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BULLETIN

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General Information on Croatia

Economic Indicators

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538
GDP ^a (million USD, current prices)	18,811	19,872	20,109	21,628	19,906	18,427	19,863	22,812	28,810
GDP – year-on-year rate of growth ^a (in %, constant prices)	6.8	5.9	6.8	2.5	-0.9	2.9	4.4	5.2	4.3
GDP per capita ^{a,b} (in USD)	4,029	4,422	4,398	4,805	4,371	4,206	4,477	5,134	6,484
Average year-on-year inflation rate ^b	2.0	3.5	3.6	5.7	4.2	6.2	4.9	1.7	1.8
Population (million)	4.7	4.5	4.6	4.5	4.6	4.4	4.4	4.4	4.4
Exports of goods and services (as % of GDP)	37.1	40.1	39.9	39.5	40.8	47.0	48.5	46.3	51.8*
Imports of goods and services (as % of GDP)	48.7	49.7	56.6	48.7	49.2	52.1	54.4	57.3	59.7
Current account balance (as % of GDP)	-7.5	-4.8	-12.5	-6.7	-7.0	-2.5	-3.7	-8.4	-7.2*
Outstanding external debt (million USD, end of year)	3,809	5,308	7,452	9,683	9,878	11,055	11,317	15,426	23,563*
Outstanding external debt (as % of GDP)	20.2	26.7	37.1	44.8	50.1	60.0	57.0	67.6	81.8
Outstanding external debt (as % of exports of goods and services)	54.6	66.6	92.9	113.3	122.9	127.6	117.5	145.9	157.8*
External debt service ^c (as % of exports of goods and services)	10.1	9.0	9.9	12.5	20.8	23.3	24.5	26.0	19.5
Gross international reserves (million USD, end of year)	1,895	2,314	2,539	2,816	3,025	3,525	4,704	5,886	8,191
Gross international reserves (in terms of months of imports of goods and services, end of year)	2.5	2.8	2.7	3.2	3.7	4.4	5.2	5.4	5.7
Exchange rate on 31 December (HRK : 1 USD)	5.3161	5.5396	6.3031	6.2475	7.6477	8.1553	8.3560	7.1457	6.1185
Average exchange rate (HRK : 1 USD)	5.2300	5.4338	6.1571	6.3623	7.1124	8.2768	8.3391	7.8637	6.7014

^a Preliminary data for 2003.

^b The average year-on-year inflation rate was measured by the retail price index in the 1994 – 2001 period. From 2002 on, it is measured by the consumer price index.

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

Sources: Central Bureau of Statistics and Croatian National Bank.

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Quarterly Report

Introduction

According to preliminary data released by the Central Bureau of Statistics at the end of September, economic growth slowed from 4.2% in the first quarter to 3.8% in the second quarter. However, monthly data for July and August suggest an increase in growth in the third quarter. Renewed strength in industrial production and construction, along with higher activity levels in services in the summer months, indicate an upturn in economic activity in the third quarter.

Economic growth has somewhat increased in the European Union, a major market for Croatia's exports. Nonetheless, foreign demand made small negative contributions to GDP growth in the first and second quarters, and domestic demand continues to drive economic growth. Seasonally-adjusted personal consumption grew 3.7% and 3.8% year-on-year in the first and second quarters respectively. Increased annual real rates of growth of retail sales during the second quarter and in the beginning of the third quarter suggest that personal consumption continued to make a significant contribution to GDP growth in the third quarter of the year.

Investment growth, however, slowed down substantially in the first half of the year, despite the major efforts to finish highway construction projects before the summer tourist season. Investment growth is expected to fall further in the second half of the year, both because of the usual seasonal reasons and because of the government's commitment to lowering capital expenditures so as to meet its deficit reduction targets. Despite large increases in building permits issued in July, increases in housing construction will not be nearly large enough to offset decreases in road building investment.

Registered unemployment fell consistently throughout the first six months of the year, but turned upward slightly in July. The unemployment rate stabilized at about 18%. The July increase reflects seasonal effects, but also may signal the end of the adjustment process to new procedures for unemployment registration. These procedures, introduced in 2002, tightened criteria for registration, and created a special category for first time job seekers. Clearly, the procedures resulted in substantial numbers of exits from the register, and led to a narrowing of the gap between registered unemployment and the semi-annual survey unemployment data. However, there are still some benefits to registration that apparently provide incentives for registration by some inactive workers and some employed in the unofficial economy. This helps explain the fact that the gap between registered and survey unemployment has not disappeared completely.

Real gross wages grew 4.8% in the second quarter, up a percentage point from the first quarter. However, a recovery in industrial productivity growth in the first quarter seems likely to carry over into the second quarter, suggesting that wage increases are not creating substantial cost pressures. A further sign that wage pressures are moderate is that the rate of growth of wages in the public sector slowed again in the second quarter, extending the fall in quarterly growth rates

of public sector wages to four consecutive quarters.

Consumer price inflation increased from 1.4% at the end of the first quarter to 2.5% at the end of the second quarter, and then fell to 2.0% in August. Oil price increases were the main driver of increased inflation, along with administrative price increases (natural gas, household water supply, and highway tolls in particular) and increased excises on tobacco products. Inflation in Croatia actually was 0.4% lower than in the eurozone in July, and 0.3% lower in August. Core inflation also rose, increasing from 1.4% in March to 1.9% in June and 2.2% in August.

Refined petroleum products account for 4.0% of the consumer price index basket, a relatively large share. In addition, increase oil prices can feed into other prices such as transportation costs. However, with inflation low, further spillovers into other prices and also wages have not occurred. Demand for oil on the world market has been strong, due in part to economic recovery in the advanced countries and exceptionally rapid growth in China. At the same time, supply disruptions have been frequent and widespread, encompassing Iraq, Venezuela, Russia, Nigeria and the USA (Gulf of Mexico). These factors have led to the unexpectedly large increases and high volatility of oil prices, and they may yet lead to further increases.

Along with moderate wage growth, continued exchange rate stability has helped keep inflation low. Exchange rate fluctuations were moderate during the second quarter, and stayed moderate in the third quarter. In fact, the exchange rate of the kuna against the euro fluctuated between -1.0% and +2.3% relative to the average exchange rate of HRK 7.41/EUR registered in the second quarter and the third quarter. The exchange rate of the kuna against the euro appreciated from the beginning of May till 21 of September. However, after that date, a more substantial depreciation set in, as inflows of foreign exchange due to summer tourism and transfers dried up, and corporate demand for foreign exchange strengthened.

Although the exchange rate was relatively stable in the summer months, the central bank did intervene to limit appreciation pressures, buying EUR 116.0m in four auctions in July and August. Another intervention occurred on 15 September, with the central bank buying a further EUR 25.0m. The nominal effective exchange rate of the kuna appreciated by 3.8% in the first seven months of the year, and the real effective exchange rate appreciated by 3.1% deflated by consumer prices and 4.5% deflated by producer prices.

In an environment of low inflation, a stable exchange rate and a relatively restrictive monetary policy stance, monetary aggregates grew slowly by recent standards in the first eight months of 2004. By August, the annual rate of growth of the narrow M1 money supply had fallen to a mere 2.9%. The broadest measure of money growth, M4, showed an annual rate of growth of 7.7% in the same month. M4 growth was stimulated by strong growth in kuna savings and time deposits throughout the whole year so far and substantial growth of foreign exchange deposits in the summer months.

Regarding kuna time deposits, it is important to note that the share of kuna deposits indexed to foreign currency has grown dramatically from just 4.0% of all time deposits at the

end of 2002 to some 9.5% in June 2004. The annual growth of foreign exchange deposits at constant exchange rates reached some 8.9% at the end of August. These two facts suggest that depositors still prefer exchange-rate linked savings, and caution us against interpreting the rapid growth of kuna time deposits in general as a sign that savers are generally ready to switch to pure kuna savings. The switch to indexed kuna deposits may actually be more of a reflection of banks' attempts to avoid foreign liabilities, which are subject to the central bank's 35% liquidity requirement, than a reflection of depositor preferences for kuna savings.

Tighter monetary policy also has helped slow down the rate of growth of bank lending. Bank claims on the private sector stood at HRK 118.9bn at the end of August, 11.4% more than a year before. Although loans to households have grown slightly faster in the first eight months of the year than loans to enterprises (10.7% vs. 7.7%), the difference between the two growth rates is now quite small. Also, it should be taken into account that leasing and foreign borrowing are much more important sources of credit for enterprises than for households.

Even though monetary aggregates are growing slowly and loan growth has decreased compared to last year, Croatia's external debt continued to grow in the first six months of the year. External debt reached 77.3% of estimated GDP in June. To limit growth in external debt, the Croatian National Bank introduced a new measure to slow down banks' foreign borrowing in July. The marginal reserve requirement on net foreign assets (see Box 2) imposes a reserve requirement of 24% on banks' increases in net foreign assets relative to their end-June position. During the first two months that the marginal reserve requirement was in place, banks reduced their net foreign assets by 3.2%. More time will be required, however, to judge the effectiveness of this measure.

Croatia's current account deficit for the second quarter was USD 1.27bn, 13.2% less than in the same quarter last year. The main cause of the improvement was a decrease in factor payments abroad. However, this improvement was in part due to the fact that several large foreign owned companies did not decide on the distribution of dividends before the end of the second quarter. Thus, significant outflows may be registered in the third quarter data.

Furthermore, despite higher growth rates of merchandise exports than imports (18.8% vs. 9.4%, in euros), the merchandise trade deficit grew in the first half of 2004 relative to the same period in 2003. Also, tourism revenues were lower in the second quarter of 2004 than in the second quarter of 2003. Still, it should be kept in mind that the vast majority of tourism revenues come in the third quarter.

The delay in distributing dividends also had an impact on the reinvested earnings component of foreign direct investment. This was the main reason for the decrease in FDI from USD 687m in the second quarter of 2003 to only USD 258m in the second quarter of 2004. Portfolio investment inflows amounted to USD 721m, with new government borrowing of USD 595m being the main item, followed by the USD 119m bond issue by Agrokor.

In the first seven months of the year, Croatia's external

debt grew by some USD 2.19bn, or 9.3%. The banking sector continues to show the fastest growth in external debt in both relative and absolute terms (12.1% and USD 892m respectively). But both the enterprise and government sectors also increased their debt substantially in the first seven months of the year, the enterprise sector by 9.0% and the government by 8.6%.

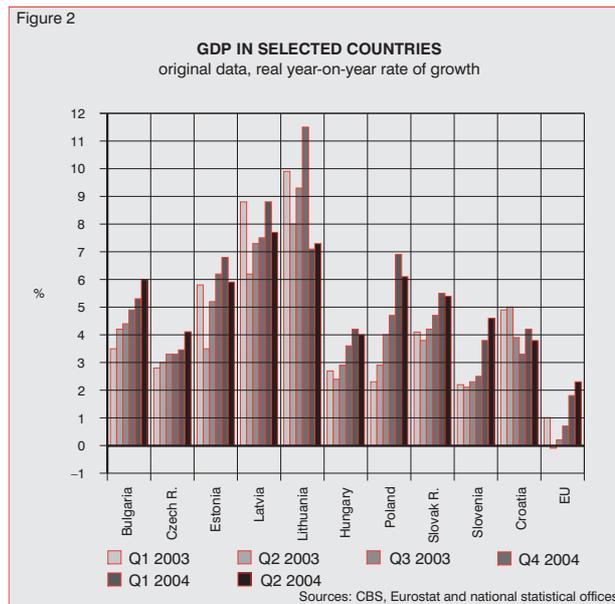
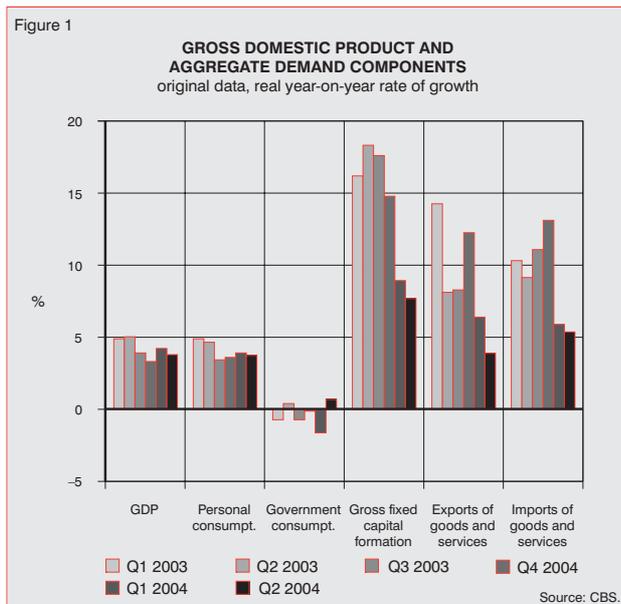
In the first half of 2004, the deficit of consolidated general government (consolidated central government plus Croatian Highways, Croatian Roads, the State Agency for Deposit Insurance and the Croatian Privatization Fund, calculated using the methodology of GFS 1986 and excluding capital revenues) was HRK 7.4bn, or HRK 2.2bn more than in the same period last year.

Consolidated central government current revenues grew evenly in the first two quarters of the year, in contrast to last year, when revenue growth fell dramatically in the second quarter. In the first half as a whole, current revenues were up 6.1% year-on-year. VAT revenues rose by a solid 7.8%, while real estate taxes grew by a remarkable 28.1%. The first half of the year also registered a decline in income tax revenues, profit tax revenues and revenues from customs duties. During the same period, expenditures of consolidated central government grew by some 10.6%.

To finance its deficit, the government issued bonds valued at the kuna equivalent of EUR 350m in February and March, and increased the stock of T-bills outstanding. The government also issued EUR 500m of bonds on foreign markets in the first half of the year. Government debt rose to HRK 92.9bn by the end of June, about 45% of expected nominal GDP for 2004. An additional HRK 13.8bn of government guarantees, or 6.7% of expected GDP, are outstanding. If we add government debt to the potential debt arising from government guarantees, the total government debt at the end of the second quarter reaches HRK 106.7bn or about 52% of expected GDP. HRK 56bn of the government's debt is external.

Demand

Following a strong economic activity in early 2004, the Croatian economy slowed slightly in the second quarter. However, according to the monthly economic activity indicators, this slowdown was short-lived, so that economic activity heightened again in the third quarter. According to the preliminary original CBS data for the first quarter of 2004, real GDP rose by 4.2% relative to the same period last year, while its annual growth rate was 3.8% in the second quarter. As a result, the overall annual growth rate for the first half of the year dropped to 4.0%. The annual growth of implicit GDP deflator first slowed down to 2.8% during the first quarter of 2004, then it went up to 3.6% in the second quarter, owing to a sharp increase in the implicit deflators for inventories and government consumption in that quarter. Nominal GDP approximated HRK 98.3bn in the first half of 2004, which represents a 7.3% annual growth in nominal terms. At the beginning of 2004, the main sources of real GDP growth were again the exports of goods and services,



gross capital formation (primarily on account of the volume and dynamics of gross fixed capital formation) and personal consumption.

According to the available monthly indicators of economic activity for the first eight months of 2004, economic activity is expected to accelerate in the second half of the year. Such developments are indicated by a boost in industrial production and construction works, paralleled with the strengthening of services at the end of the second and the beginning of the third quarters. The stronger real growth over the second half of 2004 is also suggested by the CROLEI (Croatian Leading Economic Indicators) forecasting index, which only fell twice during the last eight months (in January and May). The CROLEI fall in March probably announced a slowdown in growth during the second quarter, while its trends over the first five months of 2004 suggested positive real sector developments in the second half of 2004.

During the first half of 2004, favourable economic developments were also recorded in the environment.¹ Economic activity in the European Union (in all 25 Member States) accelerated, reaching a real annual growth rate of 2.5%. The real annual growth rate in the eurozone was 2.3% in the observed period, up almost 2 percentage points from the average growth rate in the previous year. As in 2003, in the first half of the current year, a strong growth was recorded in the Baltic countries like Latvia, Lithuania and Estonia (the average annual rate of real GDP growth in all the three countries was 7.3% in the first quarter), as well as in Poland, which grew at a rate of 6.5%. In the observed period, the growth slowed down in Lithuania, while it accelerated in other Baltic countries. In the first half of 2004, higher growth rates compared with Croatia were also recorded in Romania, Bulgaria and Slovakia (6.8%, 5.7% and 5.5% respectively). Among the new EU Member States, in 2004, real growth rates similar to those in Croatia were recorded in Hungary (the annual

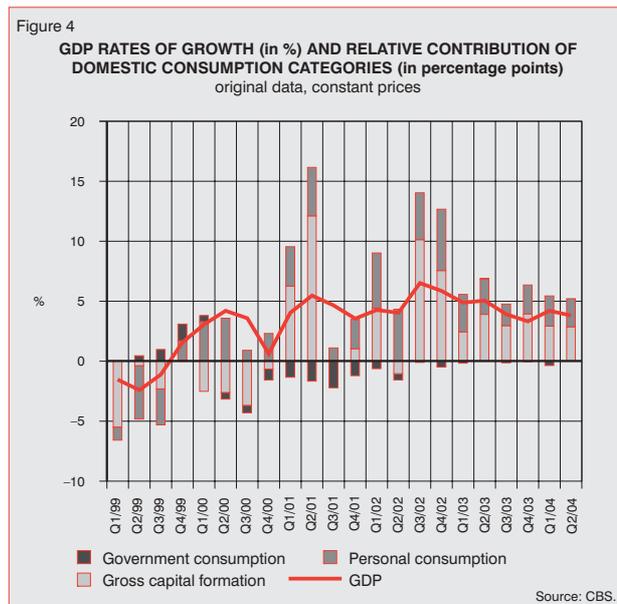
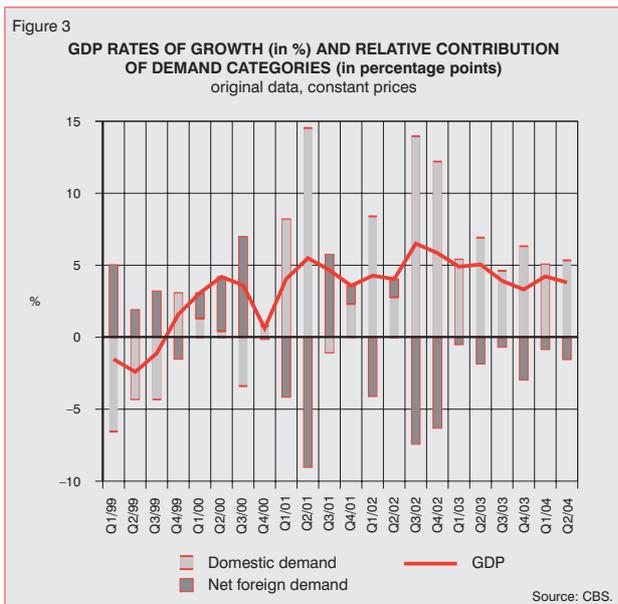
growth was 4.1% in the first half of the year, following a real annual growth of 2.9% in the previous year), Slovenia (4.2%) and Czech Republic (3.8%). Favourable results achieved in these countries during the second quarter offset a somewhat slower growth in the first quarter, which points to a continued recovery in these countries.

Foreign Demand

Following a somewhat slower growth of foreign demand for domestic goods and services in the first quarter of 2004, accompanied by a somewhat sharper decline in imports, the growth of exports slowed down at a faster pace in the second quarter, once again reducing the annual rate of its growth to the level below the growth rate of imports. As a result of the escalating imbalance in goods and services trade, the negative contribution of net foreign demand to GDP formation increased to -1.5 percentage points in the second quarter of the year, which is 0.6 percentage points more in absolute terms compared with the first quarter. The stronger negative contribution of foreign demand to real GDP formation is also attributable to a slight fall in the export deflator over the second quarter. If seasonal influences are excluded from the quarterly imports and exports series, the increase in the negative contribution of net foreign demand to real GDP growth from -0.5 percentage points in the first to -1.2 percentage points in the second quarters, becomes even more pronounced.

The deterioration of the imbalance in goods and services trade according to GDP calculation for the second quarter was much milder than the deterioration suggested by the balance of payments data. While the movements in imports and exports according to GDP calculation roughly corresponded in nominal terms with those recorded in the balance of payments in the first quarter, serious discrepancies were perceived in exports in the second quarter of 2004. According to the balance of payments data, exports of goods and services, expressed in HRK, stagnated in nominal terms in

¹ The data on economic developments abroad are subject to revision, which may lead to discrepancies in the real changes monitored in consecutive quarterly CNB reports.



the second quarter, i.e. they grew at a low 0.9% rate compared with the same quarter last year. According to GDP estimate, the downward trend in the growth of goods and services exports also continued, albeit at a much slower pace, so the exports of goods and services rose at a rate of 5.1% in nominal terms, slightly lower than the annual growth rate of imports in the second quarter. The stated discrepancies arise from a different method of tourist consumption measurement, used by the CBS for GDP calculation for the second and third quarters since 2003. The absolute amount of goods and services exports according to the balance of payments data still exceeds the exports according to GDP calculation. However, a higher growth rate of exports according to GDP calculation reduced the existing difference in favour of the balance of payments indicators.

Given the past exports dynamics according to different sources of data, the contribution of net foreign demand to real GDP growth is likely to increase in the third quarter of 2004, owing to stronger services exports (weak tourist results in June this year were followed by favourable movements in the number of tourist nights and arrivals). On the other hand, the balance of payments data could announce further increase in the imbalance in goods and services trade on account of reduced goods and services exports. As the level of exports according to the balance of payments data exceeds the level of exports according to GDP calculation, the described outcome will result in further convergence in the levels of exports according to these two sources of data.

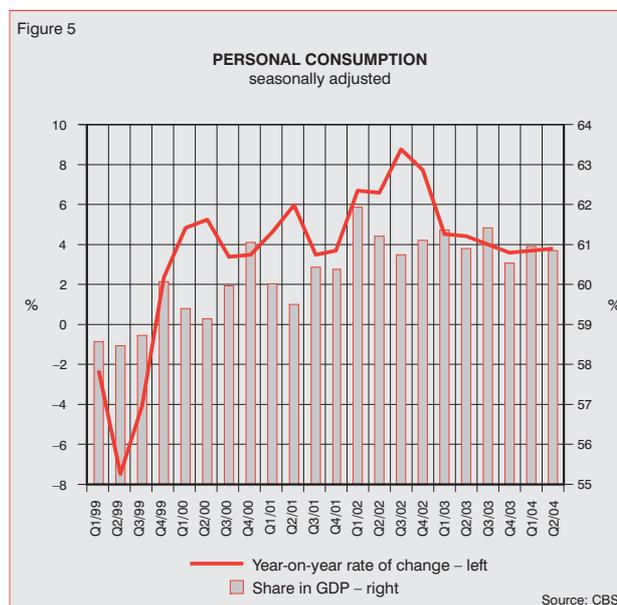
Domestic Demand

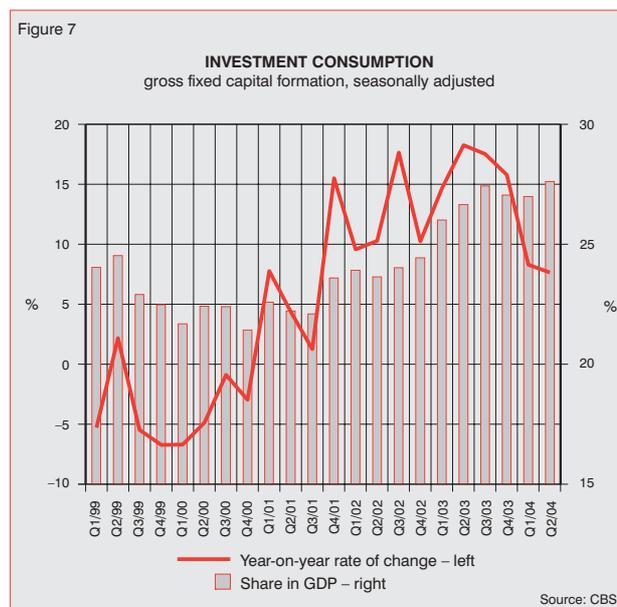
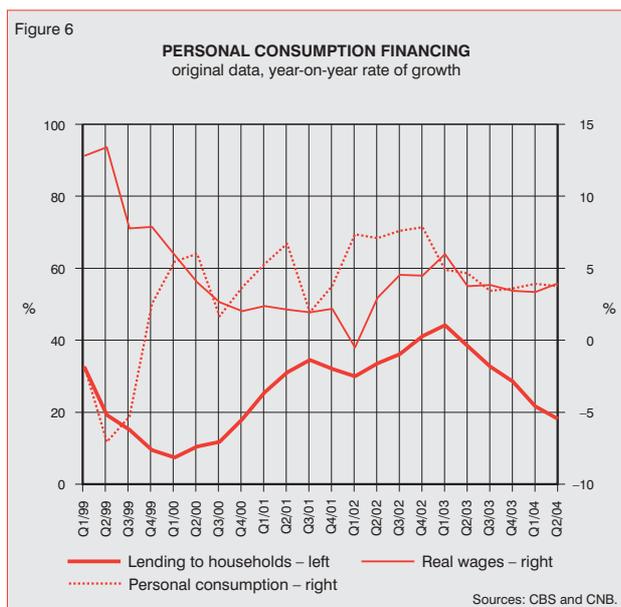
As in the previous few years, domestic demand was the main source of real GDP growth in the second quarter of 2004. The contribution of domestic demand to real GDP growth, which primarily depends on the dynamics of personal consumption and gross fixed capital formation, was 5.3 percentage points in the second quarter of 2004, slightly more than in the first quarter, but less than the average con-

tribution of domestic demand to GDP growth in 2003. The largest contribution to real growth in the observed period, the same as in the previous year and in the first quarter of 2004, was made by personal consumption (2.4 percentage points). Despite a slower growth of gross fixed capital formation in early 2004, it made a significant contribution of 2.2 percentage points to real GDP growth in the second quarter. The contribution of government consumption was positive in the second quarter, following its decline in real terms, which has lasted since early 2000 with only one interruption at the beginning of 2003. Inventories rose steeply during the observed period but their contribution to real growth was only mildly positive.

Personal Consumption

At end-2003, a slowdown in personal consumption stopped at the level of GDP growth. In the first quarter of 2004, the real annual growth rate of personal consumption was 3.9% and fell to 3.8% in the second quarter. The season-





ally adjusted data also point to stagnant personal consumption in the first half of the year and about equal rates of its growth. As personal consumption accounts for about two thirds of GDP, its described dynamics contributed with 2.5 and 2.4 percentage points to real GDP growth in the first and second quarters of 2004 respectively.

A slower growth of real trade turnover at the beginning of 2004 was still under the influence of its strong growth owing to the expansion of large chains of stores on the domestic market during 2002. However, the retail trade dynamics was positive in the first seven months of 2004, so the retail trade turnover grew at a real annual rate of 2.5% in that period. This was particularly owing to a strong growth of turnover in July, stimulated by better tourism performance in that month. Therefore, it can be expected that the strong foreign demand will be paralleled with a growth of personal consumption at the end of the second and the beginning of the third quarters. Such a recovery at the end of the second quarter, which followed a short stagnation at the beginning of that quarter, already contributed to a strong annual growth in nominal terms of durable and non-durable consumer goods imports (20.3% and 6.7% respectively) in the second quarter.

The viability of such developments and the growth of personal consumption towards the end of 2004 will depend on the stability of consumption financing. The dynamics of the sources of personal consumption financing, as preliminary indicators for this aggregate consumption category, in the second quarter of 2004, points to possible restrictions of its growth in the following quarters. The annual growth rate of bank loans to households continues to decline, following the trend, which started in the second quarter of 2003. However, the annual growth rate of bank loans to households was 18.1% in the second quarter of 2004, and, if home loans are excluded from total loans, the annual growth rate was still relatively high, 13.6%. At the beginning of the second quarter of 2004, government transfers to households, which mainly comprise expenditures on pensions, also decreased at the annual level. Thus, in the second quarter, a mild

growth was only recorded in the average real net wage paid, which rose at an annual rate of 3.9%. However, in both July and August its annual growth rate was 3.8%.

Investment Consumption

A slowdown in investment activity, which started at end-2003, continued in the first half of 2004. However, total investment still contributes significantly to GDP growth that was 2.9 percentage points in the first and second quarters of 2004. The change in inventories (which includes statistical discrepancy and is therefore not a reliable indicator of the dynamics of this category of gross capital formation) increased by 11.6% in real terms during the first quarter, and grew at an even higher annual rate of 14.8% in the second quarter. However, given the small share of investment in inventories in gross capital formation, its contribution to real GDP growth was as small as 0.7 percentage points.

In the observed period, gross fixed capital formation, which was the main determinant of total investment, was stimulated by government investment in road infrastructure and residential construction (rebuilding and the enlargement of the housing stock). The preparations for the tourist season in the first quarter encouraged the growth of government capital investment (accounting for approximately one fourth of gross fixed capital formation) in new road sections. In the second quarter, however, signs of recovery in private investment were observed, which partly offset a somewhat slower growth of government capital expenditures. A slowdown in government capital investment in the second quarter was the result of its higher level, although it appears that it still accounted for the largest share in the contribution of gross fixed capital formation to real GDP growth. Due to the dynamics of government capital investment, the real annual growth rate of total gross fixed capital formation fell from 8.9% in the first quarter of 2004 to 7.7% in the second quarter, which also determined the total investment dynamics. Thus, the contribution of gross fixed capital formation to real GDP growth was 2.2 percentage points in both these quarters.

Intensive works on capital infrastructure projects and favourable weather conditions resulted in a stronger construction activity at the beginning of the second quarter,² paralleled with a boost in energy production and capital equipment imports. Domestic manufacture of capital goods declined in that period compared with the same period last year, but it increased significantly as early as June and July, in response to the described stimulus provided by aggregate demand.

Government Consumption

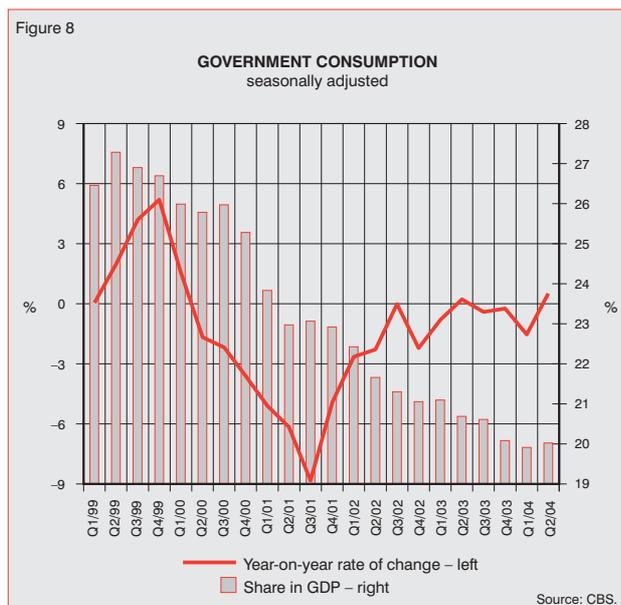
A years-long downward trend in government consumption continued in the first quarter of 2004, which was partly attributable to preliminary budget financing. However, the second quarter saw the end of the decline in government consumption, which lasted since early 2000. Government consumption increased in only one of the last sixteen quarters, and this increase was smaller than in the second quarter of this year. Moreover, that quarter saw the end of a continuous decline in the share of government expenditures on goods and services in aggregate demand, which was particularly noticeable after the seasonal adjustment of these data series. According to GDP estimate for the second quarter of 2004, a 0.7% real increase in government consumption contributed 0.1 percentage points to real GDP growth.

According to the Ministry of Finance data on the structure of expenditures of the consolidated broadened central government, expenditures on goods and services (final government consumption) decreased by 0.2% in nominal terms in the first quarter of 2004 compared with the same period last year. The decline in government consumption, in both nominal and real terms in the first quarter, was mainly attributable to a considerable decrease in other expenditures on goods and services, which might be related to prelimi-

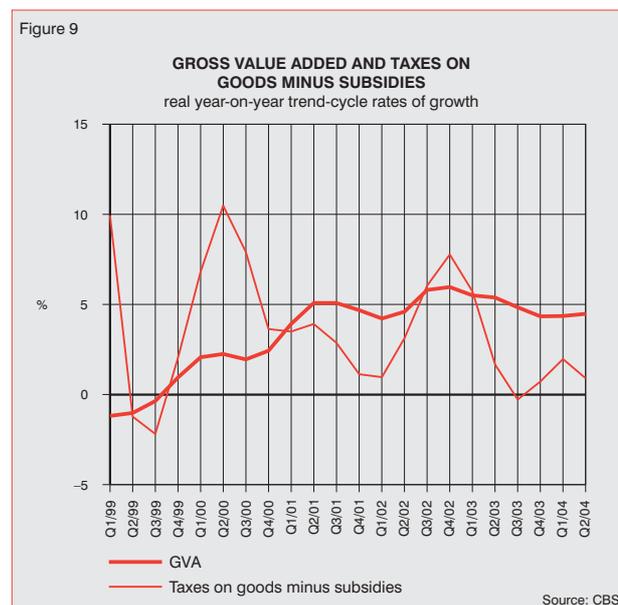
nary budget financing in that period. Expenditures on wages rose at an annual rate above 4.0% in the first quarter. This rise was stimulated by the growth of employment in the public sector at an annual rate of 1.5%, which was an exceptionally high real growth in this component of government consumption. The trend was reversed in the second quarter. During April and May, expenditures on wages rose at a somewhat slower pace, so the annual rate of wage growth in the first five months of 2004 was 3.75%. This was the result of a mild decline in public sector employment compared with the first quarter, and was therefore a sign of a slower real growth in this component of government consumption. On the other hand, a large increase in government consumption expenditures on other goods and services during April and May 2004 (80% and 4% respectively), stopped the contraction in government consumption, observed in the first quarter when preliminary budget financing was in effect. In total, government expenditures on goods and services rose by 7.9% in the first five months of 2004 compared with the same period last year. Given the volatility of government consumption in the first two quarters, which was the result of a delayed adoption of the state budget for 2004 and taking into account the July budget revision and the introduction of the new international government finance statistics (GFS 2001), it is difficult to foresee the fiscal policy characteristics for the second half of the current year.

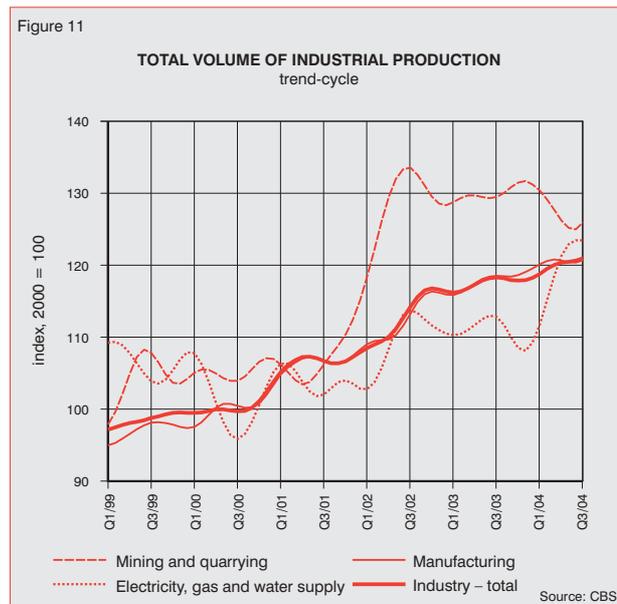
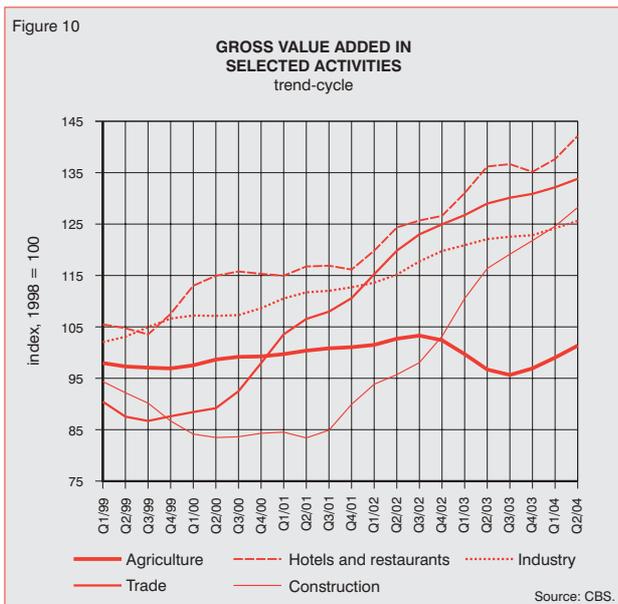
Output

According to the quarterly GDP estimate made by the production method, the real annual growth of gross value added slightly decreased from 4.6% in the first quarter to 4.3% in the second quarter of 2004. The real GVA growth outdid the growth of real GDP in the first half of 2004, as the real year-on-year rate of change in taxes on goods reduced by subsidies lagged behind the growth of GVA in the observed period.



² The same pattern of fluctuations in construction activity was observed in early 2003 (see CNB Bulletin No. 88).





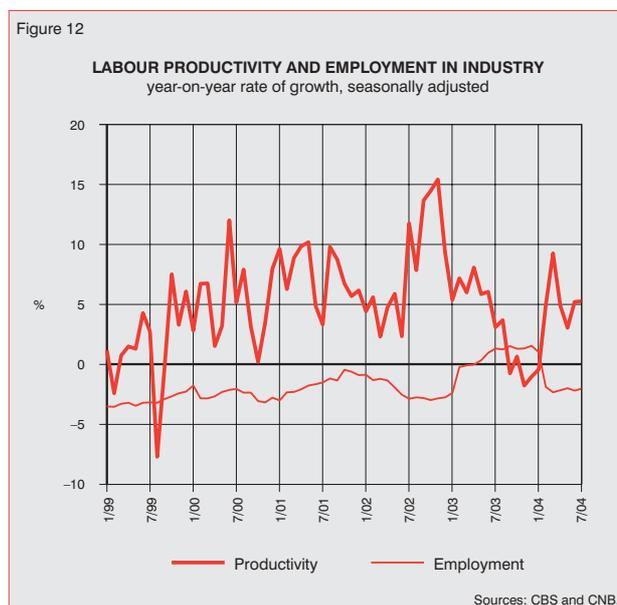
The high GVA growth rate in the first quarter was mostly the result of a strong growth of GVA in industry (4.6%), which accounts for almost one third of total GVA, and it therefore made the largest contribution to the total real rate of GVA growth (1.3 percentage points). A slowdown in GVA in industry, recorded in the second quarter of the current year, reduced the contribution of industry to the real GVA growth by 0.5 percentage points. Similar trends were perceived in construction, trade, transport and financial intermediation. However, the decline was the sharpest in industry, and so it had the strongest effect on the slower growth of GVA. Despite the slowdown, these activities made a significant contribution to GVA growth in the first half of 2004. In the first half of the year, the largest contribution to GVA growth, besides industry, was made by construction (0.9 percentage points) and transport, storage and communications (0.8 percentage points). In the second quarter, an exceptionally large contribution was made by agriculture, which rose at a high annual rate of 6.3% owing to favourable weather conditions. As a result, it contributed 0.5 percentage points to the real GVA growth and offset the reduced contributions of most activities. This was also the first positive contribution of agriculture to GVA growth since 2002. Public and social activities, whose real annual growth rate of 1.4% in the second quarter was the highest since end-2000, made a mild positive contribution to the growth of gross value added in the middle of 2004.

Positive movements in the real sector, suggested by the available monthly indicators of economic activity for July and August, point to its repeated heightening in the third quarter, which is going to have positive impacts on both GVA and GDP.

Industry

In the first quarter of 2004, GVA in industry, which includes mining and quarrying, manufacturing and electricity, gas and water supply, grew by 4.6% in real terms compared with the same period last year, while in the last quarter of

2003, its real growth rate fell to a low 1.7%. Such an accelerated growth in industry in early 2004 was a direct consequence of a strong real growth in manufacturing. Mining and quarrying also made a positive, although smaller, contribution to these developments in the observed period (the annual rate of its growth was 3.0%), as it is closely related to the fast-growing construction. Following a mild slowdown in industry during the second quarter, when GVA rose by 2.9% relative to the same period last year, the total volume of construction projects went up again in July and August 2004. At the same time, production in mining and quarrying decreased slightly compared with the same period last year, which can be accounted for by this activity's response to a slowdown in construction activity during the observed period. According to the seasonally and calendar adjusted data, total volume of industrial production was up 2.6% in the first eight months of 2004. The strongest contribution to this growth was made by the cumulative increase in the manufacture of food products and beverages (1.6%), manufacture of



chemicals and chemical products (5.3%), publishing and printing (7.6%), manufacture of machinery and equipment (14.0%) and electricity, gas and water supply (5.8%).

Looking at the main industrial groupings, the largest contribution to the growth of the total volume of industrial production during the first eight months of the current year was made by the growth in the manufacture of intermediate goods and capital goods, which accelerated in August (the annual growth rate, seasonally adjusted, was 14.3%). The production growth in the specified groupings was partly the result of a stronger foreign demand for these goods, especially capital goods. The volume of production of non-durable consumer goods, which account for a large share in the total volume of industrial production, decreased in 2004, and a cumulative decrease in their production was -0.9% in August. Foreign demand for these goods also declined in the first eight months of 2004, which also contributed to the fall in their production. Other industrial groupings recorded positive developments in the observed period.

Owing to a continued decline in employment in industry since February 2004, paralleled with a rise in the total volume of industrial production, labour productivity in industry grew dynamically. Thus, the cumulative growth rate of labour productivity was 4.6% in the first seven months of the current year, which is a continuation of a long-term upward trend in labour productivity, while in July, the year-on-year growth rate of labour productivity reached 5.3%. According to the Central Bureau of Statistics estimate, July was marked by a growth of labour productivity in all industrial divisions (according to NCEA), particularly in the following manufacturing divisions: manufacture of textiles, manufacture of chemicals and chemical products, tanning and dressing of leather, manufacture of wood, manufacture of basic metals and fabricated metal products and manufacture of machinery and equipment. In July 2004, the sharpest fall in labour productivity was recorded in the manufacture of wearing apparel, dressing and dyeing of fur, which accounts for approximately one tenth of the total employment in industry.

Trade

In the first quarter of 2004, the annual growth rate of GVA in trade, at constant prices, was lower than its average growth rate last year and its contribution to the total GVA formation was somewhat lower, 0.6 percentage points. Such dynamics is also suggested by the seasonally adjusted data on the real retail trade turnover in the first quarter of the current year. The second quarter saw a continuation of these trends, but GVA growth in trade slowed down to 3.6% (from 4.6% in the previous quarter). As a result, the contribution of trade to GVA growth was reduced by 0.1 percentage point in the second quarter. The annual growth rates of real retail trade turnover at the end of the second and the beginning of the third quarters of 2004, observed at the monthly level, point to a recovery of this sector, which will also have positive effects on GVA formation in the second half of the year.

In the first seven months of the current year, the overall real trade turnover fell by 7.1% compared with the same period last year, which was a continuation of the downward trend from December 2003. On the basis of predominant business activities of economic agents it is possible to identify the activities with the strongest negative developments. These include the following: sale, maintenance and repair of motor vehicles, retail trade in food, beverages and tobacco products in specialised shops and retail trade in textiles, wearing apparel, footwear and leather products.

The second half of the year will see a pronounced impact of tourist consumption, which could, to a certain extent, offset the potential slowdown in personal consumption during the third quarter, as the result of a slower growth in household crediting. Thus, according to the original nominal data, the sale of liquid fuels and lubricants, sale in non-specialised food shops and sale in other non-specialised shops went up by 25.1%, 17.8% and 13.0% respectively in July compared with June. In addition to this, the sale of motor vehicles also rose at a monthly rate of 14.5% in July, much faster than in the previous years. This was probably induced by the Government announcement of higher

Figure 13

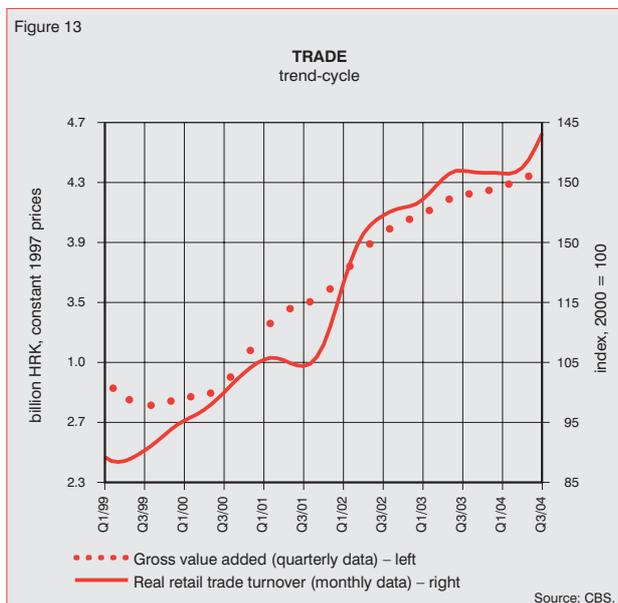
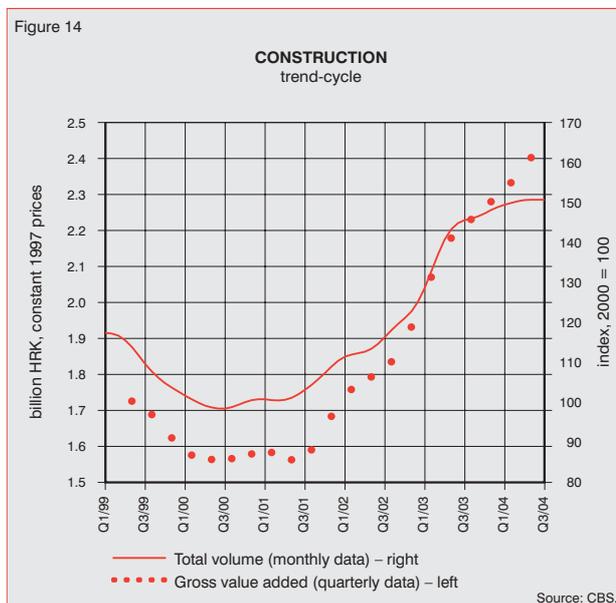


Figure 14



Box 1: CNB Consumer Confidence Survey

High quality data on economic movements, available with only a short time lag, are very important for economic analyses and forecasts. In addition to different economic and financial variables, the state of an economy and the efficiency of an economic policy are also influenced by the expectations of economic actors. Therefore, qualitative analyses known as business and consumer surveys are carried out in many countries. Their main results are composite confidence (optimism) indexes for different segments of the economy obtained through the quantification of qualitative answers to survey questions. By setting up the *Joint Harmonised EU Programme of Business and Consumer Surveys* in the 1960s (consumer confidence surveys were integrated in the Programme at the beginning of the 1970s) the European Commission ensured that the surveys are methodologically harmonised and that indexes are comparable across different European countries. Economic fluctuations in the EU are measured and analysed with the help of confidence indexes calculated on a monthly basis in accordance with a unified methodology.

Currently, these analyses³ include more than 110,000 firms and almost 33,000 consumers across the EU (in 25 Member States of the European Union and two future Member States – Bulgaria and Romania). Evaluation of current economic situation from the aspect of attitudes and judgements of consumers as well as their expectations are analysed on the basis of five composite indexes: (i) industrial

confidence indicator, (ii) construction confidence indicator, (iii) service confidence indicator, (iv) retail trade confidence indicator and (v) consumer confidence indicator. The said indexes make up the composite Economic Sentiment Indicator (ESI)⁴ which reflects the judgements and attitudes of business and consumers towards the overall economic activity.

The Croatian National Bank monitors and processes results of a consumer confidence survey which has been carried out regularly since April 1999 and is methodologically adjusted to the *Joint Harmonised EU Programme of Business and Consumer Surveys*. The CNB entrusted the task of carrying out the survey to PULS, an independent public opinion research agency. The survey is carried out on a quarterly basis (in the first fortnight of the first month of each quarter) using a sample of 1,000 persons from across Croatia, stratified by income, economic activity, education, age and gender (the questionnaire contains 23 questions). Based on the consumer confidence survey the CNB calculates and monitors the movements of three composite indexes: Consumer Confidence Index (CCI), Consumer Sentiment Index (CSI) and Consumer Expectations Index (CEI). Each of the said composite indexes is calculated as the arithmetic average of balances (I), i.e. the average of previously quantified answers to individual questions from the survey, with their value ranging $-100 \leq I \leq 100$. Higher index values than those recorded over the previous period point to an increase in expectations (optimism) in connection with a specific segment covered by the particular question. Unlike other institutions that carry out similar surveys in Croatia,⁵ the CNB does not publish the results of its consumer confidence survey because its time series are still not long enough to draw reliable conclusions from. Preliminary analyses show that the mentioned three indexes correlate significantly with real changes in GDP and personal consumption, thus quantitatively affirming their value. The highest degree of correlation (measured by correlation coefficient r) with GDP and personal consumption has been observed in the Consumer Sentiment Index ($r = 0.66$, and $r = 0.57$ respectively). Consumer Confidence Index also correlates significantly with GDP and personal consumption ($r = 0.51$). The inclusion of time gaps into the correlation analysis has not improved the anticipatory characteristics of composite indexes in relation to the dynamics of the mentioned real economic aggregates. This, however, has not di-

Figure 15

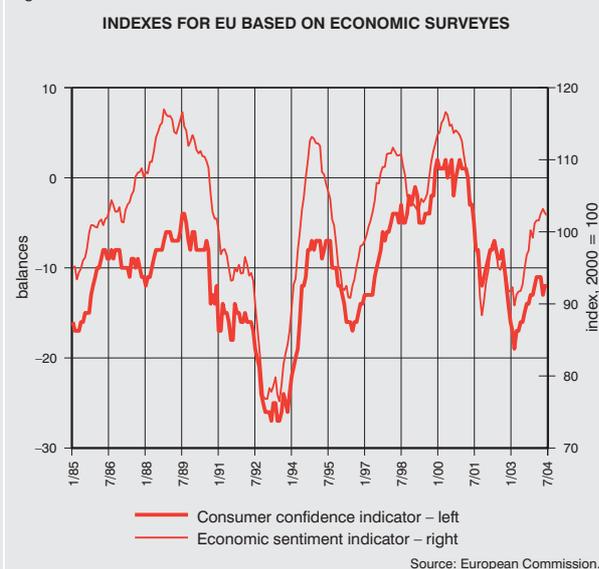


Table 1: Correlation Coefficients of CCI, CEI, CSI, and Real Economic Variables (Q2/99 – Q3/04)

Variable ^a	CCI	CSI	CEI
Year-on-year rate of growth of GDP	0.51	0.66	0.35
Year-on-year rate of growth of personal consumption	0.51	0.57	0.46

^aSeasonally adjusted.

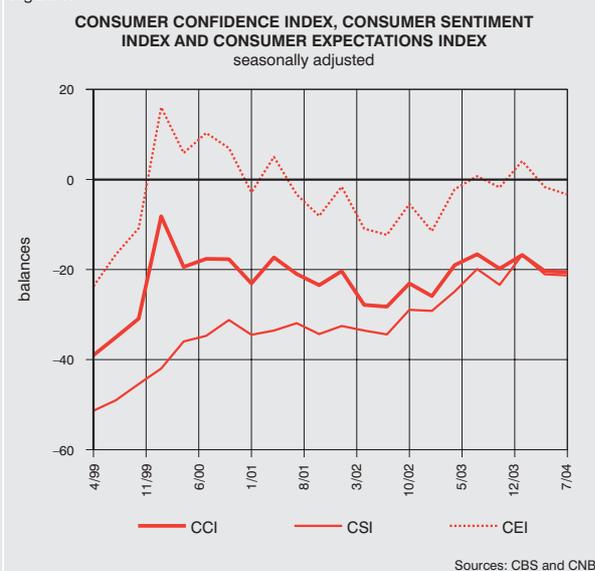
3 In addition Investment Survey and World Economic Survey (WES) are carried out twice a year and once a quarter respectively.

4 The methodology for calculation of this index differs from the methodology used for calculation of its components. See: The Joint Harmonised EU Programme of Business and Consumer Surveys – User Guide, European Commission, Directorate General, Economic and Financial Affairs, May 2004 (available at http://europa.eu.int/comm/economy_finance/indicators/businessandconsumersurveys_en.htm).

5 Since 2003 the Centre for Analysis of Business Cycles of the magazine

Privredni vjesnik, in co-operation with GfK Zagreb, has also been carrying out a consumer survey and computing a Consumer Confidence Indicator (CCI). The survey is adjusted to the Joint Harmonised EU Programme of Business and Consumer Surveys, however, the sample of interviewees is twice smaller than the CNB's sample. In addition to the mentioned consumer survey, the Centre for Analysis of Business Cycles of the magazine *Privredni vjesnik* carries out the business survey and computes confidence indicators for the manufacturing industry and some of its branches, construction and retail trade (on quarterly basis), as well as carries out an investment survey for Croatia (on annual basis).

Figure 16

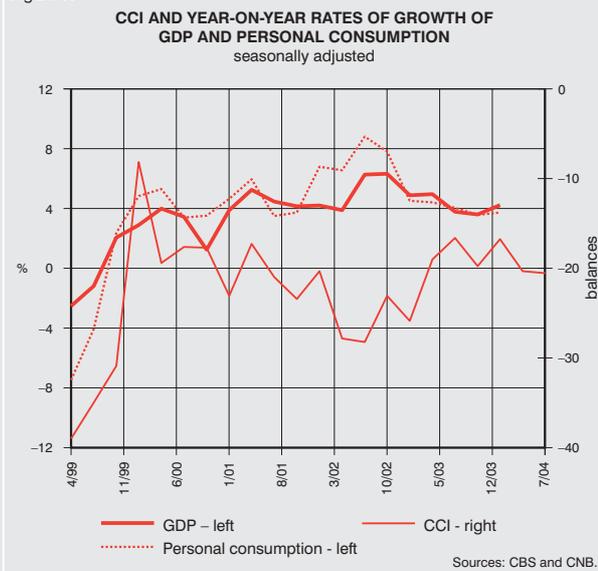


minished their value because they are available approximately 5 months prior to publication of official GDP data.

It is worth noting that CCI has shown itself very sensitive to exogenous (economic and non-economic) changes. The original CCI values recorded three atypical values (short-term changes departing substantially from the trend) in January 2000, January 2002 and January 2004. While the steep rise in the value of the index in January 2002 may be explained as a consequence of the euro conversion, the remaining two departures may be linked to increased optimism following the election. Atypical values are less visible in seasonally adjusted series, exclusive of the one in January 2000.

Apart from the shock they experienced at the beginning of 2004, all three mentioned indexes have been stagnating

Figure 17



over the past year. According to the results of the latest survey (carried out in July), CCI grew by 1.2 index points in comparison with the second quarter 2004, while according to the seasonally adjusted data⁶ it declined by a mild 0.2 index points over the period in question. The reason for this may be found in worsening consumer expectations regarding the financial situation in their households and the general economic situation in Croatia (the expectations horizon, as defined in the questionnaire, encompasses 12 months in advance), as well as the expectations of rising unemployment. According to seasonally adjusted values, Consumer Sentiment Index and Consumer Expectations Index also declined in July this year, reflecting a mild rise in consumer pessimism.

excises on personal cars and other motor vehicles. It is not possible to accurately forecast the impact of the announced tax relief abolishment in 2005 on the developments in personal consumption by the end of the current year.

Construction

In early 2004, construction activity continued to slow down compared with the previous years. However, it was still the fastest growing economic activity in Croatia. Gross value added rose by 12.9% in real terms during the first quarter of 2004 compared with the same period last year. In the second quarter, GVA in construction slowed down at a much higher annual rate of 8.8%, which has been the lowest growth rate of real GVA in construction since the last quarter of 2001.

The developments in the index of construction works in the period January–July 2004 point to a slowdown in construction works, observed since end-2003. According to the seasonally adjusted data, construction works, measured by the number of working hours of construction workers at building sites, went up 7.5% in real terms during the observed period (in July, for the first time since April 2001, construction works mildly declined at the annual level). This

growth rate was 16.0 percentage points lower compared with the same period last year. The high real growth rates in construction works recorded during the first half of 2004 were mainly the result of government investment in road construction. This explains the stronger activity in new construction, while construction of buildings made an only small contribution to the total growth. The more favourable weather conditions in the third quarter of 2004 will stimulate the real growth in construction activity, which is more exposed to this type of exogenous factors than other activities (except agriculture). Favourable trends in construction are also indicated by the movements in individual preliminary indicators of construction activity, e.g. the value of net construction project orders (in the country) and construction permits issued. The value of net construction project orders rose significantly during the second quarter of 2004 and thus contributed to the total growth of construction project orders, which went up 22.3% in the first six months of 2004 relative to the same period last year (approximately one third of the orders relates to the construction of buildings). In the first half of the year, the number of construction permits is-

⁶ Seasonally adjusted with the Tramo-Seats method.



sued went slightly down compared with the same period last year, but it rose again by 10.0% in July compared with June. However, given the expected slowdown in the investment in infrastructure, it is not likely that the downward trend in construction activity will be stopped by the end of the year.

Tourism

In line with the favourable developments in other economic branches, exceptionally good results were achieved in hotels and restaurants, which, in the first quarter of 2004, recorded the highest annual growth rate of real GVA since 2001. However, this activity accounts for a relatively small share in GVA in the services sector, which applies to all months except the summer months, so the contribution of hotels and restaurants to GVA growth was as small as 0.2 percentage points in the observed period. This contribution remained the same in the second quarter of 2004, despite a slower annual growth of GVA in hotels and restaurants in that quarter. Lower annual growth

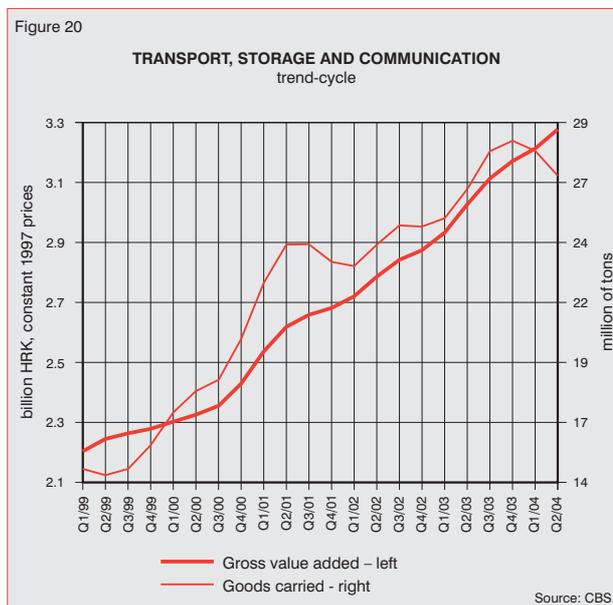
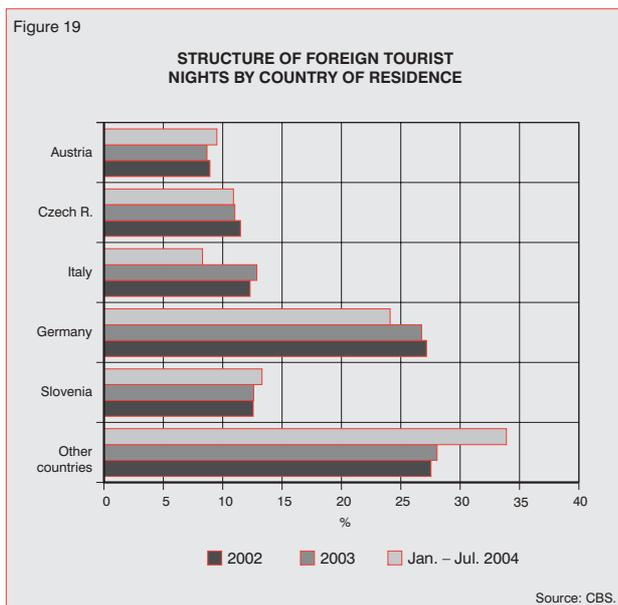
rates in tourism in the second quarter compared with the first quarter were last recorded in 1999 (paralleled with a decline in real value added), as a result of war operations in the region. This year's decline in GVA in tourism was the result of its better performance at the beginning of the year, which was partly due to the base period effects from the previous year.

Tourism is closely related to the trends in trade, as well as transport and communications and it influences, both directly and indirectly, different segments of the economic system. An example for this is the expectedly pronounced seasonal component in tourist arrivals and nights recorded in July (the tourist season is expected to peak in August), which affects the balance of payments and foreign exchange market developments in that period. After excluding seasonal fluctuations from the above-mentioned series, positive movements can be observed in tourist arrivals and nights in July, which followed their shortfall in June. Thus, the annual growth of tourist arrivals and nights was 7.5% and 8.2% respectively, which is much above the rates achieved in the same period last year.

The upward trend in average tourist nights per tourist arrival, which started at end-2003, continued in July 2004 (5.9 tourist nights per tourist arrival). This is an indication of a possible change in the structure of tourists according to their preferences and financial means and it mainly relates to individual tourists whose nights, according to original data, increased at an annual rate of 11.0% in July 2004. (Despite the original values, it should be born in mind that the annual rates of change partly eliminate the seasonal influence, which is, of course, more pronounced if the observed period is longer). In July 2004, the most significant groups of foreign tourists were tourists from Germany (17.3%), Slovenia (16.7%) and Czech Republic (12.4%), which approximates the foreign tourist structure in the first seven months of the current year. The share of tourists from Slovenia increased in the observed period compared with 2002 and 2003.

Transport and Communications

Real GVA in transport, storage and communications



slowed down in early 2004, despite its still high annual growth rate of 9.2%, and the slowdown was not induced by seasonal fluctuations. Given its share in total GVA of approximately one tenth, this sector made a significant contribution to total real GVA growth of 0.9 percentage points in the first quarter of 2004, which equals its average contribution in 2003. In the second quarter of 2004, the annual growth rate of real GVA in transport, storage and communication dropped to 7.7%, which reduced its contribution to total GVA by 0.2 percentage points.

The developments in road transport, which accounts for the largest share in total transport of goods and passengers, were mainly positive in the first half of 2004. In the period from January to June 2004, road transport of goods was up 12.7% from the same period last year, while transport of passengers stagnated. Similar trends were observed in railway transport. Air transport as well as sea and coastal transport account for a smaller share in the total transport of passengers (8.0%). However, sea and coastal transport participate with a much larger share in the total transport of goods. In the first half of 2004, sea and coastal transport indicated negative developments at the annual level (-5.1%), which affected the downward trend in goods transport.

Within transport and communications, the most dynamic growth was recorded in telecommunications services in the past few years, although the second quarter of 2004 saw a mild slowdown in their activity. However, the strong cumulative growth of these services (10.2% measured by the number of minutes spent in mobile network and 18.0% measured by the number of minutes spent in fixed network) continued during the first six months of the year.

Labour Market

Despite the preliminary indicators of total employment, which point to its stagnation and a decline at midyear, given the usual bias in these indicators, it can be assumed that employment continued to grow in 2004, although at a some-

what slower pace than last year. Registered unemployment stabilised at approximately 18% in the middle of the year, which suggests that the effects of the employment intermediation reform wore off. However, this rate is still much higher than the Labour Force Survey unemployment rate. The Labour Force Survey indicators of employment and unemployment, which could more reliably reflect their dynamics in the current year, will only be available in November. A slight acceleration of wage growth, spurred by a strengthened economic activity continued at the end of the second and the beginning of the third quarters.

Unemployment and Employment

A mild recovery of inflows into the CES register, which followed their contraction in 2002 after the introduction of the new Law on Employment Intermediation and Rights During Unemployment, continued in the second quarter and at the beginning of the third quarter 2004. During the second quarter, the number of the newly registered with the CES totalled almost 44,000, up 4.2% from the same period last year, while in July and August, inflows into the CES register grew at an average rate of 11.8%. The increase in inflows into the register was mainly caused by a rise in the number of newly registered persons with working experience, whose reaction to the new Law was more intense. However, despite the recovery during 2004, the inflows of such persons still remain below the pre-reform level. Contrary to this, the effect of the reform on the inflows of persons without working experience was not so strong, so they recovered rather quickly and reached the level recorded prior to the reform. The seasonally adjusted total inflows into the CES register fell by 14% on average in 2004 relative to 2001, i.e. the pre-reform period. A change was also observed in the structure of newly registered persons with working experience. While the increase in inflows in early 2004 mainly related to inactive persons, i.e. the persons with at least a three-months break between their last employment and registration with the CES, at mid-2004, di-

Figure 21

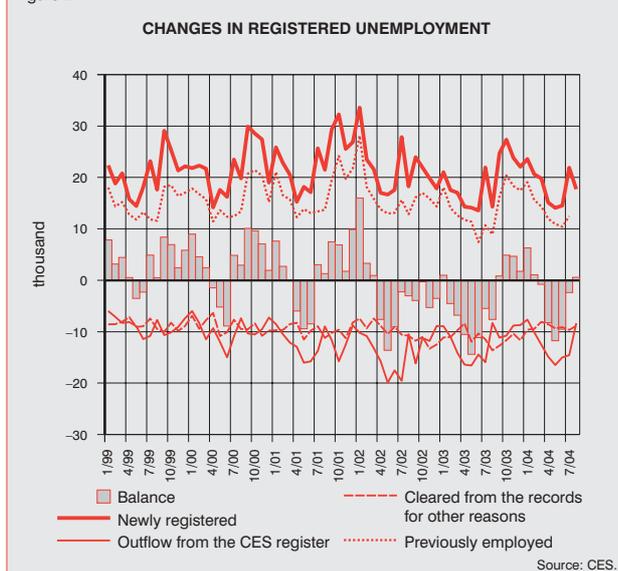
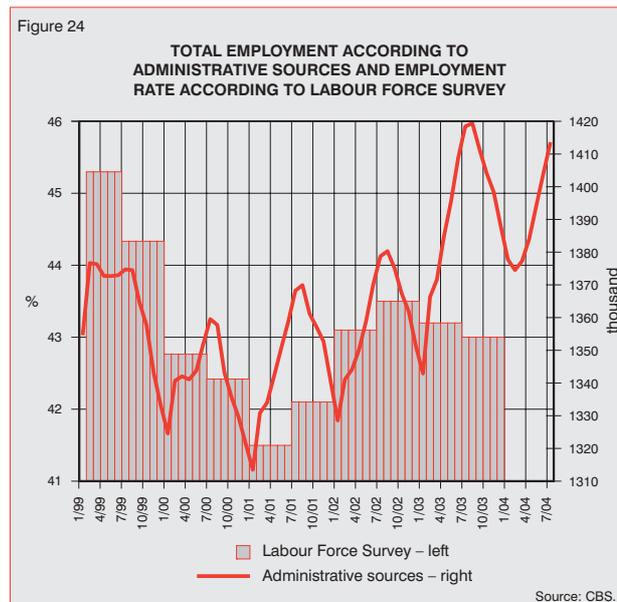
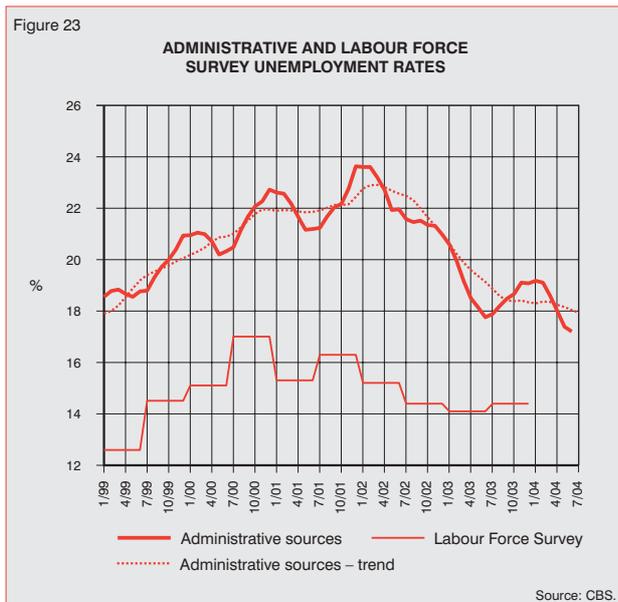


Figure 22





rect inflows from employment strengthened, which may be a sign of a more prompt registration of the unemployed with the CES.

The upward trend in inflows into the CES register was paralleled with a continued decline in outflows from the register. Thus, in the second quarter of 2004, total outflows from the CES register fell by almost 5,000 (6.1%) compared with the same period last year, while in July and August, outflows from the register dropped by 8,000 (14.1%) compared with the same months last year. The decline in total outflows from the register was mainly attributable to the outflow from the register for reasons other than employment. While employment from the register stagnated since end-2003, according to the seasonally adjusted data, clearings from the register trended downwards, following their peak in August last year.

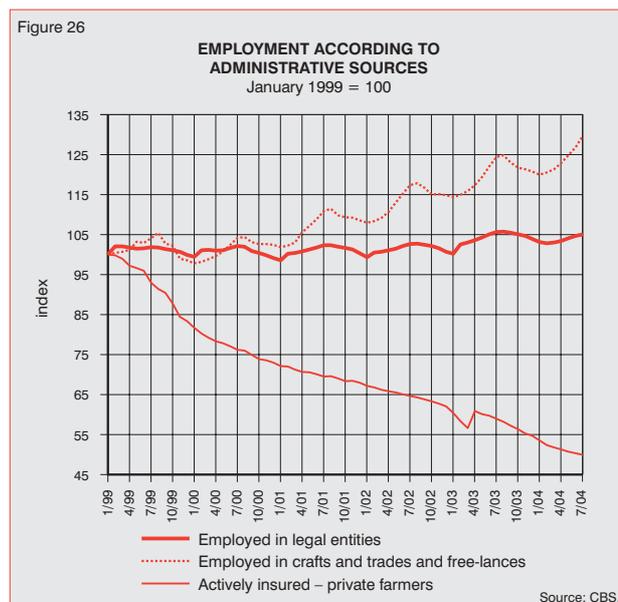
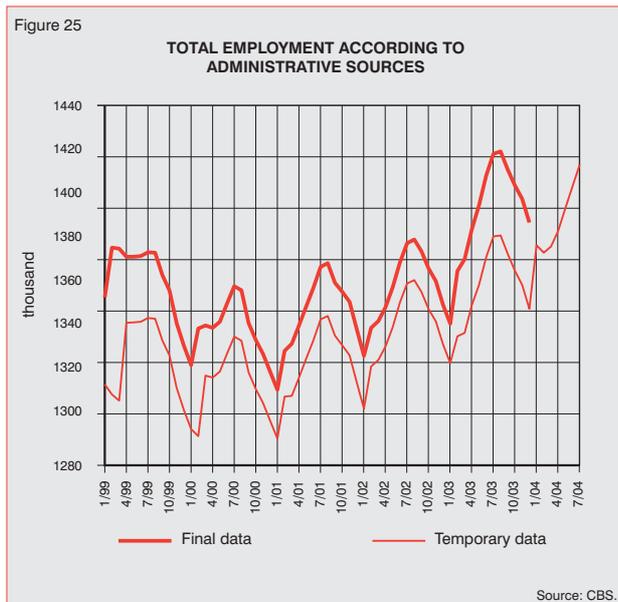
In addition to the register of unemployed persons, the employment intermediation reform provided a basis for the establishment of a CES register of job seekers, who do not have to meet the criteria for registration as the unemployed. This register can also include the unemployed who are not willing to meet the obligations imposed on the persons registered with the CES. At end-July, their number approximated 13,000, the same as in the second half of 2003.

The rise in inflows into and the fall in outflows from the CES register at end-2004 additionally slowed the downward trend in registered unemployment. In the first eight months of the current year, registered unemployment fell cumulatively by somewhat less than 25,000 (7.8%) compared with the same period last year, when the decrease was two times larger. Consequently, such flow dynamics stopped the downward trend in registered unemployment, and, owing to the usual seasonal fluctuations, it went up as early as August 2004. Given the expected seasonal increase in registered unemployment by the end of the year, the net change in registered unemployment for the whole year will probably be less than the previous change in registered unemployment, i.e. closer to the annual rate of its decline in August (4.0%).

The described registered unemployment dynamics

affected the slower decline and stagnation in registered unemployment during the last year. Thus, the trend in registered unemployment rate stabilised at approximately 18%, which is barely 4 percentage points less than the maximum rate achieved two years ago. However, this rate was still higher than the Labour Force Survey unemployment rate, which was 14.4%, according to the last available data for the second half of 2003.

The level of registered unemployment normally depends on the registration costs and the benefits obtained by such registration. The employment intermediation reform was aimed at separating the records of unemployed persons from social rights administration and harmonising the definition of unemployed person with the international definition. This would make it possible to identify the persons unemployed according to the international criteria and enable the CES to focus on its primary activity, i.e. employment intermediation on behalf of such persons. In accordance with this goal, measures for the activation of unemployed persons were introduced within the reform, which resulted in higher registration costs. In addition, the definition of unemployed person excluded all persons whose income from employment exceeds the prescribed limit. The fact that registered unemployment has only partly converged with the Labour Force Survey unemployment so far, is probably accounted for by significant rights arising from the registration with the CES, which, in return, can stimulate the registration of inactive persons and those employed in the unofficial economy. Thus, pursuant to the Law on Employment Intermediation and Rights During Unemployment, the unemployment insurance includes the following: cash benefit, pension insurance, financial assistance and compensation of additional training costs, one-off financial assistance, reimbursement of travel and house-moving expenses and health insurance (which is also provided without the registration with the CES). Moreover, registered persons can use the available active policy measures, primarily employment subsidies, which can also attract a certain number of persons who do not meet the international unemployment criteria.

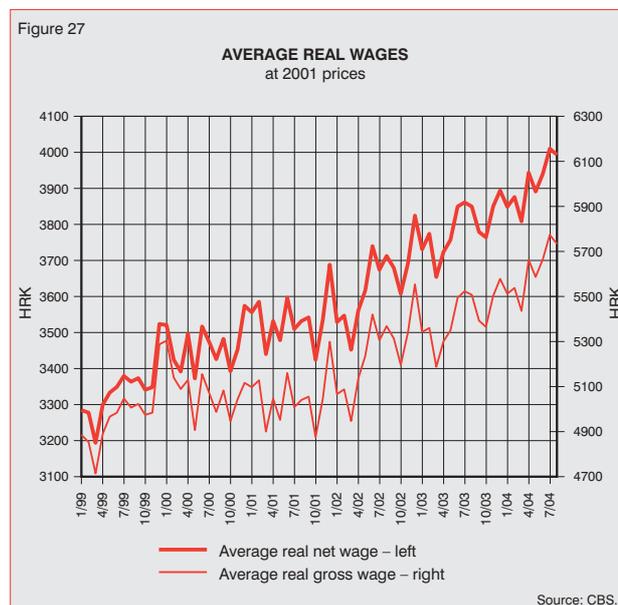


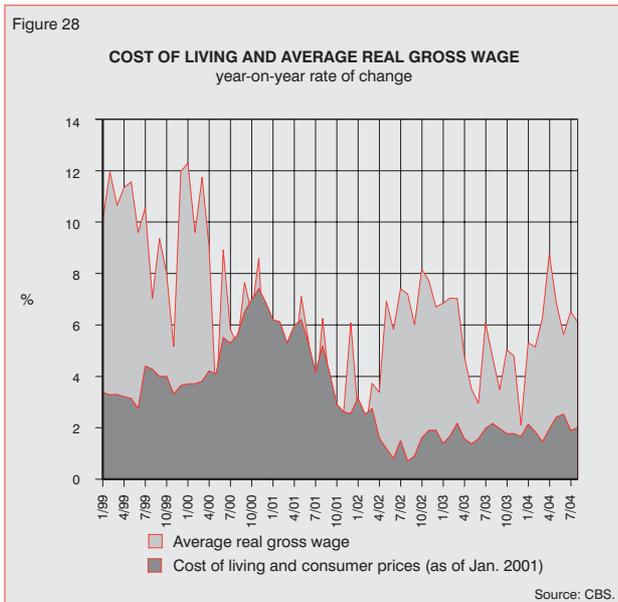
Preliminary administrative indicators of total employment point to its stagnation and a mild slowdown in 2004, with usual seasonal fluctuations. However, a comparison between these indicators and the preliminary indicators from the same period last year, rather than the final indicators for 2003, shows that the strong growth of total employment continued, although the annual rate of its growth slowed down towards mid-year, falling from almost 3% at the beginning of the year to 2.3% in July. So far, the revisions of preliminary total employment indicators have usually resulted in its higher level. However, the intensity of the revisions has changed from year to year. Given the observed regularities, it can be assumed that the final administrative indicators of employment will confirm its continued growth in the current year, although the intensity of the growth cannot be accurately estimated from the preliminary indicators.

Stagnancy in total employment suggested by the preliminary CBS data resulted from the usual dynamics of its individual components. The number of private farmers actively insured with the CPII decreased rapidly during the last year, from almost 60,000 in July 2003 to 50,000 in the same month of 2004 (by 15.2%). As this decrease, according to the administrative employment statistics, relates to all persons who have ceased to pay pension and invalidity insurance contributions without necessarily terminating their agricultural activities, it is probably due to the methodology of collecting the data on the number of private farmers that total employment is consistently underestimated. On the other hand, the employment growth in crafts and trades and free-lances, as the most dynamic components of total employment, slowed down mildly towards the year-end. Employment in crafts and trades and free-lances grew at an annual rate of 4.2% in July and its absolute contribution to employment growth was slightly larger than the decrease in the number of private farmers. Employment in legal persons, as the most significant component of total employment covered by the preliminary CBS data, declined by almost 6,000 (0.5%) in July compared with the same month last year. As the change in private employment in agriculture was equal to

the change in employment in crafts and trades and free-lances but had an opposite sign, the revision of employment indicators in legal persons, which is expected in April next year, would also determine the dynamics of total employment according to administrative sources. The sharpest fall in employment, according to the preliminary indicators for legal persons, was recorded in agriculture (1,600 or 5.4%), manufacturing (6,000 or 2.4%), hotels and restaurants (1,700 or 3.5%) and transport, storage and communications (1,600 or 2.0%), while a growth of employment took place in trade (2,100 or 1.2%) and education (1,700 or 1.9%).

A parallel decline in both employment and registered unemployment influenced the fall in labour force. Thus, labour force decreased by almost 26,000 (1.5%) in July compared with the same month last year. It is worth noting, however, that the fall in labour force in that period was induced by a decline in registered unemployment due to the definition adjustment and the bias in the preliminary total employment





indicators, which underestimated its actual level. As already stated, the Labour Force Survey indicators for the first half of the current year will only be available in early November, and it will then be possible to establish the dynamics of employment, unemployment and labour force in the current year.

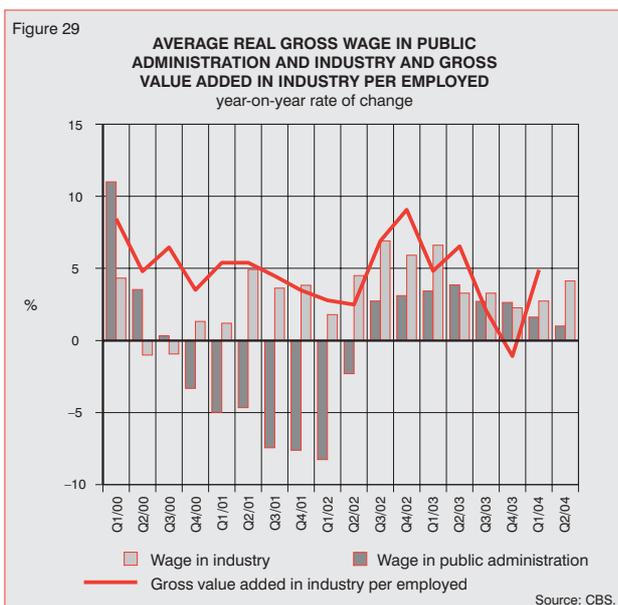
Wages and Labour Costs

A faster growth of wages from the end of the first quarter of 2004 continued into the second quarter. The annual growth rate of average real gross wage paid was 4.8% in the second quarter, 1 percentage points up from the first quarter. Similar dynamics continued over July and August, so the growth rates of real gross wage were 4.6% and 4.1% in July and August respectively. Average real net wages rose at somewhat lower annual rates than gross wages, i.e. 3.9% in the second quarter and 4.0% and 3.7% in July and August

respectively. This was a slightly larger real increase in net wages compared with the end of 2003. However, a somewhat higher growth rate of gross wages cannot be accounted for by the requests for net wage increase, but mainly by the effects of tax progression under the circumstances of the usual net wage growth.

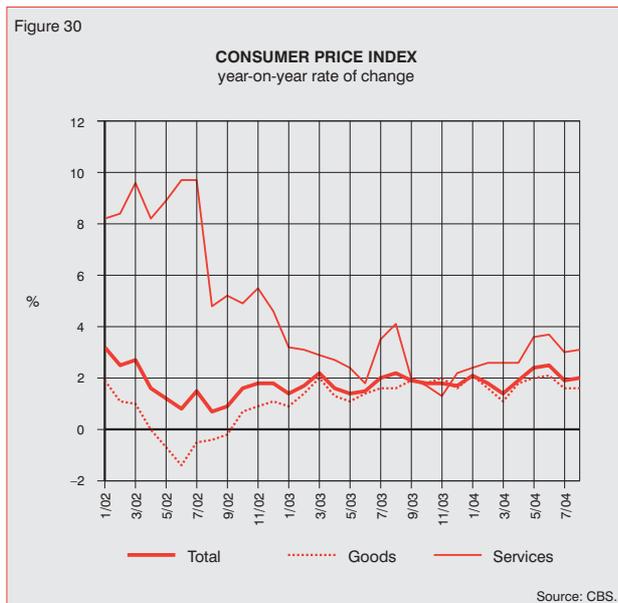
A faster growth of nominal gross wages was the main generator of the real wage acceleration in the second quarter and the beginning of the third quarter. In April, the annual growth rate of average gross wage reached almost 9.0% in nominal terms, the highest rate recorded since mid-2000, and it ranged between 5.7% and 7.0% till August 2004. Owing to a low and steady growth rate of the cost of living during that period, the strong nominal growth of gross wages also resulted in their sharper increase in real terms.

Despite a negative annual growth rate of gross value added per employed person in industry at end 2003, a mild decline in employment in industry, indicated by the preliminary CBS indicators, and a recovery of production in industry in early 2004 led to a dynamic growth of labour productivity. At the end of the last year, wage growth in industry fell to a minimum, so the annual growth rate of average real gross wage was 2.3% in the last quarter of 2003 and it accelerated in the current year. However, the recovery of labour productivity in the first quarter of 2004 was still quicker than the growth of wages, and, owing to an only mild slowdown in industrial production and a somewhat sharper increase in wages in industry, this was repeated in the second quarter. In addition, restrictive wage policy in the public sector and public administration continued in the current year. The real growth rate of average gross wage in the public sector continued to fall and was 1.0% in the second quarter of the year. Consequently, the faster growth of wages was the result of a heightened economic activity rather than of the wage policy in the public sector. Given the described wage and labour productivity dynamics, even a somewhat faster growth of wages perceived in the middle of 2004 is not likely to increase the pressure on the price growth.



Prices

The domestic rate of consumer price inflation accelerated slightly in the first eight months of 2004. Several reasons lie behind this trend: supply shocks (the growth in raw materials prices in the world market, oil prices especially, was reflected in increased domestic prices of refined petroleum products), increase in administrative prices (natural gas, household water supply, and highway tolls), and increase in excises on tobacco products. The year-on-year rate of change of the consumer price index grew from 1.4% at the end of the first quarter to 2.5% at the end of the second quarter of 2004. Influenced by seasonal factors (the fall in prices of fruit, vegetables, clothes and footwear), the year-on-year rate of inflation fell to 1.9% in July and increased to 2.0% in August. The registered year-on-year consumer price inflation rate remained in the zone of low inflation. In June, it exceeded by 0.1 percentage point the inflation rate registered in the eurozone. This trend reversed in July and August, when the domestic



rate of inflation fell by 0.4% and 0.3% respectively, compared with the rate in the eurozone. The relatively stable exchange rate of the kuna against the euro, marked by a mild appreciation trend, stabilised inflationary expectations and contributed to the stability of import prices of raw materials and final goods offered in the euro area. In addition to the exchange rate, a mild nominal increase in wages of 5.7% in the first eight months of 2004, compared with the same period last year, was one of the key factors contributing to the low and stable inflation rate in the domestic economy.

The monthly rates of change of prices, registered in the second quarter, varied significantly and were, above all, influenced by the developments in crude oil prices and seasonal fluctuations in prices of fruit, vegetables, clothes and footwear. In contrast to the previous year, when they trended upwards due to drought, the prices of vegetables fell in the second quarter of 2004. Concurrently, they largely smoothed the inflationary pressures (vegetables account for 4.2% of the consumer prices index basket).

The aggregate level of consumer prices grew by 0.2% in April compared with March. The largest contribution to the

total increase in prices was made by a 2.6% increase in prices of clothes and footwear and a 4.3% increase in prices of liquid fuels and lubricants. The monthly fall in prices of food and non-alcoholic beverages of 0.7%, which to a large extent resulted from reduced vegetable prices, offset the intensity of the total growth in consumer prices in April. Due to the launching of new clothing lines in spring 2004, April saw the seasonal increase in prices of clothes and footwear. It continued into May when prices of clothes grew by 2.3%.

The total increase in the consumer price index stood at a high 0.7% in May compared with the previous month. For the most part, it resulted from the increase in administrative prices (prices of gas and water grew by 3.5% and 11.7% respectively) and the increase in crude oil prices in the world market that fed into the domestic prices of refined petroleum products. The prices of refined petroleum products grew by 5.1% in May compared with April. Standing at 0.3 percentage points, the increase in the price of water made a significant contribution to the total monthly inflation in May. The price of water grew considerably in the City of Zagreb due to the new fee for the wastewater treatment in the amount of 1.37 kuna per cubic meter (VAT excluded). As in April, the pronounced monthly growth in consumer prices in May was offset by the monthly fall in price of vegetables of 4.9%.

In June, the seasonal factors contributed to the fall in the aggregate level of prices. The total consumer price index fell by 0.3% on average in June relative to May due to further decrease in prices of vegetables (10.2% on average). The upward trend in crude oil prices in the world market, which marked 2004, was reversed in June and resulted in a 1.8% decrease in retail prices of refined petroleum products.

Reflecting the monthly movements in consumer prices in the second quarter of 2004 and the impact of the base period (slower growth in consumer prices in the same period of 2003), the year-on-year consumer price inflation rate grew from 1.4% in March to 2.5% in June. The largest contribution to the growth of the total year-on-year inflation rate was made by the increase in the year-on-year rate of change in

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

	Weight	12/03	3/04	6/04	7/04	8/04
Total	100.0	1.7	1.4	2.5	1.9	2.0
Food and non-alcoholic beverages	33.0	2.8	3.5	1.6	0.5	-0.3
Alcoholic drinks and tobacco	5.4	1.4	1.4	1.4	1.7	10.4
Clothing and footwear	8.3	-0.7	-1.8	1.5	0.9	-0.5
Housing, water, energy, gas and other fuels	14.3	0.7	0.5	4.5	5.3	5.7
Furniture, equipment and maintenance	4.8	-0.6	-0.4	-0.6	-0.7	-0.9
Health	2.8	5.5	5.5	3.3	3.1	2.8
Transport	11.3	2.2	-1.9	5.4	5.2	4.2
Communication	4.5	-0.2	-0.2	-0.2	-0.2	-0.1
Recreation and culture	5.6	1.6	3.2	3.9	4.2	3.9
Education	0.9	0.3	0.6	0.6	-20.5	-20.6
Catering services	3.2	3.9	4.1	3.9	4.1	4.2
Miscellaneous goods and services	5.9	1.6	2.0	2.1	1.9	1.8
Goods	77.3	1.6	1.1	2.1	1.6	1.6
Services	22.7	2.2	2.6	3.7	3.0	3.1

Source: CBS.

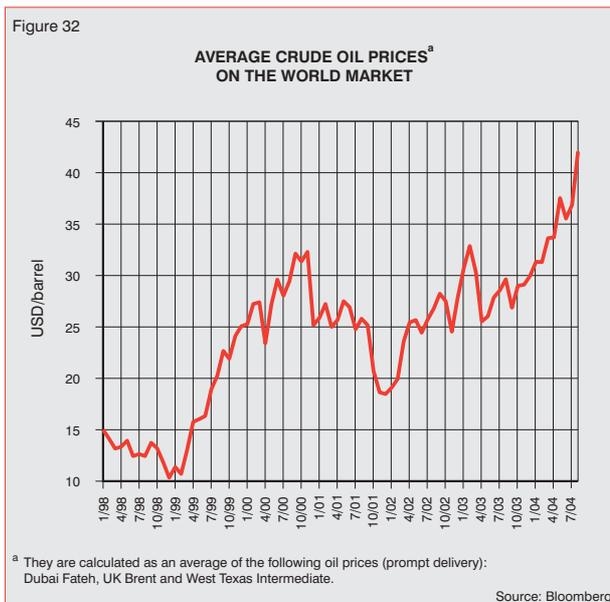


prices of housing, water, energy and gas (from 0.5% in March to 4.5% in June), prices of transportation (from -1.9% to 5.4%) and prices of clothing and footwear (from -1.8% to 1.5%). The strong upward pressures on prices were mitigated by the fall in the year-on-year rate of change in prices of food and non-alcoholic beverages (from 3.5% in March to 1.6% June).

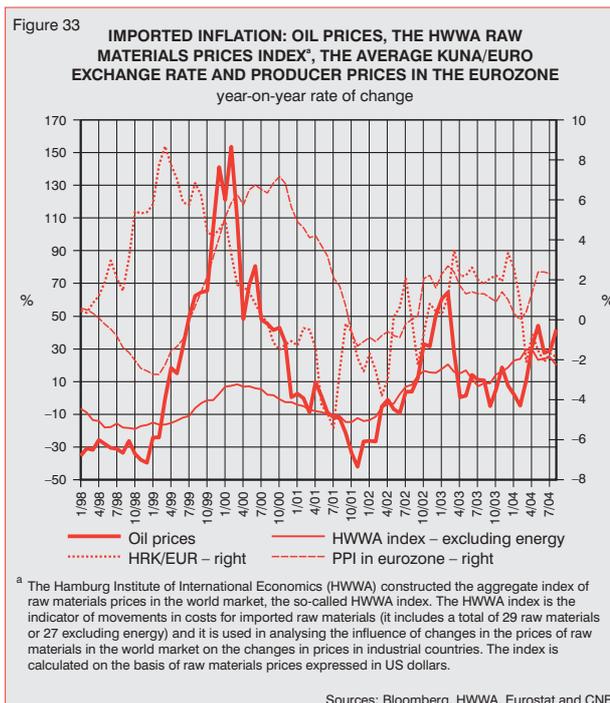
The fall in the aggregate level of prices of 0.4% in July compared with June was largely seasonal (i.e. it was stimulated by the fall in prices of fruit, vegetables, clothes and footwear that continued into August). Consumer prices grew by 0.1% on average in August compared with the previous month, whereas the largest contribution to the total monthly growth in consumer prices of 0.5 percentage points was made by the increase in prices of tobacco products of 12.7% on average. This growth resulted from increased excises and increased producer prices of tobacco products. The increased excises had no influence on prices of personal automobiles in August since car dealers had in stock the sufficient number of automobiles that passed through customs before the adoption of the amendments to the regulations on excise duties on cigarettes and passenger cars. The domestic prices of liquid fuels and lubricants grew by 1.5% on average in July and 2.5% in August, compared with the previous month, on account of prolonged increase in oil prices in the world market. The beginning of the third quarter was marked by the fall in the year-on-year rate of consumer price inflation, from 2.5% in June to 1.9% in July and to 2.0% in August. In addition to the monthly movements in individual components of the consumer price index, this fall was also influenced by the impact of the base period (a faster monthly growth in prices registered in the same period of 2003).

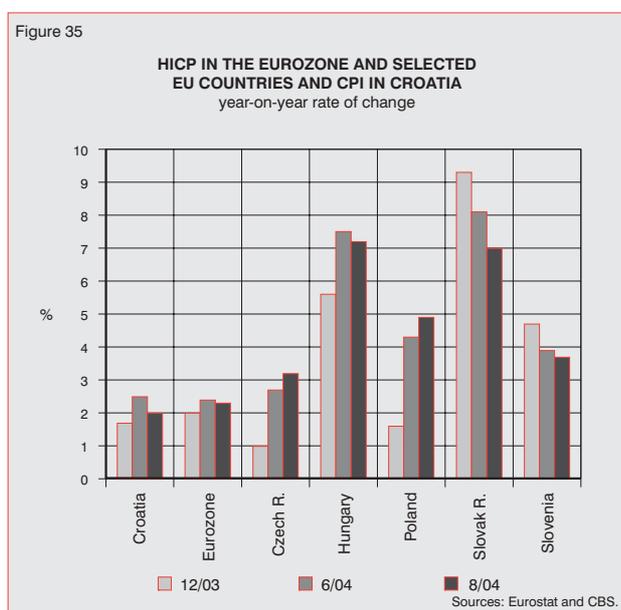
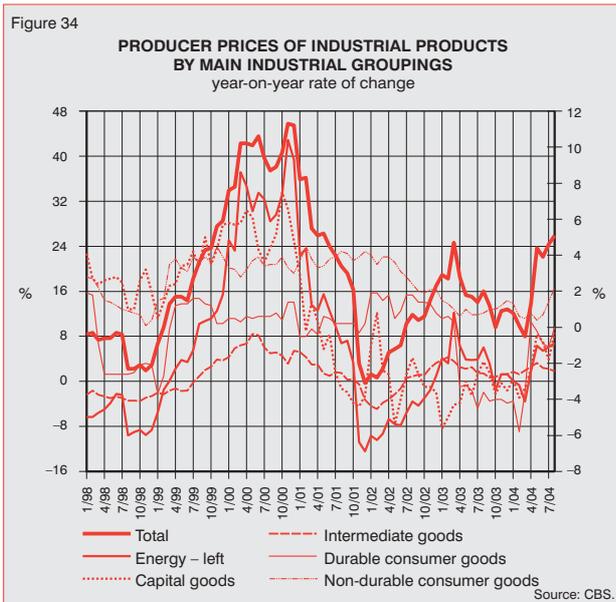
The year-on-year rate of core inflation, the indicator which excludes the volatile components of the consumer price index (prices of agriculture products, energy prices and administrative prices) and thus more accurately reflects the trend of inflation, grew in the second quarter and at the beginning of the third quarter, from 1.4% in March to 1.9% in June and to 2.2% in August. Standing at 0.6%, the monthly growth of the core inflation rate was pronounced in August. As in the case of the consumer price index, the increased prices of tobacco products, accounting for higher share in the core inflation index than in the total consumer price index, made the largest contribution the monthly growth of the core inflation index.

Refined petroleum products account for 4.0% of the consumer price index basket. Accordingly, they are to a large extent reflected in the domestic inflation rate. The regulation on refined petroleum products prices provides for that the key element, on the basis of which changes in the domestic prices of refined petroleum products are approved, is the price of refined petroleum products in the Mediterranean market which largely depends on the movements in crude oil prices in the world market. In the first eight months of 2004, the price of a crude oil barrel grew on account of several factors. On the supply side, the most prominent were the instable political situation in Iraq, Venezuela and Nigeria, the oil industry strike in Norway, and the suspension of oil deliveries by Yukos (one of the biggest Russian producers)



due to the financial problems. Bad weather in the Gulf of Mexico and the delayed production brought about the rise in oil prices in September. The upward trend in oil prices, accompanied with supply shocks, was also fuelled by the global demand stimulated by the strong economic growth in China and the USA and the reduced crude oil stocks in the USA. OPEC reacted in early June and members of the cartel agreed to raise the group's production quota by 2 million barrels a day in July and another half-a-million barrels a day in August. This was the highest increase in oil production in the last six years. OPEC's output hike was expected to have a psychological effect on the market since many OPEC member countries already produce oil at full capacity. The average daily price of crude oil in the world market stood at USD 42.08 a barrel in August 2004, up 41.8% compared with USD 29.68 a barrel in the same month last year and 18.4%





end-August. The year-on-year rate of change in producer prices in the eurozone was relatively low, showing an upward trend (from 0.4% at the end of the first quarter to 2.4% at the end of the second and 2.3% at the beginning of the third quarter).

These upward pressures on prices were to some extent soothed by the appreciation of the kuna against the euro and the US dollar. The average daily exchange rate of the kuna against the US dollar stood at USD 6.11/HRK in the first eight months of 2004, up 10.4% compared with the average exchange rate of HRK 6.81/USD in the first eight months of 2003. In addition to the US dollar, the kuna appreciated against the euro by 0.82% (the average daily exchange rate of the kuna against the euro stood at HRK 7.49/EUR in the first eight months of 2004, or at HRK 7.55/EUR in the same period last year.).

Domestic producer prices of industrial products accelerated in the second quarter and the beginning of the third quarter of 2004. The year-on-year rate of change in producer prices grew from -0.5% in March to 3.9% in June and 4.6% in July and to 5.1% in August, reaching its record high in the last three years. The manufacture of refined petroleum products, manufacture of basic metals and water supply saw the high annual rates of growth in prices of 20.3%, 14.9% and 62.6% respectively. The influence of increased production costs, transport and distribution of goods and services on the index of consumer prices will depend on producers and traders ability to pass on these costs to consumers or the need to cover them from profits.

The year-on-year rate of growth of consumer prices of 2.0% in August was only 0.3 percentage points below the rate in the eurozone, and 1.2 percentage points and 1.5 percentage points below the inflation rate registered in the Czech Republic and Slovenia. In contrast, Hungary, Slovakia and Poland registered significantly higher growth rate of consumer prices, between 4.9% and 7.2% year-on-year.

Exchange Rate

The beginning of the second quarter saw a mild depreciation of the kuna against the euro. In May, before the beginning of the main tourist season, the kuna began to appreciate, reflecting increased demand created by, inter alia, the subscription of Pliva bonds valued at the kuna equivalent of EUR 75.0m. Appreciation pressures, stimulated by the continued demand for kuna in June, were offset by the adequate demand for foreign exchange and resulted in a relatively stable kuna/euro exchange rate (up 0.1% at end-June compared with end-May). Monetary authorities estimated that such conditions did not call for a central bank intervention and tolerated a slightly increased variability of the kuna/euro exchange rate in the second quarter.

In the third quarter of 2004 (21 September), the nominal exchange rate of the kuna against the euro fluctuated between a minimum of 7.34 and a maximum of 7.41, or within a relatively narrow band between + 0.5% and -0.5% of the average daily exchange rate of HRK 7.37/EUR. The central bank intervened in the third quarter (a total of EUR 141.0m

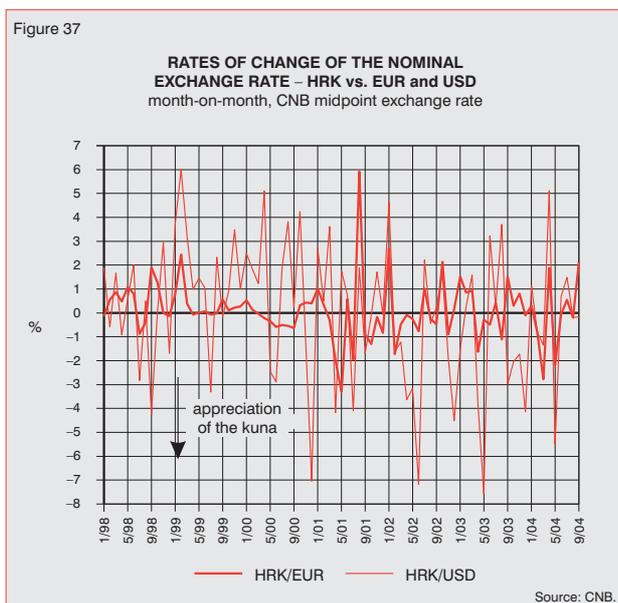
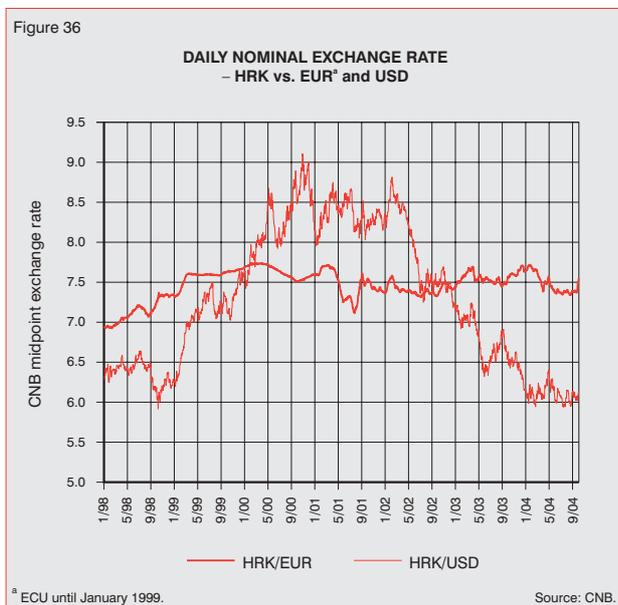
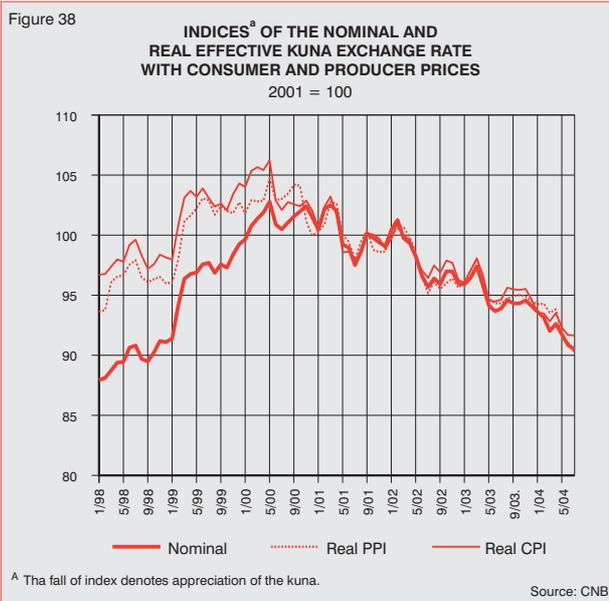
compared with USD 35.5 a barrel at the end of the second quarter of 2004.

As a result, the domestic retail prices of refined petroleum products grew by 12.0% in August compared with the same month last year. In addition to the direct effect, the increase in the price of refined petroleum products also had an indirect effect on the movements in the total consumer price index. This was especially reflected in the growth of transport service prices (prices in road passenger transport and air transport grew by 3.9% and 4.4% year-on-year in August).

In addition to crude oil prices, there was also an increase in prices of other raw materials in the world market. The prices of non-ferrous metals grew by a high 35.2% year-on-year in August. The year-on-year rate of change of the HWWA index, which reflects the movements in the raw materials prices in the world market (excluding energy, in US dollars), was high in 2004. The highest year-on-year rate of growth of raw materials prices (excluding energy) was registered in March (29.5%) and fell to 20.0% at

were purchased from banks), and thus contributed to the stability of the exchange rate. However, after 21 September, a more substantial depreciation set in, as inflows of foreign exchange due to summer tourism and transfers dried up, and corporate demand for foreign exchange strengthened. The kuna depreciated by a total of 2.3%, and the value of the euro grew from 7.38 kuna on 21 September to 7.55 kuna on 30 September.

Increased foreign exchange inflows from tourism services and the additional demand for kuna due to the subscription of EUR 400.0m worth of government bonds issued in the domestic capital market resulted in pronounced appreciation pressures and marked the beginning of July. The exchange rate of the kuna against the euro stood at HRK 7.35/EUR on 2 July 2004, and appreciated by 0.9% relative to the exchange rate at the end of the second quarter (HRK 7.42/EUR). The central bank intervened twice: EUR 27.1m were purchased on 1 July and an additional EUR 18.9m on 6 July. The appreciation pressures were halted in the days after



the second intervention and the exchange rate averaged HRK 7.38/EUR in the second half of July.

However, the appreciation pressures mounted again at the beginning of August. Standing at HRK 7.34/EUR in mid-August, the kuna/euro exchange rate hit its record low since the beginning of 2004. For the most part, it strengthened on account of the seasonal increase in demand for domestic currency. In order to halt the appreciation pressures, the CNB intervened twice and purchased a total of EUR 70.0m (EUR 52.5m on 12 August and EUR 17.5m on 17 August). These interventions created an additional 0.9 billion in kuna liquidity in July and August, substantially increased the total kuna liquidity and prevented further strengthening of the appreciation pressures.

The strengthening of the kuna against the euro also marked the first half of September. On 15 September, the central bank purchased from banks an additional EUR 25.0m at the average exchange rate of HRK 7.38/EUR. Mild appreciation pressures continued after the intervention (21 September). They probably were the result of increased demand for kuna due to the issuance of MoF bonds, worth EUR 300.0m, in the domestic market. Following the appreciation of 0.4% in the second quarter of 2004, the kuna/euro exchange rate depreciated in the third quarter by 2.5% on account of the strong depreciation registered in the period from 21 September to 30 September and the euro value increased from 7.37 kuna on 30 June to 7.55 kuna on 30 September 2004.

An increased volatility of the exchange rate of the kuna against the US dollar, compared with the euro, marked the third quarter of 2004. The exchange rate ranged between HRK 5.94/USD and HRK 6.15/USD, or within +/-1.8% of the average exchange rate (HRK 6.05/USD). On 30 September, the exchange rate of the kuna against the US dollar stood at 6.13, down 1.1% compared with the exchange rate of HRK 6.06/USD registered at the end of the second quarter.

Compared with the average exchange rates registered in

the second quarter of 2004, the average nominal exchange rate of the kuna appreciated against the euro (0.7%), the US dollar (2.0%), the Slovene tolar (1.2%), the Swiss franc (0.6%) and the pound sterling (1.5%) in the third quarter. As regards the structure of the index of the nominal effective exchange rate (in which the euro accounts for 70.6%, the US dollar for 27.2%, the pound sterling and the Swiss franc for 1%, and Slovene tolar for 0.2%), the described exchange rate movements resulted in the appreciation of the average index of the nominal effective exchange rate of the kuna of 1.1% in the third quarter compared with its average for the second quarter of 2004.

According to the data on the movements of the index of the real effective kuna exchange rate in the first seven months of 2004, the kuna appreciated by 3.1% in real terms against the basket of currencies deflated by the consumer price index and by 4.5% deflated by the producer price index (July 2004 to December 2003). In the reference period, the average index of the nominal effective kuna exchange rate appreciated by 3.8%. The differences between the appreciation rates measured by the index of the nominal effective exchange rate and the index of the real effective exchange rate reflect faster growth of domestic producer prices and somewhat slower growth of domestic consumer prices.

Monetary Policy and Instruments

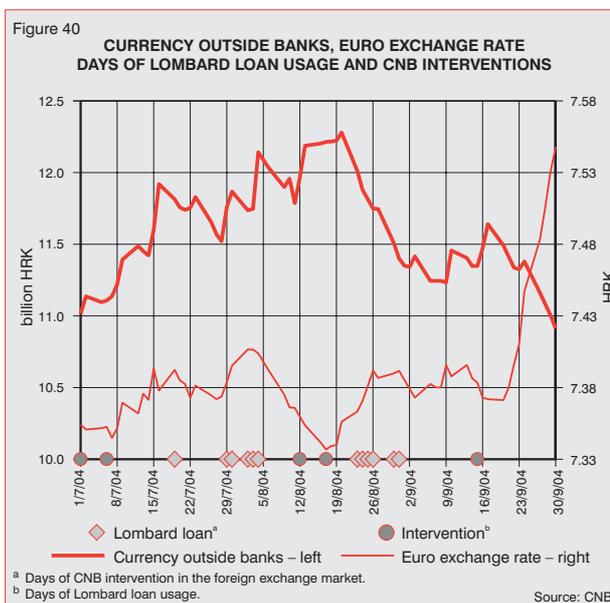
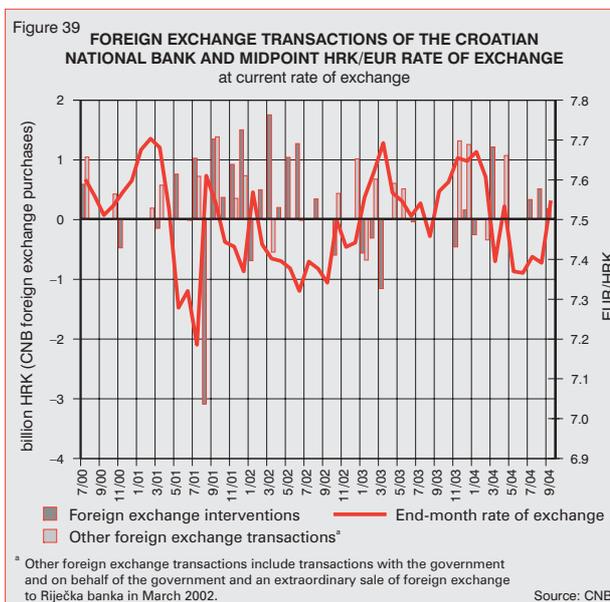
Monetary Environment

The third quarter of 2004 was characterised by moderate kuna liquidity of the banking sector, strong exchange rate of the kuna, high interest rates on the money market and occasional CNB activities on the foreign exchange market. Rapid growth of cash during the tourist season, particularly in early August, largely caused by significant inflows and purchases of foreign currency from non-residents, created appreciation pressures. The central bank intervened by purchasing foreign currency, thus lessening the exchange rate pressures, increasing kuna liquidity and improving the situation on the money market. During the third quarter, the CNB did not use kuna instruments for the temporary creation of liquidity as the liquidity created through foreign currency transactions and secondary sources of liquidity was sufficient. In this way the CNB stressed the importance of active involvement of banks in their liquidity management.

Marginal reserve requirements, a monetary policy instrument much like foreign currency reserve requirements, were set aside for the first time in August this year (Box 2: Marginal Reserve Requirements). The basis for their calculation is increase in foreign borrowing of banks. This requirement is another in a line of measures introduced by the central bank to encourage prudent business policies of banks in terms of their foreign borrowing. However, at HRK 316m in kuna equivalent, the amount of marginal reserve requirements set aside in August was not significant.

On 4 August 2004, the Executive Board of the Interna-

tional Monetary Fund (IMF) approved 20-Month Stand-By Arrangement for the Republic of Croatia. The economic program contained in the arrangement focuses on fiscal adjustment, slowdown of foreign borrowing and narrowing of the current account deficit. Monetary policy, in the framework of its primary objective, supports the realisation of fiscal policy objectives and Government objectives aimed at achieving external debt reduction, whilst taking account that its primary objective, price stability is achieved. Thus, the growth rate of reserve money has to be kept at last year's level of 8% to 9%, net international reserves of the central bank should, under program exchange rate, amount to at least EUR 6.2bn and net domestic assets of the central banks have to be kept below HRK -3.0bn until year-end. The said program fully supports CNB objectives and instruments and does not in any way, as did not the previous programs, impose restrictions on CNB's pursuit of monetary policy (Box 4: Stand-By Arrangement).



Uses of Instruments of Monetary Policy

Monetary policy foreign exchange operations in the third quarter of 2004 were conducted in the environment characterised by exchange rate appreciation and moderate banking system liquidity, causing larger CNB presence on the foreign exchange market. Central bank purchases amounted to EUR 46m at July auctions, EUR 70m at August auctions and EUR 25m at the September auction. Aggregate monetary effect of all the five auctions held during the third quarter was HRK 1,037m.

Money market in July and August was marked by heavy demands of banks for kuna which reflected on the interest rates, causing their increase. The average interest rate on the money market rose from 5.7% in July to 7.6% in August. The highest average monthly interest rate on the money market in 2004 was 7.9% in March. Interest rates on the money market fell with improved liquidity in September, standing at 6.8%.

The most significant characteristic of bank liquidity during the summer was a high level of currency in circulation. Following its average level of HRK 11.5bn in July, HRK 11.9bn in August, currency fell to HRK 11.3bn in September. Its high growth rates in early August coincided with the strengthening of the kuna from HRK 7.41/EUR at end-July to HRK 7.34/EUR in mid-August. As the beginning of the new reserve requirements maintenance period fell at the same time, the level of free reserves was very low, at times even negative. The central bank intervened in the market on two occasions in mid-August, purchasing the total of EUR 70m and creating a monetary effect of HRK 514m. In such circumstances, banks had to turn to secondary sources of liquidity, particularly on the days preceding their new reserve requirements allocations when they had to meet the prescribed average balance on giro accounts and in banks' vaults. Thus, banks made extensive use of the Lombard facility, with the average level of Lombard loans in the five days to end-July and in early August standing at HRK 360m.

In the third ten-day period of August, currency started

returning to banks as its level started falling gradually from the year's maximum of HRK 12.3bn, thus improving banks' liquidity. Nevertheless, banks made extensive use of the Lombard facility from 23-30 August, for the second time this summer, thus additionally improving its liquidity and ensuring adequate average of reserve requirements. The average amount of Lombard loans used in the five days towards the end of August was HRK 276m.

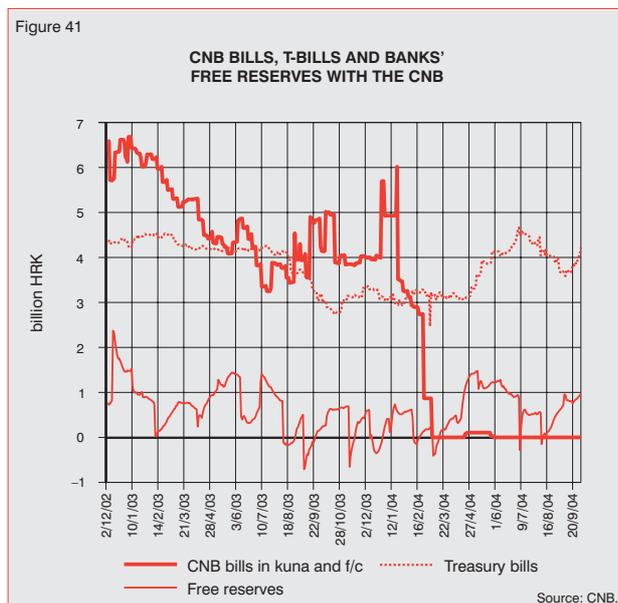
September saw an increase in giro accounts deposits and free reserves as well as a gradual kuna depreciation. After falling from their average July level of HRK 0.5bn to 0.3bn in August, free reserves recovered to HRK 0.8bn in September.

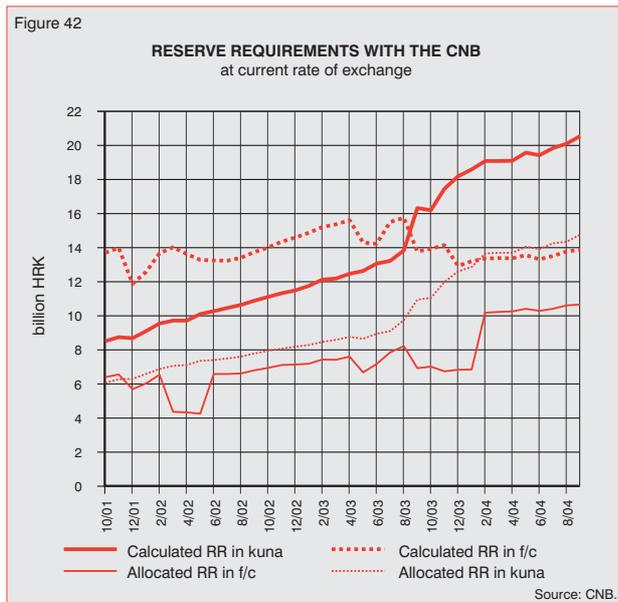
The level of subscribed T-bills of the Ministry of Finance as well as their price also reflected increased demand for kuna during the summer. Total subscriptions at end-August were HRK 6.6bn, a decline of almost one billion compared with HRK 7.5bn at end-June. From June to August the interest rates on T-bills of the Ministry of Finance rose by over one percentage point. From 3.95%, 5.00% and 5.60% for 91, 182 and 364 days T-bills at the beginning of the observed period, they rose to 5.00%, 6.70% and 7.00%, respectively until August.

In conclusion it can be said that the third quarter was characterised by developments usual for the season. High demand for kuna and ample supply of foreign currency created appreciation pressures and caused a rise in interest rates on the interbank market. Even though difficulties with kuna liquidity and appreciation pressures began to be felt towards the end of June, they were felt the most in the first twenty days of August. The central bank responded by purchasing foreign currency from the banks, thus lessening the appreciation pressures and improving kuna liquidity. Finding that the banks could improve their liquidity by relying on secondary sources of liquidity such as Lombard loans and fewer T-bills subscriptions, the central bank decided there was no need to create additional liquidity through the use of kuna instruments.

The instrument of *reserve requirements* underwent changes for the second time this year. After the percentage of allocation to a special account with the CNB of reserve requirements against kuna and most of the foreign currency sources was raised from 40% to 60% in February, with the obligation to maintain the remaining 40% by liquid claims and after it was prescribed that reserve requirements against foreign currency funds of non-residents and foreign currency funds of legal persons in a special relation with a bank had to be met by a 100% allocation with the CNB, reserve requirements saw further restrictions with the introduction of marginal reserve requirements (MRR) against increases in foreign borrowing of banks in June. The MRR allocations, made as of July this year, are based on an increase in foreign liabilities of banks during a relevant period compared with the base period as represented by the average balance of foreign liabilities of banks in June 2004. The MRR rate is 24%. The funds are allocated to foreign currency accounts of the Croatian National bank in euro or in US dollars, and are unremunerated. With the basis for MRR calculation standing at HRK 1.5bn in July and 0.8bn in August, the allocated amount in August was HRK 316m and HRK 208m in

Figure 41





September. In determining the MRR, the central bank worked within the framework of the Decision on the Minimum Required Amount of Foreign Currency Claims, penalising only increases in foreign borrowing. The measure also affects those banks which make significant uses of kuna foreign liabilities to avoid the obligation to maintain the prescribed minimum of foreign currency claims. The basis for the calculation of marginal reserve requirements includes total foreign liabilities, either foreign currency or kuna, while the basis for the calculation of minimum required foreign currency claims comprises only foreign sources.

Total *foreign currency reserve requirements* at the beginning of September were HRK 10.6bn in kuna equivalent. Of that amount, marginal reserve requirements were HRK 0.2bn, while foreign currency reserve requirements were HRK 10.4bn. The increase in the base for foreign currency reserve requirements calculation was due mainly to an increase in foreign currency deposits of the private sector. There was also an increase in the base of issued debt securities. Being issued at foreign stock exchanges, they are included in the foreign liabilities of banks and in the foreign currency reserve requirements calculation base. Received foreign loans fell slightly in July in August.

A decline in foreign liabilities of banks during August is a common seasonal feature characteristic of summer. Foreign liabilities of banks usually grow rapidly in the first and the last quarters, and hold steady in the second and particularly in the third quarters. Large foreign currency inflows this summer caused a significant increase in household and corporate foreign currency deposits in banks. The seasonal growth of foreign currency deposits in the third quarter is inversely proportionate to the usual stagnation of foreign liabilities in that quarter.

Through their large borrowing in the first half of the year, banks may have, in line with their business policies, accumulated sufficient reserves for their lending activities later on in the year. Also, credit activities usually subside somewhat during the summer months to pick up again with the beginning of autumn. It is therefore difficult to say if the fall in

foreign borrowing of banks during the summer is indicative of a lasting change in the behaviour of banks and their increasing orientation to domestic rather than foreign sources or if it is only a common seasonal occurrence. It is even more difficult to assess the total impact of marginal reserve requirements on foreign borrowing of banks, given that only two observations are available.

Following their very slow growth in July and August, *kuna reserve requirements* set aside recorded a more robust growth in September. Rapid growth in foreign currency reserve requirements base, following the August increase in foreign currency deposits caused an increase in both foreign currency and kuna reserve requirements as 42% of the foreign currency reserve requirements have to be met in kuna. Calculated reserve requirements allocated in September totalled HRK 14.7bn, an increase of HRK 400m compared with August. Compared with HRK 13.9bn in kuna reserve requirements allocation at the beginning of the summer, September saw an increase of HRK 800 m in kuna reserve requirements allocations. Banks did not have any difficulties in meeting the required allocations in that month. A fall in the level of currency in circulation caused an increase in the giro accounts of banks and improved the liquidity of the banking system. On the day of reserve requirements allocation in September, interest rates on the money market were particularly low (below 1%) and there was no demand for funds as the banks managed to meet their reserve requirements allocation.

Increased corporate and household foreign currency deposits during the summer were the main reason for the increase in kuna reserve requirements. Kuna deposits also grew noticeably, particularly household time deposits with a currency clause. Such deposits are not included in the base for the calculation of minimum foreign currency liquidity, as laid down in the Decision on the Minimum Required Amount of Foreign Currency Claims, because, at least formally, they represent kuna funds. Banks encourage their customers to choose this type of deposits, rather than foreign currency deposits that are included in the base for the calculation of minimum foreign currency claims. Kuna deposits with a currency clause are included in the kuna base for the calculation of reserve requirements. For banks it is more favourable to set aside kuna reserve requirements on such deposits than to maintain foreign currency liquid claims against foreign currency deposits. Taken together, increased foreign currency deposits and increased kuna deposits with a currency clause lead to increased allocations and maintenance of kuna reserve requirements.

During the entire third quarter *government deposits* with the CNB and other government transactions on the market influenced price developments, foreign currency and kuna liquidity as well as the amount of gross international reserves of the CNB. With its EUR 400m worth of new domestic bond issue, denominated in euro and payable in kuna, and maturing in 2007, the government secured sufficient funds in early July to repay the due bonds of the CIHI. In the several days needed to execute both transactions government deposits with the CNB rose by HRK 2bn, reaching over HRK 3bn.

Table 3: Reserve Money and Factors Affecting Reserve Money Creation

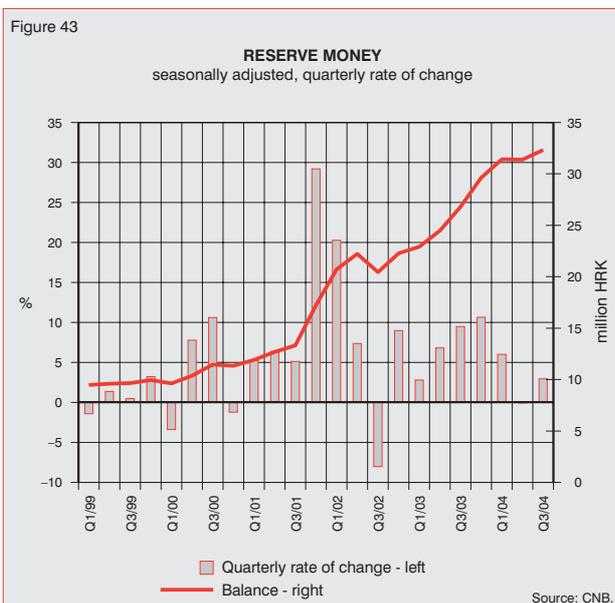
Period		Reserve money	Free reserves	Surplus kuna liquidity	Main factors affecting creation/withdrawal (balances)						
					Currency	Kuna reserve requirements	CNB bills in kuna	Government deposits in kuna	Credits to banks	Repo transactions	CNB foreign exchange transactions
1999	Q1	9,440	191	-234	5,244	3,847	663	518	1,312	305	-1,835
	Q2	9,130	123	-801	5,237	3,639	590	508	1,569	171	924
	Q3	10,055	101	-497	5,883	3,926	890	530	1,387	67	150
	Q4	10,119	186	239	5,632	4,135	435	636	1,201	22	2,161
2000	Q1	9,453	107	349	5,196	4,020	1,407	476	959	47	98
	Q2	9,614	212	1,436	5,410	3,851	1,807	592	363	2	2,393
	Q3	11,519	297	2,341	6,417	4,696	2,475	862	261	-	1,639
	Q4	11,573	425	2,714	6,037	5,052	2,573	1,081	167	26	-44
2001	Q1	11,389	619	2,962	6,106	4,622	2,450	1,163	38	18	621
	Q2	12,420	586	3,034	6,816	4,976	2,641	1,513	109	98	749
	Q3	13,795	747	3,587	7,648	5,386	3,397	1,436	505	68	1,400
	Q4	16,560	573	2,800	7,500	8,473	2,288	1,492	27	17	3,889
2002	Q1	18,348	508	3,616	8,428	9,359	3,400	1,363	265	-	1,022
	Q2	21,530	2,234	5,492	9,262	9,986	3,458	678	561	-	2,505
	Q3	21,834	889	5,892	10,327	10,604	5,080	666	180	-	347
	Q4	21,800	860	6,065	9,691	11,250	5,233	992	188	-	859
2003	Q1	22,348	739	5,300	9,641	11,965	4,568	636	-	-	-2,020
	Q2	23,696	957	4,057	10,056	12,638	3,118	513	-	-	1,085
	Q3	26,081	602	1,830	11,202	14,167	1,384	497	168	-	-
	Q4	28,291	565	330	10,519	17,111	3	610	233	-	2,276
2004	Q1	29,690	436	293	10,303	18,849	-	561	204	-	623
	Q2	31,317	1,044	1,241	10,695	19,411	-	557	-	-	1,073
	July	31,974	565	591	11,526	19,761	-	523	30	-	336
	August	32,587	288	435	11,938	20,054	-	395	154	-	514

Source: CNB.

With its issue of the third tranche of the kuna equivalent of EUR 300m worth of bonds of the Republic of Croatia maturing in 2014, constituting, with the first tranche issued in February and the second tranche issued in March, a common bond issue of EUR 650m, the government secured on 20 September the funds needed to refinance due bonds, repay CIHI loans and provide financing to CH. The exchange rate of the kuna was extremely strong until this bond issue. After the banks made their payments to the government for their bonds subscriptions, the exchange rate started weakening fast in line with the seasonal characteristics and a reduced level of currency in circulation. Government deposits rose only briefly again on the day of the bonds' issue because the funds very quickly find their way back through the banks to the users.

Reserve Money and International Reserves

At the end of September, reserve money stood at HRK 32.9bn. At 25% at end-August, the annual growth rate of reserve money continued to be deceptively high because of the structural changes in the past 12 months. In September last year the percentage of foreign currency reserve requirements that has to be met in kuna was first raised from 25% to 35%. In November it was further raised to 40% and finally in December to 42%. Compared with its rate in December 2003, the growth rate of reserve money in September 2004 is a better indicator of developments in reserve money in this year because it does not include structural breaks. The effects of the season excluded, this increase amounts to 11.1% on an annual level which is in accordance with the monetary



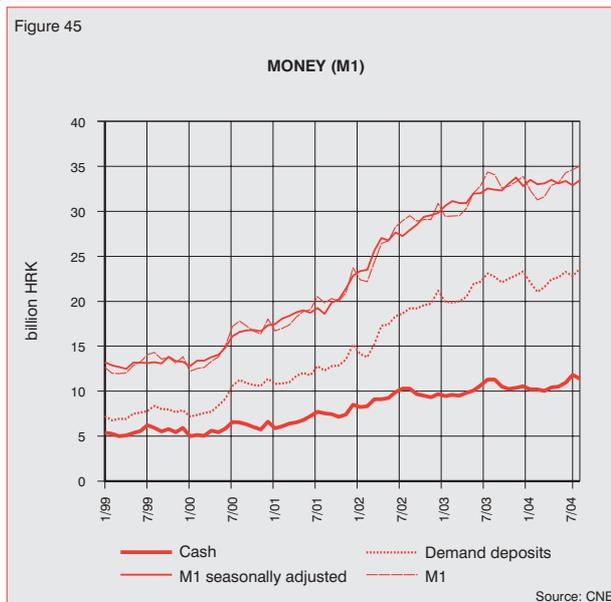
policy objective outlined in the country's economic program included in the stand-by arrangement of 4 September this year. The impact of the decision to raise reserve requirements allocation from 40% to 60% since the beginning of the year affected only the distribution of funds between settlement accounts of banks and the accounts for reserve requirements allocations, rather than the level of reserve money itself.

As regards the structure of reserve money, one can observe that its increase can be attributed more to increased deposits of banks with the CNB (deposits in giro accounts and in reserve requirements accounts) than to increase in currency. This is clear if we look at cumulative data at the end of the first 9 months of this year, which show that, despite seasonal "peak" of currency early in August and its return into banks during September, the increase in reserve money was more due to an increase in banks' deposits than to increase in currency. Growing demand for bank deposits with the CNB is the result of growing deposits of the private sector with the banks as well as a growing demand of banks due to their more active approach to liquidity management after the suspension of CNB bills subscriptions and instruments for creating liquidity that were based on them. In the first nine months of this year, reserve money grew by HRK 2.3bn. Of that, bank deposits accounted for HRK 1.9bn or 85% of the increase, while currency in circulation accounted for the remaining 15% of the total increase in reserve money. The growth of currency, seasonal effects excluded, has been slow for quite a while. At the end of September, currency stood at HRK 11.9bn, which is an increase of 3.9% on an annual level.

Developments in *international reserves* during the third quarter 2004 were affected by purchases of foreign currency from the banks, developments in government foreign currency deposits and increased reserve requirements allocation. At end-September, gross international reserves were USD 7.9bn and net usable international reserves were USD 6.3bn. The main factors of change in the level of international reserves in the third quarter were the July, August and September purchases from the banks totalling USD 172.5m and a withdrawal of USD 110m in government foreign currency deposits early in July. Reserve requirements of banks set aside to a foreign currency account of the CNB were USD 1.76bn at the end of September which is an increase of USD 0.65bn compared with USD 1.1bn at end-December 2003. Marginal reserve requirements accounted for USD 34.2m of the total increase in international reserves at the end of September.

Monetary Developments

The growth of monetary and credit aggregates in the first eight months of this year was more moderate than in the past several years. Monetary aggregates' recovery in the second quarter and in the summer months was largely due to seasonal effects. While money (M1) grew only mildly during that period, compared with the previous year, quasi-money grew considerably. This is particularly true of kuna non-monetary deposits, which continued to grow rapidly,



but also of foreign currency deposits which recorded significant growth during the summer months. The growth of placements to the non-banking sector in 2004 also held steady at around 13% on an annual level. Following their rapid growth in the first half of the year, foreign liabilities of banks fell significantly in the third quarter due to, among other things, foreign currency inflows from tourism and the introduction of marginal reserve requirements against increases in foreign liabilities.

Money (M1)

Money (M1) recovered nominally in the second quarter and in the first two months of the third quarter following its seasonal decline earlier this year. Thus, after its usual fall in the first three months (HRK 2.2bn or 6.7%), money increased by HRK 2.6bn in the second quarter and by another HRK 0.8bn in the first two months of the third quarter of 2004. Both components of M1 contributed to its recovery; while demand deposits rose by HRK 2.0bn, currency rose by HRK 1.4bn during that period, which is common for the tourist season. Nevertheless, the recovery of M1 was a modest one, with M1's annual growth rate continuing to slow down, falling from 7.2% in March to 4.4% in June and 2.9% in August this year. The effects of the season excluded, money held steady in the past several months (Figure 45). At end-August, it stood at HRK 35.0bn.

Seasonal recovery of demand deposits in the second quarter fully offset their decline earlier in the year. At the end of the third quarter they stood at HRK 23.3bn, equalling their level at the end of 2003. Continuing to grow during the summer, they reached HRK 23.6bn at end-August, which is an increase of 4.0% compared with August last year. However, it is evident that the year 2004 was marked by a slow-down in the annual growth rate of demand deposits in contrast with their 10% growth in the previous year.

Developments in demand deposits in 2004 were mostly determined by companies which, following falling demand for transaction money in the first three months of this year (HRK 2.0bn) increased their giro and current accounts by

HRK 1.0bn in the second quarter. However, on an annual level corporate demand deposits recorded a decline. Corporate giro accounts declined by 2.9% in June 2004 compared with June 2003 while the annual growth rate of corporate demand deposits in August pointed to their stagnation (increase of only 0.1%). A decline in corporate demand deposits can be explained by a steady increase in the amount of corporate free reserves that are being placed into time kuna and foreign currency deposits. By contrast, household demand deposits grew rapidly, though at a slower rate than in the previous year. Their annual growth rate at end-August 2004 was 8.5%, which is a considerable decline compared with 29.8%, or their growth rate in the same month 2003. Structurally, demand deposits were similar to their structure in the previous year. At end-August, the corporate sector accounted for 51.7% and the household sector accounted for 36.2% of demand deposits.

Currency reached its maximum at the peak of the tourist season in summer when on individual days it exceeded HRK 12bn. The average level of currency in July and August rose by 3.4% compared with the same period previous year. At end August, currency stood at HRK 11.4bn, an increase of only 0.6% compared with the same month previous year.

Total Liquid Assets

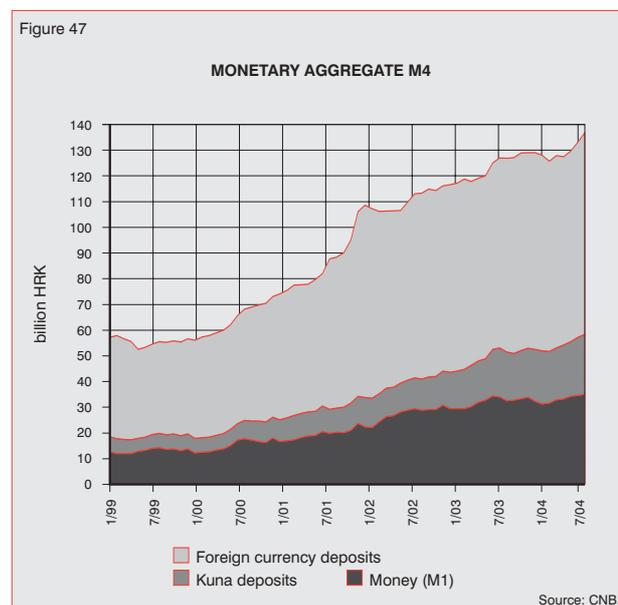
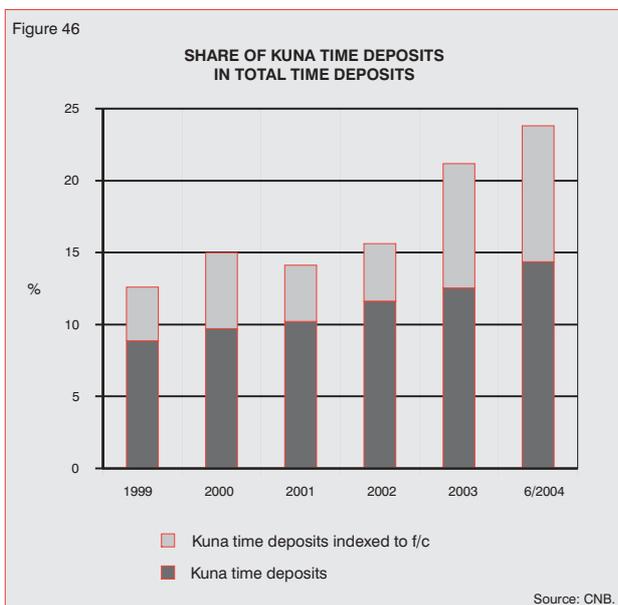
Of all the monetary aggregates, *kuna non-monetary deposits* recorded the most rapid growth in the past two years. Unlike money (M1) their growth was constant. In the first and the second quarters of the year they rose by HRK 1.3bn and 1.2bn, respectively and in July and August they rose by additional HRK 1.8bn. At end-August, kuna savings and time deposits stood at HRK 22.6bn, an increase of 21.7% compared with the same month previous year. The annual growth rates were lower than those in the first half of 2003 due to the effects of the base period. However, in absolute terms, kuna non-monetary deposits recorded faster growth in 2004.

Such fast growth of kuna non-monetary deposits can only partly be attributed to growing kuna savings. While the

growth of “real” kuna deposits was significant (15.7% in the first half of 2004), a real boost to total kuna non-monetary deposits growth was actually provided by kuna deposits with a currency clause. They recorded a particularly rapid growth in 2003, following the introduction of a measure on the minimum foreign currency liquidity that has to be maintained. Unlike foreign currency deposits, kuna deposits with a currency clause are not included in the base for the calculation of minimum foreign currency liquidity. Interest offered by banks on such deposits are higher than those offered on foreign currency deposits and in the recent period various banking products appeared on the market to attract such savings. The amount of kuna deposits with a currency clause doubled during 2003. Both the household and the corporate deposits of this type recorded an increase. In the first half of 2004, kuna deposits with a currency clause grew at a much slower rate mainly due to their slower growth in the corporate sector. By contrast, household kuna deposits with a currency clause continued to grow rapidly.

Kuna non-monetary deposits of the corporate sector rose rapidly in the second quarter of 2004 (10.4%). These deposits grew the most in May (HRK 1.2bn or 17.2%). At end-August, corporate kuna deposits rose by HRK 27.5%, compared with the same month previous year. The household sector recorded constant growth of their kuna non-monetary deposits. This is particularly true of household kuna time deposits which in August recorded an annual growth rate of 47.2%.

After what amounted to only symbolic growth in first half of the year, *foreign currency deposits* increased significantly during the summer. At the end of the first six months of 2004, foreign currency deposits declined nominally by HRK 1.9bn (2.6%), compared with the end of the same period of 2003. Exchange rate effects excluded, these deposits grew by a slight 0.7%. Tourism-related inflows of foreign currency caused an increase in foreign currency deposits in July and August. After rising by over half a billion euro in these two months, foreign currency deposits reached HRK 78.4bn at end-August. Their robust growth during the summer fully



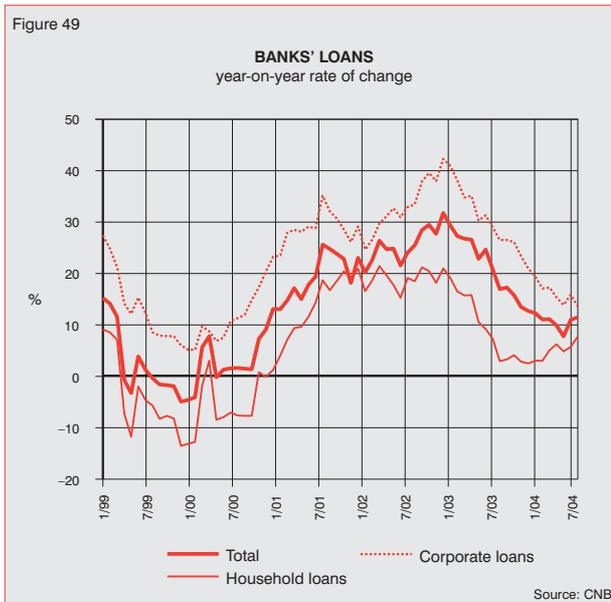
compensated for their decline in the first half of the year. Thus, total foreign currency deposits in the first eight months of 2004 rose by 3.1% compared with December last year and their annual growth rate in August amounted to 6.2%. With the exchange rate effects excluded, their growth rate in August was even more significant (8.9%).

Looking by sectors, corporate foreign currency deposits continued to grow much faster than household foreign currency deposits. Thus, on an annual level, corporate foreign currency deposits rose by 20.4% while household foreign currency deposits rose by 3.8% in August. Despite faster growth of corporate foreign currency deposits in the past several years, their share in total deposits has not changed yet. At end-August household deposits accounted for 83.8% and corporate deposits for 15.0% of total foreign currency deposits. Structurally, time deposits dominate total foreign currency deposits, accounting for over two thirds of total deposits while the remaining share goes to savings foreign currency deposits.

The increase in money (M1) and kuna non-monetary deposits led to an increase in *total liquid assets* (M4) of HRK 3.8bn in the second quarter of this year compared with the same period last year. Thus, following its seasonal decline in the first quarter (2.6%), M4 rose by 3.0% in the second quarter. At the beginning of the third quarter, due to a large increase in foreign currency deposits, M4 continued grow at an accelerated rate, increasing total liquid assets by additional 5.5% in July and August 2004. At end-August, M4 stood at HRK 136.8bn, which is an increase of 6.0% compared with end-2003.

Placements

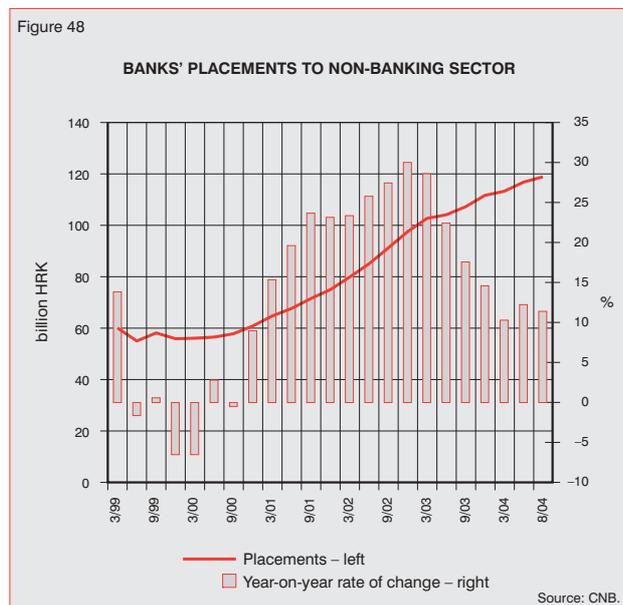
The growth of bank placements to the non-banking sector stabilised in 2004, reaching 13% annually. Following huge credit expansion in 2002 and the introduction by the central bank in early 2003 of measures aimed at slowing down credit activities of banks, in the form of obligatory subscription of CNB bills, the annual growth rate of bank placements started to decrease gradually in 2003. The growth of



placements in the second quarter of 2004, with the exchange rate effects excluded, was 2.9%, which is a slight decline compared with 4.0% in the first quarter. The slowdown in placements growth is partly due to the seasonal effects as reflected in a somewhat slower growth of placements during the summer. At end-August, bank placements to the non-banking sector were HRK 118.9bn, which is an increase of 11.4% compared with end-August last year. If the exchange rate effects are excluded in respect of placements relating to foreign currency placements and kuna placements with a currency clause, placements growth at the end of August amounted to 12.7% annually.

Since the beginning of 2004, following the suspension of obligatory CNB bills subscription, the growth of bank placements to companies has accelerated in comparison with 2003 when banks tended to borrow more heavily abroad. While total bank placements to companies in 2003 rose by 4.0%, in the first eight months of this year they rose by 5.4% (or 7.7% if the exchange rate effects are excluded). It should be stressed that companies can borrow from the banks in the country but can also borrow directly from abroad and from leasing companies. Unlike companies, banks provide the main source of financing for the households. Therefore, a 7.9% increase in bank placements to the household sector in the first eight months (or 10.7% if the exchange rate effects are excluded) was bigger than that to the companies.

Bank loans account for around 95% of total bank placements to the non-banking sector. Therefore their developments affect developments in banks placements the most. The growth of bank loans accelerated in the second quarter of the year, growing by 1.7%, which, though an increase compared with their growth in the first three months (1.4%), was a significant decline compared with the last quarter of 2003 (4.2%). Due to the effects of the base period, the trend of slowdown in their annual growth rate which started in March 2003 has continued. The annual growth rate of total loans thus stood at 12.7% in August, which is a significant decline compared with 26.8% in June last year and 30.5% at the end of the first quarter of 2003. In absolute terms, total



Box 2: Marginal Reserve Requirements

As its basic mid-term objective, the Croatian economic policy aims to stabilise the share of the country's external debt in gross domestic product at around 77% in 2004 and 2005. However, preliminary data seem to suggest that the share of external debt in GDP might exceed its upper limit of 77% already in 2004. Though it is difficult to pinpoint with precision the amount of external debt that might instigate a debt crisis, it is certain that the higher the debt, the higher the probability of disturbances in its servicing as the burden of its servicing increases, and regular servicing becomes increasingly dependent on the replacement of the old debt with a new one. Though interest rates are very low currently, any rise in them globally would cause a significant increase in the repayment burden for highly-indebted countries. If the current large interest for investment in developing countries subsides, favourable financing for the replacement of the old debt with a new one might as well become not be so readily-available for countries such as Croatia.

To facilitate the realisation of the planned fiscal policy measures, the Croatian National Bank introduced marginal reserve requirements, a measure aimed at achieving a slowdown in foreign borrowing.

Analyses preceding the introduction of this measure were based on the assumption that external debt rises because of interest rate differences. Interest rates offered abroad are lower than those in the country.⁷ This is not a monetary phenomenon but a reality which suits equally foreign creditors and domestic debtors and is due to the scarcity of capital in Croatia in comparison with abroad, faster economic growth in the country than in the European Union and the country's almost certain approximation and accession to the EU.

Foreign financing of domestic placements provides a great source of profits for foreign-owned Croatian banks due to significant differences in interest rates for funds obtained abroad and those at which they are placed on the Croatian market. The average interest rate at which foreign-owned banks operating in Croatia borrowed from their parent banks (or other foreign banks with which they are related in terms of ownership through their parent banks) in 2003 and 2004 equalled 6-month EURIBOR increased by 0.40 to 1.50 percentage points (2.5% to 4%). At the same time, the weighted interest rate for kuna loans granted to the household and the corporate sectors at home ranged between 9.85% and 11.5%.

Marginal reserve requirements represent an unremunerated foreign currency deposit placed for an

indefinite period of time in a foreign currency account with the central bank. The amount deposited is determined as a percentage of the basis represented by a cumulative increase in foreign liabilities of banks compared with the basis period (June 2004).

The advantages of marginal reserve requirements compared with other available monetary policy measures are manifold. Firstly, while targeting exclusively increases in foreign liabilities rather than their current status, the measure is a direct one, which facilitates evaluation of its efficacy. Secondly, keeping deposits at a central bank account prevents the practice commonly followed by banks in the past. Namely, in fulfilment of the requirement set by the Decision on the Minimum Required Amount of Foreign Currency Claims, foreign parent banks used to transfer a portion of their liquid assets from fully recoverable risk category A placements to liabilities of their Croatian subsidiaries which would in turn directly transfer such amounts into their fully recoverable risk category A placements. Such a transaction would immediately improve the ratio of foreign claims and foreign liabilities of a given subsidiary, without any changes to the consolidated balance sheet of the given parent bank and the subsidiary. Thirdly, the indefinite nature of the measure enables central bank control of net foreign borrowing of banks for as long as it is estimated that pressures to increase such borrowing exist. Fourthly, by changing the percentage of allocation the central bank can fine-tune the measure in such a way as to achieve its optimum effects without causing any adverse effects which often accompany classic forms of reserve requirements.

For marginal reserve requirements to achieve their intended effects, it was necessary to set the optimum percentage of allocation, taking account of the existing measures of CNB monetary policy and current data on relevant interest rates. The percentage of allocation has been set at 24%, with the minimum foreign currency liquidity requirement against increase in foreign liabilities of banks (35%) being fully met by funds allocated to the foreign currency reserve requirement account (11%) and to the marginal reserve requirements account with the central bank (24%).

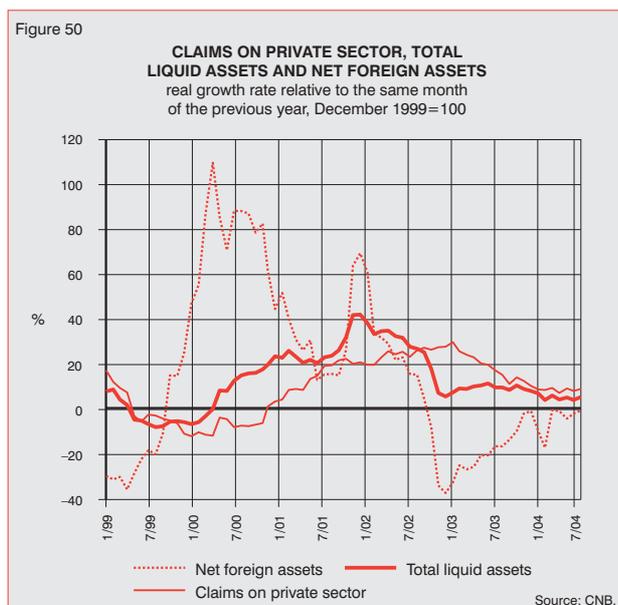
The analysis of the effects of the introduction of marginal reserve requirements on the narrowing of the interest rate spread arising from the difference between interest rates at home and abroad indicates that this measure might prove efficient in slowing down the growth of foreign liabilities of banks. Also, it is obvious that such a measure enables fast and unambiguous assessment of its efficacy as well as its adjustment within the framework of its main parameter – the allocation rate.

loans in the first six months of 2003 rose by HRK 8.2bn, while their total increase in the same period of this year amounted to HRK 3.6bn.

Higher growth rates of household lending compared with

corporate lending continue to affect the structure of lending by sectors. Thus, the share of household lending went up from 44.4% at the beginning of last year to 48.7% in August 2004 while the share of corporate lending fell from 47.9% to 42.0%. The remaining share (9.3% of total loans at end-August 2004) went to loans to central and local government and loans to other financial and banking institutions. Banks continued to pursue a business policy that involves increasing orientation towards household lending which offers

⁷ Mid-term foreign borrowing of the Republic of Croatia involves borrowing in euro at 5% interest rate annually. Companies with international credit rating borrow abroad at a slightly higher rate than that offered to the Republic of Croatia, but significantly lower than those offered by banks in the country. (10%)



larger and safer profits while companies have been turning increasingly to other, alternative forms of financing. In the first seven months of this year corporate foreign debt rose by almost half a billion USD, while in 2003 it rose by almost USD 2bn compared with the same periods in the previous years.

Of total household lending other loans accounted for 47.5%, or a major share of total loans to household (HRK 24.2bn). Together with car loans at 11.5% and credit card loans at 4.4% almost two thirds of household loans were used to finance personal consumption. However, at HRK 19.2bn at the end of July, housing loans recorded the largest increase in absolute terms in the first eight months (HRK 1.8bn). Increased competition among banks in the housing loans segment and greater demand on the real estate market led to more favourable lending conditions and an increased number of new housing loan agreements concluded. Increase in housing loans granted is correlated with the increase in housing construction and the number of completed flats in the second quarter of 2004.

Foreign Assets and Liabilities

Expansive business policies of banks operating on the Croatian market, which are predominantly foreign-owned, stimulated their foreign borrowing in 2002 with the aim of ensuring sufficient funds to finance such an expansive credit policy. As a result, placements grew rapidly and foreign borrowing of the Croatian banking system recorded a large increase. Before this trend was halted in 2004, foreign liabilities of banks rose from HRK 49.9bn at end-2003 to HRK 54.7bn at end-June 2004 (9.6%). In an effort to slow down foreign borrowing of banks, the CNB introduced *marginal reserve requirements*, a measure obligating banks to set aside 24% in marginal reserve requirements on any increase in foreign liabilities of banks above their end-June level (Box 2: Marginal Reserve Requirements). Data for July and August point to positive effects of this measure as evidenced by a 3.2% decline in foreign liabilities of banks in these two months. However, account has to be taken of the fact that

foreign currency inflows from tourism in these two summer months are commonly large, so full assessment of the effects of this measure can only be given at a later stage.

Simultaneously with a fall in foreign liabilities of banks, foreign assets of banks rose noticeably from HRK 35.4bn at end-2003 to HRK 37.5bn at end June-2004, which is an increase of 6.0%. Due to foreign currency inflows from tourism, foreign assets rose by additional HRK 2.6bn or by 7.5% in the first two months of the third quarter, compared with June. Such developments in foreign assets and foreign liabilities of banks improved total foreign position, with the net foreign assets rising from HRK -17.2bn to HRK -12.8bn in June to August. Following deterioration in the first half of the year, net foreign assets thus improved by HRK 1.7bn at the end of August, compared with the end of 2003.

Placements to the Central Government

Monthly fluctuations aside, bank placements to the central government in the first eight months of 2004 held steady at around HRK 21.5bn indicating that non-banking financial institutions, in particular pension funds, took over government deficit financing on the domestic market, with banks keeping their claims on the government on the same level, providing financing only occasionally. The change in the structure of banks' claims on the government seems to point in that direction too. The stock of subscribed government bonds fell by HRK 1.4bn, while bank loans to the government increased by HRK 1.9bn. At the same time, government deposits with banks went up slightly, recording only occasional fluctuations as a result of short periods of inflows from domestic and foreign sources alternating with the periods when these funds were spent. The last available data indicate that, following their stagnation in the second quarter of 2004, bank placements to the government rose in July and August. During the same period, bank lending to the government increased by HRK 1.6bn. Simultaneous maturing of HRK 531m worth of money market instruments and HRK 481m worth of bonds for blocked household foreign currency savings reduced the effects of increased lending on total bank placements to the central government.

In the first eight months of 2004, net placements to the central government fell slightly, reflecting a decline in the difference between bank placements to the government and government deposits with the banks. They fell by HRK 1.2bn in the second quarter, but increased by HRK 382 m in the first two months of the second quarter. At end-August, banks' net placements to the central government were HRK 14.2bn, which is a decline of 10.4% compared with end-August last year.

Money Market

At the beginning of the second quarter of 2004, the kuna liquidity of the banking system was improved considerably by four foreign exchange interventions of the Croatian National Bank where foreign exchange was purchased from the banks in March. A period of abundant banking system liquidity continued into May and June this year, which was

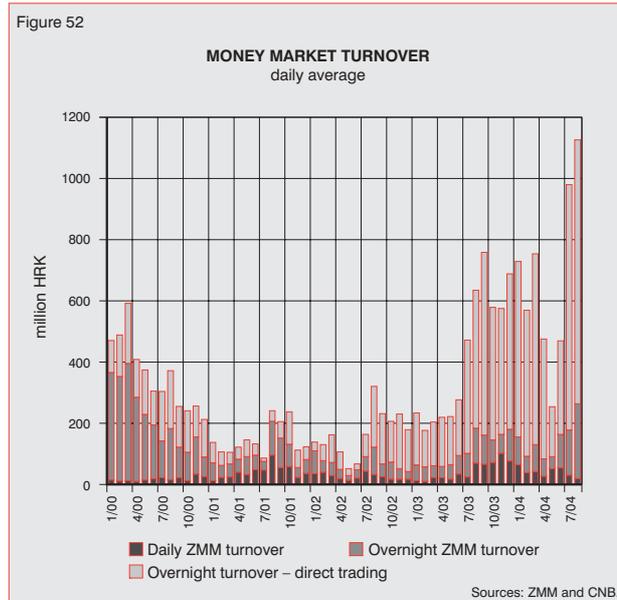
additionally influenced by a part of the inflow of the April placement of eurobonds, converted into kuna. High liquidity was reflected in low money market interest rates, surplus supply over demand for liquid assets and a rise in the amount of purchased MoF T-bills. However, the onset of the peak tourist season at end-June contributed to an increase in kuna demand, together with the issue of the Republic of Croatia government bond, in the kuna equivalent of EUR 400m. A large demand for kuna led to a rapid rise in money market interest rates, increased turnover of overnight loans and poor interest of investors in MoF T-bills.

A high kuna liquidity of the banking system, prompted the Croatian National Bank to hold two auctions of its kuna bills in April 2004. At these auctions, the CNB did not accept interest rates exceeding 2.5%, which resulted in poor interest of investors in CNB bills. On the other hand, high kuna liquidity of the banking system caused extremely strong interest in T-bills, so that interest rates on these bills were declining at the Ministry of Finance auctions in the second quarter of 2004. In July and August, purchase of T-bills was reduced as a result of increased demand for kuna, although interest rates on these bills increased considerably in this period.

Banks' landing rates were mainly on a decrease in the second quarter 2004. Banks' deposit rates were partly influenced by the movements in money market landing rates in the second and at the beginning of the third quarter 2004. Interest rates on kuna deposits first fell and then rose rapidly in July, whereas interest rates on foreign currency deposits were on a mild increase during the entire period. Together with the landing rate decrease, this caused a slight narrowing of interest rate spread in the second quarter of 2004 compared to the end of the first quarter.

Money Market Interest Rates

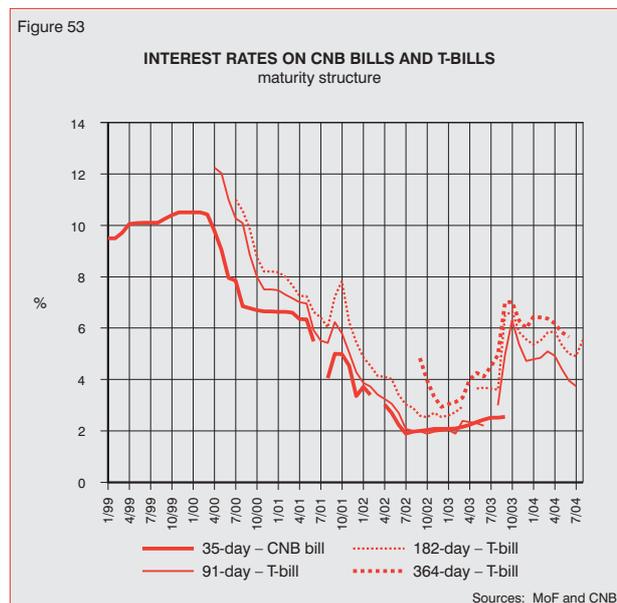
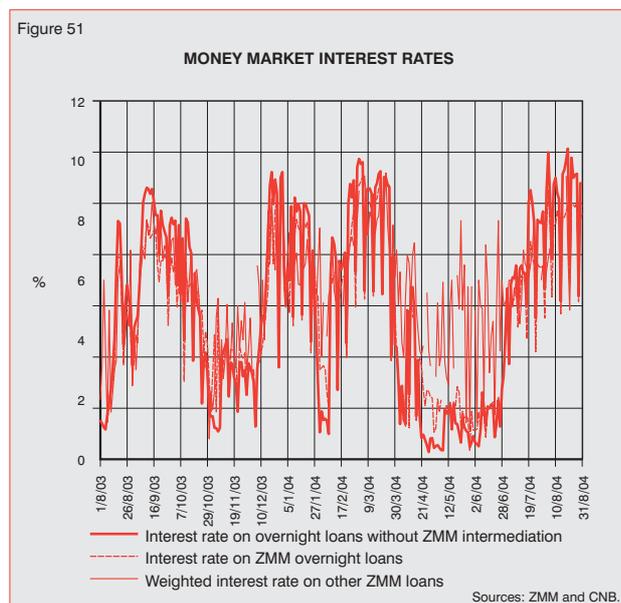
According to the Zagreb Money Market data, the reported loan demand decreased early in the second quarter of 2004 from its high level in March 2004 and money market



rates started to fall. Almost the entire second quarter of 2004 was marked by relatively low money market interest rates. This trend was reversed at end-June when demand for cash was boosted by the onset of the tourist season. The reported kuna demand, which additionally increased in July as a result of the new government bond issue, spurred interest rate rise in July and August 2004.

The weighted interest rate on the ZMM stood at 3.96% in April and dropped to 2.71% by June. Interest rates surged immediately at end-June and continued into the following two months, so that the weighted interest rates on the ZMM amounted to 5.69% and 7.63% in July and August, respectively.

The weighted interest rate on ZMM overnight loans stood at 3.24% in April 2004, dropped to 1.76% by June and rose to 5.60% in July and to 7.69% in August. The weighted interest rate on other loans moved similarly: it was 5.46% in April, 4.64% in June, went up to 6.10% in July and to 6.99% in August.



Total ZMM turnover amounted to HRK 6.8bn in the second quarter of 2004, while it reached HRK 9.5bn in July and August. The average daily turnover of overnight loans stood at HRK 69.1m in the second quarter, surging to exceptionally high HRK 147.7m and HRK 244.1m in July and August, respectively. The average daily turnover of other loans amounted to HRK 44.6m in the second quarter 2004, dropped to HRK 30.6m in July and went further down to HRK 19.8m in August.

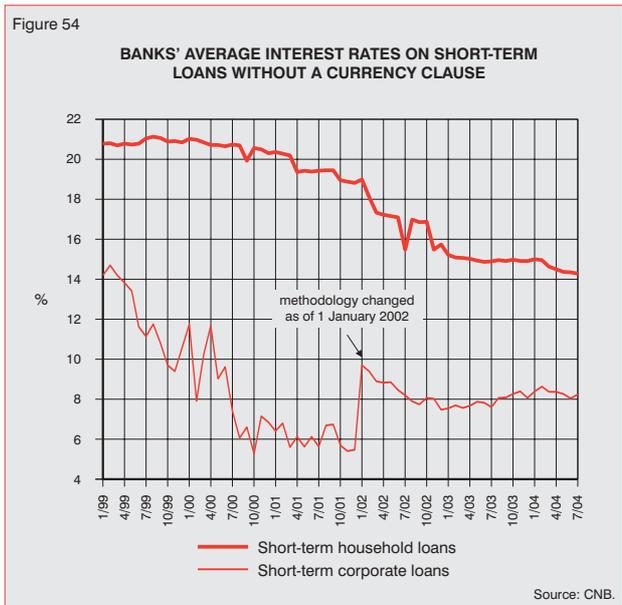
As regards the maturity structure of ZMM loans, overnight loans predominated again in the second quarter, accounting for about two thirds of total loans granted. Loans with maturity of two weeks and one month accounted for more than half of other loans. However, long-term lending, characteristic of the period of increased banking system liquidity, was considerably reduced in July and August. At the same time, the share of overnight loans rose to 90% of total loans.

At the end of the second and early in the third quarter of 2004, a strong direct overnight interbank lending was recorded. In this market segment, the average daily turnover of HRK 290.0m was recorded in the second quarter, HRK 801.8m in July and HRK 862.8m in August. The weighted interest rate on direct overnight interbank loans was on a decrease in the second quarter of 2004, it jumped to 6.54% in July and to 8.92% in August.

Interest Rates in the Short-Term Securities Market

Abundant kuna liquidity of the banking system in April prompted the Croatian National Bank to hold two auctions of kuna CNB bills. The first was held on 21 April, at a preset interest rate of 2.50%. At the second auction, two days later, the bids received ranged from 2% to 5.75% and were mostly rejected. The weighted interest rate achieved at this auction was 2.51%. In comparison, the interest rate on T-bills with the shortest maturity was 4.9% in that period, and that on one-month loans on the ZMM stood at 6.6%. Such low CNB bills interest rates aroused little interest among investors, so that only HRK 106m was purchased at both auctions.

During the second quarter of 2004, interest rates on T-bills at the Ministry of Finance auctions were gradually decreasing, regardless of their maturity, and a simultaneous intense subscription of T-bills led to a significant increase in their total subscribed amount. The weighted monthly interest rates on 91, 182 and 364-day T-bills fell from 5.10%, 5.82% and 6.10% in March to 3.97%, 5.35% and 5.65% in June this year. The amount of the subscribed T-bills rose by HRK 1.85bn in the second quarter of 2004 compared to the end of the first quarter, more than half of that increase being recorded in May. At end-June, the situation changed: a shortfall of kuna on the market resulted in a lower balance of subscribed T-bills than planned and in interest rate rise. Their balance dipped from HRK 7.5bn at the end of the second quarter to HRK 6.6bn at end-August. At the July and August auctions, six-month T-bills (182-day bills) were purchased most, whereas one-year T-bills were not at all subscribed. Longest-maturity bills still predominate in the structure of the subscribed T-bills, accounting for almost



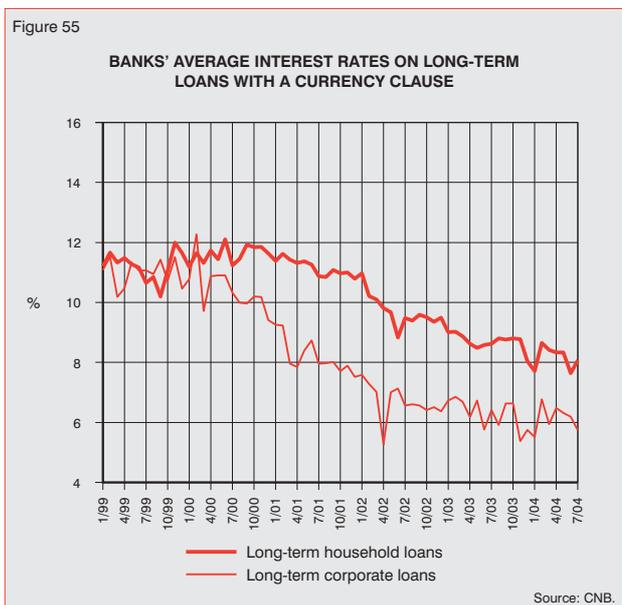
two thirds of total subscribed bills. They are followed by 182-day T-bills (around 30% share), while the share of T-bills with the shortest maturity is around 5%.

In June and August, the Ministry of Finance issued T-bills denominated in euro, totalling EUR 25.3m and EUR 53.7m, at the interest rate of 3.2% and 3.3% respectively. At end-August, the balance of T-bills denominated in euro stood at EUR 115.6m.

Interest Rates of Banks

At the end of the second quarter of 2004, banks' interest rates were mostly lower relative to the end of the last year and the end of the second quarter this year. Lending rates were reduced in the segment of both household financing and corporate financing.

Following a growth in the first three months of 2004, interest rates on short-term corporate loans were continuously decreasing in the second quarter, only to rise again in July.



The weighted interest rate on short-term kuna corporate loans without a currency clause amounted to 8.01% in June, compared to 8.19% in July. Interest rates on short-term household loans held steady at around 15% in the second half of 2003 and in the first quarter of 2004, but they fell considerably in the second quarter of 2004. The weighted interest rate on short-term household loans without a currency clause stood at 14.33% at the second quarter end, falling additionally to 14.26% in July.

In the second quarter of 2004, interest rates on long-term corporate loans fluctuated at around 6%, as in the previous six months, while interest rates on long-term household loans went down compared to the first quarter. The weighted interest rate on long-term corporate loans with a currency clause stood at 6.19% and 5.74% in June and July respectively. Following a growth in the first quarter of 2004, the weighted interest rate on long-term household loans with a currency clause dropped to its record low of 7.65% in the second quarter. Such a reduction in this interest rate can mostly be accounted for by a fall in interest rate on home loans, which is lower than interest rates on other long-term household loans. In July, the weighted interest rate on long-term loans rose to 8.07%, which is mostly a consequence of a significant increase in the share of car loans, interest rate on which is higher than the weighted interest rate on other long-term household loans.

Following a rise at the end of the first quarter, banks' interest rates on kuna time deposits were gradually reduced in the second quarter. Having risen to 5.36% in March 2004, the weighted interest rate on kuna time deposits went down to 3.34% by June, only to rise again to 4.93% in July, as a result of money market interest rates increase. As it is usually the case, the July growth in this interest rate may entirely be accounted for by an increase in interest rates on corporate time deposits which are particularly sensitive to money market interest rates movements. The weighted interest rate on kuna sight deposits without a currency clause fell from 0.53% in March to 0.50% in June and 0.48% in July. As regards foreign currency deposits, the weighted interest rate

Figure 57

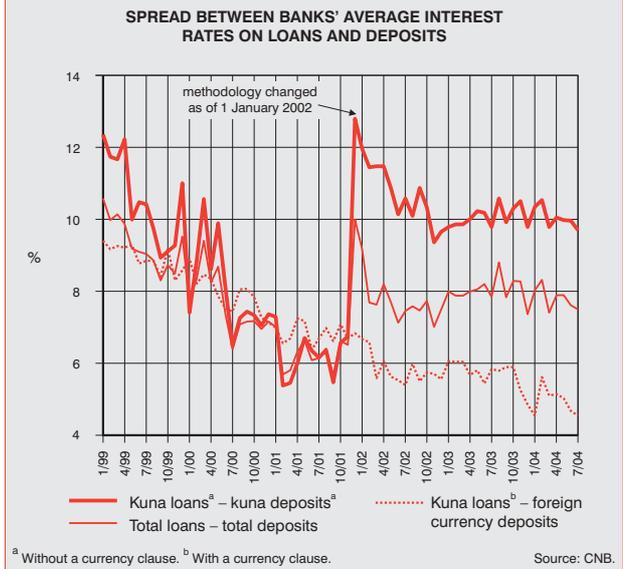


Figure 58

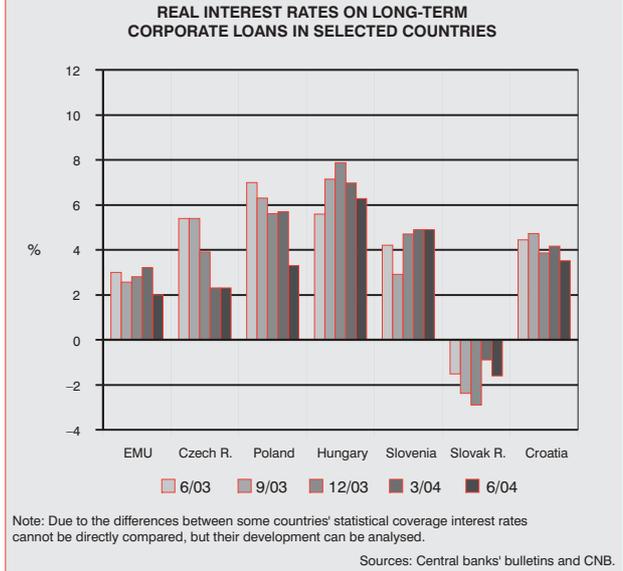


Figure 56

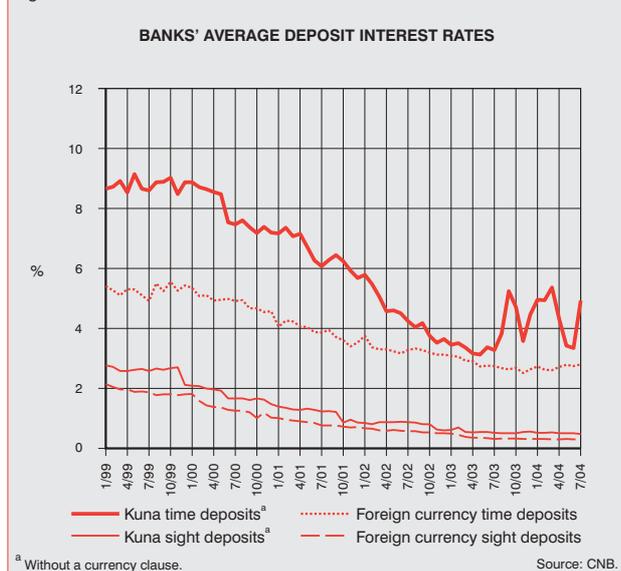
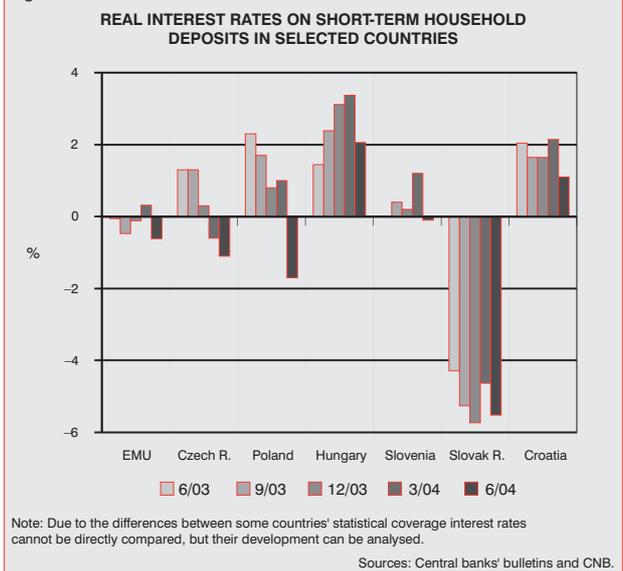


Figure 59



on time deposits increased moderately during the entire second quarter of this year, standing at 2.75% at end-June and 2.80% at end-July. On the other hand, the weighted interest rate on foreign currency sight deposits was relatively stable at around 0.30% in the second quarter of 2004.

Since lending rates were mainly reduced relative to end-2003, the spread between banks' lending and deposit rates narrowed slightly. The spread between interest rates on total loans and total deposits amounted to 7.61 percentage points in June 2004, and the spread between interest rates on kuna loans with a currency clause and interest rates on foreign currency deposits was 4.68 percentage points.

An analysis of bank interest rates in the selected transition and EMU countries shows that nominal interest rates on loans increased in majority of the observed countries, while nominal interest rates on deposits were reduced. However, a simultaneous growth in inflation rate (measured by the CPI) brought about a fall in real interest rates on both loans and deposits, the deposit rates showing negative real values in several countries.

At the end of the second quarter 2004, in the eurozone, nominal lending and deposit rates were lower than at the end of the first quarter, and the inflation rate rise resulted in an additional fall in real interest rates. In the last 18 months, real deposit rates in the eurozone were positive only in the first quarter of 2004, and were again negative at the second quarter end. Deposit rates in Slovakia have been showing negative real values for quite some time, whereas in the Czech Republic, Poland and Slovenia these interest rates recorded negative values only in 2004. In the second quarter of 2004, the inflation rate increase was recorded in Croatia as well, but these rates are still considerably lower than nominal deposit rates.

Capital Market

Continued recovery of the global economy in the world's capital markets in the second quarter 2004, gave rise to the expectations of the Fed's interest rate increase. As a result of such expectations, the US bond yields hit a two-year high. At the same time, European bond yields also rose, but to a somewhat smaller extent, under the influence of the US yield growth and favourable economic indicators. At the second quarter end, the economic indicators published for the US economy were weaker than expected. As a result of these indicators and a petroleum price growth, the market expectations of the Fed's significant interest rate rise changed and the US bond yields fell again. On 30 June, the Fed funds target rate rose by 25 basis points to 1.25%. However, the contradictory economic indicators were stronger than the impact of the increased interest rate, so that yields started to grow again only at end-July, right before the Fed increased its target rate, on 10 August, from 1.25% to 1.50%.

The world's stock exchange indices went up in the second quarter, as a result of favourable indicators of the world's economic growth. However, a rise in petroleum prices and expectations of the Fed's interest rate rise caused a fall in the value of stock exchange indices in May and June. In July, the

indices recovered again.

In the second and early in the third quarter of 2004, the domestic capital market was marked by new bond issues – one government bond, one municipal and three corporate bond issues. Despite new issues, the bonds were traded somewhat less than in the first quarter, whereas share trading recorded a large turnover. Croatian eurobond yields were constantly decreasing in the second and early in the third quarter of 2004, while favourable news concerning the Croatia's EU accession contributed to a considerable narrowing of bond spreads relative to the benchmark German bonds.

Equity Securities Market

Market capitalisation of shares on the Zagreb Stock Exchange (ZSE) was HRK 39,895.4m (or 20.66% of GDP in 2003) at the end of the second quarter in 2004, which is a rise of HRK 2,764.9m compared to the end of the previous year.

Share prices were mildly reduced in the second quarter of 2004 and they went up in July and August. Consequently, the CROBEX value amounted to 1,146.5 points at end-June 2004, 1.2% less than at the end of the first quarter of 2004, which can mostly be accounted for by a fall in the price of Pliva shares. By end-August, the CROBEX reached 1,226.7 points, mainly on account of the rise in the price of Podravka, Končar Elektroindustrija and Croatia osiguranje shares.

In the second quarter of 2004, the ZSE share turnover amounted to HRK 492.9m, approximately HRK 100m more than in the first quarter. More than half of the total share turnover was recorded in the segment of the Official Market (Quotation I of the ZSE) where shares of Pliva, Podravka and Croatia osiguranje are listed, mostly on account of intense trading in Pliva shares. As regards other shares, the share of Adris grupa (former TDR) recorded a large turnover, accounting for 24% of total turnover in the second quarter of 2004. An upward trend in share trading continued



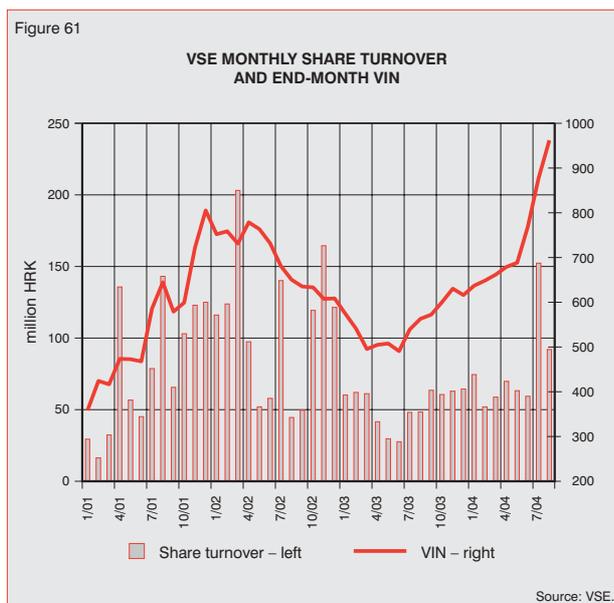


Table 4: Comparison of Capital Market Indicators

	June 2004	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million USD)		2.7	32.8	3.4	42.6	79.7	0.9
Average daily turnover, bonds (million USD)		71.3	3.0	1.9	120.6	7.3	7.1
Turnover ^a /GDP ^c , annual level (%)		2.2	10.9	3.2	13.2	9.5	0.7
Turnover ^a /GDP ^c , end month (%)		57.9	1.0	1.7	37.3	0.9	5.6
Turnover velocity ^d		21.3	42.9	11.2	37.7	46.7	3.2
Market capitalisation ^a (million USD), end month		3,325	21,107	7,741	29,799	43,021	6,586
Market capitalisation ^b (million USD), end month		10,176	28,749	4,993	21,474	....	2,945
Market capitalisation ^a /GDP ^c , end month (%)		10.2	25.3	28.3	34.9	20.4	22.9
Market capitalisation ^b /GDP ^c , end month (%)		31.3	34.5	18.2	25.1	....	10.2
Index movement from the beginning of the year (%)		10.2	23.0	13.1	20.4	15.0	-2.2
Index movement from the beginning of the month (%)		2.1	2.2	0.7	1.9	1.4	0.9

^a Shares, ^b Bonds, ^c 2002, ^d Annualised monthly share turnover × 100/ market capitalisation of shares.
Sources: Reports from BSSE, BSE, PSE, LJSE, WSE, ZSE and FIBV Statistics (www.fibv.org).

into July and August, with the turnover totalling to HRK 339.6m in these two months.

Market capitalisation of active shares on the Varaždin Stock Exchange (VSE) amounted to HRK 25,447.3m at end-June 2004, an increase of HRK 4m compared to end-2003. In the second quarter, the VSE share turnover totalled HRK 192.5m. Approximately half of the turnover can be accounted for by the Free Market segment, while the other half relates to the trading in JDD Quotation. In other segments of share trading on the VSE (Quotation I and II) the turnover was very low, whereas the quotation of Rights, which provides for the trading in the rights of the former Ministry of Public Works, Reconstruction and Construction and the Ministry of Finance, recorded a turnover of HRK 22.1m in the second quarter of 2004. Ericsson Nikola Tesla and Dom holding shares were, as usual, traded most, accounting for more than one third of the total turnover. In July, the share trading on the VSE jumped to HRK 155.7m, mostly on account of a single transaction – purchase of 20% shares in Elka d.d. by Proficio holding. An extremely large share turnover in August is also a consequence of a single transaction – in this case, a sale of Hotel Split shares, which were owned by Croatia banka.

The value of the VSE index, VIN, continued its upward trend from mid-2003, rising more strongly in the second quarter and in the first two months of the third quarter of

2004. Relative to the end of the first quarter, the VIN index grew by 16.2%, from 661.8 to 768.9 points on 30 June 2004. At end-August 2004, the VIN index stood at 961.96 points. The increase in value of this index is mainly a result of a strong rise in the price of Ericsson Nikola Tesla share (carrying the largest weight in the index calculation) and the share of Dom holding.

The growth in transition countries' stock exchange indices, characteristic of the previous six months, mainly slowed down in the second quarter of 2004, and the value of some of them slightly decreased. Following a continuous increase from the beginning of 2003, the composite Central European Stock Exchange Index (CESI) declined slightly in the second quarter of 2004. The CESI is compiled from the share prices of selected blue chip companies listed on the Budapest, Bratislava, Ljubljana, Prague and Warsaw Stock Exchange, with the Warsaw and Prague Stock Exchange shares carrying the largest weight. At end-June 2004, its value amounted to 1600 points, 4% less than at end-March 2004, which is a result of a fall in the prices of shares on the Prague and Warsaw Stock Exchange. Following a relatively strong last year's growth, the Budapest, Bratislava and Ljubljana Stock Exchange indices recorded a somewhat smaller increase in their value in the second quarter of 2004. In contrast, movements in the Zagreb Stock Exchange index do not indicate a long-term upward trend and the CROBEX

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 31/8/2004
DAB-O-05CA	DAB	19/12/2000	19/12/2005	EUR	225,000,000	8.375%	106.80	7.842%
HZZO-O-047A	CIHI	19/7/2000	19/7/2004	EUR	222,000,000	8.500%	100.50	8.458%
RHMF-O-049A	Republic of Croatia	20/9/2001	20/9/2004	EUR	200,000,000	6.500%	100.50	6.468%
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	111.50	6.166%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	113.00	6.084%
RHMF-O-085A	Republic of Croatia	28/5/2003	28/5/2008	HRK	1,000,000,000	6.125%	99.35	6.165%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	350,000,000	5.500%	104.95	5.241%
RHMF-O-077A	Republic of Croatia	7/7/2004	7/7/2007	EUR	400,000,000	3.875%	100.50	3.856%
GDKC-O-116A	City of Koprivnica	29/6/2004	29/6/2011	HRK	60,000,000	6.500%	–	–
GDZD-O-119A	City of Zadar	1/9/2004	1/9/2011	EUR	18,500,000	5.500%	–	–
HBOR-O-112A	HBOR	11/2/2004	11/2/2011	EUR	300,000,000	4.875%	–	–
BLSC-O-051A	Belišće d.d.	17/1/2002	17/1/2005	EUR	17,000,000	7.375%	102.50	7.195%
PLAG-O-048A	Plava laguna d.d.	25/2/2002	25/8/2004	EUR	12,000,000	6.750%	–	–
HYBA-O-086A	Hypo-Alpe-Adria Bank d.d.	6/6/2003	6/6/2008	HRK	150,000,000	6.500%	98.55	6.596%
BNAI-O-22CA	Bina Istra d.d.	15/12/2002	15/12/2022	EUR	210,000,000	8.000%	–	–
PODR-O-072A	Podravka d.d.	20/2/2004	20/2/2007	EUR	27,000,000	5.000%	98.00	5.102%
AGRK-O-074A	Agrokor d.d.	3/4/2002	3/4/2007	EUR	230,000,000	11.000%	103.80	10.597%
PLVA-O-115A	Pliva d.d.	12/5/2004	12/5/2011	EUR	75,000,000	5.750%	99.40	5.785%
ATGR-O-077A	Atlantic Grupa d.o.o.	15/7/2004	15/7/2007	EUR	15,000,000	5.750%	99.80	5.762%

^a Regularly traded shares. Source: ZSE.

lost 1.5% of its value in the second quarter compared to end-March 2004.

In all the observed countries, market capitalisation of both shares and bonds was mainly on the increase from the beginning of 2003. The turnover on most of the observed stock exchanges decreased in the second quarter 2004 relative to that in the previous quarter.

Debt Securities Market

2004 saw new bond issues on the debt securities market. Following the issue of one government bond, one corporate bond (Podravka) and HBOR bond in the first quarter, the second and the beginning of the third quarter of 2004 were marked by 5 new issues of bonds.

In July, the Republic of Croatia issued a three-year bond valued at EUR 400m, having a coupon rate of 3.875% and the issue price of 99.7. Almost at the same time, in July, the bond worth EUR 222m, issued by the CIHI fell due, so that a part of funds raised through the new government bond issue was used for its repayment. In addition to the Zagreb Stock Exchange, this bond was at the same time listed on the Varaždin Stock Exchange.

In April, the first issue of municipal bonds was listed on the ZSE. These are bonds of the City of Koprivnica, issued at the coupon rate of 6.5%, maturing in 7 years. The bonds are denominated in kuna and are valued at HRK 60m. At end-August, nine government bonds issued on the domestic market were listed on the domestic stock exchanges.

The number of corporate bonds increased to eight in the second quarter and in the first two months of the third quarter. The Agrokor bonds, issued at the Luxembourg Stock Exchange, were supplemented with the new tranche amounting to EUR 100m, constituting together with the previous tranche the issue worth EUR 230m, and were as such listed parallelly on the Zagreb Stock Exchange. The coupon rate on these bonds stood at 11% and the issue price at 102.33. The Agrokor bonds mature in 2007. Furthermore, Pliva bonds, falling due in 2007, were listed on

the ZSE in May, representing the largest issue of corporate bonds issued so far solely on the domestic market. These bonds are worth EUR 75m, with a coupon rate of 5.75% and issue yield of 5.93%. A three-year bond of the Atlantic grupa, listed on the ZSE in July, is the first bond of a company that is not a joint stock company. The bond is worth EUR 15m, and the coupon rate amounts to 5.75%.

In August, the bond of Plava laguna fell due, which was issued in 2002 and worth EUR 12m.

Market capitalisation of bonds on the ZSE stood at HRK 17.8bn at end-June 2004 (EUR 2.42bn or 9.24% of GDP from 2003), or HRK 3.8bn more than at end-2003. Market capitalisation of government bonds stood at HRK 13.0 at end-June 2004 (EUR 1.8bn or 6.3% of GDP from 2003) and of corporate bonds at HRK 4.9bn (EUR 660.6m or 2.4% of GDP). In late August, market capitalisation of all bonds on the ZSE amounted to HRK 20.2bn or 9.8% of GDP from 2003.

Bond trading on the ZSE was less intensive in the second

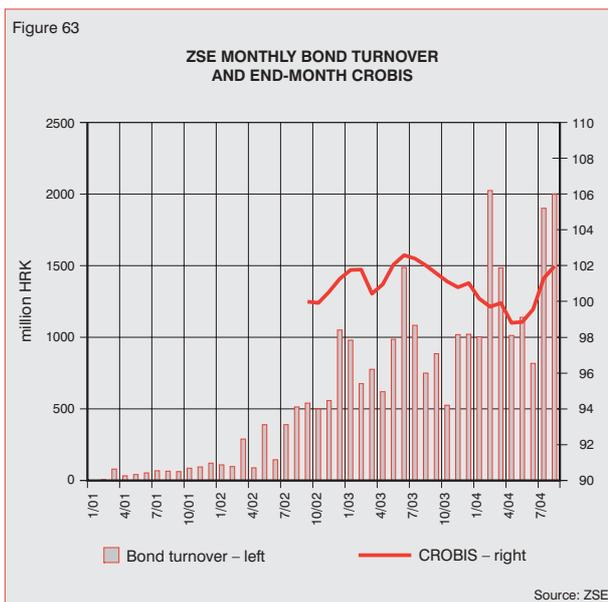


Table 6: Republic of Croatia International Bond Issues

Bond	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread ^a 31/3/2004	Spread ^a 30/6/2004	Spread ^a 31/8/2004
London Club A, 2006	31/7/1996	USD	857,796,000	6 month LIBOR + 81.25 b.p.			130	123	119
London Club B, 2010	31/7/1996	USD	604,426,000	6 month LIBOR + 81.25 b.p.			109	104	105
Euro-DEM bonds, 2004	16/7/1997	DEM	300,000,000		6.20%	95	14	27	-
Eurobonds, 2006	10/3/1999	EUR	300,000,000	7.375%	7.45%	375	67	35	40
Eurobonds, 2005	28/3/2000	EUR	500,000,000	7.000%	7.06%	210	59	21	21
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.750%	6.90%	215	117	80	73
Eurobonds, 2009	11/2/2002	EUR	500,000,000	6.250%	6.45%	158	111	62	62
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	4.65%	102	110	64	66
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	....	80	74
Samurai bonds, 2004	14/12/1999	JPY	25,000,000,000	4.000%	4.00%	284	42	30	24
Samurai bonds, 2007	11/7/2000	JPY	40,000,000,000	3.000%	3.00%	135	75	74	67
Samurai bonds, 2006	23/2/2001	JPY	25,000,000,000	2.500%	2.50%	152	64	52	49
Samurai bonds, 2008	26/6/2002	JPY	25,000,000,000	2.150%	2.15%	144	87	76	70
Samurai bonds, 2009	26/6/2003	JPY	25,000,000,000	1.230%	1.23%	99	....	....	....

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

quarter of 2004 than in the first quarter, but it increased again in July and August. Bond turnover on the ZSE totalled HRK 2.9bn in the second quarter of 2004 (compared to HRK 4.5bn in the first quarter) and HRK 3.9bn in July and August. Most trading was done with the Republic of Croatia bonds, maturing in 2014 and 2012, and in July and August, with the new three-year government bond.

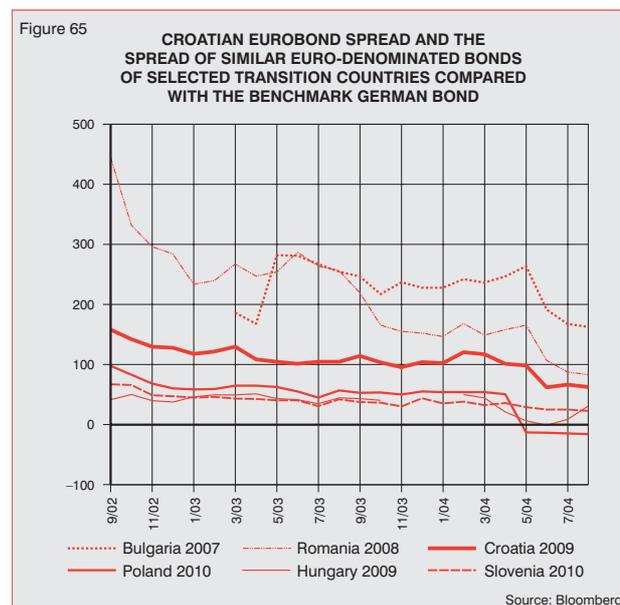
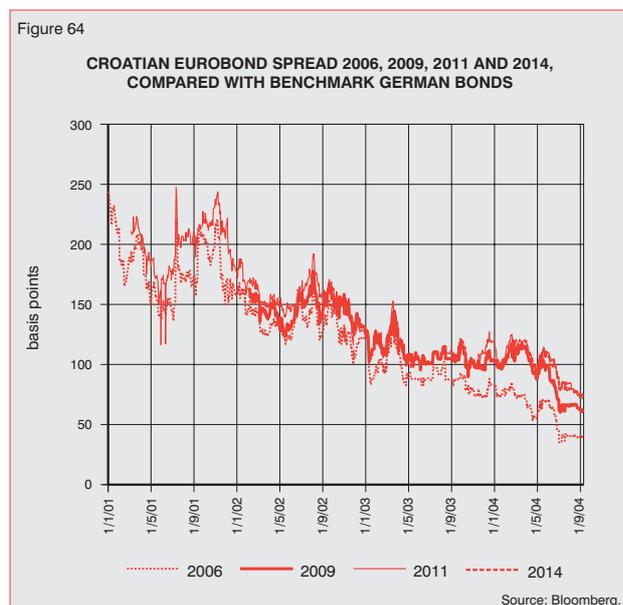
Prices of most of the government bonds issued on the domestic market during the second quarter of 2004, and particularly in July and August, went up and their yields went down. Accordingly, the value of the ZSE bond index, CROBIS, increased by 2% from March to August 2004, reaching 101.98 points at end-August.

On 15 April 2004, the Republic of Croatia issued a new eurobond, worth EUR 500m, maturing in 2014, at the coupon rate of 5%, with issue price of 99.15 and issue yield of 5.11%.

A Euro-DEM bond issue from 1997, worth DEM 300m, or EUR153.4m, fell due in July.

A total of 13 issues of the Croatian bonds was thus listed on the foreign markets: two USD denominated (government bonds substituted for the debt of the Croatian economic entities to the London Club), six EUR denominated and five

JPY denominated, totalling HRK 37.5bn or EUR 5.1bn in nominal terms at end-August 2004. In December this year, the 1999 Samurai bond issue, worth JPY 25bn (around EUR 191m) will fall due. The spread between the Croatian eurobonds and benchmark German bonds was influenced in the second quarter by favourable news concerning the Croatia's gaining of the status of the EU candidate country. At the same time, Standard & Poor's (S&P), one of the world's largest providers of credit ratings, reviewed its rating for Croatia, changing the stable outlook into a positive one. Croatia's rating remained BBB- for long-term debt in foreign currency and BBB+ for long-term debt in domestic currency. Nevertheless, a positive outlook implies that increase in credit rating can be expected in the future. The spread between the Croatian bonds and the benchmark German bonds, fluctuating at around 100 basis points during the past year, started to narrow in June. At end-August, it ranged from 40 to 80 basis points for different maturities. Consequently, the spread of the Croatian eurobonds drew closer to the spread of the countries that joined the EU on 1 May 2004. The eurobond spread of the EU candidate countries, Romania and Bulgaria, still exceeds the Croatian eurobond spread.



International Transactions

According to the preliminary balance of payment data, current account deficit reached USD 1,269m in the second quarter of 2004, an annual fall of USD 192m or 13.2%. A positive annual comparison of current account deficit was mainly influenced by smaller net outflows based on factor income. In the same period, the balance in the goods and services account deteriorated moderately.

External debt continued to grow in the second quarter, the share of total external debt in the estimated GDP reaching 77.3% at end-July 2004, which is an increase of 2.7 percentage points relative to the indicator for end-2003. Despite deterioration in total external trade balance in the second quarter 2004, Croatia still records the above-average liquidity indicators in international payments, where continued favourable movements in the index of exchange market pressure contributed to a further growth in the CNB international reserves.

Current Account

The annual deficit growth in the goods account, in terms of USD, stood at USD 204m or 9.6% in the second quarter of 2004. A part of the annual growth can be accounted for by the currency structure of merchandise trade and by the fact that the average exchange rate of the USD against the EUR depreciated by 6.2% in the period from April to June 2004, compared to the same period of the previous year. This is also indicated by the fact that foreign trade deficit, expressed in EUR, recorded the annual growth rate (deterioration) of 2.6% in the second quarter 2004.

The analysis of the foreign trade balance shows with respect to goods exports and imports that goods exports was far more dynamic than goods imports in the second quarter of 2004, which contributed to a relative slow-down of the annual growth rate of merchandise trade deficit. More specifically, the annual growth rate of goods exports amounted to 20.7%, in terms of USD at the 2002 constant exchange rate, in the period from April to June 2004 (according to the balance of payments data, expressed in EUR, the annual growth rate was 18.8%), which is almost more than double the annual growth rate of the Croatian goods imports (11.8% in terms of USD at the constant exchange rate, or 9.4% in terms of EUR). It should be noted, however, that the above-average annual growth rate of goods exports is partly a result of "noise", originating from the methodological assumptions on which ship export and import recording is based, and also of an uneven distribution of ship delivery within a calendar year. Exclusion of cross-currency changes and the amounts earned by exports of ships still confirm that the annual growth of goods exports (14.8%) was stronger than goods imports (9.4%).

Lower growth rates of goods imports in the April-June 2004 period partly reflect the fact that the consumption boom related to car purchase, which contributed significantly to high growth rates of total goods imports in 2002 and 2003, hit their high in the first half of 2004 and

that the imports of cars, additionally limited by new fiscal policy measures, should slowly decline. On the other hand, imports of capital goods decelerated considerably in the first half of 2004, which is an issue of concern.

Despite the said depreciation of the USD against the EUR, the currency in which the Republic of Croatia predominantly earns its income from the services rendered to non-residents, an annual deterioration of net income in the service account was recorded in the second quarter of 2004. Unfavourable movements were mainly a result of the negative annual growth rate of income from services rendered in tourism. Income from travel/tourism in the April-June 2004 period amounted to USD 1,076m, a fall of USD 170m or 13.6% compared to the same period last year. The fall in income from tourism is a result of a decrease in the weighted average consumption by traveller and, to a far smaller extent, a consequence of movements in volume indices of tourism.

Table 7: Annual Rate of Change in the Arrivals and Nights of Foreign Travellers, in %

	April		May		June		July	
	2003	2004	2003	2004	2003	2004	2003	2004
Arrivals	30.7	0.9	0.4	17.2	13.9	-7.3	1.4	13.0
Nights	33.4	-0.3	-14.2	14.3	18.6	-8.7	-2.5	3.6

Source: CBS.

The weighted average consumption by traveller, derived from the survey carried out at the CNB's request by Puls, recorded its largest annual fall in June 2004 (-13%), which, along with the annual decrease in arrivals in that month, mostly contributed to the annual fall in income from tourism in the second quarter of 2004. The fall in tourist turnover and income from tourism in June 2004 can partly be accounted for by the European football championship in Portugal.

The positive annual (absolute) comparison of the current account deficit incurred in the April-June 2004 period is largely a result of movements in the factor income account. Nevertheless, it should be noted that expenditures, i.e. Croatia's liabilities arising from factor income, significantly exceed the respective income. Expenditures arising from income based on equity investment decreased most in the stated period. Reinvested earnings and dividends related to investments in shares and equity participation in the Croatian companies recorded an annual decline of as much as USD 513m or 66.3%. The pronounced annual fall can partly be accounted for by the fact that data for the second quarter 2003 include extraordinary (in bookkeeping terms) expenditure on the basis of reinvested earnings of USD 328m, relating to the transfer of the Pliva d.d. Zagreb market value of patents to the related company abroad. That transfer thus resulted in seasonal, uncommonly large net expenditures arising from factor income in the base period used for the annual comparison. Not all the expected retained earnings and dividends paid out for the previous calendar/financial year were recorded in the sub-account of income based on equity investments in the second quarter 2004. More specifically, forms of earnings paid out (dividends) and non-paid out (reinvested earnings) of the large Croatian companies in whose ownership structure foreign owners predominate or

Table 8: Factor Income Account of the Republic of Croatia, in million USD

	Second quarter		First semester	
	2003	2004	2003	2004
Total	-809	-273	-1,037	-563
Income	114	158	236	310
Expenditures	-924	-431	-1,273	-874
Compensation of employees (net)	41	74	88	142
Direct investments (net)	-780	-273	-840	-372
Portfolio investments (net)	-25	-28	-201	-249
Other investments (net)	-46	-47	-83	-83

Source: CNB.

have a significant stake, are not included. Such forms of earnings were recorded in the second quarter of 2003.

For example, in the banking sector, a large portion of foreign owners' earnings based on dividends was not recorded by end-June 2004, but it will probably be included in the data for the third quarter. Data for July 2004 are expected to include distribution of earnings of the following companies as well: Ina, Ericsson Nikola Tesla, Dalmacijacement, Siemens and Plava laguna. Had the paid out and non-paid out segment of earnings, relating to foreign owners of the above mentioned companies, been accounted for in the second quarter, as it was the case in 2003, this would have, to a large extent, adversely effected the movements and annual comparisons in the factor income account and probably call into question the absolute annual decrease in balance of payment current account deficit in the second quarter of 2004. Such results would also be obtained if in the subsequent balance of payment reviews, this segment of earnings were included in data for the second quarter.

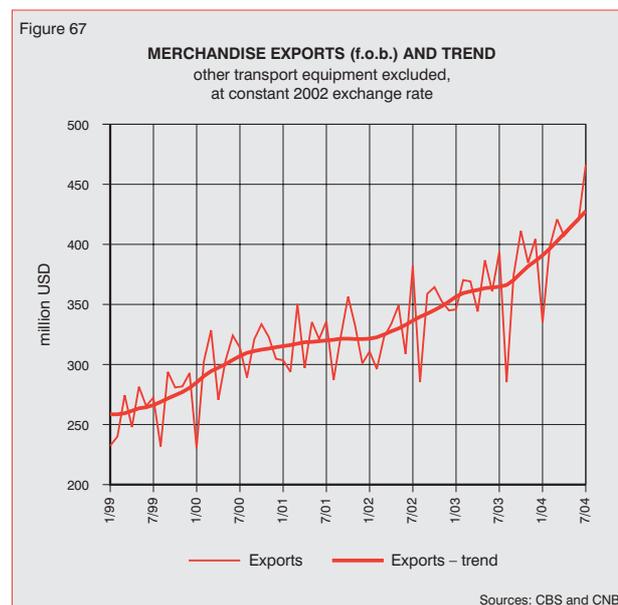
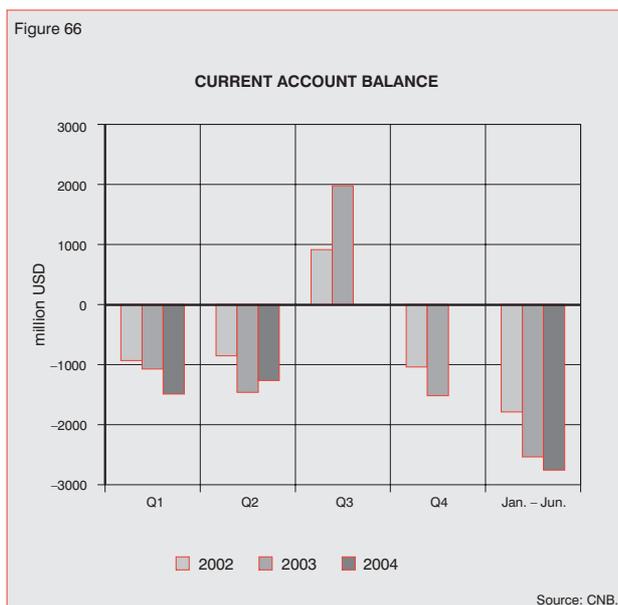
Net income from current transfers amounted to USD 369m in the second quarter of 2004, a slight decline relative to net income earned in the same period last year. Current transfers analysis shows that annual income growth on this basis stands at 6.3%, whereas expenditures grow much faster (42.6%). Income from workers' remittances, representing the most important component of total income from current transfers, reached USD 209m in the April-June 2004 period, which is a 1.8% annual growth.

Merchandise Trade

According to the preliminary CBS data, in the first seven months of 2004 total goods exports stood at USD 4.5bn, or 26.6% more than in the same period last year. At the same time, goods imports totalled USD 9.4bn, which is an annual rise of 17.5%. Such movements resulted in merchandise trade deficit of USD 4.9bn, corresponding to a 10.3% annual increase. It should be noted that these nominal changes reflect strong cross-currency changes. More specifically, the currency structure of the International Transaction Reporting System shows that, in the first half of 2004, 72.1% of total goods exports, or 81.5% of total goods imports was denominated in euro, while the January-July 2004 period saw a significant depreciation of the US dollar, against both the euro (the annual USD depreciation rate was 10.7% in the said period) and the domestic currency (11.5%). If merchandise trade of the Republic of Croatia with foreign countries is expressed at the constant exchange rate, foreign trade deficit increased by only 1.5% relative to the same period of the previous year. The annual growth rate of foreign trade deficit at the constant exchange rate was lower by as much as 17.1 percentage points compared to the same period of the previous year, which is a result of more dynamic goods exports and a pronounced deceleration of goods imports growth.

Total goods exports in the first seven months of 2004, reported at the constant exchange rate, recorded a high annual growth rate of 17.7%, which is a rise of 7.5 percentage points relative to the same period last year. The analysis of goods exports shows that the annual growth rate can largely be accounted for by ship exports. It should be noted here that merchandise trade in ships very often brings about the noises in the time series of both total goods exports and goods imports. If cross-currency changes and the value of ship exports are excluded, the annual growth rate of goods exports amounts to 12.2%, which is almost identical to the indicator for the same period last year (12.7%).

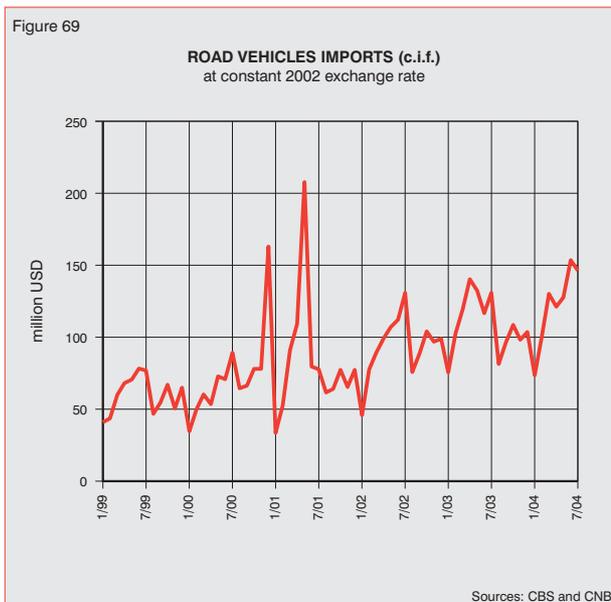
As regards other SITC divisions, the largest contribution



to total goods exports growth was made, in addition to ships, by: electrical machinery, apparatus and equipment (according to CBS data, 55% annual growth was recorded at the current exchange rate), oil and refined petroleum products (26%), and non-ferrous metals (106.9%). Exports of sugar, products of sugar and honey (-77.9%) and cereals (-41.9%) recorded the most pronounced fall in exports of goods, viewed at the annual level, in the first seven months of 2004.

Total goods imports, reported at the constant exchange rate, grew at an annual rate of 8.8% in the first seven months of 2004, which is 6 percentage points less than the indicator for the same period last year. A relative slowdown in total goods imports growth can mostly be accounted for by lower annual growth rates of capital goods and road vehicles imports. According to the SITC classification, a growth in total goods imports in the January-July 2003 period significantly effected the annual growth in imports of machinery and transport equipment, excluding other transport equipment and road vehicles. This SITC division, which may be viewed in a simplified manner as capital goods imports, grew at an annual rate of 25.2%, compared to a growth rate of 5.7% in the same period of the current year. Data on distribution of total goods imports by the main industrial groupings also point to a relative decrease in capital goods imports. More specifically, viewed by the main industrial groupings, the annual growth rate of capital goods imports, accounting for about one third of total imports, stood at 11.6% in the January-July 2004 period, which is fall of 30.6 percentage points compared to the first seven months of the previous year. Such movements can partly be explained by the completion of individual sections of the highways and their opening to traffic, i.e. by an economically sustainable dynamics of the future construction of capital infrastructure facilities in the mid-run.

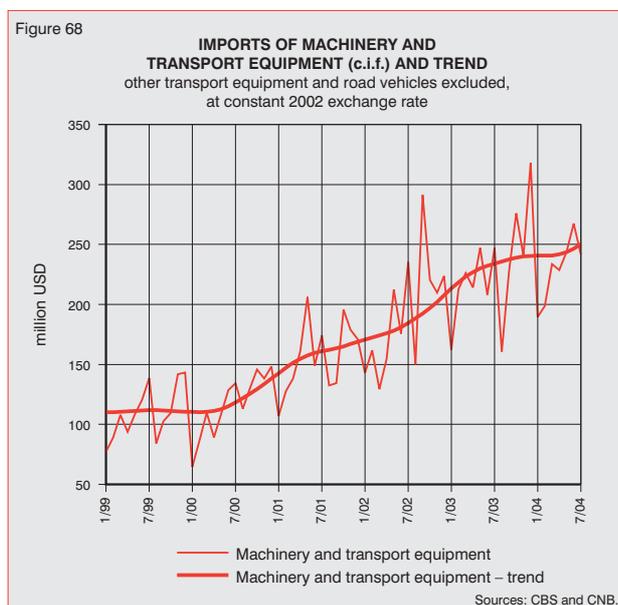
In addition to a growth in capital goods imports, total goods imports growth in the first seven months of 2003 was also influenced by an exceptionally strong annual average growth rate of road vehicles imports. Therefore, it should be



noted that the annual average growth rate of road vehicles imports was considerably lower (4.3%) in the first seven months of 2004 relative to the same period of the previous year (23.6%). A relative deceleration of road vehicles imports growth is also confirmed by a significant deceleration of external debt growth of the leasing companies, which recorded a USD 894m annual growth in 2003 compared to a growth of only USD 64m in the first six months of 2004. Regardless of a relative slowdown in imports of road vehicles, the previously mentioned SITC division continued to contribute most to the absolute growth in total goods imports. Viewed by months, imports of road vehicles was, in relative terms, considerably lower until May 2004, hitting its high in June and July. The main reason for such a strong imports growth in the said months is the announced increase in excise duties on passenger cars and other motor vehicles, which entered into force in July 2004.⁸

As regards other SITC divisions, in the first seven months of 2004, the largest contribution to total goods imports, in addition to road vehicles, was made by imports of: oil and refined petroleum products (23.1% annual growth rate was recorded at the current exchange rate, according to the CBS data), electrical machinery, apparatus and equipment (23.5%) and iron and steel (33.2%). Only imports of fish and fish products (-17.3%) and imports of oil seeds and oleaginous fruits recorded a significant annual fall in goods imports (-12.4%).

As regards merchandise trade structure by the economic classification of countries, it should be noted that in the CBS statistical reports merchandise trade of the Republic of Croatia with the ten new EU member states is recorded as trade with developed countries. For instance, in the CNB



8 The Act on the Amended Act on Excise Duty on Passenger Cars, Other Motor Vehicles, Vessels and Aircrafts was adopted on 9 July 2004 and it entered into force on 15 July. Excise duties on cars increased by 25% on average – the fixed amount of the excise duty increased by HRK 1,500 to 10,500 depending on the car's value, while the rate increased by 3 percentage points.

Table 9: Imports and Exports by Economic Classification of Countries, in %

Exports	2002	2003	Jan.-Jul. 2003	Jan.-Jul. 2004 ^a
Developed countries	70.9	74.6	76.0	73.1
EU-25	65.5	67.6	68.7	65.8
Slovenia	8.7	8.3	8.1	7.3
Hungary	1.7	1.3	1.3	1.2
EU-15	52.7	54.7	56.2	53.2
Austria	7.5	7.7	8.2	9.7
Italy	22.7	26.7	27.0	23.7
Germany	12.5	11.9	12.3	11.3
EFTA	0.8	0.8	0.7	1.0
Developing countries	29.1	25.4	24.0	26.9
CEFTA	0.4	0.7	0.7	0.8
Bosnia and Herzegovina	14.4	14.4	13.8	13.2
Serbia and Montenegro	3.5	3.1	2.9	3.0
Russia	1.7	1.2	1.2	1.3
Imports	2002	2003	Jan.-Jul. 2003	Jan.-Jul. 2004 ^a
Developed countries	80.1	80.8	81.7	79.2
EU-25	71.3	72.0	73.0	71.1
Slovenia	7.7	7.4	7.5	7.3
Hungary	3.0	3.0	3.0	2.9
EU-15	55.8	56.6	57.6	55.7
Austria	6.6	6.6	6.5	6.8
Italy	17.3	18.2	18.5	17.4
Germany	16.2	15.6	15.7	15.7
EFTA	2.0	1.8	1.7	1.5
Developing countries	19.9	19.2	18.3	20.8
CEFTA	0.6	1.2	0.9	1.2
Bosnia and Herzegovina	1.6	1.6	1.5	2.1
Serbia and Montenegro	0.5	0.5	0.5	0.7
Russia	6.7	4.8	4.3	6.4

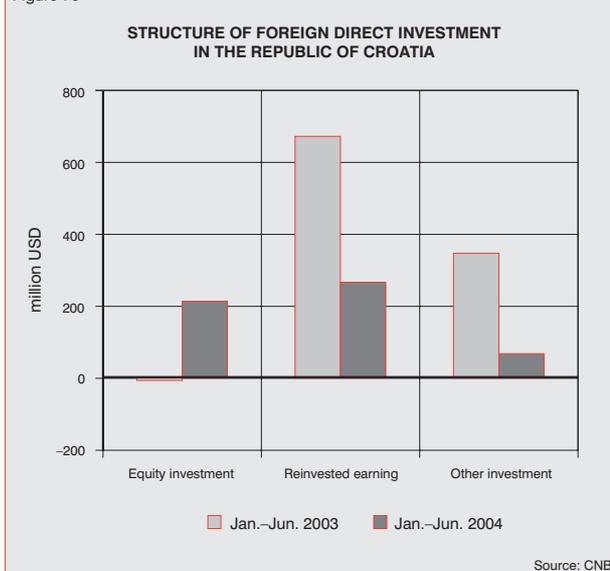
^a Preliminary data. Source: CBS.

Bulletin No. 94, the share of developed countries in total goods exports in 2003 was 61.6%, whereas the new data relating to the same period indicate a 73.1% share. The data show that 15 “old” EU member states accounted for 53.2% of total goods exports in the January-July 2004 period, which is 3 percentage points less than in the same period last year.

Positive annual rates of change in the absolute values were recorded in goods exports to the Croatia’s most important trading partners from the EU area. Exports to Italy thus increased by 11% at the annual level, to Germany by 15.9% and to Austria by 50.3%. A growth in shares of developing countries was mostly affected by the absolute growth in exports to Liberia, Bosnia and Herzegovina (the second largest foreign trade partner, as regards goods exports, after Italy), and to Serbia and Montenegro.

More intense merchandise trade with the developing countries is also evident in the geographic orientation of goods imports, where the largest contribution to the absolute growth in total goods imports from the developing countries was made by imports from Russia (in the first seven months of 2004, the annual growth rate of 73.4% was recorded) and China (63.9%), in particular. Despite a growth in the Croatian imports of goods from Germany (17.5%), Italy (10.7%) and Austria (24.3%), the share of imports from the EU-15 in total imports amounted to 55.7% of total goods imports in the January-July 2004 period, which is a 1.9 percentage point decrease relative to the share in the same period of 2003.

Figure 70



Capital and Financial Account

During the second quarter of 2004, foreign direct investments in Croatia reached USD 258m, which is a considerable decrease compared to the second quarter of 2003 (USD 687m). Significant annual changes are related to the already mentioned movements in the factor income sub-account, i.e. they can be explained by the base period effect – reinvested earnings and paid out dividends were in 2003, in contrast to 2004, mostly recorded in the second quarter and the transfer of the company Pliva d.d., through reinvested earnings, significantly contributed to an increase in foreign direct investments in the April-June 2003 period. Data for the second quarter of 2004 show that reinvested earnings (USD 176m) predominate in the structure of foreign direct investments, followed by other foreign direct investments (net liabilities of the Croatian enterprises to the related parent companies abroad, excluding banks, amounted to USD 59m) and equity investments (investments in shares and equity participa-

Figure 71

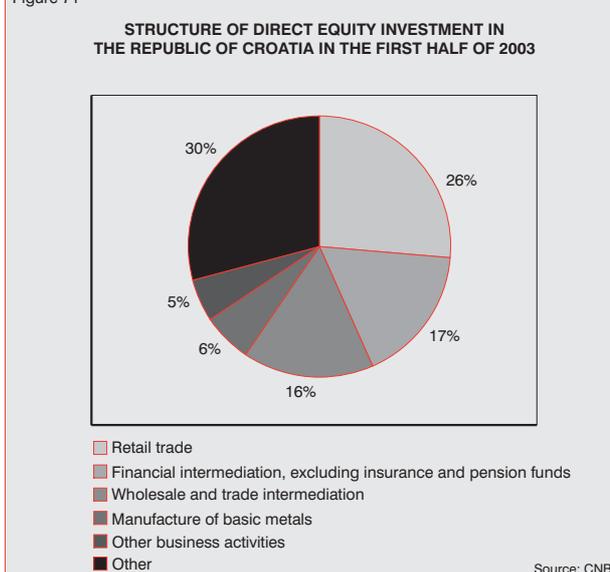


Table 10: Structure of CNB Reserve Assets, end of period, in million USD and %

	Dec. 2001	Dec. 2002	Dec. 2003	Jun. 2004	Jul. 2004
Balance	4,704	5,886	8,191	7,769	7,669
Share					
1. Foreign currency reserves	72.7	75.1	87.6	92.3	92.6
1.1. Securities	32.6	32.9	48.9	56.8	58.0
1.2. Total currency and deposits with:	40.1	42.2	38.6	35.5	34.6
– other national central banks, BIS and IMF	8.6	5.8	4.1	3.6	3.4
– banks headquartered outside Croatia	31.4	36.5	34.5	32.0	31.2
2. IMF reserve position	0.0	0.0	0.0	0.0	0.0
3. SDRs	2.3	0.0	0.0	0.0	0.0
4. Gold	0.0	0.0	0.0	0.0	0.0
5. Reserve repo	25.0	24.8	12.4	7.7	7.4

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

tion amounted to USD 22m).

No significant changes in the structure of direct equity investments occurred in the first half of 2004 compared to the same period last year – almost 2/3 of total equity investments in both periods can be accounted for by investments in trade and financial intermediation. Investment in trade mostly refers to investments in large chain stores, while financial intermediation implies acquisition of shares in the existing banks or their recapitalisation. In the first half of 2004, investments in equity participation in companies classified into the following sectors were recorded: hotels and motels with restaurants, manufacture of chemicals and wholesale of pharmaceutical goods.

In the second quarter of 2004, an increase in funds based on portfolio investments, totalling USD 221m, was recorded, the largest part of which refers to banks (increase in funds based on bonds accounts for USD 163m and that on investment in money market instruments for USD 36m). In the stated period, liabilities under portfolio investments reached USD 721m, where movements in total liabilities under portfolio investments were mostly determined by new disbursements based on foreign issues of bonds (not a single payment of principal on the issued bonds was made). In the April-June 2004 period, the new government disbursements thus amounted to USD 595m (US dollar equivalent to the foreign issue of EUR 500m), while the foreign issue of

Agrokor stood at USD 119m (equivalent to EUR 100m).

An increase of USD 377m was recorded in the other investment account, the greatest portion of which refers to an increase in currency and deposits of domestic banks abroad (USD 195m) and trade credits granted (USD 117m). At the same time, net liabilities arising from other investment reached USD 511m, where net long-term loans received predominate (USD 685m). In the second quarter of 2004, new disbursements of long-term loans to enterprises amounted to USD 529m, while USD 256m of liabilities that fell due was amortised. Disbursements to banks reached USD 471m in the same period and amortisation to USD 144m. The government received USD 148m of long-term loans and decreased its liabilities on this basis by USD 62m. As regards the sub-account recording flows of short-term loans, it should be noted that the banks' repo transactions with the CNB were closed in the total amount of USD 155m. The sub-account of currency and deposits held by non-residents in banks headquartered in the Republic of Croatia shows a reduction in domestic banks' liabilities by USD 61m.

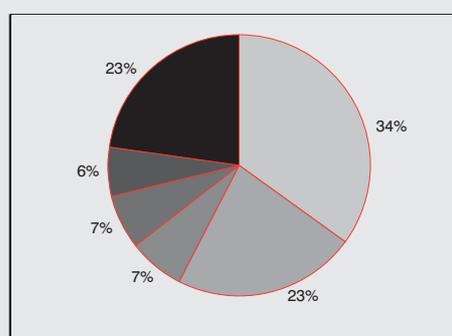
In contrast to movements in the first quarter of 2004, the second quarter of 2004 saw a further growth in CNB reserve assets (by a total of USD 244m). This growth can mostly be accounted for by investment in securities (USD 207m) and only to a smaller extent by deposits with foreign banks (USD 37m). At end-June 2004, CNB reserve assets reached USD 7.8bn, expressed at the approximate market value. Debt securities (56.8%) and currency and deposits held with foreign banks (35.5%) predominated in the structure of reserve assets at the end of the stated month, while other foreign currency assets, i.e. reverse repos, accounted for a smaller part (7.7%).

External debt

By end-April 2004, external debt reached USD 25.7bn, an increase of USD 2.2bn or 9.3% relative to end-2003. Viewed by the debtor sector, the government continued to account for the largest part of external debt: USD 9.1bn or 35.5%. It is followed by enterprises, including direct investments, with a share of USD 8.4bn or 32.5% of total external debt and banks, external debt of which reached USD 8.2bn (32%). It should be noted that the share of government and enterprises in total external debt has trended downwards since 2001, while the share of banks is on a continuous in-

Figure 72

STRUCTURE OF DIRECT EQUITY INVESTMENT IN THE REPUBLIC OF CROATIA IN THE FIRST HALF OF 2004



Source: CNB.

Table 11: External Debt by Debtor, end of period, in million USD and %

	2002	2003	7/2004	Structure			Indicies		
				2002	2003	7/2004	2002/01	2003/02	7/2004/03
1. Government	6,359	8,456	9,144	41.2	35.9	35.5	123.9	133.0	108.1
2. Central bank (CNB)	0	0	0	0.0	0.0	0.0	–	–	–
3. Banks	4,033	7,344	8,236	26.1	31.2	32.0	175.4	182.1	112.1
4. Other sectors (enterprises)	3,968	5,974	6,511	25.7	25.4	25.3	126.9	150.5	109.0
5. Direct investment (enterprises)	1,066	1,779	1,850	6.9	7.6	7.2	167.9	166.9	104.0
Total (1+2+3+4+5)	15,426	23,554	25,741	100.0	100.0	100.0	136.3	152.7	109.3

Source: CNB.

Table 12: Change in External Debt by Debtor, in million USD

	Outstanding debt 31/12/2003	Disbursement	Change		Cross-currency change	Outstanding debt 31/7/2004
			Amortisation			
			Principal	Interest		
1. Government	8,456	1,549	610	309	–250	9,144
2. Central bank (CNB)	0	0	0	0	0	0
3. Banks	7,344	1,610	474	66	–244	8,236
4. Other sectors (enterprises)	5,974	1,822	1,103	104	–182	6,511
5. Direct investment (enterprises)	1,779	386	255	31	–61	1,850
Total (1+2+3+4+5)	23,554	5,367	2,442	510	–737	25,741

Source: CNB.

Table 13: Change in the General Government External Debt, in million USD

	Outstanding debt 31/12/2003	Disbursement	Change		Cross-currency change	Outstanding debt 31/7/2004
			Amortisation			
			Principal	Interest		
1 General government	8,456	1,549	610	309	–250	9,144
1.1 Central government	6,901	666	444	275	–186	6,936
1.2 Central government funds	724	487	15	19	–23	1,173
1.3 CBRS	780	396	140	14	–39	996
1.4 Local government	52	0	11	1	–1	39

Source: CNB.

crease.

Data on external debt changes in the first seven months of 2004 show that new disbursements exceeded the amortisation of due principals by USD 2.9bn. Increase in external debt based on net transactions was somewhat mitigated by cross-currency changes. More specifically, appreciation of the reporting currency – US dollar against the euro in which more than three quarters of total external debt are expressed led to a debt reduction of USD 0.7bn, in statistical terms.

Net borrowings of banks contributed most to the external debt growth based on net transactions. Banks borrowed USD 1.6bn on the foreign markets in the stated period and amortised USD 474m of principal.

The government follows banks with its contribution to the increase in external debt based on net transactions. The new government disbursements reached USD 1.5bn in the first seven months of 2004. The largest portion of new disbursements (USD 978m) refers to liabilities arising from the issued bonds (see Bulletin No. 94), while the remaining part, USD 570m, refers to long-term loans disbursed (USD 250m of which accounts for new borrowing of the Croatian Highways in July, which will be used for the completion of 143 kilometre-long section of the highway from Bosiljevo to Sveti Rok). In the same period, the government amortised USD 610m of due principal (including DEM 300m of euromark bonds, USD 161m of liabilities to the London Club and USD 220m of long-term loans) and USD 309m of interest.

The central government continued to predominate in the structure of total external debt of the general government, although it was significantly reduced in the first seven

months (from 81.6% of total general government debt at end-2003 to 75.9% at end-July 2004). On the other hand, the share of central government funds⁹ in total debt of the general government rose by 4.3 percentage points (from 8.6% to 12.8%). Debt of the Croatian Bank for Reconstruction and Development also increased in the first seven months of 2004, which is mainly a result of foreign issues of bonds worth EUR 300m. The local government debt, accounting for less than 1% of total general government external debt, was reduced by one quarter, in the absolute terms, in the stated period.

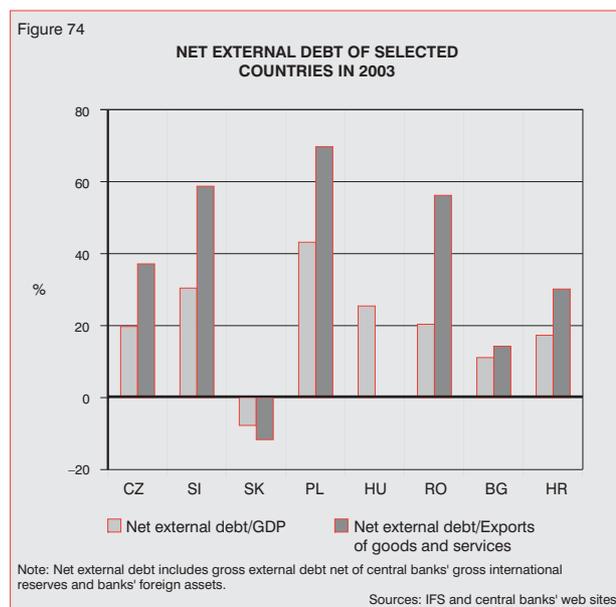
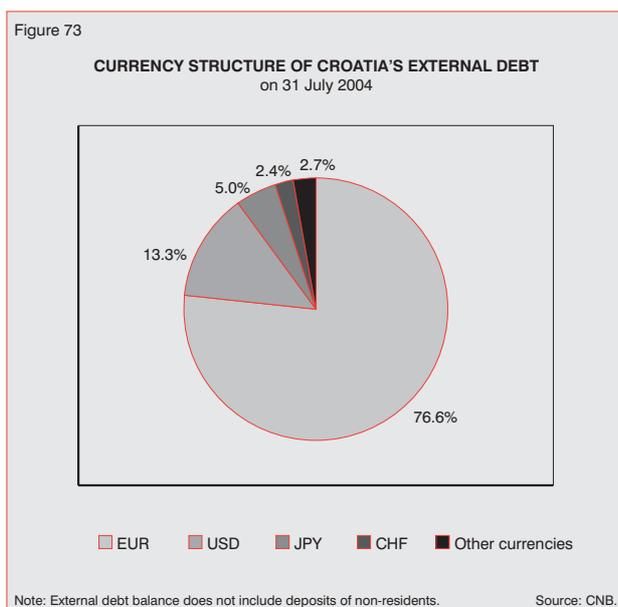
Other domestic sectors, including foreign direct investments, accounted for USD 0.9bn of an increase in external debt based on net transactions, where new disbursements amounted to USD 2.2bn and amortisation of due principal to USD 1.4bn. Although leasing companies have a significant share (outstanding debt of USD 1.6bn at end-June) in the structure of external debt of other enterprises, it should be noted that their debt rose by a relatively modest USD 64m in the first half of 2004 (compared to USD 489m in the same period last year). Such movements confirm that the consumption boom related to car purchase has already hit its high. At end-July 2004, external debt of public enterprises stood at USD 1.1bn, a decline of USD 77m relative to the end of 2003. External debt of mixed enterprises recorded the

9 In the structure of consolidated general government, the central government funds comprise the following entities: Croatian Roads, Croatian Highways, State Agency for Deposit Insurance and Bank Rehabilitation, Croatian Privatisation Fund, Croatian Institute for Health Insurance, Croatian Pension Insurance Institute, Croatian Employment Service and Croatian Waters.

Table 14: Projected Future Principal and Interest Payments by Debtor, end of period, in million USD

	Outstanding debt 31/7/2004	Principal repaid in period Jan.–Jul. 2004	Project future principal payments				
			2004	2005	2006	2007	Other
1. Government	9,144	610	366	1,028	1,036	794	5,917
2. Central bank (CNB)	0	0	0	0	0	0	0
3. Banks	8,236	474	165	888	1,225	402	5,539
4. Other sectors (enterprises)	6,511	1,103	566	1,008	820	1,138	2,425
5. Direct investment (enterprises)	1,850	255	241	203	363	286	622
Total (1+2+3+4+5)	25,741	2,442	1,338	3,127	3,444	2,620	14,503
Supplement:							
Projected interest payments	–	510	265	828	706	577	1,851
Total principal and interest	–	2,952	1,603	3,955	4,150	3,196	16,354

Source: CNB.



similar trend. In the observed period, it dropped by 11.3% (from USD 445m at end-2003 to USD 395m at end-July 2004).

The currency structure of the Republic of Croatia's external debt, which excludes deposits of non-residents, shows that at end-July 2004, 76.6% of the Croatia's external debt was denominated in the euro, followed by the US dollar with a share of 13.3%, the Japanese yen accounting for 5% and the Swiss franc accounting for 2.4%. Since the exchange rate of the reporting currency – US dollar appreciated by 3.6% at end-July 2004 compared to the exchange rate effective at end 2003, the currency structure and exchange rate fluctuations resulted in a reduction of total external debt of the Republic of Croatia of USD 737m, in statistical terms.

The projection of future amortisation shows that USD 1.3bn of principal will fall due until end-2004. The largest portion of this amount relates to other sectors (enterprises), which must settle USD 807m, inclusive of liabilities arising from foreign direct investments. Government will amortise USD 366m of principal, USD 224m of which accounts for the repayment of Samurai bonds issued in December 1999 and USD 142m for liabilities arising from long-term loans. Until end-2004, banks will set aside USD 165m for the repayment of principal falling due, similar amount relating to both long-term and short-term loans (USD 85m and USD 81m respectively).

The share of external debt in GDP, obtained by converting the value of debt from the reporting currency into the domestic currency, stood at 77.3% at end-2004, which is

a 2.7 percentage point rise compared to the indicator for end-2003 (74.6%). The indicators of borrowing based on the concept of net external debt¹⁰ also show that Croatia, along with Hungary, is among the most indebted advanced transition countries in Central and Eastern Europe (in 2003, the share of Croatia's net external debt in GDP was 30.4% and its share in exports of goods and services stood at 58.7%).

Possibilities for a successful restriction of growth and external debt stabilisation of the Republic of Croatia (expressed as a percentage of GDP) will continue to depend in the mid-run, to a large extent, on a budget deficit reduction and restriction or reorientation of the government and large public enterprises from foreign to domestic sources of financing, where a large contribution was made by the government. It should also be taken into account that the reorientation of the government sector to domestic sources of financing may result in small net effects on total external debt changes in the conditions of restricted domestic savings. Accordingly, further efforts should be made with respect to measures promoting and stimulating domestic savings. It would be difficult to stabilise total external debt without a further decrease in the external borrowing of banks, which finance consumption and goods imports, to a large extent,

¹⁰ Net external debt is obtained by deducting the CNB international reserves and banks' foreign assets (which could be used for maintaining foreign exchange liquidity of the country) from the total external debt.

Box 3: Croatia – a Candidate Country for EU Membership

At the Brussels meeting of the European Council in June 2004 Croatia received the status of an official candidate for full-fledged membership in the EU. The Council based its decision on the positive opinion (*avis*) of the European Commission on Croatia's application for EU membership, submitted in February of 2003. In parallel, the process of ratification of the Stabilisation and Association Agreement (SAA), signed in October 2001 between the Republic of Croatia and the European Communities and their Member States, has been continued. Once it enters into force, the SAA will provide a legal framework for Croatia's relations with EU for the entire period until accession. The SAA is a result of a year long participation in the Stabilisation and Association Process (SAP) and is envisaged as a stepping stone for Countries of South Eastern Europe on their way towards EU membership.

In the Opinion the European Commission said that Croatia had stable democratic institutions, that there were no problems over assuring the rule of law and respect for fundamental rights as well as that its cooperation with the International Criminal Tribunal improved. It was stressed that Croatia also needed to make additional efforts on minority rights, reform of the judiciary, regional cooperation and the fight against corruption. As for meeting the economic criteria, the Commission concluded that Croatia could be regarded as a country with a functioning market economy that will be able to successfully cope with competitive pressure and market forces within the EU in the medium term, provided that it continued implementing its reform programme to remove remaining weaknesses. The Commission assessed that Croatia's economy achieved a considerable degree of macroeconomic stability with low inflation and that it is characterised by a well educated labour force and good road transport and telecommunication infrastructure, as well as a well developed banking sector and a competitive tourism industry. However, the Commission pointed to the need to address the incomplete systems of cadastre and land registry and high administrative burdens, as well as the need for modernisation of the shipbuilding and agriculture sectors and the need to actively pursue fiscal consolidation. According to the Opinion of the European Commission, Croatia has worked intensively towards aligning its legislation with the *acquis communautaire*, particularly in areas related to

internal market and trade. Nevertheless, these efforts need to be improved, as well as the efforts invested in assuring the rule of law. Full compliance with the *acquis* in some segments will require great effort. It is estimated that full compliance in the field of environment protection could be achieved only in the long term, primarily due to the necessity for increased levels of investment.

The analysis from the Commission's Opinion served as a basis for a draft European Partnership plan which, in line with Croatia's specific needs, set out priorities that Croatian authorities are expected to address both in the short and the medium term. The set priorities will influence the allocation of EU's financial assistance while progress in their implementation will be regularly monitored by the Commission through annual reports on the Stabilisation and Association Process. Among short-term priorities directed at meeting the economic criteria there is the need to adhere to a prudent macroeconomic policy aiming at maintaining the country's stability, while to improve the efficiency of the monetary policy it is necessary to develop market-oriented instruments. The Commission also pointed to the need to create a medium-term fiscal framework and press ahead with public finance reform as well as remove all barriers to market entry and exit, stressing the need to speed up enterprise restructuring and recovery, as well as the reform of the land registry.

In contrast to the Stabilisation and Association Agreement, through which Croatia received the status of an associate member and potential candidate for EU membership, by obtaining the status of an official EU membership candidate the country received a clear perspective of EU accession, provided that it meets all set conditions. However, at the same time the obligation to carry out reforms has become greater too. At the beginning of October the European Commission released the pre-accession strategy for Croatia (under which as a beneficiary of pre-accession instruments Croatia is to receive EUR 105m in 2005 and EUR 140m in 2006) accompanied by the proposed principles on which a general framework for negotiations on future membership will be based. Before the official start of the negotiation, expected at the beginning of the next year at a bilateral intergovernmental conference, it is necessary to conduct a comprehensive screening of the alignment of Croatia's legislation with EU legislation, in order to determine the future course of action. Then come the negotiations on each of the 31 chapters of the *acquis*. The experiences of former EU member candidates show that the

Table 15: Some Indicators for Selected Countries, in 2003

	Croatia	Romania	Bulgaria	Czech R.	Hungary	Poland	Slovak R.	Slovenia
Population (million)	4.4	22.2	7.8	10.2	10.1	38.2	5.4	2.0
GNI per capita ^a	5,350	2,310	2,130	6,740	6,330	5,270	4,920	11,830
GDP (real growth rate, %)	4.3	4.9	4.3	3.1	2.9	3.8	4.2	2.3
FDI per capita (1990-2003, in USD)	2,117	458	727	3,810	3,171	1,416	1,942	2,024
Inflation (end of period)	1.7	14.1	5.6	1.0	5.6	1.6	9.3	4.7
Labour Force Survey unemployment rate (in %)	14.1	6.6	13.6	7.8	5.9	19.2	17.1	6.5
Domestic loans to private sector (as % of GDP) ^b	51.6	8.3	18.4	33.4	35.3	28.8	40.6	39.2
IT consumption per capita (in USD) ^c	128	28	36	237	177	92	125	225
Fixed line and mobile phone subscribers (per 1000 people) ^b	952	430	701	1,211	1,037	...	812	1,341
Personal computers (per 1000 people) ^b	174	69	52	177	108	106	180	301
Average EBRD's transition index	3.3	3.0	3.3	3.7	3.8	3.6	3.5	3.4
Cars (per 1000 people) ^d	269	135	264	345 ^e	244	272	240	433

^a Atlas method, in current USD. ^b Data for 2002. ^c Source: IDC Adriatics, 2004. IT consumption includes the expenditures of the end beneficiary for hardware, packaged software and IT services. ^d Data for 2001. ^e Including lorries. Sources: EBRD, IFS, World Bank, WIW, and national statistical offices.

Table 16: Possible Scenario for Croatia's EU Entry

No. of months since the beginning of negotiations:	No. of months between individual steps:	Date	Event
		Apr. 1997	Defined terms and conditions of the SAP
		Jun. 1999	Stability Pact adopted
		Nov. 2000	The Zagreb Summit - negotiations on the SAP initiated
		Dec. 2000	The EU initiates CARDS programme ^a
		Oct. 2001	Signing of the SAA and the Interim Agreement
		Mar. 2002	The Interim Agreement enters into force
		Feb. 2003	Croatia submits application for EU membership
		Apr. 2003	The European Council requested the Commission to prepare an opinion on Croatia's application
		Jun. 2003	The Thessaloniki agenda for the Western Balkans
		Apr. 2004	European Commission's positive opinion on Croatia's application
		Jun. 2004	Croatia receives the status of an official EU membership candidate
		Mar. 2005	The beginning of accession negotiations
21	21	Dec. 2006	Between 24 and 28 chapters of the acquis completed
27	6	Jun. 2007	Official end of negotiations
30	3	Sep. 2007	Signing of the EU Accession Agreement
39	9	Jun. 2008	Croatia's entry into the EU

^a CARDS (Community Assistance for Reconstruction, Development and Stabilisation).

most difficult chapters are the ones on environment, agriculture, market competition, financial questions and free movement of goods, persons and capital. Since Croatia's membership in the EU represents one of the government's priorities, strongly supported by the Croatian public, there is a good basis for the start of a difficult negotiation process.

The exact date of Croatia's entry in the EU will depend on the speed of negotiations on the different chapters of the acquis. However, it would be unrealistic to expect that Croatia will officially close negotiations and sign the Accession Agreement which is to enter into force by 2007, when Bulgaria and Romania are expected to join the EU. Nevertheless, Croatia could complete negotiations more quickly than former candidate countries by drawing on EU's negotiations experience with those twelve countries. Not to mention the fact that Croatia is the only country which already at the time of applying for membership had in place a comprehensive programme of adjustment to EU standards. In addition, Croatia already achieves better economic results than Romania and Bulgaria most of the time, while many think it may be even be compared to economic performance of new

EU members. Croatia's entry into the EU will probably not be connected with EU accession of other countries included in the Stabilisation and Association Process, among other things, because relations between Croatia and the EU have reached a more advanced level. Macedonia submitted its application for EU membership in March this year, Albania has entered into negotiations on the Stabilisation and Accession Agreement, while Bosnia and Herzegovina and Serbia and Montenegro have not even started negotiations. Since Croatia is economically more developed than the said countries (according to the 2003 data of the World Bank the average GDP per capita in Albania, Bosnia and Herzegovina, Macedonia and Serbia and Montenegro totalled USD 1,793 compared with Croatia's USD 5,350), stalling Croatia's accession might have a negative effect on efforts of other countries in the region to carry out economic and political reforms.

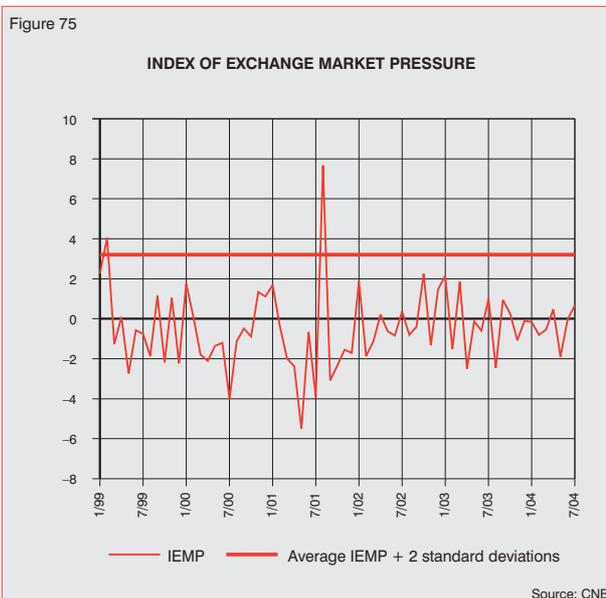
Regardless of the speed of Croatia's integration to EU, reforms that are carried out for the purpose of adjustment to EU standards, should primarily serve the country's further development.

through their lending activity. More strict measures that the CNB is obliged to consider due to the debt current balance and its projected changes could bring about partially successful results in this area. In that respect, account should be taken that the country's economic growth potentials are not jeopardised at the same time.

International liquidity

Index of exchange market pressure (IEMP), calculated as a weighted average of the appreciation rate of the kuna exchange rate against the euro (at period end) and a monthly growth rate of gross international reserves expressed in euro, using standard deviations as weights, did not point to potential international liquidity problems in the second quarter of 2004.

March 2004 saw a relatively strong kuna exchange rate appreciation against the euro, as a result of which the central bank intervened four times during the said month (a total of EUR 163m was purchased). During April, additional kuna liquidity was created by purchasing a part of the Ministry of



Finance foreign exchange inflow from the placement of eurobonds (EUR 145m), which led to the exchange rate depreciation. The IEMP thus increased in April and negative depreciation pressures were partly mitigated by a 4.4% growth in gross international reserves.

In May, the index hit its 9-month low, primarily due to the 2.2% kuna appreciation against the euro (a consequence of the appreciation expectation in the run-up to the tourist season peak and increased kuna demand on the market immediately before the subscription of Pliva's shares, equivalent to EUR 75m), since reserve reduction was insignificant (0.87%). A mild appreciation during June and reserve reduction of 0.06% effected the index growth, which nevertheless remained at a very low level, i.e. far below the limit indicating possible international liquidity problems.

Government Finance

Budget Highlights in the First Half 2004

Although revenues growth generated in the first quarter of the year continued through the second quarter, it was outpaced by expenditures growth. In consequence, the deficit of the consolidated central government budget in the first half of 2004 reached HRK 7.4bn, exceeding the deficit in the same period of 2003 by HRK 2.2bn. The upper deficit level in 2004, as set down in the Stand-by Arrangement with the IMF, totals HRK 9.25bn.

In the first three months of this year the budget was financed on temporary basis. The state budget of the Republic of Croatia for 2004 was passed in March. However, this year's revenues and expenditures plan was amended in July, with the budget rebalance envisaging higher revenues from excises on cars and tobacco products. On the revenue side, the rebalance included additional dividend payments of public enterprises from previous years, while on the expenditure side the major portion was earmarked for Croatian Railways (HŽ). The increase in revenues exceeds the increase in expenditures so this rebalance will have a positive influence on the budget deficit.

The Ministry of Finance presented detailed data on revenues and expenditures in the first six months of this year in accordance with the internationally applied GFS 2001. The data are not entirely comparable with the data available for previous periods, which had been presented in line with the methodology of GFS 1986. The introduction of the new methodology has led to changes in classification and scope of individual revenue and expenditure categories. Therefore, revenues generated in the first half of this year can be compared with the revenues generated over past periods only in the segment of total revenues and subsidies (excluding capital revenues), while on the expenditures side the data are not comparable at all. In addition to the comment of the budget balance, the MoF presented a calculation of the budget balance in accordance with the methodology of GFS 1986.

Budget Revenues

In the first six months of this year, consolidated general

government revenues¹¹ totalled HRK 42.3bn. As it was the case in previous periods, the following comments relate to consolidated central government revenues, including the revenues of state agencies (CH, CR, DAB and CPF), since that is the highest consolidation level for which comparable quarterly data presented by economic classification are available. This excludes the local government, accounting for an approximate 10% in overall general government revenues.

At consolidated central government level revenues¹² came to HRK 38bn, rising by 6.1% from the previous year. The annual revenue growth rate was roughly the same in the first quarter (5.7%) and the second quarter (6.5%) of this year as opposed to the previous year (11.5% and 2.4% respectively) when the second quarter registered a substantial shortfall. Non-tax revenues, which were the main cause of the last year's shortfall, rose by 6.6%, while tax revenues, which account for a much more significant share in current revenues, went up 6.1%. This increase in tax revenues is primarily a result of a strong inflow from the two most important tax revenue sources, making up 70% of total revenues: VAT revenues, rising by 7.8% in the first half of the year, and revenues from social security contributions, which grew by a strong 8.9%. Not to mention the 4.2% rise in revenues from the excise on car import, as well as the slightly lower increase in other excise revenues, totalling 3.7%. Property tax revenues, which are generated from the real estate tax and make up less than 1% of total revenues, grew at the highest rate (28.1%) in the first six months of this year. Such a high rise in revenue inflow from this source reflects increased activity on the real estate market. If we take into account the fact that revenues from the real estate tax levied on newly built buildings (subject to VAT) were substantially lower than real estate tax revenues generated in other cases¹³ (from real estate not subject to VAT, such as buildings built before the VAT was introduced, or real estate on which VAT was already paid), it may be concluded that turnover in newly built buildings contributed less to the mentioned increase in activity on the real estate market than turnover in real estate classified as "other" real estate.

The first half of this year registered a decline in income tax revenues, profit tax revenues and revenues from customs duties, with income tax revenues being almost 10% lower than at the same time last year. This was a result of the failure to adjust the beginning of this year's period when taxpayers start receiving tax refunds with the same period last year. Taxpayers started receiving tax refunds much earlier this year.

Budget Expenditures, Budget Balance and Deficit Financing

Consolidated general government expenditures totalled HRK 49.7bn in the first half of this year. Of the said amount

11 The consolidated central government deficit, inclusive of CH, CR, DAB and CPF operations, was presented in line with the 1986 GFS methodology, not including capital revenues.

12 Calculated on the basis of revenue data expressed in accordance with GFS 2001 format, comparable with total revenues and subsidies (excluding capital revenues) according to the GFS 1986 format.

13 In cases of newly built buildings, the basis for calculation of the real estate tax includes the value of the plot and municipal charges, and not the entire value of the newly built building.

Table 17: Balance Computation (capital revenues excluded), GFS 1986 methodology, in million HRK

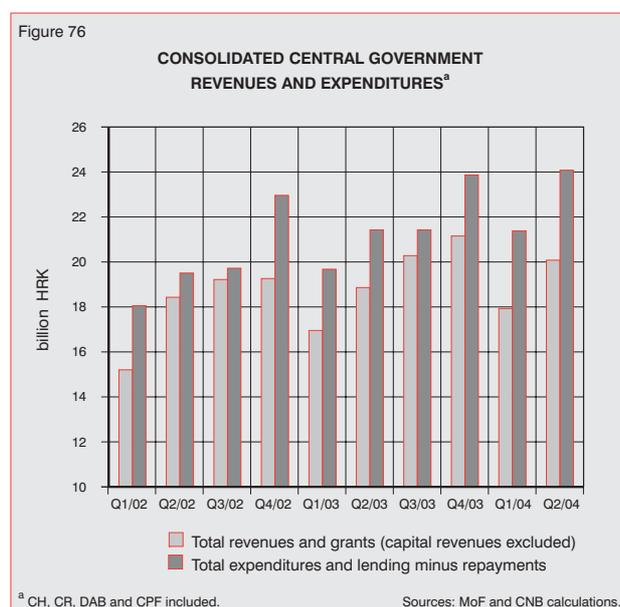
	Jan.–Jun. 2004				
	Government budget	Extra-budgetary users	Consolidated central government	Units of local and regional self-government	Consolidated general government
Revenues and grants ^a	36,945	3,477	39,783	5,030	44,265
Total expenditures and net lending	42,181	5,698	47,241	4,955	51,649
Expense ^a	40,971	2,342	42,674	3,943	46,069
Acquisition of non-financial assets ^a	662	3,310	3,972	928	4,901
Net acquisition of financial assets - loans ^a	369	27	396	52	447
Acquisition	539	62	601	75	677
Disposal	170	36	206	24	229
Acquisition of shares and other equity ^a	180	19	199	8	207
Acquisition of other accounts receivable ^a	–	–	–	24	24
GFS 1986 balance (capital revenues excluded)	–5,236	–2,222	–7,458	75	–7,383

Note: GFS 2001. Source: MoF.

Table 18: Balance of the Consolidated Central Government by Levels, in million HRK

	2003		2004 ^b		Jan.–Jun. 2004
	Jan.–Jun.	Plan ^a	Jan.–Jun.	Plan ^a	Jan.–Jun. 2003
Government budget	–2,913	738	–5,236	–4,263	
Total revenues and grants	33,282	75,232			
Total revenues and grants (capital revenues excluded)			35,223	78,931	
Total expenditures (lending minus repayments)	36,195	74,494	40,459	83,193	
Extra-budgetary funds	–972	–2,793	59	....
State agencies	–1,225	–3,288	–2,281	....
CH	–1,334	–3,599			
CR	–86	–145			
DAB	123	360			
CPF	72	97			
Consolidated central government balance	–5,110	–5,343			
Consolidated central government balance (capital revenues excluded)	–5,280	–8,997	–7,458	....	41%
As % of GDP			–3.9		
Note: Consolidated general government balance (capital revenues excluded), as % of GDP				–4.5	

^a Revised plan. ^b Revenues and expenditures were reduced by social security contributions in order to be comparable with the data for previous periods. Sources: MoF and CNB calculations.



HRK 45.5bn were spent at consolidated central government level, up 10.6% over the same period a year ago.¹⁴ Broken down by quarters, expenditures grew at a more intensive rate in the second quarter (12.3%) than in the first quarter (8.7%), which is understandable considering that the construction season peaks during the spring and summer months.

The deficit of the consolidated central government budget in the first six months of this year totalled HRK 7.45bn

(exclusive of capital revenues), exceeding the last year's deficit at the end of the same period by HRK 2.2bn. The deficit (inclusive of repayments) was financed from domestic and foreign sources, primarily through securities issues and to a smaller extent through borrowings. Government bond issues worth EUR 350m in kuna equivalent were placed in the domestic market in February and March, while in the second quarter T-bills played the most prominent role.

Government bonds worth EUR 500m were issued in the foreign market in April.

Government Debt

The general government debt,¹⁵ including the CBRD debt, continued growing in the second quarter of 2004. According to the CNB data, it amounted to HRK 92.9bn at the end of June or an approximate 45% of expected nominal GDP for 2004, while issued government guarantees totalled HRK 13.8bn or 6.7% of expected GDP. If we add general government debt to the potential debt arising from government guarantees, the total government debt at the end of the second quarter reaches HRK 106.7bn or some 52% of expected nominal GDP.

The general government debt, inclusive of CBRD debt,

¹⁴ The data in question were calculated on the basis of revenues data and the achieved balance, excluding capital revenues – GFS 1986 (Table 17).

¹⁵ The data on general government debt do not contain data on government arrears because the MoF does not supply this data to the CNB.

Box 4: Stand-by Arrangement

In February last year Croatian authorities entered into a 14-month Stand-by Arrangement with the International Monetary Fund (IMF). The Arrangement was entered as precautionary in 2003, an election year, and expired on 2 April this year without being completed, because among other things, Croatia's fiscal policy failed to meet end-December 2003 performance criteria. Thus the new government, without completing the previous arrangement, started discussions on a new Stand-by Arrangement.

In support of their economic policy programme for 2004 and 2005 Croatian authorities requested a new Stand-by Arrangement in July of this year. The programme was set forth in the Memorandum on Economic and Financial Policies (MEFP), which was prepared jointly by the Croatian government and the Croatian National Bank. The main aims of the programme are the stabilisation of the external debt-to-GDP ratio at approximately its present level, that is, the reduction of external vulnerabilities arising from high current account deficit and heavy external debt burden, as well as Croatia's preparations for EU accession. The objectives of the programme should be achieved by reducing the budget deficit and implementing structural reforms, aimed at reducing the role of the state in the economy. The programme does not envisage changes in monetary policy, but rather a continuation of the CNB's current policy. The IMF supported the programme and in August granted Croatia a new Stand-by Arrangement in an amount of 97 million of Special Drawing Rights (SDR), or 26.7% of Croatia's quota, over a 20-month period.

Much like the previous arrangement the Croatian authorities intend to treat the new arrangement with the International Monetary Fund as precautionary and are not planning to draw funds under the credit.

The implementation of the programme will be monitored through quantitative performance criteria defined in the Technical Memorandum of Understanding, with the fiscal policy being required to observe the quarterly limits on the consolidated general government and CBRD deficits, on the change in the stock of general government arrears and on contracting of new external debt and issuing guarantees.

The implementation of the monetary programme will be monitored through quantitative performance criteria on net international reserves and net domestic assets of the CNB.

The deficits of selected public enterprises, net of budget transfers and net lending by the general government, will also be monitored on the basis of indicative targets, used to monitor the cumulative increase in the total debt stock of 8 selected public enterprises.

Structural benchmarks, defined in the MEFP, focus on public finance reforms. These benchmarks define all the necessary changes and deadlines for their implementation:

- it is necessary to formulate a medium-term business plan on Croatian Railways (HŽ) by end-December 2004 in order to reduce its reliance on subsidies and improve cost recovery;

- it is necessary to eliminate bank accounts of DAB by end-June 2005, CPF by end-September 2005 and CH and CR by end-December 2005;
- it is necessary to restructure the Debt Management Department of the Ministry of Finance by end-September 2004;
- it is necessary to complete the register of government debt guarantees, including guarantees by local government and reconcile data with the CNB by end-December 2004;
- it is necessary to formulate a plan on privatisation of insurance company Croatia osiguranje by end-June and complete the third phase of privatisation of HT by end-December 2005;
- it is necessary to appoint a working group to prepare the reform to unify the supervision of non-bank financial intermediaries by end-September 2004.

In addition to quantitative performance criteria, indicative limits and structural benchmarks the MEFP contains one more structural performance criterion – the preparation of a rolling three-year budget starting with the 2005-2007 budget – as well as two continuous performance criteria included in all arrangements with the IMF. In accordance with these continuous performance criteria Croatia is not allowed new external payments arrears, it should not impose or intensify existing restrictions on the making of payments and transfers for current international transactions, introduce or modify multiple currency practices, conclude bilateral payments that are inconsistent with Article VIII of the IMF's Articles of Agreement or impose or intensify import restrictions for balance of payments purposes.

The key instruments for achieving the goals set forth in the programme are fiscal policy instruments. Therefore great attention has been awarded to restoring order and transparency in public finances and going through with the process of medium-term consolidation. In 2004 the process should be started by achieving a planned general government deficit of 4.5% of GDP, while in 2005 it should not exceed 3.7% of GDP. To achieve this adjustment the fiscal policy will rely on a combination of expenditure and revenue measures, as well as some one-off revenues. Fiscal policy expenditure measures will regulate, among other things, the wage bill, investments in roads and highways and spending in the health sector. On the revenue side, the 2004 is expected to see additional revenue from higher excises on cars and tobacco, one-off revenues from additional dividend payments from a number of public enterprises and receipts from the concession of the third GSM license. Next year the government also plans to start the medium-term process of tax-reform and press ahead with the privatisation process, aiming at privatising all companies from CPF's portfolio in which the government holds a share of up to 25% and all remaining holdings in its portfolio by end-June 2005. It is necessary to facilitate a gradual shift in budget financing towards domestic sources.

In striving to reduce external vulnerability monetary policy comes immediately after the fiscal policy, which

plays the most important role. Given the openness of the economy, strong trade links with the euro area, large capital flows and limited hedging opportunities against currency risk, the CNB intends to pursue its price stability mandate by continuing to maintain the exchange rate of the

kuna broadly stable against the euro. Coupled with the high degree of integration of Croatian banks and companies with the international capital market, this limits the ability of the CNB to affect the level of economic activity, the current account deficit and external debt.

increased by HRK 8.2bn since the beginning of this year, up HRK 1.3bn or 20% compared with the increase registered at the same time last year. Approximately HRK 4.5bn of this increase was generated through borrowing abroad, while the remaining HRK 3.7bn resulted from the rise in domestic debt. As CBRD's domestic debt reduced by mild HRK 46m in the first six months of this year, the increase in domestic debt is a result of general government borrowing. The Republic of Croatia accounted for the major portion of this increase, primarily by issuing bonds and T-bills, while central government funds and units of local government accounted only for a small portion, with the structure of their borrowings being dominated by bank loans.

The domestic debt of the local government stood at HRK 1.25bn at the end of June this year, rising by HRK 345m or 38% in the first six months of this year and exceeding the last year's level by 46%, primarily due to borrowing effected through bank loans. The borrowing of local government units on the capital market accounted for a substantially smaller portion of the debt rise. At the end of June, local government bonds, namely municipal bonds of the City of Koprivnica, were listed in the First Quotation (ST Quotation) on the Zagreb Stock Exchange for the first time.

General government external debt, inclusive of CBRD debt, increased by HRK 4.5bn in the first six months of the

year, up 41% from the increase registered at the same time a year ago. This was largely a result of the increase in CBRD's external debt, because general government debt increased at approximately the same rate (by HRK 3.1bn) as over the same period last year. CBRD's external debt went up HRK 1.4bn since the beginning of the year, reaching HRK 6.2bn at the end of July. Apart from it increasing, its structure changed. The share of bank loans in the debt structure reduced, while the share of bonds increased, because this year's rise in CBRD debt was a result of a bond issue worth EUR 300m.

The central government debt accounted for high 98.4% (HRK 85.5bn) of the total general government debt, totalling HRK 92.9bn at the end of the first half of 2004. As CBRD debt is included both in the general government debt as well as the central government debt, the resulting difference between the two government levels relates exclusively to the local government debt.

According to CNB data, guarantees issued by the Republic of Croatia totalled HRK 13.8bn at the end of June, HRK 1.2bn (8.3%) less than at the end of last year. The decrease in domestic guarantees accounted for over 81% of the overall reduction in issued guarantees, while the decrease in external guarantees accounted for the remaining share.

Table 19: Domestic Debt of Central Government, end of period, in million HRK

	Stock				Change	
	Dec. 2001	Dec. 2002 ^a	Dec. 2003*	Jun. 2004	Jan.–Jun. 2003	Jan.–Jun. 2004
1. Domestic debt of central government	24,907	28,747	32,053	35,406	3,808	3,352
1.1. Domestic debt of the Republic of Croatia	21,468	20,998	25,676	28,877	4,161	3,201
Treasury bills	4,892	5,633	6,548	8,263	351	1,715
Money market instruments	7	0	0	54	0	54
Bonds	15,416	13,566	14,937	16,341	1,937	1,404
Credits from banks	1,152	1,799	4,190	4,219	1,873	28
1.2. Domestic debt of central government funds	3,439	7,749	6,377	6,529	-353	151
Money market instruments	-	-	-	-	-	-
Bonds	1,636	4,108	3,418	3,293	37	-126
Credits from banks	1,803	3,641	2,959	3,236	-390	277
Note: Issued guarantees	6,026	7,528	6,895	5,879	-720	-1,016

^a In December 2002, the debt of the CR, CH and DAB has been reclassified from the sub-sector the Republic of Croatia to the sub-sector central government funds.
Source: CNB Bulletin, Table I3.

Table 20: External Debt of Central Government, end of period, in million HRK

	Stock				Change	
	Dec. 2001	Dec. 2002 ^a	Dec. 2003*	Jun. 2004	Jan.–Jun. 2003	Jan.–Jun. 2004
1. External debt of central government	42,413	45,058	51,421	55,983	3,245	4,562
1.1. External debt of the Republic of Croatia	39,657	38,649	42,222	44,153	3,135	1,931
Bonds	30,029	30,115	33,548	35,744	3,632	2,196
Credits	9,628	8,534	8,674	8,409	-497	-265
1.2. External debt of central government funds	2,757	6,409	9,200	11,830	110	2,631
Bonds	697	1,019	1,000	2,946	-15	1,946
Credits	2,060	5,390	8,199	8,884	125	685
Note: Issued guarantees	8,549	7,980	8,310	8,066	-115	-245

^a In December 2002, the debt of the CR, CH and DAB has been reclassified from the sub-sector the Republic of Croatia to the sub-sector central government funds.
Source: CNB Bulletin, Table I3.

Central Government Domestic Debt

According to the CNB data, central government domestic debt stood at HRK 35.4bn at the end of June, rising by HRK 3.3bn or 10.5% on the end of 2003. T-bills accounted for the highest portion of the debt increase (HRK 1.7bn), followed by government bonds (HRK 1.3bn) and bank loans. Such structure of the debt increase differs substantially from the structure registered during the first six months of last year, when government bonds accounted for the largest share of the increase, followed by bank loans and T-bills, with a less than one-tenth share in the increase.

Broken down by quarters, borrowing through bond issues was the dominant way of increasing central government debt in the first three months of this year (two tranches worth EUR 350m in kuna equivalent). Bank loans accounted for a small share of the increase, while the portion of debt resulting from T-bill issues reduced. In contrast, T-bill issues accounted for almost the entire debt increase in the second quarter as a direct consequence of high liquidity on the money market that was registered at the end of April and through May.

The Republic of Croatia debt accounted for 95% of the domestic debt increase in the first six months of 2004, while

central government funds accounted for the remaining share.

Central Government External Debt

According to the CNB data, central government external debt stood at HRK 56bn at the end of June, rising by HRK 4.5bn or 8.9% on the end of 2003. Bank loans made up the smallest (9%) share of the increase, while the remaining 91% share was accounted for by bonds issued on foreign markets. At the beginning of the year CBRD issued bonds worth EUR 300m at the Luxemburg Stock Exchange, maturing in seven years. This was the major reason for the increase in central government external debt in the first quarter, since the external debt of the Republic of Croatia reduced, primarily due to the repayment of the principal to the London Club.

In contrast, the increase in central government external debt in the second quarter was primarily a result of the increase in the debt of the Republic of Croatia. In April, the government issued bonds worth EUR 500m, maturing in 10 years and yielding a nominal interest rate of 5%. This year's eurobond issue, although equal in worth to the last year's February eurobond issue with a 7 year maturity, matures in 10 years.

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	July	25,064.8	34,381.5	35,031.8	125,023.3	93,926.6	106,822.9	3.30	4.73	4.59	4.17	4.68	2.65
	August	25,854.2	34,044.3	34,586.9	126,979.7	92,451.1	106,761.8	3.15	-0.98	-1.27	1.56	-1.57	-0.06
	September	27,289.1	32,589.4	33,247.6	126,910.9	92,696.3	107,180.1	5.55	-4.27	-3.87	-0.05	0.27	0.39
	October	27,037.8	32,805.7	33,482.9	127,072.4	93,345.6	108,516.8	-0.92	0.66	0.71	0.13	0.70	1.25
	November	28,086.2	33,295.3	33,974.1	128,718.4	93,221.1	110,934.7	3.88	1.49	1.47	1.30	-0.13	2.23
	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	January	29,439.9	32,323.1	32,853.4	128,917.7	98,213.8	113,102.5	-3.75	-4.62	-5.13	0.02	2.18	1.29
	February	29,482.8	31,283.9	31,827.9	127,876.5	97,913.3	113,516.7	0.15	-3.21	-3.12	-0.81	-0.31	0.37
	March	30,076.1	31,622.9	32,187.8	125,766.6	98,115.4	113,282.0	2.01	1.08	1.13	-1.65	0.21	-0.21
	April	30,895.7	32,890.5	33,537.9	127,867.8	97,727.3	115,926.7	2.73	4.01	4.19	1.67	-0.40	2.33
	May	31,175.6	33,193.9	33,931.5	127,461.4	98,300.7	115,314.9	0.91	0.92	1.17	-0.32	0.59	-0.53
	June	31,157.1	34,265.4	34,846.7	129,559.4	99,728.3	116,769.2	-0.06	3.23	2.70	1.65	1.45	1.26
	July	31,652.1	34,621.5	35,204.2	133,013.2	101,861.7	117,874.0	1.59	1.04	1.03	2.67	2.14	0.95
	August	32,327.9	35,024.3	35,818.7	136,825.8	101,771.0	118,889.6	2.14	1.16	1.75	2.87	-0.09	0.86

^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

	2000	2001	2002	2003	2004					
	Dec.	Dec. ^a	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
ASSETS										
1. Foreign assets (net)	29,017.2	48,661.3	32,817.4	32,771.4	27,651.2	30,140.5	29,160.6	29,831.1	31,151.5	35,054.8
2. Domestic credit	72,051.4	87,637.6	112,518.9	126,371.6	128,272.1	128,821.3	128,635.8	130,542.8	132,431.7	133,118.7
2.1. Claims on central government and funds (net)	11,167.6	12,673.1	15,055.2	14,710.1	14,990.1	12,894.6	13,320.9	13,773.6	14,557.7	14,229.0
2.2. Claims on other domestic sectors	60,653.4	74,513.0	96,329.0	110,467.8	112,030.0	114,710.9	114,052.6	115,525.3	116,625.0	117,696.7
2.3. Claims on other banking institutions	68.7	170.2	219.5	431.8	600.0	517.0	542.8	517.0	485.1	445.9
2.4. Claims on non-banking financial institutions	161.7	281.4	915.3	761.8	651.9	698.7	719.5	727.0	763.9	747.0
Total (1+2)	101,068.7	136,298.9	145,336.3	159,143.0	155,923.3	158,961.7	157,796.4	160,373.9	163,583.2	168,173.5
LIABILITIES										
1. Money	18,030.3	23,703.5	30,869.8	33,888.7	31,622.9	32,890.5	33,193.9	34,265.4	34,621.5	35,024.3
2. Savings and time deposits	7,651.1	10,213.1	13,001.1	18,370.7	19,678.0	19,856.1	20,711.6	20,857.0	22,064.4	22,680.7
3. Foreign currency deposits	46,901.6	71,836.9	72,054.6	76,035.3	74,070.1	74,765.5	73,216.8	74,056.7	75,849.5	78,423.0
4. Bonds and money market instruments	478.2	317.8	216.3	598.4	395.6	355.7	339.1	380.4	477.9	697.9
5. Restricted and blocked deposits	2,864.5	1,926.2	1,729.5	1,721.6	2,049.3	2,150.2	2,272.3	2,295.0	2,177.4	2,161.9
o/w: Households' blocked f/c deposits	1,695.1	770.2	319.3	167.8	110.7	110.4	106.2	101.8	48.0	46.9
6. Other items (net)	25,143.1	28,301.4	27,465.1	28,528.2	28,107.4	28,943.8	28,062.8	28,519.5	28,392.6	29,185.7
Total (1+2+3+4+5+6)	101,068.7	136,298.9	145,336.3	159,143.0	155,923.3	158,961.7	157,796.4	160,373.9	163,583.2	168,173.5

^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	July	44	4	12	8	7	8	5	9	5	2	2
	August	43	4	13	7	6	7	6	9	5	2	2
	September	43	3	14	7	6	7	6	9	5	2	2
	October	43	3	13	8	6	7	6	9	5	2	2
	November	43	3	13	8	6	7	6	8	4	2	2
	December	42	2	13	8	5	8	6	7	3	2	2
2004	January	41	2	12	9	6	6	6	7	3	3	1
	February	41	2	12	9	6	6	6	7	3	3	1
	March	41	2	12	9	6	6	6	6	3	3	–
	April	41	2	12	9	5	7	6	6	3	3	–
	May	41	2	12	9	5	7	6	6	3	3	–
	June	41	2	12	9	5	7	6	6	3	3	–
	July	40	2	11	10	5	6	6	6	3	3	–
	August	40	2	11	10	5	6	6	6	3	3	–

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 as well as those whose operating licences have been revoked, but which have not initiated liquidation proceedings.

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

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

Table C1: Monetary Authorities Accounts

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
ASSETS										
1. Foreign assets	28,747.4	39,308.9	42,058.8	50,118.6	45,692.9	48,584.8	47,115.7	47,063.6	47,150.8	47,914.7
1.1. Gold	–	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	1,204.2	905.8	17.4	5.0	5.0	9.1	7.2	7.2	9.0	5.1
1.3. Reserve position in the IMF	1.8	1.8	1.6	1.5	1.5	1.6	1.5	1.5	1.5	1.5
1.4. Currency and demand deposits with foreign banks	7.4	6.1	6.4	5.8	5.5	5.7	5.4	5.5	5.9	5.5
1.5. Time deposits with foreign banks	20,986.9	25,565.9	28,183.2	25,580.7	20,160.2	22,245.2	20,630.5	20,334.7	19,790.8	21,168.8
1.6. Securities in f/c	6,545.7	12,829.3	13,850.0	24,525.5	25,520.6	26,323.3	26,471.1	26,714.8	27,343.5	26,733.7
1.7. Non-convertible foreign exchange	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	0.0	–	0.5	1.4	1.9	1.2	3.0	3.0	3.5	0.6
2.1. Claims in kuna	0.0	–	0.5	1.4	1.9	1.2	3.0	3.0	3.5	0.6
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	289.5	229.2	110.6	93.6	89.9	87.7	86.1	85.8	85.4	85.2
4. Claims on banks	329.9	18.5	17.9	972.0	23.8	18.4	15.1	15.1	121.7	296.7
4.1. Credits to banks	313.6	–	–	954.4	–	–	–	–	107.5	282.6
Lombard credits	–	–	–	954.4	–	–	–	–	107.5	282.6
Short-term liquidity credits	–	–	–	–	–	–	–	–	–	–
Other credits	14.0	–	–	–	–	–	–	–	–	–
CNB bills under repurchase agreement	299.6	–	–	–	–	–	–	–	–	–
4.2. CNB deposits with banks	15.2	16.6	17.6	14.5	14.1	14.2	14.0	14.1	14.2	14.2
4.3. Overdue claims	1.1	1.9	0.3	3.1	9.7	4.2	1.1	1.1	0.0	0.0
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	29,366.8	39,556.6	42,187.7	51,185.6	45,808.5	48,692.1	47,219.9	47,167.5	47,361.4	48,297.2
LIABILITIES										
1. Reserve money	11,717.3	17,803.2	23,027.9	30,586.2	30,076.1	30,895.7	31,175.6	31,157.1	31,652.1	32,327.9
1.1. Currency outside banks	6,636.7	8,507.4	9,680.9	10,573.1	10,039.6	10,455.1	10,540.8	10,977.3	11,842.5	11,384.8
1.2. Banks' cash in vaults	532.3	538.8	1,214.8	1,683.2	1,399.1	1,539.4	1,643.9	1,726.0	1,772.5	1,921.6
1.3. Banks' deposits	4,540.7	8,741.5	12,109.4	18,329.3	18,613.5	18,898.4	18,981.6	18,447.2	18,024.2	19,015.2
Settlement accounts	459.5	2,450.1	3,923.4	5,616.0	4,827.7	5,197.2	4,933.2	4,289.0	3,768.0	4,662.5
Statutory reserves	4,081.2	6,291.4	8,186.0	12,603.9	13,699.9	13,701.3	14,048.4	14,158.2	14,256.2	14,352.7
CNB bills on obligatory basis	–	–	–	109.4	85.9	–	–	–	–	–
1.4. Deposits of other banking institutions	7.5	15.5	19.1	–	–	–	–	–	–	–
1.5. Deposits of other domestic sectors ^b	0.0	0.1	3.5	0.6	23.9	2.8	9.4	6.6	12.9	6.2
2. Restricted and blocked deposits	5,805.5	6,030.5	7,091.2	6,699.2	9,993.7	10,425.0	10,224.1	10,528.2	10,692.6	10,879.6
2.1. Statutory reserve in f/c	5,490.5	5,705.1	7,042.3	6,686.6	9,981.2	10,412.5	10,213.5	10,517.6	10,679.6	10,866.6
2.2. Restricted deposits	315.0	325.4	49.0	12.6	12.6	12.6	10.6	10.6	13.0	13.0
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,630.8	1,597.5	195.7	2,798.0	965.4	17.2	20.7	17.7	17.9	17.8
3.1. Use of IMF credit	1,290.3	1,025.5	2.8	0.0	–	–	–	–	–	–
3.2. Liabilities to international organisations	9.5	12.2	12.6	19.6	16.7	17.2	20.7	17.7	17.9	17.8
3.3. Liabilities to foreign banks ^a	331.0	559.8	180.2	2,778.5	948.7	0.0	–	–	–	–
4. Central government and funds' deposits	1,157.4	1,752.1	768.1	1,551.1	889.6	2,525.4	2,159.6	1,781.6	981.6	1,027.3
4.1. Demand deposits	1,008.5	1,752.1	608.3	600.2	883.7	1,064.0	934.1	994.2	981.5	1,027.2
Central government demand deposits	980.8	1,564.8	569.5	548.5	701.1	726.2	777.0	979.5	970.8	922.8
Central government funds' demand deposits	27.7	187.3	38.7	51.7	182.6	337.8	157.1	14.7	10.7	104.4
4.2. Central government f/c deposits	–	–	–	950.9	5.9	1,461.4	1,225.5	787.4	0.1	0.1
4.3. CNB bills	148.8	–	159.9	–	–	–	–	–	–	–
5. CNB bills	4,207.3	6,372.3	6,212.4	4,920.2	–	105.7	–	–	–	–
5.1. CNB bills in kuna	2,394.6	3,458.9	4,986.2	–	–	105.7	–	–	–	–
5.2. CNB bills in f/c	1,812.7	2,913.4	1,226.3	4,920.2	–	–	–	–	–	–
6. Capital accounts	5,216.6	6,425.2	5,353.5	5,039.0	4,297.3	5,143.7	4,065.6	4,109.4	4,447.1	4,475.2
7. Other items (net)	–368.1	–424.2	–461.1	–408.1	–413.6	–420.7	–425.7	–426.5	–429.8	–430.7
Total (1+2+3+4+5+6+7)	29,366.8	39,556.6	42,187.7	51,185.6	45,808.5	48,692.1	47,219.9	47,167.5	47,361.4	48,297.2

^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. In September 1999, the data were revised, with savings banks being transferred for the sub-sector other banking institutions to the sub-sector banks. The whole data series has been revised accordingly.

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. 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 based on the liabilities to the IMF and foreign banks. Item Claims in foreign currency was a counter-entry to the liability to the IMF based on the succession of membership in that institution. In accordance with the new Croatian National Bank Act that entered into force in April 2001, the Croatian National Bank may not extend credit to the Republic of Croatia.

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

Claims on banks are credits to banks, deposits by the CNB with banks and overdue claims on banks. Credits to banks are split according to the type of financial instruments. Item Lombard credits comprises credits to banks for regular maintaining of the day-to-day liquidity, which were replaced by lombard credits in December 1994. Short-term liquidity credits, which have been granted since the beginning of 1999, also serve to bridge liquidity problems. Other credits include intervention credits, special credits for bridging liquidity problems granted in the past (initial credits, prerehabilitation credits) and due but unpaid credits. 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 as well as CNB bills on an obligatory basis. 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 and savings banks are required to place foreign exchange reserve deposits in accounts at the Croatian National Bank on the basis of certain foreign exchange deposits they hold. Restricted deposits are kuna funds set aside on the basis of a court order or legal regulation, kuna funds set aside in the period between May 1999 and April 2002 and deposits of banks against which bankruptcy proceedings have been initiated. Blocked foreign exchange deposits are funds that were set aside in special accounts at the Croatian National Bank for repaying unpaid amounts due to foreign creditors.

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

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

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

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

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

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

Table D1: Banks' Accounts

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
ASSETS										
1. Reserves with the CNB	10,588.9	15,002.7	20,373.5	26,783.7	30,014.3	30,882.5	30,909.1	30,737.4	30,536.5	31,828.1
1.1. In kuna	5,098.4	9,306.2	13,340.0	20,103.4	20,039.6	20,475.6	20,701.5	20,225.7	19,863.6	20,968.4
1.2. In f/c	5,490.5	5,696.5	7,033.5	6,680.2	9,974.6	10,406.9	10,207.7	10,511.7	10,672.9	10,859.7
2. Foreign assets	19,710.4	32,807.6	25,977.8	35,382.9	35,176.0	36,067.8	36,458.1	37,497.5	38,518.4	40,134.7
3. Claims on central government and funds	19,055.5	20,059.9	21,917.7	21,543.6	21,096.4	20,807.2	20,986.1	21,185.0	21,701.1	21,723.1
3.1. Bonds arising from blocked f/c deposits	4,484.4	3,420.1	2,473.5	1,531.9	994.3	1,013.2	989.7	987.7	574.4	506.3
3.2. Other claims	14,571.0	16,639.7	19,444.3	20,011.7	20,102.1	19,794.0	19,996.4	20,197.2	21,126.7	21,216.8
4. Claims on other domestic sectors	60,363.9	74,283.8	96,218.4	110,374.3	111,940.1	114,623.3	113,966.5	115,439.5	116,539.6	117,611.5
4.1. Claims on local government	1,174.9	1,280.0	1,422.4	1,563.1	1,579.6	1,600.7	1,587.5	1,602.8	1,533.9	1,597.7
4.2. Claims on enterprises	35,890.7	42,882.0	51,723.4	53,809.8	54,823.5	56,010.5	55,504.6	56,083.0	56,189.4	56,688.5
4.3. Claims on households	23,298.3	30,121.9	43,072.6	55,001.4	55,537.0	57,012.1	56,874.4	57,753.6	58,816.3	59,345.4
5. Claims on other banking institutions	68.7	170.2	219.5	431.8	600.0	517.0	542.8	517.0	485.1	445.9
6. Claims on non-banking financial institutions	161.7	281.4	915.3	761.8	651.9	698.7	719.5	727.0	763.9	747.0
Total (1+2+3+4+5+6)	109,949.1	142,605.6	165,622.2	195,278.0	199,478.7	203,596.5	203,582.2	206,103.3	208,544.6	212,490.3
LIABILITIES										
1. Demand deposits	11,386.0	15,180.6	21,166.2	23,315.0	21,559.4	22,432.6	22,643.7	23,281.4	22,766.1	23,633.2
2. Savings and time deposits	7,651.1	10,213.1	13,001.1	18,370.7	19,678.0	19,856.1	20,711.6	20,857.0	22,064.4	22,680.7
3. Foreign currency deposits	46,901.6	71,836.9	72,054.6	76,035.3	74,070.1	74,765.5	73,216.8	74,056.7	75,849.5	78,423.0
4. Bonds and money market instruments	478.2	317.8	216.3	598.4	395.6	355.7	339.1	380.4	477.9	697.9
5. Foreign liabilities	17,809.7	21,857.8	35,023.5	49,932.0	52,252.2	54,495.0	54,392.5	54,712.3	54,499.7	52,976.8
6. Central government and funds' deposits	6,730.5	5,634.7	6,094.9	5,283.3	5,218.6	5,388.4	5,508.6	5,632.8	6,165.4	6,467.3
7. Credit from central bank	328.8	16.6	17.6	968.9	14.1	14.2	14.0	14.1	121.7	296.7
8. Restricted and blocked deposits	2,549.6	1,600.8	1,680.5	1,709.0	2,036.8	2,137.6	2,261.7	2,284.4	2,164.4	2,148.9
o/w: Households' blocked f/c deposits	1,695.1	770.2	319.3	167.8	110.7	110.4	106.2	101.8	48.0	46.9
9. Capital accounts	24,953.1	25,455.1	26,323.2	27,389.5	27,492.9	27,115.1	27,312.2	27,252.0	27,219.8	27,564.7
10. Other items (net)	-8,839.4	-9,507.8	-9,955.6	-8,324.2	-3,238.9	-2,963.7	-2,818.0	-2,367.7	-2,784.4	-2,398.8
Total (1+2+3+4+5+6+7+8+9+10)	109,949.1	142,605.6	165,622.2	195,278.0	199,478.7	203,596.5	203,582.2	206,103.3	208,544.6	212,490.3

Table D1: Banks' Accounts

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

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

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

Claims on central government and funds are the following forms of claims in kuna and foreign currency: securities and loans. Bonds issued in accordance with the Act on Converting Households' Foreign Exchange Deposits into the Public Debt of the Republic of Croatia are shown separately. Other claims also included, until July 2000, bonds issued in accordance with the Act on the Issue of Bonds for the Restructuring of the Economy of the Republic of Croatia. These bonds have been replaced, pursuant to a Decree of the Government of the Republic of Croatia on the Issuing of Replacement Bonds for the Restructuring of the Economy, issued in April 2000, by kuna

bonds on which interest is paid.

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

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

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

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

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

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

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

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

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

Restricted and blocked deposits comprise the following banks' liabilities: kuna and foreign currency restricted deposits by other do-

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

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

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

Table D2: Banks' Foreign Assets

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Foreign assets in f/c	19,619.2	32,763.6	25,924.4	35,261.9	35,000.4	36,002.8	36,381.5	37,284.8	38,303.5	39,985.4
1.1. Claims on foreign banks	19,154.9	31,660.3	21,333.5	31,877.6	29,255.0	30,095.0	30,717.9	30,911.3	32,225.2	33,984.8
Foreign currencies	1,002.8	7,324.7	1,019.8	1,268.6	832.2	1,036.8	1,129.6	1,291.9	1,581.8	1,382.7
Demand deposits	995.0	1,231.9	757.7	1,057.0	813.1	857.3	1,007.5	968.4	879.4	799.6
Time and notice deposits	16,286.7	21,765.2	17,569.8	27,969.4	25,742.3	26,242.5	26,371.0	26,257.3	27,418.2	29,241.8
Securities	454.9	1,008.5	1,690.2	1,364.2	1,658.7	1,744.2	1,983.3	2,185.9	2,144.8	2,361.3
Loans and advances	370.9	290.3	278.7	203.1	195.1	200.2	212.9	194.1	193.2	191.6
Shares and participations	44.6	39.7	17.2	15.4	13.7	13.9	13.6	13.6	7.8	7.8
1.2. Claims on foreign non-banks	464.3	1,103.3	4,590.8	3,384.4	5,745.4	5,907.8	5,663.6	6,373.5	6,078.4	6,000.6
Claims on foreign governments	137.8	596.2	3,855.5	2,905.0	5,237.3	5,413.1	5,250.6	5,888.8	5,662.7	5,600.6
Claims on other non-residents	322.4	505.5	733.7	478.9	507.7	494.3	412.6	484.4	415.3	399.7
Securities	–	72.1	191.3	32.1	109.7	79.0	77.0	151.6	75.2	75.0
Loans and advances	322.4	433.4	542.4	446.8	398.0	415.3	335.6	332.9	340.0	324.6
Shares and participations	4.1	1.6	1.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4
2. Foreign assets in kuna	91.2	44.1	53.4	120.9	175.6	65.0	76.7	212.7	214.8	149.3
2.1. Claims on foreign banks	66.1	29.2	19.6	99.1	154.7	53.0	64.8	201.7	203.7	138.3
2.2. Claims on foreign non-banks	25.1	14.8	33.8	21.9	20.9	12.0	11.9	11.0	11.1	11.0
o/w: Loans and advances	23.3	13.9	33.0	21.0	20.1	11.1	11.1	10.2	10.3	10.2
Total (1+2)	19,710.4	32,807.6	25,977.8	35,382.9	35,176.0	36,067.8	36,458.1	37,497.5	38,518.4	40,134.7

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 D3: Banks' Claims on the Central Government and Funds

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Bonds (c'part to blocked f/c savings deposits)	4,484.4	3,420.1	2,473.5	1,531.9	994.3	1,013.2	989.7	987.7	574.4	506.3
2. Other claims	14,571.0	16,639.7	19,444.3	20,011.7	20,102.1	19,794.0	19,996.4	20,197.2	21,126.7	21,216.8
2.1. In kuna	12,887.7	14,358.6	15,970.9	16,475.2	16,301.1	16,289.8	16,669.1	16,645.3	16,709.5	16,823.4
2.1.1. Claims on central government	11,288.4	12,810.0	13,969.9	14,500.7	12,396.5	12,900.2	13,369.5	13,357.3	14,471.4	14,568.1
Securities	10,063.5	11,983.1	11,515.6	10,238.1	9,594.9	10,080.1	10,565.1	9,885.3	10,560.3	10,191.5
Loans and advances	1,224.9	826.9	2,454.3	4,262.6	2,801.6	2,820.2	2,804.5	3,472.0	3,911.1	4,376.5
2.1.2. Claims on central government funds	1,599.4	1,548.5	2,001.0	1,974.5	3,904.6	3,389.6	3,299.6	3,288.0	2,238.2	2,255.3
Securities	627.3	560.1	560.7	723.6	1,325.2	1,340.0	1,281.8	1,283.4	636.5	625.3
Loans and advances	972.1	988.4	1,440.3	1,250.9	2,579.4	2,049.6	2,017.8	2,004.6	1,601.7	1,630.0
2.2. In f/c	1,683.3	2,281.2	3,473.3	3,536.4	3,801.1	3,504.2	3,327.3	3,551.9	4,417.1	4,393.4
2.2.1. Claims on central government	1,492.7	1,390.9	2,359.1	3,196.9	2,554.5	2,233.3	2,081.1	2,140.0	3,199.3	3,210.8
Securities	869.2	1,065.5	1,733.4	1,805.4	1,403.8	1,420.4	1,340.6	1,396.2	1,205.9	1,231.0
Loans and advances	623.5	325.5	625.7	1,391.5	1,150.7	812.9	740.5	743.8	1,993.4	1,979.7
2.2.2. Claims on central government funds	190.6	890.3	1,114.2	339.5	1,246.5	1,270.9	1,246.2	1,411.9	1,217.8	1,182.6
Securities	35.0	75.4	195.0	96.4	190.1	198.7	186.0	180.5	170.8	137.5
Loans and advances	155.5	814.8	919.2	243.1	1,056.5	1,072.2	1,060.2	1,231.4	1,047.0	1,045.0
Total (1+2)	19,055.5	20,059.9	21,917.7	21,543.6	21,096.4	20,807.2	20,986.1	21,185.0	21,701.1	21,723.1

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

The table shows banks' kuna and foreign currency claims on the central government and funds.

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

Big bonds are those issued in accordance with the Act on the Issue of Bonds for the Restructuring of the Economy of the Republic of Croatia.

Other claims are all other banks' kuna and foreign currency claims on the central government and funds: securities, loans and equities. The item Securities also comprised, until July 2000, bonds issued in accordance with the Act on the Issue of Bonds for the Restructuring of the Economy of the Republic of Croatia. These bonds have been replaced, pursuant to a Decree of the Government of the Republic of Croatia on the Issuing of Replacement Bonds for the Restructuring of the Economy, issued in April 2000, by kuna bonds on which interest is paid.

Table D4: Banks' Claims on Other Domestic Sectors

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Claims in kuna	53,739.5	66,626.8	85,418.7	100,365.0	101,139.2	103,264.7	103,294.5	104,687.6	105,767.8	106,620.9
1.1. Money market instruments	231.9	544.7	1,394.7	1,314.1	1,778.5	1,772.5	1,738.3	2,605.7	2,657.6	2,356.9
1.2. Bonds	1.0	7.7	72.4	56.2	193.7	191.9	550.8	560.0	612.4	580.3
1.3. Loans and advances	49,566.8	62,180.6	80,887.6	96,081.7	96,475.3	98,508.8	98,224.7	98,743.7	100,161.4	101,364.0
1.4. Shares and participations	3,939.8	3,893.8	3,064.0	2,912.9	2,691.7	2,791.5	2,780.7	2,778.2	2,336.3	2,319.7
2. Claims in f/c	6,624.3	7,657.0	10,799.8	10,009.3	10,800.9	11,358.6	10,671.9	10,751.9	10,771.8	10,990.7
2.1. Securities	112.4	126.6	243.2	130.6	231.5	239.8	242.9	262.2	286.6	268.7
2.2. Loans and advances	6,512.0	7,530.5	10,556.6	9,878.7	10,569.4	11,118.8	10,429.0	10,489.7	10,485.2	10,722.0
Total (1+2)	60,363.9	74,283.8	96,218.4	110,374.3	111,940.1	114,623.3	113,966.5	115,439.5	116,539.6	117,611.5

^a Loans in f/c decreased by a one-off HRK 2,759.4m.

Table D4: Banks' Claims on Other Domestic Sectors

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

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

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

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

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
LOANS IN KUNA										
1. Loans to central government and funds	2,196.9	1,815.4	3,894.6	5,513.5	5,381.0	4,869.8	4,822.3	5,476.6	5,512.8	6,006.6
1.1. Loans to central government	1,224.9	826.9	2,454.3	4,262.6	2,801.6	2,820.2	2,804.5	3,472.0	3,911.1	4,376.5
1.2. Loans to central government funds	972.1	988.4	1,440.3	1,250.9	2,579.4	2,049.6	2,017.8	2,004.6	1,601.7	1,630.0
2. Loans to local government	996.8	1,069.1	1,202.9	1,485.1	1,522.2	1,548.8	1,535.2	1,541.5	1,481.3	1,526.0
3. Loans to enterprises	25,328.0	31,049.4	36,708.1	39,777.4	39,587.1	40,126.6	39,999.8	39,682.9	40,060.4	40,687.4
4. Loans to households	23,242.1	30,062.1	42,976.6	54,819.3	55,366.0	56,833.4	56,689.8	57,519.2	58,619.7	59,150.6
o/w: Housing loans	8,257.8	9,450.0	12,363.4	16,896.2	17,575.9	18,113.3	18,097.2	18,425.7	18,912.2	19,167.3
5. Loans to other banking institutions	33.5	34.7	17.6	82.3	126.0	52.1	46.1	55.2	52.6	54.1
6. Loans to non-banking financial institutions	105.5	240.9	521.3	427.9	379.5	394.6	464.7	464.2	600.7	475.7
A. Total (1+2+3+4+5+6)	51,902.8	64,271.6	85,321.1	102,105.4	102,361.8	103,825.3	103,557.8	104,739.7	106,327.5	107,900.4
LOANS IN F/C										
1. Loans to central government and funds	779.1	1,140.3	1,544.9	1,634.7	2,207.2	1,885.1	1,800.7	1,975.2	3,040.4	3,024.8
1.1. Loans to central government	623.5	325.5	625.7	1,391.5	1,150.7	812.9	740.5	743.8	1,993.4	1,979.7
1.2. Loans to central government funds	155.5	814.8	919.2	243.1	1,056.5	1,072.2	1,060.2	1,231.4	1,047.0	1,045.0
2. Loans to local government	171.6	179.1	152.3	47.1	38.2	38.9	38.1	38.0	30.8	30.7
3. Loans to enterprises	6,284.0	7,291.7	10,308.3	9,649.4	10,360.2	10,901.2	10,206.4	10,217.2	10,257.9	10,496.5
4. Loans to households	56.3	59.7	96.0	182.1	171.0	178.7	184.6	234.4	196.6	194.8
5. Loans to other banking institutions	–	–	1.2	174.3	77.7	59.4	96.8	52.7	29.8	–
6. Loans to non-banking financial institutions	–	–	28.3	58.8	250.8	267.0	208.6	215.8	116.1	223.4
B. Total (1+2+3+4+5+6)	7,291.0	8,670.7	12,131.0	11,746.4	13,105.1	13,330.3	12,535.1	12,733.3	13,671.6	13,970.1
TOTAL (A+B)	59,193.9	72,942.3	97,452.1	113,851.8	115,466.9	117,155.5	116,093.0	117,473.0	119,999.1	121,870.5

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

The table shows data on kuna and foreign currency loans

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

Table D6: Demand Deposits with Banks

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Local government	573.6	907.0	1,910.4	2,006.2	2,169.9	2,217.4	2,289.3	2,230.1	2,092.8	2,134.7
2. Enterprises	7,087.1	8,981.6	12,344.5	12,872.9	11,063.5	11,507.6	11,384.8	12,039.3	11,672.0	12,292.7
3. Households	3,499.7	4,872.0	6,307.4	7,873.1	7,799.0	8,081.6	8,110.0	8,243.7	8,485.4	8,546.1
4. Other banking institutions	11.6	17.0	42.1	98.9	101.4	120.4	165.3	86.2	97.4	177.7
5. Non-banking financial institutions	221.7	407.1	568.1	468.1	428.9	509.0	697.9	686.4	421.1	484.8
6. Less: Checks of other banks and checks in collection	-7.6	-4.2	-6.4	-4.2	-3.2	-3.3	-3.6	-4.2	-2.7	-2.8
Total (1+2+3+4+5+6)	11,386.0	15,180.6	21,166.2	23,315.0	21,559.4	22,432.6	22,643.7	23,281.4	22,766.1	23,633.2

Table D6: Demand Deposits with Banks

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

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

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

Table D7: Time and Savings Deposits with Banks

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Savings deposits	1,676.1	2,006.8	2,236.2	2,527.9	2,228.8	2,223.2	2,158.4	2,207.7	2,146.7	2,175.1
1.1. Local government	137.6	118.3	14.8	14.4	9.0	9.3	9.6	4.9	6.4	4.6
1.2. Enterprises	142.4	88.0	213.3	190.5	31.2	34.3	14.3	22.6	43.2	57.5
1.3. Households	1,348.3	1,712.2	1,996.3	2,288.8	2,188.6	2,173.7	2,129.3	2,176.3	2,097.1	2,113.1
1.4. Other banking institutions	0.6	20.8	0.0	–	–	–	–	–	–	–
1.5. Non-banking financial institutions	47.2	67.5	11.8	34.2	0.0	5.9	5.2	3.8	0.0	0.0
2. Time and notice deposits	5,975.0	8,206.3	10,764.9	15,842.9	17,449.3	17,632.8	18,553.2	18,649.3	19,917.7	20,505.6
2.1. Local government	230.7	340.7	482.8	551.6	674.4	704.8	677.7	713.3	753.0	815.7
2.2. Enterprises	2,871.4	3,618.3	4,633.6	7,165.3	7,670.7	7,651.9	8,731.9	8,594.7	9,682.5	9,969.0
2.3. Households	1,789.8	2,554.1	3,793.8	6,194.5	7,039.9	7,286.6	7,322.5	7,411.9	7,629.6	7,798.8
2.4. Other banking institutions	20.8	24.7	58.4	129.3	352.0	348.2	206.6	270.6	241.2	220.0
2.5. Non-banking financial institutions	1,062.2	1,668.5	1,796.3	1,802.2	1,712.2	1,641.4	1,614.5	1,658.7	1,611.5	1,702.1
Total (1+2)	7,651.1	10,213.1	13,001.1	18,370.7	19,678.0	19,856.1	20,711.6	20,857.0	22,064.4	22,680.7

Table D7: Time and Savings Deposits with Banks

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

Table D8: Foreign Currency Deposits with Banks

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Savings deposits	14,566.3	23,748.8	21,074.4	21,547.0	20,922.2	21,334.0	20,703.9	21,223.3	21,704.3	23,016.8
1.1. Local government	16.8	13.2	12.2	14.7	13.8	11.8	13.2	16.2	15.7	15.7
1.2. Enterprises	2,408.0	2,884.2	3,346.7	3,620.2	3,776.7	3,803.5	3,779.2	4,091.7	3,937.9	4,799.3
1.3. Households	12,041.5	20,688.3	17,537.3	17,690.2	16,941.5	17,392.2	16,777.3	16,839.5	17,487.0	17,941.1
1.4. Other banking institutions	10.3	23.9	34.7	9.0	18.9	4.1	18.4	5.3	27.6	12.8
1.5. Non-banking financial institutions	89.8	139.2	143.5	212.9	171.3	122.4	115.8	270.6	236.2	247.8
2. Time deposits	32,335.3	48,088.1	50,980.3	54,488.4	53,147.9	53,431.5	52,512.9	52,833.3	54,145.1	55,406.2
2.1. Local government	8.2	1.7	9.5	3.8	0.3	0.3	0.3	0.3	0.3	1.0
2.2. Enterprises	2,753.1	4,619.1	6,009.6	7,154.0	6,832.5	6,254.8	6,238.2	6,260.6	6,567.9	7,046.8
2.3. Households	29,097.2	42,705.4	44,159.2	46,805.1	45,898.2	46,833.4	45,940.0	46,231.0	47,086.3	47,786.8
2.4. Other banking institutions	4.2	11.5	41.5	21.7	61.6	2.3	2.2	2.2	59.7	72.7
2.5. Non-banking financial institutions	472.7	750.3	760.5	503.7	355.2	340.8	332.1	339.2	431.0	498.8
Total (1+2)	46,901.6	71,836.9	72,054.6	76,035.3	74,070.1	74,765.5	73,216.8	74,056.7	75,849.5	78,423.0

Table D8: Foreign Currency Deposits with Banks

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

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

Table D9: Bonds and Money Market Instruments

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Money market instruments (net)	–	–	5.1	–	–	–	–	–	–	–
2. Bonds (net)	353.5	104.4	92.8	151.9	139.5	140.7	139.3	144.8	159.6	159.1
3. Other domestic borrowing	124.7	213.4	118.4	446.5	256.1	215.0	199.7	235.6	318.2	538.8
3.1. Local government	–	–	–	0.9	2.1	2.1	2.1	1.2	–	2.1
3.2. Enterprises	15.2	158.1	46.3	92.7	40.2	40.2	40.4	40.4	40.2	40.5
3.3. Other banking institutions	1.3	4.6	10.0	222.1	62.3	84.8	19.2	52.0	212.4	419.1
3.4. Non-banking financial institutions	108.2	50.7	62.0	130.9	151.6	88.0	138.1	142.0	65.6	77.1
Total (1+2+3)	478.2	317.8	216.3	598.4	395.6	355.7	339.1	380.4	477.9	697.9

Table D9: Bonds and Money Market Instruments

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

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

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

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

Table D10: Banks' Foreign Liabilities

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Foreign liabilities in f/c	17,669.8	21,692.7	34,198.5	44,574.3	45,518.5	47,739.2	47,913.9	48,582.5	48,183.8	47,270.9
1.1. Liabilities to foreign banks	11,957.6	16,407.4	28,662.3	38,623.1	39,910.9	41,796.3	41,978.2	43,289.6	42,740.0	41,837.9
Demand deposits	176.3	147.1	130.9	266.6	97.9	130.6	144.9	145.7	141.8	110.0
Time and notice deposits	345.9	1,208.3	9,002.9	14,875.4	14,089.5	14,767.6	14,049.3	14,543.0	13,944.1	13,606.6
Loans and advances	11,435.4	15,052.1	19,528.5	23,481.2	25,723.6	26,898.1	27,784.0	28,600.9	25,380.2	24,839.6
o/w: Subordinated and hybrid instruments	194.2	2,558.3	2,801.4	2,949.2	2,819.5	2,872.8	2,811.0	2,809.7	2,747.2	2,741.7
Bonds	–	–	–	–	–	–	–	–	3,273.9	3,281.8
1.2. Liabilities to foreign non-banks	5,712.2	5,285.2	5,536.2	5,951.2	5,607.5	5,942.9	5,935.7	5,292.9	5,443.8	5,433.0
Savings and time deposits	2,868.1	3,777.8	4,160.2	4,753.2	4,926.2	5,244.8	5,253.9	4,612.2	4,792.7	4,784.5
Sight deposits	745.5	873.7	875.6	898.6	1,021.4	989.9	972.1	989.7	1,076.2	1,021.8
Time and notice deposits	2,122.6	2,904.1	3,284.6	3,854.6	3,904.8	4,254.9	4,281.8	3,622.5	3,716.5	3,762.8
Loans and advances	2,844.1	1,507.4	1,376.0	1,198.0	681.3	698.1	681.8	680.7	651.1	648.4
o/w: Subordinated and hybrid instruments	66.0	39.3	39.7	39.1	70.7	72.1	70.5	70.5	70.8	70.7
2. Foreign liabilities in kuna	140.0	165.1	825.0	5,357.7	6,733.7	6,755.8	6,478.6	6,129.7	6,315.9	5,705.9
2.1. Liabilities to foreign banks	37.0	46.9	690.9	5,087.8	6,393.8	6,358.7	6,072.4	5,723.6	5,870.9	5,237.9
Demand deposits	14.4	38.2	53.6	86.4	103.5	217.8	125.5	189.4	157.8	112.9
Time and notice deposits	22.0	4.2	635.8	2,664.1	3,290.3	3,064.9	2,937.3	2,526.2	2,686.7	2,126.5
Loans and advances	0.7	4.5	1.5	2,337.3	3,000.0	3,076.0	3,009.6	3,008.0	3,026.4	2,998.5
2.2. Liabilities to foreign non-banks	103.0	118.2	134.1	269.9	339.9	397.1	406.2	406.1	445.0	468.0
Demand deposits	50.8	60.1	56.2	76.8	94.6	91.1	93.9	90.4	94.9	104.3
Time and notice deposits	52.2	58.1	77.9	191.4	237.6	293.1	299.6	303.0	337.3	354.7
Loans and advances	–	–	–	1.7	7.7	12.9	12.7	12.7	12.8	9.0
o/w: Subordinated and hybrid instruments	....	....	....	1.7	7.7	12.9	12.7	12.7	12.8	9.0
Total (1+2)	17,809.7	21,857.8	35,023.5	49,932.0	52,252.2	54,495.0	54,392.5	54,712.3	54,499.7	52,976.8

Table D10: Banks' Foreign Liabilities

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

Banks' foreign liabilities comprise foreign currency liabilities and

foreign kuna liabilities.

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

Table D11: Central Government and Funds' Deposits with Banks

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. In kuna	3,073.3	3,335.1	4,036.8	4,104.4	4,088.5	4,140.0	4,327.9	4,407.4	4,792.8	4,978.0
1.1. Central government deposits	430.0	295.9	634.3	506.4	440.5	471.3	500.9	417.1	433.6	526.9
Demand deposits	116.7	33.9	476.4	448.0	395.8	426.0	460.7	371.2	388.9	482.6
Savings deposits	26.1	41.6	3.3	3.0	–	–	–	5.6	4.6	4.8
Time and notice deposits	259.5	217.6	153.6	54.2	43.6	44.1	39.2	39.2	39.1	38.5
Loans and advances	27.7	2.8	1.1	1.1	1.0	1.1	1.0	1.0	1.0	1.0
1.2. Central government funds' deposits	2,643.3	3,039.2	3,402.5	3,598.0	3,648.0	3,668.8	3,826.9	3,990.3	4,359.2	4,451.1
Demand deposits	116.9	214.6	553.2	294.8	192.9	224.2	286.4	216.7	206.7	318.1
Savings deposits	15.2	10.8	0.0	0.3	5.9	3.9	8.9	2.4	2.4	2.5
Time and notice deposits	32.6	195.2	144.3	156.2	155.6	139.8	141.0	232.5	312.9	304.3
Loans and advances	2,478.6	2,618.6	2,705.0	3,146.7	3,293.5	3,300.9	3,390.7	3,538.7	3,837.1	3,826.2
2. In f/c	3,657.1	2,299.6	2,058.1	1,178.9	1,130.1	1,248.4	1,180.7	1,225.4	1,372.6	1,489.2
2.1. Central government deposits	3,622.6	2,275.0	1,938.9	1,158.2	1,064.6	1,112.7	1,043.1	1,065.3	976.3	1,115.5
Savings deposits	1,256.1	329.8	263.0	198.5	222.9	213.5	192.7	209.1	217.0	357.6
Time and notice deposits	27.0	55.8	293.1	–	–	14.8	14.5	14.5	15.3	15.3
Refinanced loans and advances	2,339.4	1,889.5	1,382.8	959.6	841.7	884.4	835.9	841.7	744.0	742.6
2.2. Central government funds' deposits	34.6	24.5	119.2	20.8	65.5	135.7	137.6	160.1	396.3	373.7
Savings deposits	25.0	22.9	114.1	20.8	58.4	53.2	56.8	50.0	187.5	269.5
Time and notice deposits	9.5	1.6	5.0	–	7.1	82.5	80.7	110.2	208.9	104.3
Total (1+2)	6,730.5	5,634.7	6,094.9	5,283.3	5,218.6	5,388.4	5,508.6	5,632.8	6,165.4	6,467.3

Table D11: Central Government and Funds' Deposits with Banks

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

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

Table D12: Restricted and Blocked Deposits with Banks

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Restricted deposits	854.4	830.6	1,361.2	1,541.2	1,926.1	2,027.2	2,155.5	2,182.6	2,116.4	2,102.0
1.1. In kuna	131.6	100.3	789.6	730.1	1,090.3	1,172.0	1,164.5	1,245.7	1,250.0	1,235.2
1.2. In f/c	722.8	730.3	571.6	811.1	835.8	855.2	991.0	936.9	866.5	866.8
2. Blocked f/c deposits of households	1,695.1	770.2	319.3	167.8	110.7	110.4	106.2	101.8	48.0	46.9
Total (1+2)	2,549.6	1,600.8	1,680.5	1,709.0	2,036.8	2,137.6	2,261.7	2,284.4	2,164.4	2,148.9

Table D12: Restricted and Blocked Deposits with Banks

The table shows restricted and blocked deposits by the central government and funds, other domestic sectors, other banking institutions, non-banking financial institutions and foreign legal and natural persons with banks.

Restricted and blocked deposits include two categories of depos-

its: restricted (kuna and foreign currency) deposits and blocked foreign currency deposits.

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

Figure D1

DISTRIBUTION OF BANKS' LOANS BY DOMESTIC INSTITUTIONAL SECTORS

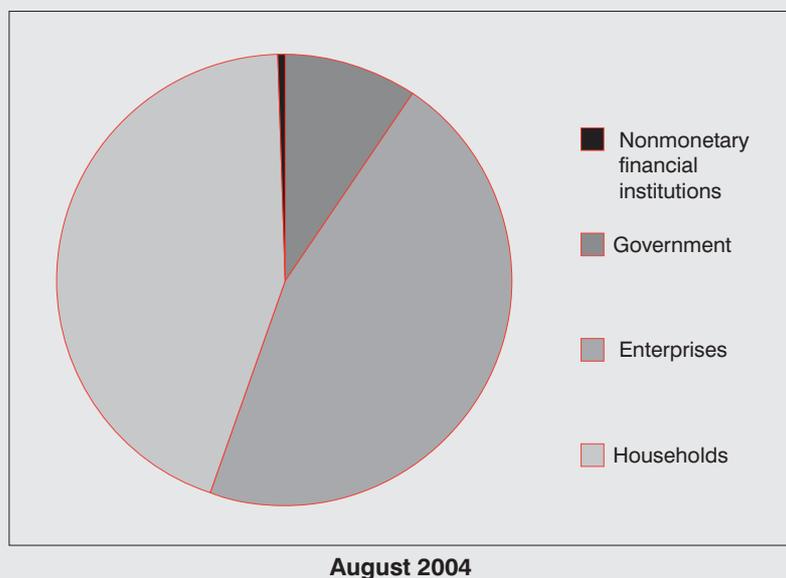
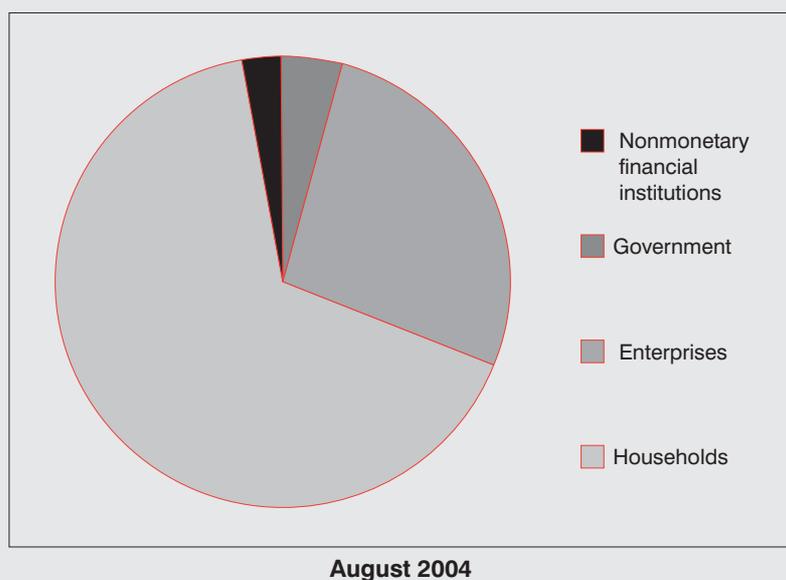


Figure D2

DISTRIBUTION OF BANKS' DEPOSITS BY DOMESTIC INSTITUTIONAL SECTORS



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

Table E1: Housing Savings Banks' Accounts

End of Period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
ASSETS										
1. Reserves with the CNB	7.6	15.5	19.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	497.6	1,208.8	1,983.9	3,033.5	3,196.9	3,236.9	3,256.6	3,330.1	3,413.4	3,332.1
3. Claims on other domestic sectors	1.1	11.6	93.3	187.9	216.3	239.1	253.2	271.3	289.2	301.6
o/w: Claims on households	0.6	11.6	91.3	187.9	216.3	239.1	253.2	271.3	289.2	301.6
4. Claims on banks	7.6	18.1	37.2	247.2	51.8	67.5	39.3	37.7	253.9	411.9
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	513.8	1,254.0	2,133.6	3,468.6	3,465.0	3,543.5	3,549.1	3,639.2	3,956.6	4,045.7
LIABILITIES										
1. Time deposits	437.8	1,137.5	2,012.9	3,265.2	3,324.0	3,435.1	3,413.3	3,477.7	3,759.6	3,821.6
2. Bonds and money market instruments	10.0	10.0	–	11.1	11.0	17.0	25.8	11.3	14.9	10.3
3. Capital accounts	112.5	124.0	141.1	159.7	159.6	130.3	128.9	146.2	182.6	200.2
4. Other items (net)	–46.5	–17.5	–20.4	32.6	–29.6	–39.0	–18.9	4.0	–0.5	13.6
Total (1+2+3+4)	513.8	1,254.0	2,133.6	3,468.6	3,465.0	3,543.5	3,549.1	3,639.2	3,956.6	4,045.7

Table E1: Housing Savings Banks' Accounts

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

Housing savings banks' required reserves held at the central bank included, until September 2003, 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	Credit rates						
			On lombard credits ^a	On intervention credits	On intra-day refinance facility ^a	On short-term liquidity credits	On advances on the account of statutory reserves ^a	On inaccurately calculated statutory reserves ^a	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	July	4.50	9.50	–	–	10.50	–	15.00	15.00
	August	4.50	9.50	–	–	10.50	–	15.00	15.00
	September	4.50	9.50	–	–	10.50	–	15.00	15.00
	October	4.50	9.50	–	–	10.50	–	15.00	15.00
	November	4.50	9.50	–	–	10.50	–	15.00	15.00
	December	4.50	9.50	–	–	10.50	–	15.00	15.00
2004	January	4.50	9.50	–	–	10.50	–	15.00	15.00
	February	4.50	9.50	–	–	10.50	–	15.00	15.00
	March	4.50	9.50	–	–	10.50	–	15.00	15.00
	April	4.50	9.50	–	–	10.50	–	15.00	15.00
	May	4.50	9.50	–	–	10.50	–	15.00	15.00
	June	4.50	9.50	–	–	10.50	–	15.00	15.00
	July	4.50	9.50	–	–	10.50	–	15.00	15.00
	August	4.50	9.50	–	–	10.50	–	15.00	15.00

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

Table F1: Credit Rates of the Croatian National Bank

The table shows interest rates used by the CNB to calculate and charge interest on loans and on all other claims.

Credit rates of the CNB are being set by special decisions of the Council of the Croatian National Bank, on annual basis. Exceptionally, from June 1995 to 11 September 1996 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 weighted average interest rate on lombard credits. Interest rate in September 1996 is calculated as the weighted average of interest rate applied in the first 10 days of September 1996 (according to the regime mentioned above) and fixed interest rate applied since 11 September 1996.

Time series presented in the table contain certain breaks, due to changes in CNB's monetary policy instruments. Consequently, until November 1994, column 4 shows interest rates on regular credits for maintenance of day-to-day liquidity, which were granted based on securities portfolio, and from December 1994 onwards, interest rates on lombard credits.

Furthermore, data shown in column 6 refer, until September 1994, to interest rates on special credits for savings deposits' payments and for payments from households' current accounts, and from October 1994 until September 1997 to interest rates on daily credits for savings deposits and households' current accounts in kuna. Daily credits, as opposed to special credits, are paid back on the same day. In October 1997, this instrument was replaced by daily credits for overcoming short-term liquidity problems that are collat-

eralized 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 7 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.

Interest rates reported in column 8 refer to the use of statutory reserves, which was being used by banks (in prescribed percentage) to maintain day-to-day liquidity until September 1994. Interest rates paid until September 1994 on the use of statutory reserve funds in amount above prescribed and/or for longer period than allowed are shown in column 9. Since October 1994, interest rates paid on the use of statutory reserve funds are the same as those used for any other failure to fulfil financial obligations, in accordance with the late interest regulations (shown in column 10).

Until June 1994, the same interest rate was applied to funds used above amounts available on giro accounts and to inaccurately calculated or under-appropriated statutory reserves (reported in column 9). From July to September 1994, interest rate applied to the use of those funds from the primary issue was 21%, and since October 1994, the same interest rates have been applied as for other failures to fulfil financial obligations, shown in column 10.

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				
				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
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	July	1.50	0.50	–	2.52	–	–	1.43	1.88	–	–	–
	August	1.50	0.50	–	2.52	–	–	1.74	1.35	–	–	–
	September	1.50	0.50	–	2.55	–	–	1.69	1.19	–	–	–
	October	1.50	0.50	–	–	–	–	1.65	1.65	–	–	–
	November	1.25 ^b	0.50	–	–	–	–	1.61	1.73	–	–	–
	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–
2004	January	1.25	0.50	–	–	–	–	–	–	–	–	–
	February	1.25	0.50	–	–	–	–	–	–	–	–	–
	March	1.25	0.50	–	–	–	–	–	–	–	–	–
	April	1.25	0.50	–	2.50	–	–	–	–	–	–	–
	May	1.25	–	–	–	–	–	–	–	–	–	–
	June	1.25	–	–	–	–	–	–	–	–	–	–
	July	1.25	–	–	–	–	–	–	–	–	–	–
	August	1.25	–	–	–	–	–	–	–	–	–	–

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

^b Since 13 November 2003.

Table F2: Deposit Rates of the Croatian National Bank

The table shows interest rates paid by the CNB on funds deposited with the CNB as well as on securities issued.

Interest rates paid by the CNB for appropriated statutory reserve funds are being set by the Council of the CNB. Until 7 October 1993, the CNB was setting different exchange rates for statutory reserve funds based on savings and time deposits. Therefore, for that period the table reports the weighted average interest rate on appropriated statutory reserve funds (column 3). From 8 October 1993 until the end of February 1994, the CNB paid no interest on appropriated statutory reserve funds, and since March 1994, uniform rate has been applied to these funds.

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

Until October 1993, interest rates on CNB bills on a voluntary basis were also set by the Council of the CNB, while since November 1993, they have been set at CNB bills' auction sales. Congruently, since November 1993, columns 5, 6 and 7 report weighted average interest rates attained at auctions of CNB bills.

Until October 1994, interest rates on CNB bills on a voluntary basis due in 30 and 90 days are reported in columns 6 and 7 respectively. From November 1994 through January 2001, columns 7 and 9 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.

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	July	19.00	28,664.6	13,191.0	15,473.5	60.1	9,063.0	7,860.7	1.39	1.43
	August	19.00	29,398.7	13,703.8	15,694.8	85.8	9,602.2	8,143.7	1.37	1.55
	September	19.00	29,977.8	15,743.2	14,234.6	85.8	10,676.7	7,229.5	1.38	1.41
	October	19.00	30,120.0	16,227.5	13,892.5	99.7	11,023.3	6,995.3	1.41	1.54
	November	19.00	30,493.0	17,073.4	13,419.5	109.4	11,697.5	6,927.1	1.27	1.54
	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	January	19.00	31,639.9	18,498.6	13,141.3	95.3	12,805.8	6,844.6	1.18	1.33
	February	19.00	32,269.7	18,950.8	13,318.9	85.9	13,432.4	9,263.0	1.17	1.12
	March	19.00	32,487.9	19,106.8	13,381.1	85.9	13,678.3	10,214.0	1.17	1.02
	April	19.00	32,477.6	19,099.7	13,377.9	36.8	13,694.8	10,249.8	1.20	1.16
	May	19.00	32,937.9	19,432.6	13,505.3	–	13,945.7	10,372.8	1.21	1.03
	June	19.00	33,233.4	19,685.3	13,548.1	–	14,131.5	10,436.6	1.20	1.00
	July	19.00	33,336.0	19,813.6	13,522.3	–	14,233.8	10,421.5	1.18	1.10
	August	19.00	33,748.9	20,036.4	13,712.5	253.9	14,327.8	10,477.5	1.17	1.10

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 a special statutory reserve account with the CNB, 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) and statutory reserves on f/c deposits, f/c credits from foreign banks and guarantees for such credits.

Column 8 shows the portion of the kuna reserve requirement which banks deposit in a special 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). This percentage currently stands at 40%.

Column 9 shows the portion of the foreign currency reserve requirement which banks deposit in a special statutory reserve account with the CNB. The minimum percentage of the total reserve requirement banks are required to deposit in a special statutory reserve account with the CNB currently stands at 40%.

Column 10 shows the weighted average remuneration rate on all

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 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	July	756.3	13,122.4	1.79	0.4	2,002.4	1,617.3	4,052.0
	August	568.1	16,349.2	1.27	84.1	1,790.3	1,931.0	3,778.6
	September	326.0	18,023.3	0.70	425.5	388.6	3,911.2	3,335.5
	October	578.6	18,567.1	1.26	43.2	10.0	4,387.0	2,743.8
	November	621.8	18,914.1	1.36	178.2	0.0	3,893.2	2,980.9
	December	451.6	20,561.4	0.98	501.6	0.0	4,316.0	3,073.2
2004	January	562.2	20,203.3	1.19	238.8	0.0	4,509.2	2,879.9
	February	285.0	20,170.4	0.58	251.3	0.0	2,502.1	3,056.5
	March	399.3	19,645.4	0.81	150.5	0.0	149.9	2,966.2
	April	1,235.8	19,696.8	2.49	6.4	38.1	0.0	3,005.0
	May	1,313.3	19,615.9	2.59	3.6	87.8	0.0	3,643.3
	June	947.1	19,984.7	1.82	1.2	0.0	0.0	3,999.1
	July	618.1	24,020.1	1.17	27.0	0.0	0.0	4,289.5
	August	672.0	26,737.0	1.26	153.8	0.0	0.0	3,950.8

forms of immobilized 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 in foreign currency. The Croatian National Bank pays remuneration equalling the average interest earned on placements abroad on the calculated foreign currency reserve requirement deposited in the foreign exchange accounts with the Croatian National Bank.

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: use of statutory reserves (until October 1994), regular loans for maintenance of day-to-day liquidity (until November 1994), use of funds exceeding those available in the bank's giro account (until October 1994), special credits for overcoming liquidity problems (initial credits, credits for overcoming liquidity problems of banks under evaluation for entry into rehabilitation and restructuring procedures), lombard credits (since December 1994), intervention credits for overcoming liquidity problems (since October 1994), short-term liquidity credits (since February 1999), as well as 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 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	July	1.84	2.98	11.15	11.39	7.56	14.86	15.01	11.21	9.79	6.83	10.82	
	August	3.98	3.94	12.08	12.32	8.03	14.94	15.03	12.12	10.10	6.99	11.12	
	September	6.29	6.79	11.71	12.02	8.04	14.90	15.00	11.69	9.77	7.63	11.20	
	October	5.37	5.54	12.00	12.25	8.23	14.96	15.07	12.39	9.87	7.84	10.97	
	November	3.02	4.65	12.00	12.33	8.36	14.90	14.99	12.72	9.02	7.04	10.48	
	December	5.47	7.02	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69	
2004	January	6.20	7.48	12.12	12.23	8.35	14.99	15.07	12.97	10.99	8.57	11.51	
	February	5.70	6.01	12.42	12.58	8.60	14.94	15.06	12.17	10.92	8.26	11.37	
	March	7.74	8.17	11.76	12.03	8.34	14.60	14.72	12.16	9.92	5.89	11.40	
	April	3.24	5.46	11.76	11.98	8.32	14.48	14.60	11.99	10.14	5.74	11.48	
	May	1.59	3.93	11.64	12.02	8.22	14.35	14.42	12.66	9.10	5.27	10.88	
	June	1.76	4.64	11.60	11.79	8.01	14.33	14.40	12.41	10.07	6.25	11.44	
	July	5.60	6.10	11.51	11.80	8.16	14.24	14.34	12.58	9.86	5.59	11.79	
	August	7.69	6.99	11.47	11.58	7.74	14.22	14.29	12.86	10.53	6.77	11.81	
Relative significance ^a		–	–	71.63	64.02	26.08	37.94	36.25	1.70	7.61	1.93	5.69	

^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	July	8.05	8.67	8.17	10.54	7.90	6.41	8.62	7.04	9.47	4.74	6.31	4.20
	August	7.96	8.72	7.62	11.44	7.81	5.92	8.80	7.18	9.73	6.19	6.51	5.97
	September	8.12	7.79	7.25	10.21	8.24	6.64	8.77	7.10	9.81	4.77	5.14	4.42
	October	8.09	7.93	7.67	9.18	8.14	6.64	8.80	7.18	9.66	5.73	6.00	5.28
	November	7.39	7.42	7.24	8.46	7.38	5.38	8.78	6.92	9.80	5.58	6.25	5.08
	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	January	7.00	7.51	7.24	9.65	6.85	5.51	7.72	5.38	9.91	5.26	5.71	4.77
	February	7.99	7.58	7.45	8.37	8.14	6.78	8.65	6.62	9.91	6.00	6.20	5.68
	March	7.48	7.36	7.21	8.37	7.51	5.95	8.42	6.81	9.46	4.58	4.24	5.46
	April	7.66	7.37	7.26	8.20	7.75	6.49	8.34	6.84	9.33	5.47	5.85	4.83
	May	7.53	7.14	6.92	8.73	7.65	6.32	8.33	6.71	9.46	5.69	5.53	5.94
	June	7.18	7.09	6.86	8.59	7.20	6.19	7.65	6.02	8.69	4.90	5.70	4.30
	July	7.25	7.16	6.98	8.55	7.28	5.70	8.23	6.09	9.40	5.50	6.27	4.95
	August	7.49	7.47	7.21	8.80	7.50	5.82	8.28	5.79	9.83	5.43	6.21	4.96
Relative significance ^a		22.36	4.58	3.83	0.75	17.77	5.67	12.10	4.64	7.46	6.01	2.26	3.75

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

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	July	1.36	0.79	3.28	3.21	3.59	2.99	4.93	5.53	1.86
	August	1.50	0.75	3.83	3.80	3.62	3.90	4.90	5.25	2.01
	September	1.79	0.74	5.25	5.25	3.88	5.66	4.98	5.30	4.22
	October	1.70	0.74	4.72	4.72	3.66	5.15	4.66	4.71	4.22
	November	1.50	0.78	3.56	3.54	3.58	3.52	4.50	4.49	4.51
	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	January	1.77	0.75	4.96	4.96	3.86	5.22	4.84	5.08	4.08
	February	1.89	0.75	4.95	4.95	3.66	5.26	4.58	4.84	2.56
	March	1.98	0.74	5.35	5.37	3.65	5.87	4.30	4.59	2.79
	April	1.71	0.76	4.31	4.30	3.57	4.46	4.75	4.71	4.81
	May	1.66	0.74	3.42	3.41	3.81	3.35	4.49	4.77	3.69
	June	1.64	0.74	3.34	3.34	3.82	3.25	3.22	4.84	2.02
	July	1.89	0.72	5.00	5.01	3.88	5.19	3.89	4.84	2.70
	August	2.11	0.75	6.25	6.28	3.80	6.57	3.68	4.90	2.10
Relative significance ^a		47.42	32.18	11.96	11.83	1.27	10.56	0.13	0.07	0.06

^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					
						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	July	3.25	3.26	4.69	2.22	0.32	0.35	0.24	0.22	0.19	
	August	3.14	2.71	4.77	2.17	0.32	0.36	0.24	0.25	0.18	
	September	3.40	3.46	4.89	2.22	0.32	0.36	0.24	0.26	0.19	
	October	3.37	3.18	4.74	2.20	0.32	0.36	0.23	0.26	0.27	
	November	3.25	3.53	4.61	2.14	0.32	0.35	0.23	0.26	0.25	
	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15	
2004	January	3.67	3.44	4.43	2.46	0.31	0.33	0.22	0.26	0.17	
	February	3.78	3.61	4.78	2.38	0.31	0.33	0.22	0.30	0.22	
	March	3.70	3.53	4.87	2.38	0.30	0.33	0.22	0.27	0.23	
	April	3.74	3.51	4.72	2.51	0.30	0.33	0.23	0.25	0.19	
	May	3.85	3.48	5.08	2.50	0.31	0.33	0.22	0.32	0.17	
	June	3.64	3.45	5.08	2.50	0.31	0.33	0.22	0.28	0.17	
	July	3.90	3.60	5.06	2.62	0.30	0.33	0.22	0.25	0.18	
	August	3.89 ^b	3.63	4.96	2.54	0.31	0.34	0.22	0.28	0.31	
Relative significance ^a		1.63	1.27	0.35	50.95	31.54	21.49	3.84	5.10	1.12	

^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, 31.30 percent refers to enterprises.

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

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

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

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

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

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

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

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

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

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

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

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

Relative significance of particular interest rates (reported in the

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

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

Year	Month	Interest rates on foreign currency deposits											
		On time deposits											
		Total Average	On short-term deposits				Total Average	On long-term deposits					
			Households		Enterprises			Households		Enterprises			
1	2	12	13	14	15	16	17	18	19	20	21	22	
				EUR	USD	EUR	USD		EUR	USD	EUR	USD	
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	July	2.75	2.57	2.91	1.75	2.37	1.20	4.31	4.44	3.01	2.61	1.33	
	August	2.68	2.48	2.89	1.67	2.13	1.22	4.59	4.86	3.04	2.86	1.17	
	September	2.64	2.46	2.89	1.70	2.21	1.15	4.23	4.90	3.00	3.07	-	
	October	2.68	2.50	2.85	1.61	2.39	1.29	4.76	4.85	3.22	6.37	2.04	
	November	2.52	2.36	2.79	1.59	2.15	1.12	4.19	4.31	2.98	3.37	0.00	
	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64	
2004	January	2.73	2.47	2.86	1.65	2.22	1.08	3.88	4.86	3.29	3.28	1.67	
	February	2.62	2.42	2.82	1.62	2.24	1.09	4.68	4.95	3.18	3.18	1.10	
	March	2.61	2.44	2.85	1.63	2.35	1.11	4.45	4.89	2.94	3.11	-	
	April	2.70	2.47	2.82	1.65	2.35	1.15	3.79	4.93	3.08	2.98	1.34	
	May	2.78	2.58	3.02	1.68	2.33	1.13	4.32	4.75	2.30	3.25	1.95	
	June	2.75	2.58	3.05	1.70	2.40	1.17	4.57	4.86	3.24	3.08	4.81	
	July	2.87	2.63	3.08	1.74	2.38	1.35	3.95	4.89	3.18	3.24	0.21	
	August	2.90	2.70	3.10	1.72	2.38	1.56	4.62	4.95	2.88	3.23	1.30	
Relative significance ^a		19.41	17.41	10.19	1.24	4.75	1.23	2.00	1.66	0.17	0.17	0.00	

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

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 EUR, current exchange rate

	2000	2001	2002	2003	2004						
					Mar.	Apr.	May	Jun.	Jul.	Aug. ^a	Sep. ^a
A. Purchase of foreign exchange											
1. Legal persons	3,316.4	5,012.4	4,727.8	6,433.1	654.2	599.7	615.0	583.4	679.4	529.9	651.1
2. Natural persons	2,549.2	3,339.9	3,342.6	3,571.6	276.3	324.7	311.7	346.5	442.3	439.0	333.9
2.1. Residents	2,021.1	2,684.5	2,842.0	3,103.3	268.8	–	288.0	304.7	366.0	–	–
2.2. Non-residents	528.0	655.4	500.7	468.2	7.5	–	23.7	41.8	76.4	–	–
3. Domestic banks	2,441.4	3,985.8	4,104.5	6,324.4	967.3	929.1	909.2	690.0	1,024.1	745.7	877.3
4. Foreign banks	–	–	697.9	1,430.6	214.6	144.0	50.6	113.3	138.6	108.4	165.0
5. Croatian National Bank	168.2	481.7	294.3	438.3	–	–	–	–	–	–	–
Total (1+2+3+4)	8,475.2	12,819.8	13,167.1	18,197.9	2,112.3	1,997.5	1,886.5	1,733.1	2,284.5	1,823.0	2,027.3
B. Sale of foreign exchange											
1. Legal persons	5,414.8	8,534.2	9,029.3	10,852.4	923.5	867.0	881.0	922.7	1,108.0	946.4	993.3
2. Natural persons	963.6	1,253.5	1,333.6	1,403.1	140.2	126.8	138.6	133.8	177.8	155.9	142.9
2.1. Residents	962.8	1,252.3	1,329.7	1,393.1	139.3	–	137.7	131.9	175.5	–	–
2.2. Non-residents	0.6	1.2	3.9	10.0	0.9	–	1.0	1.9	2.3	–	–
3. Domestic banks	2,441.4	3,985.8	4,104.5	6,324.4	967.3	929.1	909.2	690.0	1,024.1	745.7	877.3
4. Foreign banks	–	–	334.3	765.3	71.7	101.1	74.5	101.4	95.4	84.0	128.2
5. Croatian National Bank	284.2	915.7	745.3	84.5	162.7	–	–	–	46.0	70.0	25.0
Total (1+2+3+4)	9,104.0	14,689.2	15,547.0	19,429.7	2,265.3	2,024.0	2,003.3	1,848.0	2,451.3	2,001.9	2,166.7
C. Net purchase (A–B)											
1. Legal persons	–2,098.4	–3,521.8	–4,301.5	–4,419.4	–269.2	–267.3	–266.0	–339.4	–428.6	–416.4	–342.3
2. Natural persons	1,585.6	2,086.4	2,009.0	2,168.4	136.1	197.9	173.1	212.7	264.5	283.2	191.0
2.1. Residents	1,058.3	1,432.2	1,512.3	1,710.2	129.5	0.0	150.4	172.8	190.5	–	–
2.2. Non-residents	527.4	654.2	496.7	458.2	6.6	0.0	22.7	39.9	74.1	–	–
3. Foreign banks	–	–	363.6	665.3	142.9	42.9	–23.9	11.8	–46.0	–70.0	–25.0
4. Croatian National Bank	–116.0	–434.0	–451.0	353.8	–162.7	0.0	–	–	–	–	–
Total (1+2+3)	–628.8	–1,869.4	–2,379.9	–1,231.8	–153.0	–26.5	–116.8	–114.9	–210.0	–203.2	–176.2
Memo items: Other Croatian National Bank transactions											
Purchase of foreign exchange	405.8	536.8	197.5	570.9	0.0	145.0	–	0.0	–	–	–
Sale of foreign exchange	86.9	2.6	3.4	94.9	–	1.2	–	–	0.4	0.0	–

^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 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 US dollars

	2000	2001	2002	2003 ^b	2003				2004	
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
A. CURRENT ACCOUNT (1+6)	-460.8	-725.8	-1,920.1	-2,084.7	-1,077.8	-1,460.8	1,973.1	-1,519.1	-1,488.8	-1,268.6
1. Goods, services, and income (2+5)	-1,343.9	-1,691.5	-2,996.0	-3,480.2	-1,407.1	-1,834.3	1,629.8	-1,868.7	-1,828.7	-1,637.3
1.1. Credit	9,008.9	10,053.1	10,999.4	15,411.3	2,447.6	3,481.0	6,278.0	3,204.7	3,001.1	3,821.7
1.2. Debit	-10,352.8	-11,744.5	-13,995.4	-18,891.5	-3,854.7	-5,315.2	-4,648.2	-5,073.4	-4,829.8	-5,458.9
2. Goods and services (3+4)	-935.9	-1,173.9	-2,493.9	-2,266.9	-1,179.8	-1,024.9	1,706.6	-1,768.8	-1,538.2	-1,364.5
2.1. Credit	8,663.1	9,634.2	10,571.0	14,929.1	2,325.9	3,366.7	6,155.7	3,080.9	2,849.0	3,663.4
2.2. Debit	-9,598.9	-10,808.1	-13,064.9	-17,196.0	-3,505.7	-4,391.6	-4,449.1	-4,849.7	-4,387.2	-5,027.8
3. Goods	-3,203.8	-4,101.3	-5,648.6	-7,908.3	-1,450.8	-2,123.0	-2,119.4	-2,215.1	-1,772.3	-2,327.4
3.1. Credit	4,567.2	4,758.7	5,003.6	6,307.7	1,485.8	1,547.5	1,500.3	1,774.0	1,850.2	1,942.4
3.2. Debit	-7,770.9	-8,860.0	-10,652.2	-14,216.0	-2,936.6	-3,670.5	-3,619.7	-3,989.2	-3,622.5	-4,269.8
4. Services	2,267.9	2,927.4	3,154.7	5,641.4	271.0	1,098.2	3,826.0	446.3	234.1	962.9
4.1. Credit	4,095.9	4,875.5	5,567.4	8,621.4	840.1	1,819.2	4,655.3	1,306.8	998.9	1,720.9
4.2. Debit	-1,828.0	-1,948.1	-2,412.7	-2,980.0	-569.1	-721.1	-829.4	-860.5	-764.7	-758.0
5. Income	-408.1	-517.6	-502.1	-1,213.3	-227.3	-809.4	-76.7	-99.8	-290.5	-272.8
5.1. Credit	345.8	418.9	428.4	482.2	121.7	114.3	122.3	123.9	152.0	158.3
5.2. Debit	-753.9	-936.4	-930.5	-1,695.5	-349.1	-923.7	-199.1	-223.7	-442.6	-431.1
6. Current transfers	883.2	965.7	1,075.9	1,395.6	329.2	373.5	343.2	349.6	340.0	368.6
6.1. Credit	1,101.0	1,174.5	1,358.1	1,729.2	393.8	452.1	427.8	455.4	457.4	480.7
6.2. Debit	-217.8	-208.8	-282.3	-333.7	-64.6	-78.6	-84.6	-105.8	-117.4	-112.1
B. CAPITAL AND FINANCIAL ACCOUNT	1,237.1	1,304.2	2,702.3	3,320.1	1,144.8	1,182.6	-172.0	1,164.8	1,152.3	639.1
B1. Capital account	20.9	133.0	443.4	83.6	6.5	62.4	4.5	10.3	8.5	9.0
B2. Financial account, excl. reserves	1,798.3	2,484.3	2,955.8	4,627.5	1,312.8	1,410.8	100.5	1,803.4	628.9	874.2
1. Direct investment	1,085.4	1,404.1	591.1	1,905.6	302.2	665.2	135.5	802.7	244.8	240.5
1.1. Abroad	-3.9	-154.6	-532.9	-92.6	-23.5	-21.8	-0.5	-46.8	-45.4	-17.0
1.2. In Croatia	1,089.4	1,558.7	1,124.0	1,998.2	325.7	687.0	136.0	849.6	290.3	257.6
2. Portfolio investment	707.6	600.7	-229.7	1,004.3	741.4	316.3	-219.0	165.5	-182.3	499.6
2.1. Assets	-22.7	-129.3	-626.5	155.1	82.0	72.8	-155.1	155.4	-454.9	-221.4
2.2. Liabilities	730.3	730.0	396.8	849.2	659.4	243.6	-63.9	10.1	272.6	720.9
3. Other investment	5.3	479.5	2,594.4	1,717.7	269.2	429.3	184.0	835.2	566.4	134.1
3.1. Assets	-966.0	360.4	358.8	-2,531.0	-280.7	-327.5	-806.7	-1,116.1	179.8	-377.0
3.2. Liabilities	971.2	119.1	2,235.6	4,248.6	549.9	756.8	990.6	1,951.3	386.6	511.1
B3. Reserve assets (CNB)	-582.1	-1,313.1	-696.9	-1,391.1	-174.5	-290.6	-277.1	-648.9	514.9	-244.2
C. NET ERRORS AND OMISSIONS	-776.3	-578.5	-782.2	-1,235.4	-66.9	278.2	-1,801.0	354.3	336.5	629.6

^a Preliminary data. ^b Revised data.

Note: From 1999 on, item "Other investment – Liabilities" includes CNB repo transactions.

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 two currencies: in US dollars (USD) and in domestic currency (HRK). In both 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 ports by carriers. In addition, since 1999, based on the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travel-

Table H2: Balance of Payments – Goods and Services

Million US dollars

	2000	2001	2002	2003 ^b	2003				2004	
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
Goods	-3,203.8	-4,101.3	-5,648.6	-7,908.3	-1,450.8	-2,123.0	-2,119.4	-2,215.1	-1,772.3	-2,327.4
1. Credit	4,567.2	4,758.7	5,003.6	6,307.7	1,485.8	1,547.5	1,500.3	1,774.0	1,850.2	1,942.4
1.1.Exports (f.o.b.) in trade statistics	4,431.6	4,665.9	4,903.6	6,186.6	1,463.0	1,516.3	1,470.3	1,737.1	1,816.6	1,906.7
1.2. Adjustments for coverage	135.6	92.8	100.0	121.0	22.9	31.2	30.0	37.0	33.5	35.8
2. Debit	-7,770.9	-8,860.0	-10,652.2	-14,216.0	-2,936.6	-3,670.5	-3,619.7	-3,989.2	-3,622.5	-4,269.8
2.1. Imports (c.i.f.) in trade statistics	-7,886.5	-9,147.1	-10,722.0	-14,209.0	-2,952.4	-3,663.0	-3,595.3	-3,998.4	-3,649.2	-4,297.3
2.2. Adjustments for coverage	-444.4	-362.3	-330.1	-537.0	-94.3	-144.1	-158.6	-139.9	-109.4	-132.8
2.3. Adjustments for classification	559.9	649.4	399.9	530.0	110.1	136.6	134.1	149.1	136.1	160.3
Services	2,267.9	2,927.4	3,154.7	5,641.4	271.0	1,098.2	3,826.0	446.3	234.1	962.9
1. Transportation	178.6	166.8	163.4	284.5	53.7	73.8	96.6	60.4	74.4	83.6
1.1. Credit	557.3	588.6	590.2	787.7	153.9	206.3	228.3	199.2	200.2	242.2
1.2. Debit	-378.7	-421.8	-426.8	-503.2	-100.2	-132.6	-131.6	-138.8	-125.8	-158.6
2. Travel	2,189.9	2,728.6	3,030.2	5,704.1	270.7	1,098.0	3,802.5	532.8	275.3	907.5
2.1. Credit	2,758.0	3,335.0	3,811.4	6,376.4	397.8	1,245.6	4,025.5	707.5	444.7	1,075.8
2.1.1. Business	263.6	273.9	323.0	374.0	78.4	90.5	95.4	109.7	88.7	115.6
2.1.2. Personal	2,494.4	3,061.1	3,488.5	6,002.4	319.4	1,155.1	3,930.1	597.8	356.0	960.2
2.2. Debit	-568.1	-606.4	-781.3	-672.4	-127.1	-147.6	-223.0	-174.7	-169.4	-168.3
2.2.1. Business	-260.5	-289.1	-460.0	-330.1	-64.9	-75.5	-97.7	-92.0	-70.5	-79.8
2.2.2. Personal	-307.6	-317.3	-321.3	-342.3	-62.2	-72.1	-125.2	-82.7	-98.9	-88.5
3. Other services	-100.6	32.0	-38.9	-347.1	-53.4	-73.6	-73.2	-146.9	-115.6	-28.2
3.1. Credit	780.6	951.9	1,165.8	1,457.3	288.4	367.3	401.5	400.1	353.9	402.9
3.2. Debit	-881.2	-919.9	-1,204.6	-1,804.4	-341.8	-440.9	-474.7	-547.0	-469.5	-431.1

^a Preliminary data. ^b Revised data.

lers 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

Table H3: Balance of Payments – Income and Current Transfers

Million US dollars

	2000	2001	2002	2003 ^b	2003				2004	
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
Income	-408.1	-517.6	-502.1	-1,213.3	-227.3	-809.4	-76.7	-99.8	-290.5	-272.8
1. Compensation of employees	69.6	124.5	154.8	202.9	46.8	41.0	55.4	59.6	67.4	74.3
1.1. Credit	82.7	137.3	173.2	241.2	51.7	54.4	62.9	72.2	76.8	84.5
1.2. Debit	-13.1	-12.8	-18.4	-38.3	-4.9	-13.4	-7.5	-12.5	-9.3	-10.2
2. Direct investment income	-152.9	-290.5	-320.3	-956.7	-60.8	-779.6	-51.7	-64.6	-99.6	-272.6
2.1. Credit	9.3	20.2	23.3	23.1	11.1	6.1	5.3	0.6	3.5	11.7
o/w: Reinvested earnings	6.8	15.2	8.4	19.8	10.2	4.7	4.7	0.2	2.4	7.5
2.2. Debit	-162.2	-310.7	-343.7	-979.8	-71.9	-785.7	-56.9	-65.2	-103.1	-284.3
o/w: Reinvested earnings	-93.9	-153.0	-151.5	-657.2	-50.9	-620.7	24.1	-9.8	-89.7	-176.4
3. Portfolio investment income	-178.8	-218.1	-193.5	-265.4	-176.1	-24.7	-31.8	-32.9	-221.9	-27.6
3.1. Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2. Debit	-178.8	-218.1	-193.6	-265.4	-176.1	-24.7	-31.8	-32.9	-221.9	-27.6
4. Other investment income	-145.9	-133.4	-143.0	-194.1	-37.2	-46.1	-48.7	-62.0	-36.4	-47.0
4.1. Credit	253.8	261.4	231.8	217.9	58.9	53.8	54.1	51.1	71.8	62.1
4.2. Debit	-399.7	-394.8	-374.8	-412.0	-96.1	-99.9	-102.9	-113.1	-108.2	-109.0
Current transfers	883.2	965.7	1,075.9	1,395.6	329.2	373.5	343.2	349.6	340.0	368.6
1. General government	21.7	56.7	28.6	78.3	24.6	32.6	14.8	6.2	-8.8	12.0
1.1. Credit	118.0	125.5	132.2	239.9	59.4	72.9	53.4	54.1	50.7	67.0
1.2. Debit	-96.3	-68.9	-103.6	-161.6	-34.8	-40.3	-38.6	-47.9	-59.5	-55.0
2. Other sectors	861.5	909.0	1,047.3	1,317.3	304.6	340.9	328.4	343.4	348.8	356.6
2.1. Credit	983.0	1,049.0	1,225.9	1,489.4	334.4	379.2	374.4	401.3	406.7	413.7
2.2. Debit	-121.5	-139.9	-178.7	-172.1	-29.8	-38.3	-46.0	-57.9	-57.9	-57.1

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

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

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

on debt relations within direct investments have been collected on the basis of external debt relations statistics.

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

Other investment encompasses all other debt investments that have not been mentioned, apart from investment constituting reserve assets. Other investments are classified by instruments, maturity and sectors. Trade credits, in the 1996-2002 period, included the CNB estimates of advance payment and deferred payments, made on the basis of the sample of the largest and large importers and exporters. Data on advance payments have been estimated since 1996, while data on short-term deferred payments (first up to 90 days, then up to 150 days, and today from 8 days to 1 year) have been collected since 1999. In 2003 this research was replaced by a new one, where the selected companies, regardless of their size (stratified sample), are obliged to submit data. Data on deferred payments with the original maturity of more than one year are adopted from the CNB foreign credit relations statistics. Credits granted by residents to non-residents, i.e. foreign loans utilised by residents and granted by non-residents, which cannot be classified into direct investments or trade credits, are classified by the institutional sector and maturity under the corresponding positions of other investment. The CNB foreign credit relations statistics represent the data source for these positions. Currency and deposit position shows residents' claims on foreign countries for foreign cash and deposits with foreign banks, as well as obligations of the Croatian banks for deposits owned by non-resi-

Table H4: Balance of Payments – Direct and Portfolio Investments

Million US dollars

	2000	2001	2002	2003 ^b	2003				2004	
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
Direct investment	1,085.4	1,404.1	591.1	1,905.6	302.2	665.2	135.5	802.7	244.8	240.5
1. Abroad	-3.9	-154.6	-532.9	-92.6	-23.5	-21.8	-0.5	-46.8	-45.4	-17.0
1.1. Equity capital and reinvested earnings	-33.5	-123.7	-529.0	-100.5	-29.9	-24.7	-14.1	-31.7	-52.4	-17.3
1.1.1. Claims	-33.5	-123.7	-529.5	-100.5	-29.9	-24.7	-14.1	-31.7	-52.4	-17.3
1.1.2. Liabilities	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	29.6	-30.9	-3.9	7.9	6.4	3.0	13.7	-15.1	7.0	0.3
1.1.1. Claims	-9.6	5.1	-6.2	-15.3	-1.2	-7.1	2.2	-9.2	-3.0	0.3
1.2.2. Liabilities	39.2	-35.9	2.2	23.2	7.5	10.1	11.5	-6.0	10.0	0.0
2. In Croatia	1,089.4	1,558.7	1,124.0	1,998.2	325.7	687.0	136.0	849.6	290.3	257.6
2.1. Equity capital and reinvested earnings	805.3	968.0	816.4	1,527.5	141.1	523.9	38.3	824.2	280.8	198.9
2.1.1. Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Liabilities	805.3	968.0	816.4	1,527.5	141.1	523.9	38.3	824.2	280.8	198.9
2.2. Other capital	284.1	590.8	307.6	470.7	184.6	163.0	97.7	25.4	9.5	58.7
2.2.1. Claims	0.0	0.1	-0.3	-1.8	0.1	0.0	-0.1	-1.9	-0.1	0.1
2.2.2. Liabilities	284.1	590.6	307.9	472.5	184.4	163.0	97.7	27.3	9.6	58.6
Portfolio investment	707.6	600.7	-229.7	1,004.3	741.4	316.3	-219.0	165.5	-182.3	499.6
1. Assets	-22.7	-129.3	-626.5	155.1	82.0	72.8	-155.1	155.4	-454.9	-221.4
1.1. Equity securities	-0.2	0.3	-69.4	-65.8	-10.0	-8.3	-26.9	-20.6	-4.7	-20.7
1.1.1. General government	0.0	0.0	-2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1. Banks	-0.2	0.3	-2.5	0.4	0.0	0.0	0.0	0.4	0.0	0.0
1.1.1.2. Other sectors	0.0	0.0	-64.3	-66.1	-10.0	-8.3	-26.9	-21.0	-4.7	-20.7
1.1.2. Debt securities	-22.5	-129.6	-557.2	220.8	91.9	81.1	-128.2	176.1	-450.3	-200.6
1.2.1. Bonds	-17.7	-116.2	-569.8	205.7	89.1	75.2	-132.8	174.2	-347.2	-164.9
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
1.2.1.2. Banks	-17.7	-116.2	-549.8	211.8	77.9	84.3	-121.7	171.2	-339.2	-163.2
1.2.1.3. Other sectors	0.0	0.0	-20.0	-6.1	11.2	-9.2	-11.1	3.0	-8.0	-1.7
1.2.2. Money market instruments	-4.8	-13.4	12.6	15.1	2.9	5.9	4.6	1.8	-103.0	-35.7
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
1.2.2.2. Banks	-4.8	-13.4	18.5	7.8	7.7	-0.5	0.6	0.0	-102.4	-36.3
1.2.2.3. Other sectors	0.0	0.0	-5.9	7.3	-4.9	6.3	4.0	1.8	-0.6	0.6
1.2. Liabilities	730.3	730.0	396.8	849.2	659.4	243.6	-63.9	10.1	272.6	720.9
2.1. Equity securities	-0.2	13.6	64.3	15.2	-3.7	19.6	-2.0	1.3	4.3	43.2
2.1.1. Banks	0.4	-4.1	38.6	-2.2	-2.4	0.1	0.0	0.1	0.9	0.5
2.1.2. Other sectors	-0.6	17.7	25.7	17.4	-1.3	19.5	-2.0	1.2	3.4	42.7
2.2. Debt securities	730.5	716.4	332.5	834.0	663.1	224.0	-61.9	8.8	268.3	677.8
2.2.1. Bonds	736.1	698.6	359.9	794.8	663.1	212.3	-80.6	0.0	264.0	714.3
2.2.1.1. General government	736.1	698.6	245.8	592.7	460.9	212.3	-80.6	0.0	264.0	595.0
2.2.1.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.3. Other sectors	0.0	0.0	114.2	202.2	202.2	0.0	0.0	0.0	0.0	119.3
2.2.2. Money market instruments	-5.6	17.9	-27.4	39.2	0.0	11.7	18.7	8.8	4.4	-36.6
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
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
2.2.2.3. Other sectors	-5.6	17.9	-27.4	39.2	0.0	11.7	18.7	8.8	4.4	-36.6

^a Preliminary data. ^b Revised data.

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

for International Settlement quarterly data, while data in the fourth quarter of 2001 and in the first two quarters of 2002 relate to the effect of the EMU countries' currencies changeover to the euro.

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

Table H5: Balance of Payments – Other Investment

Million US dollars

	2000	2001	2002	2003 ^b	2003				2004	
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^a	Q2 ^a
Other investment (net)	5.3	479.5	2,594.4	1,717.7	269.2	429.3	184.0	835.2	566.4	134.1
1. Assets	-966.0	360.4	358.8	-2,531.0	-280.7	-327.5	-806.7	-1,116.1	179.8	-377.0
1.1. Trade credits	97.8	56.7	-91.5	-185.2	-97.1	-125.8	9.9	27.8	-130.2	-117.2
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
1.1.1.1. Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
1.1.2. Other sectors	97.8	56.7	-91.5	-185.2	-97.1	-125.8	9.9	27.8	-130.2	-117.2
1.1.2.1. Long-term	2.4	8.3	-14.6	-25.5	-19.0	-2.9	5.2	-8.8	-15.3	13.6
1.1.2.2. Short-term	95.4	48.4	-77.0	-159.6	-78.0	-122.9	4.6	36.7	-114.9	-130.8
1.2. Loans	-93.2	34.7	-55.1	-32.6	12.0	33.4	-42.8	-35.2	1.9	7.6
1.2.1. General government	0.0	-3.2	0.6	-1.1	-0.4	-0.4	-0.3	0.0	0.4	0.0
1.2.1.1. Long-term	0.0	-3.2	0.6	-1.1	-0.4	-0.4	-0.3	0.0	0.4	0.0
1.2.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2. Banks	2.7	-9.2	-20.0	4.4	-0.3	12.8	-2.1	-6.0	-0.5	6.5
1.2.2.1. Long-term	2.3	-3.0	-15.5	5.4	-1.0	9.9	0.0	-3.5	-2.5	4.7
1.2.2.2. Short-term	0.4	-6.3	-4.5	-1.1	0.6	2.9	-2.1	-2.5	2.0	1.8
1.2.3. Other sectors	-96.0	47.1	-35.7	-35.9	12.8	20.9	-40.4	-29.2	2.1	1.1
1.2.3.1. Long-term	-96.0	47.1	-35.6	-36.0	12.8	20.8	-40.4	-29.2	2.1	1.2
1.2.3.2. Short-term	0.0	0.0	-0.1	0.1	0.0	0.1	0.0	0.0	0.0	-0.1
1.3. Currency and deposits	-970.5	269.0	505.4	-2,313.2	-195.7	-235.1	-773.7	-1,108.7	308.0	-267.4
1.3.2. General government	-25.8	-16.1	-31.1	27.6	69.3	-15.6	68.7	-94.7	-106.4	-72.0
1.3.3. Banks	-901.8	-1,602.0	1,343.9	-2,308.8	-194.9	-259.4	-920.4	-934.1	368.4	-195.4
1.3.4. Other sectors	-43.0	1,887.0	-807.4	-32.0	-70.0	40.0	78.0	-80.0	46.0	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
2. Liabilities	971.2	119.1	2,235.6	4,248.6	549.9	756.8	990.6	1,951.3	386.6	511.1
2.1. Trade credits	276.9	72.7	474.0	-256.6	-103.8	-18.0	-153.0	18.2	31.3	18.0
2.1.1. General government	-3.2	1.1	0.1	1.7	0.0	0.9	0.3	0.6	-0.2	-0.1
2.1.1.1. Long-term	-0.5	1.1	0.1	1.7	0.0	0.9	0.3	0.6	-0.2	-0.1
2.1.1.2. Short-term	-2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	280.1	71.6	474.0	-258.4	-103.8	-18.9	-153.2	17.6	31.5	18.1
2.1.2.1. Long-term	-12.7	-14.9	-8.4	-63.7	-8.4	-12.2	-20.1	-23.0	-15.7	-19.1
2.1.2.2. Short-term	292.8	86.5	482.3	-194.7	-95.4	-6.7	-133.1	40.6	47.1	37.2
2.2. Loans	799.3	-154.2	602.9	3,151.0	553.4	283.5	1,172.4	1,141.7	257.4	554.0
2.2.1. Croatian National Bank	-10.2	-5.2	-185.7	374.5	129.7	-42.7	257.1	30.5	-287.8	-154.9
2.2.1.1. o/w: IMF	-28.7	-30.8	-129.6	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
2.2.1.1.2. Repayments	-28.7	-30.8	-129.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2. Short-term	18.5	25.6	-56.1	374.5	129.7	-42.7	257.1	30.5	-287.8	-154.9
2.2.2. General government	300.8	-189.8	390.1	571.2	-17.3	27.2	142.4	419.0	48.6	85.2
2.2.2.1. Long-term	13.9	170.2	390.1	571.2	-17.3	27.2	142.4	419.0	48.6	85.2
2.2.2.1.1. Drawings	264.6	325.3	547.3	798.9	35.6	98.3	200.2	464.9	157.0	147.5
2.2.2.1.2. Repayments	-250.6	-155.1	-157.2	-227.7	-52.9	-71.1	-57.8	-45.9	-108.4	-62.3
2.2.2.2. Short-term	286.9	-360.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	101.5	127.6	65.6	1,125.1	268.4	124.5	344.0	388.2	295.4	307.6
2.2.3.1. Long-term	107.9	133.1	65.4	1,031.8	236.0	110.5	334.7	350.6	292.7	327.4
2.2.3.1.1. Drawings	652.6	750.0	610.6	1,822.2	440.5	409.6	563.9	408.2	512.7	471.4
2.2.3.1.2. Repayments	-544.7	-616.9	-545.2	-790.4	-204.5	-299.1	-229.2	-57.7	-220.0	-144.0
2.2.3.2. Short-term	-6.4	-5.5	0.2	93.3	32.3	14.0	9.3	37.7	2.7	-19.8
2.2.4. Other sectors	407.2	-86.8	332.7	1,080.2	172.7	174.5	429.0	304.0	201.3	316.0
2.2.4.1. Long-term	466.5	-38.7	252.8	958.1	150.4	126.3	415.1	266.3	172.3	272.4
2.2.4.1.1. Drawings	971.1	690.1	1,107.0	2,014.8	408.8	371.6	733.4	501.2	478.9	528.5
2.2.4.1.2. Repayments	-504.6	-728.8	-854.1	-1,056.8	-258.4	-245.3	-318.2	-234.9	-306.6	-256.1
2.2.4.2. Short-term	-59.3	-48.1	79.9	122.1	22.3	48.3	13.8	37.7	29.0	43.6
2.3. Currency and deposits	-104.9	200.7	1,159.6	1,355.1	100.5	491.5	-28.7	791.8	99.6	-60.8
2.3.1. Banks	-104.9	200.7	1,159.6	1,355.1	100.5	491.5	-28.7	791.8	99.6	-60.8
2.4. Other liabilities	0.0	-0.1	-0.9	-0.8	-0.2	-0.2	-0.1	-0.4	-1.7	-0.1

^a Preliminary data. ^b Revised data.

Note: From 1999 on, item "Other investment – Liabilities" includes CNB repo transactions.

Table H6: Balance of Payments – Summary

Million kuna

	2000	2001	2002	2003 ^b	2003				2004	
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
A. CURRENT ACCOUNT (1+6)	-3,905.6	-6,058.9	-15,541.4	-13,450.6	-7,574.1	-9,513.8	13,203.9	-9,566.7	-9,025.3	-7,754.1
1. Goods, services, and income (2+5)	-11,229.1	-14,114.4	-24,204.4	-23,079.8	-9,942.7	-12,072.2	10,832.6	-11,897.4	-11,139.4	-10,094.7
1.1. Credit	74,694.1	83,974.5	85,406.7	103,086.1	17,304.3	23,281.0	41,822.4	20,678.4	18,276.1	23,583.5
1.2. Debit	-85,923.2	-98,088.9	-109,611.1	-126,165.9	-27,247.0	-35,353.2	-30,989.8	-32,575.8	-29,415.5	-33,678.2
2. Goods and services (3+4)	-7,894.9	-10,016.4	-20,110.7	-14,883.5	-8,332.9	-6,751.6	11,455.6	-11,254.5	-9,368.2	-8,397.1
2.1. Credit	71,797.8	80,245.1	82,068.8	99,969.3	16,444.5	22,523.9	41,115.4	19,885.5	17,350.0	22,606.3
2.2. Debit	-79,692.7	-90,261.5	-102,179.5	-114,852.8	-24,777.4	-29,275.5	-29,659.8	-31,140.1	-26,718.3	-31,003.4
3. Goods	-26,686.7	-34,327.9	-44,138.0	-52,784.7	-10,250.0	-14,184.0	-14,133.6	-14,217.1	-10,798.8	-14,321.8
3.1. Credit	37,910.1	39,690.9	39,196.2	42,165.2	10,504.5	10,258.1	9,997.8	11,404.7	11,262.1	12,011.0
3.2. Debit	-64,596.7	-74,018.8	-83,334.2	-94,949.9	-20,754.5	-24,442.1	-24,131.4	-25,621.8	-22,060.9	-26,332.8
4. Services	18,791.7	24,311.5	24,027.3	37,901.2	1,917.1	7,432.3	25,589.2	2,962.5	1,430.6	5,924.7
4.1. Credit	33,887.7	40,554.2	42,872.6	57,804.2	5,940.0	12,265.7	31,117.6	8,480.8	6,087.9	10,595.4
4.2. Debit	-15,096.0	-16,242.7	-18,845.3	-19,902.9	-4,022.9	-4,833.4	-5,528.4	-5,518.2	-4,657.3	-4,670.6
5. Income	-3,334.1	-4,098.0	-4,093.7	-8,196.3	-1,609.8	-5,320.6	-623.1	-642.9	-1,771.2	-1,697.6
5.1. Credit	2,896.3	3,729.4	3,338.0	3,116.8	859.8	757.1	706.9	792.9	926.0	977.2
5.2. Debit	-6,230.4	-7,827.4	-7,431.7	-11,313.1	-2,469.6	-6,077.8	-1,330.0	-1,435.8	-2,697.2	-2,674.7
6. Current transfers	7,323.5	8,055.5	8,663.0	9,629.2	2,368.6	2,558.4	2,371.3	2,330.7	2,114.1	2,340.5
6.1. Credit	9,131.4	9,795.4	10,628.9	11,558.8	2,786.7	3,007.2	2,849.5	2,915.4	2,781.9	2,968.5
6.2. Debit	-1,807.9	-1,740.0	-1,965.9	-1,929.6	-418.1	-448.8	-478.1	-584.6	-667.8	-628.0
B. CAPITAL AND FINANCIAL ACCOUNT	10,269.0	10,433.0	21,490.3	22,406.7	8,096.8	7,988.1	-1,176.8	7,498.7	7,030.1	3,935.8
B1. Capital account	172.1	1,140.1	3,695.5	545.0	45.8	402.5	30.7	66.0	51.5	55.6
B2. Financial account, excl. reserves	14,906.7	20,328.0	23,367.0	31,144.8	9,260.6	9,589.4	668.5	11,626.2	3,828.5	5,406.9
1. Direct investment	8,760.9	11,693.8	4,501.7	12,579.5	2,135.0	4,361.3	905.0	5,178.2	1,492.6	1,497.9
1.1. Abroad	-32.9	-1,279.6	-4,375.9	-609.2	-165.9	-145.3	-1.2	-296.9	-277.1	-106.1
1.2. In Croatia	8,793.8	12,973.4	8,877.7	13,188.7	2,300.9	4,506.6	906.2	5,475.1	1,769.6	1,604.0
2. Portfolio investment	5,658.5	4,975.0	-1,638.2	6,924.1	5,239.2	2,085.1	-1,461.2	1,060.9	-1,107.1	3,091.7
2.1. Assets	-189.8	-1,081.7	-4,839.8	1,008.2	576.6	470.6	-1,034.6	995.6	-2,767.1	-1,355.2
2.2. Liabilities	5,848.2	6,056.7	3,201.6	5,915.9	4,662.6	1,614.5	-426.5	65.3	1,659.9	4,446.9
3. Other investment	487.3	3,659.2	20,503.5	11,641.2	1,886.4	3,143.0	1,224.7	5,387.0	3,443.1	817.4
3.1. Assets	-7,942.6	2,569.6	3,273.3	-16,391.4	-2,004.1	-1,971.9	-5,378.4	-7,037.0	1,092.2	-2,334.4
3.2. Liabilities	8,429.9	1,089.5	17,230.2	28,032.6	3,890.6	5,114.9	6,603.1	12,424.0	2,350.9	3,151.8
B3. Reserve assets (CNB)	-4,809.8	-11,035.1	-5,572.2	-9,283.0	-1,209.6	-2,003.9	-1,876.0	-4,193.5	3,150.1	-1,526.7
C. NET ERRORS AND OMISSIONS	-6,363.4	-4,374.1	-5,948.8	-8,956.1	-522.7	1,525.7	-12,027.1	2,068.0	1,995.2	3,818.3

^a Preliminary data. ^b Revised data.

Note: From 1999 on, item "Other investment – Liabilities" includes CNB repo transactions.

Table H7: International Reserves and Banks' Foreign Exchange Reserves

End of period, million US dollars

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	1,405.0	4.5	–	–	1,400.5	1,400.5	–	878.7
1995	December	1,895.2	139.8	–	–	1,755.4	1,651.0	104.3	1,330.3
1996	December	2,314.0	125.6	–	–	2,188.4	2,016.6	171.8	1,919.5
1997	December	2,539.1	147.1	0.1	–	2,391.9	2,011.7	380.2	2,291.3
1998	December	2,815.7	231.2	0.2	–	2,584.4	1,927.0	657.4	1,885.2
1999	December	3,025.0	189.5	0.2	–	2,835.3	2,459.8	375.5	1,350.2
2000	December	3,524.8	147.7	0.2	–	3,376.9	2,574.3	802.6	2,152.9
2001	December	4,704.2	108.4	0.2	–	4,595.6	3,060.3	1,535.3	3,577.4
2002	December	5,885.8	2.4	0.2	–	5,883.2	3,945.0	1,938.2	2,688.7
2003	July	6,663.5	1.3	0.2	–	6,662.0	2,839.8	3,822.2	3,569.7
	August	6,624.1	1.0	0.2	–	6,622.8	2,986.4	3,636.4	3,404.9
	September	7,058.5	1.0	0.2	–	7,057.2	3,227.4	3,829.8	3,821.5
	October	7,237.0	1.0	0.2	–	7,235.7	3,332.4	3,903.4	3,810.8
	November	7,860.0	0.8	0.2	–	7,859.0	3,887.7	3,971.2	4,018.7
	December	8,191.3	0.8	0.3	–	8,190.2	4,181.8	4,008.4	4,908.1
2004	January	8,242.8	1.1	0.2	–	8,241.4	4,353.8	3,887.6	4,638.4
	February	8,237.1	0.8	0.3	–	8,236.0	4,170.5	4,065.5	4,381.4
	March	7,545.2	0.8	0.3	–	7,544.1	3,329.9	4,214.2	4,429.6
	April	7,632.5	1.4	0.2	–	7,630.8	3,495.5	4,135.3	4,298.6
	May	7,830.9	1.2	0.3	–	7,829.5	3,429.8	4,399.7	4,637.9
	June	7,768.9	1.2	0.2	–	7,767.5	3,357.6	4,409.9	4,601.8
	July	7,669.2	1.5	0.2	–	7,667.5	3,220.0	4,447.5	4,717.3
	August	7,807.9	0.8	0.2	–	7,806.8	3,450.4	4,356.4	5,029.0
	September ^a	7,949.3	0.8	0.2	–	7,948.2	3,488.6	4,459.6	5,018.8

^a Preliminary data.

Table H7: International Reserves and Banks' Foreign Exchange Reserves

The international reserves of the Croatian National Bank are shown according to the methodology contained in the Balance of Payments Manual (International Monetary Fund, 1993), and include those foreign claims of the Croatian National Bank that can be used to bridge imbalances in international payments. International reserves

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

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

Table H8: International Reserves and Foreign Currency Liquidity

Million US dollars

	2000	2001	2002	2003	2004					
	Dec.	Dec. ^b	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
I. Official reserve assets and other f/c assets (approximate market value)										
A. Official reserve assets	3,432.3	4,704.2	5,885.8	8,191.3	7,545.2	7,632.5	7,830.9	7,768.9	7,669.2	7,807.9
(1) Foreign currency reserves (in convertible f/c)	2,567.4	3,420.3	4,423.1	7,174.0	6,689.3	6,794.4	7,198.6	7,171.7	7,101.3	7,264.8
(a) Securities	802.6	1,535.3	1,938.2	4,008.4	4,214.2	4,135.3	4,399.7	4,409.9	4,447.5	4,356.4
o/w: Issuer headquartered in reporting country but located abroad										
(b) Total currency and deposits with:	1,764.8	1,885.0	2,484.9	3,165.6	2,475.1	2,659.1	2,799.0	2,761.8	2,653.8	2,908.4
(i) other national central banks, BIS and IMF	545.7	406.9	338.6	338.8	280.1	275.6	280.4	279.5	257.8	258.0
(ii) banks headquartered in the reporting country										
o/w: Located abroad										
(iii) banks headquartered outside the reporting country	1,219.1	1,478.1	2,146.3	2,826.8	2,195.0	2,383.5	2,518.6	2,482.3	2,395.9	2,650.4
o/w: Located in the reporting country										
(2) IMF reserve position	0.2	0.2	0.2	0.3	0.3	0.2	0.3	0.2	0.2	0.2
(3) SDRs	147.7	108.4	2.4	0.8	0.8	1.4	1.2	1.2	1.5	0.8
(4) gold										
(5) other reserve assets	717.0	1,175.3	1,460.1	1,016.2	854.8	836.4	630.8	595.8	566.2	542.0
– reverse repo	717.0	1,175.3	1,460.1	1,016.2	854.8	836.4	630.8	595.8	566.2	542.0
B. Other foreign currency assets (specify)	92.5									
– time deposits	92.5									
C. Total (A+B)	3,524.8	4,704.2	5,885.8	8,191.3	7,545.2	7,632.5	7,830.9	7,768.9	7,669.2	7,807.9
II. Predetermined short-term net drains on f/c assets (nominal value)										
1. F/c loans, securities, and deposits (total net drains up to one year)	-1,210.8	-1,191.4	-771.6	-1,922.2	-1,650.7	-1,634.6	-1,672.2	-1,663.7	-1,446.3	-1,451.8
(a) Croatian National Bank	-265.0	-391.1	-174.4	-808.5	-1.7	-1.4	-1.5	-1.5	-1.6	-1.6
Up to 1 month										
Principal	-107.6	-172.9	-142.6	-444.8	0.0	0.0	0.0	0.0	0.0	0.0
Interest	-4.3	-2.8	-2.3	-2.4	-1.7	-1.4	-1.5	-1.5	-1.6	-1.6
More than 1 and up to 3 months										
Principal	-116.5	-179.6	-27.6	-360.4	0.0	0.0	0.0	0.0	0.0	0.0
Interest	-2.8	-1.9	-0.1	-0.9	0.0	0.0	0.0	0.0	0.0	0.0
More than 3 months and up to 1 year										
Principal	-29.0	-30.4	-1.7							
Interest	-4.7	-3.4	-0.1							
(b) Central government (excl. central government funds)	-945.8	-800.3	-597.3	-1,113.7	-1,649.1	-1,633.2	-1,670.7	-1,662.2	-1,444.7	-1,450.2
Up to 1 month										
Principal	-89.3	-89.7	-102.1	-107.4	-3.9	-3.1	-31.3	-288.1	0.0	-10.4
Interest	-69.0	-49.0	-44.6	-43.0	-3.0	-1.1	-18.6	-31.7	-3.4	-4.4
More than 1 and up to 3 months										
Principal	-93.8	-310.1	-9.0	-11.6	-34.2	-313.6	-289.5	-11.2	-13.8	-6.5
Interest	-77.1	-110.9	-154.3	-210.4	-20.8	-50.4	-35.1	-7.8	-7.8	-4.5
More than 3 months and up to 1 year										
Principal	-497.1	-150.6	-183.5	-618.9	-1,299.0	-983.2	-1,008.4	-1,027.3	-1,112.1	-1,112.7
Interest	-119.6	-90.0	-103.8	-122.4	-288.2	-281.8	-287.7	-296.2	-307.6	-311.7
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	-40.7	-66.3	-22.4	-454.3	-156.6	0.0	0.0	0.0	0.0	0.0
– outflows related to repos (-)										
Up to 1 month										
Principal	-40.6	-66.3	-22.4	-453.8	-156.6	0.0	0.0	0.0	0.0	0.0
Interest	-0.1	-0.1	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
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)	-1,251.5	-1,257.7	-794.1	-2,376.5	-1,807.3	-1,634.6	-1,672.2	-1,663.7	-1,446.3	-1,451.8
III. Contingent short-term net drains on f/c assets (nominal value)										
1. Contingent liabilities in foreign currency	-969.3	-960.3	-1,698.7	-1,625.2	-2,137.4	-2,110.3	-2,189.7	-2,229.8	-2,231.6	-2,266.8
(a) Collateral guarantees on debt falling due within 1 year	-296.0	-278.6	-714.4	-533.4	-490.3	-475.4	-493.1	-494.6	-495.6	-497.2
– Croatian National Bank										
– Central government (excl. central government funds)	-296.0	-278.6	-714.4	-533.4	-490.3	-475.4	-493.1	-494.6	-495.6	-497.2
Up to 1 month	-48.4	-43.6	-54.5	-69.7	-29.0	-6.3	-38.6	-80.6	-9.0	-59.7
More than 1 and up to 3 months	-11.4	-21.8	-36.7	-118.6	-52.2	-117.6	-92.0	-69.2	-87.7	-92.7

More than 3 months and up to 1 year	-236.2	-213.2	-623.2	-345.0	-409.2	-351.5	-362.5	-344.8	-398.9	-344.8
(b) Other contingent liabilities	-673.2	-681.7	-984.3	-1,091.8	-1,647.1	-1,634.9	-1,696.6	-1,735.2	-1,736.0	-1,769.6
– Croatian National Bank	-673.2	-681.7	-984.3	-1,091.8	-1,647.1	-1,634.9	-1,696.6	-1,735.2	-1,736.0	-1,769.6
Up to 1 month										
More than 1 and up to 3 months	-673.2	-681.7	-984.3	-1,091.8	-1,647.1	-1,634.9	-1,696.6	-1,735.2	-1,736.0	-1,769.6
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	80.0	150.7								
– BIS (+)	80.0									
– IMF (+)		150.7								
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)	-889.3	-809.7	-1,698.7	-1,625.2	-2,137.4	-2,110.3	-2,189.7	-2,229.8	-2,231.6	-2,266.8
IV. Memo items										
(a) short-term domestic currency debt indexed to the exchange rate										
o/w: central government (excl. central government funds)										
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)										
(c) pledged assets										
(d) securities lent and on repo										
– lent or repoed and included in Section I	-40.0	-61.7	-20.8	-438.7	-148.8	0.0	0.0	0.0	0.0	0.0
– 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	685.6	1,089.3	1,385.5	981.2	780.1	792.5	601.6	583.1	553.0	507.4
(e) financial derivative assets (net, marked to market)										
(f) currency composition of official reserves assets ^a										
– currencies in SDR basket	3,524.8	4,704.2	5,885.8	8,191.3	7,545.2	7,632.5	7,830.9	7,768.9	7,669.2	7,807.9
– currencies not in SDR basket	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
– by individual currencies										
	USD	922.5	1,533.2	1,667.2	2,421.7	2,304.7	2,285.3	2,317.8	2,387.1	2,433.2
	EUR	2,453.9	3,062.0	4,215.9	5,768.6	5,239.4	5,345.5	5,511.6	5,380.4	5,234.2
	Other	148.4	109.0	2.7	1.1	1.1	1.7	1.5	1.5	1.8

^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.).

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		7.087400	0.524804	1.079560	0.371475	4.381763	9.166192	5.995300	3.692018
1995		6.757758	0.518734	1.047969	0.321342	4.425311	8.252950	5.229967	3.649342
1996		6.804708	0.513722	1.062735	0.352150	4.404976	8.479850	5.433800	3.614536
1997		6.959708	0.505322	1.056355	0.361942	4.246962	10.081567	6.157050	3.555932
1998		7.136608	0.514421	1.079581	0.366683	4.395149	10.539883	6.362292	3.619321
1999		7.579622	0.550834	1.155501	0.391455	4.738375	11.504100	7.112441	3.875409
2000		7.634973	0.554855	1.163944	0.394313	4.901679	12.529639	8.276819	3.903700
2001		7.468966	0.542791	1.138637	0.385740	4.946376	12.010492	8.339074	3.818822
2002		7.406773				5.050089	11.788895	7.863712	
2003		7.563414				4.977823	10.945665	6.701390	
2003	July	7.497616				4.846985	10.726292	6.590582	
	August	7.514508				4.877767	10.754869	6.736661	
	September	7.498390				4.845884	10.782269	6.701337	
	October	7.591783				4.906285	10.874359	6.486725	
	November	7.610261				4.885643	10.991890	6.502923	
	December	7.670232				4.933835	10.933628	6.253412	
2004	January	7.690466				4.913582	11.080823	6.093513	
	February	7.650180				4.864021	11.296065	6.059802	
	March	7.500547				4.786610	11.163558	6.113773	
	April	7.505864				4.827528	11.296071	6.240743	
	May	7.426838				4.819473	11.052733	6.185583	
	June	7.377982				4.861664	11.123095	6.081234	
	July	7.372077				4.831126	11.067028	6.011773	
	August	7.369254				4.791269	11.021240	6.055250	
	September	7.410331				4.805074	10.886861	6.069909	

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		6.902400	0.516285	1.052510	0.346500	4.288893	8.784200	5.628700	3.632100
1995		6.812200	0.526742	1.085365	0.335800	4.618693	8.234500	5.316100	3.705900
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.511000
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2003		7.646909				4.901551	10.860544	6.118506	
2003	July	7.541513				4.870205	10.704774	6.591079	
	August	7.457896				4.853189	10.816383	6.835209	
	September	7.571370				4.914878	10.936545	6.630502	
	October	7.593986				4.892087	11.055446	6.494472	
	November	7.655148				4.949662	11.006683	6.383013	
	December	7.646909				4.901551	10.860544	6.118506	
2004	January	7.670249				4.910845	11.203986	6.188180	
	February	7.607293				4.818707	11.357559	6.138379	
	March	7.395440				4.740667	11.044564	6.055879	
	April	7.533576				4.872317	11.249180	6.365506	
	May	7.369765				4.817155	11.037539	6.016626	
	June	7.365831				4.823095	11.034953	6.057925	
	July	7.406563				4.809769	11.171287	6.148056	
	August	7.391677				4.797921	10.979912	6.136718	
	September	7.547840				4.862672	11.088350	6.125996	

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

Indices 2001 = 100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator	
			Indices of producers' prices	Retail price index
1997	December	87.73	93.01	98.79
1998	December	91.08	95.99	98.12
1999	December	99.23	102.76	104.29
2000	December	101.51	99.96	102.02
2001	December	99.07	98.63	98.89
2002	December	95.97	95.63	96.24
2003	July	93.89	94.31	94.63
	August	94.59	94.72	95.61
	September	94.33	94.93	95.51
	October	94.33	94.98	95.43
	September	94.56	94.90	95.52
	December	94.09	94.46	94.62
2004	January	93.61	94.20	93.56
	February	93.13	94.28	93.48
	March	92.03	93.55	92.83
	April	92.61	93.83	93.50
	May	91.68	91.55	92.27
	June	90.84	91.08	91.70
	July	90.50	90.32 ^a	91.67 ^a
	August	90.64	89.87 ^a	92.00 ^a
	September	91.05		

^a Preliminary data.

Note: From 1 January 2001, the euro-zone related price series includes Greece as well.

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

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

lating the indices of the effective exchange rate of the kuna (1995 in the previous version of notes on methodology under Table H10). The index of the nominal effective exchange rate is an aggregate indicator of the average value of the domestic currency against a basket of currencies. An increase in the index of the nominal effective exchange rate of the kuna in a certain period indicates that the kuna has depreciated against the basket of currencies, and vice versa. The index of the real effective exchange rate is a weighted geometric average of the index of bilateral exchange rates of the kuna adjusted for the relevant relative price indices (the ratio of price indices in partner countries and domestic prices). Producer price and consumer price indices, and the total harmonized consumer price index for the eurozone countries are used as deflators. The time series for consumer prices in Croatia is constructed in the following manner: retail price indices are used until December 2000 inclusive, and consumer prices indices are used as of January 2001. 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: External Debt by Domestic Sectors

Million US dollars

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.*	Mar.*	Apr.*	May	Jun.*	Jul.*	Aug.
1. Direct investment	626.6	635.0	1,066.0	1,831.4	1,771.8	1,732.5	1,840.3	1,824.8	1,850.3	1,880.3
2. Government	4,828.4	5,132.6	6,359.0	8,626.3	8,645.3	9,023.0	9,255.3	9,285.3	9,144.4	9,217.0
2.1 Portfolio investment	3,141.2	3,677.1	4,357.1	5,845.8	5,825.3	6,245.0	6,392.4	6,386.8	6,045.8	6,062.3
Bonds	3,141.2	3,677.1	4,357.1	5,845.8	5,825.3	6,245.0	6,392.4	6,386.8	6,045.8	6,062.3
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2 Other investment	1,687.2	1,455.5	2,001.9	2,780.6	2,820.0	2,778.0	2,862.9	2,898.6	3,098.6	3,154.7
2.2.1 Trade credits	0.1	1.1	1.1	2.9	2.8	2.8	2.9	2.8	2.6	2.6
Long-term	0.1	1.1	1.1	2.9	2.8	2.8	2.9	2.8	2.6	2.6
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 Credits	1,687.1	1,454.4	2,000.8	2,777.6	2,817.1	2,775.2	2,860.0	2,895.8	3,096.0	3,152.1
Long-term	1,327.1	1,454.4	2,000.8	2,777.6	2,817.1	2,775.2	2,860.0	2,895.8	3,096.0	3,152.1
Short-term	360.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian National Bank	158.7	122.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	158.7	122.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Banks	2,086.5	2,299.4	4,032.5	7,351.4	7,601.8	7,533.6	8,021.3	7,828.7	8,235.7	8,110.1
4.1. Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	542.1	542.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	542.1	542.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2 Other investment	2,086.5	2,299.4	4,032.5	7,351.4	7,601.8	7,533.6	8,021.3	7,828.7	7,693.6	7,568.1
4.2.1 Currency and deposits	432.8	633.5	1,975.7	3,560.0	3,771.5	3,740.4	3,806.8	3,699.3	3,603.6	3,454.5
4.2.2 Credits	1,653.7	1,665.9	2,056.8	3,791.4	3,830.3	3,793.2	4,214.5	4,129.4	4,090.0	4,113.5
Long-term	1,640.0	1,657.7	2,050.2	3,680.5	3,725.0	3,774.0	4,189.0	4,046.6	4,007.3	4,031.8
Short-term	13.7	8.2	6.7	110.9	105.3	19.2	25.5	82.8	82.7	81.8
5. Other sectors	3,354.6	3,127.5	3,968.4	5,951.7	6,034.5	5,974.2	6,338.5	6,417.2	6,504.7	6,652.7
5.1 Portfolio investment	38.4	54.8	167.7	509.8	470.8	426.9	564.3	554.2	549.1	549.0
Bonds	28.9	27.3	167.7	432.5	426.2	413.0	550.0	545.9	540.9	540.8
Money market instruments	9.5	27.4	0.0	77.3	44.6	13.8	14.3	8.2	8.2	8.2
5.2 Other investment	3,316.3	3,072.8	3,800.8	5,441.9	5,563.7	5,547.3	5,774.2	5,863.0	5,955.6	6,103.7
5.2.1 Trade credits	334.0	293.7	315.7	248.1	245.6	234.8	241.7	234.7	228.7	244.1
Long-term	269.5	239.9	264.7	223.5	214.6	198.7	202.0	195.0	187.9	202.1
Short-term	64.4	53.8	51.0	24.6	31.0	36.2	39.7	39.7	40.9	42.1
5.2.2 Credits	2,982.3	2,779.1	3,485.1	5,193.8	5,318.1	5,312.5	5,532.5	5,628.3	5,726.8	5,859.6
Long-term	2,838.0	2,691.6	3,410.2	4,965.7	5,100.9	5,087.3	5,285.8	5,368.0	5,478.7	5,612.6
Short-term	144.3	87.5	74.9	228.0	217.1	225.2	246.7	260.3	248.2	247.0
Total (1+2+3+4+5)	11,054.8	11,316.6	15,426.0	23,760.9	24,053.3	24,263.3	25,455.5	25,356.0	25,735.1	25,860.1

Table H12: External Debt by Domestic Sectors

According to a new methodology in force starting in March 2000, external debt is defined as the total of liabilities of residents, including: deposits of foreign legal and natural persons (these deposits were not included under the old methodology), loans granted by foreigners with an original maturity longer than 150 days (up to 11 July 2001, this maturity was 90 days), loans for financial purposes, counted exceptionally regardless of their maturity, and bonds and money market instruments issued on foreign markets (at face value).

External debt by domestic sectors is shown in the same manner as in the Capital and Financial Account of the BOP: Direct investment includes borrower – lender transactions of other sectors that are interrelated by ownership (borrower or lender owns more than 10 percent of the other). Item Government shows external debt of the broadly defined government sector, which includes the central government, central government funds (including the Croatian Bank for Reconstruction and Development and, from 31 December 2003 on,

the Croatian Highways, the Croatian Roads and the State Agency for Deposit Insurance and Bank Rehabilitation), as well as local government

Item Croatian National Bank shows the central bank debts. Item Banks shows debts of banks and saving banks. Item Other sectors consists of non-banking financial institutions (other than banks and savings banks), enterprises and households.

Each sector is further divided into Portfolio and other investment. Portfolio investment includes bonds and money market instruments. Other investment includes Currency and deposits (foreign deposits) and Credits. Credits are divided into Trade credits (sale of goods for delayed payment) and Credits (all other credit obligations).

Outstanding external debt is expressed in millions of US dollars according to the CNB's midpoint exchange rate at the end of the period.

The debt balance includes so-called non-reported principal payments (they should have been paid but are not statistically reported as paid) and future principal payments.

Table H13: External Debt by Creditors

Million US dollars

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec.	Dec.*	Mar.*	Apr.*	May	Jun.*	Jul.*	Aug.
1. Portfolio investment	3,179.6	3,731.8	4,524.8	6,124.5	6,296.1	6,671.9	6,956.7	6,940.9	7,137.0	7,153.3
Bonds	3,170.1	3,704.4	4,524.8	6,082.7	6,251.5	6,658.1	6,942.4	6,932.7	7,128.8	7,145.2
o/w: London Club	1,255.4	1,106.0	956.7	795.5	714.9	714.9	714.9	714.9	634.3	634.3
Money market instruments	9.5	27.4	0.0	41.8	44.6	13.8	14.3	8.2	8.2	8.2
2. Other investment	7,875.2	7,584.8	10,901.2	17,438.6	17,757.2	17,591.4	18,498.8	18,415.1	18,598.1	18,706.8
2.1. Currency and deposits	432.8	633.5	1,975.7	3,745.0	3,771.5	3,740.4	3,806.8	3,699.3	3,603.6	3,454.5
2.2. Long-term	6,781.7	6,769.0	8,744.6	13,297.5	13,519.4	13,462.9	14,221.9	14,208.9	14,481.5	14,734.1
2.2.1. Public creditors	2,269.1	2,230.4	2,606.4	3,342.4	3,268.5	3,234.5	3,362.3	3,368.7	3,341.9	3,417.3
a) International financial organizations	1,128.6	1,166.1	1,377.0	1,761.7	1,725.1	1,721.6	1,801.1	1,803.6	1,806.2	1,853.8
– IMF	158.7	122.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
– IBRD	417.7	468.8	611.0	773.1	777.0	766.2	775.9	760.5	766.2	776.0
– IFC	71.9	85.6	132.3	108.9	103.0	100.6	103.2	102.7	100.6	100.6
– EBRD	296.8	318.7	374.9	477.6	463.5	484.4	538.1	546.8	549.9	555.1
– EUROFIMA	85.6	82.7	109.4	125.2	107.5	104.8	109.1	108.5	106.9	106.9
– EIB	74.0	52.2	84.8	159.4	159.0	154.1	159.5	170.6	169.0	175.0
– CEB	24.0	36.0	64.5	117.5	115.0	111.7	115.3	114.6	113.6	140.2
b) Governments and government agencies	1,140.5	1,064.3	1,229.5	1,580.7	1,543.5	1,512.9	1,561.1	1,565.2	1,535.6	1,563.5
– Paris Club	687.5	622.4	629.5	632.0	593.7	582.5	594.8	589.2	553.5	552.5
– Other	453.0	441.9	599.9	948.6	949.8	930.4	966.4	975.9	982.1	1,010.9
2.2.2. Private creditors	4,512.6	4,538.6	6,138.2	9,955.1	10,250.9	10,228.3	10,859.7	10,840.1	11,139.6	11,316.9
a) Banks	3,397.6	3,477.9	4,679.8	8,037.4	8,282.5	8,307.0	8,852.2	8,815.6	9,093.1	9,220.1
o/w: guaranteed by government agencies	634.6	733.9	686.5	630.3	608.5	591.3	599.0	580.0	815.9	817.6
b) Other sectors	1,115.0	1,060.6	1,458.3	1,917.7	1,968.4	1,921.3	2,007.4	2,024.5	2,046.5	2,096.8
o/w: guaranteed by government agencies	13.8	9.8	5.9	3.9	2.9	2.8	2.5	2.2	2.2	2.2
2.3. Short-term	660.8	182.3	180.9	396.1	466.3	388.2	470.0	507.0	513.0	518.1
2.3.1. Public creditors	0.0	0.0	0.0	0.0	0.0	5.6	0.0	0.0	2.4	2.4
2.3.2. Private creditors	660.8	182.3	180.9	396.1	466.3	382.6	470.0	507.0	510.5	515.7
a) Banks	486.5	62.5	44.2	237.6	258.5	180.0	196.7	262.7	257.0	258.7
o/w: Guaranteed by government agencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Other sectors	174.3	119.9	136.7	158.5	207.8	202.6	273.2	244.3	253.5	257.0
o/w: Guaranteed by government agencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2)	11,054.8	11,316.6	15,426.0	23,563.0	24,053.3	24,263.3	25,455.5	25,356.0	25,735.1	25,860.1

Table H13: External Debt by Creditors

The Table shows outstanding external debt by foreign creditors valued in the same way as in Table H12.

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

Million US dollars

	Outstanding debt 31/8/2004	Nonreported principal payments	Projected future principal payments										
			Q3/04	Q4/04	2004	2005	2006	2007	2008	2009	2010	2011	Other
1. Direct investment	1,880.3	132.1	30.2	212.4	242.6	219.6	364.4	290.6	238.2	80.6	67.4	30.7	214.1
2. Government	9,217.0	3.4	14.3	350.9	365.2	1,028.6	1,040.7	800.7	680.7	1,255.7	964.6	1,691.0	1,386.4
2.1. Portfolio investment	6,062.3	0.0	0.0	227.2	227.2	763.5	749.8	441.5	329.3	931.6	704.3	1,288.8	626.3
Bonds	6,062.3	0.0	0.0	227.2	227.2	763.5	749.8	441.5	329.3	931.6	704.3	1,288.8	626.3
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Other investment	3,154.7	3.4	14.3	123.7	138.0	265.1	290.9	359.1	351.4	324.1	260.3	402.2	760.1
2.2.1. Trade credits	2.6	0.4	0.1	0.3	0.3	0.5	0.5	0.5	0.3	0.0	0.0	0.0	0.0
Long-term	2.6	0.4	0.1	0.3	0.3	0.5	0.5	0.5	0.3	0.0	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. Credits	3,152.1	3.0	14.3	123.4	137.7	264.6	290.4	358.6	351.1	324.1	260.3	402.2	760.1
Long-term	3,152.1	3.0	14.3	123.4	137.7	264.6	290.4	358.6	351.1	324.1	260.3	402.2	760.1
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Banks	8,110.1	24.6	54.2	121.2	175.4	872.7	1,210.0	399.5	458.7	946.3	180.9	129.8	3,712.2
4.1. Portfolio investment	542.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	542.0	0.0	0.0	0.0
Bonds	542.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	542.0	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
4.2. Other investment	7,568.1	24.6	54.2	121.2	175.4	872.7	1,210.0	399.5	458.7	404.2	180.9	129.8	3,712.2
4.2.1. Currency and deposits	3,454.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,454.5
4.2.2. Credits	4,113.5	24.6	54.2	121.2	175.4	872.7	1,210.0	399.5	458.7	404.2	180.9	129.8	257.7
Long-term	4,031.8	21.6	38.8	57.8	96.6	872.7	1,210.0	399.5	458.7	404.2	180.9	129.8	257.7
Short-term	81.8	3.0	15.4	63.4	78.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Other sectors	6,652.7	540.5	174.4	369.9	544.3	1,042.3	830.9	1,156.5	619.4	554.8	253.4	218.1	892.6
5.1. Portfolio investment	549.0	0.0	45.5	0.0	45.5	0.0	0.0	277.0	7.9	7.9	9.1	9.1	192.5
Bonds	540.8	0.0	37.3	0.0	37.3	0.0	0.0	277.0	7.9	7.9	9.1	9.1	192.5
Money market instruments	8.2	0.0	8.2	0.0	8.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2. Other investment	6,103.7	540.5	128.9	369.9	498.8	1,042.3	830.9	879.4	611.5	546.9	244.4	209.1	700.1
5.2.1. Trade credits	244.1	73.8	6.4	19.5	26.0	105.4	21.9	10.1	4.8	1.5	0.5	0.2	0.0
Long-term	202.1	73.8	6.4	19.5	26.0	63.3	21.9	10.1	4.8	1.5	0.5	0.2	0.0
Short-term	42.1	0.0	0.0	0.0	0.0	42.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2.2. Credits	5,859.6	466.6	122.5	350.4	472.8	936.9	809.0	869.3	606.6	545.4	243.9	208.9	700.1
Long-term	5,612.6	385.6	104.4	286.1	390.5	853.3	809.0	869.3	606.6	545.4	243.9	208.9	700.1
Short-term	247.0	81.0	18.0	64.3	82.3	83.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	25,860.1	700.5	273.1	1,054.5	1,327.6	3,163.1	3,446.1	2,647.3	1,997.0	2,837.3	1,466.3	2,069.7	6,205.3
Supplement: Projected interest payments		72.6	47.6	195.4	243.0	845.9	712.3	584.3	471.5	398.7	280.8	218.8	512.4
Note:													
Publicly guaranteed debt	3,451.9												
o/w: Banks and other sectors	1,276.5												

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

The Table shows outstanding external debt at the end of the period and the principal and interest payment projection. All data are shown at the midpoint exchange rate of the CNB at the end of period.

Projected interest payments do not include interest on deposits from non-residents and late interest. Payments are projected at the interest rates at the contracting time and do not reflect changes of variable interest rates.

The note points out the outstanding publicly guaranteed debt – total and the outstanding debt of the banking sector and other sectors covered by government guarantees. The difference is the amount of the government guarantees issued to the government sector (for example the Croatian Bank for Reconstruction and Development, Croatian Roads Administration, etc. included in a broad definition of the government sector).

Table H15: International Investment Position – Summary

Million US dollars

	2000	2001	2002	2003 ^b	2003				2004	
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
1. International investment position (net)	-5,743.5	-4,452.8	-8,867.5	-13,996.7	-9,825.8	-12,573.2	-11,994.1	-13,996.7	-15,796.4	-16,641.3
2. Assets	8,353.9	11,083.4	12,245.9	17,933.4	12,546.4	14,188.6	14,653.1	17,933.4	16,067.8	16,855.9
2.1. Direct investment abroad	875.1	967.1	1,818.1	2,310.1	1,482.6	2,153.0	1,544.8	2,310.1	2,127.3	2,445.4
2.2. Portfolio investment	14.3	22.5	26.3	65.3	34.8	57.8	41.5	65.3	58.9	67.2
2.2.1. Equity securities	14.3	22.5	26.3	65.3	34.8	57.8	41.5	65.3	58.9	67.2
2.2.2. Debt securities	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
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	3,942.3	5,389.6	4,515.7	7,366.8	4,821.2	5,205.7	6,008.5	7,366.8	6,336.4	6,574.4
2.4.1. Trade credits	186.3	181.8	188.6	222.3	209.4	215.9	210.5	222.3	236.6	222.2
2.4.2. Loans	154.7	107.3	134.1	149.2	139.9	130.9	133.2	149.2	147.0	140.3
2.4.3. Currency and deposits	3,601.2	5,100.5	4,193.1	6,995.3	4,471.9	4,858.9	5,664.9	6,995.3	5,952.9	6,211.9
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5. Reserve assets (CNB)	3,522.2	4,704.2	5,885.8	8,191.3	6,207.8	6,772.2	7,058.3	8,191.3	7,545.2	7,768.9
3. Liabilities	14,097.4	15,536.3	21,113.5	31,930.2	22,372.2	26,761.8	26,647.2	31,930.2	31,864.2	33,497.2
3.1. Direct investment in Croatia	3,560.3	4,706.4	6,710.7	9,963.8	6,366.8	8,954.6	8,014.6	9,963.8	9,454.0	9,817.5
3.2. Portfolio investment	3,288.4	3,880.0	4,694.6	6,318.4	5,410.8	5,872.7	5,866.0	6,318.4	6,490.3	7,126.6
3.2.1. Equity securities	108.8	148.2	169.8	193.9	153.8	176.6	148.1	193.9	194.2	185.7
3.2.2. Debt securities	3,179.6	3,731.8	4,524.8	6,124.5	5,257.0	5,696.1	5,717.9	6,124.5	6,296.1	6,940.9
Bonds	3,170.1	3,704.4	4,524.8	6,082.7	5,257.0	5,684.8	5,687.6	6,082.7	6,251.5	6,932.7
Money market instruments	9.5	27.4	0.0	41.8	0.0	11.3	30.3	41.8	44.6	8.2
3.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.4. Other investment	7,248.6	6,949.8	9,708.2	15,647.9	10,594.6	11,934.5	12,766.6	15,647.9	15,919.9	16,553.1
3.4.1. Trade credits	334.0	294.8	312.9	297.9	312.2	322.6	303.6	297.9	256.9	200.3
3.4.2. Loans	6,481.8	6,021.5	7,419.6	11,605.0	8,147.1	8,874.9	9,755.2	11,605.0	11,891.5	12,653.5
3.4.3. Currency and deposits	432.8	633.5	1,975.7	3,745.0	2,135.3	2,737.0	2,707.8	3,745.0	3,771.5	3,699.3
3.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data. ^b Revised data.

Table H15: International Investment Position

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

Data on international investments of the Republic of Croatia and international investments into the Republic of Croatia are recorded in US dollars (USD). Depending on the sources of data available, the conversion of values from the original currencies into US dollars 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 se-

curities 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 US dollars

	2000	2001	2002	2003 ^b	2003				2004	
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
Direct investment (net)	-2,685.2	-3,739.3	-4,892.6	-7,653.7	-4,884.2	-6,801.6	-6,469.9	-7,653.7	-7,326.7	-7,372.1
1. Abroad	875.1	967.1	1,818.1	2,310.1	1,482.6	2,153.0	1,544.8	2,310.1	2,127.3	2,445.4
1.1. Equity capital and reinvested earnings	824.1	926.8	1,776.0	2,233.6	1,428.4	2,089.8	1,483.7	2,233.6	2,049.2	2,367.7
Claims	824.1	926.8	1,776.0	2,233.6	1,428.4	2,089.8	1,483.7	2,233.6	2,049.2	2,367.7
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	51.0	40.3	42.1	76.5	54.2	63.2	61.1	76.5	78.2	77.7
Claims	....	....	....	....	....	....	....	....	....	....
Liabilities	....	....	....	....	....	....	....	....	....	....
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
2. In Croatia	3,560.3	4,706.4	6,710.7	9,963.8	6,366.8	8,954.6	8,014.6	9,963.8	9,454.0	9,817.5
2.1. Equity capital and reinvested earnings	2,904.1	3,760.6	5,304.4	7,677.9	4,681.4	6,984.0	5,938.0	7,677.9	7,190.2	7,515.1
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	2,904.1	3,760.6	5,304.4	7,677.9	4,681.4	6,984.0	5,938.0	7,677.9	7,190.2	7,515.1
2.2. Other capital	656.2	945.9	1,406.3	2,285.9	1,685.5	1,970.6	2,076.7	2,285.9	2,263.8	2,302.4
Claims	....	....	....	....	....	....	....	....	....	....
Liabilities	....	....	....	....	....	....	....	....	....	....
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

^a Preliminary data. ^b Revised data.

Table H17: International Investment Position – Portfolio Investment

Million US dollars

	2000	2001	2002	2003 ^b	2003				2004	
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
Portfolio investment (net)	-3,274.1	-3,857.5	-4,668.3	-6,253.2	-5,376.0	-5,814.9	-5,824.4	-6,253.2	-6,431.4	-7,059.5
1. Assets	14.3	22.5	26.3	65.3	34.8	57.8	41.5	65.3	58.9	67.2
1.1. Equity capital and reinvested earnings	14.3	22.5	26.3	65.3	34.8	57.8	41.5	65.3	58.9	67.2
Banks	7.2	7.1	8.5	6.1	3.9	5.7	4.4	6.1	5.4	6.2
Other sectors	7.1	15.4	15.7	56.3	27.9	48.8	34.5	56.3	50.6	58.0
1.2. Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	3,288.4	3,880.0	4,694.6	6,318.4	5,410.8	5,872.7	5,866.0	6,318.4	6,490.3	7,126.6
2.1. Equity capital and reinvested earnings	108.8	148.2	169.8	193.9	153.8	176.6	148.1	193.9	194.2	185.7
Banks	36.5	36.5	40.4	49.2	31.0	43.9	35.7	49.2	46.3	42.7
Other sectors	72.3	111.7	129.4	144.7	122.8	132.7	112.4	144.7	147.9	143.0
2.2. Debt securities	3,179.6	3,731.8	4,524.8	6,124.5	5,257.0	5,696.1	5,717.9	6,124.5	6,296.1	6,940.9
Bonds	3,170.1	3,704.4	4,524.8	6,082.7	5,257.0	5,684.8	5,687.6	6,082.7	6,251.5	6,932.7
General government	3,141.2	3,677.1	4,357.1	5,646.5	4,882.3	5,286.2	5,289.1	5,646.5	5,825.3	6,386.8
Other sectors	28.9	27.3	167.7	436.2	374.7	398.6	398.5	436.2	426.2	545.9
Money market instruments	9.5	27.4	0.0	41.8	0.0	11.3	30.3	41.8	44.6	8.2
Other sectors	9.5	27.4	0.0	41.8	0.0	11.3	30.3	41.8	44.6	8.2

^a Preliminary data. ^b Revised data.

Table H18: International Investment Position – Other Investment

Million US dollars

	2000	2001	2002	2003 ^b	2003				2004	
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
Other investment (net)	-3,306.3	-1,560.2	-5,192.5	-8,281.1	-5,773.4	-6,728.8	-6,758.1	-8,281.1	-9,583.5	-9,978.7
1. Assets	3,942.3	5,389.6	4,515.7	7,366.8	4,821.2	5,205.7	6,008.5	7,366.8	6,336.4	6,574.4
1.1. Trade credits	186.3	181.8	188.6	222.3	209.4	215.9	210.5	222.3	236.6	222.2
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
Long-term	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	186.3	181.8	188.5	222.3	209.4	215.9	210.4	222.3	236.5	222.2
Long-term	154.4	158.9	176.6	216.0	202.2	208.1	202.8	216.0	230.4	216.1
Short-term	31.9	22.9	11.9	6.3	7.2	7.8	7.6	6.3	6.2	6.1
1.2. Loans	154.7	107.3	134.1	149.2	139.9	130.9	133.2	149.2	147.0	140.3
1.2.1. General government	3.5	5.4	5.8	6.6	5.4	5.9	6.3	6.6	6.1	6.1
Long-term	3.5	5.4	5.8	6.6	5.4	5.9	6.3	6.6	6.1	6.1
1.2.2. Banks	121.7	73.0	97.5	107.5	103.5	93.8	95.9	107.5	106.0	99.3
Long-term	83.6	41.4	62.7	77.8	78.1	70.4	70.4	77.8	79.1	74.3
Short-term	38.1	31.6	34.8	29.6	25.4	23.4	25.5	29.6	26.9	25.0
1.2.3. Other sectors	29.6	28.9	30.7	35.2	30.9	31.1	31.0	35.2	34.9	34.9
Long-term	29.6	28.9	30.6	35.2	30.8	31.1	31.0	35.2	34.9	34.8
Short-term	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.1
1.3. Currency and deposits	3,601.2	5,100.5	4,193.1	6,995.3	4,471.9	4,858.9	5,664.9	6,995.3	5,952.9	6,211.9
1.3.2. General government	69.0	83.5	120.5	102.3	53.2	70.7	1.5	102.3	202.6	274.9
1.3.3. Banks	2,389.2	3,915.0	2,868.6	5,689.0	3,110.7	3,472.2	4,407.4	5,689.0	4,546.3	4,733.0
1.3.4. Other sectors	1,143.0	1,102.0	1,204.0	1,204.0	1,308.0	1,316.0	1,256.0	1,204.0	1,204.0	1,204.0
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	7,248.6	6,949.8	9,708.2	15,647.9	10,594.6	11,934.5	12,766.6	15,647.9	15,919.9	16,553.1
2.1. Trade credits	334.0	294.8	312.9	297.9	312.2	322.6	303.6	297.9	256.9	200.3
2.1.1. General government	0.1	1.1	1.3	3.1	1.1	2.0	2.3	3.1	2.9	2.8
Long-term	0.1	1.1	1.3	3.1	1.1	2.0	2.3	3.1	2.9	2.8
Short-term	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	334.0	293.7	311.6	294.8	311.1	320.6	301.4	294.8	254.1	197.5
Long-term	269.5	239.9	262.1	236.8	262.3	262.6	242.4	236.8	214.0	195.0
Short-term	64.4	53.8	49.6	58.1	48.8	58.0	58.9	58.1	40.1	2.5
2.2. Loans	6,481.8	6,021.5	7,419.6	11,605.0	8,147.1	8,874.9	9,755.2	11,605.0	11,891.5	12,653.5
2.2.1. Croatian National Bank	158.7	122.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	158.7	122.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	1,687.1	1,454.4	1,988.0	2,804.8	2,015.4	2,111.0	2,255.2	2,804.8	2,756.1	2,895.8
Long-term	1,327.1	1,454.4	1,988.0	2,804.8	2,015.4	2,111.0	2,255.2	2,804.8	2,756.1	2,895.8
Short-term	360.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,653.7	1,665.9	2,004.3	3,648.1	2,383.6	2,644.4	2,987.3	3,648.1	3,885.5	4,129.4
Long-term	1,640.0	1,657.7	1,995.0	3,537.1	2,344.2	2,590.8	2,924.5	3,537.1	3,774.2	4,046.6
Short-term	13.7	8.2	9.3	111.1	39.4	53.6	62.9	111.1	111.3	82.8
2.2.4. Other sectors	2,982.3	2,779.1	3,427.4	5,152.1	3,748.1	4,119.5	4,512.6	5,152.1	5,249.9	5,628.3
Long-term	2,838.0	2,691.6	3,258.3	4,932.2	3,649.0	3,966.1	4,345.6	4,932.2	5,013.9	5,368.0
Short-term	144.3	87.5	169.1	220.0	99.2	153.4	167.1	220.0	236.1	260.3
2.3. Currency and deposits	432.8	633.5	1,975.7	3,745.0	2,135.3	2,737.0	2,707.8	3,745.0	3,771.5	3,699.3
2.3.1. Banks	432.8	633.5	1,975.7	3,745.0	2,135.3	2,737.0	2,707.8	3,745.0	3,771.5	3,699.3
2.4. Other liabilities	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 I1: Consolidated Central Government

Million kuna

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

^a Preliminary data. Source: Ministry of Finance.

Table I2: Budgetary Central Government Operations

Million kuna

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

^a Net purchase of fixed capital formation. ^b Net purchase of fixed capital formation and net purchase of shares. ^c Preliminary data. Source: Ministry of Finance.

Table I3: Central Government Debt

End of period, million kuna

	2000	2001	2002	2003	2004					
	Dec.	Dec.	Dec. ^a	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Domestic debt of central government	21,324.2	24,907.3	28,746.7	32,053.4	33,784.4	33,945.5	34,365.9	35,405.9	37,062.9	36,923.8
1.1. Domestic debt of the Republic of Croatia	18,509.7	21,467.9	24,735.0	25,676.1	26,842.8	27,456.2	27,993.6	28,877.3	32,747.7	32,585.6
Treasury bills	2,564.6	4,892.3	5,632.7	6,548.1	6,349.1	6,952.3	8,024.8	8,263.2	7,944.5	7,471.7
Money market instruments	14.2	7.4	0.1	0.3	–	72.1	72.4	54.2	5.0	–
Bonds	14,082.5	15,415.8	16,021.7	14,937.3	16,539.4	16,797.5	16,348.5	16,341.2	18,890.3	18,757.1
Credits from the CNB	0.0	–	0.5	1.4	1.9	1.2	3.0	3.0	3.5	0.6
Credits from banks	1,848.4	1,152.4	3,080.0	4,189.1	3,952.3	3,633.0	3,545.0	4,215.8	5,904.5	6,356.3
1.2. Domestic debt of central government funds	2,814.4	3,439.4	4,011.8	6,377.3	6,941.6	6,489.4	6,372.3	6,528.6	4,315.2	4,338.2
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	1,686.8	1,636.1	1,652.2	3,418.2	3,305.8	3,367.5	3,294.3	3,292.5	1,666.5	1,663.1
Credits from banks	1,127.6	1,803.3	2,359.6	2,959.1	3,635.9	3,121.8	3,078.0	3,236.0	2,648.7	2,675.0
2. External debt of central government	38,927.2	42,413.4	45,057.8	51,421.3	52,080.9	57,159.0	55,414.6	55,983.4	55,978.1	56,322.8
2.1. External debt of the Republic of Croatia	36,845.7	39,656.8	38,648.9	42,221.8	40,834.0	45,567.8	43,984.6	44,153.2	42,644.8	42,924.9
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	25,231.2	30,029.0	30,115.3	33,547.8	32,319.2	36,739.3	35,513.0	35,744.2	34,207.4	34,246.2
Credits	11,614.5	9,627.8	8,533.6	8,673.9	8,514.8	8,828.5	8,471.6	8,409.0	8,437.4	8,678.7
2.2. External debt of central government funds	2,081.5	2,756.7	6,409.0	9,199.6	11,246.8	11,591.2	11,429.9	11,830.2	13,333.4	13,397.8
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	386.5	696.6	1,019.3	1,000.3	2,958.2	3,013.4	2,947.9	2,946.3	2,962.6	2,956.7
Credits	1,695.0	2,060.0	5,389.6	8,199.3	8,288.7	8,577.8	8,482.0	8,883.8	10,370.8	10,441.2
3. Total (1+2)	60,251.4	67,320.8	73,804.6	83,474.7	85,865.3	91,104.5	89,780.5	91,389.3	93,041.1	93,246.6
Supplement: Central government guaranteed debt										
– guarantees for domestic debt	3,412.3	6,025.6	7,528.1	6,895.4	6,688.5	7,013.5	6,571.3	5,879.2	5,872.2	6,130.7
– guarantees for external debt	9,636.0	8,548.9	7,980.0	8,303.8 ^a	7,916.8	8,231.2	8,100.4	8,065.5	7,879.1	7,909.1

^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, contained in this table, was reclassified from the sub-sector the Republic of Croatia to the sub-sector central government funds in December 2002.

Table I3: Central Government Debt

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

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

Table J1: Consumer Price and Producer Price Indices

Year	Month	Basic indices, 2001 = 100			Chain indices				Monthly year-on-year indices			
		Consumer price indices			Consumer price indices ^a			Producer prices	Consumer price indices ^a			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	....	....	....	100.2	100.2	100.1	100.0	105.4	104.3	109.2	97.9
1999	December	....	....	....	100.3	100.5	100.0	100.3	104.4	104.6	103.9	105.9
2000	December	....	....	....	100.0	99.9	100.2	100.2	107.4	107.8	105.7	111.2
2001	December	100.5	99.8	103.5	100.4	100.4	100.5	99.0	102.6	100.6	110.3	96.9
2002	December	102.4	100.9	108.3	100.4	100.6	99.6	99.9	101.8	101.1	104.6	102.3
2003	July	103.3	101.1	112.3	100.1	99.6	101.9	100.2	102.0	101.6	103.5	101.4
	August	103.4	101.2	112.3	100.1	100.1	100.1	100.5	102.2	101.6	104.1	102.0
	September	103.6	102.0	110.3	100.2	100.8	98.2	99.6	101.9	101.9	102.0	101.2
	October	103.6	102.0	110.0	100.0	100.1	99.8	100.2	101.8	101.8	101.7	100.0
	November	103.8	102.3	110.1	100.2	100.3	100.1	100.3	101.8	102.0	101.3	100.9
	December	104.1	102.5	110.6	100.3	100.2	100.5	100.0	101.7	101.6	102.2	101.0
2004.	January	105.1	103.7	111.0	101.0	101.1	100.4	100.3	102.1	102.1	102.4	100.8
	February	105.0	103.4	111.5	99.9	99.8	100.5	99.7	101.8	101.6	102.6	100.1
	March	105.1	103.5	111.8	100.1	100.0	100.3	100.2	101.4	101.1	102.6	99.5
	April	105.3	103.7	111.9	100.2	100.2	100.0	100.9	101.9	101.8	102.6	101.3
	May	106.1	104.2	113.5	100.7	100.5	101.5	102.3	102.4	102.0	103.6	104.4
	June	105.8	103.6	114.3	99.7	99.5	100.7	99.7	102.5	102.1	103.7	103.9
	July	105.3	102.7	115.6	99.6	99.1	101.2	100.9	101.9	101.6	103.0	104.6
	August	105.4	102.7	115.8	100.1	100.1	100.2	101.0	102.0	101.6	103.1	105.1
	September	105.2	102.7	115.0	99.8	100.0	99.3	100.2	101.6	100.7	104.3	105.7

^a Data from January 1992 to December 2000 relate to the retail price index. ^b Data from January 1992 to December 2001 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. 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 J2a: Core Retail Price Indices

Year	Month	Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services
1994	December	100.1	99.9	101.2	96.3	94.8	109.1
1995	December	100.1	100.0	100.5	103.1	102.6	107.1
1996	December	100.0	100.0	100.0	102.8	101.9	109.5
1997	December	100.2	100.2	100.5	102.5	102.3	104.5
1998	December	100.1	100.0	100.2	105.7	105.3	107.8
1999	December	100.1	100.2	100.0	104.2	104.2	104.1
2000	December	100.1	100.1	100.2	104.6	104.8	103.5
2001	December	99.8	99.7	100.8	101.7	101.1	105.6
2002	December	100.0	100.0	100.0	101.2	101.4	100.2
2003	January	99.7	99.6	100.1	100.6	100.7	99.2
	February	99.9	99.9	99.9	100.3	100.5	98.9
	March	100.1	100.1	100.2	100.2	100.4	99.1
	April	100.0	99.9	100.5	100.1	100.1	99.5
	May	100.3	100.2	100.7	100.3	100.3	100.1
	June	100.2	100.2	100.1	100.5	100.5	100.2
	July	99.8	99.7	100.8	100.6	100.5	101.0
	August	99.9	99.8	100.1	100.5	100.3	101.3
	September	100.7	100.9	100.2	100.9	100.9	101.4
	October	100.5	100.4	100.6	101.0	100.8	101.5
	November	100.2	100.2	100.3	101.3	100.9	103.5
	December	99.9	99.8	100.1	101.2	100.7	103.6

Source: Central Bureau of Statistics.

Table J2a: Core Retail Price Indices

The Central Bureau of Statistics calculates the core retail 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 retail price index. A total of 92 goods and services are excluded and their share in the retail price basket stood at 25.14% in 2003 (of which: agricultural products accounted for 2.18 percentage points, and administrative prices for 22.96 percentage points). The zero weighting method is used to exclude the prices of goods and services.

Table J2b: Core Consumer Price Indices

Year	Month	Basic indices, 2001 = 100			Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
2001	December	100.3	100.1	101.8	99.8	99.7	100.3	....	....	....
2002	December	101.5	101.1	104.2	100.0	100.1	99.4	101.2	101.0	102.4
2003	July	102.0	100.6	110.7	100.5	99.9	103.9	101.3	100.5	105.9
	August	102.1	100.6	110.8	100.0	100.0	100.1	101.4	100.4	107.3
	September	101.7	101.0	106.7	99.7	100.3	96.3	100.7	100.3	102.8
	October	102.3	101.7	106.2	100.5	100.7	99.5	101.0	100.8	102.3
	November	102.5	101.9	106.3	100.2	100.3	100.1	101.0	100.9	101.3
	December	102.7	102.0	107.3	100.2	100.1	101.0	101.2	100.9	103.0
2004	January	102.7	101.8	108.1	100.0	99.8	100.7	101.3	101.0	103.6
	February	102.5	101.5	108.5	99.8	99.7	100.4	101.3	100.9	103.7
	March	102.5	101.5	108.6	100.0	100.0	100.1	101.4	101.0	103.6
	April	102.7	101.8	108.5	100.2	100.3	99.9	101.9	101.6	103.3
	May	103.1	102.2	109.2	100.4	100.3	100.7	101.8	101.5	103.6
	June	103.5	102.3	110.9	100.4	100.2	101.5	101.9	101.5	104.0
	July	103.7	102.2	112.8	100.2	99.9	101.8	101.6	101.6	101.9
	August	104.3	102.9	112.9	100.6	100.6	100.1	102.2	102.2	101.9
	September	104.2	103.0	111.2	99.9	100.1	98.5	102.4	102.0	104.2

Source: Central Bureau of Statistics

Table J2b: 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 stands at 29.77% (of which: agricultural products account for 7.19 percentage points, and administrative prices for 22.58 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	July	3,981.0	99.8	106.0	106.5
	August	3,915.0	98.4	104.7	106.3
	September	3,899.0	99.6	106.1	106.3
	October	3,996.0	102.5	106.1	106.3
	November	4,054.0	101.5	103.5	106.0
	December	4,045.0	99.8	105.4	105.9
2004	January	4,070.0	100.6	104.6	104.6
	February	4,003.0	98.4	105.7	105.2
	March	4,153.0	103.8	108.0	106.1
	April	4,129.0	99.4	106.1	106.1
	May	4,169.0	101.0	104.9	105.9
	June	4,226.0	101.4	106.0	105.9
	July	4,226.0	101.4	106.0	105.9
	August	4,209.0	99.6	105.7	105.8

Source: Central Bureau of Statistics.

List of Banks & Savings Banks

1 October 2004

Licensed Banks

1. Banka Brod d.d., Slavonski Brod¹
2. Banka Kovanica d.d., Varaždin¹
3. Banka Sonic d.d., Zagreb
4. Banka Splitsko-Dalmatinska d.d., Split¹
5. Brodsko-posavska banka d.d., Slavonski Brod
6. Centar banka d.d., Zagreb
7. Credo banka d.d., Split
8. Croatia banka d.d., Zagreb
9. Dresdner Bank Croatia d.d., Zagreb
10. Erste & Steiermärkische Bank d.d., Zagreb
11. Gospodarsko kreditna banka d.d., Zagreb
12. Hrvatska poštanska banka d.d., Zagreb
13. HVB Splitska banka d.d., Split
14. Hypo Alpe-Adria-Bank d.d., Zagreb
15. Imex banka d.d., Split
16. Istarska kreditna banka Umag d.d., Umag
17. Jadranska banka d.d., Šibenik
18. Karlovačka banka d.d., Karlovac
19. Kreditna banka Zagreb d.d., Zagreb
20. Križevačka banka d.d. Križevci¹
21. Kvarner banka d.d., Rijeka
22. Međimurska banka d.d., Čakovec
23. Nava banka d.d., Zagreb
24. Nova banka d.d., Zagreb
25. Partner banka d.d., Zagreb
26. Podravska banka d.d., Koprivnica
27. Požeška banka d.d., Požega
28. Primorska banka d.d., Rijeka
29. Primus banka d.d., Zagreb
30. Privredna banka – Laguna banka d.d., Poreč
31. Privredna banka Zagreb d.d., Zagreb
32. Raiffeisenbank Austria d.d., Zagreb
33. Samoborska banka d.d., Samobor
34. Slatinska banka d.d., Slatina
35. Slavonska banka d.d., Osijek
36. Štedbanka d.d., Zagreb
37. Volksbank d.d., Zagreb
38. Zagrebačka banka d.d., Zagreb

Licensed Housing Savings Banks

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

Other Licensed Institutions with Full Authorization

1. Hrvatska banka za obnovu i razvitak, Zagreb

Representative Offices of Foreign Banks

1. Bank für Kärnten und Steiermark AG, Zagreb
2. Commerzbank Aktiengesellschaft, Zagreb
3. Deutsche Bank AG, Zagreb
4. Komercijalna banka a.d., Zagreb
5. LHB Internationale Handelsbank AG, Zagreb
6. Sanpaolo IMI S.p.A., Zagreb

Banks and Savings Banks under Bankruptcy Proceedings

Name of bank/savings bank	Date of bankruptcy proceedings initiation
1. Adria štedionica d.o.o., Zagreb	12/10/2000
2. Agroobrtnička banka d.d., Zagreb	14/06/2000
3. Alpe Jadran banka d.d., Split	15/06/2002
4. Cibalae banka d.d., Vinkovci	20/10/2000
5. Glumina banka d.d., Zagreb	30/04/1999
6. Gold štedionica d.o.o., Split	05/10/2001
7. Gospodarska štedionica d.d., Vrbovec	03/04/2003
8. Gradska banka d.d., Osijek	03/05/1999
9. Građanska štedionica d.o.o., Karlovac	03/11/1998
10. Hrvatska gospodarska banka d.d., Zagreb	19/04/2000
11. Ilirija banka d.d., Zagreb	06/04/1999
12. Invest štedionica d.o.o., Zagreb	30/06/1999
13. Kaptol banka d.d., Zagreb	25/11/2002
14. Komercijalna banka d.d., Zagreb	30/04/1999
15. Međimurska štedionica d.d., Čakovec	17/03/2004
16. Neretvansko gospodarska banka d.d., Ploče	10/05/1999
17. Promdei banka d.d., Zagreb	22/12/1999
18. Razvojna banka "Dalmacija" d.o.o., Split	24/09/2001
19. Slavonska štedionica d.d., Zagreb	04/12/2002
20. Štedionica Dugi pogled d.o.o., Zagreb	19/01/2001
21. Štedionica Groš banak d.o.o., Zagreb	23/04/2001
22. Štedionica Mediteran d.o.o., Split	5/12/2001
23. Štedionica za razvoj i obnovu d.o.o., Zagreb	02/07/2001
24. Trgovačko-turistička banka d.d., Split	08/09/2000
25. Županjska banka d.d., Županja	03/05/1999

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

Banks and Savings Banks under Liquidation Proceedings

5. Štedionica Zlatni vrutak d.d., Zagreb 28/12/2001

Name of bank/savings bank	Date of liquidation proceedings initiation
1. Convest banka d.d., Zagreb	01/11/2003
2. Investicijsko-komercijalna štedionica d.d., Zagreb	31/05/2000
3. Štedionica Dora d.d., Zagreb	01/01/2002
4. Štedionica SA-GA d.d., Zagreb	31/12/2001

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

Management of the Croatian National Bank

1 October 2004

Members of the Council of the Croatian National Bank

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

Management of the CNB

Governor	Željko Rohatinski
Deputy Governor	Boris Vujčić
Vicegovernor	Čedo Maletić
Vicegovernor	Relja Martić
Vicegovernor	Adolf Matejka
Vicegovernor	Tomislav Presečan

Executive Directors

Research and Statistics Area	Ljubinko Jankov
Central Banking Operation Area	Irena Kovačec
Foreign Exchange Operations Area	Jadranka Granić
Prudential Regulation and Bank Supervision Area	Marija Mijatović-Jakšić
Planning, Analysis and Accounting Area	Dijana Jakšić
Payment Operations Area	Neven Barbaroša
Information Technology Area	Mario Žgela
Support Services Area	Boris Ninić
International Relations Area	Michael Faulend

List of Abbreviations & Symbols

bn	– billion
b.p.	– basis points
CBRD	– Croatian Bank for Reconstruction and Development
CBS	– Central Bureau of Statistics
CEFTA	– Central European Free Trade Agreement
CES	– Croatian Employment Service
CH	– Croatian Highways
CIHI	– Croatian Institute for Health Insurance
CNB	– Croatian National Bank
consumpt.	– consumption
CPF	– Croatian Privatization Fund
CPI	– consumer price index
CPII	– Croatian Pension Insurance Institute
CR	– Croatian Roads
DAB	– State Agency for Deposit Insurance and Bank Rehabilitation
dep.	– deposit
ECB	– European Central Bank
EFTA	– European Free Trade Association
EMU	– European Monetary Union
EU	– European Union
excl.	– excluding
f/c	– foreign currency
FDI	– foreign direct investment
FEMPI	– Foreign Exchange Market Pressure Index
FINA	– Financial Agency
FISIM	– Financial Intermediation Services Indirectly Measured
GDP	– gross domestic product
GNI	– gross national income
GVA	– gross value added
HBOR	– Croatian Bank for Reconstruction and Development
HICP	– Harmonized Index of Consumer Prices
ILO	– International Labour Organization
IMF	– International Monetary Fund
l.c.	– left column
MoF	– Ministry of Finance
NFA	– net foreign assets
NUIR	– net usable international reserves
o.w.	– of which
PPI	– producer price index
Q	– quarterly

R.	– Republic
r.c.	– right column
RPI	– retail price index
RR	– reserve requirement
SAL	– Structural Adjustment Loan
SDR	– special drawing rights
VSE	– Varaždin Stock Exchange
ZMM	– Zagreb Money Market
ZSE	– Zagreb Stock Exchange
VAT	– Value Added Tax
WTO	– World Trade Organization

Abbreviations for Countries

BG	– Bulgaria
CZ	– Czech Republic
HR	– Croatia
HU	– Hungary
SI	– Slovenia
SK	– Slovak Republic
PL	– Poland
RO	– Romania

Abbreviations for Currency

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

Symbols

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