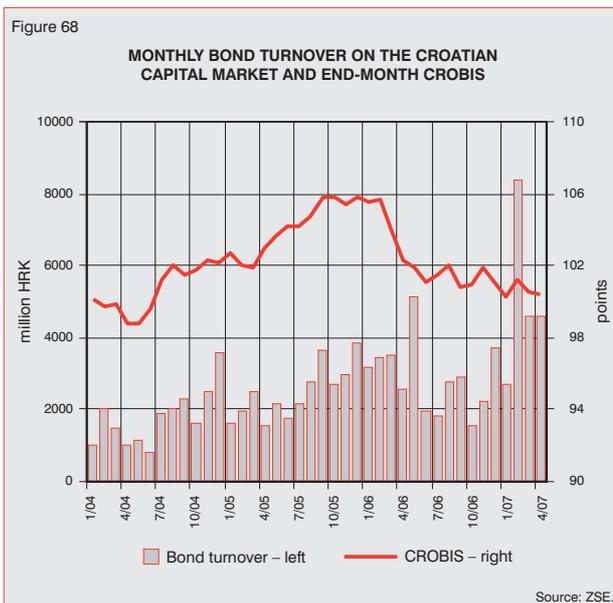
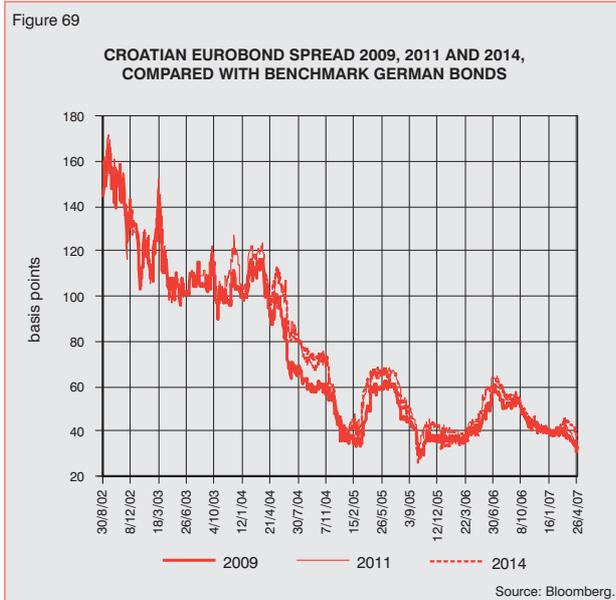


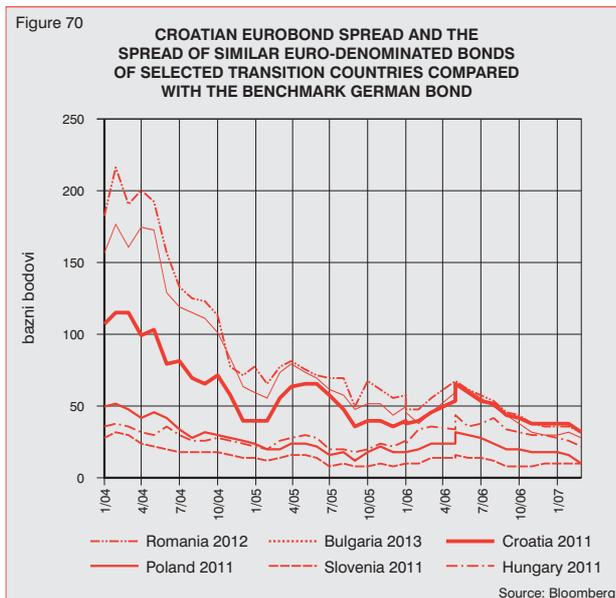
Figure 69



the previous quarter. April also saw a considerable bond turnover of over HRK 4.6bn. Such high turnovers were partly due to increased bond trading by pension funds. Republic of Croatia bonds issued in the domestic currency had the largest share in the bond turnover in the first quarter of 2007, while the most traded bond was the government bond due 2015, which was followed by the government bonds maturing in 2013 and 2010. The three bonds were also the most traded ones in April 2007, in addition to the latest kuna government bond due in 2017. The share of all the government bonds in the total quarterly bond turnover amounted to 98%, dropping only slightly in April. The continued growth of eurozone interest rates and optimism prevailing on the equity market further pushed down the Zagreb Stock Exchange bond index, CROBIS, which stood at 100.6 points at the end of the first quarter of 2007, as compared with 100.4 points at the end of April.

In accordance with the government debt management strategy, the Republic of Croatia issued no bonds on foreign

Figure 70



markets either in the first quarter of 2007 or in April. Consequently, the end of April saw eight international issues of Croatian bonds, the same number as at the end of the previous quarter. Of these bond issues, four were euro-denominated, three yen-denominated and one was denominated in US dollars. The eight Croatian eurobond issues totalled HRK 25.3bn at end-April, which was a small drop from end-January 2007, resulting from the kuna strengthening slightly against all the currencies of the bond issues.

The yield spread between Croatian eurobonds and benchmark German bonds at the first quarter end of 2007 only slightly changed compared with the end of the last quarter in 2006 because the required yields on domestic eurobonds rose at the same pace as the yields on developed countries' bonds. At end-March 2007, yield spreads between Croatian eurobonds and benchmark German bonds due in 2009, 2011 and 2014 were 38, 40 and 43 basis points respectively, which was only a slight decrease compared with 39, 40 and 42 basis points at end-December 2006. The required yields on benchmark German bonds accelerated somewhat faster than those on Croatian eurobonds, with the result that the spreads between these yields narrowed to 33, 34 and 39 basis points for the said maturities respectively at end-April 2007.

As eurobond yields of the new EU members mostly moved in line with the yields on benchmark German bonds in the first quarter of 2007, the related yield spreads remained unchanged. Larger changes occurred as late as in April, and were also due to a somewhat faster increase in the required yields on benchmark German bonds than on the observed countries' eurobonds, with the result that their yield spreads reduced further. The required yield on the Slovenian eurobond was the only one that exceeded the required yield on the benchmark German bond.

International Transactions

After increasing strongly in 2006, the current account deficit continued to trend upwards in the first quarter of 2007. Further growth in the foreign trade deficit, to a large extent, and deterioration in current transfers, to a small extent, were the key contributors to the current account deficit growth. In contrast, international trade in services and factor income improved in the reference period.

External debt continued to grow in the first quarter of 2007 but at a lower rate than in the same period last year. This was due to an annual fall in banks' external debt and CNB measures aimed at slowing down aggressive credit activities of domestic banks financed from foreign sources and narrowing the country's external imbalance. However, in line with banks' instructions to borrow directly from their foreign parent banks, enterprises increased their external debt in the reference period. It is expected that banks will pursue such policy in the second half of the year as well.

Current Account

According to the preliminary data, the current account

Table 7: Current Account, in million EUR

	2005	2005	Jan.–Mar. 2006	Jan.–Mar. 2007	Indices	
					2006/2005	Jan.–Mar. 07/Jan.–Mar. 06
CURRENT ACCOUNT	-1,992	-2,671	-1,948	-2,039	134.1	104.7
1. Goods	-7,522	-8,364	-1,860	-2,157	111.2	116.0
1.1. Credit (f.o.b.)	7,217	8,434	2,005	2,038	116.9	101.7
1.2. Debit (f.o.b.)	-14,738	-16,798	-3,865	-4,196	114.0	108.5
2. Services	5,318	5,711	-43	93	107.4	-
2.1. Credit	8,053	8,534	663	765	106.0	115.4
2.2. Debit	-2,735	-2,824	-706	-673	103.2	95.2
3. Income	-972	-1,120	-334	-215	115.2	64.4
3.1. Credit	611	820	138	268	134.1	194.3
3.2. Debit	-1,583	-1,939	-473	-484	122.5	102.4
4. Current transfers	1,184	1,102	290	241	93.1	83.1
4.1. Credit	1,628	1,634	401	352	100.4	87.8
4.2. Debit	-445	-532	-111	-111	119.7	100.1

Source: CNB.

deficit stood at EUR 2bn in the first quarter of 2007, up 4.7% over the same period last year. This deterioration in the current account deficit is attributed to strong growth in the goods trade deficit which on the other hand was largely the result of weaker exports and less pronounced slowdown in imports. Positive developments in the account of services, which are mainly attributed to lower imports of other services and growth in income from tourism, only slightly offset the negative trends in goods trade.

The annual growth of exports of goods fell from 32.7% in the first quarter of 2006 to only 1.7% in the same period of 2007. This slowdown was largely the consequence of the base period effects, i.e. the fall in exports of other transport equipment (predominantly ships), oil and refined petroleum products and electric current (these export components were however the major contributors to strong export growth in the first quarter of 2006). In addition, the annual exports of other SITC divisions also trended downwards, with the largest fall in exports being observed in the divisions of fish and preparations, and medical and pharmaceutical products.

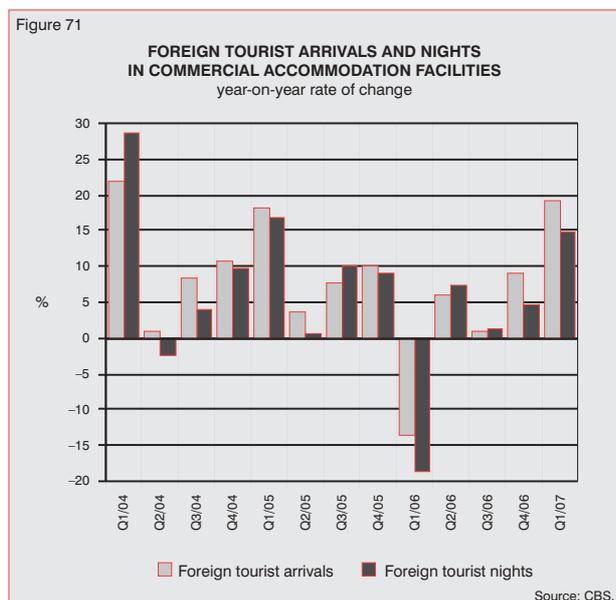
Slower growth in imports (8.5% in the first quarter of 2007 compared with 25% in the same period last year) was

also in part the result of the fall in imports of oil and refined petroleum products, which in turn was brought about by the decrease in the volume of imports and the decrease in import prices of this energy product. The registered fall in imports of oil and refined petroleum products was largely offset by imports of road vehicles, iron and steel and other transport equipment.

Favourable trends in the account of services (after recording a negative balance in the first quarter of 2006, the account of services registered a positive balance of EUR 93m in the first quarter of 2007) were mostly the result of lower imports of other services. Within this, the largest decreases were seen in imports of merchanting and other trade-related services, and business services, including architectural, engineering and other technical services, and agricultural, mining and on-site processing services. In contrast, domestic sectors' expenditures on tourist consumption and transportation trended upwards. Moreover, tourism revenues grew the most and were accompanied by a solid growth in exports of transportation services, especially those related to air transports of passengers.

After a significant drop in the first quarter of 2006, caused by the moving Easter holidays, tourism revenues rose by 36.2% year-on-year in the first quarter of 2007. This was not due to the Easter holidays which in 2007, like in 2006, fell in April but due to mild winter and nice weather early in the spring which contributed to the increase in the number of foreign tourist arrivals. This was corroborated by the CBS data on the number of arrivals and nights of foreign tourists in commercial accommodation facilities, which grew by 14.7% and 19.1% respectively in the first quarter of 2007. Within this, the largest increase was seen in the number of nights stayed by tourists from Austria, Slovenia, Bosnia and Herzegovina and Italy.

The negative balance in the factor income account fell by more than one-third in the first quarter of 2007 compared with the same period in 2006 due to stronger growth in revenues than in expenditures. The twofold growth in the annual revenues came from the growth in revenues from compensation of employees, revenues from international reserves investment and retained earnings attributed to domestic owners of foreign companies. As for expenditures, domestic sectors' interest payments on foreign liabilities grew by one-quarter in the first quarter of 2007 over the same period



last year, while expenditures on equity investment trended downwards. Both retained earnings and dividends paid-out were lower in the first quarter of 2007 than in the same period last year.

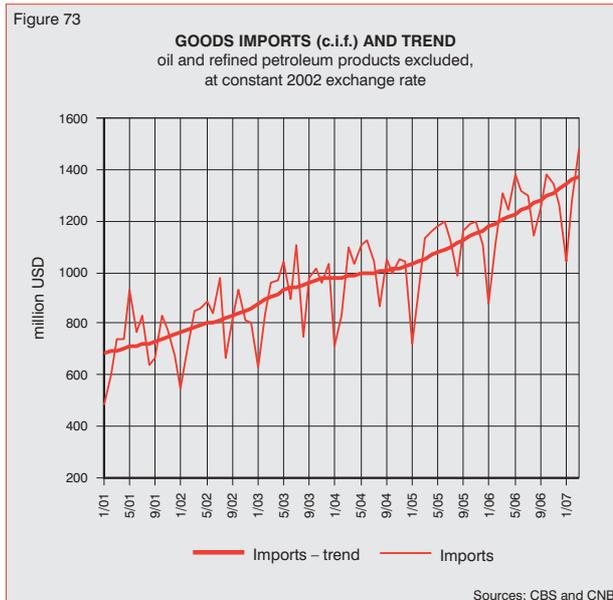
The fall in the positive balance in the account of current transfers in the first quarter of 2007, compared with the same period last year, was accounted for by the fall in revenues of other domestic sectors (especially those related to workers remittances) and by a concurrent increase in government revenues. Expenditures, however, remained stagnant.

Goods Trade

In the first three months of 2007, according to the CBS data, exports of goods stood at EUR 2.6bn (f.o.b.), while imports of goods stood at USD 5.6bn (c.i.f.). The annual growth of total exports of goods, measured in current US dollars, halved in the first quarter of 2007 over the same period last year, while the growth in imports remained stagnant. Owing to such developments, the foreign trade deficit rose from 12.5% in the first quarter of 2006 to 23.9% in the first quarter of 2007 and the import/export coverage rate fell from 49.9% to 47.1%.

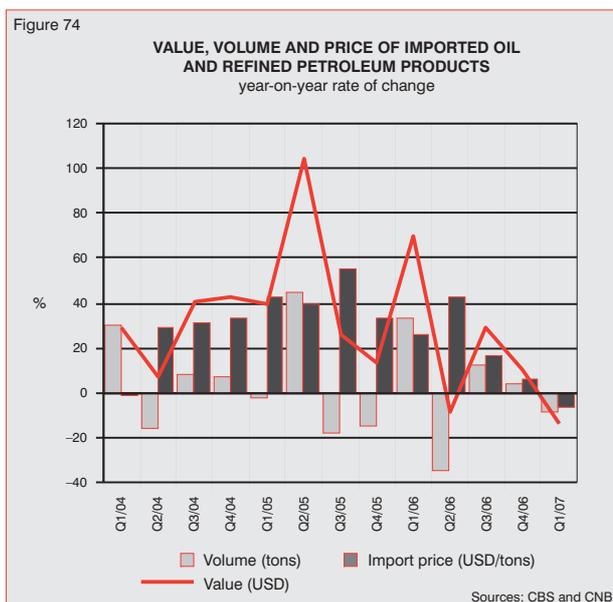
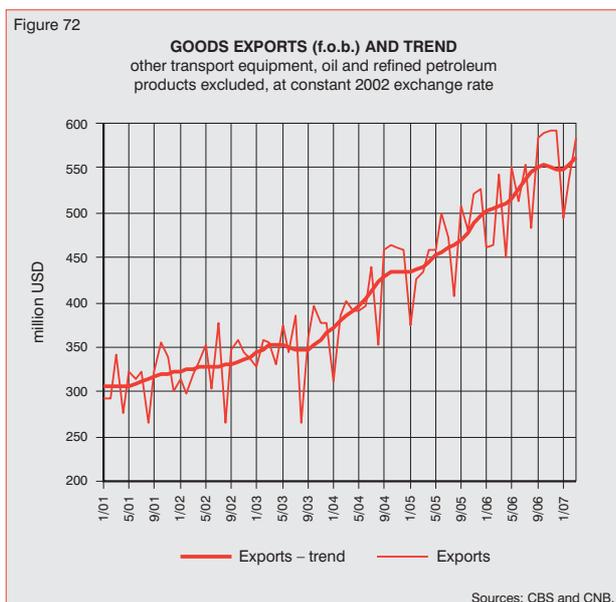
Due to the US dollar weakening strongly against the euro in the first quarter of 2007, the foreign trade dynamics was somewhat different (measured in current exchange rate terms). Specifically, the depreciation of the dollar/euro exchange rate excluded, imports and exports showed significantly lower growth rates which, in addition to the relative volume of imports to exports, contributed to a smaller widening of the foreign trade deficit. The negative balance in the foreign trade thus slowed down from 23.2% in the first quarter of 2006 to 16.7% in the same period of 2007 (measured in constant exchange rate terms).

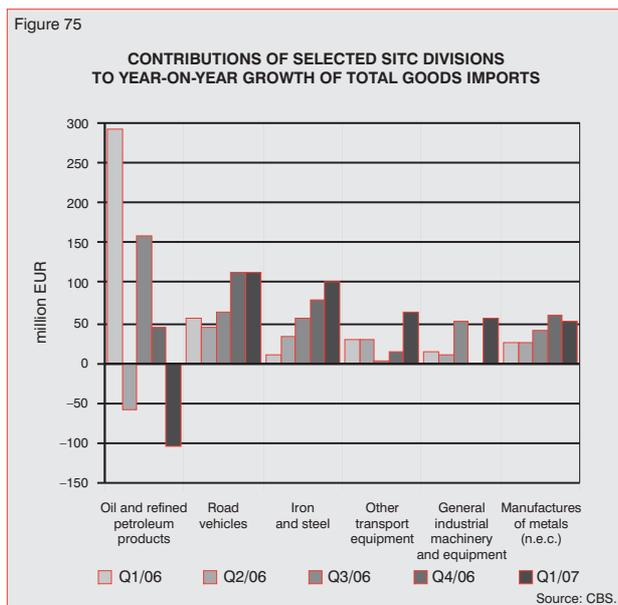
Measured in constant exchange rate terms, total exports of goods rose by 4.5% in the first quarter of 2007 or considerably less than in the same period last year (28.7%). A no-



ticeably slower growth of exports in the first quarter of 2007 can in part be explained by the fall in exports of other transport equipment (predominantly ships), which grew strongly in the first quarter of 2006. In addition, the slowdown of the growth of total exports of goods may be attributed to the fall in the value of exports of oil and refined petroleum products which in turn was the consequence of the decrease in the volume of exports of this energy product and the continuation of the upward trend in its prices.

Exports of ship and oil and refined petroleum products excluded, the slowdown of the growth of exports of other SITC division, taken together, was less pronounced but still significant (10% in the first quarter of 2007 compared with 18.7% in the same period of 2006). It was, to a large extent, the result of the annual fall in exports of electric current and, to a small extent, the annual fall in exports of fish and preparations, and medical and pharmaceutical products and cof-





fee, tea, cacao and spices. In the same period, electrical machinery, apparatus and appliances, power generating machinery and equipment, and wood and cork made the largest contribution to the growth of total exports of goods. In addition, exports of metalliferous ores and metal scrap, and manufactures of metals (n.e.c.) continued to grow strongly.

The annual growth of imports of goods slowed down from 25.9% in the first quarter of 2006 to 10.6% in the same period of 2007 (measured in constant exchange rate terms). These developments were to a large extent determined by imports of oil and refined petroleum products which, after a substantial increase in the first quarter of 2006, fell by 15.3% in the first quarter of 2007. Like in case of exports, the fall in the value of imports of this energy product may be attributed to the decrease in the volume of imports and the downward trend in its import prices, observed for the first time in several years.

Imports of oil and refined petroleum products excluded, imports of other SITC divisions, taken together, continued to slow down, falling from 19.6% in the first quarter of 2006 (measured in constant exchange rate terms) to 15.1% in the same period of 2007. This slowdown was to a large extent the result of lower imports of natural and manufactured gas, hides, skins and fur skins and oil seeds and oleaginous fruits. The slowdown in the annual growth of imports of these divisions was offset by dynamic growth of imports of other divisions, especially road vehicles, iron and steel and other transport equipment. The strong upward trend in imports of road vehicles, first observed in the first quarter of 2006, continued in the first quarter of 2007 (18.4%, measured in constant exchange rate terms), and was to some extent stimulated by the introduction of stricter conditions on imports of used vehicles.²³

Imports of iron and steel, aided by their high prices in the

world market, grew strongly in the first quarter of 2007. Other transport equipment (predominantly ships) also contributed strongly to the growth of total imports of goods. In addition, notwithstanding the fall in their growth rate (from 19.7% in the first three months of 2006 to 8.3% in the same period of 2007), imports of road vehicles (machinery and transport equipment excluding other transport equipment and road vehicles) also made a significant contribution to the growth of total imports of goods. Among SITC divisions which account for a simplified coverage of capital goods, the highest growth of imports was registered in imports of general industrial machinery and equipment and electrical machinery, apparatus and equipment.

Despite amounting to a significant 72.3%, the share of exports to developed countries trended downwards in the structure of Croatia's total exports of goods in the first quarter of 2007 compared with the same period last year. Within this group of countries, the share of exports to old EU Member States (especially Italy and Sweden), fell the most, due mostly to the base period effects, i.e. larger exports of ships in the first quarter of 2006. In case of Italy, the base period effects also included lower exports of natural and manufactured gas, and exports of sugar, sugar preparations and honey. Exports to the USA also trended downwards and comprised finished products and medical and pharmaceutical products. The same trend was seen in exports to Japan (fish and preparations).

As far as Croatia's main trading partners are concerned, positive trends were observed in exports to Slovenia (including higher exports of metalliferous ores and metal scrap, and machinery specialised for particular industries), Austria (electrical machinery, apparatus and appliances, and general

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

Export	2005	2006	Jan.-Mar. 06	Jan.-Mar. 07 ^a
Developed countries	69.3	71.7	74.8	72.3
EU-25	62.0	63.3	65.6	60.5
Slovenia	8.1	8.2	7.7	8.7
Hungary	1.6	1.7	1.3	1.8
EU-15	48.1	48.9	51.9	47.3
Austria	7.2	6.0	6.3	6.7
Italy	21.2	23.1	25.1	22.1
Germany	10.7	10.4	11.3	11.1
EFTA	1.1	1.5	1.4	1.2
Developing countries	30.7	28.3	25.2	27.7
Bosnia and Herzegovina	14.3	12.6	9.6	12.7
Serbia and Montenegro	4.5	5.4	4.4	5.9
Russia	1.3	1.2	0.9	1.1
China	0.1	0.2	0.1	0.2
Import	2005	2006	Jan.-Mar. 06	Jan.-Mar. 07 ^a
Developed countries	73.8	72.6	69.5	72.1
EU-25	65.6	65.0	62.2	64.0
Slovenia	6.8	6.3	6.2	6.0
Hungary	3.1	3.0	3.1	2.6
EU-15	50.6	50.1	47.7	50.2
Austria	5.8	5.4	5.2	5.4
Italy	16.0	16.7	15.8	16.9
Germany	14.8	14.5	13.8	14.4
EFTA	1.7	1.7	1.9	1.9
Developing countries	26.2	27.4	30.5	27.9
Bosnia and Herzegovina	2.4	2.8	2.4	3.0
Serbia and Montenegro	0.9	1.1	0.9	1.2
Russia	9.2	10.1	13.9	10.6
China	4.7	5.3	5.0	6.0

^a Preliminary data. Source: CBS.

23 A larger volume of used cars was imported before the April Order on the Homologation of Vehicles with Regard to Noxious Gases Emission Given the Fuel Used by the Engine (OG 88/2006) came into effect.

Box 2: New Factors of Conversion of the Value of Goods Imports from C.I.F. to F.O.B.

The Central Bureau of Statistics is the source of data on Croatia's foreign trade. It records the values of goods exports on a f.o.b. basis²⁴ and the values of goods imports on a c.i.f. basis.²⁵ These data are used by the Croatian National Bank in its compilation of the balance of payments goods account. However, according to international standards, balance of payments data on goods imports and exports should be shown on an f.o.b. basis. Accordingly, balance of payments data on goods imports also comprise an adjustment for classification under which the value of goods imports is reduced by the estimated costs of transport and insurance.²⁶

The estimate of these costs is based on the results of importers' survey conducted every several years. The first survey of this type was conducted in 1997. It covered the preceding year's imports and comprised a sample of 100 largest importers. The survey showed that transport and insurance costs account for 7.10% of the total value of imports shown on a c.i.f. basis and that foreign carriers²⁷ share in total costs is 24.70%. The next survey was conducted in 2003, for the preceding year's imports, on a sample consisting of 111 companies. It provided an estimate of new correction factors: the share of transport and insurance costs was 3.73% and foreign carriers' contribution was 41.40%. The effects of the introduction of the new correction factors in 2003 were outlined in Box 4 of CNB's Bulletin No. 88, under the title: The Application of the New Correction Factors and Their Main Effects on the Republic of Croatia's Balance of Payments.

The Croatian National Bank conducted the same type of survey towards the end of 2006 (for preceding year's im-

ports). The 133 companies that made up the sample were divided into 7 strata based on their shares in total imports. The survey showed that the share of transport and insurance costs continued to fall and that it stood at 3.03%, with foreign carriers' share continuing to increase, standing at 51.87%. The growing share of foreign carriers was reported in all types of transport, particularly maritime transport. This can be explained by the difficult adjustment of domestic maritime transporters to market conditions which left only two major shipping companies on the market.

As the new correction factors were only applicable since the beginning of 2007, the question remains as to their impact on the balance of payments values. With unchanged value of goods imports shown on a c.i.f. basis, a smaller share of transport costs means a smaller amount of reduction in the value of goods imports on a c.i.f. basis, i.e. greater imports on a f.o.b. basis. In addition, increased share of foreign carriers will lead to increased expenditures for transport costs on the balance of payments services account.

Quantification of the effects of use of new factors was made for the first quarter 2007 goods imports data, when, according to CBS data, the value of imports on a c.i.f. basis stood at EUR 4.3bn. This value, with the new share of transport and insurance costs standing at 3.03%, is reduced by EUR 129.1m on account of classification adjustment. At the same time, expenditures for transport services provided by foreign carriers (51.87%) rose by EUR 67m. If we were to apply correction factors estimated in the 2003 survey to the realised value of imports on a c.i.f. basis, classification adjustment would be EUR 158.9m and expenditures based on transport services would increase by EUR 65.8m. It follows that the change in the correction factor in the first quarter of 2007 led to an increase of EUR 29.8m in goods imports shown on a f.o.b. basis and an increase of EUR 1.2m in transport services expenditures. Therefore, based on the new correction factors, current account deficit is EUR 31m or 0.1% of the estimated GDP for 2007 higher than the deficit derived under the old correction factors. Net errors and omissions in the balance of payments shrank by the same amount.

Table 9: Factors on the Basis of Which the Value of Goods Imports is Converted from C.I.F. to F.O.B., in %

	1997 – 2002	2003 – 2006	2007 –
Transport and insurance costs in total goods imports	7.10	3.73	3.03
Costs of foreign carriers in total transport costs	24.70	41.40	51.87

Source: CNB.

Table 10: Effects of Change in Correction Factor on Outturn of Current Account in the First Quarter of 2007, in million EUR and %

	Factors (in %)	Adjustment of goods imports ^a (fall in goods imports)	Adjustment of transport services (increase of expenditures)
Share of transport and insurance costs in total costs of goods imports	old:	3.73	158.9
	new:	3.03	129.1
Share of costs of foreign carriers in total transport costs	old:	41.40	-65.8
	new:	51.87	-67.0
Effect of change in correction factor on current account		-29.8	-1.2

^a Adjustment for classification of goods imports in the balance of payments whereby the value of imports is converted from the c.i.f. (CBS) to f.o.b. basis.

Source: CNB.

24 The f.o.b. basis (abbreviation from a clause in a contract of sale of goods based on the English term "free on board") comprises total costs of goods until loading (most commonly ex-works or industrial facilities of the producer of goods).

25 The c.i.f. basis (abbreviation from a clause in a contract of sale of goods based on the English term "cost, insurance and freight") comprises total costs of goods, including insurance and transport to the agreed destination, most commonly buyer's warehouse).

26 In addition, CBS data on developments in goods trade differ from balance of payments data because of goods imports and exports coverage adjustments, including *shopping* estimates (value of goods that foreign tourists purchased and took out of the country, or Croatian residents imported from neighbouring countries). Balance of payments data also include the value of repairs on goods and goods procured in ports by carriers.

27 Transactions with domestic carriers are not balance of payments transactions.

industrial machinery and equipment) and Germany (sugar, sugar preparations and honey, and machinery specialised for particular industries).

The growth in the share of exports to developing countries in the structure of Croatia's total exports of goods in the first quarter of 2007 was above all accounted for by higher exports to Bosnia and Herzegovina, Serbia and Montenegro. The growth of exports to Bosnia and Herzegovina came from higher exports of cereals and cereal preparations, metalliferous ores and metal scrap, and non-metallic mineral manufactures, and higher exports of oil and refined petroleum products which accounted for more than one-quarter of total exports to this country. The growth in exports to Serbia and Montenegro was mainly accounted for by larger exports of non-metallic mineral manufactures and electrical machinery, apparatus and appliances, while exports of oil and refined petroleum products (the most important export product to these countries) were negative. Exports to Liberia and Lebanon also went downwards in the first quarter of 2007 due to significantly lower exports of ships, and oil and refined petroleum products.

In contrast, the share of imports from developed countries in the structure of Croatia's total imports of goods trended upwards in the first quarter of 2007 compared with the same period last year. Imports from old EU Member States grew the most, mostly due to higher imports from Italy and Germany which remained Croatia's most important trading partners. The growth in imports from Italy was to a large extent the result of the recording of the value-added finishing operations on a gross basis which in turn contributed to both larger imports and exports of ships from and to Italy. As for Germany, imports of road vehicles accounted for almost one third of the growth in total imports of goods. Imports from Austria (manufactures of metals (n.e.c.), and iron and steel), Slovenia (chemical materials and products, and iron and steel) and Poland (iron and steel, and road vehicles) also grew in the reference period.

The share of imports from developing countries trended downwards in the structure of Croatia's total imports of goods in the first quarter of 2007, due largely to the fall in world market prices of oil which predominates in the structure of imports from these countries. As a result, imports from Russia fell by 10%, while imports from Bulgaria fell by

as much as two-thirds in the first quarter of 2007 over the same period last year. Imports from China rose in the first quarter of 2007 over the same period last year (imports from this country account for as much as one-tenth of total annual growth of goods imports) and mostly comprised wearing apparel and telecommunication apparatus.

Capital and Financial Transactions

Net inward FDI were exceptionally high in the first quarter of 2007. Net portfolio outflows were in consequence of an increase in foreign assets of domestic sector and a decrease in their liabilities. In contrast, further growth in foreign liabilities (credits, trade credits, currency and deposits) of domestic sectors and a concurrent decrease in their foreign assets (credits, trade credits, currency and deposits) resulted in a significant net inflow of other investment. At same time, international reserves grew by their highest quarterly rate ever.

Net FDI (EUR 1.1bn) in the first quarter of 2007 were much higher than those from the same period last year (EUR 0.5bn). Above all, this was the result of strong growth in

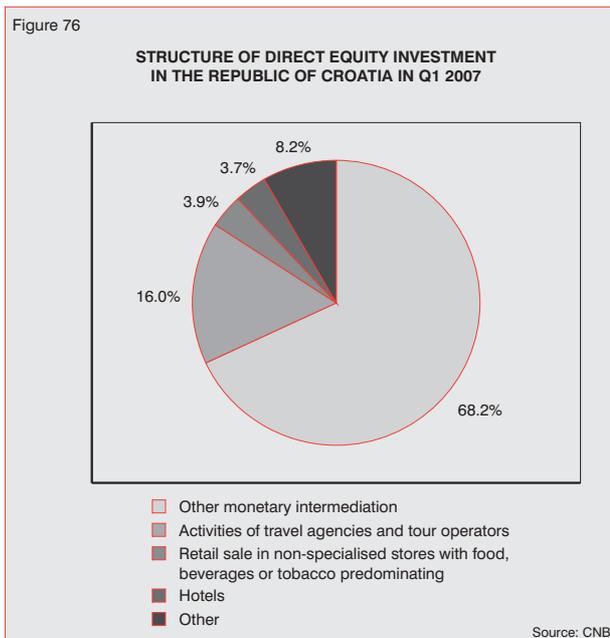


Table 11: Capital and Financial Account, in million EUR, preliminary data

	2005	2006	Jan.–Mar. 2006	Jan.–Mar. 2007	Indices	
					2006/2005	Jan.–Mar. 07/Jan.–Mar. 06
CAPITAL AND FINANCIAL ACCOUNT	2,923	3,701	1,561	1,236	126.6	79.2
1. Capital account	55	-133	-164	6	-	-
2. Financial account, excl. reserves	3,690	5,247	2,398	2,038	142.2	85.0
2.1. Direct investment	1,235	2,538	495	1,122	205.6	226.7
2.1.1. Abroad	-192	-163	-22	-85	84.7	385.0
2.1.2. In Croatia	1,427	2,701	517	1,207	189.3	233.5
2.2. Portfolio investment	-1,173	-448	-576	-238	38.2	41.2
2.2.1. Assets	-566	-380	-51	-140	67.1	274.9
2.2.2. Liabilities	-607	-68	-525	-97	11.1	18.5
2.3. Financial derivatives	0	0	0	0	-	-
2.4. Other investment	3,717	3,156	2,479	1,154	84.9	46.5
2.4.1. Assets	979	-671	1,044	360	-	34.4
2.4.2. Liabilities	2,738	3,827	1,434	794	139.8	55.3
3. Reserve assets (CNB)	-822	-1,412	-673	-808	171.8	120.2

Source: CNB.

Table 12: Composition of CNB Reserve Assets, end of period, in million EUR and %

	2004	2005	2006	Mar. 2007
Balance	6,436	7,438	8,725	9,520
Share				
1. Foreign currency reserves	96.9	98.6	93.6	89.4
a) Securities	50.7	48.4	48.1	45.0
b) Total currency and deposits with:	46.2	50.2	45.4	44.5
i) other national central banks, BIS and IMF	3.6	5.5	2.3	2.1
ii) banks headquartered outside Croatia	42.6	44.7	43.2	42.4
2. IMF reserve position	0.0	0.0	0.0	0.0
3. SDRs	0.0	0.0	0.0	0.0
4. Gold	–	–	–	–
5. Reverse repo	3.1	1.3	6.4	10.6

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

inward FDI, accompanied by higher investments of Croatian residents abroad. As far as inward FDI are concerned, equity investments grew the most and were threefold higher in the first quarter of 2007 than in the same period last year. Albeit at somewhat lower rate, domestic sectors' liabilities towards affiliated foreign enterprises (banks excluded) trended upwards, while retained earnings trended downwards.

Other monetary intermediation, comprising to a large extent substantial recapitalisations of banks, accounted for more than two-thirds of inward FDI in the first quarter of 2007. In addition, Kvarner banka d.d. was sold to a foreign investor. Activities of travel agencies and tour operators accounted for one-sixth of inward FDI and involved the sale of Diners Club Adriatic d.d. to Erste Bank der Oesterreichischen Sparkassen AG. Larger FDI were also made in retail sale in non-specialised stores with food and hotels.

Portfolio investments in the first quarter of 2007 were marked by a rise in domestic sectors' investment abroad and a fall in their liabilities towards foreign creditors. As a result, the account of portfolio investment saw a net outflow of EUR 0.2bn in the first quarter of 2007 (EUR 0.6 in the first quarter of 2006), which is to a large extent attributed to lower repayments of government bonds issued abroad. Specifically, the government settled its regular half-year instalment to the London Club (Series A) in the first quarter of 2007, whereas in the first quarter of 2006 it had to settle the obligations arising from London Club bonds Series A and B, eurobonds (EUR 300m) and Samurai bonds (JPY 25bn). Residents invested three times more in foreign securities in the first quarter of 2007 than in the same period last year, due mostly to a substantial increase in investments of other

domestic sectors (predominantly investment funds) in equity securities. In contrast, banks and other domestic sectors decreased their investments in debt securities.

Although standing at substantial EUR 1.2bn, net inflows from other investment were more than two times lower in the first quarter of 2007 than in the same period of 2006 (EUR 2.5bn). This was due to the decrease in foreign assets and especially the increase in foreign liabilities, with the changes in assets and liabilities being lower in the first quarter of 2007 than in the same period last year. The decrease in foreign assets was in particular the result of domestic banks' withdrawal of currency and deposits. On the other hand, banks decreased substantially their foreign loan liabilities and increased significantly their currency and deposit liabilities and thus made the largest contribution to the growth in liabilities from other investment activities.

According to the BoP data (cross-currency changes excluded), international reserves increased by EUR 808m in the January-March period of 2007 – the highest quarterly growth ever. This growth, above all, was accounted for by further growth in allocated foreign currency reserve requirements (marginal reserve requirements included), which in turn is attributed to continued growth of banks' foreign liabilities. The CNB's intervention in the foreign exchange market at the end of 2006, producing a monetary effect in January 2007, made a positive contribution to international reserves growth, while the sale of foreign exchange to the MoF had an opposite effect. According to the monetary statistics data (cross-currency changes included), international reserves amounted to EUR 9,520m at end-March, rising by 9.1% over the end of 2006.

External Debt

The statistical data on external indebtedness of domestic sectors are compiled by the CNB. The methodology for monitoring external debt developments is based on international standards and as early as at the beginning of 2005 the CNB started to apply the new methodology, disclosing its external debt data on a gross basis, i.e. on an accrual basis. As a result, the external debt stock was increased by the amount of accrual interest and the amount of interest arrears. The effects of the application of the new methodology and the new coverage of external debt have been described in detail in Bulletin No. 102. In an effort to further improve its statistical monitoring of external debt, the CNB, as of this

Table 13: Changes in Gross External Debt by Domestic Sectors, in million EUR

	Gross external debt 31/12/2006	O/w: Accrual interest	Changes							Gross external debt 31/3/2007	O/w: Accrual interest
			Uses		Principal payments		Interest payments		Cross-currency differences		
			Credits	Accrual interest	Maturity	Principal arrears	Maturity	Interest arrears			
1. Government	6,656	152	27	71	97	1	153	0	-11	6,491	72
2. Central bank (CNB)	3	0	0	7	0	0	7	0	0	2	0
3. Banks	10,222	63	992	49	877	0	38	0	-35	10,313	74
4. Other sectors	9,425	106	1,145	96	441	78	57	28	-13	10,049	114
5. Direct investment	2,843	53	337	21	196	39	6	9	-8	2,942	57
Total (1+2+3+4+5)	29,150	375	2,500	243	1,611	118	261	37	-68	29,797	317

Note: Data on debt instruments not included in the CNB base of credit operations (repo transactions, hybrid and subordinated instruments, currency and deposits) include the available data on their stock and currency structures on the basis of which net changes are calculated. Changes thus calculated are always (regardless of sign) shown in the column of uses. .
Source: CNB.

Table 14: Gross External Debt by Domestic Sectors, end of period, in million EUR and %

	2004	2005	2006	Mar. 2007	Structure		Indices	
					2006	Mar. 2007	2006/2005	Mar. 2007 / 2006
1. Government	7,257	7,047	6,656	6,491	22.8	21.8	94.5	97.5
2. Central bank (CNB)	2	3	3	2	0.0	0.0	97.2	82.7
3. Banks	7,732	8,979	10,222	10,313	35.1	34.6	113.9	100.9
4. Other sectors	5,896	7,264	9,425	10,049	32.3	33.7	129.8	106.6
5. Direct investment	2,046	2,455	2,843	2,942	9.8	9.9	115.8	103.5
o/w: Hybrid and subordinated instruments	316	216	169	168	0.6	0.6	78.2	99.6
Total (1+2+3+4+5)	22,933	25,748	29,150	29,797	100.0	100.0	113.2	102.2

Source: CNB.

Table 15: Actual and Potential Government External Debt, end of period, in million EUR and %

	2004	2005	2006	Mar. 2007	Structure		Indices	
					2006	Mar. 2007	2006/2005	Mar. 2007 / 2006
1. Public sector debt	8,580	8,500	8,236	8,139	28.3	27.3	96.9	98.8
2. Publicly guaranteed private sector debt	334	291	208	182	0.7	0.6	71.6	87.5
3. Non-publicly guaranteed private sector debt	14,019	16,956	20,706	21,476	71.0	72.1	122.1	103.7
Total (1+2+3)	22,933	25,748	29,150	29,797	100.0	100.0	113.2	102.2

Source: CNB.

Table 16: Relative External Debt Indicators

	1999	2000	2001	2002	2003	2004	2005	2006
External debt (old)/GDP (1)	54.1	60.6	60.7	61.5	75.5	79.4	81.7	84.7
External debt (new)/GDP (2)	54.5	61.4	61.4	61.9	75.8	80.0	82.4	85.2
Difference (3)=(2)-(1)	0.4	0.8	0.7	0.4	0.3	0.5	0.7	0.5
External debt (old)/Exports of goods and services (4)	132.2	128.7	124.6	135.3	150.8	160.0	167.3	170.8
External debt (new)/Exports of goods and services (5)	133.1	130.3	126.0	136.1	151.4	161.0	168.6	171.8
Difference (6)=(5)-(4)	1.0	1.6	1.4	0.8	0.6	1.1	1.4	1.0
External debt repayments (old)/Exports of goods and services (7)	21.1	23.6	26.2	27.4	20.1	21.3	24.1	34.1
External debt repayments (new)/Exports of goods and services (8)	21.1					22.0	26.8	35.0
Difference (9)=(8)-(7)	0.0					0.7	0.3	0.9

Note: External debt repayments (old calculation methodology) include principal payments on bonds and long-term credits, as well as total interest payments net of interest payments on direct investments. External debt repayments (new calculation methodology) in the period from 2004 to 2006 include principal payments on all long-term instruments (principal payments on direct investments excluded) and total interest payments on direct investments. Sources: CBS and CNB.

Bulletin number, applies the new algorithm for the calculation of accrual interest (see Box 3). The enclosed Statistical Survey thus contains the revised data series on external debt, covering the period from the end of 1999.

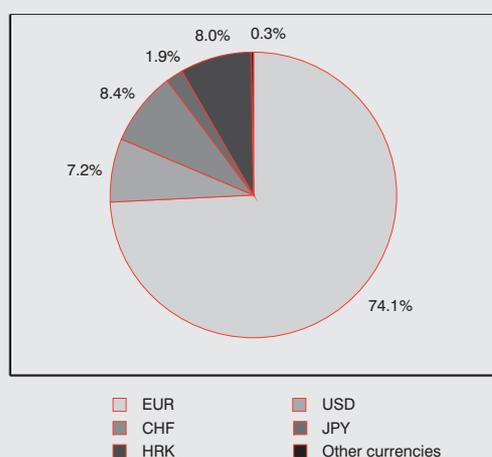
At end-March, external debt (inclusive of debt increase arising from the changes in methodology) stood at EUR 29.8bn, up EUR 648m over the end of 2006. Moreover, the new foreign borrowings were EUR 716m higher than the repayments on interest and principal, while cross-currency

changes (primarily due to the US dollar and Swiss franc weakening against the euro in the first quarter of 2007) led to a (statistical) debt reduction of EUR 68m.

The annual growth rate of total foreign liabilities of domestic sectors fell by 1.4 percentage points in the first quarter over the same period last year, standing at 11.8%. Banks made the largest contribution to the slowdown of external debt growth in the first quarter of 2007. However, external debt trends of individual domestic sectors should be inter-

Figure 77

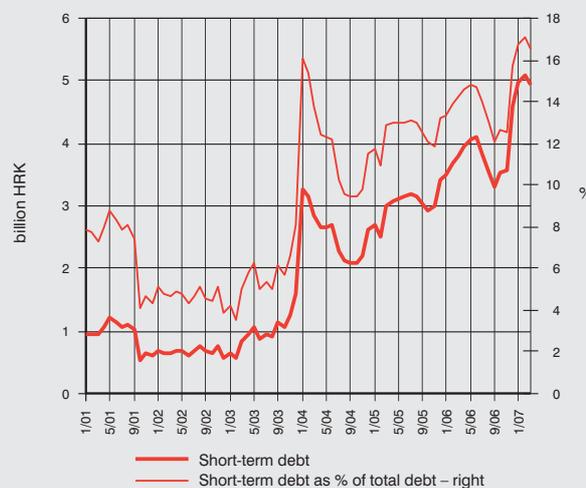
CURRENCY STRUCTURE OF EXTERNAL DEBT
as at 31 March 2007



Source: CNB.

Figure 78

SHORT-TERM EXTERNAL DEBT



Source: CNB.

Box 3: Methodological Changes in External Debt Calculation and their Effect on External Debt Stock and Values of Transactions in the Balance of Payments of the Republic of Croatia

In accordance with the recommendations given in *External Debt Statistics – Guide for Compilers and Users*, the Croatian National Bank has since 2005 calculated external debt on a gross, accrual basis. Under this basis, the definition of external debt includes costs associated with accrual interest as it is deemed that interest payment liabilities by days, accruing between two maturities, increase foreign liabilities in the same way as the principal, until their actual maturity. External debt definition also includes interest arrears, or due unpaid interest, which is added to short-term debt stock.

After the accrual principle was applied in the calculation of external debt position, preparations were launched for the introduction of the same principle in reports on changes in external debt (uses and repayments of principal and interest). As of the publication of this quarterly report, changes in external debt have started being shown on an accrual basis, resulting not only in the revision of the value of balance of payment transactions based on debt instruments but also in the revision of the external debt position due to the application of a new method of estimation of accrual interest (AI).

The starting assumption in any AI calculation is that interest on credit is calculated decursively on a declining amount of the remaining debt, whereby with the passage of time and principal payments made the principal debt stock decreases and so does the basis for the calculation of interest. For the calculation of stock of AI, a formula was used²⁸ which took into account the interest rate applicable at the moment of contract conclusion and the estimated number of days according to the selected method. In the most dominant category of AI stock (issued long-term securities, i.e. bonds), this produced only minor departures from the ac-

tual coupon amounts. However, a detailed analysis of the credit portfolio in the context of corporate external debt²⁹ has shown that departures of AI stock thus estimated, are significantly greater than their actual payments.

In case of corporate loans, the departures were due to significant differences between individual loans, particularly commercial loans. For instance, the number of days in a month used to calculate interest is not the same for all loans (it depends on whether the French, English or German method is used), while for the estimate of anticipated interest payments the same number of days was always used. Also, some loans are agreed at changeable interest rate, so actual interest paid does not correspond to the payment plans (which are based on interest rate applicable at the time of contract conclusion). In addition, some loans payment plans are based on the average amount of interest throughout the entire loan duration regardless of debt reduction, which is not in line with the formula applied. Because of the said departures, a new algorithm was being developed for a more precise calculation of AI. The formula for the calculation of AI now uses the actual dates and the exact number of days from the last interest payment to the date of reporting (where such data are available). The new methodology also provided for the separation of transactions based on AI and arrears from regular payments, thus creating the conditions for the calculation of changes in external debt, which eventually corresponds to the actual change in its stock during the observed period.

In addition to the new manner of AI calculation, external debt stock now includes AI and interest arrears for all debt instruments (previously AI was not estimated for hybrid and subordinate bank instruments, currency and deposits and repo transactions) and excludes AI in interest arrears for bonds, which, though issued on the international market, are owned by residents.³⁰ Some of the difference between positions shown according to the new and the old methodologies has nothing to do with methodological approach, but is the result of database updating going several years back.³¹

Table 17: Effects of Use of New Methodology on External Debt Stock, in million EUR

	1999	2000	2001	2002	2003	2004	2005	2006	Mar. 2007
1. Gross external debt – new stock	10,175	12,264	13,609	15,143	19,884	22,933	25,748	29,150	29,797
2. Gross external debt – stock reported up to now	10,101	12,109	13,458	15,055	19,811	22,781	25,541	28,975	29,610
3. Difference (1–2)	73	154	151	88	73	152	207	175	187
3.1. Effects of use of new algorithm in AI calculation	39	90	88	72	50	91	83	114	116
3.1.1. New AI stock	166	244	259	268	275	338	345	340	278
3.1.2. Old AI stock	128	154	171	196	225	247	262	226	162
3.2. Effects of inclusion/exclusion of AI for individual instruments ^a					-12	18	22	34	39
3.3. Effects of inclusion/exclusion of interest arrears for individual instruments ^a	-	-	-	-	0	1	2	1	1
3.4. Effects of database updating	35	64	63	17	35	43	100	25	31

^a Hybrid and subordinate instruments of banks, currency and deposits of banks, repo transactions of banks, bonds owned by residents.

Source: CNB

28 The stock of AI equals the product of multiplication of three components: external debt stock, number of days, which, according to the German method for calendar month, is 30) and the interest rate at the moment of contract conclusion, divided by 36000.

29 Or, more precisely, the component “other domestic sectors” and “direct investment”.

30 Even before, debt stock used to be reduced by the part of the value of foreign bond issue purchased by residents (the so called one-side effects of secondary securities market) and now this part is also excluded from the calculation of changes in the external debt.

31 This difference is shown in Table 17, under line 3.4 Effects of database updating.

Table 18: Balance of Payments – Summary, in million EUR

	Accrual basis				Difference between values shown on an accrual and cash basis ^a			
	2004	2005	2006	Q1/2007	2004	2005	2006	Q1/2007
A. CURRENT ACCOUNT	-1,457	-1,992	-2,671	-2,039	-53	-7	-18	24
1. Goods	-6,728	-7,522	-8,364	-2,157	0	0	0	0
1.1. Credit	6,603	7,217	8,434	2,038	0	0	0	0
1.2. Debit	-13,331	-14,738	-16,798	-4,196	0	0	0	0
2. Services	4,769	5,318	5,711	93	0	0	0	0
2.1. Credit	7,637	8,053	8,534	765	0	0	0	0
2.2. Debit	-2,868	-2,735	-2,824	-673	0	0	0	0
3. Income	-690	-972	-1,120	-215	-53	-7	-18	24
3.1. Credit	610	611	820	268	-47	-60	-75	-39
3.2. Debit	-1,300	-1,583	-1,939	-484	-6	53	57	63
4. Current transfers	1,192	1,184	1,102	241	0	0	0	0
4.1. Credit	1,585	1,628	1,634	352	0	0	0	0
4.2. Debit	-393	-445	-532	-111	0	0	0	0
B. CAPITAL AND FINANCIAL ACCOUNT	2,483	2,923	3,701	1,236	128	-124	-156	-127
B1. Capital account	32	55	-133	6	0	0	0	0
B2. Financial transactions, excl. reserves	2,494	3,690	5,247	2,038	128	-124	-156	-127
1. Direct investment	593	1,235	2,538	1,122	-120	-1	-46	-48
1.1. Abroad	-279	-192	-163	-85	3	2	1	-6
1.2. In Croatia	872	1,427	2,701	1,207	-123	-3	-47	-42
2. Portfolio investment	273	-1,173	-448	-238	28	-96	-88	-45
2.1. Assets	-750	-566	-380	-140	2	-53	-42	14
2.2. Liabilities	1,023	-607	-68	-97	26	-43	-46	-60
3. Financial derivatives	0	0	0	0	0	0	0	0
4. Other investment	1,628	3,717	3,156	1,154	220	-28	-22	-33
4.1. Assets	-450	979	-671	360	-29	-8	8	-29
4.2. Liabilities	2,078	2,738	3,827	794	248	-20	-30	-4
B3. Reserve assets (CNB)	-43	-822	-1,412	-808	0	0	0	0
C. NET ERRORS AND OMISSIONS	-1,026	-932	-1,030	802	-75	131	174	103

^a As regards values of transactions with a negative sign shown on an accrual basis, the positive difference between values shown on an accrual and cash basis represents a fall. Source: CNB.

Compared with the old methodology, all the described changes led to an increase in the value of gross external debt stock, with the difference in gross external debt balance at the end of each month in the period from December 1999 to March 2007 ranging between (minimum) EUR 62m and (maximum) EUR 207m. The use of the new methodology led to an increase in external debt stock of EUR 187m or 0.5% of the estimated GDP for 2007 at the end of March 2007. Almost two thirds of this amount can be attributed to the use of the new algorithm for the calculation of AI, around one-fifth to inclusion/exclusion of AI for individual instruments, while the remaining part is the result of report-making based on an updated database. By contrast, from end-1999 to mid-2002, on average one half of departures in debt stock according to the new and the old methodologies can be attributed to database updating, and the other half to the use of the new algorithm in AI calculation.

The use of accrual principle in external debt reporting causes a change in the value of transactions associated with debt instruments shown in the income part of the balance of payments current account and in individual financial account items. It should be noted, though, that the replace-

ment of cash principle by accrual principle in balance of payments transactions reporting causes big changes in inter-year dynamics, while these differences are lesser on the calendar year level.

As shown in Table 18, the biggest differences appear in financial account items, with much lesser change in the current account. Looking at individual current account items, it is evident that the use of accrual basis and database updating caused fewer changes only in factor income from debt securities investment, most notably portfolio and other investment. In the financial account, there were changes in direct debt investment, the most prominent being those related to liabilities associated with direct debt investment in Croatian companies. In addition, as regards portfolio investments in 2005 and 2006, the value of capital outflows increased as a result of increased investment in foreign debt securities (bonds and money market instruments) and an even greater fall in liabilities towards foreign owners of Croatian debt securities. In the account of other investment, which comprises credit, trade credit and currency and deposits, almost all items' values have undergone changes.

puted carefully as banks increasingly encouraged their clients to borrow directly from their foreign parent banks. In line with this, external debt of enterprises grew strongly in the first three months of 2007, while the government sector continued to reduce its foreign liabilities. Other domestic sector (direct investment in enterprises included) increased their external debt by EUR 0.7bn in the January-March pe-

riod of 2007, up by EUR 0.4bn over the same period last year. Almost two-thirds of this increase were accounted for by long-term loans, whereas the remaining portion of debt growth was accounted for by short-term loans and other short-term liabilities (overdue principal and interest payments). The structure of debt of other domestic sectors shows that the highest increase in external liabilities was

generated by other enterprises and non-banking financial institutions.

Banks increased their foreign liabilities (hybrid and subordinated instruments included) by EUR 90m in the first three months of 2007, which is a tenfold fall compared with the same period previous year. Broken down by months, foreign liabilities of banks grew in January and February and fell considerably in March due to a strong decrease in short-term and long-term loans. The decrease in external debt of banks in the first quarter of 2007 was above all the result of the tighter CNB measures aimed at slowing down bank foreign borrowings, which are predominantly channelled into their aggressive domestic lending activities, and easing Croatia's external imbalance.

The government sector (central government, central government funds, CBRD and local government) decreased its external debt by EUR 0.2bn in the first three months of 2007. This decrease was to a large extent accounted for by the fall in liabilities arising from bonds and to a small extent by liabilities arising from long-term loans. Of the units which are comprised by the government sector, the central government decreased its liabilities the most in the reference period. Another positive contributor in the first quarter of 2007 was the fall in public sector debt, which in addition to the government sector debt includes the debt of public and mixed enterprises. The contingent external debt of the government sector (i.e. the publicly guaranteed private sector debt) also decreased further in the reference period.

According to the currency structure of external debt, the kuna-denominated debt grew at the fastest rate in the first quarter of 2007 on account of bank borrowings in domestic currency. The share of the kuna in total external debt thus grew from 6.0% at the end of 2006 to 8.0% at the end of March 2007. The shares of the Swiss franc, euro, US dollar, and yen fell slightly in the first three months of 2007.

The maturity structure of external debt (shown on an original maturity basis) shows an increase in short-term liabilities. As a result, the short-term external debt reached EUR 4.9bn at end-March, increasing its share in total exter-

nal debt from 15.8% at the end of 2006 to 16.5% at the end of March 2007. Short-term liabilities of enterprises went up the most in the first quarter of 2007.

The methodological changes to external debt statistics, effective as of this issue of CNB Bulletin, led to an increase in the value of relative debt indicators, with the difference in external debt balance ranging between EUR 62m and EUR 207m in the period from December 1999 to March 2007 (0.5% of GDP on average). Thus, for example, the external debt to GDP ratio stood at 85.2% at end-2006, and, before the new methodology was implemented, at 84.7% of GDP. The ratios of external debt to exports of goods and services also climbed in the reference period, by 1.1 percentage points on average per year.

The revised data series on external debt repayments in the period from 2004 onwards show an average 0.6 percentage points increase in the external debt service (measured as a percentage share of external debt in exports of goods and services) compared with the previously reported values. Of this increase, 0.5 percentage points on average was due to the broadening of the coverage of principal repayments and the remaining 0.1 percentage point due to the disclosure of external debt transactions on an accrual basis. In 2006, this ratio stood at 35.0%, while its pronounced deterioration in relation to 2005 and the average values in several previous years, was not only the result of the new methodology but also of strong annual growth in repayments of long-term loans by banks and other domestic sectors.

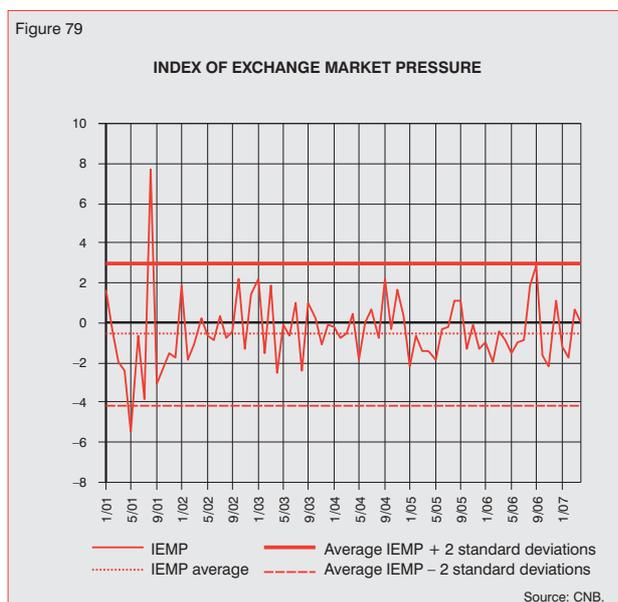
International Liquidity

The IEMP values were favourable in the first quarter of 2007,³² largely due to strong growth in international reserves (up EUR 0.8bn or 9.1% at end-March over end-December 2006). Slight kuna depreciation, observed in the reference period, had an opposite effect on IEMP trends. Owing to a small fall in international reserves and modest appreciation of the kuna exchange rate, the IEMP moved to its average value in April 2007.

Government Finance

Budget Outcome

Positive fiscal developments marking 2006 continued in the first quarter of 2007. Both revenues and expenditures rose in the first three months of 2007 compared with the same period in the previous year. As the revenues increased at a much faster rate than expenditures, the consolidated general government deficit almost halved and, consequently, borrowing requirements lowered. However, it should be mentioned that fiscal indicators improved primarily due to positive developments in the real sector of the economy, so



³² 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.

³³ OG 152/2006

Table 19: Operating Balance, Transactions in Non-Financial Assets and Transactions in Financial Assets and Liabilities, GFS 2001, in million HRK

	Consolidated general government		
	Jan.–Mar. 2006	Jan.–Mar. 2007	Jan.–Mar. 2007 / Jan.–Mar. 2006
1. Change in net worth (net operating balance)	-976.8	341.6	
1.1. Revenue	24,629	27,808	113
1.2. Expense	25,606	27,467	107
2. Change in net non-financial assets	1,484.5	1,748.1	
2.1. Acquisition of non-financial assets	1,726	2,170	126
2.2. Disposal of non-financial assets	242	422	174
3. Net lending (+) / borrowing (-) (1-2)	-2,461.2	-1,406.5	
3. Financing (5-4) Transactions in financial assets and liabilities	2,461.2	1,406.5	
4. Change in financial assets	-551.8	230.1	
4.1. Domestic	-552	230	
4.2. Foreign	0	0	
5. Change in liabilities	1,909.5	1,636.6	
5.1. Domestic	4,806	2,291	
5.2. Foreign	-2,896	-654	

Note: On a cash basis. Source: MoF.

Table 20: Consolidated General Government Balance, on a cash basis, in million HRK

	Jan. – Mar. 2007				
	Government budget	Extrabudgetary users	Consolidated central government	Units of local and regional self-government	Consolidated general government
Revenue ^a	23,851.1	1,654.2	24,768.3	3,439.1	27,808.3
Total expenditure and net lending	25,510.5	2,048.7	26,822.1	3,473.7	29,896.8
Expense ^a	24,963.5	1,134.8	25,361.2	2,504.5	27,466.7
Acquisition of non-financial assets ^a	332.4	875.3	1,207.7	961.9	2,169.7
Net acquisition of financial assets – loans ^a	169.6	19.1	188.7	1.2	189.9
Acquisition of shares and other equity ^a	45.0	19.5	64.5	5.6	70.2
Acquisition of securities other than shares ^a	0.0	0.0	0.0	0.0	0.0
Acquisition of other accounts receivable ^a	0.0	0.0	0.0	0.4	0.4
GFS 1986 balance	-1,659.3	-394.6	-2,053.9	-34.6	-2,088.5

^a GFS 2001. Source: MoF.

Table 21: Government Debt, end of period, in million HRK

	Stock				Change	
	Dec. 2005	Mar. 2006	Dec. 2006	Mar. 2007	Jan.–Mar. 2006	Jan.–Mar. 2007
A. General government debt (1+2)	101,426.8	102,035.5	102,537.6	104,208.3	608.8	1,670.6
1. General government domestic debt	56,046.5	59,900.7	61,026.3	63,556.8	3,854.2	2,530.5
1.1. Domestic debt of the Republic of Croatia	50,559.5	54,563.3	54,216.7	56,553.6	4,003.8	2,336.9
1.2. Domestic debt of central government funds	3,935.0	3,925.3	5,168.2	5,371.9	-9.7	203.7
1.3. Domestic debt of local government	1,551.9	1,412.0	1,641.3	1,631.2	-139.9	-10.1
2. General government external debt	45,380.3	42,134.8	41,511.4	40,651.5	-3,245.4	-859.8
2.1. External debt of the Republic of Croatia	36,414.5	33,075.8	32,531.2	31,738.7	-3,338.8	-792.5
2.2. External debt of central government funds	8,749.8	8,891.1	8,828.0	8,762.5	141.3	-65.4
2.3. External debt of local government	216.0	168.0	152.2	150.3	-48.0	-1.9
B. CBRD debt (1+2)	7,132.0	6,861.6	7,673.6	7,613.2	-270.4	-60.5
1. CBRD domestic debt	534.2	425.6	293.2	343.9	-108.6	50.8
2. CBRD external debt	6,597.8	6,436.1	7,380.5	7,269.2	-161.7	-111.2
Supplement:						
C. Total guarantees issued by the Republic of Croatia	12,455.1	12,401.2	14,098.4	14,935.3	-53.9	836.9
1. Domestic	5,268.5	5,646.0	7,252.3	8,157.9	377.6	905.6
2. Foreign	7,186.7	6,755.2	6,846.1	6,777.4	-431.5	-68.7

Source: CNB.

Table 22: Domestic Debt of General Government, end of period, in million HRK

	Stock				Change	
	Dec. 2005	Mar. 2006	Dec. 2006	Mar. 2007	Jan.–Mar. 2006	Jan.–Mar. 2007
1. Domestic debt of general government	41,134.9	54,676.9	54,494.6	59,404.8	13,542.0	5,458.6
1.1. Domestic debt of the Republic of Croatia	37,223.7	48,650.7	50,559.5	54,236.6	11,427.0	4,895.9
Treasury bills	9,022.5	13,035.0	12,533.4	12,662.2	4,012.5	-796.0
Bonds	23,080.1	27,199.5	30,716.0	34,847.8	4,119.4	4,114.5
Money market instruments	-	1.0	0.9	-	1.0	-0.9
Credits from banks	5,121.1	8,415.2	7,309.2	6,726.6	3,294.1	1,578.2
1.2. Domestic debt of central government funds	3,911.2	6,026.2	3,935.0	5,168.2	2,115.0	562.8
Bonds	1,726.0	1,665.0	-	-	-61.0	-
Credits from banks	2,185.1	4,361.1	3,935.0	5,168.2	2,176.0	562.8
1.3. Domestic debt of local government	-	-	-	-	-	-
Supplement: Issued guarantees	4,642.0	6,206.7	5,345.9	7,312.8	1,564.7	1,547.0

Source: CNB.

Table 23: External Debt of General Government, end of period, in million HRK

	Stock				Change	
	Dec. 2005	Mar. 2006	Dec. 2006	Mar. 2007	Jan.–Mar. 2006	Jan.–Mar. 2007
1. External debt of general government	45,380.3	42,134.8	41,511.4	40,651.5	-3,245.4	-859.8
1.1. External debt of the Republic of Croatia	36,414.5	33,075.8	32,531.2	31,738.7	-3,338.8	-792.5
Bonds	27,020.1	22,787.1	22,836.8	22,192.3	-4,232.9	-644.5
Credits	9,394.5	10,288.6	9,694.3	9,546.3	894.2	-148.0
1.2. External debt of central government funds	8,749.8	8,891.1	8,828.0	8,762.5	141.3	-65.4
Credits	8,749.8	8,891.1	8,828.0	8,762.5	141.3	-65.4
1.3. External debt of local government	216.0	168.0	152.2	150.3	-48.0	-1.9
Credits	216.0	168.0	152.2	150.3	-48.0	-1.9
Supplement: Issued guarantees	7,186.7	6,755.2	6,846.1	6,777.4	-431.5	-68.7

Source: CNB.

that the continuation of fiscal adjustment in the following periods will depend on the savings on the expenditure side of the budget.

Despite the narrowing of the deficit, general government debt increased at a somewhat faster pace than in first quarter 2006, mostly due to several times lower debt repayments, but also due to a statistically negative effect of the exchange rate producing an increase in external debt in kuna terms. Due to government's continued reliance on domestic financing sources in the first three months of 2007, the increase in general government debt was completely accounted for by domestic borrowing, while external debt continued to drop.

The amended Act on the Financing of Local and Regional Self-Government Units came into force in January 2007.³³ The application of the provisions of the previous Act produced a negative effect concerning profit tax revenues, as they remained concentrated in local units in which the tax-paying companies had their seats. In some local units, this resulted in a discrepancy between the revenue outturn and discharge of legal functions. The amendments to the Act provide for the complete allocation of profit tax to the government budget and a considerable increase in the portion of income tax allocable to the city, municipality and county budgets. The purpose of these amendments was to achieve as balanced and harmonised tax distribution on the RC territory as possible.

Consolidated General Government Revenues

According to the last available MoF data, consolidated general government revenues reached HRK 27.8bn in the first quarter of 2007, which is an annual increase of 12.9%. The largest contribution to the increase came from VAT and social contribution revenues, jointly accounting for somewhat over 60% of the total. Large contributions also came from revenues from administrative fees and profit tax revenues.

Tax revenues prevailed in the structure of general government revenues in the observed period, with VAT revenues alone generating HRK 8.4bn or HRK 0.8 more than in the first three months of 2006. These developments resulted from an accelerated growth in the nominal retail trade turnover, rising goods and services imports, mild growth in prices, and partly from the base effect.

Excise revenues were HRK 2.6bn in the first quarter of 2007, a rise of 7.9% compared with the same period in 2006.

The highest contribution to the rise was made by revenues from excises on refined petroleum products (which was primarily due to their considerable share in total excises, rather than to a marked annual growth), revenues from excises on cars (due to an increase in the value of road vehicle imports) and revenues from excises on tobacco products (partly due to continued combating of the illegal trade in cigarettes).

Income tax revenues stood at HRK 2.5bn, up 10.4% compared with the same period in 2006. Revenues from social contributions, including health insurance contributions, pension insurance contributions, employment contributions and contributions for the insurance against work injuries rose markedly in the same period. This outturn was on account of favourable labour market developments, a relatively sharp annual increase in the number of insured persons with the CPIA and, especially, on account of a rise in the average monthly gross wage. Profit tax revenues were HRK 1.7bn in the same period, a growth of 33.7% compared with the first three months in the previous year.

Other revenues, including, inter alia, property income and income from the sales of goods and services, totalled HRK 2.9bn in the observed period, accounting for slightly over one-tenth of total consolidated general government revenues. Looking at individual categories, the total annual increase of 27.2% in other revenues was mostly a result of a rise in revenues from administrative fees, at preset accounting for more than a half of this aggregate.

Consolidated General Government Expenditures

MoF data show that consolidated general government expenditures totalled HRK 27.5bn in the first quarter of 2007, rising by 7.3% over the same period in the previous year. The main source of the increase was a rise in expenditures on social benefits, compensation of employees and the use of goods and services. The dynamics of expenditures was in part due to the base effect, given the fact that consolidated general government expenditures reduced annually in the first quarter of 2006.

Social benefit expenditures, whose share in total expenditures exceeds 40%, amounted to HRK 11.7bn in the first quarter of 2007, which is an annual rise of 9.1%. Social security benefits, comprising most pensions and health care expenditures and making up slightly over two thirds of total social benefits, rose at a somewhat lower rate (8.7%) than the total aggregate, which was, among other things, due to

an increase in the average number of pensioners per month (1.9%) and a rise in the average pension (3.5%). Expenditures on social assistance benefits (including child allowances, disability pensions, Croatian war veterans' permanent rights and pension supplements) were HRK 3.5bn at end-March 2007, up annually by 8.6%.

Expenditures on wages and salaries of employees and social contributions paid from the government budget totalled HRK 7.3bn in the first three months of this year or HRK 0.5bn more than in the same period in the previous year. The largest part of the increase in expenditures on employee compensation came from wages and salaries of civil servants and employees, which was in consequence of a slight increase in employment in public administration and growth in the average wage in public administration and defence, education and health care and social welfare. In the same period, expenditures on the use of goods and services (inclusive of expenditures on telecommunication, postal, transport, intellectual and personal services and expenses on materials and energy) amounted to HRK 3bn, rising by 10.5% over the same period in the previous year.

Expenditures on subsidies amounted to HRK 1.9bn, increasing at a small annual rate of 1.6%. Subsidies to private enterprises continued to rise faster than subsidies to public corporations. The said small rate partly resulted from the base effect generated by a moderate decrease in expenditures on subsidies in the first three months of 2006.

Interest expense stood at HRK 1.8bn in the observed period, with foreign interest expense decreasing sharply and domestic interest expense growing. These trends were due to government's efforts to rely as much as possible on the domestic market for budget deficit financing.

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

In the first quarter of 2007, the net operating balance (which represents the difference between revenues and expenditures) was HRK 341.6m in the first quarter 2007. This was a major increase from a negative HRK 1bn in the same period in 2006, which was mainly due to a faster annual growth of revenues than expenditures. However, with expenditures on the acquisition of non-financial assets (government investments) standing at HRK 2.2bn and revenues from the disposal of non-financial assets reaching HRK 0.4bn, HRK 1.4bn had to be secured by the government to cover the negative difference.

Net non-financial assets (including, inter alia, buildings and structures, land, subsoil assets and valuables) grew by HRK 1.7bn in the first three months of 2007, with an especially marked increase in the acquisition of buildings and structures (which includes residential buildings, office buildings, schools, hospitals, highways, roads, bridges, tunnels, railroads etc.) at the level of the local government and Croatian Motorways. This was to a great extent due to unusually warm weather in the beginning of the year which enabled an earlier start and sharper pace of construction works than usual. The same period saw a marked increase in the

disposal of non-financial assets, resulting primarily from the disposal of strategic stocks and the disposal of buildings and structures (including sales of public flats).

The negative difference between the net operative balance and change in net non-financial assets was financed by an increase of HRK 1.6bn in consolidated general government liabilities, with continued strong growth of domestic liabilities and a decrease in external liabilities, while financial assets rose by HRK 0.2bn.

Consolidate General Government Balance on a Cash Basis

The consolidated general government deficit, exclusive of capital revenues (on a cash basis, GFS 1986) stood at HRK 2.1bn in the first three months of 2007, down 33.1% over the same period in the previous year. The fiscal adjustment was achieved entirely on the budgetary central government level due to a surge in budget revenues and was to a much smaller degree caused by a decrease in the acquisition of non-financial assets.

HRK 1.7bn of the consolidated general government deficit was accounted for by budgetary central government, HRK 0.4bn by extrabudgetary users, especially by the CM, while local and regional self-government units ran a very small deficit in the observed period.

Government Debt

According to CNB data, government debt was HRK 111.8bn at the end of the first quarter of 2007. Of this amount, HRK 104.2bn was accounted for by domestic and external general government debt, and HRK 7.6bn was CBRD debt. Although the following two sections separately deal with the main trends affecting domestic and external general government debt, it should be mentioned at this point that the increase of HRK 1.6bn in government debt in the first three months of this year was partly due to a depreciation of the kuna exchange rate versus the euro (the currency most of the debt is denominated in) and yen.

Government guarantees issued (government contingent liabilities) amounted to HRK 14.9bn at end-March, with domestic guarantees (almost completely issued for the shipbuilding industry) increasing further and domestic guarantees drifting lower in the first three months of 2007.

Domestic General Government Debt

CNB data show that domestic general government debt (excluding CBRD debt) stood at HRK 63.6bn at end-March 2007. The largest share in domestic general government debt was that of Republic of Croatia debt (89%), followed by the debt of central government funds (8.4%) and the local government (2.6%).

Domestic debt of the Republic of Croatia increased by HRK 2.3bn in the first three months of this year, mostly on account of newly issued bonds. A new kuna bond worth a nominal HRK 2.5bn and maturing in ten years was issued in February. Considering the fact that bank claims on the gov-

ernment based on bonds issued rose sharply in the observed period, it can be safely said that banks purchased the largest part of this issue.³⁴ The remaining part of the increase was attributable to MoF Treasury bills, the stock of which was HRK 0.9bn higher at end-March 2007 than that at end-2006. In contrast, domestic debt from bank loans declined by HRK 1bn in the first quarter. These trends confirm the government's efforts to increase the share of longer-maturity instruments (mostly bonds maturing in five or ten years) in the domestic debt structure and reduce the short-term debt component.

Domestic debt of central government funds stood at HRK 5.4bn at end-March 2007. The increase of HRK 0.2bn over the domestic debt stock at end-2006 was completely accounted for by loans received from banks. Domestic local government debt did not change markedly in the observed period.

External General Government Debt

External general government debt (excluding CBRD debt) stood at HRK 40.7bn at end-March 2007, which was a decrease of HRK 0.9bn compared with end-2006. The decrease was almost completely realised at the Republic of Croatia level (HRK 0.8bn), to the largest extent by the repayments of bonds coming due (for example, the first interest and principal service payment to the London Club for series A bonds recorded this year). The remaining part of the decrease was mainly related to interest payments on outstanding foreign bonds. The Republic of Croatia debt from foreign loans dropped by HRK 148m in the same period.

At end-March 2007, external debt of central government funds amounted to HRK 8.8bn, decreasing by HRK 65m from end-2006 as a result of a decrease in debt from foreign loans.

³⁴ According to the Public Debt Management Strategy, presented in March 2007, two more government bond issues are expected in 2007, the first in July (planned at HRK 3.5bn), and the second in September (planned at HRK 5bn).

Statistical Survey

Classification and Presentation of Data on Claims and Liabilities

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

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

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

ways, the State Agency for Deposit Insurance and Bank Rehabilitation and the sub-sector central government funds included the Croatian Institute for Health Insurance, the Croatian Pension Insurance Institute, the Croatian Employment Service, the Croatian Privatisation Fund, the Croatian Waters and the Croatian Bank for Reconstruction and Development.

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

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

Foreign sector includes foreign legal and natural persons.

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

Table A1: Monetary and Credit Aggregates

end of period, million kuna and %

Year	Month	Reserve money	Money M1	Money 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	May	38,796.4	40,771.5	41,601.8	158,103.8	146,241.6	161,921.6	1.88	3.95	3.86	1.95	1.96	1.78
	June	41,644.9	42,226.5	42,853.9	163,106.8	149,113.2	164,644.0	7.34	3.57	3.01	3.16	1.96	1.68
	July	42,693.7	45,004.2	45,714.7	170,326.0	149,108.3	166,667.1	2.52	6.58	6.68	4.43	0.00	1.23
	August	42,209.3	44,993.8	45,802.5	174,210.4	148,688.1	168,830.8	-1.13	-0.02	0.19	2.28	-0.28	1.30
	September	42,368.1	44,047.0	44,822.7	176,751.9	151,194.8	172,299.2	0.38	-2.10	-2.14	1.46	1.69	2.05
	October	43,414.6	45,502.0	46,358.9	180,585.5	150,555.8	174,595.6	2.47	3.30	3.43	2.17	-0.42	1.33
	November	44,907.1	46,322.2	47,219.7	179,636.1	149,780.9	178,048.7	3.44	1.80	1.86	-0.53	-0.51	1.98
	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	January	43,729.2	45,965.6	46,605.6	183,027.9	154,799.8	184,322.9	-5.62	-5.27	-5.16	0.31	-0.03	0.51
	February	44,284.7	45,410.8	46,089.0	182,698.5	154,776.8	186,515.0	1.27	-1.21	-1.11	-0.18	-0.01	1.19
	March	45,565.2	46,753.3	47,411.2	185,021.5	155,897.7	191,582.3	2.89	2.96	2.87	1.27	0.72	2.72
	April	45,589.9	47,852.4	48,495.5	187,054.2	156,417.0	194,132.5	0.05	2.35	2.29	1.10	0.33	1.33

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

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

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

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

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

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

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

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' share in monetary aggregate M1 amounted to 259.5 million kuna and in monetary aggregate M4 amounted to 4,035.8 million kuna. Data for June 1999 are comparable with data for July 1999 if Domestic credit is increased by 3,513.5 million kuna.

Table B1: Monetary Survey

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec. ^a	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
ASSETS										
1. Foreign assets (net)	48,661.3	32,817.4	32,771.4	31,742.6	23,303.8	27,614.5	28,228.1	27,921.7	29,123.8	30,637.2
2. Domestic credit	87,637.6	112,518.9	126,371.6	141,278.1	168,427.7	200,328.9	201,829.7	202,306.8	209,243.1	208,975.9
2.1. Claims on central government and funds (net)	12,673.1	15,055.2	14,710.1	13,969.6	19,259.4	16,949.4	17,506.8	15,791.8	17,660.8	14,843.4
2.2. Claims on other domestic sectors	74,513.0	96,329.0	110,467.8	125,790.7	147,414.3	181,031.9	182,620.3	184,725.1	189,738.0	192,275.2
2.3. Claims on other banking institutions	170.2	219.5	431.8	624.0	592.2	1,029.5	559.2	659.9	675.0	813.7
2.4. Claims on non-banking financial institutions	281.4	915.3	761.8	893.9	1,161.8	1,318.1	1,143.4	1,130.1	1,169.3	1,043.6
Total (1+2)	136,298.9	145,336.3	159,143.0	173,020.7	191,731.5	227,943.3	230,057.8	230,228.5	238,366.9	239,613.0
LIABILITIES										
1. Money	23,703.5	30,869.8	33,888.7	34,562.1	38,817.1	48,521.0	45,965.6	45,410.8	46,753.3	47,852.4
2. Savings and time deposits	10,213.1	13,001.1	18,370.7	22,479.2	27,992.1	44,836.8	45,964.9	46,568.7	46,765.9	47,247.1
3. Foreign currency deposits	71,836.9	72,054.6	76,035.3	81,742.9	86,760.8	88,256.7	90,133.9	89,601.2	90,699.6	90,932.6
4. Bonds and money market instruments	317.8	216.3	598.4	1,163.5	1,077.0	844.1	963.6	1,117.7	802.7	1,022.1
5. Restricted and blocked deposits	1,926.2	1,729.5	1,721.6	2,067.0	2,092.3	2,504.5	2,539.3	2,574.3	2,753.5	2,596.0
6. Other items (net)	28,301.4	27,465.1	28,528.2	31,006.1	34,992.2	42,980.2	44,490.6	44,955.7	50,592.0	49,962.9
Total (1+2+3+4+5+6)	136,298.9	145,336.3	159,143.0	173,020.7	191,731.5	227,943.3	230,057.8	230,228.5	238,366.9	239,613.0

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

Table B1: Monetary Survey

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

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

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

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

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

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

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

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

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

The table shows the total number of banks and savings banks during the transition period which report monthly to the CNB. Their operations are shown in the Banks' Accounts. Monetary statistics includes reporting institutions under liquidation and, until February 2005, institutions whose operating licences have been revoked, but which have not initiated liquidation proceedings.

Special reporting requirements applied to savings banks until June 1995. Savings banks were not legally obliged to report on their operations, so that data up to June 1995 relate only to those savings banks that reported voluntarily to the CNB. From July 1995 on, the data cover all registered savings banks. Savings banks that were granted a bank operating license are required to adjust their operations to the provisions of the Banking Act by 31 December 2006.

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

Table C1: Monetary Authorities Accounts

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
ASSETS										
1. Foreign assets	39,308.9	42,058.8	50,118.6	49,373.4	54,862.5	64,088.2	67,633.1	70,260.7	70,279.2	69,956.6
1.1. Gold	–	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	905.8	17.4	5.0	4.8	6.3	5.3	9.6	5.7	5.7	9.7
1.3. Reserve position in the IMF	1.8	1.6	1.5	1.4	1.4	1.3	1.3	1.3	1.3	1.3
1.4. Currency and demand deposits with foreign banks	6.1	6.4	5.8	5.7	7.7	7.2	26.8	26.5	26.3	26.1
1.5. Time deposits with foreign banks	25,565.9	28,183.2	25,580.7	24,337.7	28,274.1	33,243.0	36,171.4	38,690.7	38,638.0	38,530.5
1.6. Securities in f/c	12,829.3	13,850.0	24,525.5	25,023.7	26,573.0	30,831.2	31,423.9	31,536.6	31,607.9	31,388.9
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	–	–	–	0.0
2.1. Claims in kuna	–	0.5	1.4	3.3	1.4	0.9	–	–	–	0.0
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	229.2	110.6	93.6	82.9	73.4	64.0	64.0	64.0	64.0	64.0
4. Claims on banks	18.5	17.9	972.0	408.9	4,215.6	3,911.5	457.2	1,202.2	2,639.5	2,821.4
4.1. Credits to banks	16.6	17.6	968.9	408.9	4,215.6	3,911.5	457.1	1,202.2	2,639.5	2,821.4
Lombard credits	–	–	954.4	–	–	–	–	–	–	–
Short-term liquidity credits	–	–	–	–	–	–	–	–	–	–
Other credits	16.6	17.6	14.5	15.0	14.5	14.5	14.6	14.5	14.7	14.8
Reverse repo transactions	–	–	–	394.0	4,201.1	3,897.0	442.5	1,187.7	2,624.8	2,806.6
4.2. Overdue claims	1.9	0.3	3.1	–	–	–	0.2	–	–	–
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	39,556.6	42,187.7	51,185.6	49,868.5	59,153.0	68,064.6	68,154.3	71,527.0	72,982.8	72,842.1
LIABILITIES										
1. Reserve money	17,803.2	23,027.9	30,586.2	33,924.4	40,390.8	46,331.2	43,729.2	44,284.7	45,565.2	45,589.9
1.1. Currency outside banks	8,507.4	9,680.9	10,573.1	10,955.6	12,163.8	14,609.3	13,887.0	13,962.2	14,381.9	14,703.9
1.2. Banks' cash in vaults	538.8	1,214.8	1,683.2	1,871.0	2,210.7	2,698.0	2,148.0	2,395.8	2,318.8	2,537.2
1.3. Banks' deposits	8,741.5	12,109.4	18,329.3	21,082.6	26,016.3	29,023.9	27,694.1	27,926.7	28,864.5	28,348.8
Settlement accounts	2,450.1	3,923.4	5,616.0	6,408.2	8,411.1	8,535.7	6,888.2	6,763.6	7,652.1	6,970.6
Statutory reserves	6,291.4	8,186.0	12,603.9	14,674.4	17,605.2	20,478.2	20,791.9	21,163.1	21,212.4	21,378.1
CNB bills on obligatory basis	–	–	109.4	–	–	–	–	–	–	0.0
Overnight deposits	–	–	–	–	–	10.0	14.0	0.0	–	–
1.4. Deposits of other banking institutions	15.5	19.1	–	–	–	–	–	–	–	–
1.5. Deposits of other domestic sectors ²	0.1	3.5	0.6	15.1	–	–	–	–	–	–
2. Restricted and blocked deposits	6,030.5	7,091.2	6,699.2	10,777.1	13,551.8	16,633.5	18,787.0	21,536.7	21,683.8	21,666.5
2.1. Statutory reserve in f/c	5,705.1	7,042.3	6,686.6	10,764.7	13,495.9	16,576.7	18,720.5	21,473.7	21,616.1	21,598.5
2.2. Restricted deposits	325.4	49.0	12.6	12.4	55.9	56.9	66.4	63.0	67.7	68.1
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,597.5	195.7	2,798.0	18.1	18.9	18.9	19.1	17.0	15.7	14.0
3.1. Use of IMF credit	1,025.5	2.8	0.0	–	–	–	–	–	–	–
3.2. Liabilities to international organisations	12.2	12.6	19.6	18.1	18.9	18.9	19.1	17.0	15.7	14.0
3.3. Liabilities to foreign banks ³	559.8	180.2	2,778.5	–	–	–	–	–	–	–
4. Central government and funds' deposits	1,752.1	768.1	1,551.1	263.2	332.2	188.0	252.1	472.3	175.0	238.1
4.1. Demand deposits	1,752.1	608.3	600.2	228.0	319.0	174.5	218.9	439.6	143.3	206.5
Central government demand deposits	1,564.8	569.5	548.5	123.0	246.3	138.6	169.3	333.3	134.1	177.3
Central government funds' demand deposits	187.3	38.7	51.7	105.0	72.7	35.9	49.6	106.3	9.1	29.2
4.2. Central government f/c deposits	–	–	950.9	35.2	13.2	13.5	33.2	32.7	31.8	31.7
4.3. CNB bills	–	159.9	–	–	–	–	–	–	–	–
5. CNB bills	6,372.3	6,212.4	4,920.2	–	–	–	–	–	–	–
5.1. CNB bills in kuna	3,458.9	4,986.2	–	–	–	–	–	–	–	–
5.2. CNB bills in f/c	2,913.4	1,226.3	4,920.2	–	–	–	–	–	–	–
6. Capital accounts	6,425.2	5,353.5	5,039.0	5,096.5	5,357.4	5,408.8	5,889.9	5,741.0	6,066.1	5,855.6
7. Other items (net)	–424.2	–461.1	–408.1	–210.8	–498.2	–515.8	–522.8	–524.8	–523.0	–522.1
Total (1+2+3+4+5+6+7)	39,556.6	42,187.7	51,185.6	49,868.5	59,153.0	68,064.6	68,154.3	71,527.0	72,982.8	72,842.1

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

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

Table C1: Monetary Authorities Accounts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table D1: Banks' Accounts

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
ASSETS										
1. Reserves with the CNB	15,002.7	20,373.5	26,783.7	33,718.2	41,775.2	48,384.7	48,561.7	51,804.1	52,798.5	52,483.4
1.1. In kuna	9,306.2	13,340.0	20,103.4	22,962.9	28,283.1	31,814.1	29,848.7	30,335.0	31,188.9	30,892.3
1.2. In f/c	5,696.5	7,033.5	6,680.2	10,755.3	13,492.1	16,570.6	18,713.0	21,469.1	21,609.6	21,591.1
2. Foreign assets	32,807.6	25,977.8	35,382.9	43,551.0	35,572.5	39,621.2	38,471.0	35,827.9	35,925.8	34,779.8
3. Claims on central government and funds	20,059.9	21,917.7	21,543.6	21,051.3	28,877.2	27,936.8	28,193.8	27,215.0	28,349.3	26,826.9
4. Claims on other domestic sectors	74,283.8	96,218.4	110,374.3	125,707.9	147,340.9	180,967.8	182,556.2	184,661.0	189,674.0	192,211.2
4.1. Claims on local government	1,280.0	1,422.4	1,563.1	1,787.9	1,767.2	1,892.0	1,917.7	1,942.8	1,902.7	1,879.2
4.2. Claims on enterprises	42,882.0	51,723.4	53,809.8	58,643.3	67,017.9	83,386.5	83,631.9	84,570.9	87,190.4	88,379.1
4.3. Claims on households	30,121.9	43,072.6	55,001.4	65,276.7	78,555.7	95,689.3	97,006.6	98,147.3	100,580.9	101,952.9
5. Claims on other banking institutions	170.2	219.5	431.8	624.0	592.2	1,029.5	559.2	659.9	675.0	813.7
6. Claims on non-banking financial institutions	281.4	915.3	761.8	893.9	1,161.8	1,315.1	1,143.4	1,130.1	1,169.3	1,043.6
Total (1+2+3+4+5+6)	142,605.6	165,622.2	195,278.0	225,546.2	255,319.8	299,258.1	299,485.4	301,298.1	308,591.8	308,158.6
LIABILITIES										
1. Demand deposits	15,180.6	21,166.2	23,315.0	23,591.3	26,653.3	33,911.7	32,078.5	31,448.6	32,371.4	33,148.4
2. Savings and time deposits	10,213.1	13,001.1	18,370.7	22,479.2	27,992.1	44,836.8	45,964.9	46,568.7	46,765.9	47,247.1
3. Foreign currency deposits	71,836.9	72,054.6	76,035.3	81,742.9	86,760.8	88,256.7	90,133.9	89,601.2	90,699.6	90,932.6
4. Bonds and money market instruments	317.8	216.3	598.4	1,163.5	1,077.0	844.1	963.6	1,117.7	802.7	1,022.1
5. Foreign liabilities	21,857.8	35,023.5	49,932.0	61,163.7	67,112.3	76,076.0	77,857.0	78,149.9	77,065.5	74,085.3
6. Central government and funds' deposits	5,634.7	6,094.9	5,283.3	6,821.8	9,287.0	10,800.4	10,434.9	10,950.9	10,513.4	11,745.4
7. Credit from central bank	16.6	17.6	968.9	408.9	4,215.6	3,911.4	457.1	1,202.2	2,639.5	2,821.4
8. Restricted and blocked deposits	1,600.8	1,680.5	1,709.0	2,054.6	2,036.4	2,447.6	2,472.9	2,511.3	2,685.7	2,527.9
9. Capital accounts	25,455.1	26,323.2	27,389.5	28,666.4	32,665.7	40,805.1	41,687.4	42,036.6	45,886.2	46,653.5
10. Other items (net)	-9,507.8	-9,955.6	-8,324.2	-2,546.3	-2,480.4	-2,631.7	-2,564.6	-2,289.3	-838.2	-2,025.1
Total (1+2+3+4+5+6+7+8+9+10)	142,605.6	165,622.2	195,278.0	225,546.2	255,319.8	299,258.1	299,485.4	301,298.1	308,591.8	308,158.6

Table D1: Banks' Accounts

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

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

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

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

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

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

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

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

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

time and notice deposits.

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

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

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

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

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

Capital accounts are share capital, profit or loss for the previous and current year, retained earnings (loss), legal reserves, reserves provided for by the articles of association and other capital reserves, hedging reserves, unrealised gains (losses) from financial assets clas-

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

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

Tables: D2 – D12

This group of tables (with the exception of Table D5) represents an elaborate presentation of appropriate items of claims and liabilities of Banks' Accounts (Table D1).

Table D2: Banks' Foreign Assets

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

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

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

Table D2: Banks' Foreign Assets

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Foreign assets in f/c	32,763.6	25,924.4	35,261.9	43,428.1	35,457.9	39,454.5	38,262.2	35,667.7	35,731.3	34,473.5
1.1. Claims on foreign financial institutions	31,660.3	21,333.5	31,877.6	35,911.0	27,228.5	30,404.1	29,103.1	26,955.7	26,688.4	25,606.7
Foreign currencies	7,324.7	1,019.8	1,268.6	1,190.0	1,136.1	1,232.1	984.7	979.0	1,022.9	1,202.8
Demand deposits	1,231.9	757.7	1,057.0	906.2	860.2	870.1	890.5	1,270.8	930.6	1,194.7
Time and notice deposits	21,765.2	17,569.8	27,969.4	30,943.7	20,874.6	23,509.4	22,991.8	20,344.6	20,355.5	18,877.0
Securities	1,008.5	1,690.2	1,364.2	2,674.1	4,197.0	4,441.5	3,879.9	4,099.4	4,099.5	4,085.6
Loans and advances	290.3	278.7	203.1	189.0	152.9	339.2	344.4	250.1	268.0	234.8
Shares and participations	39.7	17.2	15.4	8.1	7.8	11.8	11.8	11.8	11.8	11.8
1.2. Claims on foreign non-banks	1,103.3	4,590.8	3,384.4	7,517.1	8,229.4	9,050.4	9,159.1	8,711.9	9,042.9	8,866.8
Claims on foreign governments	596.2	3,855.5	2,905.0	7,066.6	7,735.7	8,217.0	8,258.1	7,803.5	8,067.5	7,881.9
Claims on other non-residents	505.5	733.7	478.9	450.2	493.1	798.1	860.8	867.3	933.5	961.8
Securities	72.1	191.3	32.1	77.4	68.0	141.5	144.7	156.1	180.7	174.8
Loans and advances	433.4	542.4	446.8	372.8	425.2	656.6	716.1	711.2	752.8	787.0
Shares and participations	1.6	1.6	0.4	0.3	0.5	35.3	40.2	41.1	41.9	23.1
2. Foreign assets in kuna	44.1	53.4	120.9	122.9	114.6	166.7	208.8	160.2	194.5	306.3
2.1. Claims on foreign financial institutions	29.2	19.6	99.1	77.8	71.3	96.9	138.0	88.1	120.8	232.9
2.2. Claims on foreign non-banks	14.8	33.8	21.9	45.1	43.4	69.8	70.8	72.1	73.6	73.5
o/w: Loans and advances	13.9	33.0	21.0	44.3	42.6	69.2	70.2	71.5	73.0	72.8
Total (1+2)	32,807.6	25,977.8	35,382.9	43,551.0	35,572.5	39,621.2	38,471.0	35,827.9	35,925.8	34,779.8

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

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. In kuna	17,778.7	18,444.4	18,007.1	16,270.2	20,532.7	22,703.0	23,019.3	22,069.8	23,159.6	21,659.7
1.1. Claims on central government	16,230.2	16,443.4	16,032.6	14,465.6	17,352.6	18,361.2	18,660.6	17,818.9	18,665.8	17,028.6
Securities	15,403.2	13,989.1	11,770.0	11,779.1	16,037.7	14,546.7	15,322.6	15,215.6	15,839.5	14,435.4
o/w: Bonds (c'part to f/c savings deposits)	3,420.1	2,473.5	1,531.9	532.0	20.6	8.3	7.8	7.2	6.6	6.2
Loans and advances	826.9	2,454.3	4,262.6	2,686.5	1,314.9	3,814.5	3,338.0	2,603.3	2,826.4	2,593.2
1.2. Claims on central government funds	1,548.5	2,001.0	1,974.5	1,804.6	3,180.1	4,341.9	4,358.7	4,250.9	4,493.8	4,631.2
Securities	560.1	560.7	723.6	621.1	–	–	–	–	1.7	1.4
Loans and advances	988.4	1,440.3	1,250.9	1,183.5	3,180.1	4,341.9	4,358.7	4,250.9	4,492.0	4,629.7
2. In f/c	2,281.2	3,473.3	3,536.4	4,781.1	8,344.5	5,233.8	5,174.5	5,145.2	5,189.7	5,167.1
2.1. Claims on central government	1,390.9	2,359.1	3,196.9	3,548.4	7,241.0	4,624.4	4,589.8	4,562.4	4,604.3	4,574.4
Securities	1,065.5	1,733.4	1,805.4	1,117.0	1,248.1	429.0	399.1	394.2	393.5	279.1
Loans and advances	325.5	625.7	1,391.5	2,431.3	5,992.8	4,195.4	4,190.7	4,168.3	4,210.8	4,295.3
2.2. Claims on central government funds	890.3	1,114.2	339.5	1,232.8	1,103.5	609.4	584.7	582.8	585.4	592.7
Securities	75.4	195.0	96.4	163.1	144.2	109.2	109.1	109.2	109.5	111.0
Loans and advances	814.8	919.2	243.1	1,069.7	959.3	500.2	475.6	473.6	475.9	481.7
Total (1+2)	20,059.9	21,917.7	21,543.6	21,051.3	28,877.2	27,936.8	28,193.8	27,215.0	28,349.3	26,826.9

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

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

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

Table D4: Banks' Claims on Other Domestic Sectors

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Claims in kuna	66,626.8	85,418.7	100,365.0	114,635.7	133,603.5	166,755.1	168,199.6	170,398.6	175,605.5	178,100.4
1.1. Money market instruments	544.7	1,394.7	1,314.1	2,510.0	2,329.9	1,980.7	1,904.3	1,889.5	1,902.5	1,877.6
1.2. Bonds	7.7	72.4	56.2	559.8	361.6	1,088.8	1,081.3	1,120.9	1,102.8	1,120.8
1.3. Loans and advances	62,180.6	80,887.6	96,081.7	109,523.9	128,882.3	161,694.2	163,205.5	165,369.7	170,520.1	173,035.3
1.4. Shares and participations	3,893.8	3,064.0	2,912.9	2,042.0	2,029.6	1,991.4	2,008.6	2,018.6	2,080.0	2,066.6
2. Claims in f/c	7,657.0	10,799.8	10,009.3	11,072.2	13,737.4	14,212.8	14,356.6	14,262.4	14,068.5	14,110.8
2.1. Securities	126.6	243.2	130.6	213.5	307.6	221.1	218.5	210.7	214.8	211.2
2.2. Loans and advances	7,530.5	10,556.6	9,878.7	10,858.6	13,429.8	13,991.6	14,138.1	14,051.7	13,853.7	13,899.6
Total (1+2)	74,283.8	96,218.4	110,374.3	125,707.9	147,340.9	180,967.8	182,556.2	184,661.0	189,674.0	192,211.2

Table D4: Banks' Claims on Other Domestic Sectors

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

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

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

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

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
LOANS IN KUNA										
1. Loans to central government and funds	1,815.4	3,894.6	5,513.5	3,870.0	4,495.0	8,156.4	7,696.7	6,854.2	7,318.4	7,222.9
1.1. Loans to central government	826.9	2,454.3	4,262.6	2,686.5	1,314.9	3,814.5	3,338.0	2,603.3	2,826.4	2,593.2
1.2. Loans to central government funds	988.4	1,440.3	1,250.9	1,183.5	3,180.1	4,341.9	4,358.7	4,250.9	4,492.0	4,629.7
2. Loans to local government	1,069.1	1,202.9	1,485.1	1,701.9	1,613.9	1,720.3	1,737.8	1,774.4	1,728.4	1,703.6
3. Loans to enterprises	31,049.4	36,708.1	39,777.4	42,844.7	49,105.9	64,669.3	64,853.2	65,851.0	68,619.5	69,790.3
4. Loans to households	30,062.1	42,976.6	54,819.3	64,977.2	78,162.4	95,307.6	96,614.5	97,744.3	100,172.2	101,541.4
o/w: Housing loans	9,450.0	12,363.4	16,896.2	21,397.9	27,571.1	36,927.3	37,597.9	38,233.5	39,266.0	39,821.5
5. Loans to other banking institutions	34.7	17.6	82.3	154.5	46.5	304.4	96.6	194.6	100.5	277.0
6. Loans to non-banking financial institutions	240.9	521.3	427.9	558.0	591.8	851.4	611.1	620.7	675.0	618.1
A. Total (1+2+3+4+5+6)	64,271.6	85,321.1	102,105.4	114,106.4	134,015.6	171,009.4	171,609.8	173,039.2	178,614.0	181,153.3
LOANS IN F/C										
1. Loans to central government and funds	1,140.3	1,544.9	1,634.7	3,501.0	6,952.1	4,695.6	4,666.4	4,641.8	4,686.7	4,777.0
1.1. Loans to central government	325.5	625.7	1,391.5	2,431.3	5,992.8	4,195.4	4,190.7	4,168.3	4,210.8	4,295.3
1.2. Loans to central government funds	814.8	919.2	243.1	1,069.7	959.3	500.2	475.6	473.6	475.9	481.7
2. Loans to local government	179.1	152.3	47.1	31.9	63.0	11.3	10.1	10.0	10.1	10.1
3. Loans to enterprises	7,291.7	10,308.3	9,649.4	10,527.3	12,973.5	13,598.5	13,736.0	13,638.7	13,435.0	13,478.1
4. Loans to households	59.7	96.0	182.1	299.5	393.3	381.8	392.1	403.0	408.7	411.4
5. Loans to other banking institutions	–	1.2	174.3	52.9	19.9	68.1	133.6	128.7	220.5	150.3
6. Loans to non-banking financial institutions	–	28.3	58.8	255.3	512.3	360.5	425.5	398.0	378.0	301.4
B. Total (1+2+3+4+5+6)	8,670.7	12,131.0	11,746.4	14,667.8	20,914.1	19,115.9	19,363.6	19,220.2	19,139.0	19,128.3
TOTAL (A+B)	72,942.3	97,452.1	113,851.8	128,774.2	154,929.7	190,125.3	190,973.4	192,259.4	197,753.0	200,281.7

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

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

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

Table D6: Demand Deposits with Banks

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Local government	907.0	1,910.4	2,006.2	2,020.7	1,688.7	1,803.8	1,550.2	1,483.0	1,528.8	1,718.1
2. Enterprises	8,981.6	12,344.5	12,872.9	12,036.9	13,344.2	16,668.6	14,691.2	13,974.3	14,586.5	14,614.2
3. Households	4,872.0	6,307.4	7,873.1	8,773.0	10,728.3	14,257.8	14,191.0	14,477.3	14,813.8	15,219.0
4. Other banking institutions	17.0	42.1	98.9	245.4	322.1	485.1	579.1	508.4	446.3	466.2
5. Non-banking financial institutions	407.1	568.1	468.1	517.5	571.3	697.6	1,067.8	1,006.7	996.8	1,132.9
6. Less: Checks of other banks and checks in collection	-4.2	-6.4	-4.2	-2.2	-1.3	-1.2	-0.8	-1.0	-0.8	-2.0
Total (1+2+3+4+5+6)	15,180.6	21,166.2	23,315.0	23,591.3	26,653.3	33,911.7	32,078.5	31,448.6	32,371.4	33,148.4

Table D6: Demand Deposits with Banks

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

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

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

Table D7: Time and Savings Deposits with Banks

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Savings deposits	2,006.8	2,236.2	2,527.9	2,233.9	2,493.6	2,905.6	2,874.7	2,920.4	2,919.9	2,933.5
1.1. Local government	118.3	14.8	14.4	4.6	2.7	2.8	2.5	2.6	2.9	2.9
1.2. Enterprises	88.0	213.3	190.5	38.8	101.6	110.3	94.2	105.2	131.9	135.2
1.3. Households	1,712.2	1,996.3	2,288.8	2,190.5	2,388.3	2,792.4	2,778.0	2,812.5	2,785.0	2,795.3
1.4. Other banking institutions	20.8	0.0	–	–	–	–	–	–	–	–
1.5. Non-banking financial institutions	67.5	11.8	34.2	0.0	1.0	0.0	0.0	0.1	0.1	0.1
2. Time and notice deposits	8,206.3	10,764.9	15,842.9	20,245.4	25,498.4	41,931.3	43,090.2	43,648.3	43,846.0	44,313.6
2.1. Local government	340.7	482.8	551.6	550.8	508.7	491.8	871.0	917.3	865.8	921.0
2.2. Enterprises	3,618.3	4,633.6	7,165.3	8,698.5	8,222.5	14,715.4	15,490.8	16,008.9	15,837.4	15,930.9
2.3. Households	2,554.1	3,793.8	6,194.5	9,321.4	13,254.9	20,755.0	20,691.9	20,322.2	20,052.5	19,788.8
2.4. Other banking institutions	24.7	58.4	129.3	215.9	931.9	2,697.9	2,923.2	3,372.0	4,092.5	4,360.3
2.5. Non-banking financial institutions	1,668.5	1,796.3	1,802.2	1,458.8	2,580.4	3,271.3	3,113.3	3,027.8	2,997.7	3,312.6
Total (1+2)	10,213.1	13,001.1	18,370.7	22,479.2	27,992.1	44,836.8	45,964.9	46,568.7	46,765.9	47,247.1

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

	2001	2002	2003	2004	2005	2006				2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Savings deposits	23,748.8	21,074.4	21,547.0	22,144.6	22,641.0	21,770.9	21,866.3	23,790.7	22,698.6	22,545.7	22,142.6	22,177.8	21,766.5
1.1. Local government	13.2	12.2	14.7	15.6	11.9	10.7	18.0	16.8	30.8	17.1	12.5	13.5	13.5
1.2. Enterprises	2,884.2	3,346.7	3,620.2	4,273.2	4,408.3	4,083.8	4,378.8	4,861.9	4,589.7	4,664.6	4,550.9	4,625.3	4,367.8
1.3. Households	20,688.3	17,537.3	17,690.2	17,708.9	17,933.6	17,500.3	17,196.2	18,527.3	17,609.9	17,360.5	17,030.2	16,970.0	16,824.4
1.4. Other banking institutions	23.9	34.7	9.0	15.4	116.0	33.5	80.9	171.5	276.7	146.9	195.3	170.1	237.2
1.5. Non-banking financial institutions	139.2	143.5	212.9	131.6	171.3	142.5	192.4	213.2	191.4	356.5	353.7	399.0	323.6
2. Time deposits	48,088.1	50,980.3	54,488.4	59,598.3	64,119.7	60,655.7	59,153.1	61,382.4	65,558.1	67,588.2	67,458.6	68,521.8	69,166.1
2.1. Local government	1.7	9.5	3.8	0.3	3.2	2.0	2.0	2.0	1.9	2.2	2.2	2.2	2.2
2.2. Enterprises	4,619.1	6,009.6	7,154.0	8,518.6	8,154.2	5,807.5	5,316.5	6,336.5	7,086.2	7,307.6	7,099.6	7,210.4	7,196.8
2.3. Households	42,705.4	44,159.2	46,805.1	50,636.0	55,036.1	54,312.5	53,303.1	53,860.0	57,210.8	58,756.9	59,099.0	59,952.2	60,283.3
2.4. Other banking institutions	11.5	41.5	21.7	20.7	242.0	137.8	75.9	241.1	366.2	535.6	383.2	449.3	422.0
2.5. Non-banking financial institutions	750.3	760.5	503.7	422.7	684.2	395.7	455.7	942.7	892.9	985.9	874.6	907.7	1,261.8
Total (1+2)	71,836.9	72,054.6	76,035.3	81,742.9	86,760.8	82,426.5	81,019.5	85,173.0	88,256.7	90,133.9	89,601.2	90,699.6	90,932.6

Table D8: Foreign Currency Deposits with Banks

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

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

Table D9: Bonds and Money Market Instruments

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Money market instruments (net)	–	5.1	–	–	–	0.8	0.8	0.8	0.8	0.8
2. Bonds (net)	104.4	92.8	151.9	170.5	164.9	340.9	379.6	377.0	395.2	385.0
3. Other domestic borrowing	213.4	118.4	446.5	993.0	912.1	502.5	583.2	739.9	406.7	636.3
3.1. Local government	–	–	0.9	–	–	–	–	–	–	–
3.2. Enterprises	158.1	46.3	92.7	40.3	40.8	0.0	23.6	23.6	44.2	233.9
3.3. Other banking institutions	4.6	10.0	222.1	842.8	828.1	492.8	238.8	395.2	321.2	359.2
3.4. Non-banking financial institutions	50.7	62.0	130.9	109.9	43.2	9.6	320.8	321.1	41.3	43.2
Total (1+2+3)	317.8	216.3	598.4	1,163.5	1,077.0	844.1	963.6	1,117.7	802.7	1,022.1

Table D9: Bonds and Money Market Instruments

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

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

rities issued.

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

Other domestic borrowing comprises loans received, reported total and classified by institutional sectors.

Table D10: Banks' Foreign Liabilities

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Foreign liabilities in f/c	21,692.7	34,198.5	44,574.3	54,536.7	52,073.3	55,114.3	55,854.0	55,818.5	55,275.1	52,710.5
1.1. Liabilities to foreign financial institutions	16,407.4	28,662.3	38,623.1	48,967.5	45,747.7	48,561.3	49,411.9	49,272.7	48,641.3	45,722.1
Demand deposits	147.1	130.9	266.6	127.6	156.3	195.0	108.3	124.7	149.5	168.5
Time and notice deposits	1,208.3	9,002.9	14,875.4	16,056.8	12,523.1	12,174.1	12,669.7	12,479.9	13,011.8	11,081.8
Loans and advances	15,052.1	19,528.5	23,481.2	29,369.5	29,775.6	32,903.9	33,328.1	33,374.5	32,169.3	31,164.9
o/w: Subordinated and hybrid instruments	2,558.3	2,801.4	2,949.2	2,399.4	1,167.4	820.7	823.9	820.7	824.9	823.8
Bonds	–	–	–	3,413.6	3,292.6	3,288.3	3,305.8	3,293.5	3,310.7	3,306.9
1.2. Liabilities to foreign non-banks	5,285.2	5,536.2	5,951.2	5,569.2	6,325.6	6,553.0	6,442.2	6,545.8	6,633.8	6,988.4
Savings and time deposits	3,777.8	4,160.2	4,753.2	5,002.2	5,846.3	6,192.4	6,128.0	6,234.4	6,322.7	6,679.6
Sight deposits	873.7	875.6	898.6	1,052.5	1,172.9	1,635.8	1,379.5	1,350.6	1,393.4	1,543.7
Time and notice deposits	2,904.1	3,284.6	3,854.6	3,949.6	4,673.4	4,556.7	4,748.5	4,883.8	4,929.3	5,135.9
Loans and advances	1,507.4	1,376.0	1,198.0	567.1	479.3	360.5	314.2	311.5	311.1	308.8
o/w: Subordinated and hybrid instruments	39.3	39.7	39.1	0.2	–	–	–	–	–	–
2. Foreign liabilities in kuna	165.1	825.0	5,357.7	6,627.0	15,039.1	20,961.8	22,003.0	22,331.5	21,790.4	21,374.7
2.1. Liabilities to foreign financial institutions	46.9	690.9	5,087.8	6,103.9	14,099.6	20,087.0	21,129.5	21,448.3	20,961.5	20,583.3
Demand deposits	38.2	53.6	86.4	145.1	179.6	1,438.1	1,502.4	1,352.4	1,443.0	1,842.9
Time and notice deposits	4.2	635.8	2,664.1	2,846.9	6,979.5	11,198.8	13,438.7	14,444.8	14,949.2	14,184.1
Loans and advances	4.5	1.5	2,337.3	3,111.9	6,940.5	7,450.2	6,188.4	5,651.2	4,569.3	4,556.3
o/w: Subordinated and hybrid instruments	–	–	–	–	405.7	404.0	405.5	404.0	406.0	405.5
2.2. Liabilities to foreign non-banks	118.2	134.1	269.9	523.1	939.5	874.8	873.5	883.1	828.9	791.4
Demand deposits	60.1	56.2	76.8	95.9	180.3	170.1	298.0	326.2	274.9	280.5
Time and notice deposits	58.1	77.9	191.4	419.2	755.2	703.3	574.1	554.1	551.1	508.0
Loans and advances	–	–	1.7	8.0	4.0	1.4	1.4	2.9	2.9	2.9
o/w: Subordinated and hybrid instruments	....	....	1.7	8.0	4.0	1.4	1.4	2.9	2.9	2.9
Total (1+2)	21,857.8	35,023.5	49,932.0	61,163.7	67,112.3	76,076.0	77,857.0	78,149.9	77,065.5	74,085.3

Table D10: Banks' Foreign Liabilities

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

Banks' foreign liabilities comprise foreign currency liabilities and

foreign kuna liabilities.

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

Table D11: Central Government and Funds' Deposits with Banks

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. In kuna	3,335.1	4,036.8	4,104.4	5,627.2	7,596.1	9,030.0	8,824.7	9,540.8	9,097.7	10,463.0
1.1. Central government deposits	295.9	634.3	506.4	445.1	605.0	497.5	533.8	1,241.9	620.1	1,871.4
Demand deposits	33.9	476.4	448.0	373.3	458.1	366.2	401.1	398.0	430.6	438.2
Savings deposits	41.6	3.3	3.0	4.2	1.8	2.1	2.0	2.0	1.9	1.8
Time and notice deposits	217.6	153.6	54.2	66.5	144.0	128.1	129.6	840.9	186.5	1,430.3
Loans and advances	2.8	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0
1.2. Central government funds' deposits	3,039.2	3,402.5	3,598.0	5,182.2	6,991.1	8,532.6	8,290.8	8,298.8	8,477.5	8,591.6
Demand deposits	214.6	553.2	294.8	266.3	580.2	254.6	238.9	280.2	227.2	204.9
Savings deposits	10.8	0.0	0.3	3.5	1.9	14.6	4.4	4.4	4.4	4.3
Time and notice deposits	195.2	144.3	156.2	262.3	251.7	496.7	209.7	169.8	229.9	221.5
Loans and advances	2,618.6	2,705.0	3,146.7	4,650.0	6,157.3	7,766.7	7,837.9	7,844.5	8,016.0	8,160.8
2. In f/c	2,299.6	2,058.1	1,178.9	1,194.6	1,690.9	1,770.4	1,610.3	1,410.1	1,415.8	1,282.4
2.1. Central government deposits	2,275.0	1,938.9	1,158.2	891.0	906.2	811.7	733.4	735.2	760.3	766.1
Savings deposits	329.8	263.0	198.5	189.7	340.6	264.8	233.9	246.6	318.7	345.8
Time and notice deposits	55.8	293.1	–	23.2	38.7	275.0	256.8	251.3	205.1	189.4
Refinanced loans and advances	1,889.5	1,382.8	959.6	678.1	527.0	271.9	242.7	237.3	236.4	230.9
2.2. Central government funds' deposits	24.5	119.2	20.8	303.6	784.7	958.6	876.8	674.9	655.5	516.3
Savings deposits	22.9	114.1	20.8	156.5	139.4	93.4	156.6	82.3	104.7	63.3
Time and notice deposits	1.6	5.0	–	147.1	25.8	356.2	186.4	207.8	163.9	140.4
Loans	–	–	–	–	619.6	509.0	533.8	384.9	386.8	312.6
Total (1+2)	5,634.7	6,094.9	5,283.3	6,821.8	9,287.0	10,800.4	10,434.9	10,950.9	10,513.4	11,745.4

Table D11: Central Government and Funds' Deposits with Banks

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

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

Table D12: Restricted and Blocked Deposits with Banks

end of period, million kuna

	2001	2002	2003	2004	2005	2006			2007				
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Restricted deposits	830.6	1,361.2	1,541.2	2,014.6	2,036.4	2,318.6	2,269.6	2,546.9	2,447.6	2,472.9	2,511.3	2,685.7	2,527.9
1.1. In kuna	100.3	789.6	730.1	1,267.4	1,277.1	1,338.1	1,328.1	1,472.7	1,427.0	1,454.2	1,414.5	1,551.1	1,462.9
1.2. In f/c	730.3	571.6	811.1	747.2	759.3	980.5	941.6	1,074.3	1,020.5	1,018.7	1,096.8	1,134.6	1,065.0
2. Blocked f/c deposits of households	770.2	319.3	167.8	40.0	–	–	–	–	–	–	–	–	–
Total (1+2)	1,600.8	1,680.5	1,709.0	2,054.6	2,036.4	2,318.6	2,269.6	2,546.9	2,447.6	2,472.9	2,511.3	2,685.7	2,527.9

Table D12: Restricted and Blocked Deposits with Banks

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

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

foreign currency deposits.

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

Figure D1

DISTRIBUTION OF BANKS' LOANS BY DOMESTIC INSTITUTIONAL SECTORS

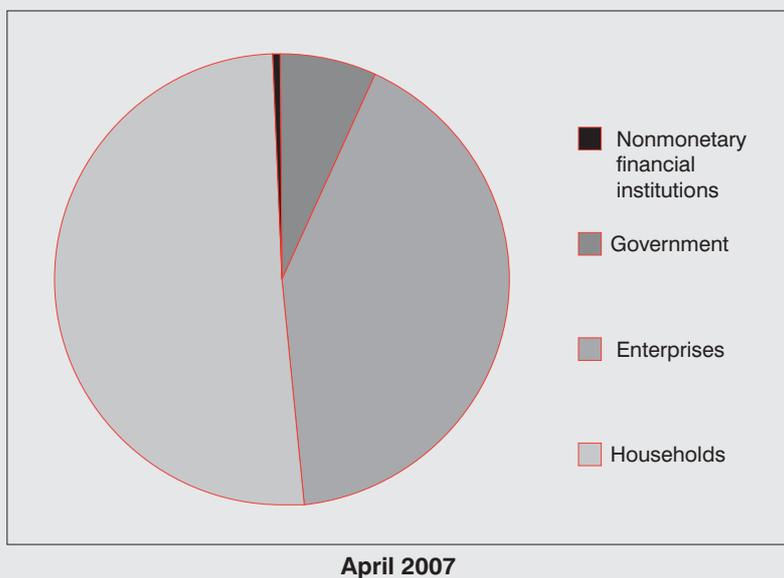
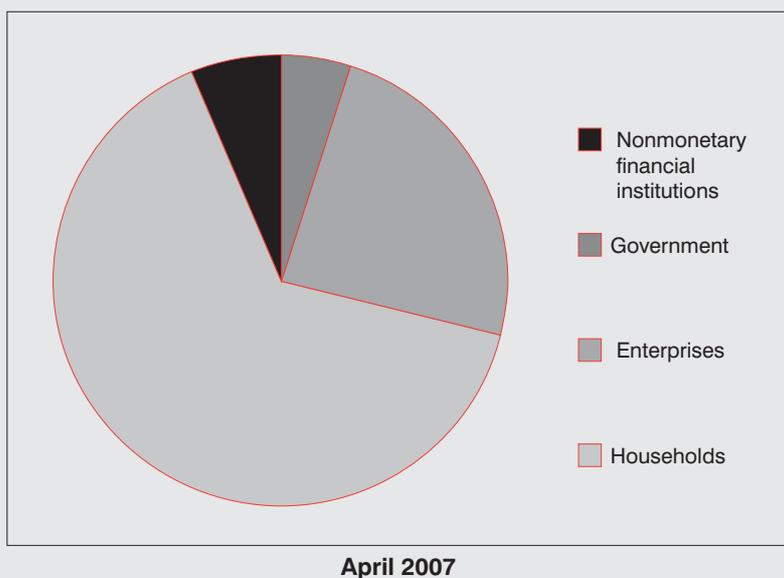


Figure D2

DISTRIBUTION OF BANKS' DEPOSITS BY DOMESTIC INSTITUTIONAL SECTORS



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

Table E1: Housing Savings Banks' Accounts

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
ASSETS										
1. Reserves with the CNB	15.5	19.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	1,208.8	1,983.9	3,033.5	3,779.1	4,274.3	4,674.8	4,595.3	4,434.1	4,350.3	4,272.1
3. Claims on other domestic sectors	11.6	93.3	187.9	373.2	575.5	1,296.0	1,353.7	1,405.6	1,492.0	1,561.6
o/w: Claims on households	11.6	91.3	187.9	373.2	575.5	1,296.0	1,353.7	1,405.6	1,492.0	1,561.6
4. Claims on banks	18.1	37.2	247.2	824.2	994.4	181.4	59.6	59.7	52.2	46.6
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	1,254.0	2,133.6	3,468.6	4,976.6	5,844.2	6,152.3	6,008.7	5,899.5	5,894.6	5,880.3
LIABILITIES										
1. Time deposits	1,137.5	2,012.9	3,265.2	4,728.2	5,514.7	5,803.6	5,711.4	5,579.7	5,588.1	5,577.6
2. Bonds and money market instruments	10.0	–	11.1	10.7	10.3	61.7	66.0	65.7	66.1	66.0
3. Capital accounts	124.0	141.1	159.7	206.7	258.0	244.7	237.1	230.6	223.0	235.7
4. Other items (net)	–17.5	–20.4	32.6	30.8	61.1	42.2	–5.9	23.4	17.5	1.0
Total (1+2+3+4)	1,254.0	2,133.6	3,468.6	4,976.6	5,844.2	6,152.3	6,008.7	5,899.5	5,894.6	5,880.3

Table E1: Housing Savings Banks' Accounts

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

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

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

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

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

lar operations with banks.

Claims on other banking institutions include investments in investment funds.

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

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

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

Table F1: Credit Rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	CNB discount rate	CNB repo rate ^b	Credit rates					
				On lombard credits ^b	On intervention credits	On intra-day refinance facility ^b	On short-term liquidity credits	On inaccurately calculated statutory reserves ^b	On arrears
1	2	3	4	5	6	7	8	9	10
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	May	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	June	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	July	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	August	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	September	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	October	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	November	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	December	4.50	3.50	7.50	–	–	8.50	15.00	15.00
2007	January	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	February	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	March	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	April	4.50	3.50	7.50	–	–	8.50	15.00	15.00

^a Weighted averages of weighted repo rates achieved at regular reverse repo auctions of the CNB in the reporting month.

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

^c Since 14 December 2005.

Table F1: Credit Rates of the Croatian National Bank

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

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

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

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

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

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

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

Table F2: Deposit Rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis ^a				Interest rates on f/c CNB bills on a voluntary basis					Interest rates on overnight deposits
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	December	5.15	–	9.00	12.00	14.00	–	–	–	–	–	–	–
1995	December	5.50	16.50	12.00	25.54	27.00	–	–	–	–	–	–	–
1996	December	5.50	–	–	8.00	9.50	–	–	–	–	–	–	–
1997	December	4.50	–	–	8.00	9.00	10.00	–	–	–	–	–	–
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–	–
2002	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–	–
2003	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–	–
2004	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2006	May	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	June	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	July	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	August	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	September	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	October	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	November	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2007	January	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	February	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	March	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	April	0.75	–	–	–	–	–	–	–	–	–	–	0.50

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

Table F2: Deposit Rates of the Croatian National Bank

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

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

Interest rates on CNB bills on an obligatory basis are set by a decision of the Council of the CNB. Interest rates on CNB bills on a voluntary basis are set at CNB bills' auction sales. Congruently, columns 5, 6 and 7 report weighted average interest rates attained at auctions of CNB bills.

From November 1994 through January 2001, columns 7 and 8 report interest rates on CNB bills on a voluntary basis due in 91 and 182 days respectively.

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

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

Table F3: Banks' Reserve Requirements

daily averages and percentages, million kuna and %

Year	Month	Weighted average res. requirement in % on res. base	Reserve requirement (RR)			Other obligatory deposits with the CNB	Statutory reserves deposited with the CNB		Weighted avg. remuneration rate on immobilized funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
1994	December	26.20	1,826.0	1,826.0	–	188.3	1,779.2	–	5.63	–
1995	December	30.90	2,431.8	2,431.8	–	826.5	2,215.9	–	7.93	–
1996	December	35.91	3,652.9	3,652.9	–	–	3,312.0	–	4.99	–
1997	December	32.02	4,348.8	4,348.8	–	–	3,914.2	–	4.05	–
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.06	....
2001	December	19.67	21,187.1	8,691.5	12,495.5	–	6,287.8	5,950.0	1.97	2.73
2002	December	19.00	25,985.1	11,447.1	14,538.0	–	8,156.7	7,139.9	1.72	2.16
2003	December	19.00	31,009.4	18,023.8	12,985.6	109.4	12,459.8	6,850.2	1.17	1.47
2004	December	18.00	33,615.7	20,040.9	13,574.8	430.1	14,664.1	10,171.3	1.22	1.36
2005	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	May	17.00	37,413.7	25,548.1	11,865.6	9,983.6	17,883.1	9,026.2	0.52	0.54
	June	17.00	37,852.6	26,033.4	11,819.2	10,560.0	18,223.0	9,006.0	0.52	0.75
	July	17.00	38,354.9	26,580.6	11,774.3	11,102.4	18,606.1	8,985.3	0.52	0.63
	August	17.00	38,710.4	27,188.0	11,522.5	10,154.3	19,031.3	8,725.3	0.52	0.63
	September	17.00	38,846.4	27,505.8	11,340.6	8,182.6	19,253.8	8,510.9	0.52	0.91
	October	17.00	39,293.6	27,951.4	11,342.1	6,324.0	19,565.8	8,450.1	0.52	0.91
	November	17.00	40,131.9	28,519.5	11,612.4	6,583.8	19,963.5	8,654.2	0.52	0.85
	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	January	17.00	41,476.3	29,458.6	12,017.7	8,882.2	20,612.0	8,995.3	0.52	0.80
	February	17.00	42,175.6	29,856.1	12,319.6	10,594.0	20,899.2	9,262.3	0.52	0.96
	March	17.00	42,639.1	30,136.3	12,502.8	12,195.6	21,095.3	9,415.0	0.52	0.79
	April	17.00	42,852.8	30,325.7	12,527.1	12,307.9	21,227.9	9,422.4	0.52	0.82

Table F3: Banks' Reserve Requirements

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

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

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

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

Column 6 shows the amount of foreign currency reserve requirements, i.e. the prescribed amount of funds banks are required to de-

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

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

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

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

Table F4: Banks' Liquidity Indicators

daily averages and percentages, million kuna and %

Year	Month	Free reserves		Primary liquidity ratio (in %)	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna MoF treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
1994	December	119.5	....	1.72	393.7	210.2	–	–
1995	December	49.4	....	0.63	199.4	218.7	–	–
1996	December	267.9	....	2.63	98.5	780.9	–	183.8
1997	December	396.3	....	2.92	32.7	728.9	–	260.7
1998	December	221.9	....	1.65	445.5	850.4	1,377.4	141.3
1999	December	179.6	....	1.30	1,183.6	1,311.1	1,507.6	373.9
2000	December	638.8	10,721.4	3.32	80.1	2,485.3	1,692.7	2,006.5
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,360.9
2002	December	1,225.0	10,398.0	3.53	0.6	4,965.5	1,273.9	4,279.5
2003	December	451.6	20,561.4	0.98	501.6	0.0	4,316.0	3,073.2
2004	December	1,495.5	26,126.1	2.64	0.0	0.0	0.0	4,581.7
2005	December	672.5	20,493.4	0.96	0.2	0.0	0.0	4,163.3
2006	May	423.1	12,282.9	0.53	0.0	0.0	0.0	5,417.2
	June	496.4	13,253.2	0.59	0.0	0.0	0.0	6,206.9
	July	496.9	12,721.5	0.57	0.0	0.0	0.0	5,560.5
	August	370.5	14,507.7	0.40	0.0	0.0	0.0	4,733.5
	September	308.9	17,278.4	0.32	0.0	0.0	0.0	5,322.3
	October	403.0	20,011.2	0.41	25.3	0.0	0.0	5,196.8
	November	483.8	20,020.1	0.49	0.0	0.0	0.0	6,912.6
	December	840.8	20,239.1	0.83	0.0	0.0	0.0	5,993.7
2007	January	560.9	19,754.3	0.55	0.1	0.0	0.0	6,830.1
	February	465.9	17,987.7	0.45	5.8	0.0	0.0	5,731.7
	March	599.2	17,066.6	0.58	5.7	0.0	0.0	4,954.9
	April	523.5	17,941.3	0.50	5.8	0.0	0.0	3,990.1

change funds of non-residents and foreign exchange funds received from legal persons in a special relationship with a bank amounts to 100%, while the percentage for allocating the remaining portion of the foreign currency component of reserve requirements amounts to 60%.

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

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

Table F4: Banks' Liquidity Indicators

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

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

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

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

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

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

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

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

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

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

Year	Month	Money market interest rates			Interest rates on kuna credits not indexed to foreign currency								
		On overnight credits	On other credits	Total average	On short-term credits						On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households	
							Total average	Credit lines	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	
1994	December	8.50	17.76	15.39	15.43	....	....	....	....	13.82	....	....
1995	December	27.26	27.15	22.32	22.56	22.23	23.81	23.75	25.58	13.48	13.39	14.38	
1996	December	9.66	10.72	18.46	19.35	19.18	20.18	19.90	23.12	11.51	11.29	14.28	
1997	December	8.46	9.49	14.06	14.12	13.17	19.26	19.34	18.11	13.24	12.98	13.75	
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16	
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16	
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97	
2001	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14	
2002	December	1.58	1.89	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88	
2003	December	5.47	7.02	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69	
2004	December	3.55	6.02	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16	
2005	December	2.29	3.61	9.91	9.99	7.71	11.26	13.18	5.35	8.75	6.48	10.35	
2006	May	1.69	3.36	10.17	10.34	7.27	12.20	13.68	4.41	9.20	6.46	10.29	
	June	1.50	3.46	9.88	10.13	7.18	12.37	13.36	4.54	8.51	6.05	9.93	
	July	1.51	3.41	9.98	10.25	7.08	12.47	13.60	4.18	8.43	5.96	9.98	
	August	1.96	3.06	9.83	10.01	7.05	11.78	13.21	4.25	8.69	6.16	10.04	
	September	2.34	3.26	9.45	9.62	7.14	11.00	13.44	4.59	8.52	5.97	9.91	
	October	2.13	3.43	9.61	9.86	6.94	11.60	13.54	4.58	8.12	6.09	9.75	
	November	1.23	3.32	9.50	9.78	6.69	12.28	13.51	4.63	8.05	6.32	9.43	
	December	2.02	3.52	9.07	9.37	6.75	11.84	13.21	4.67	7.53	5.86	9.44	
2007	January	1.79	3.57	9.56	9.72	6.92	11.96	13.10	4.54	8.54	6.35	9.45	
	February	2.19	3.79	9.59	9.83	7.03	12.10	13.18	4.71	8.40	6.79	9.39	
	March	2.68	3.60	8.99	9.45	6.68	12.14	13.17	4.82	7.44	5.79	9.17	
	April	3.24	3.76	9.36	9.64	6.80	12.22	13.16	5.08	8.11	6.38	9.07	
Relative significance ^a		–	–	81.76	66.92	31.83	35.09	31.01	4.08	14.84	5.28	9.57	

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

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

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

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

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

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

Up to February 1996, columns 3 and 4 showed interest rates on the interbank money market, according to information published by the Zagreb Money Market (ZMM). Starting from March 1996, interest rates on the money market are calculated as weighted monthly averages of weighted daily interest rates and shown separately for trad-

ing in overnight credits and trading in other credits on the ZMM. In the period between May 1998 and January 2001, the repayment of credits granted on the interbank overnight market was guaranteed by banks' required reserves with the CNB. Columns 5 through 13 show weighted averages of banks' and savings banks' monthly interest rates classified by maturity and sectors. Interest rates on short-term credits to enterprises also include interest rates on callable loans.

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

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

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

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

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros		
		Total average	On short-term credits				On long-term credits				Total average	On short-term credits	On long-term credits
			Total average	Enterprises	Households	Total average	Enterprises	Total average	Households	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	December	11.99	12.38	....	....	11.65	....	....	....	....	....	....	....
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18
2004	December	6.89	7.25	7.09	8.47	6.77	5.55	7.73	5.71	8.79	5.34	5.92	4.83
2005	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	May	6.33	6.73	6.71	6.86	6.26	5.45	6.82	4.81	8.01	5.58	5.58	5.57
	June	6.23	6.50	6.32	7.56	6.16	5.74	6.52	4.73	7.78	5.19	5.38	5.09
	July	6.01	6.00	5.82	7.30	6.01	5.64	6.29	4.74	7.60	5.31	5.57	5.16
	August	6.31	6.34	6.20	7.04	6.31	5.91	6.52	4.76	7.89	5.42	5.45	5.40
	September	6.40	6.31	6.09	7.36	6.42	5.80	6.73	4.86	8.15	5.22	5.24	5.19
	October	6.38	6.79	6.33	7.98	6.26	6.18	6.31	4.84	7.81	5.52	5.24	5.75
	November	6.20	5.99	5.74	7.33	6.26	6.14	6.33	4.74	7.74	6.08	5.95	6.33
	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	January	6.15	6.39	6.11	7.75	6.10	5.84	6.28	4.75	7.73	6.00	6.31	5.64
	February	6.31	6.33	6.06	7.60	6.31	6.11	6.40	4.80	7.80	6.01	6.05	5.93
	March	6.33	6.53	6.44	6.80	6.30	6.03	6.44	4.87	7.69	6.12	6.15	6.09
	April	6.11	6.69	6.51	7.15	6.01	5.93	6.06	4.85	7.39	6.15	6.17	6.12
Relative significance ^a		14.00	2.06	1.48	0.58	11.94	4.45	7.49	3.92	3.57	4.24	2.50	1.73

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

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

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

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

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

Data on banks' and savings banks' interest rates on kuna credits indexed to f/c and on credits in euros are based on banks' and savings

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

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

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

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

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

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

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	On time deposits						
				Total average	On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
1994	December	5.03	3.55	9.65	....	....	....	....	....	....
1995	December	6.10	3.88	13.65	13.80	10.56	14.28	9.88	10.67	9.62
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	December	1.58	0.61	3.36	3.34	3.89	3.23	4.12	5.04	3.49
2006	May	1.64	0.56	3.23	3.19	4.05	2.92	4.38	5.08	2.79
	June	1.69	0.55	3.27	3.24	3.78	3.03	4.29	4.94	2.95
	July	1.70	0.57	3.16	3.12	3.96	2.82	4.46	4.91	3.00
	August	1.76	0.55	3.13	3.10	3.92	2.89	4.09	4.94	2.77
	September	1.79	0.54	3.45	3.43	4.05	3.27	4.04	4.82	2.60
	October	1.85	0.55	3.53	3.51	4.10	3.33	4.36	4.80	3.13
	November	1.88	0.55	3.10	2.92	3.99	2.55	3.92	4.79	3.82
	December	1.91	0.56	2.98	2.94	4.10	2.69	4.32	4.98	3.11
2007	January	2.06	0.54	3.56	3.43	4.15	3.12	4.07	4.72	3.97
	February	2.07	0.53	3.46	3.41	4.13	3.12	4.46	4.85	3.65
	March	2.05	0.54	3.48	3.34	4.04	3.10	4.13	4.82	4.02
	April	2.06	0.54	3.58	3.44	4.03	3.24	4.28	5.20	4.14
Relative significance ^a		55.36	35.43	16.29	13.52	3.39	10.13	2.77	0.38	2.39

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

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

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

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

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

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

Column 3 reports weighted averages of monthly interest rates on total kuna deposits (giro and current accounts, household savings deposits and time deposits) not indexed to f/c. Column 4 shows

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

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

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

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

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

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

Year	Month	Interest rates on savings and time deposits indexed to f/c				Interest rates on foreign currency deposits					
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits					
						Total average	Households		Enterprises		
							EUR	USD	EUR	USD	
1	2	3	4	5	6	7	8	9	10	11	
1994	December	6.95	....	....	....	....	....	....	....	....
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53	
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39	
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40	
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74	
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30	
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29	
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40	
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38	
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15	
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21	
2005	December	3.99	3.63	4.77	2.61	0.27	0.27	0.17	0.27	0.76	
2006	May	4.05	3.70	4.61	2.60	0.26	0.24	0.17	0.31	0.76	
	June	4.43	3.96	4.77	2.72	0.25	0.24	0.17	0.30	0.72	
	July	4.08	3.80	4.70	2.72	0.26	0.24	0.17	0.31	0.76	
	August	4.37	3.86	4.77	2.72	0.25	0.23	0.16	0.30	0.58	
	September	4.46	3.88	5.05	2.78	0.25	0.23	0.16	0.33	0.63	
	October	4.21	3.50	5.66	2.87	0.26	0.23	0.17	0.36	0.69	
	November	3.66	3.52	3.36	2.91	0.25	0.23	0.17	0.34	0.59	
	December	3.67	3.30	4.07	2.94	0.25	0.23	0.17	0.32	0.44	
2007	January	3.85	3.98	4.22	2.99	0.25	0.23	0.16	0.37	0.40	
	February	3.96	3.56	4.31	3.01	0.25	0.23	0.17	0.34	0.46	
	March	4.15	3.52	4.46	3.04	0.25	0.23	0.16	0.33	0.45	
	April	3.85 ^b	3.54	4.37	3.13	0.25	0.23	0.16	0.35	0.43	
Relative significance ^a		1.34	1.13	0.20	43.30	24.35	17.26	2.38	4.10	0.62	

^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, 20.12 percent refers to enterprises.

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

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

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

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

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

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

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

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

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

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

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

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

Relative significance of particular interest rates (reported in the

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

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

Year	Month	Interest rates on foreign currency deposits											
		On time deposits										Total average	
		On short-term deposits				On long-term deposits							
		Households		Enterprises		Households		Enterprises		EUR	USD		EUR	USD
1	2	12	13	14	15	16	17	18	19	20	21	22	
1994	December	....	....	....	....	....	....	....	....	....	....	....	....
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50	
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50	
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76	
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92	
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77	
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53	
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23	
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30	
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64	
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65	
2005	December	3.07	2.94	2.99	1.76	2.63	4.34	3.69	4.25	0.48	4.39	-	
2006	May	3.35	3.33	2.98	1.80	3.30	5.31	3.50	3.89	1.22	2.80	6.22	
	June	3.40	3.31	2.95	1.86	3.44	5.58	4.15	4.35	2.58	4.59	3.37	
	July	3.46	3.33	3.04	1.81	3.53	5.83	4.42	4.49	3.54	3.85	5.19	
	August	3.59	3.49	3.06	1.81	3.62	5.57	4.38	4.43	3.77	3.98	6.30	
	September	3.53	3.50	3.09	1.89	3.83	5.66	3.74	4.55	1.01	4.06	-	
	October	3.71	3.63	3.19	2.02	3.99	5.68	4.25	4.58	2.07	4.37	6.86	
	November	3.77	3.69	3.20	2.03	4.09	5.68	4.31	4.62	1.79	4.34	4.89	
	December	3.82	3.76	3.16	2.05	4.24	5.84	4.25	4.47	2.26	4.79	4.61	
2007	January	3.80	3.71	3.19	2.14	4.39	5.78	4.44	4.51	3.32	3.79	6.29	
	February	3.86	3.77	3.21	2.15	4.50	5.88	4.45	4.54	3.97	2.65	2.00	
	March	3.87	3.77	3.16	2.08	4.59	5.89	4.47	4.56	3.71	3.95	1.81	
	April	3.92	3.84	3.16	2.10	4.74	5.96	4.53	4.59	3.89	4.24	-	
Relative significance ^a		18.95	16.68	9.16	0.70	5.78	1.04	2.27	2.07	0.19	0.01	-	

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

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

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

Table G5: Banks' Trade with Foreign Exchange

million euros, current exchange rate

	2001	2002	2003	2004	2005	2006	2007				
							Jan.	Feb.	Mar.	Apr.	May ^a
A. Purchase of foreign exchange											
1. Legal persons	5,012.4	4,727.8	6,433.1	7,465.3	8,443.5	14,442.7	2,055.5	1,157.5	1,362.0	1,534.5	1,947.7
2. Natural persons	3,339.9	3,342.6	3,571.6	3,934.4	4,931.8	6,262.7	376.1	403.3	418.0	634.8	529.1
2.1. Residents	2,684.5	2,842.0	3,103.3	3,586.1	4,662.6	5,909.4	361.4	379.7	393.0	593.8	–
2.2. Non-residents	655.4	500.7	468.2	348.3	269.2	353.2	14.8	23.6	25.0	40.9	–
3. Domestic banks	3,985.8	4,104.5	6,324.4	10,799.3	9,069.9	14,380.1	1,375.2	1,219.7	1,518.0	1,572.8	1,493.7
4. Foreign banks	–	697.9	1,430.6	1,426.2	2,602.3	5,056.8	673.5	545.0	614.0	597.7	293.7
5. Croatian National Bank	481.7	294.3	438.3	33.0	0.0	125.5	–	–	–	–	–
Total (1+2+3+4)	12,819.8	13,167.1	18,197.9	24,110.1	25,106.0	40,439.5	4,480.4	3,325.6	3,912.0	4,339.8	4,264.2
B. Sale of foreign exchange											
1. Legal persons	8,534.2	9,029.3	10,852.4	11,280.3	13,022.3	17,515.0	1,911.8	1,669.6	1,795.5	1,803.7	2,117.9
2. Natural persons	1,253.5	1,333.6	1,403.1	1,671.1	2,722.5	4,109.1	259.1	228.9	276.6	482.4	223.0
2.1. Residents	1,252.3	1,329.7	1,393.1	1,654.5	2,693.9	4,056.4	254.6	225.8	271.6	477.8	–
2.2. Non-residents	1.2	3.9	10.0	16.6	28.6	52.6	4.5	3.1	5.0	4.7	–
3. Domestic banks	3,985.8	4,104.5	6,324.4	10,799.3	9,069.9	14,380.1	1,375.2	1,219.7	1,518.0	1,572.8	1,493.7
4. Foreign banks	–	334.3	765.3	1,001.1	1,407.1	3,526.1	360.2	191.1	168.4	159.8	581.9
5. Croatian National Bank	915.7	745.3	84.5	543.2	670.8	1,329.5	177.0	–	–	–	–
Total (1+2+3+4)	14,689.2	15,547.0	19,429.7	25,295.0	26,892.7	40,859.7	4,083.3	3,309.4	3,758.5	4,018.7	4,416.5
C. Net purchase (A–B)											
1. Legal persons	–3,521.8	–4,301.5	–4,419.4	–3,815.1	–4,578.8	–3,072.3	143.8	–512.1	–433.4	–269.2	–170.2
2. Natural persons	2,086.4	2,009.0	2,168.4	2,263.3	2,209.3	2,153.6	117.0	174.4	141.4	152.4	306.1
2.1. Residents	1,432.2	1,512.3	1,710.2	1,931.6	1,968.7	1,853.0	106.8	153.9	121.4	116.1	–
2.2. Non-residents	654.2	496.7	458.2	331.7	240.6	300.6	10.3	20.5	20.0	36.3	–
3. Foreign banks	–	363.6	665.3	425.1	1,195.2	1,530.7	313.3	353.9	445.6	437.9	–288.1
4. Croatian National Bank	–434.0	–451.0	353.8	–510.2	–670.8	–1,204.0	–177.0	–	–	–	–
Total (1+2+3)	–1,869.4	–2,379.9	–1,231.8	–1,636.9	–1,845.2	–592.1	397.1	16.2	153.5	321.1	–152.3
Memo items: Other Croatian National Bank transactions											
Purchase of foreign exchange	536.8	197.5	570.9	145.1	–	3.1	–	0.0	0.2	0.0	0.3
Sale of foreign exchange	2.6	3.4	94.9	239.3	167.6	441.3	57.0	–	64.9	30.8	–

^a Preliminary data.

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

Table G5: Banks' Trade with Foreign Exchange

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

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

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

Table H1: Balance of Payments – Summary

million euros

	2001	2002	2003	2004 ^b	2005 ^b	2006 ^b	2006				2007
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^a
A. CURRENT ACCOUNT (1+6)	-806.3	-2,090.8	-1,874.0	-1,457.3	-1,991.7	-2,670.8	-1,947.6	-1,303.9	2,063.3	-1,482.6	-2,038.6
1. Goods, services, and income (2+5)	-1,905.8	-3,243.0	-3,118.5	-2,649.1	-3,175.5	-3,773.0	-2,238.0	-1,599.5	1,790.3	-1,725.7	-2,280.0
1.1. Credit	11,283.6	11,587.0	13,585.2	14,850.0	15,880.4	17,787.5	2,806.2	4,182.3	7,142.6	3,656.4	3,072.1
1.2. Debit	-13,189.3	-14,830.0	-16,703.8	-17,499.1	-19,055.9	-21,560.5	-5,044.2	-5,781.8	-5,352.3	-5,382.1	-5,352.1
2. Goods and services (3+4)	-1,301.0	-2,675.6	-2,041.2	-1,958.9	-2,204.0	-2,653.3	-1,903.6	-1,051.3	1,981.7	-1,680.2	-2,064.6
2.1. Credit	10,800.1	11,125.4	13,137.6	14,239.8	15,269.2	16,967.7	2,668.0	3,991.5	6,902.9	3,405.3	2,803.6
2.2. Debit	-12,101.1	-13,801.0	-15,178.7	-16,198.8	-17,473.2	-19,621.1	-4,571.6	-5,042.7	-4,921.2	-5,085.5	-4,868.3
3. Goods	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-7,521.7	-8,363.9	-1,860.4	-2,348.0	-2,152.6	-2,002.9	-2,157.5
3.1. Credit	5,318.8	5,293.1	5,571.7	6,603.1	7,216.6	8,433.6	2,004.8	1,972.4	2,086.7	2,369.7	2,038.2
3.2. Debit	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-16,797.5	-3,865.2	-4,320.4	-4,239.2	-4,372.6	-4,195.6
4. Services	3,302.8	3,284.8	4,933.0	4,768.9	5,317.7	5,710.6	-43.2	1,296.8	4,134.3	322.7	92.8
4.1. Credit	5,481.3	5,832.3	7,565.9	7,636.7	8,052.6	8,534.1	663.2	2,019.0	4,816.3	1,035.6	765.5
4.2. Debit	-2,178.5	-2,547.5	-2,632.8	-2,867.8	-2,734.9	-2,823.5	-706.4	-722.3	-681.9	-712.9	-672.6
5. Income	-604.8	-567.4	-1,077.4	-690.1	-971.5	-1,119.6	-334.4	-548.2	-191.4	-45.5	-215.4
5.1. Credit	483.4	461.6	447.7	610.2	611.2	819.8	138.2	190.8	239.7	251.1	268.4
5.2. Debit	-1,088.2	-1,029.0	-1,525.0	-1,300.3	-1,582.7	-1,939.4	-472.6	-739.1	-431.2	-296.6	-483.8
6. Current transfers	1,099.5	1,152.2	1,244.5	1,191.8	1,183.8	1,102.1	290.4	295.6	273.1	243.1	241.4
6.1. Credit	1,333.3	1,453.2	1,538.7	1,584.6	1,628.4	1,634.2	401.0	437.9	406.0	387.5	352.2
6.2. Debit	-233.8	-301.1	-294.2	-392.8	-444.6	-532.1	-110.6	-144.1	-132.9	-144.4	-110.7
B. CAPITAL AND FINANCIAL ACCOUNT	1,071.0	2,736.2	2,981.6	2,483.1	2,923.4	3,700.8	1,561.5	1,480.2	-48.7	707.9	1,236.1
B1. Capital account	154.1	501.2	72.4	31.8	55.2	-133.5	-163.6	3.6	7.0	19.5	5.8
B2. Financial account, excl. reserves	2,465.9	2,976.8	4,144.7	2,494.3	3,690.0	5,246.5	2,397.7	2,173.7	-652.2	1,327.3	2,038.4
1. Direct investment	1,335.8	594.0	1,683.0	593.2	1,234.6	2,538.1	495.0	773.2	388.9	881.0	1,122.4
1.1. Abroad	-177.5	-608.2	-106.2	-278.8	-192.1	-162.8	-22.0	-41.8	-60.0	-39.0	-84.7
1.2. In Croatia	1,513.3	1,202.2	1,789.2	872.1	1,426.7	2,700.9	517.0	815.0	448.9	920.0	1,207.1
2. Portfolio investment	666.0	-441.9	868.6	272.8	-1,173.1	-447.6	-576.2	99.1	339.9	-310.4	-237.5
2.1. Assets	-143.2	-650.5	121.6	-750.4	-566.5	-380.1	-51.0	6.9	34.4	-370.3	-140.2
2.2. Liabilities	809.2	208.6	747.0	1,023.2	-606.7	-67.5	-525.2	92.3	305.5	59.9	-97.3
3. Financial derivatives	0.0	0.0	0.0	0.0	-88.4	0.0	0.0	0.0	0.0	0.0	0.0
4. Other investment	464.1	2,824.8	1,593.1	1,628.3	3,716.9	3,156.0	2,478.9	1,301.4	-1,381.0	756.7	1,153.5
4.1. Assets	405.2	461.0	-2,216.2	-449.7	978.8	-671.3	1,044.5	102.6	-809.6	-1,008.7	359.6
4.2. Liabilities	58.9	2,363.8	3,809.3	2,078.0	2,738.1	3,827.3	1,434.4	1,198.8	-571.4	1,765.4	793.9
B3. Reserve assets (CNB)	-1,549.0	-741.9	-1,235.5	-43.0	-821.8	-1,412.2	-672.6	-697.2	596.4	-638.9	-808.2
C. NET ERRORS AND OMISSIONS	-264.7	-645.3	-1,107.6	-1,025.9	-931.7	-1,030.0	386.2	-176.2	-2,014.6	774.7	802.5

^a Preliminary data. ^b Revised data.

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

Table H1-H6: Balance of Payments

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

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

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

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

The Report of the Central Bureau of Statistics on merchandise foreign trade of the Republic of Croatia represents the basic data source for the balance of payments items related to exports and imports. These data are adjusted, in accordance with the recommended compilation method, for coverage and classification. Accordingly, goods exports and imports in the balance of payments are reported at f.o.b. parity. The value of exports at this parity is already contained in the previously mentioned CBS Report, whereas the value of imports f.o.b. is estimated on the basis of research studies of the CNB on the stratified sample of importers. The resulting value serves as a basis for the estimate of the share of transportation and insurance services by which the original value of imports c.i.f., stated in the CBS Report, is reduced. In the 1993-2001 period, this share stood at 7.10% (estimated only on the basis of the largest and large exporters), while from 2002 on it has amounted to 3.73%. In the period from 1993 to 1996, the value of imports was modified by estimates of imports in duty free zones, which have been included in the merchandise trade statistics since 1997. Starting from 1996, goods exports and imports have been modified by the data on repairs on goods and goods procured in

Table H2: Balance of Payments – Goods and Services

million euros

	2001	2002	2003	2004 ^b	2005 ^b	2006 ^b	2006				2007
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^a
Goods	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-7,521.7	-8,363.9	-1,860.4	-2,348.0	-2,152.6	-2,002.9	-2,157.5
1. Credit	5,318.8	5,293.1	5,571.7	6,603.1	7,216.6	8,433.6	2,004.8	1,972.4	2,086.7	2,369.7	2,038.2
1.1.Exports (f.o.b.) in trade statistics	5,214.1	5,188.2	5,464.4	6,453.8	7,069.4	8,251.2	1,971.4	1,931.6	2,027.4	2,320.9	2,006.4
1.2. Adjustments for coverage	104.7	105.0	107.3	149.3	147.2	182.4	33.4	40.8	59.3	48.9	31.8
2. Debit	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-16,797.5	-3,865.2	-4,320.4	-4,239.2	-4,372.6	-4,195.6
2.1. Imports (c.i.f.) in trade statistics	-10,244.8	-11,327.0	-12,538.0	-13,354.4	-14,949.5	-17,094.0	-3,956.3	-4,408.7	-4,271.9	-4,457.0	-4,260.1
2.2. Adjustments for coverage	-405.3	-348.9	-475.6	-474.7	-346.4	-341.1	-56.4	-76.1	-126.7	-81.9	-64.6
2.3. Adjustments for classification	727.4	422.5	467.7	498.1	557.6	637.6	147.6	164.4	159.3	166.2	129.1
Services	3,302.8	3,284.8	4,933.0	4,768.9	5,317.7	5,710.6	-43.2	1,296.8	4,134.3	322.7	92.8
1. Transportation	186.1	172.0	252.2	299.3	376.1	424.8	79.4	116.1	153.0	76.4	96.5
1.1. Credit	658.6	622.8	696.3	791.3	880.3	987.9	196.7	260.9	306.2	224.1	228.1
1.2. Debit	-472.5	-450.8	-444.1	-492.0	-504.2	-563.1	-117.3	-144.8	-153.3	-147.7	-131.5
2. Travel	3,072.9	3,138.6	4,976.6	4,822.3	5,394.9	5,708.7	74.4	1,280.3	3,987.1	366.9	96.0
2.1. Credit	3,749.3	3,960.8	5,572.7	5,505.6	5,998.9	6,293.3	187.5	1,429.1	4,150.9	525.8	255.4
2.1.1. Business	305.8	341.2	260.9	328.2	504.0	388.4	47.9	156.1	100.9	83.5	56.5
2.1.2. Personal	3,443.6	3,619.7	5,311.8	5,177.4	5,494.9	5,904.9	139.5	1,272.9	4,050.1	442.3	198.9
2.2. Debit	-676.5	-822.2	-596.1	-683.3	-604.1	-584.6	-113.0	-148.7	-163.9	-159.0	-159.4
2.2.1. Business	-322.7	-482.6	-292.3	-297.3	-267.4	-229.5	-50.0	-60.3	-47.7	-71.5	-44.5
2.2.2. Personal	-353.8	-339.6	-303.8	-386.0	-336.7	-355.1	-63.1	-88.4	-116.2	-87.4	-115.0
3. Other services	43.9	-25.9	-295.8	-352.7	-453.3	-422.9	-197.0	-99.6	-5.7	-120.5	-99.7
3.1. Credit	1,073.4	1,248.6	1,296.9	1,339.8	1,173.4	1,252.9	279.1	329.1	359.1	285.6	282.0
3.2. Debit	-1,029.5	-1,274.5	-1,592.7	-1,692.5	-1,626.6	-1,675.8	-476.1	-428.7	-364.8	-406.2	-381.7

^a Preliminary data. ^b Revised data.

ports by carriers. In addition, since 1999, based on the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travellers Abroad, the item of goods exports has been modified by the estimated value of goods sold to foreign travellers and tourists and taken out of the Republic of Croatia. The item of goods imports is adjusted for the estimated value of goods imported personally by the Croatian citizens from the neighbouring countries (shopping expenditures).

Transportation, travel and other services are reported separately under service account. Income and expenditures on the basis of transportation, in the 1993-1998 period, were adopted from the ITRS. Starting from 1999, income and expenditures arising from transportation of goods and passengers, as well as the value of accompanying services, which together constitute the total value of these services, have been compiled on the basis of the results of the Research on transactions related to international transportation services, carried out by the CNB. Owing to an exceptionally large population of road carriers, income and expenditures on the basis of road transportation are not adopted from this research. They are compiled by using ITRS data. As regards transportation of goods, expenditures are supplemented by a portion of transportation and insurance costs related to imports of goods which belongs to non-residents and which is estimated by adjusting the value of imports at c.i.f. parity to the value of imports f.o.b.

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

countries contained in the CBS Report on tourism, in order to assess the corresponding balance of payment items.

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

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

Current transfers are reported separately for the general government sector and other sectors. The ITRS is used as the main data source on current transfers for both sectors. In addition to taxes and excise duties, pensions, monetary support and donations, which are included in current transfers of both sectors, the government sector also encompasses data on multilateral co-operation, whereas other sectors include data on workers' remittances. Current transfers of the general government sector also include data on exports and imports of goods without a payment obligation, provided by the CBS. In the 1993-1998 period, current transfers of other sectors also encom-

Table H3: Balance of Payments – Income and Current Transfers

million euros

	2001	2002	2003	2004 ^b	2005 ^b	2006 ^b	2006				2007
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^a
Income	-604.8	-567.4	-1,077.4	-690.1	-971.5	-1,119.6	-334.4	-548.2	-191.4	-45.5	-215.4
1. Compensation of employees	143.1	167.6	183.9	233.9	259.7	373.2	67.3	78.5	109.7	117.6	118.3
1.1. Credit	157.4	187.2	217.3	268.3	289.2	404.3	76.5	86.3	116.1	125.4	125.7
1.2. Debit	-14.3	-19.5	-33.4	-34.4	-29.5	-31.1	-9.2	-7.8	-6.4	-7.7	-7.4
2. Direct investment income	-346.4	-349.0	-847.8	-441.6	-739.0	-977.8	-269.3	-502.5	-169.7	-36.3	-202.7
2.1. Credit	33.8	25.1	34.8	175.6	112.7	90.3	7.1	24.6	36.5	22.0	41.2
o/w: Reinvested earnings	19.8	8.3	31.7	165.8	63.8	72.6	3.9	15.3	34.8	18.6	39.4
2.2. Debit	-380.2	-374.1	-882.6	-617.3	-851.8	-1,068.0	-276.4	-527.1	-206.2	-58.3	-243.9
o/w: Reinvested earnings	-187.9	-160.9	-587.9	-291.7	-570.5	-702.1	-95.0	-451.4	-127.5	-28.2	-81.7
3. Portfolio investment income	-241.8	-214.7	-239.6	-272.4	-258.8	-239.7	-66.7	-59.8	-61.2	-52.0	-59.0
3.1. Credit	0.0	0.0	0.0	10.3	5.0	-6.4	-6.1	-2.5	-4.3	6.5	-5.7
3.2. Debit	-241.9	-214.8	-239.6	-282.7	-263.8	-233.3	-60.5	-57.3	-57.0	-58.5	-53.2
4. Other investment income	-159.6	-171.3	-173.9	-210.0	-233.4	-275.4	-65.9	-64.4	-70.2	-74.9	-72.0
4.1. Credit	292.2	249.3	195.5	155.9	204.2	331.6	60.7	82.3	91.4	97.2	107.3
4.2. Debit	-451.8	-420.6	-369.4	-365.9	-437.7	-607.0	-126.5	-146.8	-161.6	-172.1	-179.3
Current transfers	1,099.5	1,152.2	1,244.5	1,191.8	1,183.8	1,102.1	290.4	295.6	273.1	243.1	241.4
1. General government	65.3	32.2	70.5	2.6	9.7	-12.7	-1.1	-36.4	3.5	21.4	-5.9
1.1. Credit	142.7	143.4	213.1	180.1	219.6	251.7	47.3	47.2	67.5	89.7	54.8
1.2. Debit	-77.4	-111.2	-142.6	-177.5	-209.9	-264.4	-48.4	-83.6	-64.0	-68.4	-60.7
2. Other sectors	1,034.2	1,120.0	1,174.0	1,189.2	1,174.1	1,114.8	291.5	332.0	269.6	221.7	247.3
2.1. Credit	1,190.6	1,309.8	1,325.6	1,404.5	1,408.8	1,382.5	353.8	392.6	338.5	297.8	297.3
2.2. Debit	-156.4	-189.8	-151.6	-215.3	-234.6	-267.7	-62.3	-60.5	-68.9	-76.1	-50.0

^a Preliminary data. ^b Revised data.

passed an estimate of unregistered foreign currency remittances, which accounted for 15% of the positive difference between unclassified inflows and outflows of the household sector. From 1993 to the second quarter of 1996, the CNB also assessed a portion of the outflow based on current transfers. Since 2002, inflows and outflows based on current transfers of other sectors are supplemented by the data of the CNB special statistical research on international transactions related to insurance services.

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

Foreign direct investments include equity capital, reinvested earnings and debt relations between ownership-related residents and non-residents. Direct investments are investments whereby a foreign owner acquires a minimum of 10% interest in equity capital of a company, regardless of whether a resident invests abroad or a non-resident invests in Croatian residents. The CNB Research on foreign direct investments started in 1997 when companies included in the survey also delivered data on direct investments for the 1993-1996 period. For the same period, no data are available on reinvested earnings and other capital under direct investment position, where all debt relations between related residents and non-residents are classified (excluding the banking sector). Such data actually became available only after the stated research has been launched. Since 1999 data on debt relations within direct investments have been collected on the basis of external debt relations statistics.

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

also been compiled for investment funds and pension funds, respectively.

Other investment encompasses all other debt investments that have not been mentioned, apart from investment constituting reserve assets. Other investments are classified by instruments, maturity and sectors. Trade credits, in the 1996–2002 period, included the CNB estimates of advance payment and deferred payments, made on the basis of the sample of the largest and large importers and exporters. Data on advance payments have been estimated since 1996, while data on short-term deferred payments (first up to 90 days, then up to 150 days, and today from 8 days to 1 year) have been collected since 1999. In 2003 this research was replaced by a new one, where the selected companies, regardless of their size (stratified sample), are obliged to submit data. Data on deferred payments with the original maturity of more than one year are adopted from the CNB foreign credit relations statistics. Credits granted by residents to non-residents, i.e. foreign loans utilised by residents and granted by non-residents, which cannot be classified into direct investments or trade credits, are classified by the institutional sector and maturity under the corresponding positions of other investment. The CNB foreign credit relations statistics represent the data source for these positions. Currency and deposit position shows residents' claims on foreign countries for foreign cash and deposits with foreign banks, as well as obligations of the Croatian banks for deposits owned by non-residents. Monetary statistics represent a data source for the general government sector and banks sector. Data on balance and currency structure of foreign assets and liabilities, contained in monetary statistics, are used to assess transactions from which the exchange rate effect was eliminated. In the 1993-1998 period, data on other sectors' claims under this position were compiled on the basis of the CNB estimate of a portion of net foreign currency inflows of the household sector which is not classified under current transfers. Since 1999 this position has included only the data based on the Bank for International Settlement quarterly data, while data in the fourth quarter of 2001 and in the first two quarters of 2002 relate to the effect of the EMU countries' currencies changeover to the euro.

Table H4: Balance of Payments – Direct and Portfolio Investments

million euros

	2001	2002	2003	2004 ^b	2005 ^b	2006 ^b	2006				2007
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^a
Direct investment	1,335.8	594.0	1,683.0	593.2	1,234.6	2,538.1	495.0	773.2	388.9	881.0	1,122.4
1. Abroad	-177.5	-608.2	-106.2	-278.8	-192.1	-162.8	-22.0	-41.8	-60.0	-39.0	-84.7
1.1. Equity capital and reinvested earnings	-143.6	-601.0	-101.9	-259.6	-121.0	-226.1	-55.6	-54.3	-51.7	-64.6	-71.9
1.1.1. Claims	-143.6	-603.1	-101.9	-260.0	-122.2	-226.1	-55.6	-54.3	-51.7	-64.6	-71.9
1.1.2. Liabilities	0.0	2.1	0.0	0.4	1.3	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	-33.9	-7.2	-4.3	-19.2	-71.2	63.4	33.6	12.5	-8.3	25.6	-12.8
1.1.1. Claims	7.9	-9.9	-16.5	-23.6	-59.8	45.8	22.3	10.3	-11.4	24.5	-16.6
1.2.2. Liabilities	-41.7	2.7	12.2	4.4	-11.4	17.6	11.3	2.2	3.1	1.1	3.8
2. In Croatia	1,513.3	1,202.2	1,789.2	872.1	1,426.7	2,700.9	517.0	815.0	448.9	920.0	1,207.1
2.1. Equity capital and reinvested earnings	1,098.7	879.3	1,349.8	611.4	1,363.5	2,411.3	376.5	692.3	268.0	1,074.5	1,009.2
2.1.1. Claims	-8.0	0.0	-1.2	-22.4	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
2.1.2. Liabilities	1,106.6	879.3	1,351.1	633.8	1,363.5	2,411.4	376.6	692.3	268.0	1,074.5	1,009.2
2.2. Other capital	414.6	322.9	439.4	260.6	63.2	289.6	140.5	122.7	180.9	-154.5	197.9
2.2.1. Claims	0.1	-0.3	-1.5	-17.8	0.0	18.1	-1.6	19.7	-0.6	0.4	-0.8
2.2.2. Liabilities	414.5	323.3	440.9	278.4	63.2	271.5	142.1	102.9	181.4	-154.9	198.7
Portfolio investment	666.0	-441.9	868.6	272.8	-1,173.1	-447.6	-576.2	99.1	339.9	-310.4	-237.5
1. Assets	-143.2	-650.5	121.6	-750.4	-566.5	-380.1	-51.0	6.9	34.4	-370.3	-140.2
1.1. Equity securities	0.3	-78.4	-57.8	-32.9	-178.2	-240.9	-54.3	38.5	-80.0	-145.2	-270.2
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1. Banks	0.0	-2.7	0.3	0.0	0.0	2.6	0.0	0.0	2.6	0.0	-0.6
1.1.2. Other sectors	0.3	-75.6	-58.1	-32.9	-178.2	-243.5	-54.3	38.5	-82.6	-145.2	-269.6
1.2. Debt securities	-143.5	-572.2	179.4	-717.4	-388.3	-139.2	3.3	-31.6	114.4	-225.1	130.0
1.2.1. Bonds	-128.8	-586.9	165.9	-582.0	-407.8	118.3	-19.9	255.8	111.1	-228.7	147.8
1.2.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2. Banks	-128.8	-566.6	180.1	-589.9	-371.5	162.0	-14.8	243.4	87.9	-154.6	99.3
1.2.1.3. Other sectors	0.0	-20.3	-14.1	7.9	-36.3	-43.7	-5.1	12.4	23.2	-74.1	48.5
1.2.2. Money market instruments	-14.8	14.7	13.5	-135.5	19.5	-257.4	23.2	-287.4	3.3	3.5	-17.8
1.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2.2. Banks	-14.8	20.9	7.3	-135.5	19.5	-257.4	23.2	-287.4	3.3	3.5	-17.8
1.2.2.3. Other sectors	0.0	-6.2	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	809.2	208.6	747.0	1,023.2	-606.7	-67.5	-525.2	92.3	305.5	59.9	-97.3
2.1. Equity securities	15.1	42.4	13.0	141.6	89.2	320.6	30.8	8.9	382.8	-101.9	7.2
2.1.1. Banks	-6.0	2.5	-2.6	0.8	-12.8	37.3	1.4	-3.3	25.5	13.7	8.2
2.1.2. Other sectors	21.1	39.8	15.6	140.7	102.0	283.3	29.5	12.2	357.2	-115.5	-1.0
2.2. Debt securities	794.1	166.2	734.0	881.6	-695.9	-388.1	-556.1	83.4	-77.2	161.8	-104.5
2.2.1. Bonds	774.2	197.2	700.0	915.6	-695.9	-388.1	-556.1	83.4	-77.2	161.8	-104.5
2.2.1.1. General government	774.2	67.2	527.3	429.6	-690.5	-314.5	-548.2	63.5	128.7	41.6	-117.4
2.2.1.2. Banks	0.0	0.0	0.0	453.2	3.2	1.2	5.9	3.5	-14.0	5.8	5.3
2.2.1.3. Other sectors	0.0	130.0	172.6	32.8	-8.6	-74.9	-13.7	16.4	-191.9	114.4	7.6
2.2.2. Money market instruments	19.9	-30.9	34.0	-34.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.3. Other sectors	19.9	-30.9	34.0	-34.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data. ^b Revised data.

In the period from 1993 to 1998, the estimate of reserve assets transactions was made by converting the changes in the original currencies into the US dollars by applying the average monthly exchange

rate of the currencies contained in the reserves. Since 1999 the changes in reserve assets balance have been calculated on the basis of the CNB accounting data.

Table H5: Balance of Payments – Other Investment

million euros

	2001	2002	2003	2004 ^b	2005 ^b	2006 ^b	2006				2007
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^a
Other investment (net)	464.8	2,824.8	1,593.1	1,628.3	3,716.9	3,156.0	2,478.9	1,301.4	-1,381.0	756.7	1,153.5
1. Assets	405.9	461.0	-2,216.2	-449.7	978.8	-671.3	1,044.5	102.6	-809.6	-1,008.7	359.6
1.1. Trade credits	58.4	-79.2	-168.5	-186.9	-134.1	-32.0	-8.2	-46.1	-2.1	24.5	-66.5
1.1.1. General government	0.0	0.0	0.0	0.0	-0.3	0.2	0.0	0.0	0.0	0.0	0.0
1.1.1.1. Long-term	0.0	0.0	0.0	0.0	-0.3	0.2	0.0	0.0	0.0	0.0	0.0
1.1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	58.4	-79.2	-168.5	-186.9	-133.8	-32.1	-8.2	-46.2	-2.2	24.4	-66.5
1.1.2.1. Long-term	0.0	-6.5	-24.4	19.3	11.5	-3.4	-5.1	-1.7	3.1	0.4	-3.8
1.1.2.2. Short-term	58.4	-72.7	-144.1	-206.1	-145.3	-28.7	-3.1	-44.5	-5.2	24.1	-62.8
1.2. Loans	50.2	-54.7	-85.6	44.9	-115.3	-151.5	-44.5	-44.6	-2.3	-60.1	-23.3
1.2.1. General government	-3.4	0.6	-1.0	-1.7	-1.4	-1.3	0.4	0.2	0.4	-2.2	0.5
1.2.1.1. Long-term	-3.4	0.6	-1.0	-1.7	-1.4	-1.3	0.4	0.2	0.4	-2.2	0.5
1.2.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2. Banks	1.7	-21.8	3.6	4.6	-27.2	-78.5	-23.6	-29.3	-14.6	-11.0	-6.2
1.2.2.1. Long-term	3.8	-20.3	4.4	0.7	-19.3	-59.3	-11.3	-25.7	-12.7	-9.7	-19.3
1.2.2.2. Short-term	-2.1	-1.5	-0.8	3.9	-7.9	-19.1	-12.3	-3.6	-2.0	-1.3	13.1
1.2.3. Other sectors	51.9	-33.4	-88.2	41.9	-86.7	-71.8	-21.3	-15.6	12.0	-46.9	-17.6
1.2.3.1. Long-term	51.9	-33.3	-88.2	43.3	-87.7	-72.0	-21.3	-15.8	12.0	-46.9	-17.6
1.2.3.2. Short-term	0.0	-0.1	0.1	-1.3	1.0	0.3	0.1	0.2	0.0	0.0	0.0
1.3. Currency and deposits	297.3	594.9	-1,962.1	-307.7	1,228.2	-487.8	1,097.1	193.3	-805.1	-973.1	449.3
1.3.2. General government	-18.1	-24.2	30.3	72.7	-44.4	26.5	13.9	-26.2	-39.3	78.1	25.0
1.3.3. Banks	-1,790.9	1,516.5	-1,964.5	-400.3	1,308.3	-444.1	1,099.0	223.5	-765.1	-1,001.5	424.3
1.3.4. Other sectors	2,106.3	-897.4	-27.9	19.8	-35.6	-70.2	-15.8	-4.0	-0.8	-49.6	0.0
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	58.9	2,363.8	3,809.3	2,078.0	2,738.1	3,827.3	1,434.4	1,198.8	-571.4	1,765.4	793.9
2.1. Trade credits	96.3	501.3	-226.9	-55.5	14.5	8.1	23.6	209.7	-141.3	-83.9	53.5
2.1.1. General government	1.2	-0.1	1.5	-0.3	0.4	-0.7	-0.2	-0.1	-0.2	-0.2	-0.2
2.1.1.1. Long-term	1.2	-0.1	1.5	-0.3	0.4	-0.7	-0.2	-0.1	-0.2	-0.2	-0.2
2.1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	95.1	501.4	-228.4	-55.2	14.1	8.8	23.8	209.8	-141.1	-83.7	53.7
2.1.2.1. Long-term	-22.1	-1.2	-47.4	-17.7	26.8	-8.7	3.9	5.1	-4.8	-12.9	4.5
2.1.2.2. Short-term	117.2	502.6	-181.0	-37.5	-12.7	17.5	19.8	204.8	-136.3	-70.8	49.2
2.2. Loans	-260.5	653.8	2,896.1	1,631.7	2,350.3	2,987.1	969.0	692.1	109.2	1,216.7	96.8
2.2.1. Croatian National Bank	-4.1	-177.2	354.2	-367.7	0.0	0.0	0.0	0.9	-0.9	0.0	0.0
2.2.1.1. o/w: IMF	-34.3	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.1. Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.2. Repayments	-34.3	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2. Short-term	30.3	-47.6	354.2	-367.7	0.0	0.0	0.0	0.9	-0.9	0.0	0.0
2.2.2. General government	-212.2	433.9	502.9	424.3	246.4	117.1	165.7	-29.9	-34.7	16.0	-28.4
2.2.2.1. Long-term	185.4	433.9	502.9	424.3	246.4	117.1	165.7	-29.9	-34.7	16.0	-28.4
2.2.2.1.1. Drawings	363.2	598.2	697.8	795.5	590.1	561.5	256.9	85.9	53.2	165.5	61.4
2.2.2.1.2. Repayments	-177.8	-164.3	-194.9	-371.1	-343.7	-444.5	-91.2	-115.8	-87.9	-149.5	-89.8
2.2.2.2. Short-term	-397.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	87.2	79.3	1,005.7	644.2	823.7	539.8	487.9	204.3	-802.0	649.6	-512.7
2.2.3.1. Long-term	93.0	81.6	927.2	736.3	279.7	417.8	444.5	174.5	-301.3	100.1	-378.3
2.2.3.1.1. Drawings	829.3	656.9	1,644.7	1,260.0	1,236.1	2,833.4	572.1	1,179.9	70.1	1,011.2	536.4
2.2.3.1.2. Repayments	-736.3	-575.3	-717.5	-523.7	-956.4	-2,415.6	-127.6	-1,005.5	-371.4	-911.1	-914.7
2.2.3.2. Short-term	-5.8	-2.3	78.5	-92.1	544.0	122.0	43.4	29.8	-500.7	549.5	-134.4
2.2.4. Other sectors	-131.5	317.8	1,033.4	931.0	1,280.2	2,330.2	315.4	516.9	946.8	551.1	637.9
2.2.4.1. Long-term	-133.6	335.4	983.0	896.4	1,227.0	2,129.9	286.6	404.7	803.4	635.2	434.5
2.2.4.1.1. Drawings	818.1	1,326.0	1,962.1	2,232.5	2,686.4	4,030.6	657.7	824.0	1,179.1	1,369.8	881.1
2.2.4.1.2. Repayments	-951.7	-990.7	-979.1	-1,336.1	-1,459.4	-1,900.6	-371.1	-419.3	-375.7	-734.6	-446.5
2.2.4.2. Short-term	2.1	-17.6	50.4	34.6	53.2	200.3	28.8	112.2	143.4	-84.1	203.4
2.3. Currency and deposits	223.2	1,209.5	1,140.8	498.7	370.6	829.5	441.2	296.4	-540.0	631.9	643.1
2.3.1. General government	0.2	0.1	0.1	0.0	0.0	0.1	6.4	21.5	-28.4	0.6	9.2
2.3.2. Banks	223.0	1,209.4	1,140.7	498.7	370.6	829.4	434.8	274.9	-511.6	631.2	633.9
2.4. Other liabilities	-0.1	-0.9	-0.7	3.0	2.8	2.7	0.6	0.6	0.7	0.7	0.5

^a Preliminary data. ^b Revised data.

Table H6: Balance of Payments – Summary

million kuna

	2001	2002	2003	2004 ^b	2005 ^b	2006 ^b	2006				2007
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^a
A. CURRENT ACCOUNT (1+6)	-5,998.6	-15,707.4	-14,562.3	-11,321.7	-14,919.3	-19,726.5	-14,221.9	-9,556.0	15,109.1	-11,057.6	-14,941.8
1. Goods, services, and income (2+5)	-14,191.5	-24,238.6	-23,975.9	-20,248.5	-23,677.4	-27,796.9	-16,353.7	-11,707.5	13,112.3	-12,848.1	-16,719.3
1.1. Credit	84,165.5	85,588.4	102,446.6	110,754.5	117,187.5	130,050.3	20,610.0	30,434.8	52,080.6	26,924.9	22,623.1
1.2. Debit	-98,357.0	-109,827.0	-126,422.5	-131,002.9	-140,864.9	-157,847.3	-36,963.7	-42,142.3	-38,968.3	-39,773.0	-39,342.3
2. Goods and services (3+4)	-9,950.0	-20,004.4	-15,694.7	-15,110.6	-16,535.6	-19,621.1	-13,976.5	-7,665.6	14,392.9	-12,371.9	-15,201.7
2.1. Credit	80,321.0	82,188.2	99,169.2	106,198.2	112,666.2	124,050.3	19,589.0	29,046.3	50,330.0	25,085.1	20,641.1
2.2. Debit	-90,270.9	-102,192.6	-114,863.9	-121,308.8	-129,201.8	-143,671.5	-33,565.5	-36,711.8	-35,937.1	-37,457.0	-35,842.9
3. Goods	-34,323.1	-44,135.8	-52,782.7	-50,354.9	-55,595.6	-61,227.5	-13,657.8	-17,095.4	-15,719.0	-14,755.2	-15,885.2
3.1. Credit	39,695.8	39,198.3	42,167.2	49,480.4	53,370.2	61,769.1	14,719.2	14,358.6	15,238.9	17,452.4	15,005.4
3.2. Debit	-74,018.9	-83,334.1	-94,949.9	-99,835.3	-108,965.8	-122,996.6	-28,377.0	-31,454.1	-30,957.9	-32,207.6	-30,890.6
4. Services	24,373.1	24,131.4	37,088.0	35,244.3	39,060.0	41,606.3	-318.8	9,429.9	30,111.9	2,383.3	683.5
4.1. Credit	40,625.2	42,989.9	57,002.0	56,717.8	59,296.0	62,281.2	4,869.8	14,687.7	35,091.1	7,632.7	5,635.7
4.2. Debit	-16,252.1	-18,858.5	-19,914.0	-21,473.5	-20,236.0	-20,674.9	-5,188.5	-5,257.8	-4,979.2	-5,249.4	-4,952.3
5. Income	-4,241.6	-4,234.3	-8,281.2	-5,137.9	-7,141.7	-8,175.8	-2,377.1	-4,042.0	-1,280.5	-476.1	-1,517.5
5.1. Credit	3,844.5	3,400.2	3,277.4	4,556.2	4,521.3	6,000.0	1,021.0	1,388.5	1,750.7	1,839.8	1,982.0
5.2. Debit	-8,086.1	-7,634.4	-11,558.6	-9,694.1	-11,663.1	-14,175.8	-3,398.2	-5,430.5	-3,031.2	-2,315.9	-3,499.5
6. Current transfers	8,192.9	8,531.3	9,413.6	8,926.8	8,758.1	8,070.5	2,131.7	2,151.5	1,996.7	1,790.5	1,777.4
6.1. Credit	9,934.0	10,761.2	11,639.9	11,872.9	12,047.2	11,966.9	2,944.2	3,201.5	2,967.4	2,853.8	2,592.8
6.2. Debit	-1,741.1	-2,229.9	-2,226.3	-2,946.1	-3,289.1	-3,896.4	-812.5	-1,050.0	-970.7	-1,063.3	-815.3
B. CAPITAL AND FINANCIAL ACCOUNT	7,468.6	20,240.2	22,738.9	19,233.1	22,411.9	28,039.8	11,624.6	10,907.5	-966.7	6,474.4	9,264.6
B1. Capital account	1,145.1	3,695.6	546.9	172.8	375.8	-1,077.6	-1,200.1	25.5	43.5	53.5	41.9
B2. Financial account, excl. reserves	17,820.6	22,033.1	31,544.4	19,396.8	28,111.5	39,430.8	17,763.2	15,955.3	-5,416.9	11,129.3	15,174.9
1. Direct investment	9,881.8	4,411.0	12,734.7	4,452.8	9,093.0	18,596.5	3,630.6	5,627.0	2,825.2	6,513.8	8,259.9
1.1. Abroad	-1,290.3	-4,494.3	-813.1	-2,077.2	-1,415.4	-1,191.9	-162.6	-303.7	-438.6	-287.1	-623.6
1.2. In Croatia	11,172.1	8,905.4	13,547.8	6,530.0	10,508.5	19,788.5	3,793.1	5,930.7	3,263.8	6,800.9	8,883.5
2. Portfolio investment	4,979.0	-3,240.3	6,667.9	1,989.3	-8,687.1	-3,324.5	-4,226.5	720.1	2,476.5	-2,294.6	-1,748.0
2.1. Assets	-1,081.8	-4,839.6	938.6	-5,672.4	-4,157.9	-2,807.4	-376.1	49.6	246.8	-2,727.7	-1,031.8
2.2. Liabilities	6,060.8	1,599.3	5,729.3	7,661.6	-4,529.2	-517.1	-3,850.3	670.4	2,229.7	433.1	-716.2
3. Financial derivatives	0.0	0.0	0.0	0.0	-659.4	0.0	0.0	0.0	0.0	0.0	0.0
4. Other investment	2,959.8	20,862.4	12,141.7	12,954.8	28,365.0	24,158.8	18,359.1	9,608.2	-10,718.5	6,910.0	8,663.1
4.1. Assets	2,650.7	3,329.5	-16,852.3	-3,314.9	7,386.6	-4,974.0	7,669.5	563.7	-6,728.1	-6,479.2	2,647.8
4.2. Liabilities	309.0	17,532.9	28,994.0	16,269.6	20,978.4	29,132.8	10,689.6	9,044.5	-3,990.4	13,389.2	6,015.3
B3. Reserve assets (CNB)	-11,497.0	-5,488.5	-9,352.4	-336.5	-6,075.4	-10,313.4	-4,938.5	-5,073.3	4,406.7	-4,708.4	-5,952.3
C. NET ERRORS AND OMISSIONS	-1,470.0	-4,532.8	-8,176.6	-7,911.4	-7,492.6	-8,313.3	2,597.3	-1,351.5	-14,142.4	4,583.2	5,677.2

^a Preliminary data. ^b Revised data.

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

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

end of period, million euros

Year	Month	International reserves of the Croatian National Bank							Banks' foreign exchange reserves
		Total	Special drawing rights	Reserve position in the Fund	Gold	Foreign exchange			
						Total	Currency and deposits	Bonds and notes	
1994	December	1,145.7	3.7	–	–	1,142.0	1,142.0	–	716.6
1995	December	1,479.0	109.1	–	–	1,369.9	1,288.4	81.4	1,038.1
1996	December	1,867.7	101.3	0.0	–	1,766.3	1,627.6	138.7	1,549.2
1997	December	2,303.7	133.4	0.1	–	2,170.2	1,825.2	345.0	2,078.9
1998	December	2,400.2	197.1	0.1	–	2,203.0	1,642.6	560.4	1,607.0
1999	December	3,012.7	188.7	0.2	–	2,823.7	2,449.8	373.9	1,344.7
2000	December	3,783.2	158.5	0.2	–	3,624.5	2,763.0	861.5	2,310.7
2001	December	5,333.6	122.9	0.2	–	5,210.5	3,469.7	1,740.7	4,056.0
2002	December	5,651.3	2.3	0.2	–	5,648.8	3,787.8	1,861.0	2,581.6
2003	December	6,554.1	0.7	0.2	–	6,553.2	3,346.0	3,207.2	3,927.1
2004	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	December	7,438.4	0.9	0.2	–	7,437.3	3,834.5	3,602.8	2,938.4
2006	May	8,502.2	0.7	0.2	–	8,501.3	4,718.2	3,783.1	1,783.4
	June	8,743.6	0.8	0.2	–	8,742.6	4,865.0	3,877.6	1,706.0
	July	8,974.2	1.2	0.2	–	8,972.8	4,954.9	4,017.9	1,672.4
	August	8,672.1	0.7	0.2	–	8,671.3	4,657.8	4,013.5	1,985.5
	September	8,134.8	0.7	0.2	–	8,133.9	4,163.1	3,970.9	2,413.4
	October	8,516.3	1.2	0.2	–	8,514.9	4,308.0	4,206.9	2,953.5
	November	8,983.7	0.7	0.2	–	8,982.8	4,537.8	4,445.0	2,915.8
	December	8,725.3	0.7	0.2	–	8,724.4	4,526.9	4,197.5	3,315.0
2007	January	9,172.6	1.3	0.2	–	9,171.1	4,909.3	4,261.8	3,237.7
	February	9,565.4	0.8	0.2	–	9,564.5	5,271.0	4,293.4	2,936.8
	March	9,519.7	0.8	0.2	–	9,518.8	5,237.3	4,281.5	2,882.6
	April	9,488.4	1.3	0.2	–	9,486.9	5,229.6	4,257.4	2,743.7
	May ^b	9,451.5	0.8	0.2	–	9,450.5	5,171.7	4,278.9	2,705.4

^a International reserves of the Republic of Croatia consist only of the Croatian National Bank's foreign exchange reserves.

^b Preliminary data.

Table H7: International Reserves and Banks' Foreign Exchange Reserves

The international reserves of the Croatian National Bank are shown according to the methodology contained in the Balance of Payments Manual (International Monetary Fund, 1995), and include those foreign claims of the Croatian National Bank that can be used to bridge imbalances in international payments. International reserves

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

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

Table H8: International Reserves and Foreign Currency Liquidity

end of period, million euros

	2001	2002	2003	2004	2005	2006	2007			
	Dec. ^b	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
I. Official reserve assets and other f/c assets (approximate market value)										
A. Official reserve assets	5,333.6	5,651.3	6,554.1	6,436.2	7,438.4	8,725.3	9,172.6	9,565.4	9,519.7	9,488.4
(1) Foreign currency reserves (in convertible f/c)	3,877.9	4,246.9	5,740.1	6,235.4	7,337.3	8,162.8	8,371.1	8,564.5	8,513.9	8,486.9
(a) Securities	1,740.7	1,861.0	3,207.2	3,262.0	3,602.8	4,197.5	4,261.8	4,293.4	4,281.5	4,257.4
o/w: Issuer headquartered in reporting country but located abroad	–	–	–	–	–	–	–	–	–	–
(b) Total currency and deposits with:	2,137.2	2,385.9	2,532.9	2,973.3	3,734.5	3,965.3	4,109.3	4,271.0	4,232.4	4,229.6
(i) other national central banks, BIS and IMF	461.3	325.1	271.1	233.1	407.3	198.7	199.8	198.4	197.8	196.1
(ii) banks headquartered in the reporting country	–	–	–	–	–	–	–	–	–	–
o/w: Located abroad	–	–	–	–	–	–	–	–	–	–
(iii) banks headquartered outside the reporting country	1,675.9	2,060.8	2,261.8	2,740.3	3,327.2	3,766.6	3,909.5	4,072.6	4,034.6	4,033.5
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	122.9	2.3	0.7	0.6	0.9	0.7	1.3	0.8	0.8	1.3
(4) gold	–	–	–	–	–	–	–	–	–	–
(5) other reserve assets	1,332.6	1,401.9	813.1	200.0	100.0	561.6	800.0	1,000.0	1,004.9	1,000.0
– reverse repo	1,332.6	1,401.9	813.1	200.0	100.0	561.6	800.0	1,000.0	1,004.9	1,000.0
B. Other foreign currency assets (specify)	–	–	–	–	–	–	–	–	–	–
– time deposits	–	–	–	–	–	–	–	–	–	–
C. Total (A+B)	5,333.6	5,651.3	6,554.1	6,436.2	7,438.4	8,725.3	9,172.6	9,565.4	9,519.7	9,488.4
II. Predetermined short-term net drains on f/c assets (nominal value)										
1. F/c loans, securities, and deposits (total net drains up to one year)	–1,350.7	–740.9	–1,538.0	–988.6	–899.7	–650.5	–657.1	–643.4	–644.9	–638.3
(a) Croatian National Bank	–443.4	–167.4	–646.9	–1.8	–1.1	–1.6	–2.1	–1.8	–1.9	–1.9
Up to 1 month	–196.1	–136.9	–355.9	–	–	–	–	–	–	–
Principal	–3.2	–2.2	–1.9	–1.8	–1.1	–1.6	–2.1	–1.8	–1.9	–1.9
Interest	–203.7	–26.5	–288.3	–	–	–	–	–	–	–
More than 1 and up to 3 months	–2.1	–0.1	–0.7	–	–	–	–	–	–	–
Principal	–34.5	–1.6	–	–	–	–	–	–	–	–
Interest	–3.8	–0.1	–	–	–	–	–	–	–	–
(b) Central government (excl. central government funds)	–907.4	–573.5	–891.1	–986.8	–898.6	–648.9	–655.0	–641.6	–643.0	–636.5
Up to 1 month	–101.7	–98.1	–85.9	–76.5	–77.9	–48.3	–1.0	–9.8	–11.3	–1.6
Principal	–55.6	–42.8	–34.4	–13.8	–	–	–	–	–	–
Interest	–351.6	–8.6	–9.3	–510.1	–603.0	–138.4	–150.0	–101.4	–78.7	–360.6
More than 1 and up to 3 months	–125.7	–148.1	–168.3	–169.0	–	–	–9.9	–	–	–
Principal	–170.8	–176.2	–495.2	–143.7	–160.2	–399.8	–445.4	–433.7	–415.1	–127.4
Interest	–102.0	–99.7	–98.0	–73.8	–57.5	–62.3	–48.6	–96.7	–137.9	–146.9
2. Aggregate short and long positions in forwards and futures in f/c vis-a-vis the domestic currency (including the forward leg of currency swaps)	–	–	–	–	–	–	–	–	–	–
(a) Short positions (–)	–	–	–	–	–	–	–	–	–	–
Up to 1 month	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–	–
(b) Long positions (+)	–	–	–	–	–	–	–	–	–	–
Up to 1 month	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–	–
3. Other	–75.2	–21.5	–363.5	–	–	–	–	–	–	–
– outflows related to repos (–)	–75.2	–21.5	–363.5	–	–	–	–	–	–	–
Up to 1 month	–75.1	–21.5	–363.1	–	–	–	–	–	–	–
Principal	–0.1	0.0	–0.4	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–	–	–	–	–	–	–	–	–	–
Principal	–	–	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–	–
Principal	–	–	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–	–
4. Total predetermined short-term net drains on foreign currency assets (1+2+3)	–1,426.0	–762.4	–1,901.5	–988.6	–899.7	–650.5	–657.1	–643.4	–644.9	–638.3
III. Contingent short-term net drains on f/c assets (nominal value)										
1. Contingent liabilities in foreign currency	–1,088.8	–1,631.0	–1,300.4	–1,772.9	–2,273.1	–2,734.9	–3,093.5	–3,385.4	–3,364.5	–3,519.3
(a) Collateral guarantees on debt falling due within 1 year	–315.9	–685.9	–426.8	–370.9	–443.8	–478.9	–455.6	–462.6	–437.4	–590.8
– Croatian National Bank	–	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)	–315.9	–685.9	–426.8	–370.9	–443.8	–478.9	–455.6	–462.6	–437.4	–590.8
Up to 1 month	–49.4	–52.3	–55.8	–62.7	–59.6	–71.9	–6.1	–56.1	–20.5	–14.6
More than 1 and up to 3 months	–24.7	–35.2	–94.9	–33.9	–53.0	–84.8	–116.7	–67.7	–76.5	–130.1

More than 3 months and up to 1 year	-241.7	-598.3	-276.1	-274.4	-331.2	-322.2	-332.8	-338.8	-340.4	-446.1
(b) Other contingent liabilities	-772.9	-945.1	-873.6	-1,402.0	-1,829.3	-2,256.0	-2,637.9	-2,922.8	-2,927.2	-2,928.5
– Croatian National Bank	-772.9	-945.1	-873.6	-1,402.0	-1,829.3	-2,256.0	-2,637.9	-2,922.8	-2,927.2	-2,928.5
Up to 1 month	-	-	-	-	-	-	-	-	-	-
More than 1 and up to 3 months	-772.9	-945.1	-873.6	-1,402.0	-1,829.3	-2,256.0	-2,637.9	-2,922.8	-2,927.2	-2,928.5
More than 3 months and up to 1 year	-	-	-	-	-	-	-	-	-	-
– Central government (excl. central government funds)	-	-	-	-	-	-	-	-	-	-
2. F/c sec. issued with embedded options (puttable bonds)	-	-	-	-	-	-	-	-	-	-
3. Undrawn, unconditional credit lines provided by	170.8	-	-	-	-	-	-	-	-	-
– BIS (+)	-	-	-	-	-	-	-	-	-	-
– IMF (+)	170.8	-	-	-	-	-	-	-	-	-
4. Aggregate short and long positions of options in foreign currencies vis-a-vis the domestic currency	-	-	-	-	-	-	-	-	-	-
5. Total contingent short-term net drains on f/c assets (1+2+3+4)	-918.0	-1,631.0	-1,300.4	-1,772.9	-2,273.1	-2,734.9	-3,093.5	-3,385.4	-3,364.5	-3,519.3
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	-70.0	-20.0	-351.0	-	-	-	-	-0.4	-	-
– 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	1,235.1	1,330.3	785.1	180.7	88.5	559.5	785.8	1,002.9	972.4	978.9
(e) financial derivative assets (net, marked to market)	-	-	-	-	-	-	-	-	-	-
(f) currency composition of official reserves assets ^a	-	-	-	-	-	-	-	-	-	-
– currencies in SDR basket	5,333.6	5,651.3	6,554.1	6,436.2	7,438.1	8,725.0	9,172.3	9,565.1	9,519.5	9,488.1
– currencies not in SDR basket	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.3	0.3	0.3
– by individual currencies										
USD	1,738.4	1,600.8	1,937.6	1,609.1	1,104.5	1,266.0	1,248.5	1,242.1	1,239.2	1,235.0
EUR	3,471.6	4,047.9	4,615.6	4,826.3	6,332.5	7,458.0	7,919.6	8,319.4	8,276.7	8,249.0
Other	123.6	2.6	0.9	0.8	1.3	1.3	4.5	3.9	3.9	4.4

^a Until January 2001: Currency structure of official reserve assets and other foreign currency assets. ^b In accordance with the recommendation made by the IMF, time deposits with a maturity over 3 months were also included in Official reserve assets (I.A.). These deposits were previously included in Other foreign currency assets (I.B.).

Table H8: International Reserves and Foreign Currency Liquidity

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

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

The second part of the Template shows fixed predetermined foreign currency net liabilities of the Croatian National Bank and the central government (excluding central government funds) that fall due in the next 12 months. Foreign currency loans, securities and deposits (II.1.) include future interest payments on banks' foreign currency reserve requirements with the CNB (only interest payments for the next month are included), payments of future maturities of foreign currency CNB bills, future principal and interest payments on loans from the IMF, and future principal and interest payments on the central government's foreign currency debts (excluding central government funds). Aggregate short and long positions in forwards and futures in foreign currencies (II.2.) include future collections (+) or payments (-) arising from currency swaps between the CNB and domestic banks (temporary sale or purchase of foreign currency). Item Other (II.3.) includes future payments arising from repo agreements

with foreign negotiable debt securities.

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

The fourth part of the Template lists memo items. Short-term, domestic currency debt indexed to foreign currency (IV.a) shows obligations arising from the Act on Converting Households' Foreign Exchange Deposits into the Public Debt of the Republic of Croatia, which fall due in the next 12 months. Pledged assets (IV.c) show time deposits in foreign currency with a maturity over 3 months listed in item I.B. which are also a pledge. Repo transactions with securities show the value of collateral that is the subject of repo agreements and reverse repo transactions with securities as well as how these transactions are registered in the Template. Until December 2000, the currency structure of international and other foreign currency reserves showed the currency structure of the total foreign currency assets of the CNB (section I.). From January 2001, the currency structure refers to official reserve assets (section I.A.).

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		7.087680	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	3.876694
2000		7.633852	0.554774	1.163773	0.394256	4.903244	12.530514	8.287369	3.903599
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	
2006	May	7.273472				4.671209	10.637740	5.699769	
	June	7.255173				4.651643	10.567474	5.722947	
	July	7.245768				4.620172	10.529897	5.714387	
	August	7.276358				4.614575	10.741034	5.679723	
	September	7.385597				4.665362	10.940363	5.795937	
	October	7.393049				4.649986	10.983203	5.861821	
	November	7.344346				4.612789	10.901289	5.710001	
	December	7.355022				4.608204	10.930893	5.565730	
2007	January	7.367082				4.562119	11.096595	5.662532	
	February	7.362568				4.540010	11.033457	5.639683	
	March	7.356923				4.563893	10.825095	5.559130	
	April	7.396197				4.520671	10.892890	5.482475	
	May	7.329989				4.442055	10.756935	5.422621	

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	
2006	May	7.264151				4.659494	10.601505	5.650837	
	June	7.256979				4.640012	10.500621	5.790297	
	July	7.258119				4.617124	10.648649	5.719107	
	August	7.314609				4.640955	10.842883	5.702954	
	September	7.381777				4.644380	10.897220	5.827105	
	October	7.369343				4.636848	11.003947	5.792143	
	November	7.333542				4.613451	10.861289	5.574718	
	December	7.345081				4.571248	10.943208	5.578401	
2007	January	7.373400				4.541390	11.185376	5.691108	
	February	7.345292				4.540016	10.923992	5.562929	
	March	7.382466				4.543615	10.853375	5.542808	
	April	7.372840				4.486060	10.797950	5.414438	
	May	7.308634				4.439430	10.752735	5.439591	

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 ex-

change 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	
			Indices of producers' prices	Retail price index
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	May	88.28	91.79	87.61
	June	88.22	92.14	87.67
	July	88.09	92.48	88.26
	August	88.22	92.67	88.54
	September	89.68	93.75	89.88
	October	90.02	93.65	90.18
	November	88.95	92.91	88.59
	December	88.42	92.51	87.96
2007	January	88.97	92.17	88.21
	February	88.82	92.53	88.17
	March	88.41	92.13 ^a	87.82 ^a
	April	88.41	92.26 ^a	87.65 ^a
	May	87.56		

^a Preliminary data.

Note: From 1 January 2001, the euro-zone 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 rate (for the basic CNB methodology, see Bulletin No. 64, Box: 2, October 2001), were first published in the CNB Bulletin No. 94 (June 2004). The weights are determined based on the average share of a particular foreign currency in the structure of the current account – ITRS data between January 2000 and December 2003 (between July 1996 and January 2000 in the previous version of notes on methodology under Table H10). The new weights have been assigned to the euro (70.6%), US dollar (27.2%), Swiss franc (1.0%) and pound sterling (1.0%) and thus replaced the old weights: euro (66.2%), US dollar (30.7%), Swiss franc (1.6%) and pound sterling (1.2%). The weight assigned to the Slovenian tolar remained unchanged at 0.2%. The year 2001 is a base period for calcu-

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

Table H12: Gross External Debt by Domestic Sectors

million euros

	2001	2002	2003	2004	2005	2006				2007		
	Dec.*	Dec.*	Dec.*	Dec.*	Dec.*	Mar.*	Jun.*	Sep.*	Dec.*	Jan.*	Feb.*	Mar.*
1. Government	5,981.8	5,884.9	6,570.7	7,257.3	7,047.3	6,632.1	6,601.3	6,667.5	6,656.4	6,599.3	6,534.0	6,491.2
Short-term	0.6	1.3	1.3	2.7	2.0	0.0	0.7	0.4	1.9	3.1	2.9	2.6
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
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
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
Other debt liabilities	0.6	1.3	1.3	2.7	2.0	0.0	0.7	0.4	1.9	3.1	2.9	2.6
Principal arrears	0.3	0.9	0.9	2.4	1.8	0.0	0.0	0.0	0.0	1.3	1.3	1.3
Interest arrears	0.3	0.4	0.4	0.3	0.2	0.0	0.7	0.4	1.9	1.8	1.6	1.3
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
Long-term	5,981.2	5,883.6	6,569.4	7,254.6	7,045.3	6,632.1	6,600.6	6,667.2	6,654.5	6,596.2	6,531.1	6,488.6
Bonds	4,303.1	3,950.4	4,306.6	4,662.4	4,052.1	3,493.3	3,529.4	3,641.4	3,648.2	3,618.0	3,561.2	3,530.2
Credits	1,676.7	1,932.1	2,260.5	2,590.2	2,990.6	3,136.4	3,068.9	3,023.7	3,004.5	2,976.6	2,968.2	2,956.7
Trade credits	1.3	1.1	2.3	2.1	2.6	2.4	2.3	2.1	1.9	1.7	1.7	1.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	215.9	23.2	365.9	2.4	2.6	2.0	3.4	2.0	2.6	2.6	2.3	2.1
Short-term	76.9	23.2	365.9	2.4	2.6	2.0	3.4	2.0	2.6	2.6	2.3	2.1
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	75.3	21.5	363.3	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1.7	1.7	2.6	2.4	2.6	2.0	2.5	2.0	2.6	2.6	2.3	2.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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
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
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
Long-term	139.0	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
Credits	139.0	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
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
3. Banks	2,565.5	3,798.7	6,140.1	7,731.7	8,978.7	9,882.2	10,333.5	8,966.1	10,222.4	10,425.4	10,516.2	10,313.2
Short-term	4.3	1.2	605.5	1,969.2	2,505.2	2,881.5	3,006.0	2,046.9	3,362.7	3,597.7	3,693.4	3,447.8
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
Credits	2.6	0.3	604.6	519.9	1,064.8	1,106.3	1,107.0	602.9	1,150.4	1,213.1	1,243.5	1,013.7
Currency and deposits	0.0	0.0	0.0	1,448.4	1,438.6	1,773.9	1,897.6	1,442.2	2,211.1	2,383.2	2,448.4	2,432.8
Other debt liabilities	1.7	0.8	0.9	0.9	1.7	1.3	1.5	1.7	1.2	1.4	1.5	1.3
Principal arrears	0.9	0.5	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Interest arrears	0.7	0.4	0.7	0.9	1.7	1.3	1.5	1.6	1.2	1.4	1.4	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	0.0
Long-term	2,561.2	3,797.5	5,534.7	5,762.5	6,473.6	7,000.7	7,327.5	6,919.2	6,859.7	6,827.7	6,822.8	6,865.5
Bonds	0.0	0.0	0.0	453.2	456.6	462.5	466.0	452.1	457.9	460.1	461.6	463.2
Credits	1,843.0	1,900.6	2,798.5	3,517.4	3,822.7	4,262.1	4,436.6	4,124.0	4,217.1	4,012.8	3,942.0	3,829.3
Currency and deposits	718.3	1,896.9	2,736.2	1,791.9	2,194.3	2,276.2	2,424.9	2,343.2	2,184.7	2,354.8	2,419.2	2,572.9
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	0.0
4. Other sectors	3,754.3	4,030.9	4,945.7	5,895.6	7,264.0	7,552.2	8,066.0	8,825.0	9,425.4	9,679.5	9,832.7	10,048.7
Short-term	454.6	472.6	512.9	535.2	707.7	709.6	827.5	962.9	915.8	1,046.6	1,073.7	1,147.1
Money market instruments	32.4	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	54.0	25.4	68.1	98.5	140.2	169.9	274.3	418.6	322.7	452.2	460.5	506.8
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	0.0
Trade credits	40.9	47.5	22.2	23.2	27.8	37.0	36.6	33.0	35.9	35.6	37.7	34.8
Other debt liabilities	32.4	399.7	389.0	413.5	539.8	502.7	516.6	511.3	557.2	558.9	575.5	605.5
Principal arrears	298.2	366.5	356.3	377.1	496.3	464.0	480.7	466.8	499.2	505.9	523.7	537.7
Interest arrears	29.1	33.2	32.7	36.3	43.5	38.7	35.8	44.5	58.0	53.0	51.8	67.9
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
Long-term	3,299.8	3,558.2	4,432.8	5,360.4	6,556.2	6,842.6	7,238.5	7,862.0	8,509.6	8,632.9	8,758.9	8,901.6
Bonds	31.2	171.9	344.8	377.9	375.3	365.2	381.8	191.3	306.4	308.5	310.2	314.1
Credits	3,040.6	3,174.9	3,933.0	4,852.7	6,017.1	6,312.4	6,701.8	7,510.9	8,060.0	8,177.6	8,302.8	8,442.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	227.9	211.5	155.0	129.8	163.8	165.1	155.0	159.9	143.1	146.7	146.0	145.0
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

5. Direct investment	1,091.7	1,405.4	1,861.4	2,046.1	2,455.0	2,573.8	2,716.7	2,912.6	2,843.0	2,823.2	2,872.0	2,942.2
Short-term	56.7	79.8	122.3	124.1	184.6	194.8	244.7	278.3	309.9	309.6	314.1	319.8
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
Credits	4.5	29.9	38.7	33.0	36.5	38.8	65.2	74.6	76.8	79.8	78.7	58.6
Trade credits	1.6	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	50.6	49.9	83.6	91.2	148.1	156.0	179.5	203.7	233.1	229.8	235.3	261.2
Principal arrears	42.7	42.0	73.4	78.1	128.7	141.0	161.9	179.8	204.5	206.5	211.8	233.1
Interest arrears	7.9	7.9	10.2	13.1	19.4	15.0	17.6	23.9	28.6	23.3	23.5	28.1
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
Long-term	1,035.0	1,325.7	1,739.1	1,921.9	2,270.4	2,379.0	2,472.0	2,634.3	2,533.1	2,513.6	2,557.9	2,622.3
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
Credits	1,013.4	1,291.6	1,707.6	1,892.2	2,236.8	2,346.2	2,440.3	2,606.7	2,506.9	2,487.8	2,532.2	2,597.7
Trade credits	21.6	34.1	31.5	29.8	33.6	32.8	31.8	27.6	26.3	25.8	25.7	24.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	13,609.3	15,143.1	19,883.8	22,933.0	25,747.7	26,642.4	27,720.9	27,373.2	29,149.8	29,529.9	29,757.2	29,797.4

Table H12: Gross External Debt by Domestic Sectors

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

External debt by domestic sectors is shown in the same manner as in the Capital and Financial Account of the BOP. Item Government shows external debt of the general government, which includes the Republic of Croatia, central government funds (including the Croatian Bank for Reconstruction and Development, the State Agency for Deposit Insurance and Bank Rehabilitation, the Croatian Roads and the Croatian Highways), and local government. Item Croatian National Bank shows the central bank debts. Item Banks shows debts of banks. Item Other sectors shows debts of other banking 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 percent of the other).

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

Outstanding gross external debt includes principal and interest ar-

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

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

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

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

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

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

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

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

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

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

million euros

	2001	2002	2003	2004	2005	2006				2007		
	Dec.*	Dec.*	Dec.*	Dec.*	Dec.*	Mar.*	Jun.*	Sep.*	Dec.*	Jan.*	Feb.*	Mar.*
1. Public sector	7,542.4	7,211.5	8,327.6	8,580.3	8,500.4	8,106.6	8,036.6	8,179.6	8,236.0	8,169.9	8,200.8	8,138.8
Short-term	178.4	60.8	415.8	29.5	23.1	34.4	48.4	34.2	81.8	81.4	78.7	66.4
Money market instruments	26.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	98.5	21.9	391.2	0.7	2.3	16.6	16.9	15.8	57.1	58.3	57.5	45.4
Currency and deposits	1.7	1.7	2.6	2.4	2.6	2.0	2.5	2.0	2.6	2.6	2.3	2.1
Trade credits	26.4	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	25.1	37.2	22.1	26.4	18.2	15.8	29.1	16.5	22.1	20.5	18.9	18.9
Principal arrears	23.0	35.0	20.5	25.4	17.1	14.8	27.2	15.3	18.2	17.6	17.1	16.9
Interest arrears	2.1	2.1	1.6	1.0	1.1	0.9	1.8	1.2	4.0	2.9	1.9	2.0
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
Long-term	7,363.4	7,150.2	7,911.5	8,549.6	8,476.3	8,071.1	7,986.6	8,143.8	8,152.7	8,087.0	8,120.5	8,070.9
Bonds	4,303.1	3,950.4	4,306.6	4,662.4	4,052.1	3,493.3	3,529.4	3,641.4	3,648.2	3,618.0	3,561.2	3,530.2
Credits	2,967.5	3,118.5	3,554.4	3,833.2	4,314.5	4,459.8	4,328.6	4,398.4	4,421.9	4,383.1	4,467.6	4,446.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	7.0	28.0	0.0	0.0	0.0	4.8	9.6
Trade credits	92.8	81.4	50.6	54.1	109.7	111.1	100.7	104.0	82.7	86.0	86.9	84.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.6	0.5	0.3	1.2	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5
2. Publicly guaranteed private sector	622.1	559.5	433.7	334.1	290.8	239.3	233.6	210.0	208.1	184.8	183.5	182.1
Short-term	11.4	21.8	21.1	23.5	22.1	18.0	16.3	17.4	17.6	17.6	16.5	17.0
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
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
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
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
Other debt liabilities	11.4	21.8	21.1	23.5	22.1	18.0	16.3	17.4	17.6	17.6	16.5	17.0
Principal arrears	7.0	13.9	14.3	15.6	14.5	14.9	13.7	14.7	14.8	15.0	14.1	14.5
Interest arrears	4.4	7.9	6.8	7.9	7.6	3.2	2.6	2.7	2.8	2.6	2.5	2.5
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
Long-term	610.7	537.8	412.6	310.6	268.8	221.3	217.3	192.7	190.5	167.2	167.0	165.1
Bonds	31.2	31.2	31.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	573.6	502.5	378.9	309.1	267.0	219.8	215.1	190.6	186.6	163.2	163.1	161.2
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
Trade credits	5.9	4.0	2.5	1.5	1.8	1.5	2.2	2.0	3.9	4.0	3.9	3.9
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	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	0.0
3. Non-publicly guaranteed private sector	5,444.7	7,372.1	11,122.4	14,018.6	16,956.4	18,296.5	19,450.7	18,983.5	20,705.6	21,175.2	21,372.9	21,476.5
Short-term	346.6	415.8	1,048.6	2,456.4	3,172.3	3,540.7	3,772.9	2,960.5	4,183.6	4,551.0	4,677.1	4,516.2
Money market instruments	5.6	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	33.4	25.4	644.8	617.7	1,202.7	1,259.5	1,365.4	1,005.8	1,416.0	1,606.9	1,646.6	1,475.0
Currency and deposits	0.0	0.0	0.0	1,448.4	1,438.6	1,773.9	1,897.6	1,442.2	2,211.1	2,383.2	2,448.4	2,432.8
Trade credits	14.6	47.5	22.2	23.2	27.8	37.0	36.6	33.0	35.9	35.6	37.7	34.8
Other debt liabilities	293.1	342.9	347.9	367.1	503.2	470.3	473.4	479.5	520.6	525.3	544.4	573.5
Principal arrears	269.5	318.9	322.6	338.5	466.4	434.3	439.8	436.9	466.2	474.6	493.9	507.6
Interest arrears	23.6	24.0	25.3	28.6	36.8	36.0	33.6	42.6	54.4	50.6	50.5	65.9
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
Long-term	4,007.0	5,551.4	8,212.8	9,517.3	11,330.1	12,183.0	12,962.7	13,111.9	13,680.5	13,802.6	13,825.4	14,019.7
Bonds	0.0	140.7	313.7	831.1	831.8	827.7	847.7	643.4	764.3	768.6	771.8	777.3
Credits	3,158.2	3,386.6	5,058.6	6,817.9	8,249.0	9,024.3	9,635.7	10,069.5	10,673.1	10,620.6	10,577.5	10,611.2
Currency and deposits	718.3	1,896.9	2,736.2	1,791.9	2,194.3	2,276.2	2,424.9	2,343.2	2,184.7	2,354.8	2,419.2	2,572.9
Trade credits	130.5	127.1	104.3	76.3	55.0	54.9	54.4	55.9	58.4	58.5	56.9	58.3
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	0.0
Direct investment	1,091.1	1,404.9	1,861.1	2,044.9	2,454.0	2,572.7	2,715.1	2,911.1	2,841.5	2,821.6	2,870.5	2,940.6
Total (1+2+3)	13,609.3	15,143.1	19,883.8	22,933.0	25,747.7	26,642.4	27,720.9	27,373.2	29,149.8	29,529.9	29,757.2	29,797.4

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

million euros

	Outstanding debt 31/3/2007	Immediate	Projected future principal payments												
			Q2/07	Q3/07	Q4/07	Q1/08	2007	2008	2009	2010	2011	2012	2013	2014	Other
1. Government	6,491.2	2.6	165.4	348.7	108.3	84.7	622.4	712.1	1,054.5	844.2	1,438.7	257.5	210.7	675.6	673.0
Short-term	2.6	2.6	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
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	2.6	2.6	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
Principal arrears	1.3	1.3	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	1.3	1.3	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	6,488.6	0.0	165.4	348.7	108.3	84.7	622.4	712.1	1,054.5	844.2	1,438.7	257.5	210.7	675.6	673.0
Bonds	3,530.2	0.0	44.1	280.2	0.0	25.7	324.3	225.4	723.0	562.4	1,055.0	43.5	26.5	517.0	53.1
Credits	2,956.7	0.0	121.2	68.3	108.1	58.8	297.5	486.2	331.5	281.7	383.5	213.9	184.1	158.5	619.8
Trade credits	1.7	0.0	0.2	0.2	0.2	0.2	0.5	0.5	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	2.1	0.0	2.1	0.0	0.0	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	2.1	0.0	2.1	0.0	0.0	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	2.1	0.0	2.1	0.0	0.0	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	10,313.2	1.3	3,632.0	246.6	360.3	223.2	4,238.9	994.0	1,651.1	206.4	564.8	375.7	93.7	73.8	2,113.7
Short-term	3,447.8	1.3	3,118.8	108.9	108.9	109.9	3,336.6	109.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,013.7	0.0	1,013.7	0.0	0.0	0.0	1,013.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	2,432.8	0.0	2,105.2	108.9	108.9	109.9	2,322.9	109.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1.3	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	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	6,865.5	0.0	513.2	137.7	251.4	113.3	902.3	884.1	1,651.1	206.4	564.8	375.7	93.7	73.8	2,113.7
Bonds	463.2	0.0	13.7	0.0	0.0	0.0	13.7	0.0	449.5	0.0	0.0	0.0	0.0	0.0	0.0
Credits	3,829.3	0.0	168.3	76.5	190.3	54.2	435.1	654.9	1,021.1	165.1	564.8	375.7	93.7	73.8	445.3
Currency and deposits	2,572.9	0.0	331.3	61.1	61.1	59.2	453.6	229.2	180.5	41.3	0.0	0.0	0.0	0.0	1,668.4
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	0.0	0.0	0.0	0.0
4. Other sectors	10,048.7	605.5	518.2	486.7	757.8	373.1	1,762.7	1,392.8	1,491.0	1,069.9	1,324.8	377.5	283.1	250.4	1,491.1
Short-term	1,147.1	605.5	120.0	155.5	184.9	81.2	460.3	81.2	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	506.8	0.0	120.0	155.5	150.0	81.2	425.5	81.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	34.8	0.0	0.0	0.0	34.8	0.0	34.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	605.5	605.5	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	537.7	537.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	67.9	67.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	8,901.6	0.0	398.2	331.3	572.9	291.9	1,302.3	1,311.6	1,491.0	1,069.9	1,324.8	377.5	283.1	250.4	1,491.1
Bonds	314.1	0.0	7.4	0.0	0.0	0.0	7.4	6.5	6.5	7.5	127.5	9.3	9.3	11.2	128.8
Credits	8,442.5	0.0	371.7	320.2	555.3	275.7	1,247.2	1,251.2	1,454.0	1,052.1	1,195.3	367.9	273.6	239.1	1,362.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	145.0	0.0	19.0	11.1	17.6	16.2	47.7	53.9	30.5	10.3	2.0	0.2	0.1	0.1	0.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

5. Direct investment	2,942.2	261.2	185.2	68.6	153.5	145.6	407.3	324.1	308.4	217.9	315.2	71.5	56.0	83.5	897.1
Short-term	319.8	261.2	32.1	12.2	10.1	4.3	54.4	4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	58.6	0.0	32.1	12.2	10.1	4.3	54.4	4.3	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	0.0	0.0	0.0	0.0
Other debt liabilities	261.2	261.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	233.1	233.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	28.1	28.1	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
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,622.3	0.0	153.1	56.4	143.4	141.4	352.9	319.9	308.4	217.9	315.2	71.5	56.0	83.5	897.1
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	2,597.7	0.0	151.1	55.7	141.8	140.1	348.6	315.5	301.9	211.2	313.8	71.0	55.8	83.1	897.0
Trade credits	24.6	0.0	2.0	0.7	1.6	1.3	4.3	4.4	6.5	6.8	1.4	0.6	0.2	0.5	0.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	29,797.4	870.6	4,503.0	1,150.6	1,379.8	826.6	7,033.4	3,423.0	4,505.0	2,338.3	3,643.4	1,082.2	643.4	1,083.3	5,174.9
Supplement: Projected interest payments			21.6	159.6	236.0	244.4	172.1	147.8	417.2	745.6	652.4	493.3	419.1	218.5	527.2

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

The Table shows outstanding gross external debt, projected principal payments and estimated interest payments according to the CNB's midpoint exchange rate at the end of the period.

Principal payments on Currency and deposits of non-residents are projected according to the available monetary statistics data on original and remaining maturity.

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

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

Table H15: International Investment Position – Summary

million euros

	2001	2002	2003	2004 ^b	2005 ^b	2006 ^b	2006				2007
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^a
1. International investment position (net)	-4,204.4	-7,225.7	-10,927.4	-15,616.6	-20,643.5	-30,635.7	-24,253.7	-26,961.1	-28,837.5	-30,635.7	-35,590.5
2. Assets	12,720.6	12,417.0	14,099.6	14,791.4	15,543.1	17,391.9	15,131.2	15,586.6	15,826.6	17,391.9	17,699.9
2.1. Direct investment abroad	1,008.0	1,606.8	1,626.7	1,563.4	1,729.7	1,831.8	1,790.1	1,742.9	1,763.7	1,831.8	1,900.1
2.2. Portfolio investment	251.1	801.5	599.8	1,334.9	1,791.4	1,890.1	1,784.9	1,843.3	1,747.9	1,890.1	1,809.9
2.2.1. Equity securities	23.6	30.6	37.4	31.9	135.8	142.3	136.9	155.2	150.1	142.3	142.7
2.2.2. Debt securities	227.5	770.9	562.5	1,303.1	1,655.6	1,747.8	1,648.0	1,688.2	1,597.8	1,747.8	1,667.2
Bonds	196.4	761.0	560.0	1,142.6	1,508.4	1,356.4	1,528.6	1,291.8	1,207.4	1,356.4	1,262.1
Money market instruments	31.1	9.9	2.4	160.4	147.1	391.4	119.4	396.4	390.3	391.4	405.1
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	6,127.9	4,357.4	5,319.0	5,456.9	4,583.7	4,944.7	3,467.8	3,256.8	4,180.3	4,944.7	4,470.1
2.4.1. Trade credits	249.3	222.5	253.4	221.6	263.0	235.7	255.4	236.2	249.4	235.7	222.4
2.4.2. Loans	95.6	108.9	102.1	102.2	146.1	238.2	178.7	216.8	230.5	238.2	249.4
2.4.3. Currency and deposits	5,782.9	4,026.0	4,963.5	5,133.1	4,174.5	4,470.5	3,033.7	2,779.2	3,569.1	4,470.5	3,998.3
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.4	0.0	24.7	131.3	0.4	0.0
2.5. Reserve assets (CNB)	5,333.6	5,651.3	6,554.1	6,436.1	7,438.4	8,725.3	8,088.5	8,743.6	8,134.8	8,725.3	9,519.7
3. Liabilities	16,925.0	19,642.7	25,026.9	30,408.1	36,186.6	48,027.5	39,385.0	42,547.7	44,664.2	48,027.5	53,290.4
3.1. Direct investment in Croatia	4,414.0	5,790.8	6,808.6	9,114.2	12,336.9	20,765.6	14,552.1	16,747.0	18,932.6	20,765.6	25,442.3
3.2. Portfolio investment	4,474.5	4,312.8	4,881.0	5,900.5	5,441.0	5,367.7	5,085.2	5,173.6	5,555.7	5,367.7	5,300.3
3.2.1. Equity securities	144.1	204.1	196.0	407.0	557.1	955.2	764.2	796.5	1,271.0	955.2	992.8
3.2.2. Debt securities	4,330.4	4,108.7	4,685.1	5,493.5	4,883.9	4,412.5	4,321.0	4,377.1	4,284.7	4,412.5	4,307.5
Bonds	4,299.3	4,108.7	4,651.4	5,493.5	4,883.9	4,412.5	4,321.0	4,377.1	4,284.7	4,412.5	4,307.5
Money market instruments	31.1	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.4. Other investment	8,036.5	9,539.1	13,337.3	15,393.4	18,408.7	21,894.3	19,747.6	20,627.1	20,175.8	21,894.3	22,547.7
3.4.1. Trade credits	268.4	258.4	179.5	155.1	194.2	181.0	204.5	193.8	195.0	181.0	181.6
3.4.2. Loans	6,722.9	6,981.2	10,027.9	11,578.7	14,035.5	16,754.7	14,987.0	15,589.6	15,680.1	16,754.7	16,748.9
3.4.3. Currency and deposits	719.9	1,898.6	2,738.8	3,242.7	3,635.6	4,398.3	4,052.1	4,324.9	3,787.4	4,398.3	5,007.8
3.4.4. Other liabilities	325.3	400.9	391.2	417.0	543.5	560.3	504.1	518.8	513.3	560.3	609.4

^a Preliminary data. ^b Revised data.

Table H15: International Investment Position – Summary

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

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

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

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

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

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

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

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

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

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

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

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

Table H16: International Investment Position – Direct Investment

million euros

	2001	2002	2003	2004 ^b	2005 ^b	2006 ^b	2006				2007
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^a
Direct investment (net)	-3,406.0	-4,183.9	-5,181.9	-7,550.8	-10,607.2	-18,933.8	-12,762.1	-15,004.1	-17,168.9	-18,933.8	-23,542.2
1. Abroad	1,008.0	1,606.8	1,626.7	1,563.4	1,729.7	1,831.8	1,790.1	1,742.9	1,763.7	1,831.8	1,900.1
1.1. Equity capital and reinvested earnings	975.0	1,569.1	1,587.0	1,502.3	1,610.4	1,725.0	1,691.4	1,644.3	1,646.3	1,725.0	1,775.1
Claims	975.0	1,569.1	1,587.0	1,502.3	1,610.4	1,725.0	1,691.4	1,644.3	1,646.3	1,725.0	1,775.1
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	33.0	37.7	39.7	61.2	119.3	106.8	98.7	98.6	117.5	106.8	125.0
Claims	43.4	49.9	63.4	89.6	137.9	143.4	128.5	130.9	152.9	143.4	165.3
Liabilities	10.4	12.2	23.7	28.4	18.6	36.6	29.9	32.3	35.4	36.6	40.3
1.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	4,414.0	5,790.8	6,808.6	9,114.2	12,336.9	20,765.6	14,552.1	16,747.0	18,932.6	20,765.6	25,442.3
2.1. Equity capital and reinvested earnings	3,339.4	4,400.6	4,972.7	7,116.4	9,920.6	17,961.3	12,029.9	14,064.6	16,057.9	17,961.3	22,543.3
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	3,339.4	4,400.6	4,972.7	7,116.4	9,920.6	17,961.3	12,029.9	14,064.6	16,057.9	17,961.3	22,543.3
2.2. Other capital	1,074.7	1,390.2	1,835.9	1,997.8	2,416.3	2,804.3	2,522.2	2,682.5	2,874.7	2,804.3	2,899.0
Claims	0.0	0.3	1.8	19.9	20.1	2.1	21.7	1.9	2.5	2.1	2.9
Liabilities	1,074.7	1,390.5	1,837.7	2,017.7	2,436.4	2,806.4	2,543.9	2,684.4	2,877.2	2,806.4	2,901.9
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data. ^b Revised data

Table H17: International Investment Position – Portfolio Investment

million euros

	2001	2002	2003	2004 ^b	2005 ^b	2006 ^b	2006				2007
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^a
Portfolio investment (net)	-4,223.3	-3,511.3	-4,281.2	-4,563.2	-3,649.6	-3,477.5	-3,300.3	-3,330.2	-3,807.9	-3,477.5	-3,490.4
1. Assets	251.1	801.5	599.8	1,337.2	1,791.4	1,890.1	1,784.9	1,843.3	1,747.9	1,890.1	1,809.9
1.1. Equity securities	23.6	30.6	37.4	34.2	135.8	142.3	136.9	155.2	150.1	142.3	142.7
Banks	7.5	7.4	4.7	5.1	5.9	6.7	5.3	9.4	6.7	6.7	7.2
Other sectors	16.2	23.2	32.6	29.1	129.9	135.6	131.6	145.8	143.4	135.6	135.5
1.2. Debt securities	227.5	770.9	562.5	1,303.1	1,655.6	1,747.8	1,648.0	1,688.2	1,597.8	1,747.8	1,667.2
2. Liabilities	4,474.5	4,312.8	4,881.0	5,900.5	5,441.0	5,367.7	5,085.2	5,173.6	5,555.7	5,367.7	5,300.3
2.1. Equity securities	144.1	204.1	196.0	407.0	557.1	955.2	764.2	796.5	1,271.0	955.2	992.8
Banks	40.7	44.5	46.3	64.7	84.0	156.7	114.1	138.9	200.9	156.7	182.7
Other sectors	103.4	159.6	149.6	342.3	473.1	798.5	650.1	657.6	1,070.1	798.5	810.1
2.2. Debt securities	4,330.4	4,108.7	4,685.1	5,493.5	4,883.9	4,412.5	4,321.0	4,377.1	4,284.7	4,412.5	4,307.5
Bonds	4,299.3	4,108.7	4,651.4	5,493.5	4,883.9	4,412.5	4,321.0	4,377.1	4,284.7	4,412.5	4,307.5
General government	4,268.2	3,947.6	4,306.6	4,662.4	4,052.1	3,648.2	3,493.3	3,529.4	3,641.4	3,648.2	3,530.2
Banks	0.0	0.0	0.0	453.2	456.6	457.9	462.5	466.0	452.1	457.9	463.2
Other sectors	31.2	161.2	344.8	377.9	375.3	306.4	365.2	381.8	191.3	306.4	314.1
Money market instruments	31.1	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	31.1	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data. ^b Revised data.

Table H18: International Investment Position – Other Investment

million euros

	2001	2002	2003	2004 ^b	2005 ^b	2006 ^b	2006				2007
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^a
Other investment (net)	-1,908.7	-5,181.7	-8,018.4	-9,936.5	-13,825.1	-16,949.6	-16,279.9	-17,370.3	-15,995.6	-16,949.6	-18,077.6
1. Assets	6,127.9	4,357.4	5,319.0	5,456.9	4,583.7	4,944.7	3,467.8	3,256.8	4,180.3	4,944.7	4,470.1
1.1. Trade credits	249.3	222.5	253.4	221.6	263.0	235.7	255.4	236.2	249.4	235.7	222.4
1.1.1. General government	0.0	0.0	0.0	0.0	0.3	0.1	0.3	0.2	0.2	0.1	0.1
Long-term	0.0	0.0	0.0	0.0	0.3	0.1	0.3	0.2	0.2	0.1	0.1
1.1.2. Other sectors	249.3	222.5	253.4	221.6	262.7	235.5	255.2	236.0	249.3	235.5	222.3
Long-term	243.3	216.3	211.5	181.4	190.6	180.7	193.1	190.0	185.9	180.7	183.3
Short-term	6.0	6.2	41.9	40.2	72.1	54.8	62.1	46.0	63.3	54.8	38.9
1.2. Loans	95.6	108.9	102.1	102.2	146.1	238.2	178.7	216.8	230.5	238.2	249.4
1.2.1. Croatian National Bank	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Long-term	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
1.2.2. General government	6.1	4.8	5.3	7.0	8.7	9.5	8.2	7.9	7.6	9.5	9.0
Long-term	6.1	4.8	5.3	7.0	8.7	9.5	8.2	7.9	7.6	9.5	9.0
1.2.3. Banks	83.4	97.5	87.1	81.6	113.2	188.9	136.4	165.5	179.8	188.9	194.7
Long-term	58.3	72.9	63.1	62.6	85.3	142.6	96.3	122.1	134.5	142.6	161.5
Short-term	25.1	24.6	23.9	19.0	27.9	46.3	40.1	43.4	45.3	46.3	33.1
1.2.4. Other sectors	5.4	5.9	9.1	13.0	23.6	39.2	33.4	42.8	42.6	39.2	45.2
Long-term	5.4	5.8	9.1	11.7	23.3	39.1	33.1	42.7	42.5	39.1	45.2
Short-term	0.0	0.1	0.0	1.3	0.3	0.1	0.3	0.1	0.1	0.1	0.1
1.3. Currency and deposits	5,782.9	4,026.0	4,963.5	5,133.1	4,174.5	4,470.5	3,033.7	2,779.2	3,569.1	4,470.5	3,998.3
1.3.2. General government	94.7	115.7	81.9	8.9	54.2	26.4	39.8	65.8	104.9	26.4	1.4
1.3.3. Banks	4,438.8	2,754.3	3,806.3	4,164.6	2,958.2	3,332.2	1,839.4	1,597.2	2,359.0	3,332.2	2,897.7
1.3.4. Other sectors	1,249.4	1,156.0	1,075.4	959.7	1,162.1	1,111.9	1,154.5	1,116.3	1,105.1	1,111.9	1,099.2
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.4	0.0	24.7	131.3	0.4	0.0
2. Liabilities	8,036.5	9,539.1	13,337.3	15,393.4	18,408.7	21,894.3	19,747.6	20,627.1	20,175.8	21,894.3	22,547.7
2.1. Trade credits	268.4	258.4	179.5	155.1	194.2	181.0	204.5	193.8	195.0	181.0	181.6
2.1.1. General government	1.3	1.1	2.3	2.1	2.6	1.9	2.4	2.3	2.1	1.9	1.7
Long-term	1.3	1.1	2.3	2.1	2.6	1.9	2.4	2.3	2.1	1.9	1.7
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	267.1	257.4	177.2	153.0	191.6	179.0	202.1	191.6	192.9	179.0	179.9
Long-term	226.7	209.9	155.0	129.8	163.8	143.1	165.1	155.0	159.9	143.1	145.0
Short-term	40.4	47.5	22.2	23.2	27.8	35.9	37.0	36.6	33.0	35.9	34.8
2.2. Loans	6,722.9	6,981.2	10,027.9	11,578.7	14,035.5	16,754.7	14,987.0	15,589.6	15,680.1	16,754.7	16,748.9
2.2.1. Croatian National Bank	213.8	21.5	363.3	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
o/w: IMF	138.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	1,672.7	1,950.8	2,260.5	2,590.2	2,990.6	3,004.5	3,136.4	3,068.9	3,023.7	3,004.5	2,956.7
Long-term	1,672.7	1,950.8	2,260.5	2,590.2	2,990.6	3,004.5	3,136.4	3,068.9	3,023.7	3,004.5	2,956.7
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,813.5	1,878.7	3,403.0	4,037.3	4,887.5	5,367.6	5,368.3	5,543.6	4,726.9	5,367.6	4,843.0
Long-term	1,810.8	1,878.4	2,798.5	3,517.4	3,822.7	4,217.1	4,262.1	4,436.6	4,124.0	4,217.1	3,829.3
Short-term	2.6	0.3	604.6	519.9	1,064.8	1,150.4	1,106.3	1,107.0	602.9	1,150.4	1,013.7
2.2.4. Other sectors	3,022.9	3,130.1	4,001.0	4,951.3	6,157.3	8,382.7	6,482.3	6,976.1	7,929.5	8,382.7	8,949.2
Long-term	2,969.0	3,103.0	3,933.0	4,852.7	6,017.1	8,060.0	6,312.4	6,701.8	7,510.9	8,060.0	8,442.5
Short-term	53.9	27.2	68.1	98.5	140.2	322.7	169.9	274.3	418.6	322.7	506.8
2.3. Currency and deposits	719.9	1,898.6	2,738.8	3,242.7	3,635.6	4,398.3	4,052.1	4,324.9	3,787.4	4,398.3	5,007.8
2.3.1. Croatian National Bank	1.7	1.7	2.6	2.4	2.6	2.6	2.0	2.5	2.0	2.6	2.1
2.3.2. Banks	718.3	1,896.9	2,736.2	3,240.3	3,632.9	4,395.7	4,050.1	4,322.5	3,785.4	4,395.7	5,005.7
2.4. Other liabilities	325.3	400.9	391.2	417.0	543.5	560.3	504.1	518.8	513.3	560.3	609.4

^a Preliminary data. ^b Revised data.

Table I1: Consolidated Central Government According to Government Level

million kuna

	2004	2005	2006 ^a	2006					
				Mar.	Jun.	Sep.	Oct.	Nov.	Dec. ^a
1. REVENUE (A + B)	87,019.3	92,642.5	100,380.6	7,628.9	8,246.0	8,474.3	8,868.5	8,916.6	9,112.2
A) Budgetary central government	80,463.5	85,653.0	95,234.4	7,356.8	7,864.6	8,052.8	8,363.1	8,406.7	8,362.6
B) Extrabudgetary users	6,555.8	6,989.5	5,146.2	272.0	381.4	421.5	505.4	509.9	749.6
1. Croatian Pension Insurance Administration	129.9	38.0	286.0	0.0	8.4	0.3	54.4	1.3	174.5
2. Croatian Institute for Health Insurance	663.1	863.9	849.4	75.7	105.8	68.5	50.5	73.0	97.7
3. Croatian Employment Service	15.5	18.9	17.6	1.4	0.6	0.7	0.7	0.5	11.3
4. Croatian Waters	1,224.4	1,227.8	1,527.4	61.8	88.6	139.5	135.8	182.3	270.9
5. Fund for Environmental Protection and Energy Efficiency	170.7	214.7	659.8	53.0	39.8	51.4	84.1	100.5	83.5
6. Croatian Motorways Ltd.	2,295.4	2,547.0	1,265.4	71.2	118.2	126.5	113.4	87.4	86.8
7. Croatian Roads Ltd.	1,417.8	1,474.7	64.1	6.8	14.6	2.7	3.8	3.1	12.0
8. State Agency for Deposit Insurance and Bank Rehabilitation	575.9	367.4	409.6	1.5	2.8	4.3	60.3	58.4	7.4
9. Croatian Privatization Fund	62.9	237.0	66.9	0.6	2.7	27.8	2.3	3.4	5.6
2. EXPENSE (A + B)	86,941.4	92,332.1	98,737.4	8,280.1	7,736.7	7,939.9	8,378.5	8,338.9	10,654.7
A) Budgetary central government	81,861.2	86,715.6	91,978.3	7,806.1	7,158.1	7,373.1	7,834.2	7,603.6	9,566.7
B) Extrabudgetary users	5,080.3	5,616.5	6,759.1	474.0	578.5	566.7	544.3	735.3	1,088.0
1. Croatian Pension Insurance Administration	587.4	382.2	558.5	33.7	39.9	32.1	32.0	33.2	194.2
2. Croatian Institute for Health Insurance	831.3	914.3	932.8	76.9	87.8	95.6	85.7	87.6	71.7
3. Croatian Employment Service	141.3	145.9	155.4	12.6	12.5	11.9	13.7	13.0	14.6
4. Croatian Waters	1,426.3	1,489.5	1,779.1	109.2	150.3	179.0	131.7	191.5	372.6
5. Fund for Environmental Protection and Energy Efficiency	32.4	172.0	734.8	58.0	59.8	78.8	70.2	101.9	102.5
6. Croatian Motorways Ltd.	752.3	1,085.1	1,269.9	85.6	115.7	57.3	87.1	179.2	178.7
7. Croatian Roads Ltd.	934.6	1,062.4	1,226.2	88.0	101.4	103.5	115.2	121.9	142.2
8. State Agency for Deposit Insurance and Bank Rehabilitation	314.5	183.0	27.4	3.3	1.1	1.6	2.7	1.9	2.9
9. Croatian Privatization Fund	60.1	182.1	75.2	6.7	10.0	6.8	6.0	5.1	8.5
NET/GROSS OPERATING BALANCE (1 – 2)	77.8	310.3	1,643.1	-651.3	509.3	534.4	490.0	577.7	-1,542.5
3. CHANGE IN NET WORTH: TRANSACTIONS (3.1. + 3.2. – 3.3.)	77.8	310.3	1,643.1	-651.3	509.3	534.4	490.0	577.7	-1,542.5
3.1. CHANGE IN NET ACQUISITION OF NON-FINANCIAL ASSETS	8,373.5	6,699.4	6,101.0	281.2	412.4	459.2	442.1	586.1	1,054.1
Acquisition	8,648.4	7,024.2	6,833.4	351.6	456.2	491.0	471.4	611.0	1,405.0
A) Budgetary central government	1,663.9	1,828.8	1,908.5	93.5	97.9	74.7	166.5	201.2	556.7
B) Extrabudgetary users	6,984.5	5,195.4	4,924.9	258.1	358.4	416.3	304.9	409.9	848.3
Disposals	274.9	324.8	732.4	70.4	43.8	31.8	29.3	24.9	350.9
A) Budgetary central government	244.4	275.1	352.7	32.9	37.5	24.1	28.4	22.9	44.1
B) Extrabudgetary users	30.5	49.6	379.7	37.5	6.3	7.7	0.9	2.0	306.8
Net lending/borrowing (1 – 2 – 3.1.)	-8,295.6	-6,389.1	-4,457.8	-932.4	96.9	75.2	47.9	-8.4	-2,596.6
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING) (3.3. – 3.2.)	8,295.6	6,389.1	4,457.8	932.4	-96.9	-75.2	-47.9	8.4	2,596.6
3.2. CHANGE IN NET ACQUISITION OF FINANCIAL ASSETS	28.4	1,609.8	-2,567.2	-352.0	-307.8	-92.1	264.8	500.5	-3,346.1
3.2.1. Domestic	18.6	1,614.6	-2,583.8	-352.0	-310.5	-92.1	264.8	493.5	-3,353.1
A) Budgetary central government	138.6	1,747.7	-3,062.0	-308.7	-125.1	-218.0	80.8	645.8	-3,551.9
B) Extrabudgetary users	-120.0	-133.1	478.2	-43.3	-185.4	125.9	184.0	-152.3	198.8
3.2.2. Foreign	9.8	-4.9	16.7	0.0	2.7	0.0	0.0	7.0	7.0
A) Budgetary central government	9.8	-4.9	16.7	0.0	2.7	0.0	0.0	7.0	7.0
B) Extrabudgetary users	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
3.3. CHANGE IN NET INCURRENCE OF LIABILITIES	8,324.0	7,998.8	1,890.7	580.5	-404.7	-167.3	216.9	508.9	-749.5
3.3.1. Domestic	4,107.7	12,041.7	5,282.8	2,575.9	-276.1	-345.3	94.2	605.7	-803.0
A) Budgetary central government	4,038.7	10,591.6	3,166.3	2,597.4	-335.5	-539.0	98.8	460.8	-1,463.0
B) Extrabudgetary users	69.0	1,450.1	2,116.5	-21.5	59.5	193.7	-4.6	144.9	659.9
3.3.2. Foreign	4,216.3	-4,042.8	-3,392.1	-1,995.4	-128.7	178.0	122.7	-96.8	53.5
A) Budgetary central government	270.3	-5,080.6	-3,943.3	-2,154.5	-127.9	59.3	-67.0	-42.5	48.2
B) Extrabudgetary users	3,946.0	1,037.8	551.1	159.1	-0.8	118.6	189.8	-54.2	5.3

^a Preliminary data.

The Notes on Methodology can be found in the Ministry of Finance Monthly Statistical Review.

Note: On a cash basis. Source: Ministry of Finance.

Table I2: Budgetary Central Government Operations

million kuna

	2004	2005	2006 ^a	2006					
				Mar.	Jun.	Sep.	Oct.	Nov.	Dec. ^a
1. REVENUE	80,463.5	85,653.0	95,235.9	7,356.8	7,864.6	8,054.3	8,363.1	8,406.7	8,362.6
1.1. Taxes	47,149.9	50,687.6	58,469.1	4,417.1	4,826.4	5,012.9	5,240.4	5,321.0	4,784.4
1.2. Social contributions	29,477.6	31,301.3	33,877.1	2,703.8	2,843.8	2,852.6	2,885.4	2,868.9	3,161.9
1.3. Grants	10.1	27.5	192.9	1.2	8.5	2.4	1.4	20.7	152.5
1.4. Other revenue	3,825.9	3,636.6	2,696.8	234.7	185.9	186.4	235.9	196.2	263.9
2. EXPENSE	83,131.1	87,857.5	95,948.4	8,047.8	7,463.2	7,742.0	8,176.0	7,993.9	9,980.2
2.1. Compensation of employees	22,268.3	23,182.6	24,313.9	1,960.8	1,993.6	2,012.5	2,001.0	2,002.1	2,214.5
2.2. Use of goods and services	4,358.7	4,951.9	6,069.8	465.8	390.9	389.9	542.1	499.7	1,218.1
2.3. Consumption of fixed capital	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0
2.4. Interest	3,972.5	4,387.0	4,713.6	803.5	361.1	319.2	203.1	319.0	413.1
2.5. Subsidies	4,968.1	5,248.7	5,670.8	659.5	334.1	382.9	462.5	441.0	678.6
2.6. Grants	3,420.3	3,796.8	6,650.8	371.5	435.0	574.0	612.2	645.3	922.2
2.7. Social benefits	39,730.9	41,358.5	43,444.6	3,497.5	3,545.3	3,653.5	3,644.3	3,607.9	3,928.7
2.8. Other expense	4,412.4	4,931.9	5,085.0	289.1	403.4	410.0	710.8	478.9	604.9
3. CHANGE IN NET WORTH: TRANSACTIONS	-2,667.6	-2,204.5	-712.5	-690.9	401.4	312.3	187.1	412.9	-1,617.5
3.1. Change in net acquisition of non-financial assets	1,419.5	1,553.7	1,555.8	60.6	60.4	50.6	138.1	178.3	512.6
3.1.1. Fixed assets	1,384.6	1,517.0	1,595.1	62.5	70.7	50.8	139.4	173.4	510.0
3.1.2. Inventories	0.0	0.0	-80.2	-3.7	-11.1	-1.7	-0.8	-0.6	-18.1
3.1.3. Valuables	7.5	7.2	7.8	1.1	0.3	0.1	0.6	0.5	2.1
3.1.4. Non-produced assets	27.3	29.5	33.1	0.7	0.5	1.4	-1.1	5.0	18.6
3.2. Change in net acquisition of financial assets	222.0	1,752.8	-3,045.3	-308.7	-122.4	-218.0	80.8	652.8	-3,544.9
3.2.1. Domestic	212.2	1,757.7	-3,062.0	-308.7	-125.1	-218.0	80.8	645.8	-3,551.9
3.2.2. Foreign	9.8	-4.9	16.7	0.0	2.7	0.0	0.0	7.0	7.0
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
3.3. Change in net incurrence of liabilities	4,309.0	5,510.9	-777.0	442.8	-463.4	-479.7	31.8	418.3	-1,414.8
3.3.1. Domestic	4,038.7	10,591.6	3,166.3	2,597.4	-335.5	-539.0	98.8	460.8	-1,463.0
3.3.2. Foreign	270.3	-5,080.6	-3,943.3	-2,154.5	-127.9	59.3	-67.0	-42.5	48.2

^a Preliminary data.

The Notes on Methodology can be found in the Ministry of Finance Monthly Statistical Review.

Note: On a cash basis. Source: Ministry of Finance.

Table I3: Central Government Debt

end of period, million kuna

	2001	2002	2003	2004	2005	2006	2007			
	Dec. ^a	Dec. ^{a*}	Dec. ^a	Dec. ^a	Dec. ^a	Dec. ^a	Jan. ^a	Feb. ^a	Mar. ^a	Apr.
1. Domestic debt of central government	24,907.3	31,421.5	34,736.4	41,517.0	55,028.8	59,678.1	59,799.6	61,527.9	62,269.5	62,408.6
1.1. Domestic debt of the Republic of Croatia	21,467.9	23,320.0	28,160.8	37,223.7	50,559.5	54,216.7	54,290.6	56,049.6	56,553.6	56,525.6
Treasury bills	4,892.3	5,632.7	6,548.1	9,022.5	12,533.4	12,662.2	13,163.4	13,376.1	13,556.6	13,806.0
Money market instruments	7.4	0.1	0.3	–	0.9	–	–	–	–	–
Bonds	15,415.8	15,887.9	17,422.0	23,080.1	30,716.0	34,827.9	34,871.0	37,193.1	37,256.9	37,117.9
Credits from the CNB	–	0.5	1.4	3.3	1.4	0.9	–	–	–	0.0
Credits from banks	1,152.4	1,798.8	4,189.1	5,117.8	7,307.8	6,725.7	6,256.2	5,480.4	5,740.1	5,601.7
1.2. Domestic debt of central government funds	3,439.4	8,101.5	6,575.5	4,293.3	4,469.2	5,461.4	5,509.0	5,478.3	5,715.9	5,882.9
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	1,636.1	4,460.7	3,616.4	2,040.1	176.9	198.8	253.0	253.2	254.0	278.6
Credits from banks	1,803.3	3,640.7	2,959.1	2,253.2	4,292.3	5,262.6	5,256.0	5,225.1	5,461.9	5,604.3
2. External debt of central government	43,600.8	43,399.6	49,924.7	55,429.8	51,762.1	48,739.6	48,507.9	47,843.1	47,770.4	47,254.0
2.1. External debt of the Republic of Croatia	39,732.6	37,432.1	41,041.9	42,231.2	36,414.5	32,531.2	32,422.0	31,921.0	31,738.7	31,387.5
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	30,984.2	28,719.3	32,115.1	32,919.3	27,020.1	22,836.8	22,741.3	22,324.9	22,192.3	22,006.0
Credits	8,748.4	8,712.8	8,926.8	9,311.9	9,394.5	9,694.3	9,680.8	9,596.1	9,546.3	9,381.5
2.2. External debt of central government funds	3,868.2	5,967.6	8,882.8	13,198.7	15,347.5	16,208.5	16,085.9	15,922.1	16,031.8	15,866.5
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	730.1	680.4	816.9	2,846.8	2,866.5	3,959.1	3,935.5	3,833.2	3,869.3	3,860.1
Credits	3,138.1	5,287.2	8,066.0	10,351.9	12,481.0	12,249.3	12,150.4	12,088.9	12,162.5	12,006.4
3. Total (1+2)	68,508.1	74,821.1	84,661.1	96,946.9	106,790.9	108,417.8	108,307.5	109,371.0	110,039.9	109,662.6
Supplement: Central government guaranteed debt										
– guarantees for domestic debt	6,025.6	7,528.1	6,895.4	4,642.0	5,345.9	7,312.8	7,581.9	7,543.7	8,216.3	8,184.3
– guarantees for external debt	9,288.7	8,764.6	8,713.0	7,787.7	7,248.8	6,875.2	6,700.6	6,731.1	6,805.8	6,781.0

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

Table I3: Central Government Debt

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

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

Table J1: Consumer Price and Producer Price Indices

Year	Month	Basic indices, 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	May	103.9	103.6	104.9	100.5	100.6	100.4	100.4	104.0	103.5	105.6	103.7
	June	103.8	103.3	105.5	99.9	99.7	100.6	99.8	104.0	103.6	105.6	103.7
	July	102.9	101.9	106.3	99.2	98.7	100.7	100.1	103.4	102.8	105.3	103.0
	August	103.0	101.8	107.1	100.1	99.9	100.7	100.2	103.4	102.7	105.9	103.1
	September	103.0	102.0	106.3	100.0	100.2	99.3	99.7	102.8	101.8	106.3	102.0
	October	102.9	102.1	105.9	100.0	100.1	99.6	100.0	102.1	101.2	105.1	101.5
	November	103.6	102.8	106.1	100.6	100.8	100.2	100.1	102.5	101.9	104.5	101.6
	December	103.7	102.8	106.4	100.0	100.0	100.2	100.0	102.0	101.4	104.2	101.9
2007	January	104.0	102.7	107.8	100.3	100.0	101.4	100.8	101.8	100.9	104.4	102.2
	February	104.3	102.9	108.5	100.3	100.2	100.6	100.2	101.2	100.4	103.7	101.7
	March	104.9	103.8	108.6	100.6	100.8	100.1	100.6	101.8	101.1	103.7	102.0
	April	105.7	104.8	108.3	100.7	101.0	99.7	100.4	102.3	101.8	103.5	102.3
	May	106.2	105.5	108.1	100.5	100.6	99.9	100.4	102.2	101.9	103.0	102.3

^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: Central Bureau of Statistics.

Table J1: Consumer Price and Producer Price Indices

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

index encompassing the period from January 1998 to December 2000. As expected following the introduction of the new index, the CBS has stopped publishing the retail price index (RPI) and the cost of living index whose calculation methodologies have not been adequately harmonised with internationally accepted standards. The main characteristic of the CPI are discussed in Box 1 in the CNB Bulletin No. 91 (2004). The data on the average year-on-year consumer price inflation rate are shown in the Bulletin table on Economic Indicators.

Table J2: Core Consumer Price Indices

Year	Month	Basic indices, 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	May	102.5	102.6	102.2	100.6	100.6	100.8	102.6	102.5	102.9
	June	103.0	102.9	103.5	100.5	100.3	101.3	102.7	102.6	103.2
	July	102.6	102.1	105.3	99.6	99.2	101.7	102.2	102.1	102.6
	August	102.5	101.9	105.8	99.9	99.8	100.5	102.2	102.1	102.8
	September	103.2	103.1	104.1	100.7	101.1	98.4	102.7	102.6	103.5
	October	103.7	103.8	103.2	100.4	100.7	99.1	102.7	102.7	102.6
	November	103.8	103.9	103.2	100.1	100.1	100.1	102.5	102.5	102.7
	December	103.6	103.6	103.6	99.8	99.7	100.3	102.3	102.2	102.5
2007	January	103.2	103.0	104.3	99.6	99.4	100.7	102.4	102.3	103.0
	February	103.5	103.2	104.9	100.2	100.2	100.6	102.3	102.1	103.2
	March	104.0	103.7	105.1	100.5	100.5	100.2	102.5	102.2	104.0
	April	104.6	104.5	104.9	100.6	100.8	99.9	102.6	102.5	103.5
	May	105.4	105.3	105.7	100.7	100.8	100.7	102.8	102.7	103.4

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

Table J2: Core Consumer Price Indices

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

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

Table J3: Average Monthly Net Wages

in current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1994	December	1,646.0	119.0	153.4	233.2
1995	December	1,883.0	99.4	114.4	145.7
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	December	3,839.0	98.0	107.2	105.0
2003	December	4,045.0	99.8	105.4	105.9
2004	December	4,312.0	99.1	106.6	105.9
2005	December	4,473.0	97.3	103.7	104.9
2006	May	4,686.0	104.3	105.6	105.1
	June	4,640.0	99.0	104.7	105.0
	July	4,557.0	98.2	104.7	105.0
	August	4,633.0	101.7	104.9	105.0
	September	4,542.0	98.0	104.4	104.9
	October	4,585.0	100.9	105.7	105.0
	November	4,883.0	106.5	106.3	105.1
	December	4,735.0	97.0	105.9	105.2
2007	January	4,739.0	100.1	106.3	106.3
	February	4,649.0	98.1	105.6	105.9
	March	4,788.0	103.0	104.0	105.3

Source: Central Bureau of Statistics.

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

index points, original data

Year	Month	Composite indices			Response indices (I)						
		Consumer confidence index	Consumer expectations index	Consumer sentiment index	I1	I2	I3	I4	I7	I8	I11
1999	October	-33.7	-14.9	-46.3	-38.4	-12.1	-49.9	-17.6	35.5	-50.7	-69.7
2000	October	-20.9	3.5	-32.2	-26.2	1.2	-22.0	5.7	26.9	-48.3	-63.6
2001	October	-27.0	-11.4	-35.6	-29.6	-10.0	-35.9	-12.7	22.9	-41.3	-62.3
2002	October	-25.2	-8.3	-29.3	-22.6	-5.1	-31.2	-11.5	20.1	-34.1	-64.0
2003	October	-22.2	-4.5	-25.0	-21.5	-2.6	-26.5	-6.4	14.7	-27.1	-65.2
2004	October	-23.9	-7.9	-22.0	-19.1	-4.1	-30.5	-11.6	22.5	-16.5	-57.3
2005	December	-26.4	-13.7	-25.6	-16.4	-5.9	-34.4	-21.5	27.6	-25.9	-50.6
2006	June	-20.2	-7.0	-20.8	-13.4	-1.3	-25.5	-12.6	14.8	-23.5	-51.9
	July	-19.4	-5.3	-20.3	-16.1	-0.9	-24.5	-9.6	17.4	-20.2	-49.7
	August	-23.1	-8.8	-19.4	-16.3	-5.2	-25.1	-12.4	21.1	-16.7	-53.5
	September	-20.9	-6.4	-19.3	-16.6	-2.6	-25.7	-10.2	20.2	-15.5	-50.7
	October	-19.2	-6.2	-18.8	-11.6	-3.2	-22.7	-9.1	15.0	-22.1	-49.3
	November	-20.0	-7.6	-18.1	-12.5	-2.3	-21.6	-12.9	15.7	-20.2	-49.0
	December	-18.9	-4.7	-15.4	-10.9	1.1	-22.4	-10.5	16.9	-12.9	-49.4
2007	January	-14.6	-0.5	-15.1	-12.6	1.3	-20.2	-2.2	11.0	-12.5	-46.3
	February	-15.9	-3.4	-16.5	-13.8	-0.1	-18.6	-6.6	11.5	-17.0	-45.3
	March	-16.7	-5.0	-17.8	-13.0	-1.4	-21.7	-8.6	9.7	-18.7	-47.2
	April	-14.5	-1.6	-15.6	-11.7	1.8	-18.9	-4.9	5.6	-16.2	-49.4
	May	-16.8	-2.2	-18.1	-15.5	0.5	-21.0	-4.8	10.1	-17.7	-52.7
	June	-15.6	-3.5	-14.2	-12.2	-0.5	-18.0	-6.5	9.3	-12.5	-46.2

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The components of composite indices are as follows:

CCI: I2, I4, I7×(-1), I11

CEI: I2, I4

CSI: I1, I3, I8.

List of Banks & Savings Banks

1 June 2007

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 Housing Savings Banks

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

Other Licensed Institutions with Full Authorization

1. Hrvatska banka za obnovu i razvitak, Zagreb

Representative Offices of Foreign Banks

1. Bank für Kärnten und Steiermark AG, Zagreb

2. Commerzbank Aktiengesellschaft, Zagreb
3. Deutsche Bank AG, Zagreb
4. Komercijalna banka a.d., Zagreb
5. LHB Internationale Handelsbank AG, Zagreb
6. Sanpaolo IMI S.p.A., Zagreb

Banks and Savings Banks under Bankruptcy Proceedings

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

Banks and Savings Banks under Liquidation Proceedings

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

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

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

Management of the Croatian National Bank

1 June 2007

Members of the Council of the Croatian National Bank

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

Management of the CNB

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

Executive Directors

Research and Statistics Area	Ljubinko Jankov
Central Banking Operation Area	Irena Kovačec
Foreign Exchange Operations Area	
Prudential Regulation and Bank Supervision Area	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

