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General Information on Croatia

Economic Indicators

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538.0
Population (million)	4.501	4.554	4.381	4.437	4.443	4.442	4.439	4.442	4.441
GDP (million HRK, current prices)	137,604	141,579	152,519	165,639	181,231	198,422	214,983	231,349	250,590
GDP (million EUR, current prices) ^a	19,274	18,673	19,977	22,171	24,468	26,232	28,681	31,263	34,220
GDP per capita (in EUR)	4,282	4,100	4,560	4,997	5,507	5,905	6,461	7,038	7,706
GDP – year-on-year rate of growth (in %, constant prices)	2.5	-0.9	2.9	4.4	5.6	5.3	4.3	4.3	4.8
Average year-on-year inflation rate ^b	5.7	4.0	4.6	3.8	1.7	1.8	2.1	3.3	3.2
Current account balance (million EUR)	-1,308	-1,429	-568	-821	-2,099	-1,889	-1,434*	-1,976*	-2,692*
Current account balance (as of % GDP)	-6.8	-7.7	-2.8	-3.7	-8.6	-7.2	-5.0*	-6.3*	-7.9*
Exports of goods and services (as of % GDP)	39.8	41.0	47.1	48.8	45.5	50.1	49.7	48.9	49.7
Imports of goods and services (as of % GDP)	49.1	49.3	52.3	54.6	56.4	57.9	56.5	55.9	57.4
External debt (million EUR, end of year) ^c	9,173	10,175	12,264	13,609	15,143	19,884	22,933	25,748	29,274
External debt (as of % GDP)	47.6	54.5	61.4	61.4	61.9	75.8	80.0	82.4	85.5
External debt (as of % exports of goods and services)	119.4	133.0	130.2	125.9	136.1	151.3	161.0	168.6	172.2
External debt service (as % of exports of goods and services) ^{c,d}	12.3	24.6	26.2	28.2	29.8	21.3	22.5*	25.0*	35.8*
Gross international reserves (million EUR, end of year)	2,400	3,013	3,783	5,334	5,651	6,554	6,436	7,438	8,725
Gross international reserves (in terms of months of imports of goods and services, end of year)	3.0	3.9	4.3	5.3	4.9	5.2	4.8	5.1	5.3
National currency: Croatian kuna (HRK)									
Exchange rate on 31 December (HRK : 1 EUR)	7.3291	7.6790	7.5983	7.3700	7.4423	7.6469	7.6712	7.3756	7.3451
Exchange rate on 31 December (HRK : 1 USD)	6.2475	7.6477	8.1553	8.3560	7.1457	6.1185	5.6369	6.2336	5.5784
Average exchange rate (HRK : 1 EUR)	7.1392	7.5818	7.6339	7.4710	7.4070	7.5642	7.4957	7.4000	7.3228
Average exchange rate (HRK : 1 USD)	6.3623	7.1220	8.2874	8.3392	7.8725	6.7044	6.0312	5.9500	5.8392
Consolidated general government balance (as % of GDP) ^e	....	-7.1	-7.5	-6.8	-4.9	-6.2	-4.8	-4.0	-3.0
Public debt (as % of GDP) ^f	....	....	48.7	49.8	48.8	48.6	48.9	49.2	46.7
Unemployment rate (ILO, persons above 15 years of age) ^g	11.4	13.6	16.1	15.8	14.8	14.3	13.8	12.7	11.2
Employment rate (ILO, persons above 15 years of age) ^g	47.0	44.8	42.6	41.8	43.3	43.1	43.5	43.3	43.6

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

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

^c External debt indicators for the period 1998-2006 are shown on a gross basis, while the indicators for the period up to 1997 do not include interest arrears and accrual interest, hybrid and subordinated instruments, repo transactions of banks and the CNB, deposits of international financial institutions with the CNB, and one-side effects of the secondary bond market.

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

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

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

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

Sources: CBS, MoF and CNB.

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Quarterly Report

Introduction

Economic growth decelerated in the last quarter of 2007 and at the beginning of 2008, remaining, however, relatively high, while employment grew and unemployment fell. The external sector continued to be characterised by a large current account deficit and foreign capital inflows. The inflation rate accelerated, due both to supply side shocks and inflationary pressures from the demand side. The spread of the US financial market crisis and reassessment of risks associated with capital flows were the key features of the international environment in this period. Under these circumstances, the Croatian National Bank strives to maintain a more restrictive monetary policy stance adopted in 2007, which is primarily aimed at slowing down the growth of monetary and credit aggregates and overall external debt. As monetary policy tightening is invariably accompanied by appreciation pressures, the central bank tries to maintain the stability of the nominal kuna exchange rate by foreign exchange interventions, thus considerably reducing the room for its open market operations. In line with its restrictive monetary policy, the central bank has recently increased its lending interest rates.

Real GDP rose at an annual rate of 6.2% in the first nine months of 2007, accelerating sharply compared with the same period in 2006. The rise was especially dynamic in the first half of the year and slowed down in the third quarter. This economic downturn was primarily due to a slowdown in gross fixed capital formation and personal consumption, although it should be stressed that the annual rates of change in these two aggregate demand components remained relatively high in the observed period. In contrast, government consumption accelerated annually and considerably increased its contribution to total real GDP growth. Goods and services exports grew sharply in the third quarter, partly thanks to a good peak tourist season and partly to a rise in foreign demand for domestic goods. As goods and services exports rose at a somewhat faster rate than imports, net foreign demand made a positive contribution to total real GDP growth in the third quarter of 2007. On the production side, the growth of GVA in the economy outpaced GDP growth in the third quarter because of a slower increase in net indirect taxes caused by rising government expenditures for subsidies. Due to a slowdown in GVA in material production activities in the third quarter, their contribution to the total rate of change in GVA decreased, while most service activities recorded opposite trends.

Monthly economic indicators for the last quarter of 2007 suggest a continued weakening of domestic demand. According to seasonal and calendar adjusted data, industrial production held steady at the level it reached at midyear, thus slowing annual growth, while real retail trade turnover decelerated considerably. Private investments in construction also dropped by the end of the year, which, in general, might be only to some extent offset by the anticipated increase in government's road construction investments. Available data on trade in goods for the fourth quarter of the previous year indicate a weakening of foreign demand for domestic goods, which was especially marked in December 2007. These

trends are very likely to additionally slow down real GVA and GDP growth in the last quarter of 2007.

The latest results of the Labour Force Survey showed positive trends in the labour market, including a decline in unemployment and an increase in employment, with the Labour Force Survey unemployment rate standing at 8.4% in that period. Similar trends continued in the last quarter of 2007, as suggested by administrative data provided by the CES, CBS and CPIA. Nominal gross and net wages grew at high rates in the last quarter of 2007, but the real wage dynamics decelerated considerably due to inflationary pressures.

Croatia's annual consumer price inflation rate accelerated significantly in the last five months of 2007, reaching 5.8% in December. The marked acceleration of consumer price inflation was in a large measure related to supply side shocks, especially to the price rise in agricultural and industrial food products. The increase in domestic prices of food products was due to adverse weather conditions in the summer months and the global price increase in food raw materials (primarily cereals, oilseeds and milk). Another supply side shock which led to the growth of CPI in Croatia came from the increase in the prices of refined petroleum products resulting from the global price rise in crude oil. Other price indicators also accelerated in 2007. The annual core inflation rate stood at 5% in December 2007, mainly as a result of the said price increase in industrial food products (milk and dairy products, bread and cereal products, oil and meat). Agricultural products prices rose at an even more rapid pace, primarily boosted by the growth of vegetable prices, whose yield decrease and price rise were due to high July temperatures and drought. In the same period, movements in refined petroleum products prices led to an acceleration in the annual rate of change in administrative prices. The inflation growth in 2007 was also due to demand side factors. It is expected that real personal consumption growth will surge from 3.5% in 2006 to around 6.0% in 2007, due to a sharp increase in bank placements to households, especially marked in the first half of the year, payments of debt to pensioners and government transfers to households, as well as to optimistic expectations of future income related to capital market investments. Responding both to supply side shocks and demand-driven inflationary pressures, the central bank tightened its monetary policy in 2007 and early 2008. It should be stressed that monetary policy can be effective only if supported by adequate fiscal and wage policies. Fiscal policy should impose stricter controls over expenditure growth, while wage increases should not exceed labour productivity growth in the economy. Inflationary shocks will remain short-lived and will not result in a long-term increase in the inflation rate only provided that these three policies are coordinated.

The central bank endeavours to maintain the stability of the nominal kuna/euro exchange rate, being aware that it is the main anchor for domestic inflationary expectations. The kuna exchange rate nominally appreciated by only 0.3% against the euro in 2007, with the euro dropping in value from HRK 7.35 at the end of 2006 to HRK 7.33 at the end of 2007. Appreciation pressures, present during most of the observed period, were mainly a result of seasonal foreign exchange inflows from tourism and foreign exchange sup-

ply generated by corporate foreign borrowing. Other causes included foreign exchange inflows arising from bank recapitalisations, as well as a growing demand for the kuna due to investments in domestic securities. In the first half of 2007, central bank activities on the foreign exchange market related only to foreign exchange transactions with the government, while liquidity was created through reverse repo auctions. In the second half of the year, the central bank, in order to counteract rising appreciation pressures, intervened in the foreign exchange market, purchasing from banks a total of EUR 662.0m at the auctions held in July, October and December. With EUR 177.0m bought from banks at a foreign exchange auction in late 2006, whose monetary effect (kuna issuance) was realised in January 2007, the central bank issued a total of HRK 6.1bn through foreign exchange transactions last year. Appreciation pressures continued in early 2008 and the CNB carried out one more foreign exchange intervention.

The nominal effective exchange rate of the kuna appreciated by 3.2% in 2007, mostly as a result of the strong nominal appreciation of the kuna against the US dollar. As Croatia's consumer prices grew at a much faster pace than foreign prices in 2007, the index of the real effective exchange rate of the kuna, deflated by consumer prices, appreciated by 5.5% in the observed period. However, the same index deflated by producer prices appreciated at a more moderate rate, indicating that domestic producer prices only slightly outpaced foreign prices.

In 2007, monetary developments were primarily marked by a sharp slowdown in the growth of placements to the private sector and a decrease in banks' external debt, which was coupled by a deceleration in external debt of the total economy. These developments largely resulted from the effect of monetary policy instruments, above all from the compulsory CNB bills subscription and allocation of marginal reserve requirements. An indirect consequence of central bank measures was observed in a marked substitution of banks' foreign liabilities for capital and deposits of the private sector, especially of households, on banks' balance sheets. Additional monetary policy challenges appeared in late 2007, primarily arising from an accelerated increase in the general price level, but also from the continued escalation and contagion effects of the crisis in the US financial market.

The Croatian National Bank therefore decided to continue implementing the instruments that had proved effective in 2007. This refers to the Decision on the purchase of compulsory CNB bills, adopted in late 2007, which regulates the placement growth in 2008 by limiting it to 12%, the same rate as in 2007. The central bank believes that the "permissible" growth sufficiently provides for non-inflationary financing of the expected GDP increase without exacerbating the external imbalance. The marginal reserve requirement rate was for the same reason kept at 55% in 2008. However, to counteract newly arisen circumstances and challenges, the central bank will support these measures by reducing liquidity creation, taking into account the risk of appreciation pressures resulting from such liquidity tightening. Under the said circumstances, the central bank also increased its benchmark interest rates on short-term loans. The Lombard rate rose from

7.5% to 9%, while the interest rate on repo operations with MoF T-bills went up by over one percentage point during December 2007 and January 2008.

Total bank placements rose by 15.1% in 2007, a considerable slowdown compared with 2006. As can be concluded from the structure of placements, banks were adjusting to tightened CNB measures mostly by curbing corporate lending, while household lending, although also on the decrease, remained at similar levels in absolute terms as in 2006. Bank placements to the non-banking sector accelerated growth in late 2007, especially in the last few days of December. However, the annual growth rate of bank placements dropped further to 13.6% in January.

Total liquid assets (M4) surged in the fourth quarter of 2007. In addition to seasonal factors, this increase in the broadest monetary aggregate was due to capital market trends, above all to the return of surplus funds paid for the purchase of T-HT shares and a strong growth of bank placements late in the year. Total liquid assets stood at HRK 215.5bn at the end of 2007, growing at an annual rate of 18.1%. Domestic sectors' deposits with banks continued strong growth in the same period. The highest growth was observed in foreign exchange deposits, still the most common form of domestic sectors' savings. These trends mainly resulted from banks' efforts to attract domestic sources of funds by offering more favourable borrowing conditions and to in this way raise the funds required for loan financing, but also for reducing their foreign liabilities.

As it is usual at the year end, banks' foreign liabilities increased in the last quarter of 2007, although at a considerably lower rate than in the previous few years. At the annual level, banks' foreign liabilities reduced by as much as HRK 10.9bn. This reduction was due to the surge in domestic sources of funds and inflows of funds from bank recapitalisations, which undoubtedly resulted from monetary measures. Banks' foreign liabilities stood at HRK 65.2bn at the end of 2007, dropping by 14.4% compared with the end of 2006.

Money market interest rates were high and very volatile in the most part of the fourth quarter of 2007 and in January 2008. Interest rates at MoF T-bill auctions rose in the same period, while the amounts subscribed were mostly lower than planned. Interest rates on short-term loans continued growth in the last quarter of 2007, while interest rates on long-term household and corporate loans dropped. Bank interest rates on kuna time deposits not indexed to foreign currency and on foreign currency time deposits grew in the same period.

In the period from November to December 2007, share turnover on the Croatian capital market reached an all-time quarterly high and the number of transactions peaked, which was a direct consequence of the start of trading in T-HT shares. The CROBEX was volatile in the observed period, due both to domestic factors and to turbulences in global financial markets and regional markets. The CROBEX increased annually by 63.2% in 2007 and decreased by 14.2% in the period from the end of 2007 to the end of January 2008. Turnover on the domestic debt securities market also increased in the fourth quarter of 2007, which could be attributed to pension funds' preparations for investments in public joint stock companies' shares.

The current account deficit expanded at a faster pace in the last quarter of 2007, primarily as a result of a sharp increase in the negative balance of trade in goods, which was especially marked in December. The accelerated growth of the current account deficit was also due to a slowdown in net service revenues relative to the last quarter of 2006 and an increase in net expenditures in the factor income account. In contrast, net revenues in the current transfers account, on the decrease in the first three quarters, rose in the last quarter.

Total goods exports increased annually by 11.5% in 2007 (in US dollar terms, at a constant exchange rate), decelerating markedly from the year before. The slowdown in export growth was due to natural and industrial gas exports plummeting after the construction of a gas pipeline in the northern Adriatic was completed in late 2006 and gas started to be supplied directly from gas fields to the domestic market. By contrast, the exports of electric machinery, apparatus and appliances accelerated considerably, as did the exports of machinery specialised for particular industries and road vehicles. Total goods imports also increased at a slower rate in 2007 than in 2006 (13.0% and 15.7% respectively, at a constant exchange rate), which is, the same as with exports, primarily due to the decrease in gas imports. Sugar imports also declined markedly, due to a change in the conditions of sugar trading between Croatia and the EU Members States. In contrast, ship imports accelerated the most, coming ahead of the imports of general industrial machinery and equipment, road vehicles and iron and steel, while the highest increase continued to be observed in the imports of oil and refined petroleum products.

Net direct investments in the capital and financial account changed significantly in the fourth quarter of 2007 relative to the same period last year, with the change almost completely due to the reduction of direct equity investments. The recapitalisations of foreign-owned banks continued to dominate direct investments in the observed period. Portfolio investments recorded a net inflow of funds in the last quarter of 2007, which was in the greatest extent due to a decrease in foreign assets of domestic sectors and an increase in liabilities arising from equity portfolio investments, primarily non-residents' investments in initial public offerings of domestic companies' shares.

The gross external debt grew at a slower pace in 2007 than in 2006, mainly because of a sharp drop in the debt of banks, brought about by the effect of monetary policy measures and by stagnation in the government sector's external debt. In contrast, enterprises' external borrowing continued to surge, with the highest increase observed in the debt of government-owned companies, but with a large contribution to borrowing growth coming from the debt of non-banking financial institutions (mainly leasing companies).

Consolidated central government expenditures increased at an accelerated annual rate of 10.8% in the first eleven months of 2007 (compared with 5.5% in the same period in 2006). Government investment also increased, as seen from a sharp rise in the acquisition of non-financial assets. However, with strong economic growth and favourable labour market trends, budget revenues rose by a high 13%, so that the deficit at this government level (HRK 2.3bn) was consid-

erably lower than in the same period in the previous year. The bulk of the deficit was financed by the disposal of financial assets, which reduced government's borrowing needs. Specifically, 32.5% of the total T-HT share issue was sold in the third stage of privatisation in the observed period, generating revenues of about HRK 7bn. Of this amount, an approximate HRK 2bn was transferred to the budget, and the remaining amount was transferred to the Pensioners' Fund. In addition, 7% of Ina shares were in November sold to present and former employees of the company, with about HRK 0.9bn in generated revenues.

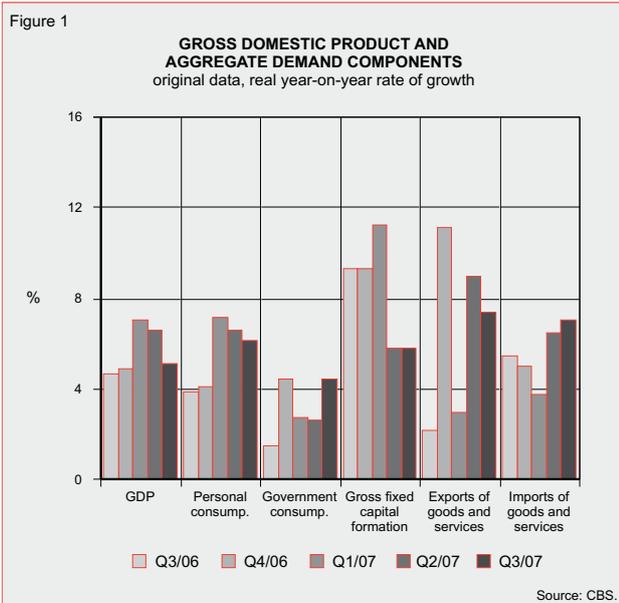
Central government debt, which excludes the CBRD debt, stood at HRK 101.7bn at the end of 2007, an increase of HRK 0.8bn compared with the end of the previous year. The increase was completely generated by government borrowing in the domestic financial market, so that the share of the foreign component in the total central government debt continued to drop. The slowdown in debt was, in addition to the partial financing of the deficit by the disposal of government assets, also due to the appreciation of the exchange rate of the kuna versus the euro, US dollar and yen, the currencies in which the largest part of central government debt is denominated.

Demand

Over the first nine months of 2007, GDP at constant prices rose annually by 6.2%, 1.4 percentage points faster relative to the same period in 2006. Viewed by quarter, overall economic activity was very dynamic during the first half of 2007, growing at a rate of 7.0% in the first and 6.6% in the second quarter. Real economic growth slowed down over the third quarter, but it still maintained its relatively high level of 5.1%, according to historical data.

Personal consumption picked up 6.2% in the third quarter of 2007, and was only mildly slower relative to the first half of the year. A boost in gross fixed capital formation recorded in early 2007, was followed by its slowdown during the second and third quarters of the year. By contrast, government consumption accelerated markedly in the third quarter, thus increasing its contribution to total GDP growth. In the same period, goods and services exports continued strongly upwards. Given the seasonally large share of exports in GDP, this resulted in a distinctly positive contribution of this aggregate demand component (4.9 percentage points) to total real GDP growth in the third quarter. Despite the concurrent acceleration of the annual growth rate of goods and services imports, the contribution of net exports to real GDP growth was positive in the third quarter, standing at 0.7 percentage points.

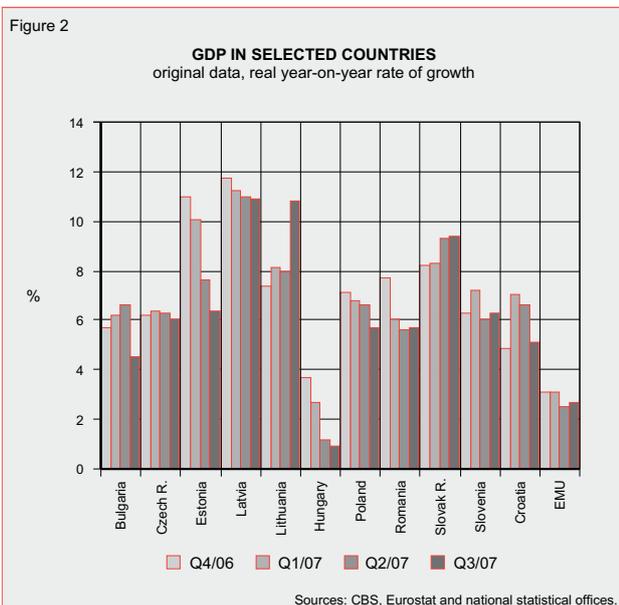
Thanks to the relatively stable economic growth in most of Croatia's major trading partners, foreign demand for domestic goods and services grew at relatively high rates in the observed period. As indicated by the available data from national statistical offices' and the Eurostat for the third quarter of 2007, real annual economic growth in the eurozone stood at 2.6%, only slightly above the growth in the second quarter (2.5%). Real GDP growth in most countries in the



area slowed down mildly, with the annual rates of change remaining at relatively high levels. Thus, total economic activity growth in the observed period stood at 6.0%, 6.4% and 5.7% in the Czech Republic, Estonia and Poland, respectively. Most pronounced economic growth accelerations, relative to the second quarter of 2007, were recorded in Lithuania (10.8%), Slovenia (6.3%) and Slovakia (9.4%).

The Eurostat's flash estimate of real GDP growth, based on seasonally adjusted data, points to an economic slowdown in the eurozone over the fourth quarter of 2007. The estimated annual growth rate for this period stands at 2.3%, 0.4 percentage points below the annual rate of change for the previous quarter. Moreover, the data for the entire European Union are expected to show a decline in the economic growth rate towards the end of 2007.

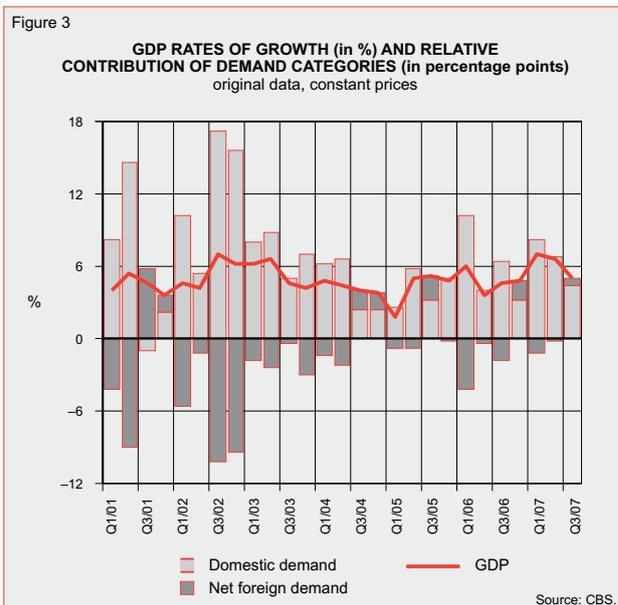
The available monthly economic activity indicators for the last quarter of 2007, point to a weakening of domestic demand. Thus, industrial production remained stagnant over the observed period and retail trade turnover slowed down.



Concurrently, a decline in goods exports suggests a weakening of foreign demand, particularly in December.

Foreign Demand

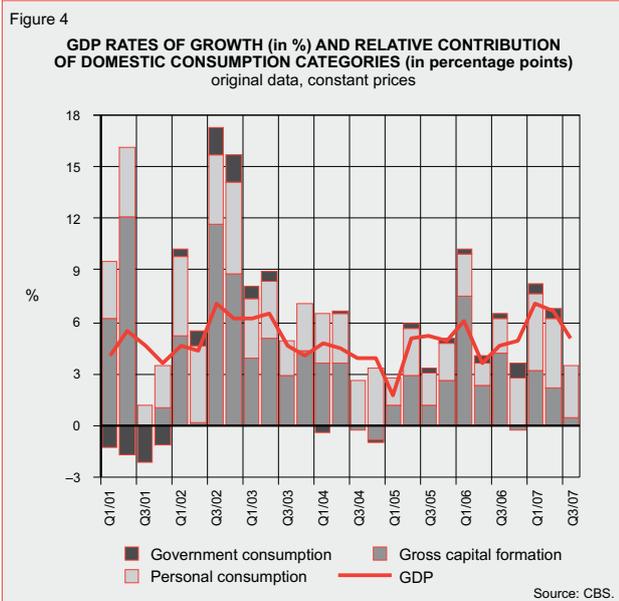
Positive movements in goods and services exports in the third quarter of 2007 arose from the strengthening of foreign demand for domestic services during the main tourist season, but also from a relatively large annual increase in goods exports. Goods and services exports went up at an annual rate of 7.3% over the observed period. Goods and services imports, however, grew somewhat slower (at a rate of 7.0%), resulting in a positive contribution of net foreign demand to total real economic growth (0.7 percentage points) during the third quarter. Real goods and services exports grew at a rate of 6.8% in the first nine months of 2007 compared with the same period in 2006, whereas the real imports grew at a slightly more moderate rate (5.8%).



The data on merchandise trade for the last quarter of 2007 point to a slowdown in foreign demand. It is noteworthy that the decline in exports over the observed period mostly arose from negative movements in December 2007, when total goods exports fell by 11.0% relative to the same month in 2006. By contrast, volume indicators of tourist arrivals and overnight stays in the period October-December 2007 point to positive growth in services exports. Despite a slowdown in the imports of investment goods, as well as durable and non-durable consumer goods towards the end of 2007, the annual growth rate of overall goods imports remained high owing to a boost in oil prices on the global market. Consequently, the contribution of net exports to real GDP growth in the fourth quarter of 2007 is likely to be negative.

Domestic Demand

Strong growth of domestic demand recorded in the first quarter of 2007 was followed by its marked slowdown, caused by a decline in personal consumption and gross fixed capital



formation, although their annual rates of growth remained relatively high. The contribution of the domestic aggregate demand component to real GDP growth decreased to 4.3 percentage points in the third quarter, to a large part thanks to a relatively large negative contribution of the ‘change in inventories’ category (1.3 percentage points). However, it should be noted that it includes statistical discrepancy arising from a mismatch between the expenditure and production GDP calculation methods, and is therefore considered as a rather unreliable indicator of real changes in inventories. The slowdown in the specified domestic demand components was partly offset by accelerated government consumption growth.

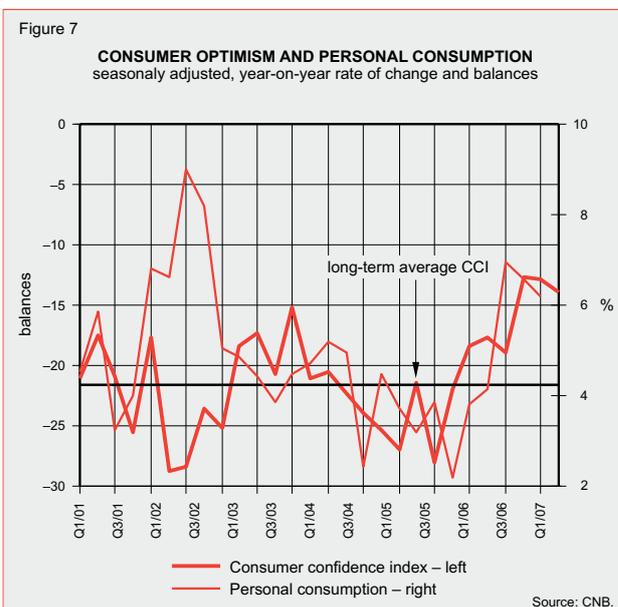
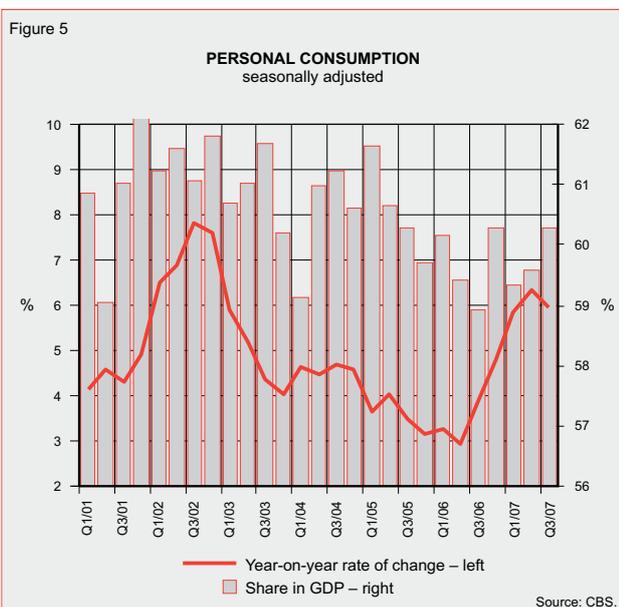
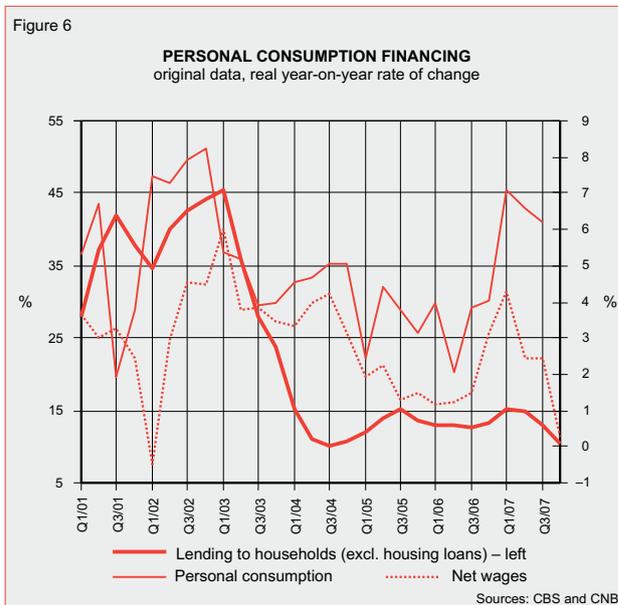
Personal Consumption

In the third quarter of 2007, personal consumption grew at an annual rate of 6.2%. Given its generally small share in real GDP during the peak tourist season, this resulted in a relatively sharp decline in this category’s contribution to to-

tal economic activity growth relative to the first semi-annual period. Taken cumulatively, personal consumption went up 6.6% in the first nine months of 2007 compared with the same period a year before.

Monthly economic activity indicators, whose growth greatly depends on personal consumption movements, point to its continued slowdown towards end-2007. Thus, real retail trade turnover further declined annually over the fourth quarter, whereas industrial production of non-durable consumer goods maintained the level reached at mid-year. Moreover, consumer goods imports also decreased in the observed period relative to the previous quarter.

These movements were in line with the changes in the main sources of personal consumption financing observed during the last quarter of 2007. While the relevant short-term indicators of employment dynamics, as well as preliminary CBS data on the number of employed persons and the CPIA data on the number of insured persons suggest steady employment growth in the last quarter of 2007, a sharp increase



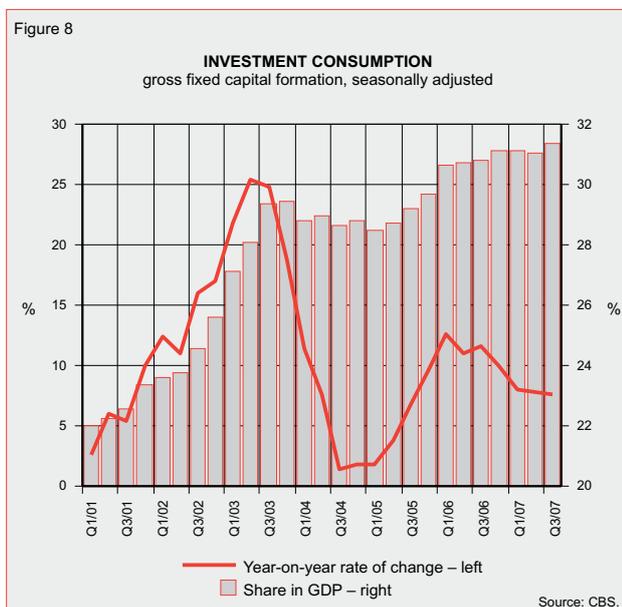
in prices led to a slowdown in total real wage bill, being the main source of household consumption financing. In addition, real annual growth of loans to households, excluding housing loans, slowed down by 2.8 percentage points relative to the previous quarter. By contrast, the payment of a tranche of debt to pensioners in November 2007 partly offset the anticipated personal consumption weakening.

The CNB's Consumer Confidence Survey results for December 2007 indicate a marked decline in consumer optimism at the end of the year. The Survey results for January 2008 suggest similar consumer sentiment, so that moderate household consumption movements are expected to continue early in 2008.

Investment Consumption

The annual rate of change in gross fixed capital formation stood at 5.7% in the third quarter of 2007, only slightly below the rate in the previous quarter. The contribution of this aggregate demand component to real GDP growth was 1.7 percentage points. The largest contribution to gross fixed capital formation in this period came from public investment, whereas the private sector investment activity weakened considerably. As suggested by the available indicators for 2007, real annual gross fixed capital formation grew at a rate of 7.4% during the first three quarters of the year, primarily due to its strong growth early in the year.

Investment activity indicators for the last quarter of 2007 show a continued decline in investment consumption. The manufacture of capital and intermediate goods remained stagnant in the observed period, whereas the capital and intermediate goods imports decreased. The decrease was more pronounced in the business sector's demand for investment goods. Movements in construction activity also suggest a weakening of private investments towards the end of 2007. The negative effects of private investment contraction on the real growth of total investment consumption in the observed period will be partly offset by the strengthening of the general government's investment consumption.



Government Consumption

In the third quarter of 2007, government consumption accelerated noticeably at the annual level, from 2.7% in the second to 4.4% in the third quarter. As a result, the contribution of government consumption to total real GDP growth increased from 0.5 to 0.8 percentage points. In the first nine months of 2007, this aggregate demand component rose at an annual rate of 3.3%.

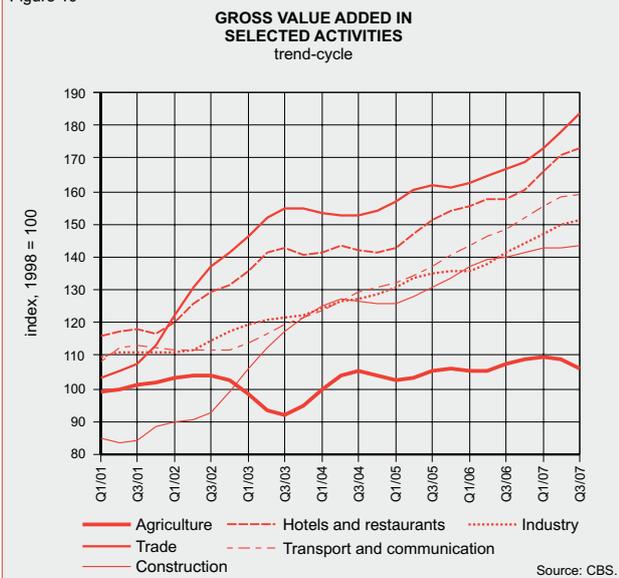
Over the last quarter of 2007, total government consumption is expected to continue upwards in real terms. Specifically, employment in education and health care accelerated mildly during the last quarter of the year, whereas negative employment trends in the narrowly defined public administration and defence stopped. This is likely to result in higher values of the real labour cost indicator for the public sector, despite a mild deceleration in the nominal wage bill growth over this period. Furthermore, the nominal growth of expenditures for the use of goods and services is expected to accelerate in the last quarter of 2007. However, due to the growth of consumer price index, its contribution to the real growth of total government consumption will not be equally strong.

Output

Gross value added went up 6.1% in the first nine months of 2007 relative to the same period in 2006, mostly due to the movements in industry and trade. Viewed quarterly, GVA growth was more pronounced in the first half of the year, but it slowed down over the third quarter. The GVA growth rate for the third quarter is estimated at 5.3%, 1.0 percentage point below the rate recorded in the second quarter. Owing to slower GVA growth in material production activities over the third quarter, the contributions of these activities to the total rate of change in GVA decreased. Contrary to this, GVA growth accelerated in most service activities and their contributions to total GVA growth mildly increased.

The annual slowdown in total GVA formation in the econ-

Figure 10



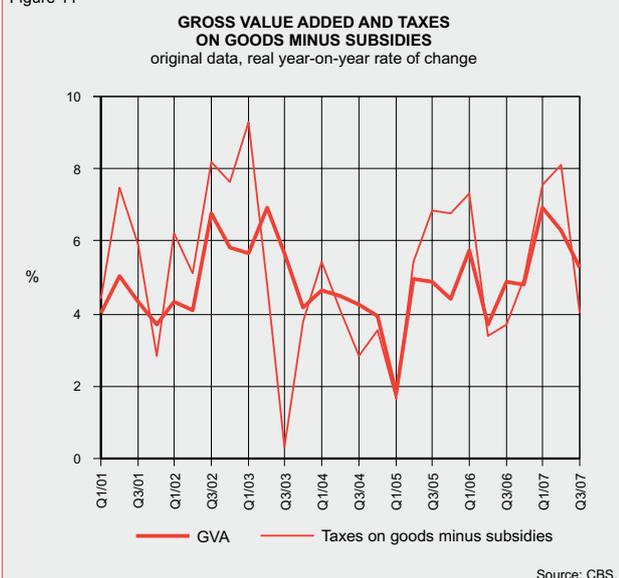
Industry

The third quarter of 2007 saw a slowdown in real GVA in industry. Its annual rate of change stood at 5.4% and its contribution to total GVA formation in the economy decreased by 0.9 percentage points relative to the previous quarter. Given the share of industry in total GVA of almost 30%, its slowdown during the third quarter was the main generator of the total GVA slowdown.

As suggested by seasonally and calendar adjusted data, in the last quarter of 2007, industrial production stabilised at the level reached at mid-year, which led to a further decline in its annual growth rate. These movements in industrial production are likely to be the result of weakened domestic and foreign demand for both investment and consumption goods. This is suggested by the more moderate private sector investment activity over the last quarter of 2007, increased inflationary pressures and an anticipated drop in yields on the capital market at year-end. It should also be noted that some companies usually close their production facilities during the collective winter and summer holiday leaves, in order to optimise production costs. Given the annual differences in the periods of using collective leaves and their duration, it is impossible to make adequate statistical adjustments in industrial production time series. Therefore, the changes in the industrial production level cannot be safely estimated.

According to the NCEA, seasonally and calendar adjusted data on the total volume of production in manufacturing, which makes the bulk of industrial production, also suggest its stabilisation at the level achieved at mid-year 2007, leading to its annual decline in the last quarter of 2007. As a result, the annual rate of change was as low as 2.4% in the observed period, half the rate recorded in the third quarter. Unfavourable movements were particularly pronounced in December, as almost all manufacturing branches reported negative rates of change in the total volume of production. Exceptions to this were the production of food and beverages and publishing and printing, being the largest contributors to total manufacturing growth throughout the fourth quarter.

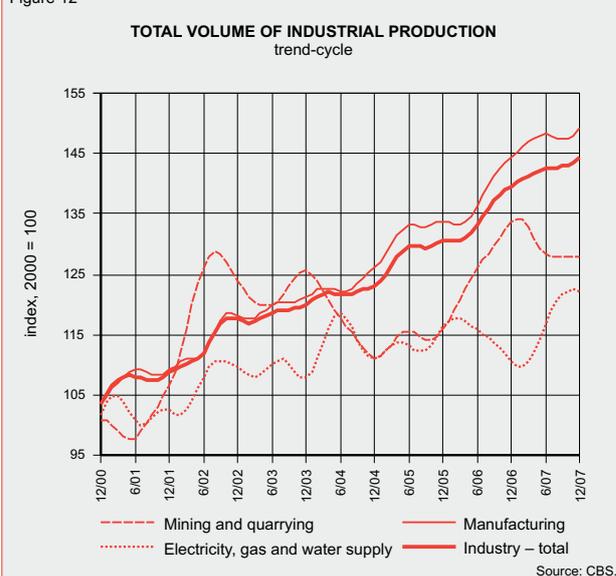
Figure 11

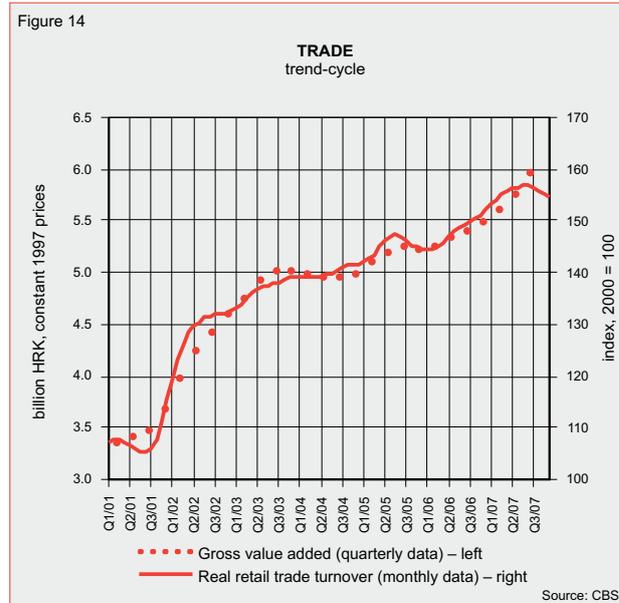
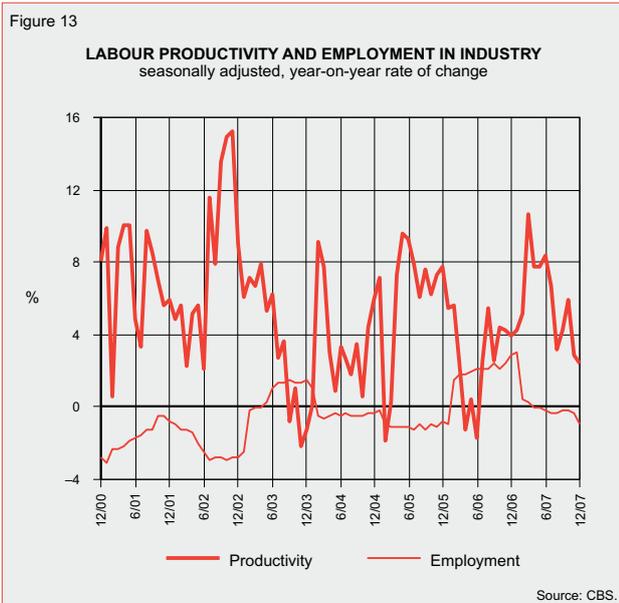


omy is expected to continue into the last quarter of 2007. This is suggested by domestic and foreign demand weakening, increasingly pronounced towards the end of the year, which greatly contributed to production stagnancy in manufacturing and a slowdown in retail trade turnover.

Owing to more pronounced growth in subsidies over the third quarter of 2007, net indirect taxes slowed down annually in this period. This resulted in a change in the relationship between GVA and GDP formation dynamics, so that GVA growth outstripped the growth of GDP by 0.2 percentage points. The available Ministry of Finance fiscal data for October and November show a sharp decline in annual indirect tax revenues during the period, accompanied by a marked increase in total expenditures for subsidies, both to private enterprises and public corporations. Such movements will certainly lead to a further slowdown in net indirect taxes in the observed period, and consequently, to a continued acceleration of GVA growth relative to GDP growth in the last quarter of 2007.

Figure 12





It is also noteworthy that, despite the negative trends in the fourth quarter, the rate of growth in manufacturing for the entire 2007 was 6.8%, up 2.0 percentage points on the rate recorded in the previous year.

Production in mining and quarrying was stagnant at end-2007, owing to both the weakening of private investment in construction and base period effects. In addition, a part of demand for mining and quarrying products was probably satisfied by existing reserves. The last quarter of 2007 was marked by a boost in energy supply, which probably suggested the strengthening of domestic demand for natural gas.

A marked increase in labour productivity in industry over the first half of 2007 was followed by its more moderate dynamics in the third and fourth quarters. Such trend in the second half of the year primarily reflects a slowdown in the total volume of industrial production accompanied by steady employment growth in this activity. Thus, the annual growth of labour productivity, seasonally adjusted, slowed down to 4.7% in the third quarter, while in the last quarter, its annual rate of change stood at 3.7%. However, it should be borne in mind that the CBS employment data by activity are preliminary, and, as such, they typically underestimate the real number of employed persons. Final data on the number of employed persons will be published in April, when labour productivity indicators (i.e. its level and dynamics) are likely to be corrected downwards.

Trade

GVA growth in trade accelerated by 9.3% in the third quarter relative to the same quarter of the previous year. In addition to industry, trade made the largest contribution to total real GVA formation in the observed period (1.5 percentage points). Such developments were expected, given the successful tourist season and the continuation of favourable labour market trends.

The last quarter of 2007 was marked by a slowdown in real retail trade turnover, particularly in December. According to seasonally and calendar adjusted data, the annual

growth rate of retail trade turnover was as low as 2.6% in the observed period. This slowdown was largely the result of the household consumption weakening, accompanied by a marked decline in consumer optimism in December, due to higher inflationary expectations and negative movements on the capital market. According to the monthly data, real retail trade turnover grew at an annual rate of 5.2% in 2007. Given that the monthly retail trade data typically underestimate the real gross value added dynamics in trade, its real growth rate is likely to be slightly higher.

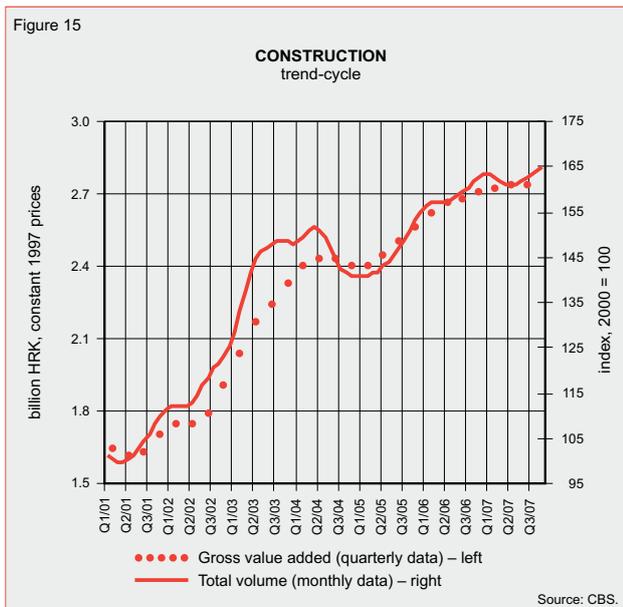
In the period from October to December 2007, retail trade turnover data by branch of trade suggest a continuation of the strong nominal growth of retail trade turnover in non-specialised stores with food and motor fuels and lubricants. By contrast, the sale of motor vehicles reported negative real (and nominal) rates of change, at the annual level, in the fourth quarter, as confirmed by the available data on the number of newly registered motor vehicles for the period.

Construction

Following a marked slowdown in real annual GVA growth in construction over the second quarter relative to the beginning of the year, the third quarter saw an additional deceleration of the annual rate of change (by 2.3%). The contribution of this activity to overall GVA formation remained at the level of the second quarter (0.2 percentage points). The observed slowdown in GVA in construction was apparently the result of the weakening of private investment, given that the government investment consumption strengthened markedly over the observed period, as suggested by the Ministry of Finance data.

In the first nine months of 2007, GVA in construction increased by 4.1% relative to the same period in 2006.

According to the nominal MoF data on the acquisition of buildings and structures over the fourth quarter of 2007, government investment is expected to boost, while, according to some indications, private sector investment in construction is likely to decrease. Leading construction activity indic-



tors (the index of the value of construction project orders and building permits issued), and a recovery of business optimism in construction, observed at the end of 2007, suggest a possible acceleration of this activity early in 2008.

Hotels and Restaurants

After a mild slowdown over the second quarter of 2007, GVA in hotels and restaurants grew at a high annual rate of 9.9% in the third quarter of the year, the contribution of this activity to GVA growth in overall economy standing at 0.6 percentage points. In the period from January to September 2007, GVA in hotels and restaurants went up by 9.4% annually.

Such developments during the third quarter reflect a successful peak tourist season, but it should be noted that direct and indirect effects of tourism on the economy outdid the relatively modest contribution of hotels and restaurants to total economic growth. The original CBS data suggest a con-



tinuation of favourable trends in tourist arrivals and nights over the last quarter. Thus, tourist nights and arrivals rose by 4.1% and 6.7% respectively over the observed period compared with the same period in 2006, indicating that the off-season demand for tourist services was on the increase.

At the 2007 level, tourist overnight stays and tourist arrivals went up 5.7% and 7.5% respectively compared with the previous year, with almost 90% of nights stayed by foreign tourists, mostly from Germany, Slovenia and Italy.

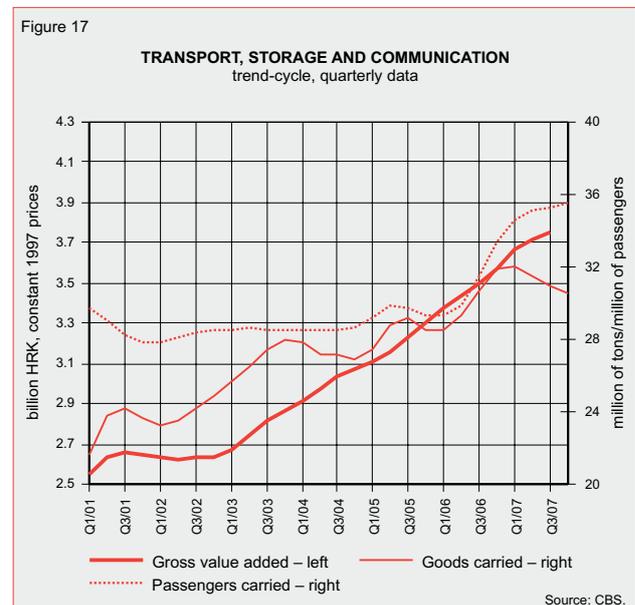
Transport and Communications

Following a boost of 8.7% in GVA over the first half of 2007, annual GVA growth in transport storage and communications slowed down to 6.6% in the third quarter of 2007. This activity's contribution to real GVA growth in overall economy also decreased mildly, to 0.7 percentage points in the observed period.

In the period from January to September 2007, GVA in transport storage and communications rose at a rate of 7.9%.

Available (seasonally adjusted) data on the number of passengers carried suggest more moderate positive movements in this segment of transport during the period from October to December 2007. The annual rate of change in the number of passengers carried stood at 5.2% in the observed period, down 8.0 percentage points from the third quarter. At the same time, the weakening of both domestic and foreign demand for goods, increasingly pronounced towards year-end, seems to have largely influenced the demand for goods transport services. Such movements also resulted in negative annual dynamics of transport, storage and communications.

In telecommunication services, negative trend in the number of minutes spent in fixed network continued, whereas the number of minutes spent in mobile network went further up, yet at a slightly slower pace relative to that in the first nine months of 2007.



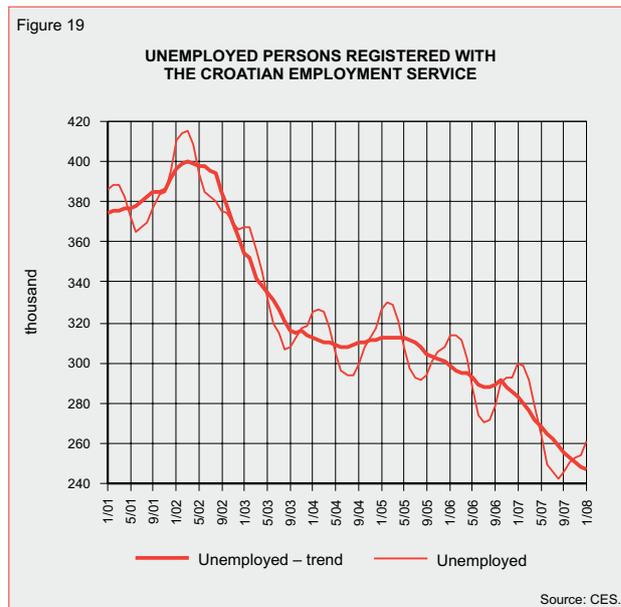
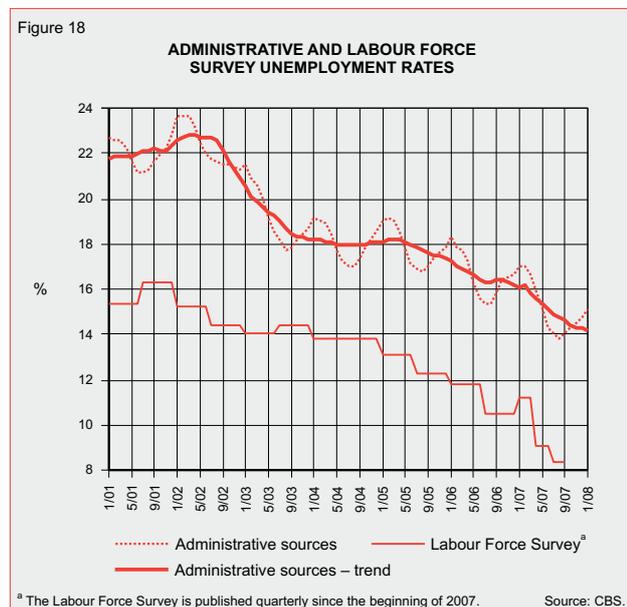
Labour Market

The CBS's Labour Force Survey results for the third quarter of 2007 suggest positive labour market trends, which is in line with both the real sector movements and administrative labour market indicators for the period. Viewed quarterly, unemployment dropped and employment picked up. Positive developments continued into the last quarter of 2007, as confirmed by administrative sources, i.e. the CES data on unemployment and the CBS and CPIA data on employment. At the annual level, the sharpest drop in registered unemployment in 2007 was recorded in the last quarter of the year, whereas, according to the preliminary CBS data and the CPIA data on the number of insured persons, total employment increased in this period.

Real gross wages paid in the last quarter of 2007 grew at a markedly slower pace compared with the previous quarters, primarily due to a strong acceleration of the annual consumer price index. The downward trend was also observed in real net wages in this period, with the average real net wage growth still lagging behind that of average real gross wage, due to the tax progression effect.

Unemployment and Employment

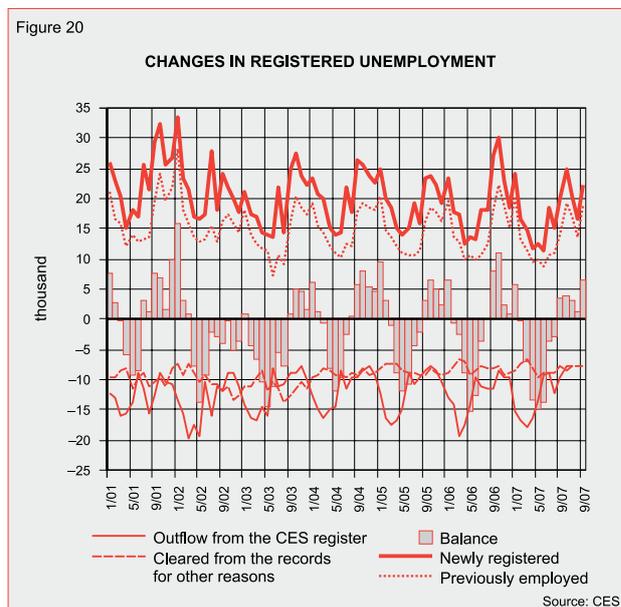
According to the Labour Force Survey results published at end-January 2008, the third quarter of 2007 was marked by positive labour market trends. Given the quarterly publishing of the Survey results as from early 2007, it is difficult to make a comparison with historical data. The Survey data available for 2007 point to a continuous decline in the number of unemployed persons, to 151,000 in the third quarter, the lowest unemployment since the Survey was launched. Compared with other quarters of 2007, Labour Force Survey unemployment dropped by 6.8% (11,000), and compared with the first half of 2007 by 15.9% (28,500). The Labour Force Survey unemployment rate came down to 8.4% in the third quarter of 2007, so that the average unemployment rate for the first



nine months of 2007 stood at 9.6%.

Following its continuous seven-month decline, registered unemployment started to rise at the monthly level in September 2007. At the annual level, however, registered unemployment declined throughout the fourth quarter of 2007, but also throughout the year. Looking at 2007, the sharpest decline in registered unemployment was perceived in the last quarter, as the number of the unemployed dropped by 39,200, 13.4% compared with the same period in the previous year. The average registered unemployment rate for 2007 stood at about 15.1%, down 1.5 percentage points from 2006.

The described trend in registered unemployment at end-2007 can be accounted for by a stronger inflow of unemployed persons into the CES register over the last quarter, due to the return to the register of persons employed during the tourist season and the registration with the CES of persons leaving education. In the last quarter of 2007, the number of unemployed persons registered with the CES totalled 62,100 (more than in the third quarter, but consider-



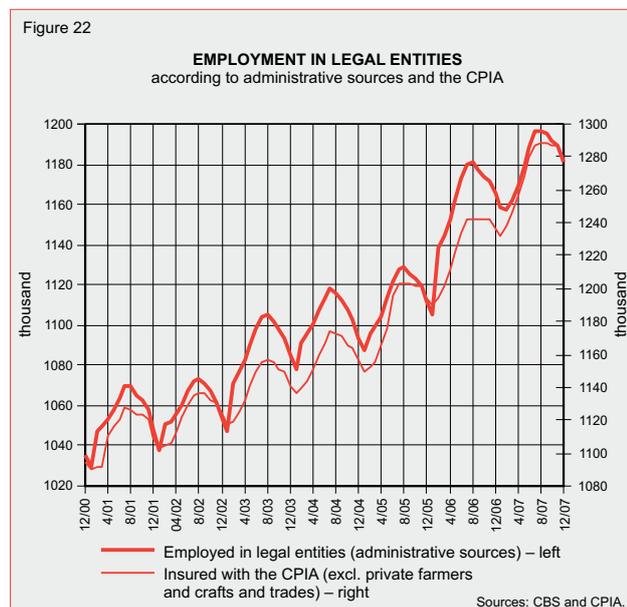
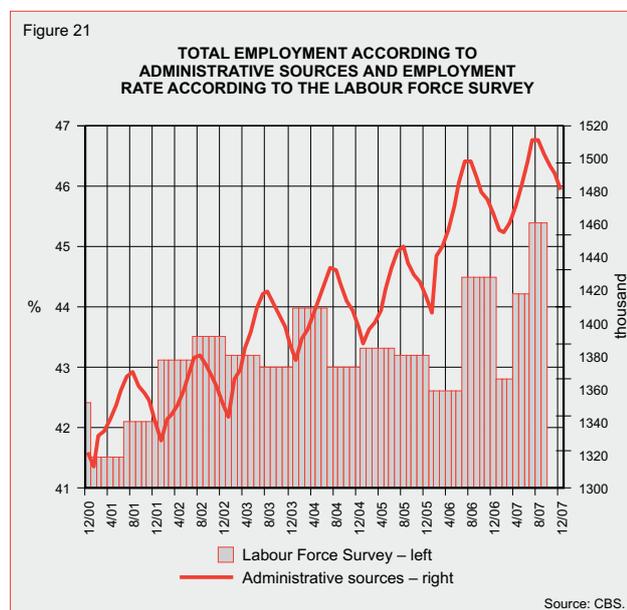
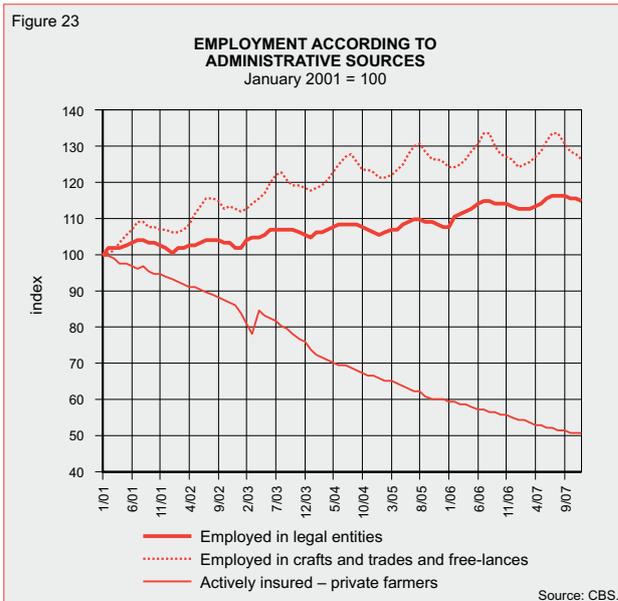
ably less than in the same period in 2006).

By contrast, employment from the CES register totalled almost 30,000 in the last quarter of 2007, which represents a decrease compared with the previous quarter, and can be accounted for by common seasonal effects of low employment towards year-end. Clearings from the records for non-employment reasons remained low in the fourth quarter.

Employment

A decline in unemployment was paralleled with positive trends in employment, as indicated by the latest Labour Force Survey results. In the third quarter of 2007, employment stood at 1.661 million, up 75,000 on the first half of the year. The Labour Force Survey unemployment rate also went up, reaching 45.4% in the third quarter of 2007.

Preliminary CBS data on employment and the data on the number of persons insured with the CPIA point to a continuation of positive trends in the last quarter of 2007, at the an-



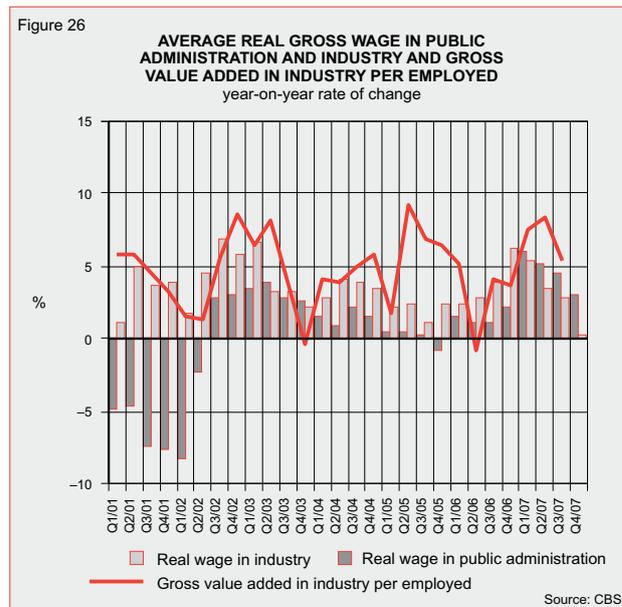
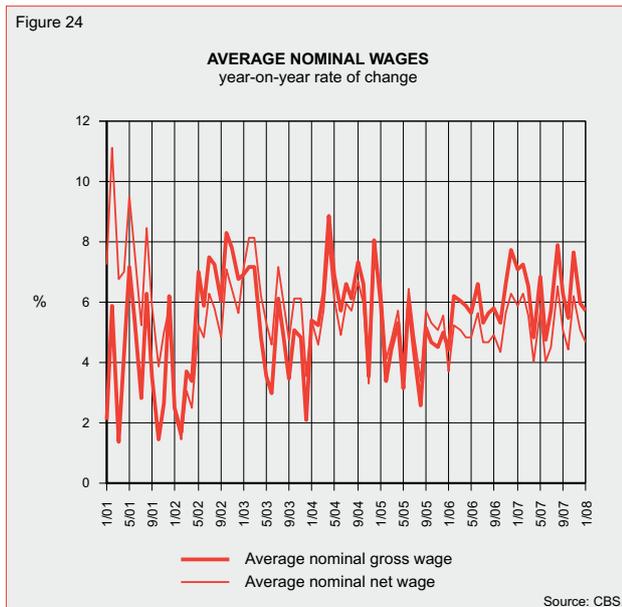
nual level. The number of persons insured with the CPIA, being a reliable short-term indicator of employment, increased by 2.8% in the fourth quarter of 2007, which represents a mild acceleration compared with the previous quarter. According to preliminary CBS data, average employment stood at 1.489 million in the fourth quarter, its annual growth rate standing at 1.0% in this period. It should be kept in mind that this growth rate is based on revised employment data for the period ending January 2007 and preliminary data for the period after that, and is therefore likely to be higher after the revision of the preliminary employment data for 2007, which is expected in April 2008.

According to the CBS data, the largest contribution to total employment growth in the last quarter of 2007 came from employment in legal entities. Employment in crafts and trades and free-lances rose mildly in annual terms over the observed period. By contrast, the number of individual farmers actively insured with the CPIA continued downwards, thus offsetting the small but positive contribution of employment growth in crafts and trades and free-lances to overall employment growth.

Viewed by activity, the largest annual growth in employment over the last quarter of 2007 was recorded in real estate, rental and other business services, wholesale and retail trade and financial intermediation. A marked increase in employment in education and health care was moderated by a decrease in the narrowly defined public administration, which resulted in a sharp annual rise in employment in total public administration (3,800 or 1.3%). In contrast to this, the sharpest annual declines in employment were recorded in mining and quarrying and electricity, gas and water supply.

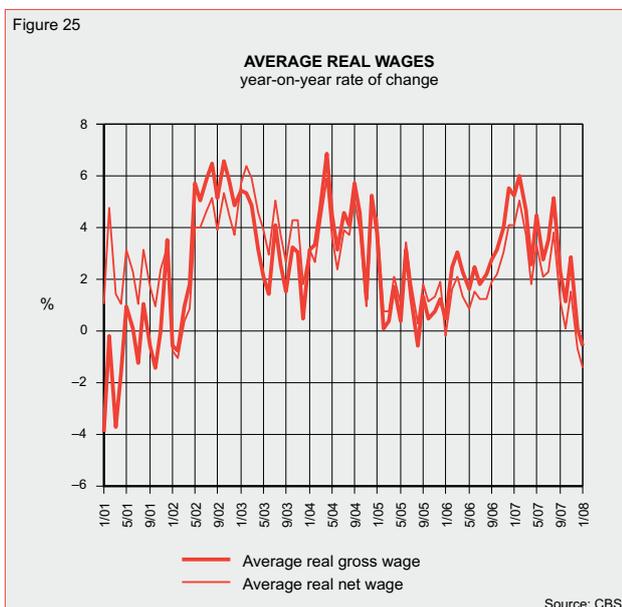
Wages and Labour Costs

Average nominal gross wage paid in the last quarter of 2007 grew at an annual rate of 6.4%, slightly below its rate recorded in the third quarter. The growth of nominal gross wages was paralleled with a strong annual acceleration of the consumer price index, leading to a sharp decline in real gross wages.



The annual growth rate of real gross wages paid in the last quarter of 2007 stood at 1.4%, down 2.7 percentage points from the first nine months of the year. At the same time, due to the tax progression effects, average real net wage rose at an annual rate of 0.3%. As wages are the primary source of the available household income, inflationary trends toward the end of 2007 adversely affected its real growth.

Average real gross wages slowed down annually in almost all NCEA activities in the last quarter of 2007. The most serious decline was recorded in the private sector: construction, real estate, rental and other business services, as well as electricity, gas and water supply, with the last two activities showing negative annual rates of change. Real gross wages paid in public administration (including education, health care and social welfare) also slowed down in the fourth quarter of 2007, but at a considerably slower rate than in the private sector, as a result of an agreement on a 6% increase in the wage base in public administration for 2007 relative to the base applied in 2006.



Real gross wages in industry followed the general real gross wage trend, so that the annual growth of average real gross wage in industry slowed down from 2.9% in the third to 0.3% in the fourth quarter of 2007. Labour productivity in industry, measured by the gross value added dynamics in this activity, at constant prices, per employee, grew at a rate of 5.5% in the third quarter, considerably exceeding the growth of real gross wages in this period.

Prices

Croatia's consumer price inflation accelerated markedly in the last five months of 2007. The annual rate of change in the CPI increased from 2.0% in December 2006 to 2.1% in July 2007, leaping to 5.8% in December 2007. The marked acceleration of consumer price inflation in the said period was to a large extent due to supply side shocks, especially to the price rise in agricultural products, industrial food products and refined petroleum products. The annual rate of increase in food prices went up from 0.4% in December 2006 to 11.4% in December 2007, so that the contribution of this product group to the overall annual inflation rate rose from 0.1 to 3.2 percentage points in the observed period. The increase in domestic prices of food products was caused by adverse weather conditions in the summer months and rising world prices of food raw materials (especially cereals, oilseeds and milk). Another supply-side shock leading to the increase in Croatia's CPI¹ was the price rise in refined petroleum products, which was a consequence of the increase in world crude oil prices.² The annual rate of change in refined petroleum

- 1 As the share of refined petroleum products prices in the CPI basket is considerably lower than the share of food prices (5.5% and 27.7% respectively in 2007), they made a lower impact on the growth in CPI than food prices.
- 2 Although we consider food and oil price movements as supply-side shocks, on the global level they are demand-side shocks. The oil price growth is closely connected with the strong growth of the global economy (especially of China and other Asian countries), while the food price hike is related to efforts to substitute biofuels for oil. It is hence likely that oil and food prices will remain relatively high.

Figure 27

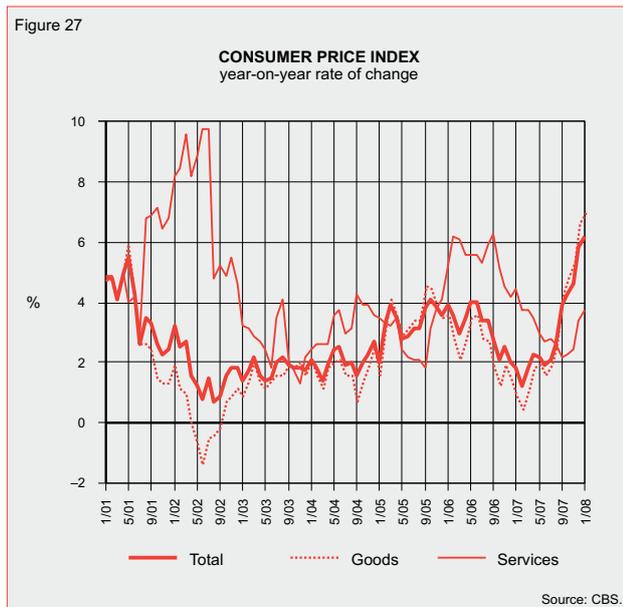


Table 1: Consumer Price Index, year-on-year rate of change

	Weight 2008	12/06	3/07	6/07	9/07	12/07	1/08
Total	100.0	2.0	1.8	1.9	3.9	5.8	6.2
Food and non-alcoholic beverages	31.8	0.8	0.2	0.8	6.7	10.7	11.2
Alcoholic drinks and tobacco	5.5	1.9	1.3	2.7	4.1	6.4	6.5
Clothing and footwear	8.4	3.2	5.2	5.5	4.9	5.1	3.9
Housing, water, energy, gas and other fuels	14.2	5.4	3.0	1.6	1.7	3.9	4.9
Furniture, equipment and maintenance	5.3	2.5	2.0	1.6	1.9	3.0	3.4
Health	2.8	1.9	1.9	2.6	1.3	1.3	4.2
Transport	11.4	1.1	2.1	3.0	2.8	4.7	5.7
Communication	4.2	-0.1	-0.3	-0.2	-0.3	-0.3	-1.3
Recreation and culture	6.1	0.9	2.5	1.3	3.1	1.8	1.9
Education	1.0	0.2	0.0	0.0	2.3	2.3	2.3
Catering services	3.5	2.3	2.4	1.6	1.9	2.4	3.0
Miscellaneous goods and services	5.8	2.9	3.4	3.6	3.4	4.4	3.7
Goods	76.9	1.4	1.1	1.6	4.3	6.6	7.0
Services	23.1	4.2	3.7	2.7	2.2	3.4	3.7

Source: CBS.

products prices accelerated from -1.9% in December 2006 to 10.9% in December 2007, while the contribution to inflation of these products' prices increased from -0.1 to 0.6 percentage points in the same period.

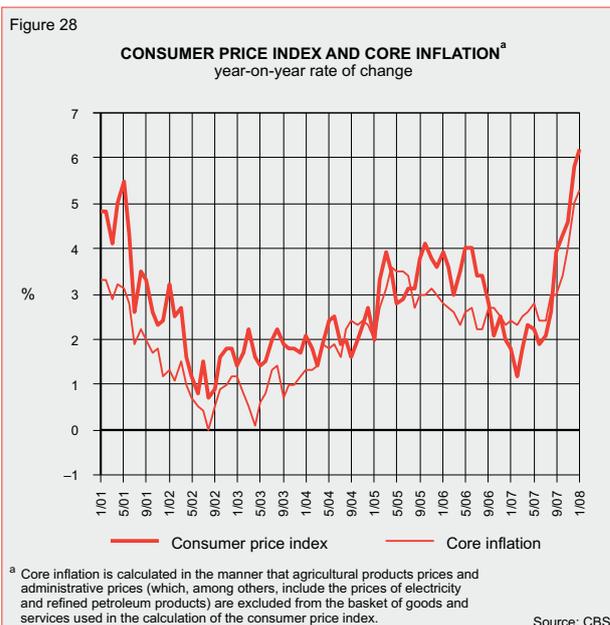
The increase in consumer price inflation in 2007 was partially due to demand-side factors. These include personal consumption, whose real annual growth rate of 6.6% in the first nine months of 2007 is projected to reach an approximate 6.0% for the whole of 2007, which is a sharp increase from 3.5% in 2006. Real retail trade turnover, an important indicator of personal consumption trends, slowed down in the last quarter of 2007, although the slowdown is less marked when excluding motor vehicle sales, which recorded a real decrease in turnover. The overall wage bill increased relatively sharply for the second consecutive year in 2007, primarily due to employment growth, coupled by a relatively stable growth rate of the average nominal gross wage. The increase in disposable household income was in 2007 boosted by household placements, whose strong growth in the first half of the year was somewhat curbed due to tightened CNB measures in the second half. Another considerable impact on the nominal increase in disposable household income, which financed strong personal consumption growth, came from outstanding debt payments to pensioners, as well as from other government transfers to households (including severance payments). Consumer Confidence Surveys carried out at mid-2007 showed a surge in consumer confidence compared with the beginning of the year. Household optimism regarding future income derived both from the favourable macroeconomic environment (steady economic growth, low inflation, a relatively stable exchange rate in the past several years and continued EU convergence process) and expectations of an increase in capital gains from investments in equities and investment funds, deriving primarily from the continued privatisation of T-HT. The average gross monthly wage in the domestic economy rose moderately from 5.9% annually in 2006 to 6.4% in 2007, but the wage rise in overall public administration was more pronounced, which might produce a negative effect by leading to requests for wage in-

creases in other sectors of the economy.

The central bank tightened monetary policy in 2007 and early 2008, aiming to contain inflationary pressures and expectations triggered by supply-side factors on the one hand and the fast growth of domestic demand on the other. It should be stressed that monetary policy can be effective only if supported by adequate fiscal and wage policies. Fiscal policy should impose stricter controls over expenditure growth, while wage increases should not exceed labour productivity growth. Inflationary shocks will only have temporary effects and will not result in long-term increases in the inflation rate only provided that these three policies are coordinated.

The policy of maintaining a stable nominal exchange rate of the kuna against the euro, the main anchor for domestic inflationary expectations, is a basic precondition for domestic price stability. As a result of such central bank's exchange rate policy, the average daily kuna/euro exchange rate depreciated by only 0.2% in 2007 relative to 2006. A stable ex-

Figure 28



³ Core inflation is calculated in the manner that agricultural products prices and administrative prices (which, among others, include the prices of electricity and refined petroleum products) are excluded from the basket of goods and services used in the calculation of the consumer price index.

Source: CBS.

change rate of the kuna versus the euro stabilises the prices of raw materials and finished goods imports from the eurozone. Domestic inflation was also subdued by the average daily kuna/US dollar exchange rate, which appreciated considerably by 8.1% in 2007, thus offsetting the impact of surging world prices of crude oil and other raw materials on domestic price movements.

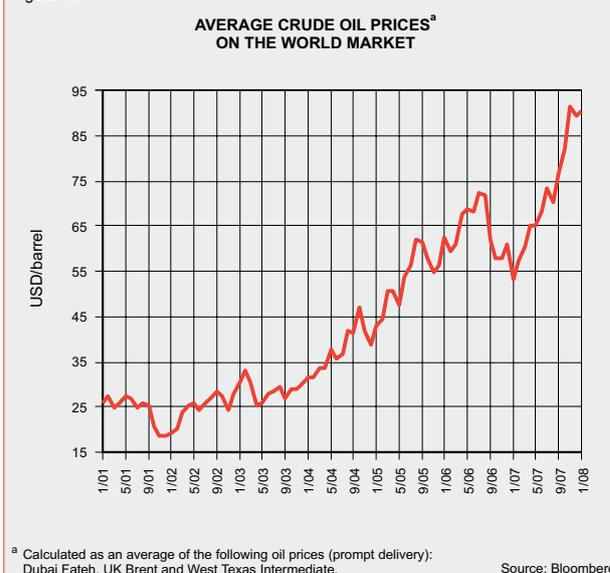
Core inflation also rose sharply in 2007, from 2.3% in December 2006 to 5.0% in December 2007, to a large extent due to the said price increase in industrial food products (milk and dairy products, bread and cereal products and meat). Core inflation also accelerated because of the price growth of tobacco products (which was a result of a rise in their producer prices) and footwear. The opposite effect on core inflation trends in the observed period was produced by a negative annual rate of change in car prices, which were on the increase in 2006.

The price increases in agricultural products also markedly contributed to the acceleration of the annual inflation rate in 2007. The annual rate of change in agricultural products prices increased from -1.3% in December 2006 to 18.0% in December 2007, primarily due to the price rise of vegetables.

The annual rate of change in administrative prices went up from 2.0% in December 2006 to 5.1% in December 2007, which was primarily due to an increase in the annual rate of change in refined petroleum products prices. In an effort to offset the spillover of the increase in world prices of crude oil on domestic refined petroleum products prices, the Government reduced excises on all types of unleaded petrol in late April 2007. The annual growth rate of refined petroleum prices increased considerably in the fourth quarter of 2007 due both to the increase in world crude oil prices and the base effect related to the price decrease in refined petroleum products on the domestic market in the same period in 2006.

The latest CBS data show a rise of 0.7% in the CPI in January 2008 compared with the previous month. The annual inflation rate reached 6.2%, increasing by as much as 4.4 percentage points from that in the previous year. Consumer prices of goods were up 0.4% in January 2008 com-

Figure 30

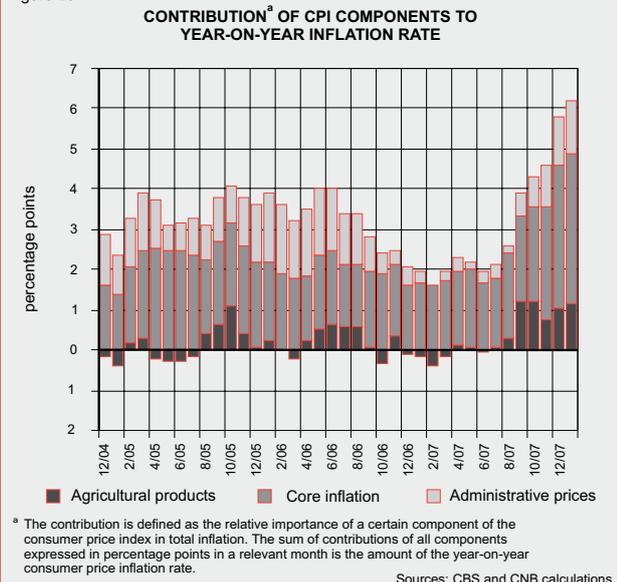


pared with the month before, with the greatest contribution coming from the seasonal price rise in agricultural products and price increases in bread and cereal products and milk and dairy products. Goods price movements in January were also affected by the price growth of medicines and refined petroleum prices. The monthly growth of consumer prices of goods was in January partly offset by the seasonal decrease in clothing and footwear prices. Domestic services prices grew by a sharp 1.7% in January from the previous month, primarily due to the growth in administrative prices, mainly spurred by the increase in utilities prices (especially in the prices of water supply, but also of refuse collection and dwelling).

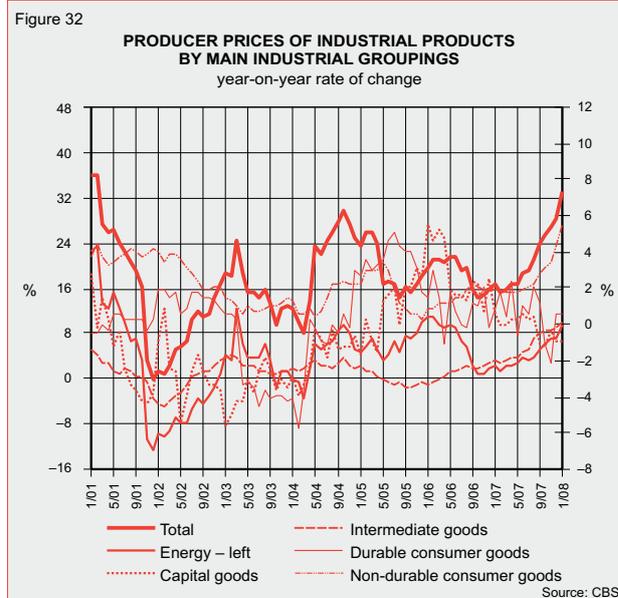
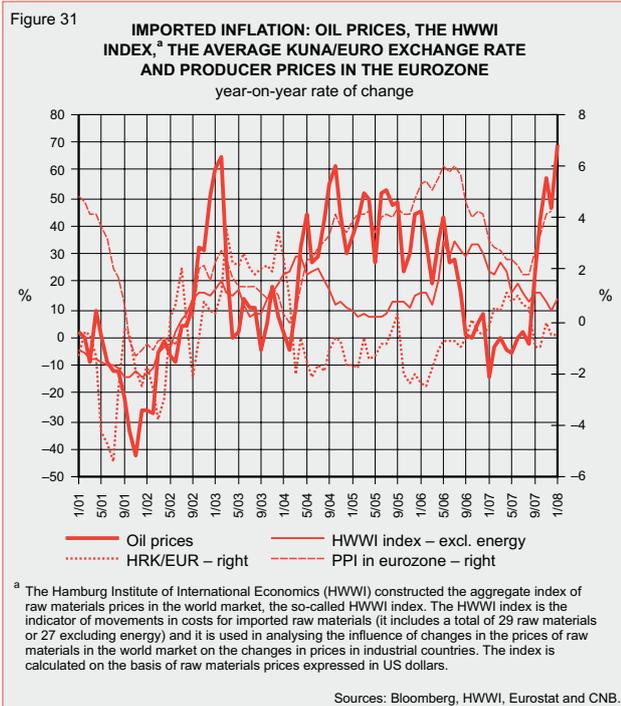
In 2007, imported inflationary pressures stemmed from the sharp increase in world prices of crude oil and food raw materials. Having increased by 8.1% (in US dollar terms) in 2006, average world crude oil prices soared at a rate of 46.8% in 2007, up from USD 61.0 per barrel in December 2006 to USD 89.5 per barrel in December 2007. This growth was 32.4% in kuna terms due to the nominal appreciation of the kuna exchange rate against the US dollar. The growth of world crude oil prices was the highest in the last quarter of 2007. Specifically, crude oil prices continued to grow from September to the first two months of the last quarter due, among other things, to a drop in US crude oil stocks, market concerns about Middle East tensions over Turkey's military intervention in northern Iraq, severe weather conditions in the Gulf of Mexico, market concerns that oil reserves might not be sufficient to meet winter demand and the continued weakening of the US dollar. Having dropped in December, crude oil prices rebounded in January 2008, with the price of Brent crude jumping to USD 97.8 per barrel already on 2 January, predominantly due to a decrease in US crude oil stocks and escalating geopolitical tensions.

In 2007, imported inflationary pressures also derived from price increases in other raw materials on the world market. Raw material prices³ increased by a significant 10.0% in De-

Figure 29



3 As measured by the HWWI index (excluding energy products, in US dollar terms).



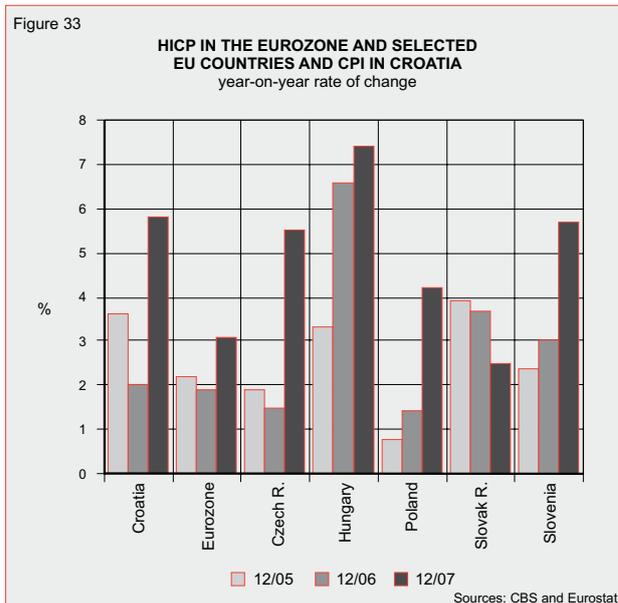
December 2007 compared with the end of 2006, but this rate was still lower than the rate of 30.6% recorded in 2006. Food raw materials prices grew especially strongly in 2007, with oilseeds prices surging by 71.1% in December 2007 relative to the same period in 2006. The annual rate of change in world cereals prices slowed down from 50.9% in December 2006 to a still high 39.8% in December 2007. In contrast, world non-ferrous metals prices went down by 10.3% in 2007. Analysts ascribe this to disturbances in global financial markets and market worries that the global economic slowdown, and especially the slowdown in the US, will reduce demand for non-ferrous metals.

The annual rate of change in eurozone producer prices grew from 4.1% in December 2006 to 4.3% in December 2007, primarily in consequence of the price increase in energy and food products. In contrast, intermediate goods prices in the eurozone decelerated in the observed period. ECB analysts suggest that this is due to the strengthening of the euro exchange rate on global foreign exchange markets and stabilisation of industrial raw materials prices.

Domestic industrial producer prices also accelerated significantly in 2007, with their annual rate of change up from 1.9% in December 2006 to 5.8% in December 2007. Prices grew in all major industrial groupings except in the capital goods. The annual rate of change in the prices of intermediate goods rose especially sharply: from 2.9% in December 2006 to 8.8% in December 2007, with the prices in the manufacture of other non-metallic mineral products, mostly comprising building materials, rising at the highest rate. As intermediate goods include some food raw materials (flour), their price rise in the observed period could also be attributed to the increase in food raw material prices in the world market. In contrast, the annual growth rate of the prices of metal slowed down considerably in 2007, which might be ascribed to the drop in the annual growth rate of the prices of metal in the world market. In addition, the annual rate of change in

energy prices went up from 1.9% in December 2006 to 7.0% in December 2007 due to the increase in producer prices of refined petroleum products and water supply prices. The increase in world crude oil prices spilled over to domestic producer prices of refined petroleum products, pushing up their annual rate of change from -5.7% in December 2006 to 18.5% in December 2007. Furthermore, the price growth of industrial food products and the rise in producer prices of tobacco products were the main factors contributing to the price growth of non-durable consumer goods, whose annual rate of change rose from 2.0% in December 2006 to 4.3% in December 2007.

Industrial producer prices leapt by 2.3% in January 2008 compared with December 2007. This was to a great extent due to the price increase in energy, caused by an 18.6% increase in the price of water (which is included in this aggregate) and a 3.1% rise in refined petroleum products prices. The annual rate of change in the overall PPI rose from 5.8% in December 2007 to 7.4% in January 2008. This was a con-



Box 1: Real Estate Price Trends in Croatia

Croatian real estate prices have increased at high annual rates since 2004, peaking at 16.2% in 2006. Although decelerating slightly in 2007, real estate prices continued to grow at a still relatively high rate of 13.3% in 2007. The major factors fuelling the growth of real estate prices in Croatia in recent years include a limited supply of residential real estate and higher accessibility of housing loans, granted at lower interest rates.⁴ The demand-side factors affecting the growth of real estate prices are related to the increase in disposable household income and decrease in unemployment. Also important is the impact of the favourable macroeconomic environment, with steady economic growth, low inflation and relatively stable exchange rate giving rise to optimistic household expectations regarding future income. Other factors include the increased interest of foreigners in purchasing real estate in Croatia (and especially at the Adriatic Coast) and the expectations of a continued increase in

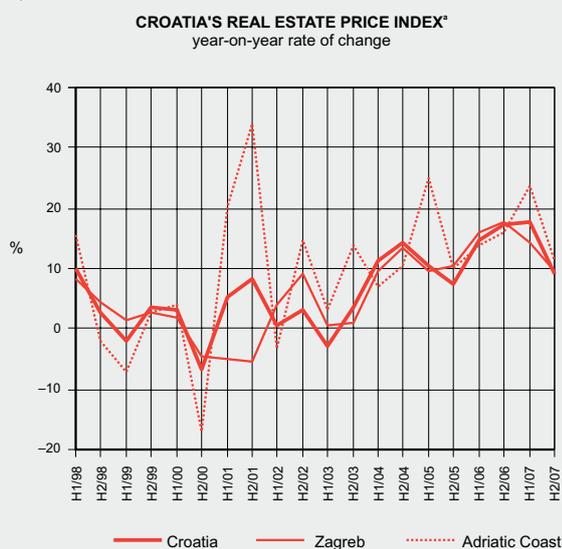
real estate prices, considerably influenced by the process of Croatia's convergence to the EU. The increase in demand for real estate was also due to income tax relieves, as housing loan interest and expenses on housing renovation are classified as tax deductible expenditures, while first-time home buyers are, depending on the size of the flat, fully or partially exempt from real estate sales tax.

However, after having increased at high annual rates for three consecutive semi-annual periods, ranging between 14.9% in the first half of 2006 and 17.7% in the first half of 2007, real estate prices decelerated to 9.1% annually in 2007. The slight deceleration in the growth rate of housing prices started in the first half of 2007 in Zagreb and in the second half of the year at the Adriatic Coast.

The annual real growth rate of newly extended housing loans in Croatia reduced from 4.9% in 2006 to 1.7% in 2007, suggesting a downturn in demand for real estate and a consequent price slowdown.

Nominal interest rates on housing loans to households

Figure 34



^a As measured by the hedonic price index for real estate (houses and flats). The characteristics of this index are described in detail in CNB Bulletin, No. 121, December 2006.

Sources: Burza nekretnina real estate agency and CNB calculations.

Figure 35



Source: CNB.

Table 2: Croatia's Housing Price Index, year-on-year rate of change

	Weight	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2006		2007	
												1st half	2nd half	1st half	2nd half
Croatia	100.0	6.4	0.9	-1.8	6.9	1.9	0.3	12.8	8.8	16.2	13.3	14.9	17.4	17.7	9.1
Zagreb	65.3	6.2	1.9	-1.4	-5.1	6.5	0.7	11.5	10.1	16.9	11.9	16.1	17.8	14.4	9.4
Adriatic Coast	22.0	6.2	-2.4	-6.7	26.5	5.5	8.7	8.9	16.7	14.9	17.2	13.8	15.9	23.8	11.2

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

Table 3: Newly Extended Housing Loans in Croatia, year-on-year rate of change, in HRK

	Nominal	Real ^a
2003	38.0	37.6
2004	14.6	1.6
2005	9.0	0.2
2006	21.8	4.9
2007	15.2	1.7

^a Deflated by the hedonic real estate price index. Source: CNB.

4 Demand for housing loans was also favourably impacted by changes in other financing conditions, i.e. by banks more rarely requiring guarantors for loans, accepting a broader range of collateral and granting housing loans with longer repayment terms.

(foreign currency indexed kuna loans) gradually declined from early 2002 to mid-2006, reaching a record low level of 4.73% in June 2006, which was 4.07 percentage points below that in January 2002. These interest rates drifted upwards to 5.12% in December 2007, which could be linked to the increase in European interest rates.

The number of issued building permits for flats was 20% to 30% higher in the last three years than in 2002, which is an indicator that the slowdown in real estate prices might have been affected by the increase in real estate supply on the market.

Table 4: Number of Issued Building Permits for Flats

	Number of permits	Index 2002 = 100
2002	19,549	
2003	21,245	108.7
2004	20,358	104.1
2005	23,484	120.1
2006	25,517	130.5
2007	24,877	127.3

Source: CBS.

tinuation of the upward trend in producer price inflation, started in June 2007, which was 5.2 percentage points higher in January 2008 than in the same month in 2007.

Croatia's annual consumer price inflation rate stood at 5.8% in December 2007, exceeding that of Slovakia (2.5%), the eurozone (3.1%), Poland (4.2%), the Czech Republic (5.5%) and Slovenia (5.7%), and standing below Hungary's rate of 7.4%. The annual consumer inflation differential between Croatia and the eurozone, amounting to only 0.1 percentage points in 2006, increased to 2.7 percentage points in December 2007. The high differential between annual inflation rates in Croatia and the eurozone in December 2007 was primarily caused by the large contribution of food prices to the overall CPI in Croatia, which considerably exceeded the contribution of these prices to the eurozone HICP. Croatia's annual rate of change in food prices thus reached 11.4% in December 2007, while the same rate in the eurozone stood at a lower 4.9%. It should be mentioned that the share of food prices in the CPI basket is considerably higher in Croatia than in the eurozone.

The latest data on trends in real estate prices in Croatia, described in detail in Box 1, show that the annual growth rate of real estate prices slowed down from 17.7% in the first half of 2007 to 9.1% in the second half of the year. The slowdown in real estate prices was the most pronounced on the Adriatic Coast.

662.0m at the foreign exchange auctions held in July, October and December. With EUR 177.0m bought from banks at the foreign exchange auction which was held on 28 December 2006 and which produced a monetary effect (kuna issue) in January 2007, the central bank issued a total of HRK 6.1bn last year. Also in 2007, the central bank sold a net of EUR 171.6m worth of foreign currency to the MoF, withdrawing HRK 1.3bn.

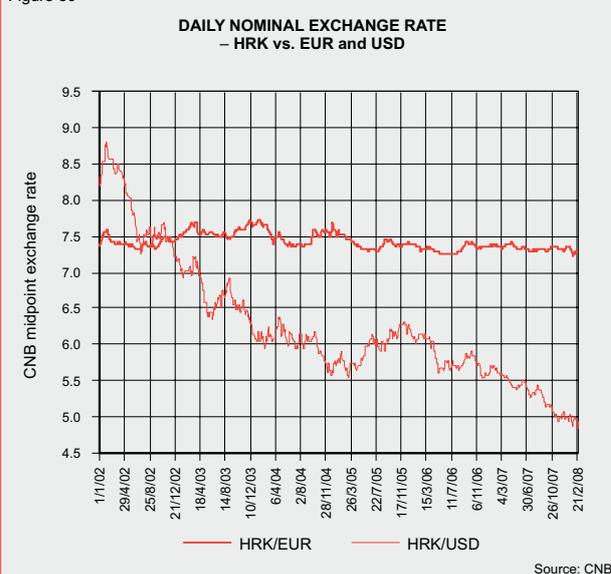
The average daily exchange rate of the kuna versus the euro stood at HRK 7.34/EUR in 2007, weakening by only 0.2% compared with HRK 7.32/EUR in 2006. Notwithstanding strong foreign exchange inflows, the central bank provided adequate liquidity to maintain exchange rate stability. The daily nominal exchange rate of the kuna ranged between HRK 7.28/EUR and HRK 7.41/EUR, oscillating in a narrow band from -0.8% to 1.1% relative to the average daily exchange rate in 2007.

The nominal exchange rate of the kuna depreciated by 0.6% against the euro in the last quarter of 2007, from HRK 7.28/EUR on 30 September to HRK 7.33/EUR on 31 December 2007. The domestic foreign exchange market was in the second half of September and early October marked by the appreciation of the exchange rate of the kuna against the euro, caused by the surge in demand for the kuna for the purchases of T-HT shares. In an effort to ensure sufficient kuna liquidity and alleviate appreciation pressures on the kuna exchange rate, the central bank intervened in the

Exchange Rate

The nominal kuna/euro exchange rate appreciated slightly by 0.3% in 2007, with the euro dropping in value from HRK 7.35 at the end of 2006 to HRK 7.33 at the end of 2007. Appreciation pressures, present during the major part of the observed period, were mainly a result of seasonal foreign exchange inflows from tourism and foreign exchange supply generated by corporate foreign borrowing. Other causes included foreign exchange inflows from bank recapitalisations and the growth of demand for the kuna for the purpose of investing in domestic securities. In the first half of 2007, central bank activities in the foreign exchange market included only foreign exchange transactions with the government, while kuna liquidity was mainly created through reverse repo auctions. In the second half of the year, when appreciation pressures increased, the central bank intervened in the foreign exchange market, purchasing from banks a total of EUR

Figure 36



Source: CNB.

foreign exchange market by purchasing from banks a total of EUR 355.2m at the auction held on 1 October and releasing HRK 2.6bn. The exchange rate of the kuna slightly depreciated against the euro in the remaining part of October, due to the increase in foreign exchange demand on the domestic market. The depreciation pressures were alleviated by withdrawing excess kuna liquidity by cancelling the last two reverse repo auctions in October and the first one in November. The kuna/euro exchange rate was stable in November, with appreciation pressures building up on the domestic market in the first twenty days of December. The growth of demand for the kuna and related appreciation pressures were in that period influenced by the seasonal increase in personal consumption and currency outside banks, as well as by compulsory subscriptions for CNB bills. That period also saw an increase in foreign exchange supply on the foreign exchange market, which was boosted, among other things, by rising inflows of foreign currency remittances from abroad. In order to mitigate appreciation pressures on the kuna exchange rate, the central bank intervened in the foreign exchange market by purchasing from banks a total of EUR 167.8m at the auction held on 21 December and creating HRK 1.2bn. In the last ten days of December, the nominal exchange rate of the kuna weakened against the euro due to an increase in foreign exchange demand on the domestic foreign exchange market. The CNB sold a net of EUR 12.4m worth of foreign currency to the MoF in the fourth quarter of 2007.

The central bank succeeded in maintaining the stability of the nominal kuna/euro exchange rate, as is confirmed by its relatively low volatility. Specifically, the average absolute rate of change in the daily kuna/euro exchange rate, an indicator of exchange rate volatility, amounted to a very low 0.07% in the fourth quarter, which equals the 2007 average and is only slightly lower than the 2006 average of 0.08%.

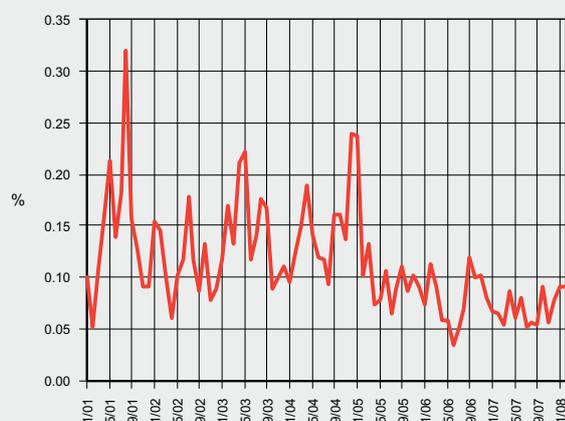
The nominal kuna/euro exchange rate appreciated slightly by 0.7% in the first two months of 2008, with the value of the euro down from HRK 7.33 on 31 December 2007 to HRK 7.28 on 29 February 2008. Due to a seasonal increase in foreign exchange demand in the first half of January, the

kuna/euro exchange rate depreciated slightly to HRK 7.35/EUR on 16 January. The exchange rate strengthened in the second half of January as kuna liquidity in the financial system reduced. The CNB held only one reverse repo auction in that period, early in January. As the kuna/euro exchange rate started to appreciate even more rapidly in the second half of January, the CNB, in an effort to contain the nominal strengthening of the kuna, intervened by purchasing from banks a total of EUR 189.1m on 31 January and releasing HRK 1.4bn. Also in January, the central bank conducted foreign exchange transactions with the government, selling EUR 50.7m worth of foreign exchange to the MoF on 25 January for debt repayments to London and Paris clubs. The kuna/euro exchange rate stood at HRK 7.25/EUR at the end of January, appreciating by 1.0% relative to the end of December 2007. The exchange rate of the kuna slightly depreciated against the euro in February due to an increase in foreign exchange demand on the domestic market. Standing at HRK 7.28/EUR on 29 February, the kuna/euro exchange rate was 0.4% weaker than at the end of January. The CNB sold a net of EUR 32.9m to the MoF in February.

The appreciation of the nominal exchange rate of the kuna against the US dollar, recorded in 2006 when the kuna exchange rate strengthened by 10.5% against the US dollar, continued with the same intensity in 2007. The exchange rate of the kuna strengthened by 10.6% against the US dollar, from HRK 5.58/USD on 31 December 2006 to HRK 4.99/USD on 31 December 2007. The strengthening of the kuna exchange rate against the US dollar was mostly due to the weakening of the US dollar versus the euro on the global foreign exchange market. Specifically, the US dollar exchange rate continued to depreciate against the euro in 2007, with the downward pressures mainly due to market concerns over the possible consequences for the US economic activity of the subprime crisis and the resulting expectations of a loosening of US monetary policy. Consequently, the said depreciation of the US dollar versus the euro was to a great extent a result of the reductions of the interest rate spread between the US and eurozone. The Fed cut its benchmark rate three

Figure 37

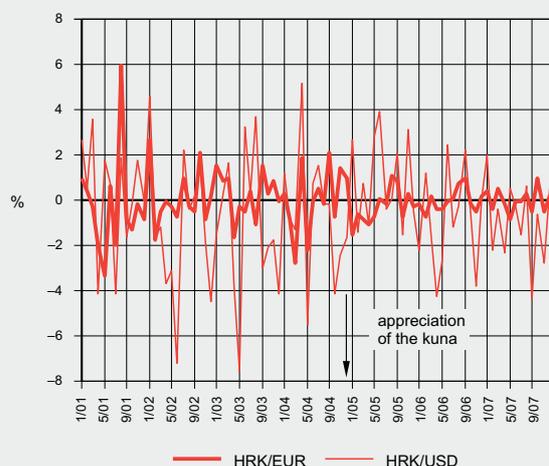
EXCHANGE RATE VARIABILITY
average absolute change of daily kuna/euro exchange rate, by months



Source: CNB.

Figure 38

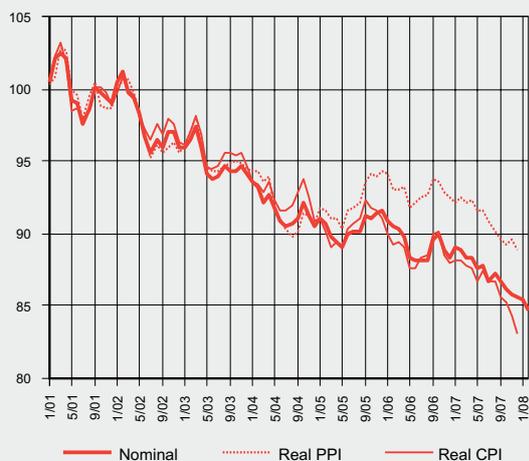
RATES OF CHANGE OF THE NOMINAL EXCHANGE RATE – HRK vs. EUR and USD
month-on-month, CNB midpoint exchange rate



Source: CNB.

Figure 39

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



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

Source: CNB.

times in 2007, while the ECB increased its benchmark rate two times in the same period. The Fed's benchmark rate was thus reduced by 1.0 percentage point from 5.25% to 4.25% in 2007, while the eurozone benchmark interest rate went up by 0.5 percentage points, from 3.50% to 4.0%, in the same period.

The exchange rate of the kuna appreciated by a further 3.3% against the US dollar in the first two months of 2008, up from HRK 4.99/USD on 31 December 2007 to HRK 4.82/USD on 29 February 2008, primarily in consequence of the US dollar/euro exchange rate weakening by an additional 2.7% in the first two months of 2008. Downward pressures on the dollar against the euro in January could mainly be ascribed to expectations of a further decrease in the US benchmark interest rate and adverse real estate market indicators. The Fed cut the benchmark rate by 0.75 percentage points on 22 January and by another 0.50 percentage points on 30 January, reducing it to 3.0%. In the same month, the ECB left the benchmark rate unchanged at 4.0%. Having increased slightly in the first

ten days of February, the US dollar/euro exchange rate continued to depreciate in the remaining part of the month, with the downward pressures stemming from the release of new adverse economic indicators related to trends in the real estate market and to the weakening of personal consumption in the US, which prompted investors to continue to expect further cuts in the US benchmark interest rate.

In addition to appreciating by a nominal 0.7% versus the euro and by 3.3% versus the US dollar, the kuna exchange rate appreciated by 4.2% against the pound sterling and depreciated by 2.8% against the Swiss franc in the first two months of 2008. Due to such developments in the kuna exchange rate, the index of the daily nominal effective exchange rate of the kuna appreciated by 1.4% against the currency basket in the period from 31 December 2007 to 29 February 2008.

The data on the index of the real effective exchange rate of the kuna point to a mild worsening of export price competitiveness in the period from December 2006 to December 2007. The index of the real effective exchange rate of the kuna deflated by consumer prices appreciated by 5.5% in 2007, outpacing the appreciation of the nominal effective exchange rate of the kuna (3.2%), which was due to the faster growth of domestic consumer prices relative to foreign consumer prices. The effective exchange rate of the kuna appreciated in nominal terms mainly because of a strong nominal appreciation of the average kuna exchange rate against the US dollar. The index of the real effective exchange rate of the kuna deflated by producer prices appreciated by 3.8% in 2007, reflecting a slightly faster growth of domestic producer prices relative to producer prices abroad (Great Britain, the eurozone and Switzerland), which was in consequence of supply side shocks, primarily a more pronounced impact of food price increases in Croatia. An assessment of the Balassa-Samuelson effect in Croatia, presented in Box 2, shows that the faster growth of domestic prices is not due to a more pronounced productivity growth in the tradable than in the non-tradable sector in the domestic economy compared to foreign economies.

Box 2: Assessment of the Balassa-Samuelson Effect in Croatia⁵

After initial price liberalisation, macroeconomic developments in most Central and East European countries over the past fifteen years have been marked by inflation higher than the eurozone average and by a long-term trend of real, and in some cases, nominal appreciation of the domestic currency. It is often argued that one of the main sources of such trends is the Balassa-Samuelson effect. Balassa and Samuelson in 1964 pointed to the shortcomings of the absolute version of purchasing power parity (PPP) as a theory of exchange rate determination and identified the productivity growth differential between the internationally traded and internationally non-traded goods sectors as a factor

introducing systematic biases into the relationship between relative prices and real exchange rates. Thus the model, named Balassa-Samuelson after them, says that faster productivity growth in the tradable than in the non-tradable sector in a given economy compared to foreign economies will lead to higher growth of domestic prices, which will also result in a real appreciation of that country's currency. The Balassa-Samuelson effect is shown using a traditional model with two countries in which there are two sectors: the internationally traded goods sector and the internationally non-traded goods sector. The model is based on four assumptions: 1) absolute PPP holds only for tradables; 2) wages in the tradable sector are determined by labour productivity in that sector; 3) labour is perfectly mobile within a country, but not between countries, which leads to wage equalisation between sectors or, at least, to the maintenance of a constant wage ratio; and 4) capital is perfectly mobile both within the countries and between countries.

⁵ Based on the paper by Funda J., G. Lukinić and I. Ljubaj (2007): *Assessment of the Balassa-Samuelson Effect in Croatia*, *Financial Theory and Practice* 31 (4), pp. 315-346.

After opening their borders at the beginning of the 1990s, transition countries experienced intense technological progress which resulted in faster productivity growth in comparison to the more developed eurozone countries. The achieved productivity growth was higher for tradables than for non-tradables. However, productivity levels in transition countries are still considerably lower than those in developed countries, so that it is reasonable to expect that the process of real convergence will continue. This is why there is a particularly great interest in studying the Balassa-Samuelson effect in the new EU member countries, which are, after the fulfilment of the so-called nominal convergence criteria set out in the Maastricht Treaty, obliged to introduce the euro as the national currency. Since one of the criteria consists of high price stability, there is a concern that a pronounced Balassa-Samuelson effect associated with real convergence could impede nominal convergence and postpone the introduction of the common currency.

The growth of relative productivity in Croatia in the 1998 to 2006 period, for which the Balassa-Samuelson effect is assessed, as in other peer countries, was higher than in the eurozone. On the other hand, inflation was low and relatively stable, so that the inflation differential vis-à-vis the eurozone was considerably less pronounced than in other transition countries. The factors that largely contributed to low inflation were the stable nominal exchange rate, foreign trade liberalisation, strong competition in retail trade after the entry of large retail chains into the domestic market at the beginning of the 2000s and moderate growth of nominal wages. Thanks to the relatively stable nominal exchange rate and relatively small inflation differential relative to the eurozone, changes in the real exchange rate were not as pronounced as in other Central and East European countries. If the trends in the kuna exchange rate are observed exclusively as the trends in the bilateral kuna/euro exchange rate, in the period from 1998 to 2006 the real exchange rate deflated by the consumer prices index moved within range of -5% to 5%, while the average annual real appreciation rate was only 0.6%.

A descriptive analysis of data for Croatia has shown that the assumptions on which the Balassa-Samuelson model is based are only partially met. That is, real wages in the tradable sector grew less than productivity, and absolute PPP does not hold for tradable goods.

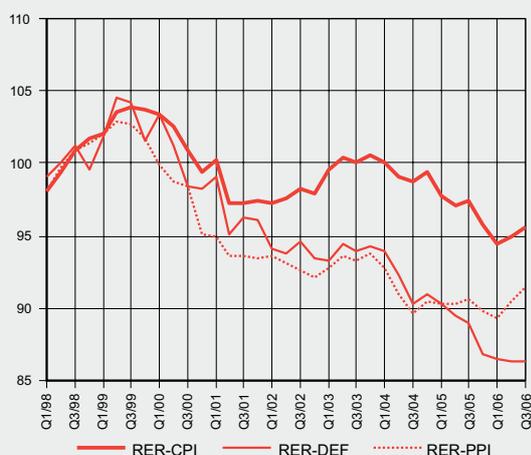
To access more precisely the Balassa-Samuelson effect in Croatia an econometric analysis was conducted. Two definitions of tradable and non-tradable sectors were used (depending on to which sector hotels and restaurants are added), two measures of prices (consumer price index and implicit deflators) and two different dependent variables (real exchange rate and inflation differential between Croatia and the eurozone). In all model specifications results show the statistical insignificance of the coefficients that explain the Balassa-Samuelson effect, which is in line with earlier research encompassing Croatia.

The impossibility of confirming a link between relative labour productivity and relative prices, i.e. the low significance of the Balassa-Samuelson effect, can be explained by several factors. It is possible that labour market rigidity and high unemployment in Croatia weakened the mechanism whereby labour productivity growth should spur higher wages. On the other hand, tradables prices are greatly influenced by trade liberalisation and reduction of tariff and non-tariff barriers on foreign trade, which contributed to more intense competition on the domestic market, which in turn limited higher price growth. Growth in non-tradable prices, however, was probably greatly influenced by the process of deregulation of earlier administratively regulated prices. The low significance of the Balassa-Samuelson effect in Croatia must have also resulted from a considerably lower share of tradables in Croatia's currency basket relative to the one in the eurozone.

We can conclude that the presence of the Balassa-Samuelson effect in Croatia is obviously less marked than in similar countries, so that its influence on inflation and real exchange rate should not constitute a barrier to meeting convergence criteria, but attention should be dedicated to other factors that lead to price increases in Croatia.

Figure 40

REAL KUNA/EURO EXCHANGE RATE
1998 = 100



Note: The CPI, DEF and PPI marks mean, respectively, that the index of the real kuna/euro exchange rate is deflated by the consumer price index, by the implicit deflator and by the producer price index. The decrease in the index stands for the real appreciation of the exchange rate. Sources: CBS, Eurostat and CNB calculations.

Figure 41

RELATIVE LABOUR PRODUCTIVITY
IN CROATIA AND THE EUROZONE



Note: The abbreviations R and NR relate, respectively, to labour productivity in the tradable and non-tradable sector, whereas E stands for labour productivity in the eurozone. Sources: CBS, Eurostat and CNB calculations.

Monetary Policy and Instruments

Monetary Environment

The main features of the monetary policy in 2007 were strong slowdown of bank placements to the private sector and a decrease in banks' external debt, which contributed to the slower growth of the overall external debt of the economy. These developments were for the most part the result of the implementation of the monetary policy instruments, primarily compulsory CNB bills and marginal reserve requirements. In 2007, banks' foreign liabilities were largely substituted by capital and deposits of the private sector (especially household sector), which is also attributed to an indirect effect of the central bank measures. However, at the end of 2007, the monetary policy faced new challenges, including faster rise in the general level of prices caused mainly by the increase in prices of food and oil and the possible consequences of the spreading of the US financial market crisis that although not affecting Croatia for the time being has not abated entirely.

As they have proved efficient, the Croatian National Bank intends to use the same monetary policy instruments in 2008 as well. Specifically, at the end of 2008 it adopted the Decision on the purchase of compulsory CNB bills aimed at regulating bank placement growth in 2008. Like in 2007, banks placement growth is restricted to 12%, the percentage that is estimated to ensure the non-inflationary financing of the expected GDP growth and prevent the widening of external imbalances. Expressed in the absolute amount, the defined loan growth represents an increase of HRK 25bn over the December base, which in nominal amount equals the loan growth from 2007. In addition, the marginal reserve requirement rate for 2008 has been kept at the same level, which basically means that banks are still required to deposit 55% of their new foreign borrowing with the central bank. In order to respond to new circumstances and challenges, the central bank intends to provide support to its monetary policy instruments by reduced creation of liquidity, taking into account appreciation pressures that might contribute to the narrowing of liquidity. In line with these efforts, the CNB increased its benchmark interest rate on short-term loans at the end of 2007. Hence, the interest rate on Lombard loans was increased from 7.5% to 9%. Owing to the need of moderate creation of reserve money, banks' reliance on open market operations will be somewhat reduced in 2008. This resulted in a graduate increase of interest rates on T-bills in December 2007 and January 2008, amounting to more than 1 percentage point.

In addition to defining its monetary policy measures for 2008, the central bank also adopted several important bank supervision measures at the end of 2007. The Decision on the capital adequacy of banks imposes the additional capital requirements for fast-growing bank as the growth of bank placements implies the risk of worsening of their asset quality. Accordingly, banks with the annual placement growth of above 12% are required to have capital adequacy ratio higher

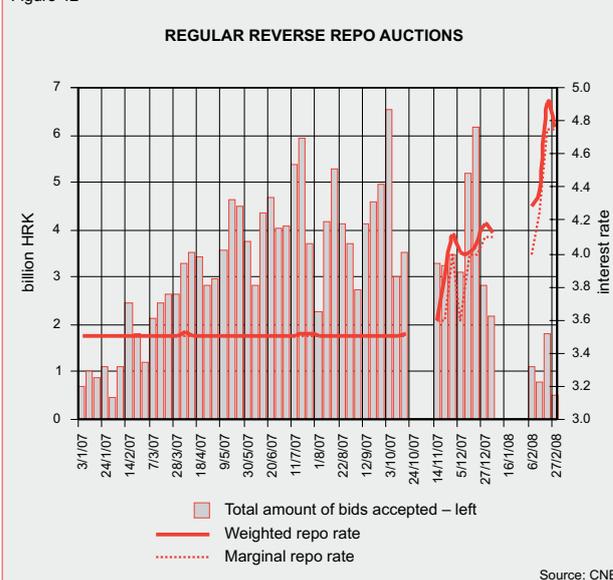
than 12%. Specifically, if banks' placement growth exceeds the prescribed limit of 12% by 1%, they will be expected to increase their capital adequacy by 1.5% over the ratio of 12%. Moreover, the Decision stipulates higher weights for the calculation of risk-weighted assets that will be applied to placements with a currency clause or in foreign currency to borrowers exposed to currency risk. Although the increase in weights contributes to one-time decrease in banks' capital adequacy ratios, their capital will remain significantly above the legally defined minimum.

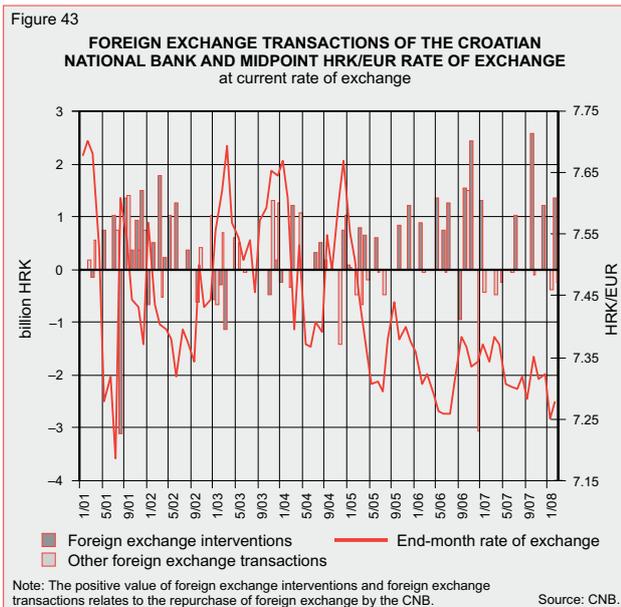
Uses of Instruments of Monetary Policy

Like in 2007, commercial banks began to operate in 2008 with a substantial surplus of kuna liquidity that was created by seasonally increased demand for kuna at the end of 2007. An additional HRK 2.0bn in kuna liquidity were created in the market early in 2008 due to, as stipulated by the new decision regulating the bank placement growth in 2008, the repurchase of compulsory CNB bills acquired by banks in 2007. In such circumstances and in the environment of increased inflationary pressures, the CNB substantially restricted and increased the cost of reserve money creation. Specifically, it increased the interest rate on Lombard loans and the marginal repo rate, and reduced the possibility of reliance on reverse repo operations as a source of liquidity.

After its first repo auction on 2 January 2008 at which it placed HRK 2.2bn, the CNB held no further auctions until the beginning of February. As a result, banks entered the new period of reserve requirement maintenance (that began on 9 February) with a lack of free reserves, an occurrence that has not been seen throughout the whole 2007. The low level of kuna liquidity firstly affected the foreign exchange market, spilling over into increased appreciation pressures on the kuna exchange rate. These developments were additionally fuelled by the sale of EUR 50.7bn to the central government for the settlement of its due liabilities to Paris and London clubs and the withdrawal of HRK 0.4bn from the system. In order to embrace the appreciation pressures, the central bank

Figure 42





intervened in the foreign exchange market at the end of January, purchasing from banks EUR 189.1m and creating HRK 1.4bn. After the intervention, the kuna exchange rate started to depreciate, returning to its usual seasonal levels, while the favourable liquidity level in February was aided by the continuation of reverse repo auctions. The sale of an additional EUR 33.0m to the government for the payment of interest on eurobonds and the withdrawal of HRK 0.2bn from the system on 11 February made no impact on the restored liquidity.

The average balance of funds placed at reverse repo auction amounted to HRK 0.7bn in the first two months of 2008 or considerably less than in 2007 when they averaged HRK 3.1bn. In addition to lower turnover, reverse repo auctions were marked by wider spreads between interest rates as well as by higher interest rates offered by banks. By contrast, the central bank accepted about two-thirds of demanded amounts, which had for consequence the increase in the marginal repo rate from 4.0% to 4.75%.

Banks continued to make use of Lombard loans in 2008. The demand for this loan was especially pronounced in the second half of January in which the CNB held no reverse repo auction. Although bearing higher interest rate, Lombard loans were on average used for 12 working days in January and February, averaging HRK 1.1bn. Concurrently, banks channelled their surplus liquidity into overnight deposits with the CNB, which is a common occurrence at the end of period of reserve requirement maintenance. The average daily balance of overnight deposits with the CNB amounted to HRK 438m in the first two months of 2008, while in 2007 as a whole that balance stood at HRK 361m.

Strong growth of domestic sources of funds favoured the growth of reserve requirements in 2007, continuing into 2008. Notwithstanding faster growth of foreign currency deposits, kuna reserve requirements grew more pronouncedly than foreign currency reserve requirements. The foreign currency deposits of domestic sectors account for about 55% of the base for the calculation of foreign currency reserve requirement, and foreign currency liabilities of banks, which fell considerably in 2007 and thus moderated the impact of the increased base, account for the remaining 45%. Faster growth of kuna reserve requirements was also aided by the fact that banks are required to allocate (maintain) one half of their foreign currency reserve requirements in kuna.

Kuna reserve requirements went up by a total of HRK 2.6bn in 2007 and stood at HRK 31.8bn after the last calculation period in the year. Foreign currency reserve requirements rose by HRK 0.9bn and stood at HRK 12.7bn. In the first two months of 2008, kuna and foreign currency reserve grew both by about HRK 0.5bn.

Monetary policy measures aimed at slowing down the growth of bank lending and foreign borrowing in 2007 contributed to strong fall of bank foreign liabilities and their allocated marginal reserve requirements. The base for the calculation of marginal reserve requirements fell by HRK 8.3bn in 2007 and the allocated marginal reserve requirement by HRK 2.8bn. As the largest amount of marginal reserve requirements allocated in April stood at HRK 12.2bn, its fall to HRK 5.0bn in December puts an additional emphasis on the decrease in funds allocated with the CNB on the basis of

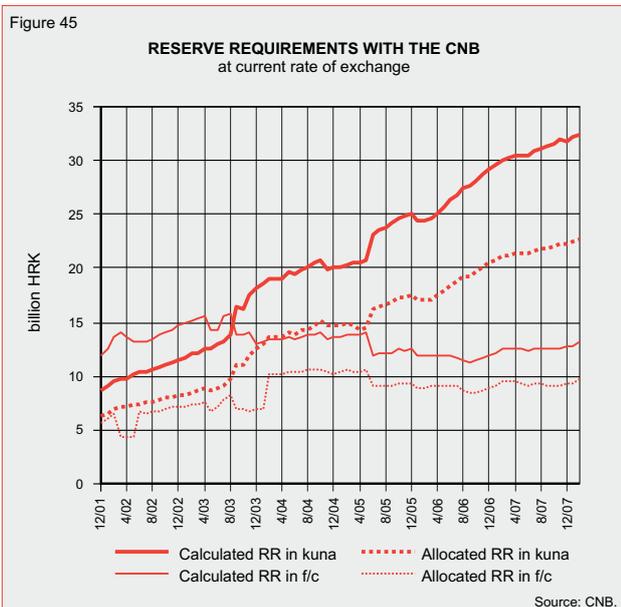
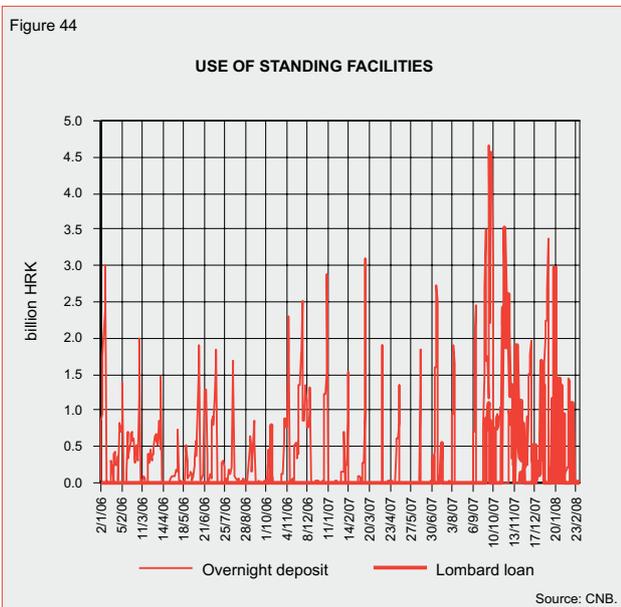
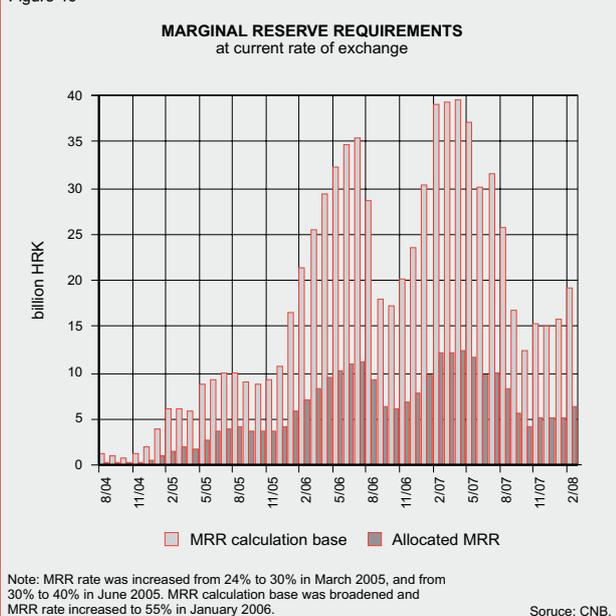


Figure 46



abilities indexed to foreign currency (HRK 10.6bn or 6.4%) in total foreign currency liabilities (HRK 164.6bn).

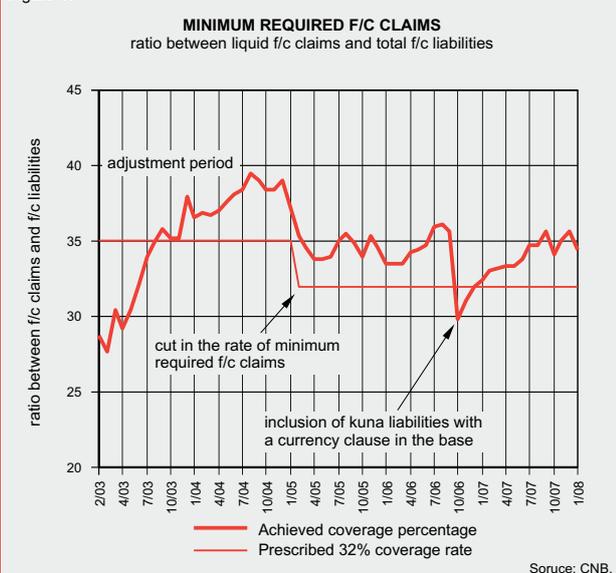
Reserve Money and International Reserves

Spurred by strong demand for kuna, reserve money (M0) reached HRK 51.9bn at the end of December, an increase of 12.1% or HRK 5.6bn over the end of 2006. In 2007, the major contributors to the growth of M0 were the monetary policy instruments used for the sterilisation of funds created by the growth of monetary and credit aggregates. Hence, the allocated kuna reserve requirements grew by HRK 1.8bn, while the compulsory CNB bills stood at HRK 2.0bn. Currency outside banks also continued to grow, standing at HRK 1.4bn.

M0 trended downward early in 2008, due to both the seasonal trends and the withdrawal of liquidity temporarily created by the repurchase of CNB bills bought in 2007. The repurchase of bills generated HRK 2.0bn that were deposited in bank transaction accounts. This surplus of liquidity was drained from the system after 9 January when the repo auction fell due and banks repaid HRK 2.2bn to the CNB. Concurrently, banks were not offered new borrowings. The lack of repo auctions in the subsequent weeks and the seasonal fall in currency outside banks additionally contributed to the reduction of reserve money, while kuna reserve requirements continued to grow. In 2008, compulsory bills were first purchased in February, in the amount of only HRK 27.8m, due to the excessive January growth of placement of legal persons tied to banks through ownership. M0 reached HRK 49.1bn at the end of February, down HRK 2.8bn over the end of 2007.

Government deposits with the CNB averaged HRK 283m in 2007, a decrease of only HRK 73m compared with 2006. The amount of deposits moved within a narrow band, making no significant impact on the system's liquidity. Like in the previous period, government deposits were not marked by any significant inflows or outflows in the first two months of 2008. At the end of February, kuna and foreign currency

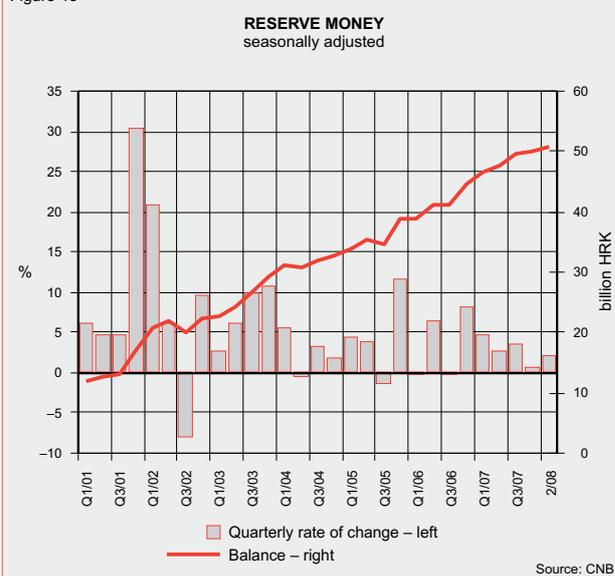
Figure 47

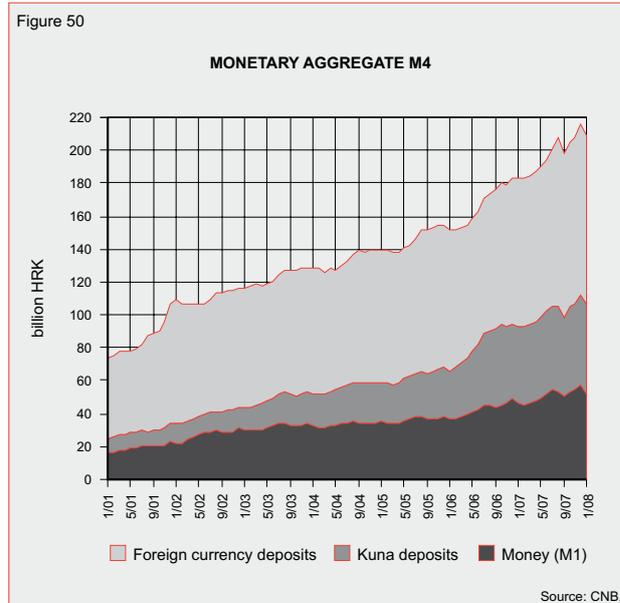


this instrument of monetary policy. Owing to the seasonal increase in the external debt of banks, the base for the calculation of marginal reserve requirements grew early in 2008 and the reserves allocated after the February calculation period reached HRK 6.2bn.

Banks maintained high level of foreign currency liquidity in the last quarter of 2007, with the coverage between their foreign currency liabilities and foreign currency claims amounting to 35.6% at the end of December. However, this ratio fell to 34.4% early in 2008 due to the decrease in their liquid foreign currency claims. Looking at the overall structure of foreign liabilities that banks are required to maintain in proportion to their foreign currency liquid claims, banks made the largest adjustment in their kuna liabilities indexed to foreign currency, decreasing them by HRK 16.4bn in 2007, while they increased their “pure” foreign currency liabilities by HRK 8.3bn. With this trend continuing into early in 2008, banks additionally decreased their share of kuna li-

Figure 48





government deposits stood at HRK 136m and HRK 41m respectively.

International reserves grew strongly in the last quarter of 2007, mostly on account of large repurchases of foreign currency from banks. International reserves growth totalled EUR 582m in 2007, with the majority of this increase being generated in the last quarter (EUR 512m). Like in previous year, international reserves growth in 2007 was mainly based on foreign currency transactions with banks, while reserve outflows comprised net sales of foreign currency to the MoF and strong fall in allocations of marginal reserve requirements in foreign currency. This had for consequence stronger growth of net usable international reserves (EUR 885m) than gross reserves. At the end of 2007, international reserves reached EUR 9,307m and net reserves EUR 7,349m.

The upward trend in international reserves continued in early 2008, largely due to the repurchase of foreign currency from banks on 31 January (EUR 189.1m) and strong growth of allocated foreign currency and marginal reserve requirements in the first two months of the year (EUR 200m). By contrast, outflows of reserves included the sale of EUR 84m (net) to the MoF, needed for the settlement of due foreign liabilities. At the end of February, international reserves amounted to EUR 9,675m and were EUR 368m higher than at the end of 2007.

Monetary Developments

Strong growth of almost all monetary aggregates marked the monetary developments in the fourth quarter, especially the end of 2007. In 2007 as a whole, central bank measures proved efficient in curbing bank lending activity and indirectly stimulated commercial banks to largely shift to the domestic sources of financing. As a result, 2007 saw strong growth in domestic savings and time deposits as well as in the share capital of banks. The growth in these sources of funds, accompanied by a simultaneous decrease in banks' external debt, was used by banks for the financing of their domestic lending activities. In addition, a seasonal decrease

in almost all monetary and credit aggregates was evidenced early in 2008.

Total Liquid Assets

Total liquid assets (M4) grew at an exceptionally strong rate in the last quarter of 2007. In addition to seasonal factors, the upturn in this broadest monetary aggregate was the result of the developments in the capital market, above all the repayment of surplus funds paid in for the purchase of T-HT shares, and the strong growth of bank placements near the end of the year. At HRK 215.5bn at the end of 2007, M4 grew annually by 18.1% or almost the same as in 2006. Owing to its seasonal decrease early in 2008, the annual growth rate of M4 reached 13.9% at the end of January.

Money

The increase in money (M1), which is usually observed in the last quarter of the year, also occurred at the end of 2007. The growth of M1 was especially pronounced in this period of the year and amounted to almost HRK 8.0bn, while its annual growth rate for the entire 2007 reached 19.3%. As M1 developments in 2007 were mostly determined by the changes in demand deposits, 85% of its overall annual growth was accounted for by the increase in funds deposited in transaction and giro accounts. Moreover, the growth of demand deposits surged in the last quarter of 2007, accompanied by an especially strong growth in corporate demand deposits. These developments were in line with the growth in bank corporate loans at the end of the year. With giro and current account deposits of domestic sectors drifting lower by HRK 4.9bn early in 2008, the annual growth rate of total demand deposits fell to 15.1% at the end of January.

The other component of money, currency outside banks, displayed movements similar to those observed at the end of each year. Owing to increased holiday spending, the stock of this monetary aggregate increased at the end of the last quarter, exceeding HRK 16.0bn at the end of 2007. Like in

Figure 51

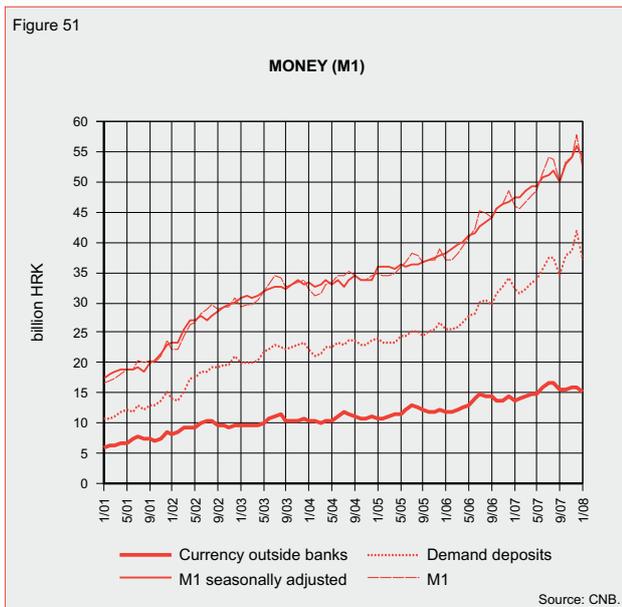
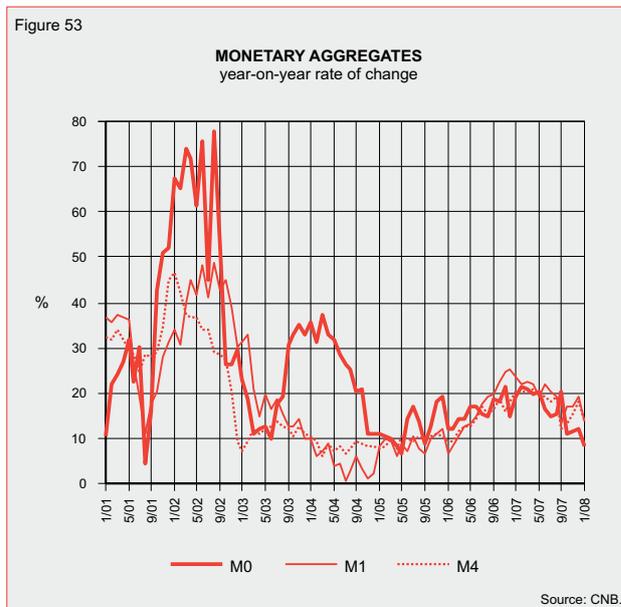


Figure 53



2006, the strong growth of currency outside banks in 2007 was largely effected by the payment of debt to pensioners. This aggregate went down by HRK 0.7bn in January 2008, which is common for the beginning of the calendar year.

Non-Monetary Deposits

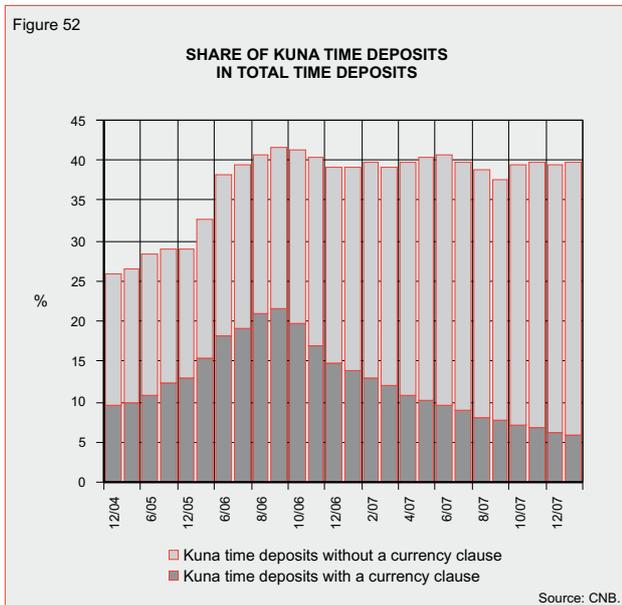
Savings and time deposits of domestic sectors with commercial banks continued their rapid growth in the fourth quarter of 2007. Specifically, they grew by a total of HRK 23.6bn in 2007, which is HRK 5.3bn more than in 2006. This development was above all the result of banks' efforts to increase their domestic sources of funds by offering more attractive savings conditions and thus accumulate the funds needed for their lending activities and the reduction of their foreign liabilities.

Foreign currency deposits grew at the strongest rate in 2007, indicating that savings in foreign currency have continued to be the most popular type of savings among domes-

tic sectors. Consequently, foreign currency deposits totalled HRK 103.1bn at the end of the year, growing annually by 16.8%. As before, more than a half of this increase was accounted for by household deposits, which stood HRK 83.2bn at year-end. In addition to households, other factors contributing to the strong growth of foreign currency deposits in 2007 were enterprises and other banking and non-banking financial institutions.

Kuna non-monetary deposits also grew in the last quarter of 2007; they reached HRK 53.5bn at year-end and their annual rate of growth stood at 19.6%. However, in contrast to 2006, when kuna deposits increased on account of strong growth of foreign currency indexed kuna deposits, the rise in kuna deposits in 2007 entirely related to "pure" kuna deposits. The consequence of this was further downsizing of foreign currency indexed kuna deposits in total time deposits with commercial banks. Broken down by individual sectors, the last year's increase in kuna deposits was equally accounted for by corporate deposits and deposits of other banking and non-banking financial institutions, while household deposits stagnated.

Figure 52

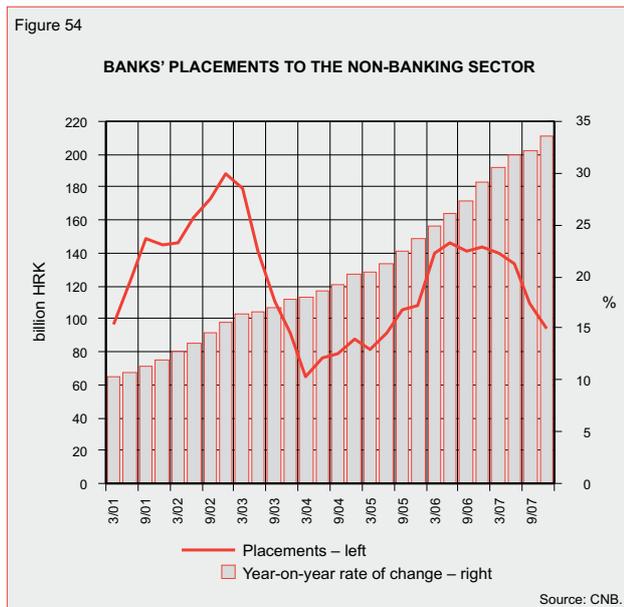


Placements

Total bank placements expanded by HRK 27.6bn (15.1%) in 2007, which is a decrease of HRK 6.6bn (7.8 percentage points) compared with 2006. The growth of bank placements to the non-banking sector was somewhat more pronounced in December, especially at its end. This was most likely the effect of the new decision on the compulsory purchase of CNB bills adopted in 2008. Banks sought to increase the base for the calculation of the non-taxable growth of placements in 2008, and their efforts were supported by the provision of the new decision stipulating the repurchase of previously subscribed CNB bills. The annual growth rate of bank placements declined further in January 2008 and amounted to 13.6%.

The sectoral structure of household placements shows that banks have continued their lending spree in 2007, with their adjustment to tighter central bank measures being above all

Figure 54



reflected in weaker corporate lending. Nevertheless, some slowdown was also observed in household lending, which in contrast to 21.8% in 2006 drifted up by 18.0% in 2007. The growth dynamics of household loans, as shown by individual types of loans, was similar to that seen in 2006. Home loans rose at the highest rate, accounting for more than 40% of the total. With a share of 44%, other household loans, which include all all-purpose loans, continued to predominate as the single largest loan category. The remaining share of loans to households went to car loans, credit card loans and mortgage loans.

By contrast, the growth of bank placement to the corporate sector slowed down substantially in 2007, standing at 10.6%. Owing to such development, a number of enterprises, supported by domestic banks in foreign ownership, redirected their financing needs from domestic to foreign banks, as evident in the movements in the external debt of other domestic sectors, especially in the second half of the year. Enterprises linked to the government sector, especially

those owned by the local government, and enterprises concessioned to build and maintain roads were in the forefront of this movement. Hence, the growth rate of total financing to enterprises, including both foreign loans and loans of other domestic financial institutions, went up in 2007 despite the contraction in loans granted by domestic banks. In addition, enterprises, in contrast to households, had an opportunity to raise the additional funds in the capital market, a possibility that was used by some enterprises in 2007.

Bank Placements to the Central Government

The inflow of funds from the sale T-HT shares was used by the government in the fourth quarter of 2007 for a substantial reduction of its liabilities to commercial banks. However, observed at the annual level, bank placements to the government increased slightly in 2007. Total bank claims from the government ended 2007 at HRK 28.5bn, 2.1% higher than at the end of 2006.

In contrast to placements, government deposits with banks rose by a sharp 24.9% in 2007. With the growth in deposits largely exceeding the growth in placements, net bank claims from the central government declined in 2007, indicating good fiscal revenue performance and an increase in receipts from the disposal of government financial assets. Early 2008 saw no significant changes in financial relations between banks and the central government.

Foreign Assets and Liabilities

As expected, foreign assets of commercial banks rose in the last quarter of 2007, although at a lower rate than in the same period of 2006. Observed at the annual level, foreign assets of banks went down by as much as HRK 10.9bn. The decline in bank foreign liabilities was the result of the strong reduction in the domestic sources of financing and the inflow of recapitalisation funds. At the end of 2007, bank foreign assets amounted to HRK 65.2bn, down 14.4% over the end of 2006.

Figure 55

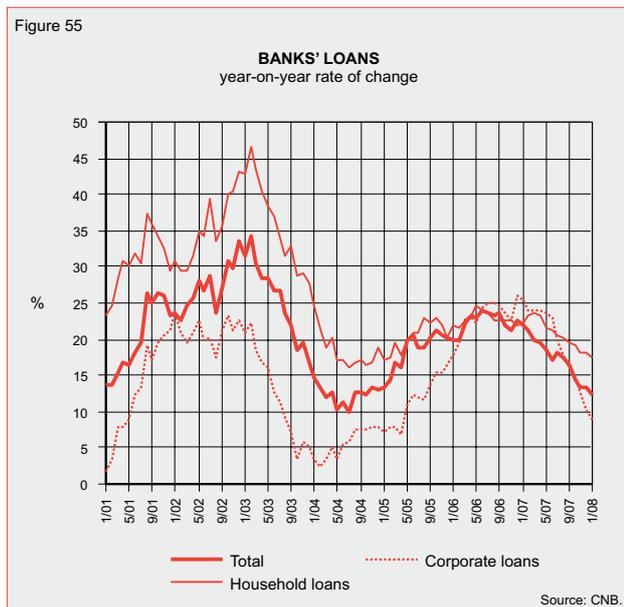
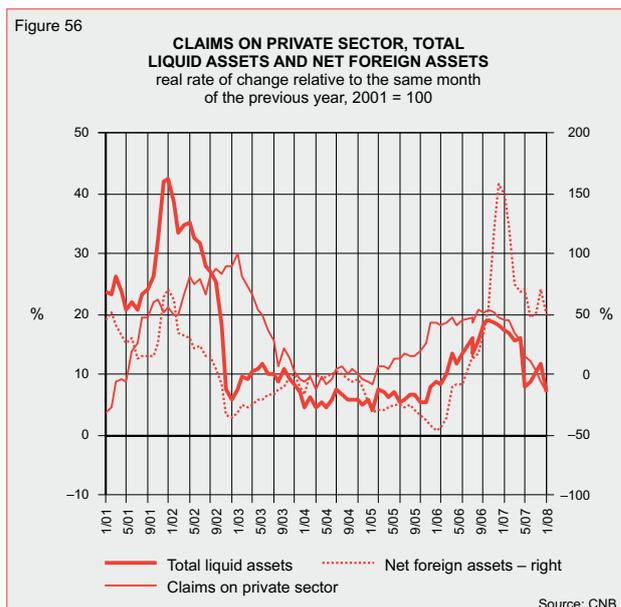


Figure 56



For the purpose of meeting the 32% requirement, the developments in bank foreign assets were to a large extent determined by the developments in their foreign currency liabilities. As from September 2006 the foreign currency liabilities comprise the kuna liabilities indexed to foreign currency, banks' preference to these sources of funds abated, as confirmed by a drop in foreign currency indexed deposits of domestic sectors. Following the growth of EUR 6.8bn in 2007, bank foreign assets reached HRK 46.4bn at year-end.

Such developments in foreign assets and foreign liabilities of banks led to an improvement in the net foreign assets (NFA) of HRK 17.7bn in 2007. In line with seasonal movements, the NFA declined early in 2008.

Money Market

The fourth quarter of 2007 and January 2008 were for the major part marked by high money market interest rates and their high volatility. Interest rates on T-bill auctions rose substantially, while the subscribed amounts were largely lower than planned. The demand for kuna liquidity at the beginning of the quarter was boosted by public offerings of some companies, the issue of the second EUR 300m tranche of a fifteen-year government bond indexed to foreign currency, the repayment of the fourth instalment of the debt to pensioners who opted for the speedy repayment model and the first instalment of the debt to pensioners who opted for the repayment of the entire debt amount, while in December the demand for the kuna was boosted by the usual growth of currency in circulation due to intensive holiday spending. Money market interest rates decreased temporarily at the beginning of January due to the inflow of funds to banks from maturing CNB bills that were subscribed in 2007. However, after the CNB cancelled four subsequent repo auctions as part of its anti-inflation monetary policy, money market interest rates went up again. In contrast to the first three quarters of 2007, when the central bank contributed to the kuna liquidity primarily by conducting reverse repo auctions, in the fourth quarter of the year and in

January 2008 it ensured good kuna supply largely by approving Lombard loans and conducting three foreign exchange auctions, thus placing HRK 5.2bn to the market. It was this last intervention of the CNB in the foreign exchange market at the end of January, creating HRK 1.4bn, which substantially increased the liquidity of the financial system, which in consequence, according to the latest available data for the first part of February 2008, reduced money market interest rates.

Interest rates on short-term corporate loans not indexed to foreign currency continued rising through the fourth quarter of 2007 and in January 2008, while interest rates on short-term household loans not indexed to foreign currency decreased in January 2008, after having risen in the fourth quarter of 2007. Bank interest rates on both long-term household and corporate loans indexed to foreign currency went down in the fourth quarter of 2007 to go up in January 2008. Bank deposit rates on the majority of deposits continued rising in the period concerned.

Money Market Interest Rates

In the fourth quarter of 2007, banks were financing their primary liquidity using money market secondary liquidity sources to an average daily amount of HRK 4.0bn (a total of HRK 249.2bn for the quarter), which is HRK 1.4bn more than in the third quarter of 2007 and as much as HRK 2.3bn more than in the same period last year. The largest individual contribution to such a result came from loans received from other legal persons participating in the trade in demand deposits, although the increase in other categories of money market trading was not negligible. The lion's share of the HRK 249.2bn worth of loans banks received on the money market, was, as usual, made up of demand deposit loans (HRK 216.3bn), while the purchase of repo agreements and sale of securities accounted for about HRK 25.8bn and HRK 7.2bn respectively. Some HRK 106.2bn of the demand deposit loans was accounted for by loans received from banks, HRK 52.9bn were loans received from other financial institutions and HRK 57.1bn were loans received from other legal persons.

Figure 57

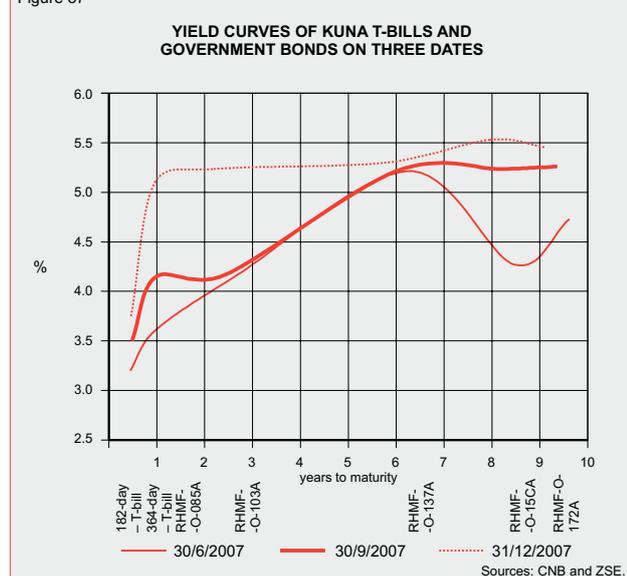
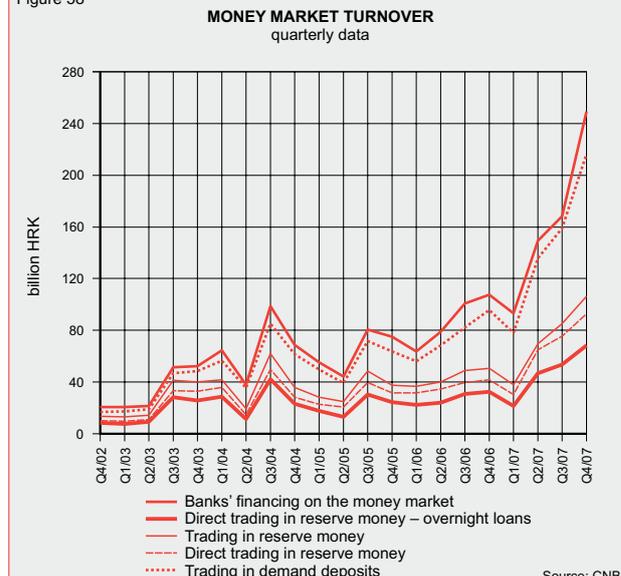
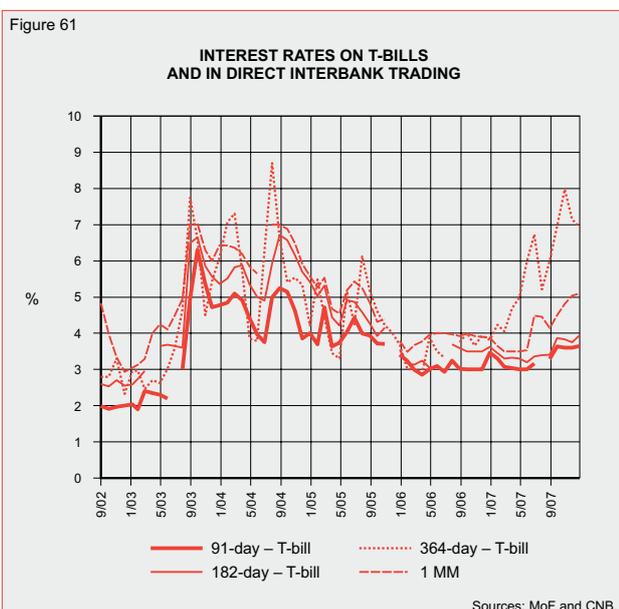
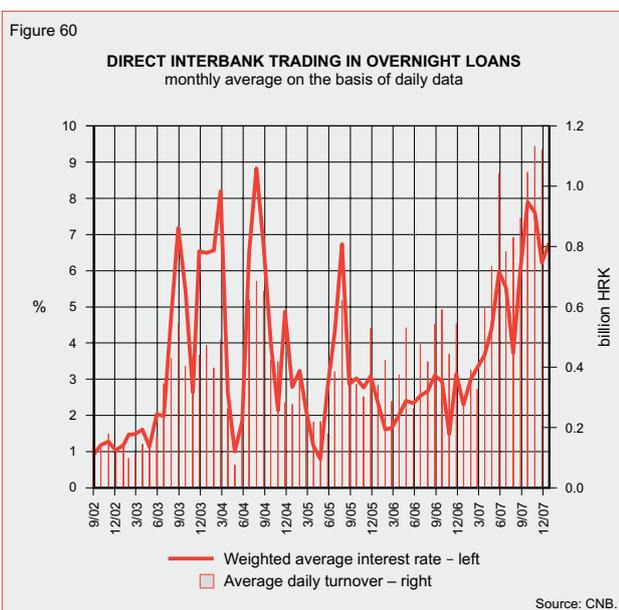
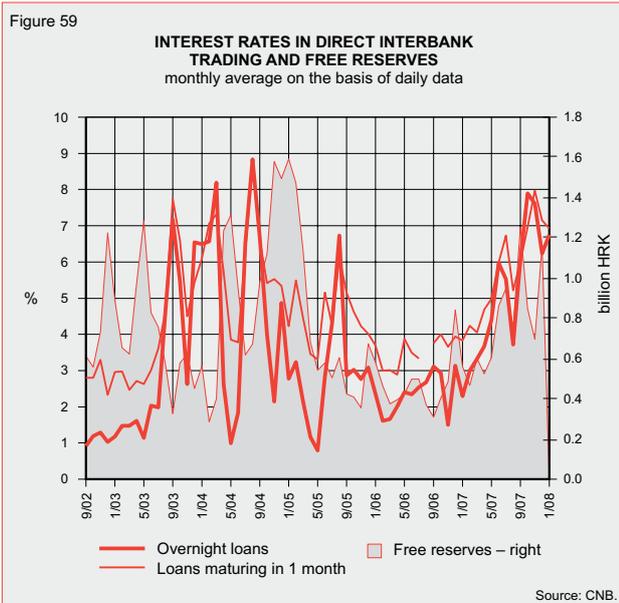


Figure 58





The dominance of direct interbank trading, which generated a quarterly turnover of HRK 92.6bn, continued in the fourth quarter, while turnover in interbank trading intermediated by the ZMM was HRK 13.6bn.

Overnight loans, accounting for HRK 68.1bn, continued to be the most liquid instrument in direct interbank trading in reserve money. The average daily turnover in these loans went up from HRK 895.5m in September to HRK 1.10bn in December 2007. However, in January 2008, it declined substantially to HRK 459.0m. The weighted interest rate on these loans went up from 6.05% in September to 6.23% in December 2007 and 6.75% in January 2008, reflecting sharp intraday volatility.

Turnover in the ZMM also increased in the fourth quarter of 2007. The average daily turnover in overnight loans intermediated by the ZMM went up from the September HRK 137.7m to the December HRK 175.3m, reaching HRK 224.5m in January 2008. The weighted interest rate on these loans went up from 4.04% in September to 5.33% in December 2007 and 6.67% in January 2008.

The MoF held eleven T-bill auctions in the fourth quarter 2007. The average amount of subscription bids per auction was HRK 138.9m lower than in the previous quarter, standing at HRK 425.3m. With slightly over 81% of the received bids accepted, T-bill subscription amounted to a total of HRK 3.8bn, HRK 539.0m less than initially planned.

In the fourth quarter 2007, interest rates on T-bill auctions moved similarly as money market interest rates, mostly rising in the observed period. The weighted interest rate on 364-day bills recorded the sharpest increase, as in the previous period, up from 4.14% in September to 5.05% in December 2007 and 5.10% in January 2008, its highest level since September 2005. Weighted interest rates on 91 and 182-day T-bills did not go up as much, rising from 3.29% and 3.40% in September to 3.60% and 3.75% in December 2007, and 3.65% and 3.95% in January 2008.

The total amount of subscribed T-bills reduced from HRK 11.9bn at end-September to HRK 11.7bn at end-December 2007 and HRK 11.4bn at end-January 2008. One-year T-bills continued to account for the lion's share in total subscribed bills in the fourth quarter, which was five percentage points down on the end of the third quarter when it stood at 91.2%. The shares of 91 and 182-day bills totalled 3.7% and 5.1% respectively.

Banks' Interest Rates

The weighted interest rates on short-term corporate loans not indexed to foreign currency went up from 7.04% in September to 7.39% in December 2007 and 7.81% in January 2008, while the weighted interest rate on short-term household loans not indexed to foreign currency, which stood at 12.34% in December 2007, reduced to 12.17% in January 2008.

Following a mild decline in the fourth quarter of 2007, interest rates on long-term corporate loans went up in January 2008. The weighted interest rate on long-term kuna corporate loans indexed to foreign currency reduced from 6.56% in September to 6.51% in December 2007, to go up to 6.75%

in January 2008. The weighted interest rate on long-term kuna household loans indexed to foreign currency decreased the most, from 7.07% in September to 6.80% in December 2007, rebounding to 6.87% in January 2008. The main reason for its initial decline was the increase in the share of the cheapest loans, housing loans (from 34.0% in September to 46.3% in December), at the expense of more expensive loans, other long-term loans, while the mild January rise was a consequence of the increase in interest rates on most sub-categories of loans within long-term kuna household loans indexed to foreign currency.

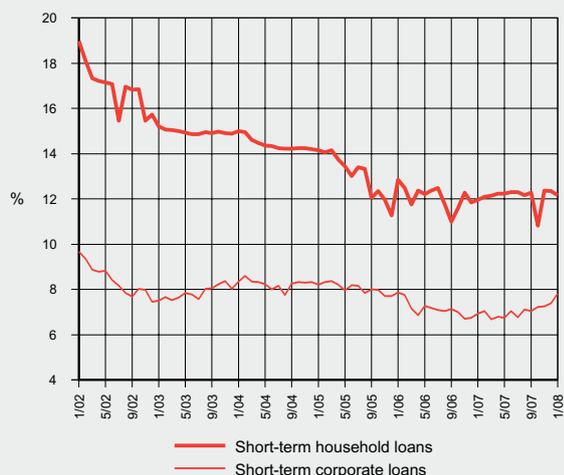
The increase in the weighted interest rate on kuna time deposits not indexed to foreign currency that marked the first three quarters of 2007, continued through the last quarter and the beginning of 2008. The rate rose from 5.42% in December 2007 to 5.79% in January 2008. The weighted interest rate on foreign currency time deposits also continued growing, from 4.16% in September to 4.32% in December, decreasing to 4.17% in January 2008. Its movement was in

line with interest rate movements in the eurozone. Interest rates on sight deposits were stable. The weighted interest rate on kuna sight deposits not indexed to foreign currency went up mildly from 0.35% in September to 0.36% in December, where it remained throughout January 2008. After holding steady at 0.25% through the fourth quarter of 2007, the weighted interest rate on foreign currency sight deposits rose mildly to 0.26% in January 2008.

As compared to the previous quarter, the spreads between lending and deposit rates narrowed in the fourth quarter 2007, widening again in January 2008. The spread between the weighted interest rate on total loans and that on total deposits thus decreased from 6.21 percentage points in September to 5.78 percentage points in December, rising to 6.18 percentage points in January 2008. As a result of the parallel reduction in the weighted interest rate on kuna loans not indexed to foreign currency and a rise in the weighted interest rate on kuna deposits not indexed to foreign currency their spread narrowed from 7.03 percentage points in September to

Figure 62

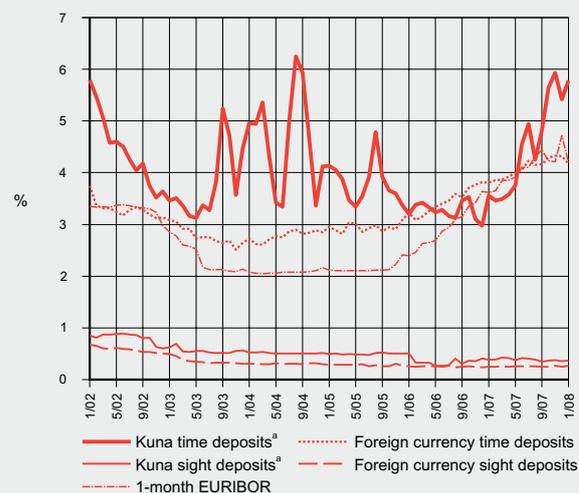
BANKS' AVERAGE INTEREST RATES^a ON SHORT-TERM LOANS WITHOUT A CURRENCY CLAUSE



^a The average weighted interest rate on newly granted loans in the reporting month. Source: CNB.

Figure 64

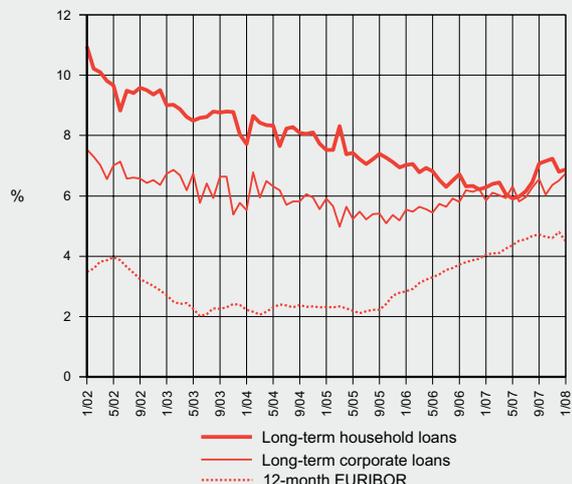
BANKS' AVERAGE DEPOSIT INTEREST RATES^a



^a Without a currency clause. ^b The average weighted interest rate on newly received deposits in the reporting month. Source: CNB.

Figure 63

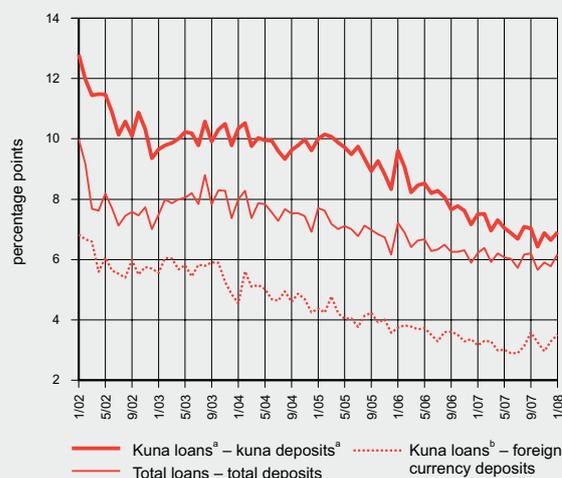
BANKS' AVERAGE INTEREST RATES^a ON LONG-TERM LOANS WITH A CURRENCY CLAUSE



^a The average weighted interest rate on newly granted loans in the reporting month. Source: CNB.

Figure 65

SPREAD BETWEEN BANKS' AVERAGE INTEREST RATES ON LOANS AND DEPOSITS



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

Figure 66

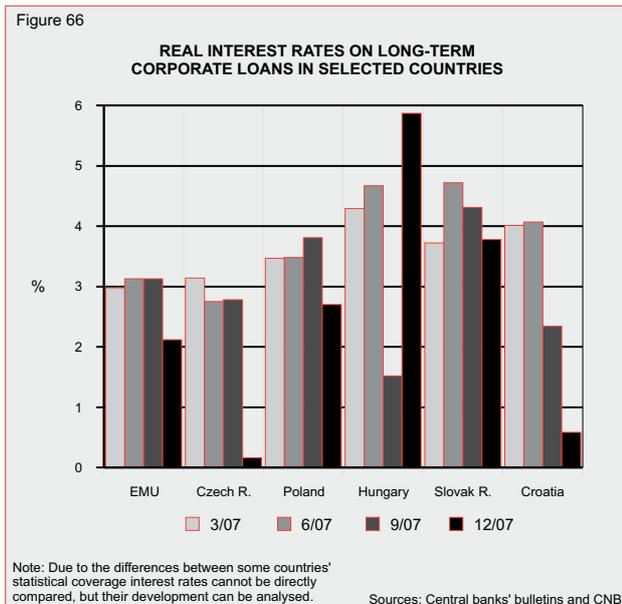
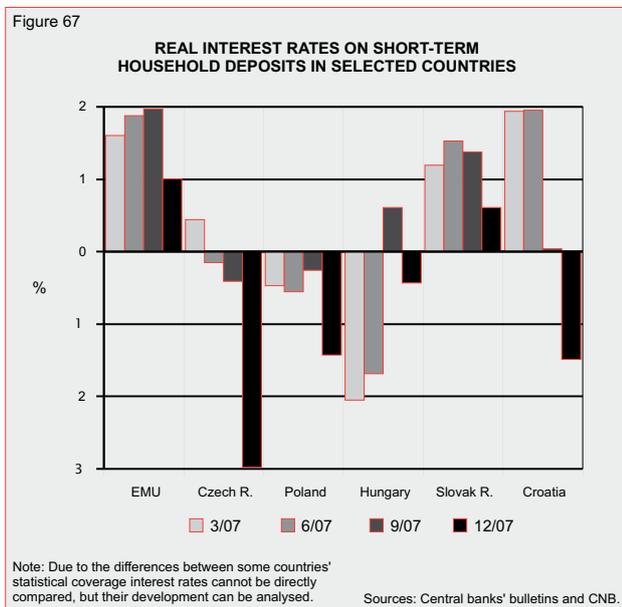


Figure 67



6.65 percentage points in December 2007. In January 2008, it went up to 6.90 percentage points. The spread between the weighted interest rate on kuna loans indexed to foreign currency and the weighted interest rate on foreign currency deposits decreased from 3.58 percentage points in September to 3.29 percentage points in December 2007, while in January 2008 it amounted to 3.50 percentage points.

Despite the moderate increase in the weighted interest rate on all long-term kuna corporate loans in Croatia, the real interest rate on these loans declined substantially due to the high inflation rate at the end of the fourth quarter of 2007. The rise in the inflation rate was the main reason for the decline in the real interest rate on long-term corporate loans also in the EMU, the Czech Republic, Poland and Slovakia, while in Hungary it grew due to the marked increase in nominal interest rates on long-term corporate loans.

The increase in the inflation rate outstripped the increase in nominal interest rates on quarterly kuna household deposits in the fourth quarter of 2007, so the real interest rate

on household deposits in Croatia became negative at the end of 2007, for the first time since June 2006. The real interest rate on household deposits declined in all observed countries, most prominently in the Czech Republic.

Capital Market

The Croatian capital market was in the last quarter of 2007 marked by a record high quarterly share turnover and until then the greatest number of transactions, which was a direct consequence of the start of T-HT shares trading. The domestic stock exchange index oscillated in the observed period due both to some domestic factors and to turbulences in global financial markets and regional markets. In late November 2007, the Zagreb Stock Exchange introduced a new trading system, OMX, which supports a much larger number of transactions and financial derivative trading.

As the start of T-HT shares trading in early October had a positive impact on the value of other shares listed on the ZSE, the CROBEX reached a record high at the middle of the month. Encouraged by positive investor sentiment, Veterina d.d., Atlantic Grupa d.d. and Optima Telekom d.d. also carried out IPOs until the end of the year. However, despite the record monthly turnover and euphoria which prevailed in the market after the surge in T-HT share prices, the CROBEX started to drop in late October and continued to fall at an even sharper rate in November. This was to some extent due to pension funds which, while waiting for HANFA to issue an ordinance permitting pension funds to invest in the securities of joint stock companies listed outside the ZSE Official Market, withdrew large amounts of funds from investment funds, forcing them to sell some of their most liquid assets. The unfavourable trends in the domestic capital market were also due to the decrease in the indices of leading international stock exchanges, resulting from the spread of the US sub-prime mortgage market crisis and from regional instabilities caused by the status of Kosovo's and political situation in Bosnia and Herzegovina, as well as by the uncertain outcome of Croatia's parliamentary elections held in late November. The negative trends in the domestic capital market briefly came to a halt after HANFA enacted the Ordinance on additional investment limitations for pension funds⁶ at mid-December and pension funds reinvested substantial sums in stakes in investment funds, which resulted in an increase in demand for shares and recovery of the CROBEX at the end of the year. However, the CROBEX dropped sharply in January 2008, owing to pessimistic expectations related to instabilities in financial markets, losses of some of the world's leading financial institutions, aggravated inflationary pressures in Croatia and in most other countries, large numbers of inexperienced small investors and the approaching date of the proclamation of Kosovo's independence. It should be mentioned that this drop was also due to the sale of shares pledged as collateral for margin loans and to some investment products, like various certificates and financial derivatives based on shares

⁶ OG 129/2007.

Table 5: Comparison of Capital Market Indicators

December 2007	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million EUR)	0.2	102.1	10.3	158.5	552.6	11.7
Average daily turnover, bonds (million EUR)	62.2	12.8	1.3	131.2	5.3	27.6
Turnover ^a /GDP ^c , annual level (%)	0.1	26.1	8.2	32.3	46.9	8.0
Turnover ^b /GDP ^c , annual level (%)	29.9	3.3	1.0	26.7	0.5	19.0
Turnover velocity ^d	1.1	79.1	13.1	2.2	....	6.1
Market capitalisation ^a (million EUR), end month	4,744	32,521	19,740	69,184	....	48,086
Market capitalisation ^b (million EUR), end month	13,379	39,829	5,935	....	....	5,641
Market capitalisation ^a /GDP ^c , end month (%)	9.0	33.0	62.7	56.0	....	131.1
Market capitalisation ^b /GDP ^c , end month (%)	25.5	40.4	18.8	....	....	15.4
Index movement from the beginning of the year (%)	7.2	5.6	78.1	14.2	10.4	63.2
Index movement from the beginning of the month (%)	0.6	1.9	2.3	2.3	-1.8	12.5

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

listed on the ZSE, sold to clients by foreign banks.

The domestic debt securities market also recorded an increase in turnover in the fourth quarter of 2007. Bond trading was in October marked by the issue of the second tranche of a fifteen-year government bond indexed to foreign currency. In the last two months of 2007, bond trading intensified, probably due to pension funds' preparations for investments in the shares of public joint stock companies.

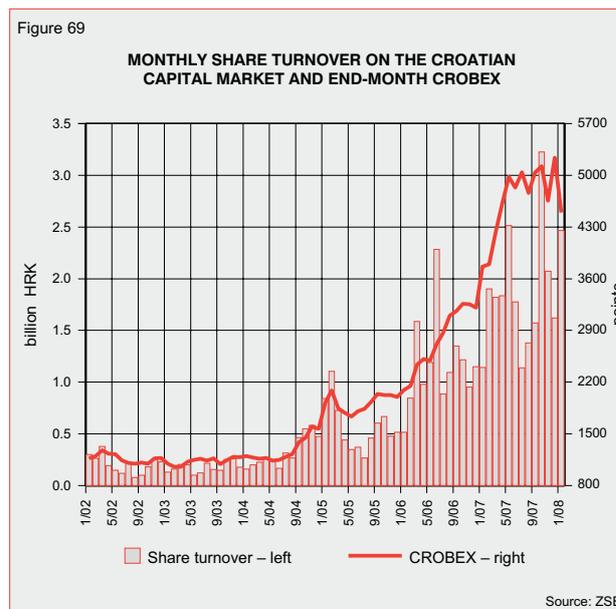
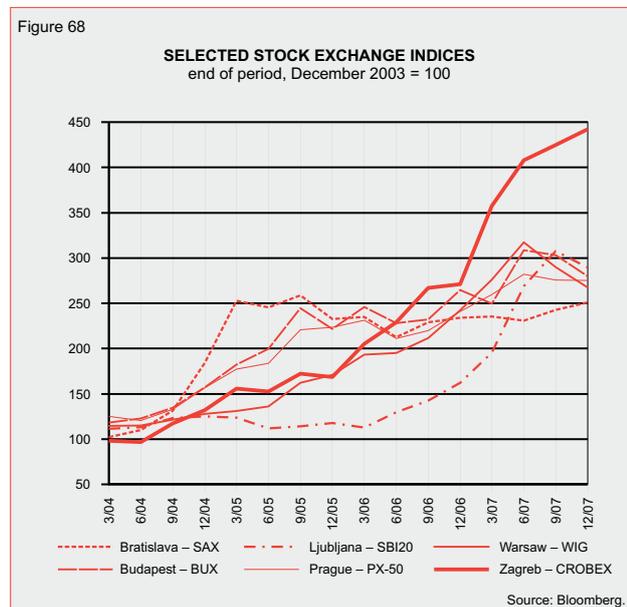
The indices of most reference stock exchanges in CEE countries fell in the fourth quarter of 2007. The Warsaw Stock Exchange index dropped by 7.8%, the indices of the Budapest Stock Exchange and Ljubljana Stock Exchange decreased by -7.7% and -6.0% respectively, whereas the Prague Stock Exchange index drifted down by -0.1%. Only the indices of the Zagreb Stock Exchange and the Prague Stock Exchange rose in the observed period, by 4.0% and 3.5% respectively.

Despite the decrease in the indices of some of the mentioned stock exchanges, the market capitalisation of shares rose at the end of 2007 relative to the end of September in the same year on all the reference stock exchanges in CEE countries, except on the Budapest Stock Exchange. The bond market capitalisation decreased only on the ZSE in that period, rising slightly on all other stock exchanges. In the fourth

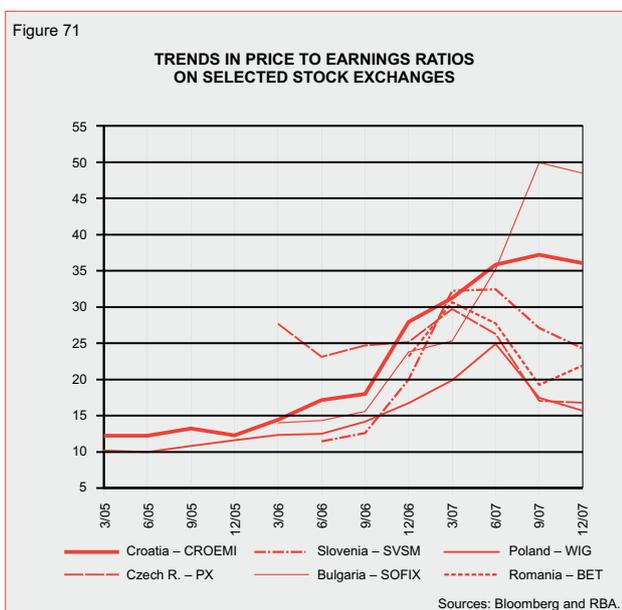
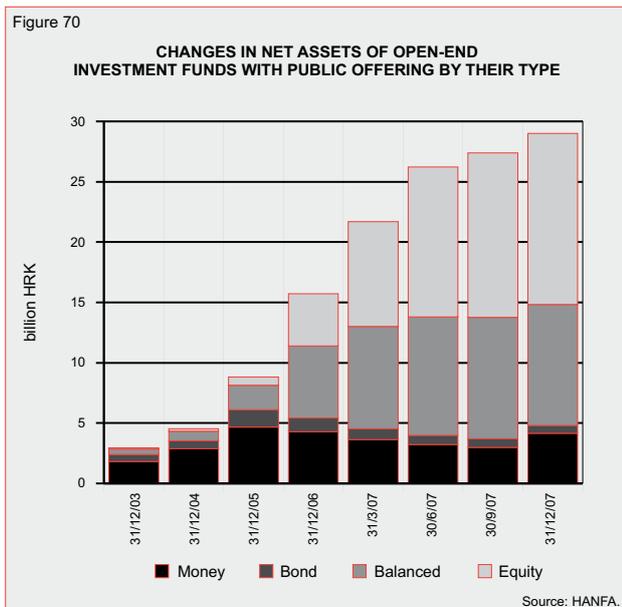
quarter of 2007, the ZSE continued to have the highest ratio of share market capitalisation to GDP of all the reference exchanges, while its bond market capitalisation to GDP ratio remained the lowest. The share turnover increased on all the reference stock exchanges in the period from September to December 2007, except on the Budapest Stock Exchange, while the bond turnover also grew strongly on all the reference exchanges.

Equity Securities Market

The turnover of shares⁷ on the Croatian capital market peaked at HRK 6.9bn in the fourth quarter of 2007, rising by HRK 2.8bn from the previous quarter and by HRK 4.5bn from the same period in the previous year. Accounting for 20.1% of the total share turnover, T-HT shares were the most traded in observed period, followed by the shares of Atlant-ska plovodba d.d. (6.6%) and Institut gradevinarstva Hrvatske d.d. (6.1%). T-HT shares were again the most traded



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



The net assets of open-end investment funds with a public offering continued to increase in the last three months of 2007, although at a less pronounced rate than in the previous periods. The net assets of money funds, after having decreased for almost two consecutive years, rose at the highest rate in the fourth quarter, while the growth of equity funds' net assets slowed down considerably.

At the end of the fourth quarter of 2007, the market capitalisation of shares⁹ on the ZSE grew by 11.3% from the end of September 2007, reaching by then the highest level of HRK 352.2bn. However, it dropped to HRK 328.7bn by the end of January 2008 due to the drop in most share prices.

The price/earnings ratio for the CROEMI¹⁰ was 36.05 at the end of December 2007, a decrease of 3.1% versus September 2007, but still an increase of 29.0% relative to the same period in the previous year. This ratio reduced in the last quarter of 2007 for the indices of all other reference stock exchanges, except for the Bucharest Stock Exchange index.

Debt Securities Market

In the fourth quarter of 2007, the domestic debt securities market saw the issue of one tranche of a government bond and of six new bonds, of which three were municipal and three corporate bonds. In late October 2007, the MoF issued the second tranche of a fifteen-year kuna government bond indexed to foreign currency, nominally valued at EUR 300m and maturing in 2019, increasing the total value of the issue to EUR 500m. October also saw the issue of two new municipal bonds, a ten-year kuna bond of the City of Vinkovci, nominally valued at HRK 42m and having a yield to maturity at issue of 5.52% and a ten-year kuna bond issued by the City of Osijek, in the nominal value of HRK 25m and with a yield to maturity at issue of 5.56%. In late November, the City of Split issued a new eight-year euro-denominated municipal bond, valued at EUR 8.1m in nominal terms and with a yield to maturity at issue of 4.87%. Corporate bonds were in the fourth quarter issued by Jadrolinija d.d. (a five-year kuna bond with a nominal value of HRK 70m and yield to maturity at issue of 6.58%), Odašiljači i veze d.o.o. (a seven-year kuna bond with a nominal value of HRK 100m and yield to maturity at issue of 7.39%) and Hrvatska elektroprivreda d.d.

in January 2008, with an 8.7% share in the total turnover, followed by the preferred shares of Adris grupa d.d. (7.3%) and Atlantska plovidba d.d. shares (7.0%).

The CROBEX⁸ stood at 5239 points at the end of December 2007, increasing by 4.0% relative to the end of the previous quarter and by a high 63.2% relative to the end of 2006. Owing to the described developments, the CROBEX dropped by 14.2% from the end of 2007 to the end of January 2008, reaching 4497 points, its lowest level since March 2007.

8 Since 19 March 2007, the CROBEX has been calculated based on the new methodology including only the amount of market capitalisation actually available for trading, as opposed to the previous CROBEX weighting based on full market capitalisation. In addition, new procedures have been set providing for the accelerated listing of new most liquid shares. As a result of these methodological changes and the VSE ceasing its operations, the CROBEX was as at 19 March 2007 composed of thirty shares. Seventeen of them were included in the previous index composition, seven were comprised by the VSE index, VIN, five were included after having met the new criteria and one share was included following the accelerated listing requirements.

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

10 Calculated since 20 May 2003, CROEMI (Croatian Equity Market Index), the index of Raiffeisenbank Austria d.d. is the only index that, prior to the unification of the Varaždin and Zagreb Stock Exchanges, monitored the movements in share prices regardless of the stock exchange where the share was listed. In contrast, the CROBEX and VIN components were only the shares listed on either the Zagreb or Varaždin Stock Exchange. The CROEMI is weighted on the basis of the market capitalisation of available-for-sale shares, limiting the weight of an individual share at 15%. In contrast with the CROBEX, for which data on the movements in the P/E ratio for included shares have been calculated no sooner than September 2006, for the CROEMI these data have been calculated since June 2004 and are mutually comparable as its calculation methodology remained unchanged, in contrast with the CROBEX calculation methodology.

Table 6: Bond Issues in the Domestic Market, stock as at 31 January 2008

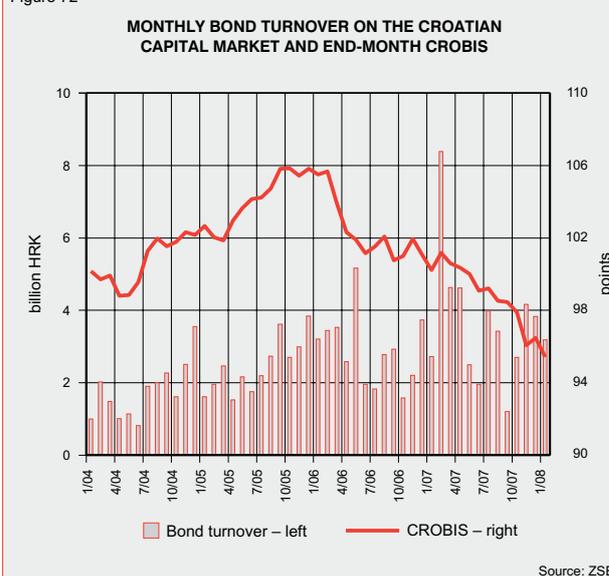
Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price ^a	Current yield 31/1/2008
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	101.60	6.767%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	105.00	6.548%
RHMF-O-085A	Republic of Croatia	28/5/2003	28/5/2008	HRK	1,000,000,000	6.125%	99.70	6.143%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	100.10	5.495%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	500,000,000	5.375%	100.35	5.356%
RHMF-O-103A	Republic of Croatia	8/3/2005	8/3/2010	HRK	3,000,000,000	6.750%	103.20	6.541%
RHMF-O-157A	Republic of Croatia	14/7/2005	14/7/2015	EUR	350,000,000	4.250%	98.90	4.297%
RHMF-O-15CA	Republic of Croatia	15/12/2005	15/12/2015	HRK	5,500,000,000	5.250%	98.20	5.346%
RHMF-O-137A	Republic of Croatia	11/7/2006	11/7/2013	HRK	4,000,000,000	4.500%	96.20	4.678%
RHMF-O-172A	Republic of Croatia	8/2/2007	8/2/2017	HRK	5,500,000,000	4.750%	95.00	5.000%
GDKC-O-116A	City of Koprivnica	29/6/2004	29/6/2011	HRK	60,000,000	6.500%	101.30	6.417%
GDZD-O-119A	City of Zadar	1/9/2004	1/9/2011	EUR	18,500,000	5.500%	97.50	5.641%
GDRI-O-167A	City of Rijeka	18/7/2006	18/7/2016	EUR	16,383,008	4.125%	–	–
GDST-O-137A	City of Split	24/7/2006	24/7/2013	EUR	8,000,000	4.563%	100.30	4.549%
GRVI-O-17AA	City of Vinkovci	23/10/2007	23/10/2017	HRK	42,000,000	5.500%	–	–
GROS-O-17AA	City of Osijek	30/10/2007	30/10/2017	HRK	25,000,000	5.500%	–	–
GDST-O-15BA	City of Split	27/11/2007	27/11/2015	EUR	8,100,000	4.750%	–	–
HBOR-O-112A	CBRD	11/2/2004	11/2/2011	EUR	300,000,000	4.875%	–	–
BLSC-O-091A	Belišće d.d.	14/1/2005	14/1/2009	EUR	8,000,000	5.500%	101.60	5.413%
HYBA-O-086A	Hypo Alpe-Adria-Bank d.d.	6/6/2003	6/6/2008	HRK	150,000,000	6.500%	100.05	6.497%
PLVA-O-115A	Pliva d.d.	12/5/2004	12/5/2011	EUR	75,000,000	5.750%	99.00	5.808%
MDKA-O-087A	Medika d.d.	11/7/2005	11/7/2008	EUR	16,500,000	4.500%	99.10	4.541%
RBA-O-112A	Raiffeisen Bank Austria d.d.	10/2/2006	10/2/2011	HRK	600,000,000	4.125%	97.50	4.231%
PODR-O-115A	Podravka d.d.	17/5/2006	17/5/2011	HRK	375,000,000	5.125%	94.40	5.429%
NEXE-O-116A	Nexe grupa d.d.	14/6/2006	14/6/2011	HRK	750,000,000	5.500%	97.00	5.670%
MTEL-O-097A	Metronet telekomunikacije d.d.	28/7/2006	28/7/2009	HRK	120,000,000	8.500%	101.90	8.342%
HOTR-O-941A	Hospitalija trgovina d.o.o.	5/10/2006	5/10/2009	HRK	75,000,000	8.250%	101.00	8.168%
HEP-O-13BA	Hrvatska elektroprivreda d.d.	29/11/2006	29/11/2013	HRK	500,000,000	5.000%	93.00	5.376%
ATGR-O-11CA	Atlantica grupa d.d.	6/12/2006	6/12/2011	HRK	115,000,000	5.750%	98.35	5.846%
INGR-O-11CA	Ingra d.d.	6/12/2006	6/12/2011	HRK	200,000,000	6.125%	98.20	6.237%
OPTE-O-142A	Optima telekom d.o.o.	1/2/2007	1/2/2014	HRK	250,000,000	9.125%	99.40	9.180%
JDGL-O-126A	Jadran Galenski laboratorij d.d.	11/6/2007	11/6/2012	HRK	125,000,000	5.650%	–	–
JDRA-O-129A	Jadranka d.d.	13/9/2007	13/9/2012	HRK	75,000,000	6.475%	–	–
JRLN-O-12AA	Jadrolinija d.d.	25/10/2007	25/10/2012	HRK	70,000,000	6.500%	99.00	6.566%
OIV-O-14BA	Odašiljači i veze d.o.o.	20/11/2007	20/11/2014	HRK	100,000,000	7.250%	–	–
HEP-O-17CA	Hrvatska elektroprivreda d.d.	7/12/2007	7/12/2017	HRK	700,000,000	6.500%	–	–

^a Regularly traded shares.
Source: ZSE.

(a ten-year kuna bond with a nominal value of HRK 700m and yield to maturity of 6.53%). With a twenty-year euro-denominated bond of Bina Istra d.d. delisted from the ZSE in December 2007, the domestic capital market had a total of 36 listed bonds on the last day of January 2008, including ten government bonds, seven municipal bonds, a government agency (CBRD) bond and eighteen corporate bonds, that is, three municipal and two corporate bonds more than at the end of September 2007.

The market capitalisation of the government bonds, municipal bonds and the CBRD bond was EUR 5.1bn at the end of October 2007, accounting for approximately 13.9% of GDP, whereas the market capitalisation of corporate bonds amounted to EUR 546m, i.e. about 1.5% of GDP. There were 25 issues of commercial papers from 18 issuers on the ZSE at the end of December 2007, that is, one commercial paper issue less and two issuers more than at the end of the previous quarter, whose total nominal value was slightly below HRK 1.0bn.

Figure 72



Source: ZSE.

Table 7: Republic of Croatia International Bond Issues, stock as at 31 December 2007

Bonds	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread ^a 31/3/2007	Spread ^a 30/6/2007	Spread ^a 30/9/2007	Spread ^a 31/12/2007
London Club A, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.			92	100	134	142
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.75%	6.90%	215	41	22	74	112
Eurobonds, 2009	11/2/2002	EUR	500,000,000	6.25%	6.45%	158	41	26	64	94
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	4.65%	102	40	17	64	95
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	59	34	79	147
Samurai bonds, 2008	26/6/2002	JPY	25,000,000,000	2.15%	2.15%	144	40	41	65	67
Samurai bonds, 2009	26/6/2003	JPY	25,000,000,000	1.23%	1.23%	99	44	47	63	66

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

Despite a slight decrease in bond trading on the ZSE in October, the total bond turnover¹¹ was HRK 2.1bn higher in the fourth quarter of 2007 than in the previous quarter, amounting to HRK 10.7bn. The largest share of bond trading in the observed period came from a foreign currency indexed kuna bond of the Republic of Croatia, due in 2019 (21%), followed by a kuna government bond due in 2017 (17%) and a foreign currency indexed kuna government bond due in 2014 (15%), which also dominated the turnover of debt securities in January 2008. All the government bonds made up 96.4% of the total quarterly bond turnover and 95.4% in January 2008. The value of the CROBIS declined further to 96.5 points at the end of December 2007 and continued to fall in January 2008, reaching an all-time low of 95.4 points.

The Republic of Croatia issued no bonds in foreign markets in the last three months of 2007 or in January 2008. At the end of January 2008, there were seven Croatian bond issues listed on foreign markets, the same number as at the end of the third quarter. The remaining international bonds of the RC include four euro-denominated bonds, two yen-denominated bonds and one US dollar-denominated bond. The total nominal value of these bonds at the end of January 2008 was HRK 22.8bn.

The global financial market crisis brought about by problems in the US subprime loan market escalated further in the fourth quarter of 2007. Due to the US economic slowdown and recession risk, the Fed cut the benchmark rate by 25 basis points in October and December respectively. In January 2008, the benchmark rate was first reduced by 75 basis points and then by another 50 basis points, thus dropping to 3.0%, its lowest level since May 2005. The eurozone also experienced an economic slowdown, but the ECB kept its benchmark rate unchanged owing to still strong inflationary pressures. With international investors continuing to opt for safer investments in that period, demand for government bonds of developed countries surged and required yields on these low-risk bonds reduced. In contrast, Croatian eurobond yields, having drifted lower in October, increased by the end of the year, which considerably widened the yield spread between these and benchmark German bonds. At the end of January 2007, the required yield spreads between domestic

eurobonds due in 2009, 2011 and 2014 and benchmark German bonds widened to 94, 112 and 146 basis points respectively, increasing markedly compared with 64, 74 and 79 basis points respectively at the end of September 2007. In January 2008, the required yields on Croatian eurobonds drifted down, but benchmark German bond yields dropped and the spreads widened to 123, 140 and 168 basis points.

Figure 73

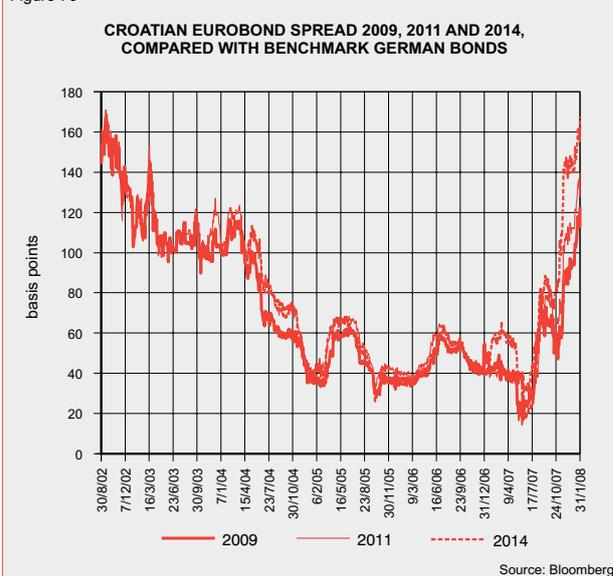
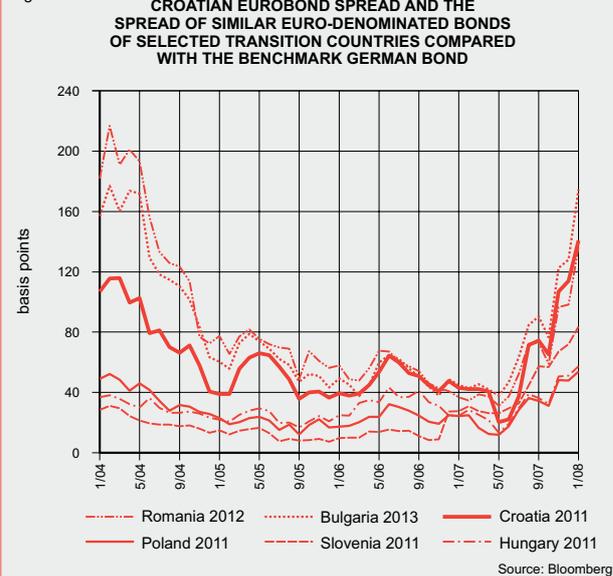


Figure 74



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

As was the case with Croatian eurobond yields, the yields on benchmark eurobonds of the new EU Member States increased at the end of the fourth quarter 2007 relative to the end of September 2007, which, coupled by a reduction in the required yield on benchmark German bond, resulted in the widening of their yield spreads. In addition to benchmark Croatian eurobond, the yield spreads widened the most for benchmark Bulgarian and Romanian eurobonds. The spreads between the observed yields widened further for all the reference countries by the end of January 2008.

International Transactions

After slowing down in the first nine months of 2007, the annual growth of the current account deficit accelerated in the last quarter of 2007. The two largest contributors to this growth were significantly faster increase in the goods account deficit and slower growth of net service revenues in the last quarter of 2007 than in the same period in 2006. Net expenditures in the factor income account grew in the fourth quarter of 2007 compared with the same period in 2006, while net revenues, after trending down in the first three quarters, increased in the account of current transfers in the last quarter of 2007.

An increase in foreign liabilities of all domestic sectors, with enterprises liabilities growing at highest rate, marked the gross external debt in the fourth quarter of 2007. The external debt of public enterprises and private enterprises in which the government has significant stakes grew noticeably in 2007. The growth of total external debt slowed down in 2007 as a whole compared with 2006. To a large extent, this was due to a strong fall in banks' debt, i.e. the implementation of CNB measures. The index of exchange market pressure (IEMP) remained close to its average long-term value in the fourth quarter of 2007, indicating that Croatia experienced no difficulties in the settlement of its international payment obligations.

Current Account

According to the preliminary data, the current account run a deficit of EUR 1.9bn in the fourth quarter of 2007, an increase of 25.0% over the same period in 2006. The substantial deterioration of the current account balance is attributed to the accelerated annual growth of the deficit on the goods account (21.4% compared with 1.9% in the last quarter of 2006). Moreover, the driving forces behind this acceleration were a significant slowdown of export growth and a modest increase in the annual growth of imports.

The weaker export performance of goods (they fell from 20.1% in the last quarter of 2006 to 4.1% in the same period of 2007) may to a large extent be attributed to lower exports of other transport equipment (predominantly ships), especially in December 2007. However, these developments should be interpreted with a certain amount of caution due to high volatility of the data series on ship exports and the methodology used in the reporting of the value-added ship finishing operations. Apart from ship exports, the last quarter of the year saw a significant fall in exports of natural and manufactured gas, exports of sugar, sugar preparations and honey and exports of coffee, tea, cacao and spices. By contrast, the exceptionally good export results were achieved in the following SITC divisions: oil and refined petroleum products, electrical machinery, apparatus and appliances, and road vehicles (parts and accessories).

The mild acceleration of the annual growth of total imports of goods in the fourth quarter of 2007 (12.0% compared with 11.0% in the same period in 2006) may be explained by the increase in imports of oil and refined petroleum products that, to a certain extent, was the result of the hike in their import prices in the last quarter. The growth acceleration was also seen in imports of capital goods, especially electrical machinery, apparatus and appliances, imports of general industrial machinery and equipment and imports of telecommunication apparatus. By contrast, imports of natural and manufactured gas and imports of raw materials such as iron, steel and non-ferrous metals decelerated significantly in the last quarter of 2007.

Table 8: Current Account, in million EUR

	Jan.–Sep. 2006	Q4/2006	Jan.–Sep. 2007	Q4/2007 ^a	Indices	
					Jan.–Sep. 2007 / Jan.–Sep. 2006	Q4/2007 ^a / Q4/2006
CURRENT ACCOUNT	-1,178	-1,514	-1,315	-1,892	111.6	125.0
1. Goods	-6,338	-2,006	-6,998	-2,436	110.4	121.4
1.1. Credit (f.o.b.)	6,085	2,378	6,716	2,476	110.4	104.1
1.2. Debit (f.o.b.)	-12,423	-4,385	-13,714	-4,913	110.4	112.0
2. Services	5,388	323	5,950	370	110.4	114.7
2.1. Credit	7,499	1,036	8,027	1,152	107.1	111.2
2.2. Debit	-2,111	-713	-2,077	-782	98.4	109.6
3. Income	-1,091	-74	-1,045	-92	95.8	124.5
3.1. Credit	621	270	957	332	154.2	122.8
3.2. Debit	-1,712	-344	-2,003	-424	117.0	123.2
4. Current transfers	862	244	779	266	90.3	109.3
4.1. Credit	1,250	388	1,147	427	91.8	109.9
4.2. Debit	-388	-144	-369	-160	95.1	111.0

^a Preliminary data. Source: CNB.

Table 9: Foreign Tourist Nights and Arrivals in Commercial Accommodation Facilities by Country of Residence, in %

Grouping of countries	Arrivals			Nights		
	Q4/2005	Q4/2006	Q4/2007	Q4/2005	Q4/2006	Q4/2007
Old EU Member States	63.4	59.3	56.2	71.2	67.7	64.0
Italy	11.3	12.5	12.8	7.3	8.4	9.1
Germany	22.0	18.2	16.9	31.9	28.8	26.0
Austria	10.1	11.2	10.7	9.0	10.3	10.4
New EU Member States ^a	11.9	12.8	14.0	9.0	10.6	11.6
Slovenia	5.9	7.0	8.0	4.1	5.3	6.2
Czech R.	1.2	1.4	1.3	1.0	1.5	1.2
Bosnia and Herzegovina	3.3	3.6	3.7	3.1	3.0	3.6
Russia	0.7	0.7	0.9	1.0	0.8	1.1
USA	4.1	5.1	5.6	2.9	3.8	4.2
Other	16.5	18.4	19.6	12.8	14.2	15.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

^a Member States from the penultimate wave of enlargement (excl. Malt and Cyprus). Source: CBS.

The annual growth of net service revenues stood at 14.7% in the fourth quarter of 2007, a decrease over the same period in 2006 (48.2%). The major contributor to this was relatively high growth of expenditures of domestic sectors, especially those that relate to various business services such as merchandising and other trade-related services and royalties and license fees. The annual growth of service revenues accelerated slightly, with the best performance results being recorded in various business and telecommunication services. Tourism revenues grew at an annual rate of 2.6% (in the last quarter of 2006, they grew by 21.0%), while tourist nights and arrivals, which according to the CBS data only cover the commercial accommodation capacities, grew at rates of 9.8% and 3.5% respectively. In addition, the number of nights stayed by tourist from France, Slovenia and Italy grew the most in the reference period, while considerably lower number of nights, compared with the same period in 2006, was stayed by tourist from the Great Britain and Germany.

The negative factor income balance increased by 24.5% in the last quarter of 2007. The annual growth of revenues halved in the reference period, largely due to significantly slower growth of revenues from compensation of employees. The annual growth of expenditures decelerated mildly in the fourth quarter of 2007 compared with the same period in 2006, while the expenditures for interest on foreign borrowing continued to grow at an accelerated pace. This increase was to some extent offset by lower expenditures on direct equity investment, which to a large extent may be explained by the fall in retained earnings of domestic enterprises in foreign ownership.

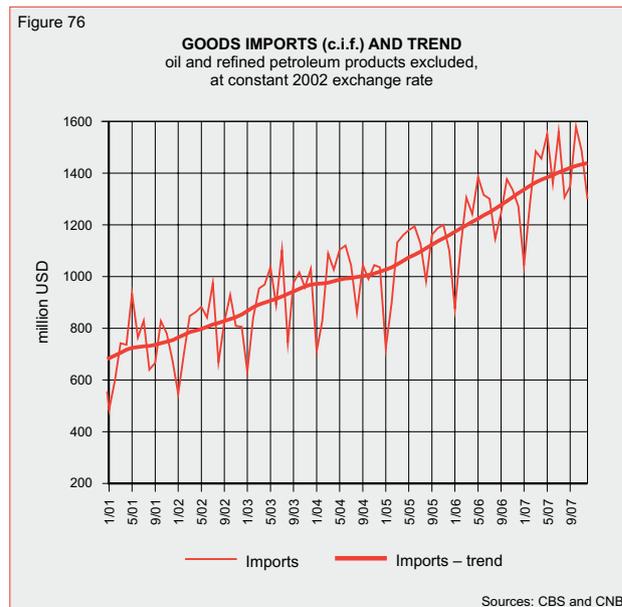
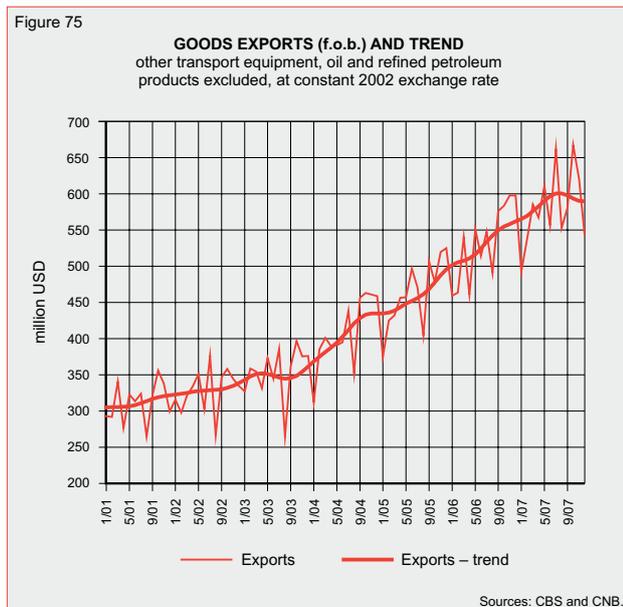
After falling at the end of 2006 and in the first three quarters of 2007, the positive current transfers balance grew year-on-year in the fourth quarter of 2007, due largely to the growth in revenues. Revenues from workers remittances from abroad increased considerably in this period, while the government revenue decreased. Revenues of the private sector and the public sector also increased; however, as their growth rate was half the rate seen in the last quarter of 2006, the overall current transfers balance improved in the last quarter of 2007.

Trade in Goods

The relatively weak performance in the last quarter of 2007 led to the fall in the annual growth rate of total exports of goods in 2007 as a whole, which at 11.5% (reported in US dollars and at a constant exchange rate) were 5.9 percentage points lower than in 2006. This slowdown may to a large extent be attributed to the fall in exports of natural and manufactured gas which were the main drivers behind the accelerated growth of exports in 2006. Specifically, the end of the 2006 saw the completion of the pipeline in the North Adriatic that enabled the transportation of gas directly to the domestic market. Before the new pipeline was installed, the gas was first exported to Italy and then largely re-imported into the domestic market, contributing to the increase in the value of foreign trade in gas. In addition, some other SITC divisions saw lower exports in 2007 than in 2006, especially those covering the agricultural and food products (coffee, tea, cacao and spices, fish and preparations and sugar, sugar preparations and honey). Slower growth also marked the exports of ships and electric current.

By contrast, exports of electrical machinery, apparatus and appliances, machinery specialised for particular industries and road vehicles (predominantly parts and accessories) accelerated considerably in 2007. In addition, exports of oil and refined petroleum products, largely due to high oil prices in the world market, continued to make large contributions to the growth of total exports of goods.

Total imports of goods, reported at a constant exchange rate, also grew at a slower rate in 2007 than in 2006 (13.0% compared with 15.7%). In part, this development was the consequence of the pipeline construction (see above) and the fall in gas imports. However, since gas imports account for a lower share in imports than in exports, they naturally contributed less to the deceleration of total imports of goods than of total exports of goods. In addition to gas, other contributors to the deceleration of total imports were weaker imports of sugar, sugar preparations and honey that were present throughout the whole year. This, above all, was due to the fall in sugar imports from the EU, i.e. the EC decision from September 2006 to abolish the so-called C-quota for subsidised exports of sugar from the EU to Croatia. As this led to



the strong increase in the price of imported sugar, domestic buyers largely opted for the purchase of sugar produced in the country. These developments were also in part the reason behind the decrease in exports of sugar. In addition, the growth of the value of imports of non-ferrous metals also decelerated, especially in the last quarter of 2007 which saw a fall in their prices in the world market.

By contrast, imports reported under the SITC division of other transport equipment and general industrial machinery accelerated most in the reference period. Although their growth due to a noticeable weakening in the last quarter was lower in 2007 than in 2006 (14.5% compared with 16.7%), imports of road vehicles continued to make significant contribution to the growth of imports. Imports of iron and steel also accelerated, largely due to the growth in import prices. Notwithstanding a modest deceleration in the annual growth of imports of oil and refined petroleum products in the reference period, this SITC division made the largest contribution to the growth of total imports of goods. Furthermore, imports of capital goods (machinery and transport equipment, excluding other transport equipment and road vehicles) con-

tinued to grow at a strong annual rate in the reference period, amounting to 10.5%.

As shown by the geographic structure of Croatia's exports of goods, the shares of exports to developing countries decreased in 2007 relative to 2006, largely due to the slowdown of exports to old EU Member States. This was mostly due to a significant fall of exports to Italy, comprising the decrease in exports of gas and ships. By contrast, there was an increase in exports of ships to some other developed but in Croatia's trade less represented trading partners such as Bermuda and Singapore. Exports to new EU Member States accelerated considerably, including predominantly higher exports of ships to Malta, oil and refined petroleum products to Hungary and motor vehicle parts and accessories to Slovenia. After slowing down in 2006, the growth of exports to developing countries accelerated in 2007. Above all, this was the result of stronger exports to the countries in the region and especially high exports of oil and refined petroleum products, cereals and cereal preparations and electric current to Bosnia and Herzegovina. Exports to Serbia and Montenegro also grew considerably in the reference period and mostly comprised

Table 10: Exports and Imports by Economic Classification of Countries, in %

	Export				Import			
	2004	2005	2006	2007 ^a	2004	2005	2006	2007 ^a
Developed countries	71.7	69.3	71.7	69.3	77.4	73.8	72.6	71.8
EU-25	64.6	62.0	63.2	59.1	69.5	65.6	65.0	63.3
Slovenia	7.5	8.1	8.2	8.3	7.1	6.8	6.3	5.9
Hungary	1.3	1.6	1.7	2.2	3.1	3.1	3.0	2.9
EU-15	51.4	48.1	48.8	43.7	54.2	50.6	50.1	48.7
Austria	9.4	7.2	6.0	6.1	6.8	5.8	5.4	5.3
Italy	22.9	21.2	23.1	19.1	17.0	16.0	16.7	16.0
Germany	11.2	10.7	10.3	10.0	15.5	14.8	14.5	14.4
EFTA	1.0	1.1	1.5	1.2	1.6	1.7	1.7	1.9
Developing countries	28.3	30.7	28.3	30.7	22.6	26.2	27.4	28.2
Bosnia and Herzegovina	14.4	14.3	12.6	14.4	2.1	2.4	2.8	2.8
Serbia, Montenegro	3.7	4.5	5.4	6.6	0.8	0.9	1.1	1.3
Russia	1.4	1.3	1.2	1.3	7.3	9.2	10.1	10.1
China	0.1	0.1	0.2	0.2	3.8	4.7	5.3	6.2

^a Preliminary data. Source: CBS.

non-metallic mineral manufactures, electrical machinery, apparatus and appliances, and oil and refined petroleum products.

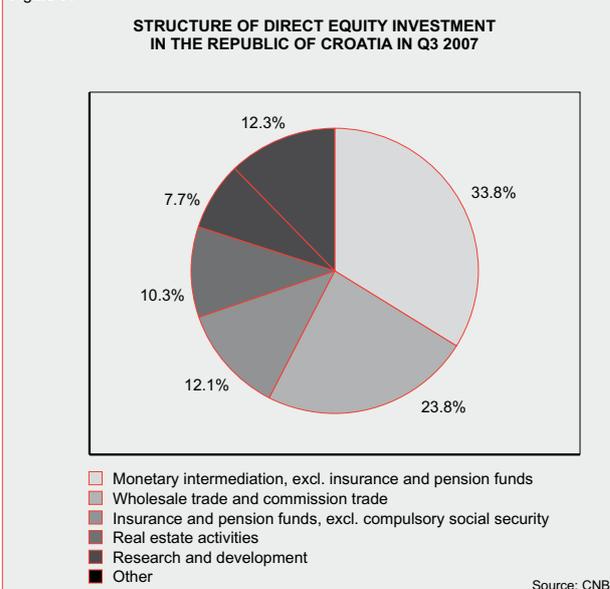
Despite their accelerated growth, the shares of imports from developing countries in total Croatia's imports of goods fell in 2007 relative to 2006. In this group of countries, the largest quantities of goods were imported from Italy, Germany and Austria. However, recent trends showed a significant acceleration of imports from Germany and Austria and a deceleration in imports from Italy which largely was the consequence of lower imports of gas. Specifically, higher imports from Germany included road vehicles, general industrial machinery and equipment and iron and steel, while those from Austria included manufactures of metals (n.e.c.), paper, paperboard and articles of paper pulp, and electrical machinery, apparatus and appliances. The growth of imports for new EU Member States accelerated slightly due to higher imports of ships, especially those from Slovenia and Malta. Imports from developing countries grew at somewhat faster rate than those from developed countries, increasing their share in total imports. Broken down by countries, imports from Russia (oil and refined petroleum products) and China (wearing apparel, telecommunication apparatus and office machines and automatic data processing machines) grew at the highest rate.

Capital and Financial Transactions

According to the preliminary data, the capital and financial account saw net inflows from direct, portfolio and other investment in the fourth quarter of 2007, while only the account of reserve assets saw an outflow. The amount of net direct investment fell by one-fifth in the fourth quarter of 2007 over the same period in 2006. The account of portfolio investment was marked by a fall in assets and liabilities of domestic sectors. Other investment continued to increase, although at a lower pace than in the same period last year. Gross international reserves rose by EUR 0.6bn in the last quarter of 2007, primarily thanks to CNB interventions in the foreign exchange market.

The foreign direct investment in Croatia stood at EUR 0.7bn in the last quarter of 2007, down by one-fourth over

Figure 77



the same period in 2006. For the most part, this decrease was accounted for by direct equity investment. However, when interpreting this result, one must take into account the base-period effect, i.e. a transaction related to the takeover of Pliva d.d. that was registered in the last quarter of 2007. The major portion of direct equity investment and retained earnings in the last quarter of 2007 was accounted for by the investment in monetary intermed. (i.e. the recapitalisation of individual foreign-owned banks, mostly Hypo Alpe-Adria Bank d.d. and Slavenska banka d.d.). In addition, significant investment were also made in wholesale trade and commission trade (mostly on the basis of sale of Tifon d.o.o. to Hungarian MOL) and in insurance and pension funds, including primarily the takeover of Osiguranje Zagreb d.d. by Swiss Baloise-Holding. Account should also be taken of investment made in research and development and other trading activities. Broken down by the country of origin, investors from Austria, Hungary, Germany and Switzerland accounted for the major part of total investments in the reference period.

The portfolio investment in the last quarter of 2007, compared with same period in 2006, were marked by a net inflow, brought about by a reduction in domestic sectors' for-

Table 11: Capital and Financial Account, in million EUR

	Jan.–Sep. 2006	Q4/2006	Jan.–Sep. 2007	Q4/2007 ^a	Indices		
					Jan.–Sep. 2007/Jan.–Sep. 2006	Q4/2007 ^a / Q4/2006	
CAPITAL AND FINANCIAL ACCOUNT	2,859	725	2,853	1,291	99.8	178.0	
1. Capital account	-153	19	29	5	-	28.1	
2. Financial account, excl. reserves	3,785	1,345	2,986	1,845	78.9	137.2	
2.1. Direct investment	1,672	889	2,712	707	162.2	79.5	
2.1.1. Abroad	-140	-37	-197	-9	140.7	25.7	
2.1.2. In Croatia	1,812	926	2,909	717	160.6	77.4	
2.2. Portfolio investment	-222	-325	-166	132	74.9	-	
2.2.1. Assets	-95	-378	-574	169	607.0	-	
2.2.2. Liabilities	-127	53	408	-38	-	-	
2.3. Financial derivatives	0	0	0	0	-	-	
2.4. Other investment	2,335	781	440	1,007	18.8	128.9	
2.4.1. Assets	278	-1,053	-1,051	-562	-	53.4	
2.4.2. Liabilities	2,057	1,834	1,491	1,569	72.5	85.6	
3. Reserve assets (CNB)	-773	-639	-162	-560	20.9	87.6	

^a Preliminary data. Source: CNB.

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

	2004	2005	2006	2007
Balance	6,436	7,438	8,725	9,307
Share				
1. Foreign currency reserves	96.9	98.6	93.6	95.7
1.1. Securities	50.7	48.4	48.1	51.3
1.2. Total currency and deposits with:	46.2	50.2	45.4	44.5
1.2.1. Other national central banks, BIS and IMF	3.6	5.5	2.3	2.0
1.2.2. Banks headquartered outside Croatia	42.6	44.7	43.2	42.4
2. IMF reserve position	0.0	0.0	0.0	0.0
3. SDRs	0.0	0.0	0.0	0.0
4. Gold	0.0	0.0	0.0	0.0
5. Reverse repo	3.1	1.3	6.4	4.2

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

eign assets (mostly shares held in the portfolios of investment funds and bonds held in the portfolios of domestic banks). In the same period, however, domestic sectors decreased their foreign liabilities, mostly on account of an early repayment of Bina-Istra d.d. bonds worth EUR 210m issued in February 2003. The reduction in liabilities arising from debt investment was partly offset by a considerable increase in liabilities arising from equity portfolio investment. Within these the most prominent were non-resident investment in publicly offered shares, T-HT shares especially.

Other investment (loans, trade credits, currency and deposits) registered larger net inflow in the fourth quarter of 2007 than in the same period in 2006. The main factors contributing to this were the changes in foreign assets (predominantly currency and deposits of banks), which grew at much lower rate in the fourth quarter of 2007 than in the same period in 2006. The liabilities of domestic sectors arising from other investment also went up in the reference period, although at a lower rate than in the same period of 2006, due mainly to a substantially lower growth of banks' debt. By contrast, the liabilities of the enterprises sector and the government sector grew considerably, due mainly to the growth in long-term loans.

According to the balance of payments data (excluding the effect of cross-currency changes), international reserves went up by EUR 560m in the fourth quarter of 2007. This increase was almost entirely the result of two CNB foreign exchange interventions held in October and December. According to the monetary statistics data (including the effect of cross-currency changes), international reserves amounted to EUR 9.3bn at the end of December, up 5.8% and 6.7%

over the end of the third quarter of 2007 and the end of 2006 respectively.

External Debt

Gross external debt stood at EUR 32.9bn at the end of December 2007, which is a rise of EUR 3.7bn or 12.5% over the end of 2006. However, the external debt growth decelerated in 2007 compared with 2006 (13.7%). In addition, significant changes were observed in the external debt structure and the contributions of individual sectors to its overall growth. The external debt growth in 2007 is exclusively attributed to the acceleration of enterprises' foreign borrowing. By contrast, the government sector kept its external debt level almost unchanged relative to the end of 2006, while banks saw a substantial decrease in their external debt as a result of CNB measures.

The external debt of banks (hybrid and subordinated instruments included) stood at EUR 8.9bn at the end of December 2007, decreasing by EUR 1.5bn or 14.0% over the end of 2006. This change in the external debt of banks, which grew strongly in 2006, was to a large extent the result of CNB measures aimed at curbing credit expansion fuelled by foreign borrowing. Hence, its share in total external debt fell from 35.5% at the end of 2006 to 27.1% at the end of 2007. The short-term liabilities, primarily currency and deposits, accounted for about three-thirds of the decrease in the external debt of banks.

The external debt of other domestic sector (primarily enterprises) went up by EUR 3.9bn in 2007, reaching almost EUR 13.5bn. In addition, the external debt of other domestic sector accelerated annually from 30.8% in 2006 to as much as 41.6% in 2007, while its share in total external debt rose from 32.5% to 40.9%. In part, this was due to banks encouraging their clients to borrow directly from their parent banks abroad. As for individual groupings, other enterprises (in majority private ownership) made the largest contribution to the overall debt growth of other domestic sectors. The contributions of public and mixed enterprises, especially Autocesta Rijeka – Zagreb which contracted a loan of EUR 200m in December, Zagrebački holding which issued bonds worth EUR 300m and Ina which withdrew the majority of the funds granted under a syndicated loan of USD 1bn in the reference period, were also significant. Non-banking financial institution (largely leasing companies) continued to increase their external debt.

The growth of direct investment (hybrid and subordinated instruments with banks excluded) also accelerated strongly

Table 13: Gross External Debt by Domestic Sectors, end of period, in million EUR and %

	2004	2005	2006	2007	Structure		Indices	
					2006	2007	2006/2005	2007/2006
1. Government	7,257	7,047	6,668	6,663	22.8	20.2	94.6	99.9
2. Croatian National Bank (CNB)	2	3	3	2	0.0	0.0	97.2	75.4
3. Banks	7,732	8,979	10,223	8,639	34.9	26.2	113.9	84.5
4. Other sectors	5,896	7,264	9,462	12,401	32.3	37.7	130.3	131.1
5. Direct investment	2,046	2,455	2,869	3,763	9.8	11.4	116.9	131.2
o/w: Hybrid and subordinated instruments	314	214	167	56	0.6	0.2	78.1	33.5
Total (1 + 2 + 3 + 4 + 5)	22,933	25,748	29,274	32,929	100.0	100.0	113.7	112.5

Source: CNB.

Table 14: Current and Contingent External Debt of the Public Sector and the Private Sector Debt, end of period, in million EUR and %

	2004	2005	2006	2007	Structure		Indices	
					2006	2007	2006/2005	2007/2006
1. Public sector debt	8,580	8,500	8,257	9,259	28.2	28.1	97.1	112.1
2. Publicly guaranteed private sector debt	334	291	204	140	0.7	0.4	70.2	68.5
3. Non-publicly guaranteed private sector debt	14,019	16,956	20,813	23,530	71.1	71.5	122.7	113.1
Total (1 + 2 + 3)	22,933	25,748	29,274	32,929	100.0	100.0	113.7	112.5

Source: CNB.

in 2007 (43.0%; in 2006 it stood at 21.0%). Owing to their annual growth of EUR 1.2bn, the debt arising from direct investment reached EUR 3.9bn at the end of December. If we add the direct investment in enterprises to the debt of other domestic sectors, which provides a wider coverage of enterprises' debt, the share of this sector in total external debt rose by more than 10 percentage points in 2007 and reached as much as 52.6% at year-end.

The external debt of the government sector (central government, central government funds, CBRD and local government) remained in 2007 close to its end-December level and amounted to EUR 6.7bn. The major contributor to this was the fall in central government liabilities due to the repayment of Samurai bonds worth JPY 40bn and the settlement of amounts due to the London Club. By contrast, the CBRD reported the highest borrowings in the reference period, comprising mainly the launch of EUR 250m worth of bonds in June 2007. The external debt of the public sector (including the government sector, public enterprises and mixed enterprises), went up by EUR 1.0bn or 12.1% in 2007 over the end of 2006 due to the abovementioned increase in the external debt of public and mixed enterprises. However, the contingent debt of the public sector (i.e. the publicly guaranteed private sector debt) continued to decline in the observed period.

International Liquidity

The IEMP remained fairly stable in the last quarter of 2007, moving around its long-term average value. Notwithstanding a mild depreciation of the kuna exchange rate

(0.6%) at the end of the last quarter compared with the end of the third quarter, the IEMP fell slightly in the reference period. This was the result of the EUR 0.5bn increase in international reserves at the end of the last quarter compared with the third quarter that was to a large extent stimulated by two CNB foreign exchange interventions at which EUR 523m were purchased from banks. In January 2008, the IEMP fell slightly below its long-term average due to a mild appreciation of the exchange rate.

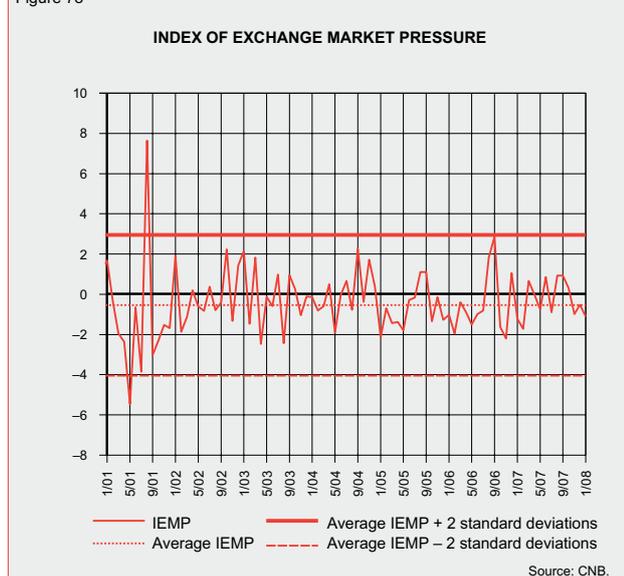
Government Finance

Fiscal Policy Features in the First Eleven Months of 2007

Despite considerable acceleration in the annual growth of consolidated central government expenditures in the first eleven months of 2007, and heightened investment activities of the government, strong economic growth and positive developments in the labour market led to a large increase in revenues and a smaller central government deficit compared with the same period previous year. As the government secured a large share of the funds needed for budget deficit financing by selling financial assets, i.e. by engaging in further privatisation of T-HT and Ina, it was able to lessen its reliance on borrowing, thus generating only a moderate growth in central government debt in the January to November period.

The first half of the year was marked by legislative amendments in the area of public finance. Thus early 2007 saw the entering into force of the amended Act on the Financing of Local and Regional Self-Government Units.¹² As provided by this Act's amendments, profit tax revenues fully belong to the budgetary central government, while income tax revenues, either directly or through the budgetary central government are fully transferred to the cities, municipalities and counties. To lessen the effect of rising crude oil prices on the world markets on price developments in refined petroleum products on the domestic market, the Government cut excises on all types of unleaded petrol in May. Inflationary pressures tightened in the second half of the year as a result of drought and developments in the prices of agricultural products on the world market, prompting the Government, in an effort to stabilise the domestic market, to introduce protective export taxes on maize in August and wheat in September. In addition, under the amended Value Added Tax Act¹³ which has been in force

Figure 78



12 OG 132/2006.

13 OG 76/2007.

since August, the scope of the reduced 10% VAT has been extended to cover not only services in tourism but also VAT on newspapers and magazines.

In 2007, the Government made further repayments of debt to pensioners. Though not included in the budget, these financial transactions have significant macroeconomic and fiscal implications given that the government had to ensure some HRK 3.3bn for that purpose in 2007. The major share of this amount went to the repayment of the last two tranches of debt to pensioners who opted for the so-called accelerated debt recovery at a 50% discount and the remaining share went into repayment of the first tranche of debt to the pensioners who opted for full debt recovery over a six-year term and into repayment of the first two tranches to beneficiaries of survivors' and highest pensions whose rights to debt repayment have also been recognised.¹⁴ The funds necessary for the repayment of this year's first tranche in June were secured mainly through a loan from HPB. In October, the Government conducted the third phase of T-HT privatisation, selling 32.5% of the total share issue. Of over HRK 7bn raised in this transaction, approximately HRK 5bn went into the Pensioners' Fund to be used almost fully in 2007 for the repayment of HPB loan for the first tranche and for the repayment of the second tranche in November, with the remaining funds being earmarked for tranches falling due in 2008 and 2009.

Consolidated Central Government Revenues

According to MoF data, consolidated central government revenues in the first eleven months of 2007 reached HRK 103.2bn, an increase of 13% compared with the same period previous year. Such a large increase is the result of favourable developments in the real sector of the economy which generated high revenues from indirect taxes. In addition, employment growth, higher than that in 2006, as well as an increase in average gross wage, had a positive impact on revenues from social contributions and revenues from income tax.

Tax revenues, as the main source of central government revenues, stood at HRK 59.6bn during the observed period. Their annual growth reached 10.9%, mainly due to developments in revenues from value added tax and profit tax. From January to November 2007, HRK 35bn were collected through VAT. The annual dynamics of this type of revenue was largely in line with developments in nominal retail trade turnover. Further relatively high growth of goods imports and accelerated inflation in the second half of the year had a positive influence on this type of tax revenue collection. However, VAT revenue growth from January to November 2007 was somewhat slower compared with that in the same period 2006, which can partly be attributed to the described legislative changes (it should be noted that the mentioned reduction in VAT on newspapers and magazines did not lead to a reduction in the prices of newspapers and magazines).

In the first eleven months of 2007, revenues from excises were HRK 11.2bn, an increase of 5.3% compared with the

same period 2006. Revenues from excises on refined petroleum products included revenues from levies for public road construction and maintenance to ensure their comparability with prior periods. The largest contribution to total growth of revenues from excises came from excises on tobacco and tobacco products which stood at HRK 2.7bn during the observed period. As their annual growth exceeded real retail trade growth of tobacco products, it can be assumed that the government managed to cover with their excises a part of the black market for cigarettes. A considerable contribution to the growth in total revenues from excises came from excises on refined petroleum products, mainly due to their large share in the total, while their annual growth was stifled. Note should be taken of Government regulation in force since May under which excises on all types of unleaded petrol were reduced by 25 lipa per litre.¹⁵ Thus, in an effort to ease the effects of rising crude oil prices on the world market on the prices of refined petroleum products on the domestic market, the Government renounced some of its revenue, receiving in return only partial compensation in the form of increased consumption of refined petroleum products by domestic and foreign tourists during the peak season. Revenues from excises on cars also grew fast, reflecting continued strong growth in car imports.

Social contributions in the January to November period generated HRK 34bn or 33% of total consolidated central government revenues. Their annual growth of 10.7% is the result of growth of average monthly gross wage growth and an increase in the number of persons insured with the CPIA. Employee contributions (contributions for pension insurance) were HRK 15.1bn, employer contributions (health insurance contributions and employment contributions) were HRK 18.1bn. Contributions of self-employed and unemployed accounted for the rest. Favourable developments in the labour market had a positive impact on income tax revenues, though, due to a change in their distribution among units of local and central government since January 2007, a fuller perspective of developments in this field will be obtained only after data for the whole year become available. In the first eleven months of 2007, the amount of profit tax collected was HRK 8.4bn, making it the fourth source of central government revenues in importance. According to data provided by Tax Administration, robust growth of this type of revenue is the result of better monitoring of tax payers and their better performance in 2006.

Other revenues during the observed period were HRK 9.2bn, a one-third increase compared with those generated in the same period 2006, mainly due to developments in revenues from administrative fees and dividends paid. The Croatian Waters and the Fund for Environmental Protection and Energy Efficiency saw the largest increase in revenues from administrative fees. Of the HRK 2.41bn paid in extraordinary T-HT dividend in September, 42% was allocated to the government, 7% to the Croatian War Veterans Fund, and the largest share, 51%, to Deutsche Telekom, the company's majority owner.

¹⁴ Act on Amendments to the Act on the Enforcement of the Decision of the Constitutional Court of the Republic of Croatia of 12 May 1998 (OG 19/2007).

¹⁵ Regulation on the change of excises on refined petroleum products (OG 44/2007).

Consolidated Central Government Expenditures

Consolidated central government expenditures from January to November last year were HRK 97.6bn, growing annually by 10.8%. The growth which was almost twice faster than in the same period 2006, was mainly boosted by increased expenditures for social benefits, compensation of employees and expenditures for the use of goods and services.

Expenditures for social benefits were HRK 43.7bn during the observed period which is an increase of 9.1% compared with those in the same period previous year. Expenditures for social security benefits, including a major share of pensions and health care expenditures, account for a little over 70% of these expenditures. Their annual growth of 9% was fuelled by the settlement of arrears in the health sector as well as an increase in the number of pensioners and the amount of average pension paid. Social assistance benefits, including child allowances, disability pensions, Croatian war veterans' permanent rights and pension supplements also rose considerably from January to November 2007, reaching HRK 12.5bn.

Expenditures on employee compensation stood at HRK 25.5bn in the first eleven months of 2007, an increase of 10.2% compared with those in the same period 2006. The bulk of this amount related to wages and salaries of civil servants and employees, while the rest related to social contributions paid by central government units. During that period, there was an increase in the number of employees in education and social and health care and a decrease in the number of employees in public administration and defence. Also, due to an increase in the basis for the calculation of wages in the 2007-2009 period as agreed between the Government of the Republic of Croatia and the trade unions of public service employees, there was an increase in the gross wages in all the mentioned activities. In addition, an agreement was signed between the Government and seven trade unions of civil servants towards end-June, providing for a 25% increase in annual leave bonuses, Christmas bonuses and gifts for children in 2007. The same increases apply to public service employees for which purpose funds have been ensured under the revised budget.

Expenditures on the use of goods and services were HRK 9bn during the January to November 2007 period with their annual growth slightly falling; from 22.4% in 2006 to a still high 18.7% in the same period 2007. As detailed structure of this aggregate is not available, it is not possible to determine the reasons for such a high growth.

Expenditures on subsidies amounted to HRK 5.8bn in the January to November period of 2007. There was a significant acceleration in the growth of subsidies paid to private enterprises and public corporations. Subsidies to public corporations, mainly the Croatian Railways, were HRK 2.7bn during the observed period, growing by 13.8% annually. Subsidies to private enterprises grew even faster (19.5%), partly as a result of incentives paid as a result of last year's drought.

Interest expense reached HRK 4.9bn in the first eleven months, a slight increase compared with the same period previous year. With a reduction in government external debt, foreign interest expense fell to HRK 2.1bn while domestic interest expense continued to rise steadily.

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

Faster growth of consolidated central government revenues compared with expenditures in the first eleven months of 2007 led to a positive net operating balance of HRK 5.5bn, an increase of HRK 2.4bn compared with the same period 2006. However, as this amount was not sufficient to fully finance heightened government investment activity, the government was prompted to ensure additional HRK 0.9bn through borrowing and a decrease in its financial assets.

Acquisition of non-financial assets, largely pointing to developments in government investments, stood at HRK 6.9bn in the first eleven months of 2007, a large increase compared with the same period previous year. The bulk of investments went into acquisition of buildings and structures (including, under GFS 2001, dwellings, office buildings, schools, hospitals, highways, roads, bridges, tunnels, railways, etc.), reflecting further government activity in traffic infrastructure construction and maintenance. This type of expenditure on the level of the CM and the CR stood at

Table 15: Operating Balance and Transactions in Non-Financial Assets and Financial Assets and Liabilities, GFS 2001, in million HRK

	Consolidated central government		
	Jan.–Nov. 2006	Jan.–Nov. 2007	Jan.–Nov. 2007/Jan.–Nov. 2006
1. Change in net worth (net operating balance)	3,185.6	5,538.0	174
1.1. Revenue	91,268	103,153	113
1.2. Expense	88,083	97,615	111
2. Change in net non-financial assets	5,046.8	6,438.0	128
2.1. Acquisition of non-financial assets	5,428	6,939	128
2.2. Disposal of non-financial assets	382	502	131
3. Net lending (+) / borrowing (-) (1 – 2)	-1,861.2	-899.9	48
3. Financing (5 – 4) Transactions in financial assets and liabilities	1,861.2	899.9	48
4. Change in financial assets	778.9	-450.8	-
4.1. Domestic	769	-464	-
4.2. Foreign	10	13	138
5. Change in liabilities	2,640.1	449.2	17
5.1. Domestic	6,086	2,268	37
5.2. Foreign	-3,446	-1,819	53

Note: On a cash basis. Source: MoF.

HRK 4bn during the observed period, which is an increase of 13.4% compared with the first eleven months of 2006. The same units of consolidated central government spent significant funds for land purchases in anticipation of further significant investment activity in 2008.

Financial assets of the consolidated central government fell by HRK 0.5bn in the January to November period, fully reflecting developments in domestic financial assets such as the October sale of 32.5% of the total share issue of T-HT through a public offering. Even though the value of this transaction was over HRK 7bn, only about HRK 2bn were allocated to the budget. The rest was allocated to the Pensioners' Fund to be used mainly for the repayment of the two tranches of debt to pensioners in 2007 (a total of little over HRK 3bn). The remaining funds will be used to finance the tranches due for repayment in 2008 and 2009 (totalling HRK 1.9bn). In addition to the revenue generated by the above mentioned third phase of T-HT privatisation, the sale of 7% of Ina shares to Ina's present and former employees generated some HRK 0.9m in revenue. The fall in financial assets of the government was only partly mitigated by an increase in the financial assets of the government in the form of net loans granted and cash and deposits with the banks.

Units of consolidated central government continued to borrow in the country and abroad in the period from January to November last year, using the funds obtained to re-finance their due liabilities. As a result, total liabilities of the consolidated central government during the observed period rose by only HRK 0.5bn, several times less than in the same period 2006. In 2007, the government again relied

mainly on the domestic financial market, causing a further fall in foreign and an increase in domestic liabilities.

Consolidated Central Government Balance on a Cash Basis

The consolidated central government deficit, exclusive of capital revenues (on a cash basis, GFS 1986) stood at HRK 2.3bn in the January to November period 2007. While budgetary central government deficit accounted for only HRK 0.2bn, extrabudgetary users accounted for HRK 2.1bn, or the remaining part of the deficit. Both the CM and the CR recorded large deficits while both DAB and the Croatian Waters recorded surpluses.

Compared with the same period previous year, the consolidated central government deficit fell by almost one third. Such a large fiscal adjustment can be fully ascribed to a fall in budgetary central government deficit due to a rapid growth in revenues and a somewhat more moderate increase on the expenditure side. Conversely, the deficit of the extrabudgetary users slightly increased on an annual level, mainly as a result of renewed acceleration in CM investment activity.

Central Government Debt

CNB data show that central government debt, CBRD debt excluded, stood at HRK 101.7bn at the end of November 2007, an increase of HRK 0.8bn compared with the end of the previous year. The increase was due entirely to government borrowing on the domestic financial market, in line with the trend of decline in the share of the external compo-

Table 16: Consolidated Central Government Balance, GFS 1986, in million HRK

	Jan.–Nov. 2006	Jan.–Nov. 2007
1. Net lending (+) / borrowing (–) GFS 2001	–1,861	–900
2. Disposal of non-financial assets	382	502
3. Net acquisition of financial assets – loans	807	732
4. Acquisition of shares and other equity	232	198
5. Acquisition of securities other than shares	0	0
6. Acquisition of other accounts receivable	0	0
7. Balance without capital revenues, on a cash basis (1 – 2 – 3 – 4 – 5 – 6)	–3,282	–2,331

Source: MoF.

Table 17: Public Debt of the Republic of Croatia, end of period, in million HRK

	Stock				Change	
	Dec. 2005	Nov. 2006	Dec. 2006	Nov. 2007	Jan.–Nov. 2006	Jan.–Nov. 2007
A. Central government debt (1 + 2)	99,658.9	101,455.6	100,879.7	101,717.6	1,796.7	837.9
1. Domestic central government debt	54,494.6	59,953.2	59,385.0	62,583.0	5,458.6	3,198.0
1.1. Domestic debt of the Republic of Croatia	50,559.5	55,455.4	54,216.7	56,352.0	4,895.9	2,135.2
1.2. Domestic debt of central government funds	3,935.0	4,497.8	5,168.2	6,231.1	562.8	1,062.8
2. External central government debt	45,164.3	41,502.4	41,494.8	39,134.6	–3,662.0	–2,360.2
2.1. External debt of the Republic of Croatia	36,414.5	32,572.8	32,556.6	29,258.5	–3,841.7	–3,298.1
2.2. External debt of central government funds	8,749.8	8,929.5	8,938.2	9,876.1	179.8	937.9
Supplement:						
B. Total guarantees issued by the Republic of Croatia	12,594.7	13,848.6	14,277.8	15,497.0	1,253.9	1,219.2
1. Domestic	5,345.9	6,892.9	7,312.8	8,021.4	1,547.0	708.6
2. Foreign	7,248.8	6,955.7	6,965.0	7,475.6	–293.1	510.6
D. CBRD debt (1 + 2)	7,139.4	7,266.6	7,686.3	9,044.5	127.2	1,358.3
1. CBRD domestic debt	534.2	198.1	347.5	287.7	–336.1	–59.8
2. CBRD external debt	6,605.1	7,068.5	7,338.8	8,756.8	463.3	1,418.1

Source: CNB.

ment in total debt stock structure of the central government. Although the consolidated central government debt was much higher during the observed period, its partial funding through the disposal of financial and non-financial assets led to smaller demands for borrowing. The reason for statistical debt fall lies in the appreciation of the exchange rate of the kuna against the euro, the American dollar and the yen, currencies in which the major portion of central government debt is denominated.

At the end of November 2007, domestic central government debt (CBRD debt excluded) stood at HRK 62.6bn, an increase of HRK 3.2bn compared with the end of the previous year. Around two thirds of the domestic debt increase was generated by borrowing on the part of the Republic of Croatia in the form of bond issues. By contrast, debt arising from the issue of T-bills and received bank loans fell. These developments are in line with the government debt restructuring efforts, initiated with a view to replacing short-term instruments with long-term ones. During this period there were three issues of government debt. A ten-year kuna bond issue, worth HRK 2.5bn nominally was placed on the domestic capital market in February. It was followed by the second, a HRK 3bn worth tranche in July, and an EUR 300m bonds issue in October. According to MoF data, the funds raised through these issues were used to refinance a short-term foreign currency domestic banks loan granted in July.

Domestic debt of central government funds was HRK 6.2bn at end-November 2007, an increase of HRK 1.1bn compared with the end of the previous year. The increase was due entirely to received loans almost fully relating to new

borrowing by the CR and CM.

External central government debt declined by HRK 2.4bn from January to November 2007 and stood at HRK 39.1bn at the end of the observed period. Such developments are solely the result of a fall in external debt arising from the borrowing of the Republic of Croatia, mainly brought about by repayments of due bonds. A JPY 40bn worth of Samurai bonds were repaid in July and around EUR 60m were paid for the obligations arising under series A bonds issued for the purpose of London Club debt repayment. During the observed period, there was a noticeable decrease in liabilities arising under HRK 0.7bn worth of received foreign loans, partly due to repayment of regular obligations towards the Paris Club. External debt of central government funds rose by HRK 0.9bn during the observed period and reached HRK 9.9bn at the end of November 2007.

Contingent government debt based on issued government guarantees amounted to HRK 15.5bn at end-November 2007, an increase of HRK 1.2bn compared with the end of the previous year. Domestic guarantees issued rose by HRK 0.7bn, with the whole increase being attributable to guarantees issued to domestic shipyards. Foreign guarantees rose by HRK 0.5bn during that period. Total central government debt, issued government guarantees included, stood at HRK 117.2bn at the end of November 2007.

CBRD debt rose by a high HRK 1.4bn in the first eleven months of 2007, eventually reaching HRK 9bn. This increase was fully due to a new foreign bonds issue, and was partly mitigated by a fall in external and domestic liabilities under received loans.

Table 18: Domestic Central Government Debt, end of period, in million HRK

	Stock				Change	
	Dec. 2005	Nov. 2006	Dec. 2006	Nov. 2007	Jan.–Nov. 2006	Jan.–Nov. 2007
1. Domestic central government debt	54,494.6	59,953.2	59,385.0	62,583.0	5,458.6	3,198.0
1.1. Domestic debt of the Republic of Croatia	50,559.5	55,455.4	54,216.7	56,352.0	4,895.9	2,135.2
Treasury bills	12,533.4	11,737.4	12,662.2	11,846.0	-796.0	-816.2
Bonds	30,716.0	34,830.6	34,827.9	38,852.6	4,114.5	4,024.6
Money market instruments	0.9	–	–	–	-0.9	–
Credits from banks	7,309.2	8,887.4	6,726.6	5,653.4	1,578.2	-1,073.2
1.2. Domestic debt of central government funds	3,935.0	4,497.8	5,168.2	6,231.1	562.8	1,062.8
Credits from banks	3,935.0	4,497.8	5,168.2	6,231.1	562.8	1,062.8

Source: CNB.

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

	Stock				Change	
	Dec. 2005	Nov. 2006	Dec. 2006	Nov. 2007	Jan.–Nov. 2006	Jan.–Nov. 2007
1. External central government debt	45,164.3	41,502.4	41,494.8	39,134.6	-3,662.0	-2,360.2
1.1. External debt of the Republic of Croatia	36,414.5	32,572.8	32,556.6	29,258.5	-3,841.7	-3,298.1
Bonds	27,020.1	22,793.4	22,836.9	20,248.7	-4,226.7	-2,588.2
Credits	9,394.5	9,779.4	9,719.7	9,009.8	384.9	-709.9
1.2. External debt of central government funds	8,749.8	8,929.5	8,938.2	9,876.1	179.8	937.9
Credits	8,749.8	8,929.5	8,938.2	9,876.1	179.8	937.9

Source: CNB.

Statistical Survey

Classification and Presentation of Data on Claims and Liabilities

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

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

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

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

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

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

Foreign sector includes foreign legal and natural persons.

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

Table A1: Monetary and Credit Aggregates

end of period, million kuna and %

Year	Month	Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth					
								Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit
1994	December	4,714.2	6,642.6	6,996.7	17,679.9	16,540.1	27,661.5	11.73	2.20	3.83	2.26	11.84	3.45
1995	December	6,744.1	8,234.9	8,503.2	24,623.0	21,576.3	32,819.5	2.97	0.89	1.54	3.41	1.00	1.88
1996	December	8,770.4	11,368.9	11,494.9	36,701.1	24,960.4	33,831.2	11.35	7.83	7.67	4.88	-5.41	-11.61
1997	December	10,346.1	13,731.4	13,848.8	50,742.0	33,829.0	48,863.4	7.86	3.93	3.85	2.16	4.98	4.96
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25
1999	December ^a	10,310.0	13,858.9	13,965.7	56,659.3	40,003.8	55,875.8	4.53	5.46	5.48	2.28	0.35	-4.58
2000	December	11,717.3	18,030.3	18,256.4	73,061.1	44,043.9	60,883.8	7.32	10.04	9.89	3.66	10.46	2.66
2001	December	17,803.2	23,703.5	23,936.5	106,071.4	57,410.0	74,964.5	8.01	13.00	11.96	11.65	3.40	1.16
2002	December	23,027.9	30,869.8	31,876.7	116,141.8	83,324.4	97,463.7	10.72	6.11	6.79	1.65	7.92	2.15
2003	December	30,586.2	33,888.7	34,630.9	128,893.1	96,121.7	111,661.4	8.90	1.78	1.93	0.14	3.11	0.66
2004	December	33,924.4	34,562.1	35,186.5	139,947.7	108,205.1	127,308.6	8.69	2.86	2.68	0.23	2.15	1.99
2005	December	40,390.8	38,817.1	39,855.4	154,647.0	131,343.2	149,168.3	9.38	4.34	3.87	-0.02	1.84	1.94
2006	December	46,331.2	48,521.0	49,141.7	182,458.6	154,844.1	183,379.5	3.17	4.75	4.07	1.57	3.38	2.99
2007	January	43,729.2	45,965.6	46,605.6	183,027.9	154,799.8	184,322.9	-5.62	-5.27	-5.16	0.31	-0.03	0.51
	February	44,284.7	45,410.8	46,089.0	182,698.5	154,776.8	186,515.0	1.27	-1.21	-1.11	-0.18	-0.01	1.19
	March	45,565.2	46,753.3	47,411.2	185,021.5	155,897.7	191,582.3	2.89	2.96	2.87	1.27	0.72	2.72
	April	45,589.9	47,852.4	48,495.5	187,054.2	156,417.0	194,132.5	0.05	2.35	2.29	1.10	0.33	1.33
	May	46,564.7	48,677.0	49,327.4	189,643.1	159,479.1	196,560.0	2.14	1.72	1.72	1.38	1.96	1.25
	June	48,416.1	51,560.7	52,188.8	194,446.1	162,586.3	199,620.1	3.98	5.92	5.80	2.53	1.95	1.56
	July	48,931.4	54,142.1	54,918.2	201,254.3	163,498.0	199,132.8	1.06	5.01	5.23	3.50	0.56	-0.24
	August	48,791.2	53,735.4	54,528.0	207,386.8	163,275.5	200,401.2	-0.29	-0.75	-0.71	3.05	-0.14	0.64
	September	50,941.0	49,909.0	50,584.4	197,707.5	152,725.9	202,290.3	4.41	-7.12	-7.23	-4.67	-6.46	0.94
	October	48,280.0	53,183.8	53,952.0	204,409.6	158,467.2	204,273.4	-5.22	6.56	6.66	3.39	3.76	0.98
	November	50,055.2	54,237.8	55,022.9	207,629.0	160,693.7	205,380.1	3.68	1.98	1.98	1.57	1.41	0.54
	December*	51,923.9	57,878.3	58,663.4	215,822.1	166,375.5	210,828.3	3.73	6.71	6.62	3.95	3.54	2.65
2008	January	47,404.1	52,247.9	53,025.1	208,400.5	164,016.4	209,357.2	-8.70	-9.73	-9.61	-3.44	-1.42	-0.70

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

Table A1: Monetary and Credit Aggregates

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

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

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

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

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

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

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' share in monetary aggregate M1 amounted to HRK 259.3m and in monetary aggregate M4 amounted to HRK 4,055.8m. Data for June 1999 are comparable with data for July 1999 if Domestic credit is increased by HRK 3,513.5m.

Table B1: Monetary Survey

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
ASSETS										
1. Foreign assets (net)	32,817.4	32,771.4	31,742.6	23,303.8	27,614.5	29,123.8	31,859.8	44,981.5	49,446.5	44,384.1
2. Domestic credit	112,518.9	126,372.0	141,278.1	168,427.7	200,328.9	209,243.1	215,740.2	221,613.8	226,076.5	224,205.6
2.1. Claims on central government and funds (net)	15,055.2	14,710.6	13,969.6	19,259.4	16,949.4	17,660.8	16,120.0	19,323.5	15,248.1	14,848.4
2.2. Claims on other domestic sectors	96,329.0	110,467.8	125,790.7	147,414.3	181,031.9	189,738.0	197,749.9	200,517.6	207,398.6	207,881.5
2.3. Claims on other banking institutions	219.5	431.8	624.0	592.2	1,029.5	675.0	476.8	449.8	1,640.0	509.8
2.4. Claims on non-banking financial institutions	915.3	761.8	893.9	1,161.8	1,318.1	1,169.3	1,393.5	1,322.9	1,789.7	965.9
Total (1+2)	145,336.3	159,143.4	173,020.7	191,731.5	227,943.3	238,366.9	247,599.9	266,595.3	275,523.0	268,589.7
LIABILITIES										
1. Money	30,869.8	33,888.7	34,562.1	38,817.1	48,521.0	46,753.3	51,560.7	49,909.0	57,878.3	52,247.9
2. Savings and time deposits	13,001.1	18,370.7	22,479.2	27,992.1	44,836.8	46,765.9	49,832.0	47,519.0	53,644.9	53,463.8
3. Foreign currency deposits	72,054.6	76,035.3	81,742.9	86,760.8	88,256.7	90,699.6	92,041.8	99,688.1	103,090.1	101,837.9
4. Bonds and money market instruments	216.3	598.4	1,163.5	1,077.0	844.1	802.7	1,011.6	591.3	1,208.8	850.9
5. Restricted and blocked deposits	1,729.5	1,721.6	2,067.0	2,092.3	2,504.5	2,753.5	2,757.9	15,113.4	2,281.1	2,557.9
6. Other items (net)	27,465.1	28,528.7	31,006.1	34,992.2	42,980.2	50,592.0	50,396.0	53,774.5	57,419.8	57,631.3
Total (1+2+3+4+5+6)	145,336.3	159,143.4	173,020.7	191,731.5	227,943.3	238,366.9	247,599.9	266,595.3	275,523.0	268,589.7

Table B1: Monetary Survey

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

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

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

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

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

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

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

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

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

The table shows the total number of banks and savings banks during the transition period which report monthly to the CNB. Their operations are shown in the Banks' Accounts. Monetary statistics includes reporting institutions under winding-up and, until February 2005, institutions whose operating licences have been revoked, but

which have not initiated winding-up proceedings.

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

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

Table C1: Monetary Authorities Accounts

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
ASSETS										
1. Foreign assets	42,058.8	50,118.6	49,373.4	54,862.5	64,088.2	70,279.2	66,973.2	64,042.8	68,177.8	67,661.5
1.1. Gold	–	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	17.4	5.0	4.8	6.3	5.3	5.7	5.9	5.2	5.6	7.5
1.3. Reserve position in the IMF	1.6	1.5	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.2
1.4. Currency and demand deposits with foreign banks	6.4	5.8	5.7	7.7	7.2	26.3	26.4	5.4	7.2	9.5
1.5. Time deposits with foreign banks	28,183.2	25,580.7	24,337.7	28,274.1	33,243.0	38,638.0	35,769.7	32,067.2	33,204.4	32,813.1
1.6. Securities in f/c	13,850.0	24,525.5	25,023.7	26,573.0	30,831.2	31,607.9	31,169.8	31,963.8	34,959.3	34,830.1
1.7. Non-convertible foreign exchange	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	0.5	1.4	3.3	1.4	0.9	–	–	–	–	–
2.1. Claims in kuna	0.5	1.4	3.3	1.4	0.9	–	–	–	–	–
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	110.6	93.6	82.9	73.4	64.0	64.0	64.0	68.0	67.9	67.9
4. Claims on banks	17.9	972.0	408.9	4,215.6	3,911.5	2,639.5	5,670.4	7,090.8	4,178.3	14.6
4.1. Credits to banks	17.6	968.9	408.9	4,215.6	3,911.5	2,639.5	5,670.4	7,090.8	4,178.3	14.6
Lombard credits	–	954.4	–	–	–	–	372.6	876.2	1,349.1	–
Short-term liquidity credits	–	–	–	–	–	–	–	–	–	–
Other credits	17.6	14.5	15.0	14.5	14.5	14.7	14.7	14.4	14.7	14.6
Reverse repo transactions	–	–	394.0	4,201.1	3,897.0	2,624.8	5,283.1	6,200.3	2,814.5	–
4.2. Overdue claims	0.3	3.1	–	–	–	–	–	–	–	–
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	42,187.7	51,185.6	49,868.5	59,153.0	68,064.6	72,982.8	72,707.6	71,201.7	72,424.1	67,744.0
LIABILITIES										
1. Reserve money	23,027.9	30,586.2	33,924.4	40,390.8	46,331.2	45,565.2	48,416.1	50,941.0	51,923.9	47,404.1
1.1. Currency outside banks	9,680.9	10,573.1	10,955.6	12,163.8	14,609.3	14,381.9	16,079.8	15,611.9	16,007.5	15,316.2
1.2. Banks' cash in vaults	1,214.8	1,683.2	1,871.0	2,210.7	2,698.0	2,318.8	2,996.6	3,243.4	3,305.8	2,835.2
1.3. Banks' deposits	12,109.4	18,329.3	21,082.6	26,016.3	29,023.9	28,864.5	29,339.7	32,085.7	32,610.6	29,252.7
Settlement accounts	3,923.4	5,616.0	6,408.2	8,411.1	8,535.7	7,652.1	7,722.5	8,129.6	7,553.9	6,550.7
Statutory reserves	8,186.0	12,603.9	14,674.4	17,605.2	20,478.2	21,212.4	21,433.7	21,986.4	22,275.6	22,552.0
CNB bills on obligatory basis	–	109.4	–	–	–	–	167.4	269.6	1,991.1	–
Overnight deposits	–	–	–	–	10.0	–	16.0	1,700.0	790.0	150.0
1.4. Deposits of other banking institutions	19.1	–	–	–	–	–	–	–	–	–
1.5. Deposits of other domestic sectors ^b	3.5	0.6	15.1	–	–	–	–	–	–	–
2. Restricted and blocked deposits	7,091.2	6,699.2	10,777.1	13,551.8	16,633.5	21,683.8	18,771.0	14,590.4	14,286.0	14,351.6
2.1. Statutory reserve in f/c	7,042.3	6,686.6	10,764.7	13,495.9	16,576.7	21,616.1	18,711.0	14,546.9	14,257.5	14,298.2
2.2. Restricted deposits	49.0	12.6	12.4	55.9	56.9	67.7	60.0	43.6	28.6	53.4
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	195.7	2,798.0	18.1	18.9	18.9	15.7	17.0	14.3	17.2	15.9
3.1. Use of IMF credit	2.8	0.0	–	–	–	–	–	–	–	–
3.2. Liabilities to international organisations	12.6	19.6	18.1	18.9	18.9	15.7	17.0	14.3	17.2	15.9
3.3. Liabilities to foreign banks ^a	180.2	2,778.5	–	–	–	–	–	0.0	–	–
4. Central government and funds' deposits	768.1	1,551.1	263.2	332.2	188.0	175.0	288.0	249.0	199.1	172.2
4.1. Demand deposits	608.3	600.2	228.0	319.0	174.5	143.3	262.1	213.9	125.8	131.2
Central government demand deposits	569.5	548.5	123.0	246.3	138.6	134.1	160.6	202.9	100.3	71.4
Central government funds' demand deposits	38.7	51.7	105.0	72.7	35.9	9.1	101.6	10.9	25.4	59.9
4.2. Central government f/c deposits	–	950.9	35.2	13.2	13.5	31.8	25.8	35.1	73.3	41.0
4.3. CNB bills	159.9	–	–	–	–	–	–	–	–	–
5. CNB bills	6,212.4	4,920.2	–	–	–	–	–	–	–	–
5.1. CNB bills in kuna	4,986.2	–	–	–	–	–	–	–	–	–
5.2. CNB bills in f/c	1,226.3	4,920.2	–	–	–	–	–	–	–	–
6. Capital accounts	5,353.5	5,039.0	5,096.5	5,357.4	5,408.8	6,066.1	5,760.5	6,067.9	6,674.8	6,484.8
7. Other items (net)	–461.1	–408.1	–210.8	–498.2	–515.8	–523.0	–545.0	–661.0	–676.9	–684.6
Total (1+2+3+4+5+6+7)	42,187.7	51,185.6	49,868.5	59,153.0	68,064.6	72,982.8	72,707.6	71,201.7	72,424.1	67,744.0

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

Table C1: Monetary Authorities Accounts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table D1: Banks' Accounts

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
ASSETS										
1. Reserves with the CNB	20,373.5	26,783.7	33,718.2	41,775.2	48,384.7	52,798.5	51,043.8	49,970.8	50,178.9	46,391.8
1.1. In kuna	13,340.0	20,103.4	22,962.9	28,283.1	31,814.1	31,188.9	32,339.4	35,431.0	35,929.1	32,102.7
1.2. In f/c	7,033.5	6,680.2	10,755.3	13,492.1	16,570.6	21,609.6	18,704.4	14,539.8	14,249.8	14,289.1
2. Foreign assets	25,977.8	35,382.9	43,551.0	35,572.5	39,621.2	35,925.8	37,419.8	42,425.8	46,438.5	44,246.3
3. Claims on central government and funds	21,917.7	21,543.6	21,051.3	28,877.2	27,936.8	28,349.3	29,216.2	32,624.0	28,971.5	28,291.9
4. Claims on other domestic sectors	96,218.4	110,374.3	125,707.9	147,340.9	180,967.8	189,674.0	197,685.9	200,449.6	207,330.7	207,813.5
4.1. Claims on local government	1,422.4	1,563.1	1,787.9	1,767.2	1,892.0	1,902.7	2,074.7	2,024.5	2,140.8	2,103.8
4.2. Claims on enterprises	51,723.4	53,809.8	58,643.3	67,017.9	83,386.5	87,190.4	90,980.4	88,677.5	92,265.1	91,793.5
4.3. Claims on households	43,072.6	55,001.4	65,276.7	78,555.7	95,689.3	100,580.9	104,630.7	109,747.6	112,924.8	113,916.2
5. Claims on other banking institutions	219.5	431.8	624.0	592.2	1,029.5	675.0	476.8	449.8	1,640.0	509.8
6. Claims on non-banking financial institutions	915.3	761.8	893.9	1,161.8	1,318.1	1,169.3	1,393.5	1,322.9	1,789.7	965.9
Total (1+2+3+4+5+6)	165,622.2	195,278.0	225,546.2	255,319.8	299,258.1	308,591.8	317,235.9	327,242.9	336,349.3	328,219.2
LIABILITIES										
1. Demand deposits	21,166.2	23,315.0	23,591.3	26,653.3	33,911.7	32,371.4	35,480.8	34,297.1	41,870.8	36,931.7
2. Savings and time deposits	13,001.1	18,370.7	22,479.2	27,992.1	44,836.8	46,765.9	49,832.0	47,519.0	53,644.9	53,463.8
3. Foreign currency deposits	72,054.6	76,035.3	81,742.9	86,760.8	88,256.7	90,699.6	92,041.8	99,688.1	103,090.1	101,837.9
4. Bonds and money market instruments	216.3	598.4	1,163.5	1,077.0	844.1	802.7	1,011.6	591.3	1,208.8	850.9
5. Foreign liabilities	35,023.5	49,932.0	61,163.7	67,112.3	76,076.0	77,065.5	72,516.2	61,472.8	65,152.6	67,507.8
6. Central government and funds' deposits	6,094.9	5,283.3	6,821.8	9,287.0	10,800.4	10,513.4	12,808.2	13,051.5	13,525.4	13,271.3
7. Credit from central bank	17.6	968.9	408.9	4,215.6	3,911.4	2,639.5	5,670.4	7,090.9	4,178.3	14.6
8. Restricted and blocked deposits	1,680.5	1,709.0	2,054.6	2,036.4	2,447.6	2,685.7	2,697.9	15,069.8	2,252.5	2,504.5
9. Capital accounts	26,323.2	27,389.5	28,666.4	32,665.7	40,805.1	45,886.2	46,901.3	50,732.8	53,180.4	53,361.2
10. Other items (net)	-9,955.6	-8,324.2	-2,546.3	-2,480.4	-2,631.7	-838.2	-1,724.3	-2,270.3	-1,754.4	-1,524.4
Total (1+2+3+4+5+6+7+8+9+10)	165,622.2	195,278.0	225,546.2	255,319.8	299,258.1	308,591.8	317,235.9	327,242.9	336,349.3	328,219.2

Table D1: Banks' Accounts

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

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

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

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

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

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

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

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

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

Foreign currency deposits are foreign currency sight deposits as

well as foreign currency time and notice deposits.

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

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

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

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

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

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

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

Tables: D2 – D12

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

Table D2: Banks' Foreign Assets

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Foreign assets in f/c	25,924.4	35,261.9	43,428.1	35,457.9	39,454.5	35,731.3	36,988.8	41,848.1	45,837.2	43,817.8
1.1. Claims on foreign financial institutions	21,333.5	31,877.6	35,911.0	27,228.5	30,404.1	26,688.4	28,160.2	33,791.8	37,824.9	36,270.9
Foreign currencies	1,019.8	1,268.6	1,190.0	1,136.1	1,232.1	1,022.9	1,509.6	2,185.2	1,245.5	1,073.2
Demand deposits	757.7	1,057.0	906.2	860.2	870.1	930.6	1,157.0	1,156.9	1,305.2	812.8
Time and notice deposits	17,569.8	27,969.4	30,943.7	20,874.6	23,509.4	20,355.5	21,235.1	26,703.2	31,726.1	30,994.3
Securities	1,690.2	1,364.2	2,674.1	4,197.0	4,441.5	4,099.5	4,019.1	3,420.2	3,210.4	3,061.5
Loans and advances	278.7	203.1	189.0	152.9	339.2	268.0	227.7	214.2	195.9	188.6
Shares and participations	17.2	15.4	8.1	7.8	11.8	11.8	11.7	112.2	141.9	140.5
1.2. Claims on foreign non-banks	4,590.8	3,384.4	7,517.1	8,229.4	9,050.4	9,042.9	8,828.6	8,056.3	8,012.3	7,546.9
Claims on foreign governments	3,855.5	2,905.0	7,066.6	7,735.7	8,217.0	8,067.5	7,892.6	6,845.9	6,696.1	6,197.4
Claims on other non-residents	733.7	478.9	450.2	493.1	798.1	933.5	913.8	1,190.3	1,295.2	1,327.2
Securities	191.3	32.1	77.4	68.0	141.5	180.7	159.4	182.7	180.9	178.6
Loans and advances	542.4	446.8	372.8	425.2	656.6	752.8	754.4	1,007.6	1,114.3	1,148.6
Shares and participations	1.6	0.4	0.3	0.5	35.3	41.9	22.2	20.1	20.9	22.2
2. Foreign assets in kuna	53.4	120.9	122.9	114.6	166.7	194.5	430.9	577.7	601.3	428.5
2.1. Claims on foreign financial institutions	19.6	99.1	77.8	71.3	96.9	120.8	348.7	450.8	408.1	235.7
2.2. Claims on foreign non-banks	33.8	21.9	45.1	43.4	69.8	73.6	82.3	126.9	193.3	192.9
o/w: Loans and advances	33.0	21.0	44.3	42.6	69.2	73.0	81.7	126.3	192.7	192.3
Total (1+2)	25,977.8	35,382.9	43,551.0	35,572.5	39,621.2	35,925.8	37,419.8	42,425.8	46,438.5	44,246.3

Table D2: Banks' Foreign Assets

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

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

eign currency.

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

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

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
1. In kuna	18,444.4	18,007.1	16,270.2	20,532.7	22,703.0	23,159.6	24,225.0	25,964.2	24,081.8	23,534.9
1.1. Claims on central government	16,443.4	16,032.6	14,465.6	17,352.6	18,361.2	18,665.8	19,668.2	21,242.4	19,057.3	18,556.4
Securities	13,989.1	11,770.0	11,779.1	16,037.7	14,546.7	15,839.5	15,598.9	16,585.2	16,099.8	15,641.5
o/w: Bonds (c'part to f/c savings deposits)	2,473.5	1,531.9	532.0	20.6	8.3	6.6	6.9	5.7	6.4	5.9
Loans and advances	2,454.3	4,262.6	2,686.5	1,314.9	3,814.5	2,826.4	4,069.3	4,657.2	2,957.5	2,914.9
1.2. Claims on central government funds	2,001.0	1,974.5	1,804.6	3,180.1	4,341.9	4,493.8	4,556.8	4,721.8	5,024.5	4,978.5
Securities	560.7	723.6	621.1	–	–	1.7	–	9.0	–	–
Loans and advances	1,440.3	1,250.9	1,183.5	3,180.1	4,341.9	4,492.0	4,556.8	4,712.9	5,024.5	4,978.5
2. In f/c	3,473.3	3,536.4	4,781.1	8,344.5	5,233.8	5,189.7	4,991.2	6,659.7	4,889.7	4,757.1
2.1. Claims on central government	2,359.1	3,196.9	3,548.4	7,241.0	4,624.4	4,604.3	4,417.7	6,155.9	4,388.6	4,297.3
Securities	1,733.4	1,805.4	1,117.0	1,248.1	429.0	393.5	267.5	249.9	268.4	249.7
Loans and advances	625.7	1,391.5	2,431.3	5,992.8	4,195.4	4,210.8	4,150.2	5,906.0	4,120.1	4,047.6
2.2. Claims on central government funds	1,114.2	339.5	1,232.8	1,103.5	609.4	585.4	573.5	503.9	501.2	459.7
Securities	195.0	96.4	163.1	144.2	109.2	109.5	115.9	73.8	82.1	66.4
Loans and advances	919.2	243.1	1,069.7	959.3	500.2	475.9	457.6	430.0	419.1	393.3
Total (1+2)	21,917.7	21,543.6	21,051.3	28,877.2	27,936.8	28,349.3	29,216.2	32,624.0	28,971.5	28,291.9

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

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

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

Table D4: Banks' Claims on Other Domestic Sectors

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
1. Claims in kuna	85,418.7	100,365.0	114,635.7	133,603.5	166,755.1	175,605.5	183,820.8	187,068.2	194,476.6	194,923.8
1.1. Money market instruments	1,394.7	1,314.1	2,510.0	2,329.9	1,980.7	1,902.5	1,959.6	1,847.4	2,147.4	2,167.2
1.2. Bonds	72.4	56.2	559.8	361.6	1,088.8	1,102.8	895.0	704.7	1,366.0	1,685.8
1.3. Loans and advances	80,887.6	96,081.7	109,523.9	128,882.3	161,694.2	170,520.1	178,827.5	182,330.7	188,462.4	188,701.1
1.4. Shares and participations	3,064.0	2,912.9	2,042.0	2,029.6	1,991.4	2,080.0	2,138.7	2,185.4	2,500.8	2,369.8
2. Claims in f/c	10,799.8	10,009.3	11,072.2	13,737.4	14,212.8	14,068.5	13,865.0	13,381.4	12,854.0	12,889.7
2.1. Securities	243.2	130.6	213.5	307.6	221.1	214.8	194.6	171.3	249.2	213.0
2.2. Loans and advances	10,556.6	9,878.7	10,858.6	13,429.8	13,991.6	13,853.7	13,670.4	13,210.1	12,604.9	12,676.7
Total (1+2)	96,218.4	110,374.3	125,707.9	147,340.9	180,967.8	189,674.0	197,685.9	200,449.6	207,330.7	207,813.5

Table D4: Banks' Claims on Other Domestic Sectors

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

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

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

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
LOANS IN KUNA										
1. Loans to central government and funds	3,894.6	5,513.5	3,870.0	4,495.0	8,156.4	7,318.4	8,626.1	9,370.0	7,982.0	7,893.3
1.1. Loans to central government	2,454.3	4,262.6	2,686.5	1,314.9	3,814.5	2,826.4	4,069.3	4,657.2	2,957.5	2,914.9
1.2. Loans to central government funds	1,440.3	1,250.9	1,183.5	3,180.1	4,341.9	4,492.0	4,556.8	4,712.9	5,024.5	4,978.5
2. Loans to local government	1,202.9	1,485.1	1,701.9	1,613.9	1,720.3	1,728.4	1,859.2	1,817.2	1,867.5	1,841.2
3. Loans to enterprises	36,708.1	39,777.4	42,844.7	49,105.9	64,666.3	68,619.5	72,708.9	71,103.0	74,001.7	73,287.0
4. Loans to households	42,976.6	54,819.3	64,977.2	78,162.4	95,307.6	100,172.2	104,259.4	109,410.5	112,593.3	113,572.9
o/w: Housing loans	12,363.4	16,896.2	21,397.9	27,571.1	36,927.3	39,266.0	41,083.2	43,066.3	45,218.6	45,937.2
5. Loans to other banking institution	17.6	82.3	154.5	46.5	304.4	100.5	63.3	58.8	213.6	40.5
6. Loans to non-banking financial institutions	521.3	427.9	558.0	591.8	854.4	675.0	773.9	714.4	947.6	614.9
A. Total (1+2+3+4+5+6)	85,321.1	102,105.4	114,106.4	134,015.6	171,009.4	178,614.0	188,290.8	192,473.9	197,605.6	197,249.7
LOANS IN F/C										
1. Loans to central government and funds	1,544.9	1,634.7	3,501.0	6,952.1	4,695.6	4,686.7	4,607.8	6,336.0	4,539.2	4,440.9
1.1. Loans to central government	625.7	1,391.5	2,431.3	5,992.8	4,195.4	4,210.8	4,150.2	5,906.0	4,120.1	4,047.6
1.2. Loans to central government funds	919.2	243.1	1,069.7	959.3	500.2	475.9	457.6	430.0	419.1	393.3
2. Loans to local government	152.3	47.1	31.9	63.0	11.3	10.1	10.0	8.7	8.7	7.4
3. Loans to enterprises	10,308.3	9,649.4	10,527.3	12,973.5	13,598.5	13,435.0	13,289.1	12,864.3	12,264.5	12,326.0
4. Loans to households	96.0	182.1	299.5	393.3	381.8	408.7	371.3	337.1	331.6	343.3
5. Loans to other banking institutions	1.2	174.3	52.9	19.9	68.1	220.5	27.9	21.5	74.0	45.2
6. Loans to non-banking financial institutions	28.3	58.8	255.3	512.3	360.5	378.0	469.0	450.8	668.0	174.4
B. Total (1+2+3+4+5+6)	12,131.0	11,746.4	14,667.8	20,914.1	19,115.9	19,139.0	18,775.1	20,018.4	17,886.0	17,337.2
TOTAL (A+B)	97,452.1	113,851.8	128,774.2	154,929.7	190,125.3	197,753.0	207,065.9	212,492.4	215,491.7	214,586.9

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

The table shows data on kuna and foreign currency loans granted

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

Table D6: Demand Deposits with Banks

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Local government	1,910.4	2,006.2	2,020.7	1,688.7	1,803.8	1,528.8	1,689.2	1,901.9	2,689.4	2,304.8
2. Enterprises	12,344.5	12,872.9	12,036.9	13,344.2	16,668.6	14,586.5	15,628.9	15,678.8	19,599.3	15,676.4
3. Households	6,307.4	7,873.1	8,773.0	10,728.3	14,257.8	14,813.8	16,780.2	15,362.7	17,896.7	17,477.3
4. Other banking institutions	42.1	98.9	245.4	322.1	485.1	446.3	344.4	351.2	481.1	329.4
5. Non-banking financial institutions	568.1	468.1	517.5	571.3	697.6	996.8	1,039.6	1,003.8	1,205.2	1,145.0
6. Less: Checks of other banks and checks in collection	-6.4	-4.2	-2.2	-1.3	-1.2	-0.8	-1.5	-1.3	-0.9	-1.2
Total (1+2+3+4+5+6)	21,166.2	23,315.0	23,591.3	26,653.3	33,911.7	32,371.4	35,480.8	34,297.1	41,870.8	36,931.7

Table D6: Demand Deposits with Banks

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

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

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

Table D7: Time and Savings Deposits with Banks

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Savings deposits	2,236.2	2,527.9	2,233.9	2,493.6	2,905.6	2,919.9	3,145.7	2,868.6	3,086.1	3,055.2
1.1. Local government	14.8	14.4	4.6	2.7	2.8	2.9	2.1	2.9	2.5	2.8
1.2. Enterprises	213.3	190.5	38.8	101.6	110.3	131.9	148.8	132.4	154.7	115.6
1.3. Households	1,996.3	2,288.8	2,190.5	2,388.3	2,792.4	2,785.0	2,989.7	2,725.3	2,929.0	2,936.8
1.4. Other banking institutions	0.0	–	–	–	–	–	5.0	5.0	–	–
1.5. Non-banking financial institutions	11.8	34.2	0.0	1.0	0.0	0.1	0.1	3.0	–	–
2. Time and notice deposits	10,764.9	15,842.9	20,245.4	25,498.4	41,931.3	43,846.0	46,686.3	44,650.4	50,558.8	50,408.6
2.1. Local government	482.8	551.6	550.8	508.7	491.8	865.8	1,012.7	1,272.0	549.5	1,110.1
2.2. Enterprises	4,633.6	7,165.3	8,698.5	8,222.5	14,715.4	15,837.4	16,805.2	16,481.6	18,414.8	17,861.2
2.3. Households	3,793.8	6,194.5	9,321.4	13,254.9	20,755.0	20,052.5	19,616.9	18,288.4	20,479.1	21,134.4
2.4. Other banking institutions	58.4	129.3	215.9	931.9	2,697.9	4,092.5	5,487.8	4,586.0	6,386.5	5,190.8
2.5. Non-banking financial institutions	1,796.3	1,802.2	1,458.8	2,580.4	3,271.3	2,997.7	3,763.6	4,022.4	4,728.9	5,112.1
Total (1+2)	13,001.1	18,370.7	22,479.2	27,992.1	44,836.8	46,765.9	49,832.0	47,519.0	53,644.9	53,463.8

Table D7: Time and Savings Deposits with Banks

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

Table D8: Foreign Currency Deposits with Banks

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Savings deposits	21,074.4	21,547.0	22,144.6	22,641.0	22,698.6	22,177.8	22,030.7	23,232.2	22,845.0	23,430.9
1.1. Local government	12.2	14.7	15.6	11.9	30.8	13.5	26.9	13.8	27.5	14.5
1.2. Enterprises	3,346.7	3,620.2	4,273.2	4,408.3	4,589.7	4,625.3	4,414.8	5,370.8	5,543.6	6,472.8
1.3. Households	17,537.3	17,690.2	17,708.9	17,933.6	17,609.9	16,970.0	17,054.7	16,935.8	16,720.8	16,409.5
1.4. Other banking institutions	34.7	9.0	15.4	116.0	276.7	170.1	184.3	185.5	251.7	231.7
1.5. Non-banking financial institutions	143.5	212.9	131.6	171.3	191.4	399.0	350.0	726.4	301.5	302.4
2. Time deposits	50,980.3	54,488.4	59,598.3	64,119.7	65,558.1	68,521.8	70,011.0	76,455.9	80,245.1	78,407.1
2.1. Local government	9.5	3.8	0.3	3.2	1.9	2.2	2.2	2.1	2.1	2.0
2.2. Enterprises	6,009.6	7,154.0	8,518.6	8,154.2	7,086.2	7,210.4	7,620.3	10,510.4	10,391.9	8,218.5
2.3. Households	44,159.2	46,805.1	50,636.0	55,036.1	57,210.8	59,952.2	60,459.0	62,749.2	66,465.7	67,096.1
2.4. Other banking institutions	41.5	21.7	20.7	242.0	366.2	449.3	565.1	1,209.1	1,038.6	899.7
2.5. Non-banking financial institutions	760.5	503.7	422.7	684.2	892.9	907.7	1,364.4	1,985.2	2,346.8	2,190.7
Total (1+2)	72,054.6	76,035.3	81,742.9	86,760.8	88,256.7	90,699.6	92,041.8	99,688.1	103,090.1	101,837.9

Table D8: Foreign Currency Deposits with Banks

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

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

Table D9: Bonds and Money Market Instruments

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
1. Money market instruments (net)	5.1	–	–	–	0.8	0.8	0.8	0.8	0.8	0.8
2. Bonds (net)	92.8	151.9	170.5	164.9	340.9	395.2	582.8	504.0	632.0	629.7
3. Other domestic borrowing	118.4	446.5	993.0	912.1	502.5	406.7	428.0	86.6	576.0	220.4
3.1. Local government	–	0.9	–	–	–	–	–	–	–	–
3.2. Enterprises	46.3	92.7	40.3	40.8	0.0	44.2	25.6	0.0	152.9	0.0
3.3. Other banking institutions	10.0	222.1	842.8	828.1	492.8	321.2	360.8	69.2	266.4	202.4
3.4. Non-banking financial institutions	62.0	130.9	109.9	43.2	9.6	41.3	41.6	17.4	156.6	18.0
Total (1+2+3)	216.3	598.4	1,163.5	1,077.0	844.1	802.7	1,011.6	591.3	1,208.8	850.9

Table D9: Bonds and Money Market Instruments

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

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

curities issued.

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

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

Table D10: Banks' Foreign Liabilities

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Foreign liabilities in f/c	34,198.5	44,574.3	54,536.7	52,073.3	55,114.3	55,275.1	51,520.3	45,355.9	48,461.3	50,261.8
1.1. Liabilities to foreign financial institutions	28,662.3	38,623.1	48,967.5	45,747.7	48,561.3	48,641.3	44,355.7	38,658.5	41,483.1	43,509.4
Demand deposits	130.9	266.6	127.6	156.3	195.0	149.5	137.9	219.7	258.8	211.7
Time and notice deposits	9,002.9	12,885.2	16,056.8	12,523.1	12,174.1	13,011.8	13,204.3	11,311.4	10,562.9	13,014.2
Loans and advances	19,528.5	25,471.4	29,369.5	29,775.6	32,903.9	32,169.3	27,736.8	23,859.5	27,373.0	27,028.5
o/w: Subordinated and hybrid instruments	2,801.4	2,949.2	2,399.4	1,167.4	820.7	824.9	816.0	163.2	405.9	401.8
Bonds	–	–	3,413.6	3,292.6	3,288.3	3,310.7	3,276.8	3,267.9	3,288.4	3,255.1
1.2. Liabilities to foreign non-banks	5,536.2	5,951.2	5,569.2	6,325.6	6,553.0	6,633.8	7,164.5	6,697.4	6,978.2	6,752.5
Savings and time deposits	4,160.2	4,753.2	5,002.2	5,846.3	6,192.4	6,322.7	6,857.3	6,446.0	6,729.9	6,559.8
Sight deposits	875.6	898.6	1,052.5	1,172.9	1,635.8	1,393.4	1,806.9	1,596.8	1,537.2	1,532.9
Time and notice deposits	3,284.6	3,854.6	3,949.6	4,673.4	4,556.7	4,929.3	5,050.3	4,849.2	5,192.7	5,026.9
Loans and advances	1,376.0	1,198.0	567.1	479.3	360.5	311.1	307.3	251.4	248.3	192.7
o/w: Subordinated and hybrid instruments	39.7	39.1	0.2	–	–	–	–	–	–	–
2. Foreign liabilities in kuna	825.0	5,357.7	6,627.0	15,039.1	20,961.8	21,790.4	20,995.9	16,116.9	16,691.3	17,246.0
2.1. Liabilities to foreign financial institutions	690.9	5,087.8	6,103.9	14,099.6	20,087.0	20,961.5	20,310.0	15,254.3	16,093.8	16,494.8
Demand deposits	53.6	86.4	145.1	179.6	1,438.1	1,443.0	1,083.6	807.9	519.0	373.2
Time and notice deposits	635.8	2,664.1	2,846.9	6,979.5	11,198.8	14,949.2	14,674.0	10,295.6	11,423.7	11,970.4
Loans and advances	1.5	2,337.3	3,111.9	6,940.5	7,450.2	4,569.3	4,552.5	4,150.8	4,151.2	4,151.2
o/w: Subordinated and hybrid instruments	–	–	–	405.7	404.0	406.0	401.7	0.0	0.4	0.4
2.2. Liabilities to foreign non-banks	134.1	269.9	523.1	939.5	874.8	828.9	685.8	862.6	597.5	751.2
Demand deposits	56.2	76.8	95.9	180.3	170.1	274.9	229.0	224.5	253.2	301.7
Time and notice deposits	77.9	191.4	419.2	755.2	703.3	551.1	455.3	635.2	340.6	445.8
Loans and advances	–	1.7	8.0	4.0	1.4	2.9	1.5	3.0	3.7	3.7
o/w: Subordinated and hybrid instruments	–	–	–	–	–	–	–	–	–	–
Total (1+2)	35,023.5	49,932.0	61,163.7	67,112.3	76,076.0	77,065.5	72,516.2	61,472.8	65,152.6	67,507.8

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

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. In kuna	4,036.8	4,104.4	5,627.2	7,596.1	9,030.0	9,097.7	10,322.0	11,152.4	11,534.6	11,346.7
1.1. Central government deposits	634.3	506.4	445.1	605.0	497.5	620.1	1,257.7	1,539.1	666.4	684.0
Demand deposits	476.4	448.0	373.3	458.1	366.2	430.6	438.6	427.3	454.9	457.5
Savings deposits	3.3	3.0	4.2	1.8	2.1	1.9	1.7	1.4	1.2	1.2
Time and notice deposits	153.6	54.2	66.5	144.0	128.1	186.5	816.4	1,109.4	209.3	224.2
Loans and advances	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
1.2. Central government funds' deposits	3,402.5	3,598.0	5,182.2	6,991.1	8,532.6	8,477.5	9,064.3	9,613.3	10,868.2	10,662.8
Demand deposits	553.2	294.8	266.3	580.2	254.6	227.2	189.5	248.1	330.1	319.7
Savings deposits	0.0	0.3	3.5	1.9	14.6	4.4	4.3	2.3	2.4	2.3
Time and notice deposits	144.3	156.2	262.3	251.7	496.7	229.9	331.3	284.7	413.6	273.7
Loans and advances	2,705.0	3,146.7	4,650.0	6,157.3	7,766.7	8,016.0	8,539.2	9,078.2	10,122.0	10,067.1
2. In f/c	2,058.1	1,178.9	1,194.6	1,690.9	1,770.4	1,415.8	2,486.2	1,899.1	1,990.8	1,924.5
2.1. Central government deposits	1,938.9	1,158.2	891.0	906.2	811.7	760.3	696.6	633.6	759.4	600.4
Savings deposits	263.0	198.5	189.7	340.6	264.8	318.7	317.4	338.5	527.4	275.6
Time and notice deposits	293.1	–	23.2	38.7	275.0	205.1	148.0	107.2	49.7	175.6
Refinanced loans and advances	1,382.8	959.6	678.1	527.0	271.9	236.4	231.3	187.8	182.3	149.2
2.2. Central government funds' deposits	119.2	20.8	303.6	784.7	958.6	655.5	1,789.6	1,265.5	1,231.4	1,324.1
Savings deposits	114.1	20.8	156.5	139.4	93.4	104.7	151.5	170.0	85.7	91.3
Time and notice deposits	5.0	–	147.1	25.8	356.2	163.9	474.7	140.5	153.8	170.4
Loans and advances	–	–	–	619.6	509.0	386.8	1,163.4	955.0	991.8	1,062.5
Total (1+2)	6,094.9	5,283.3	6,821.8	9,287.0	10,800.4	10,513.4	12,808.2	13,051.5	13,525.4	13,271.3

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 received from the central government and funds. Foreign currency deposits comprise savings deposits, time and notice deposits, and refinanced loans and advances.

Table D12: Restricted and Blocked Deposits with Banks

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Restricted deposits	1,361.2	1,541.2	2,014.6	2,036.4	2,447.6	2,685.7	2,697.9	15,069.8	2,252.5	2,504.5
1.1. In kuna	789.6	730.1	1,267.4	1,277.1	1,427.0	1,551.1	1,440.6	13,872.4	1,323.0	1,295.0
1.2. In f/c	571.6	811.1	747.2	759.3	1,020.5	1,134.6	1,257.3	1,197.5	929.5	1,209.5
2. Blocked f/c deposits of households	319.3	167.8	40.0	–	–	–	–	–	–	–
Total (1+2)	1,680.5	1,709.0	2,054.6	2,036.4	2,447.6	2,685.7	2,697.9	15,069.8	2,252.5	2,504.5

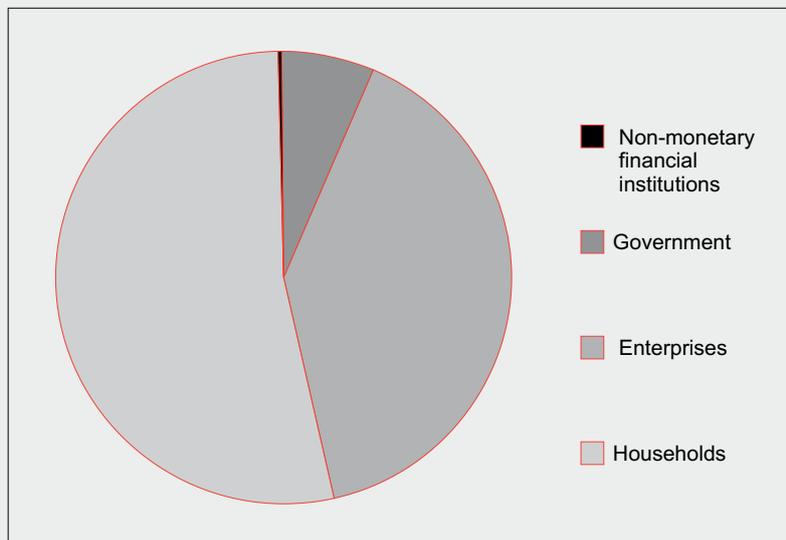
Table D12: Restricted and Blocked Deposits with Banks

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

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

Figure D1

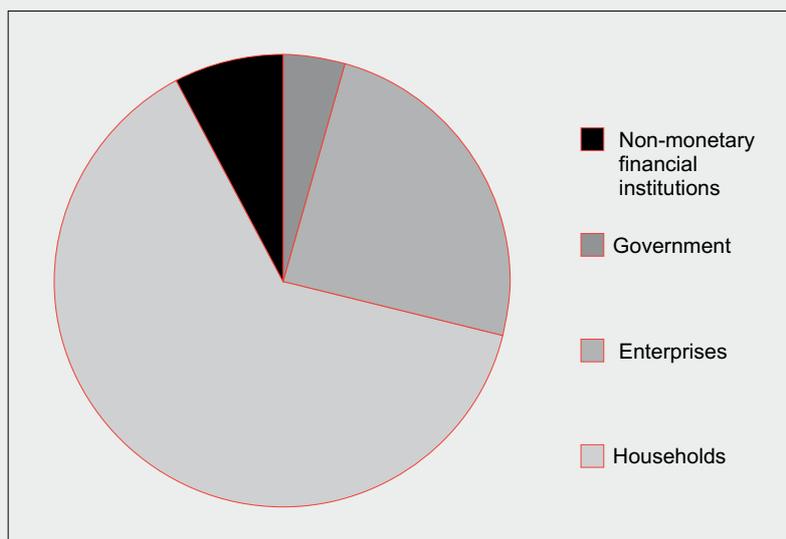
DISTRIBUTION OF BANKS' LOANS BY DOMESTIC INSTITUTIONAL SECTORS



January 2008

Figure D2

DISTRIBUTION OF BANKS' DEPOSITS BY DOMESTIC INSTITUTIONAL SECTORS



January 2008

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

Table E1: Housing Savings Banks' Accounts

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
ASSETS										
1. Reserves with the CNB	19.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	1,983.9	3,033.5	3,779.1	4,274.3	4,674.8	4,350.3	4,111.1	3,991.7	4,036.5	3,835.2
3. Claims on other domestic sectors	93.3	187.9	373.2	575.5	1,296.0	1,492.0	1,712.4	1,942.8	2,220.4	2,265.7
o/w: Claims on households	91.3	187.9	373.2	575.5	1,296.0	1,492.0	1,712.4	1,942.8	2,220.4	2,265.7
4. Claims on banks	37.2	247.2	824.2	994.4	181.4	52.2	88.8	55.2	133.6	112.5
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	2,133.6	3,468.6	4,976.6	5,844.2	6,152.3	5,894.6	5,912.2	5,989.7	6,390.5	6,213.5
LIABILITIES										
1. Time deposits	2,012.9	3,265.2	4,728.2	5,514.7	5,803.6	5,588.1	5,555.4	5,610.9	6,037.9	5,904.2
2. Bonds and money market instruments	–	11.1	10.7	10.3	61.7	66.1	76.3	76.1	40.1	39.7
3. Capital accounts	141.1	159.7	206.7	258.0	244.7	223.0	242.5	244.8	303.0	287.3
4. Other items (net)	–20.4	32.6	30.8	61.1	42.2	17.5	37.9	57.9	9.6	–17.7
Total (1+2+3+4)	2,133.6	3,468.6	4,976.6	5,844.2	6,152.3	5,894.6	5,912.2	5,989.74	6,390.5	6,213.5

Table E1: Housing Savings Banks' Accounts

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

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

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

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

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

tions with banks.

Claims on other banking institutions include investments in investment funds.

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

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

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

Table F1: Credit Rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	CNB discount rate	CNB repo rate ^a	Credit rates					
				On Lombard credits ^b	On intervention credits	On intra-day refinancing facility ^b	On short-term liquidity credits	On inaccurately calculated statutory reserves ^b	On arrears
1	2	3	4	5	6	7	8	9	10
1994	December	8.50	–	18.00	19.00	17.00	14.00	19.00	22.00
1995	December	8.50	–	25.49	19.00	17.00	–	19.00	22.00
1996	December	6.50	–	11.00	19.00	17.00	–	19.00	18.00
1997	December	5.90	–	9.50	19.00	17.00	–	19.00	18.00
1998	December	5.90	–	12.00	19.00	7.00	14.00	19.00	18.00
1999	December	7.90	–	13.00	19.00	–	14.00	19.00	18.00
2000	December	5.90	–	12.00	18.00	–	13.00	18.00	18.00
2001	December	5.90	–	10.00	–	–	11.00	15.00	18.00
2002	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2003	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2004	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	December	4.50	3.50	7.50 ^c	–	–	8.50 ^c	15.00	15.00
2006	December	4.50	3.50	7.50	–	–	8.50	15.00	15.00
2007	February	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	March	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	April	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	May	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	June	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	July	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	August	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	September	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	October	4.50	3.51	7.50	–	–	8.50	15.00	15.00
	November	4.50	3.86	7.50	–	–	8.50	15.00	15.00
	December	9.00 ^d	4.06	7.50	–	–	8.50	15.00	15.00
2008	January	9.00	4.13	7.50	–	–	10.00	15.00	15.00

^a Weighted averages of weighted repo rates achieved at regular reverse repo auctions of the CNB in the reporting month.^b Breaks in the series of data are explained in notes on methodology.^c Since 14 December 2005.^d Since 31 December 2007.**Table F1: Credit Rates of the Croatian National Bank**

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

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

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

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

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

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

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

Table F2: Deposit Rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis ^a				Interest rates on f/c CNB bills on a voluntary basis					Interest rates on overnight deposits
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	December	5.15	–	9.00	12.00	14.00	–	–	–	–	–	–	–
1995	December	5.50	16.50	12.00	25.54	27.00	–	–	–	–	–	–	–
1996	December	5.50	–	–	8.00	9.50	–	–	–	–	–	–	–
1997	December	4.50	–	–	8.00	9.00	10.00	–	–	–	–	–	–
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–	–
2002	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–	–
2003	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–	–
2004	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2006	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2007	February	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	March	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	April	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	May	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	June	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	July	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	August	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	September	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	October	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	November	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	December	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
2008	January	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50

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

Table F2: Deposit Rates of the Croatian National Bank

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

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

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

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

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

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

Table F3: Banks' Reserve Requirements

daily averages and percentages, million kuna and %

Year	Month	Weighted average res. requirement in % on res. base	Reserve requirement (RR)			Other obligatory deposits with the CNB	Statutory reserves deposited with the CNB		Weighted avg. remuneration rate on immobilised funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
1994	December	26.20	1,826.0	1,826.0	–	188.3	1,779.2	–	5.63	–
1995	December	30.90	2,431.8	2,431.8	–	826.5	2,215.9	–	7.93	–
1996	December	35.91	3,652.9	3,652.9	–	–	3,312.0	–	4.99	–
1997	December	32.02	4,348.8	4,348.8	–	–	3,914.2	–	4.05	–
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.05	....
2001	December	19.67	21,187.1	8,691.5	12,495.5	–	6,287.8	5,950.0	1.97	2.73
2002	December	19.00	25,985.1	11,447.1	14,538.0	–	8,156.7	7,139.9	1.72	2.16
2003	December	19.00	31,009.4	18,023.8	12,985.6	109.4	12,459.8	6,850.2	1.17	1.47
2004	December	18.00	33,615.7	20,040.9	13,574.8	430.1	14,664.1	10,171.3	1.22	1.36
2005	December	18.00	37,424.5	24,997.9	12,426.6	3,940.2	17,497.7	9,271.4	0.52	0.92
2006	December	17.00	40,736.4	28,966.1	11,770.4	7,332.5	20,257.0	8,780.9	0.52	1.06
2007	February	17.00	42,175.6	29,856.1	12,319.6	10,594.0	20,899.2	9,262.3	0.52	0.96
	March	17.00	42,639.1	30,136.3	12,502.8	12,195.6	21,095.3	9,415.0	0.52	0.79
	April	17.00	42,852.8	30,325.7	12,527.1	12,307.9	21,227.9	9,422.4	0.52	0.82
	May	17.00	43,037.4	30,522.2	12,515.3	11,873.1	21,365.5	9,386.5	0.52	0.76
	June	17.00	42,911.2	30,522.2	12,389.0	10,858.6	21,365.6	9,250.8	0.52	1.03
	July	17.00	43,245.7	30,834.9	12,410.8	9,914.5	21,584.4	9,245.3	0.52	0.97
	August	17.00	43,516.6	31,062.2	12,454.4	9,068.2	21,743.6	9,212.6	0.52	0.93
	September	17.00	43,710.7	31,214.4	12,496.3	7,230.6	21,850.1	9,149.0	0.52	1.30
	October	17.00	44,001.4	31,402.4	12,599.0	5,244.5	21,981.7	9,133.8	0.53	1.19
	November	17.00	44,318.8	31,692.2	12,626.7	5,500.1	22,184.5	9,162.5	0.53	1.55
	December	17.00	44,465.9	31,809.1	12,656.8	6,641.1	22,266.4	9,203.5	0.53	1.29
2008	January	17.00	44,828.6	32,068.2	12,760.4	5,207.2	22,447.7	9,274.6	0.52	1.17

Table F3: Banks' Reserve Requirements

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

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

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

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

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

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

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

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

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

Table F4: Banks' Liquidity Indicators

daily averages and percentages, million kuna and %

Year	Month	Free reserves		Primary liquidity ratio	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna MoF treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
1994	December	119.5	....	1.72	393.7	210.2	–	–
1995	December	49.4	....	0.63	199.4	218.7	–	–
1996	December	267.9	....	2.63	98.5	780.9	–	183.8
1997	December	396.3	....	2.92	32.7	728.9	–	260.7
1998	December	221.9	....	1.65	445.5	850.4	1,377.4	141.3
1999	December	179.6	....	1.30	1,183.6	1,311.1	1,507.6	373.9
2000	December	638.8	10,721.4	3.32	80.1	2,485.3	1,692.7	2,006.5
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,360.9
2002	December	1,225.0	10,398.0	3.53	0.6	4,965.5	1,273.9	4,279.5
2003	December	451.6	20,561.4	0.98	501.6	0.0	4,316.0	3,073.2
2004	December	1,495.5	26,126.1	2.64	0.0	0.0	0.0	4,581.7
2005	December	672.5	20,493.4	0.96	0.2	0.0	0.0	4,163.3
2006	December	840.8	20,239.1	0.83	0.0	0.0	0.0	5,993.7
2007	February	465.9	17,987.7	0.45	5.8	0.0	0.0	5,731.7
	March	599.2	17,066.6	0.58	5.7	0.0	0.0	4,954.9
	April	523.5	17,941.3	0.50	5.8	0.0	0.0	3,990.1
	May	604.4	18,619.1	0.57	5.7	0.0	0.0	2,954.1
	June	862.0	20,836.6	0.81	30.6	0.0	0.0	3,629.0
	July	948.2	22,189.3	0.87	61.0	0.0	0.0	2,502.7
	August	756.4	24,793.4	0.69	5.7	0.0	0.0	3,766.6
	September	1,253.9	26,547.4	1.14	93.3	0.0	0.0	3,999.5
	October	847.6	28,521.0	0.77	708.6	0.0	0.0	5,542.9
	November	694.8	29,523.2	0.62	1,195.3	0.0	0.0	6,642.4
	December	1,161.5	30,412.6	1.03	330.4	0.0	0.0	4,449.4
	2008	January	791.6	29,493.9	0.70	669.5	0.0	0.0	7,990.6

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

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

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

Table F4: Banks' Liquidity Indicators

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

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

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

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

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

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

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

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

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

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

Year	Month	Money market interest rates			Interest rates on kuna credits not indexed to foreign currency								
		On overnight credits	On other credits	Total average	On short-term credits						On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households	
1	2	3	4	5	6	7	8	9	10	11	12	13	
1994	December	8.50	17.76	15.39	15.43	....	....	....	....	13.82	....	....
1995	December	27.26	27.15	22.32	22.56	22.23	23.81	23.75	25.58	13.48	13.39	14.38	
1996	December	9.66	10.72	18.46	19.35	19.18	20.18	19.90	23.12	11.51	11.29	14.28	
1997	December	8.46	9.49	14.06	14.12	13.17	19.26	19.34	18.11	13.24	12.98	13.75	
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16	
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16	
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97	
2001	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14	
2002	December	1.58	1.89	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88	
2003	December	5.47	7.02	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69	
2004	December	3.55	6.02	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16	
2005	December	2.29	3.61	9.91	9.99	7.71	11.26	13.18	5.35	8.75	6.48	10.35	
2006	December	2.02	3.52	9.07	9.37	6.75	11.84	13.21	4.67	7.53	5.86	9.44	
2007	February	2.19	3.79	9.59	9.83	7.03	12.10	13.18	4.71	8.40	6.79	9.39	
	March	2.68	3.60	8.99	9.45	6.68	12.14	13.17	4.82	7.44	5.79	9.17	
	April	3.24	3.76	9.36	9.64	6.80	12.22	13.16	5.08	8.11	6.38	9.07	
	May	3.84	4.27	9.21	9.52	6.74	12.23	13.16	5.55	7.96	6.54	8.79	
	June	5.11	5.54	9.28	9.69	7.03	12.29	13.18	5.12	7.84	6.52	8.77	
	July	4.87	6.50	9.13	9.51	6.77	12.30	13.17	5.34	7.75	6.64	8.45	
	August	2.85	4.25	9.46	10.02	7.12	12.16	13.23	4.95	7.42	6.53	7.95	
	September	4.05	5.27	9.53	10.06	7.04	12.27	13.22	5.72	7.80	6.53	8.17	
	October	6.25	7.75	9.02	9.33	7.23	10.80	13.22	4.55	7.60	6.84	7.87	
	November	6.41	7.47	9.52	10.00	7.24	12.36	13.22	4.97	7.43	6.83	7.74	
	December	5.33	6.71	9.32	9.74	7.39	12.34	13.19	4.95	7.50	6.66	8.01	
2008	January	6.67	6.97	9.90	10.21	7.81	12.17	12.89	4.91	8.16	7.40	8.42	
	Relative significance ^a	–	–	82.65	69.99	31.37	38.62	35.11	3.51	12.65	3.25	9.40	

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

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

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

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

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

Up to February 1996, columns 3 and 4 show interest rates on the interbank money market, according to information published by the Zagreb Money Market (ZMM). From March 1996 on, interest

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

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

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

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

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

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros		
		Total average	On short-term credits				On long-term credits				Total average	On short-term credits	On long-term credits
			Total average	Enterprises	Households	Total average	Enterprises	Households	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	December	11.99	12.38	....	....	11.65	....	....	....	....	....	....	....
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18
2004	December	6.89	7.25	7.09	8.47	6.77	5.55	7.73	5.71	8.79	5.34	5.92	4.83
2005	December	6.18	6.52	6.34	7.91	6.07	5.18	6.98	4.95	8.10	5.29	5.28	5.30
2006	December	6.30	6.56	6.29	8.33	6.22	6.21	6.22	4.75	7.57	5.65	6.19	5.34
2007	February	6.31	6.33	6.06	7.60	6.31	6.11	6.40	4.80	7.80	6.01	6.05	5.93
	March	6.33	6.53	6.44	6.80	6.30	6.03	6.44	4.87	7.69	6.12	6.15	6.09
	April	6.11	6.69	6.51	7.15	6.01	5.93	6.06	4.85	7.39	6.15	6.17	6.12
	May	6.12	6.56	6.59	6.49	6.05	6.32	5.91	4.90	7.11	6.28	6.41	6.03
	June	5.98	6.54	6.53	6.59	5.89	5.81	5.97	4.86	7.11	6.32	6.32	6.32
	July	6.11	6.33	6.20	7.17	6.05	5.96	6.15	4.92	7.26	6.52	6.58	6.44
	August	6.46	6.86	6.96	6.19	6.37	6.28	6.46	4.92	7.71	6.71	6.82	6.40
	September	6.86	6.74	6.80	6.55	6.89	6.56	7.07	4.96	8.16	6.73	6.74	6.69
	October	6.64	6.80	6.82	6.69	6.60	6.04	7.15	5.13	8.36	6.81	6.66	7.10
	November	6.37	5.85	5.84	6.19	6.88	6.37	7.23	5.23	8.59	6.63	6.96	6.34
	December	6.73	6.86	6.86	6.84	6.66	6.51	6.80	5.12	8.24	6.79	6.59	7.10
2008	January	6.86	6.99	7.01	6.92	6.83	6.75	6.87	4.82	8.47	6.51	6.83	6.23
Relative significance ^a		13.36	2.93	2.42	0.52	10.42	3.77	6.65	2.92	3.73	4.00	1.88	2.12

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	On time deposits						
				Total average	On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
1994	December	5.03	3.55	9.65	....	....	....	....	....	....
1995	December	6.10	3.88	13.65	13.80	10.56	14.28	9.88	10.67	9.62
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	December	1.58	0.61	3.36	3.34	3.89	3.23	4.12	5.04	3.49
2006	December	1.91	0.56	2.98	2.94	4.10	2.69	4.32	4.98	3.11
2007	February	2.07	0.53	3.46	3.41	4.13	3.12	4.46	4.85	3.65
	March	2.05	0.54	3.48	3.34	4.04	3.10	4.13	4.82	4.02
	April	2.06	0.54	3.58	3.44	4.03	3.24	4.28	5.20	4.14
	May	2.16	0.55	3.75	3.65	4.12	3.50	4.32	5.20	4.16
	June	2.40	0.55	4.55	4.52	4.12	4.63	4.75	5.15	4.68
	July	2.45	0.49	4.95	4.86	4.20	5.02	5.88	5.30	6.03
	August	2.37	0.48	4.25	4.14	4.31	4.10	5.20	5.51	5.13
	September	2.50	0.49	4.82	4.69	4.29	4.77	6.04	5.44	6.23
	October	2.60	0.47	5.65	5.57	4.43	5.77	6.36	5.66	6.54
	November	2.64	0.47	5.94	5.91	4.41	6.21	6.24	5.40	6.45
December	2.67	0.49	5.42	5.34	4.47	5.48	6.28	5.45	6.45	
2008	January	3.00	0.47	5.79	5.63	4.57	5.80	7.84	5.56	8.49
Relative significance ^a		61.38	30.27	28.20	26.13	3.71	22.42	2.07	0.46	1.61

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

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

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

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

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

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

Column 3 reports the weighted averages of monthly interest rates

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

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

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

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

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

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

Year	Month	Interest rates on savings and time deposits indexed to f/c			Interest rates on foreign currency deposits					
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits				
						Households		Enterprises		
1	2	3	4	5	6	7	EUR	USD	EUR	USD
1994	December	6.95	....	....	....	....	....	....	....	....
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21
2005	December	3.99	3.63	4.77	2.61	0.27	0.27	0.17	0.27	0.76
2006	December	3.67	3.30	4.07	2.94	0.25	0.23	0.17	0.32	0.44
2007	February	3.96	3.56	4.31	3.01	0.25	0.23	0.17	0.34	0.46
	March	4.15	3.52	4.46	3.04	0.25	0.23	0.16	0.33	0.45
	April	3.85	3.54	4.37	3.13	0.25	0.23	0.16	0.35	0.43
	May	3.71	3.58	4.51	3.11	0.25	0.24	0.17	0.36	0.40
	June	3.89	3.74	4.58	3.08	0.26	0.24	0.17	0.35	0.59
	July	3.68	3.89	4.76	3.22	0.25	0.23	0.17	0.34	0.48
	August	3.96	3.79	4.74	3.33	0.26	0.23	0.17	0.33	0.60
	September	4.12	3.74	4.64	3.28	0.25	0.23	0.16	0.32	0.58
	October	4.13	3.80	4.56	3.38	0.25	0.23	0.16	0.32	0.63
	November	3.85	4.18	4.30	3.41	0.27	0.22	0.15	0.41	0.65
	December	3.98	3.76	4.35	3.44	0.25	0.22	0.15	0.36	0.43
2008	January	4.00 ^b	3.66	4.47	3.36	0.26	0.22	0.15	0.38	0.36
	Relative significance ^a	0.84	0.73	0.11	37.78	20.04	13.14	1.51	4.71	0.68

^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, 19.82 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 the weighted averages of banks' monthly interest rates on kuna deposits indexed to f/c and on foreign currency deposits, reported on a yearly basis.

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

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

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

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

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

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

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

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

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

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

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

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

		Interest rates on foreign currency deposits															
Year	Month	On time deposits															
		Total average	On short-term deposits				On long-term deposits										
			Total average	Households		Enterprises		Total average	Households		Enterprises						
1	2	12		13	EUR	USD	EUR		USD	18	EUR	USD	20	EUR	USD	21	22
1994	December	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50					
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50					
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76					
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92					
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77					
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53					
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23					
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30					
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64					
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65					
2005	December	3.07	2.94	2.99	1.76	2.63	4.34	3.69	4.25	0.48	4.39	-					
2006	December	3.82	3.76	3.16	2.05	4.24	5.84	4.25	4.47	2.26	4.79	4.61					
2007	February	3.86	3.77	3.21	2.15	4.50	5.88	4.45	4.54	3.97	2.65	2.00					
	March	3.87	3.77	3.16	2.08	4.59	5.89	4.47	4.56	3.71	3.95	1.81					
	April	3.92	3.84	3.16	2.10	4.74	5.96	4.53	4.59	3.89	4.24	-					
	May	4.00	3.93	3.21	2.09	4.51	5.57	4.52	4.58	3.64	4.17	5.17					
	June	4.05	4.02	3.20	2.16	4.80	5.72	4.30	4.31	3.71	4.94	-					
	July	4.23	4.17	3.28	2.11	4.87	6.02	4.69	4.71	3.84	5.25	2.96					
	August	4.16	4.05	3.43	2.24	4.67	5.89	4.79	4.80	3.90	5.49	-					
	September	4.16	4.09	3.37	2.16	4.76	5.92	4.67	4.72	3.48	4.85	4.85					
	October	4.30	4.25	3.39	2.52	4.95	5.95	4.72	4.77	3.80	4.92	0.00					
	November	4.34	4.28	3.50	2.49	5.00	5.61	4.74	4.79	3.58	4.84	3.11					
	December	4.32	4.25	3.47	2.60	5.10	5.33	4.80	4.83	3.84	5.13	2.19					
2008	January	4.17	4.09	3.45	2.60	4.83	5.01	4.70	4.75	3.69	4.31	5.92					
	Relative significance ^a	17.74	15.32	7.49	0.51	6.38	0.95	2.42	2.27	0.09	0.05	0.01					

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

Table G5: Banks' Trade with Foreign Exchange

million euros, current exchange rate

	2002	2003	2004	2005	2006	2007	2007				2008	
							Mar.	Jun.	Sep.	Dec.	Jan.	Feb. ^a
A. Purchase of foreign exchange												
1. Legal persons	4,727.8	6,433.1	7,465.3	8,443.5	14,442.7	26,365.0	1,362.0	1,511.1	1,790.3	3,217.9	2,880.1	2,168.1
2. Natural persons	3,342.6	3,571.6	3,934.4	4,931.8	6,262.7	6,151.3	418.0	452.6	901.0	292.1	314.2	271.1
2.1. Residents	2,842.0	3,103.3	3,586.1	4,662.6	5,909.4	3,184.0	393.0	385.0	810.5	281.1	302.1	–
2.2. Non-residents	500.7	468.2	348.3	269.2	353.2	326.3	25.0	67.6	90.5	11.0	12.1	–
3. Domestic banks	4,104.5	6,324.4	10,799.3	9,069.9	14,380.1	20,141.3	1,518.0	1,536.5	1,443.3	2,862.9	2,547.3	2,361.8
4. Foreign banks	697.9	1,430.6	1,426.2	2,602.3	5,056.8	5,194.1	614.0	282.1	212.6	516.3	382.1	384.6
5. Croatian National Bank	294.3	438.3	33.0	0.0	125.5	0.0	–	–	–	–	–	–
Total (1+2+3+4)	13,167.1	18,197.9	24,110.1	25,106.0	40,439.5	57,851.7	3,912.0	3,782.3	4,347.1	6,889.2	6,123.8	5,185.6
B. Sale of foreign exchange												
1. Legal persons	9,029.3	10,852.4	11,280.3	13,022.3	17,515.0	28,564.1	1,795.5	1,989.3	2,376.4	3,023.8	2,897.0	2,319.9
2. Natural persons	1,333.6	1,403.1	1,671.1	2,722.5	4,109.1	3,712.5	274.3	197.9	264.1	320.1	302.1	382.2
2.1. Residents	1,329.7	1,393.1	1,654.5	2,693.9	4,056.4	2,071.3	271.6	192.0	261.2	318.6	300.1	–
2.2. Non-residents	3.9	10.0	16.6	28.6	52.6	40.0	2.7	5.9	2.9	1.5	2.0	–
3. Domestic banks	4,104.5	6,324.4	10,799.3	9,069.9	14,380.1	20,141.3	1,518.0	1,536.5	1,443.3	2,862.9	2,547.3	2,361.8
4. Foreign banks	334.3	765.3	1,001.1	1,407.1	3,526.1	4,072.6	168.4	371.7	359.3	395.9	392.8	267.9
5. Croatian National Bank	745.3	84.5	543.2	670.8	1,329.5	839.0	–	–	–	167.8	–	189.1
Total (1+2+3+4)	15,547.0	19,429.7	25,295.0	26,892.7	40,859.7	57,329.5	3,756.1	4,095.5	4,443.0	6,770.5	6,139.3	5,520.9
C. Net purchase (A-B)												
1. Legal persons	–4,301.5	–4,419.4	–3,815.1	–4,578.8	–3,072.3	–2,199.1	–433.4	–478.2	–586.2	194.1	–16.9	–151.8
2. Natural persons	2,009.0	2,168.4	2,263.3	2,209.3	2,153.6	2,438.9	143.8	254.7	636.9	–28.0	12.2	–111.1
2.1. Residents	1,512.3	1,710.2	1,931.6	1,968.7	1,853.0	1,112.7	121.4	193.0	549.3	–37.5	2.0	–
2.2. Non-residents	496.7	458.2	331.7	240.6	300.6	286.3	22.4	61.7	87.6	9.6	10.1	–
3. Foreign banks	363.6	665.3	425.1	1,195.2	1,530.7	1,121.4	445.6	–89.6	–146.7	120.4	–10.7	116.6
4. Croatian National Bank	–451.0	353.8	–510.2	–670.8	–1,204.0	–839.0	–	–	–	–167.8	–	–189.1
Total (1+2+3)	–2,379.9	–1,231.8	–1,636.9	–1,845.2	–592.1	522.2	155.9	–313.2	–96.0	118.7	–15.5	–335.3
Memo items: Other Croatian National Bank transactions												
Purchase of foreign exchange	197.5	570.9	145.1	–	3.1	5.1	0.2	0.6	0.3	2.5	0.1	0.1
Sale of foreign exchange	3.4	94.9	239.3	167.6	441.3	176.7	64.9	5.0	3.3	5.0	50.7	33.0

^a Preliminary data.

Table G5: Banks' Trade with Foreign Exchange

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

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

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

Table H1: Balance of Payments – Summary

million euros

	2002	2003	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2007			
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b
A. CURRENT ACCOUNT (1+6)	-2,098.7	-1,888.8	-1,433.7	-1,975.6	-2,692.4	-3,206.4	-2,021.3	-1,380.7	2,087.2	-1,891.7
1. Goods, services, and income (2+5)	-3,250.8	-3,133.3	-2,625.5	-3,159.5	-3,798.6	-4,251.4	-2,266.8	-1,650.5	1,824.0	-2,158.1
1.1. Credit	11,590.1	13,590.1	14,952.8	15,990.2	17,888.9	19,660.9	3,130.0	4,849.4	7,721.2	3,960.3
1.2. Debit	-14,841.0	-16,723.5	-17,578.3	-19,149.7	-21,687.5	-23,912.3	-5,396.8	-6,499.9	-5,897.2	-6,118.4
2. Goods and services (3+4)	-2,673.1	-2,038.1	-1,955.3	-2,200.2	-2,633.8	-3,114.0	-2,060.5	-1,003.1	2,015.7	-2,066.1
2.1. Credit	11,127.9	13,140.6	14,243.5	15,272.9	16,997.7	18,371.5	2,817.8	4,517.7	7,407.7	3,628.2
2.2. Debit	-13,801.0	-15,178.7	-16,198.8	-17,473.2	-19,631.5	-21,485.5	-4,878.4	-5,520.8	-5,392.0	-5,694.4
3. Goods	-5,957.9	-6,971.2	-6,724.2	-7,518.0	-8,344.2	-9,434.0	-2,159.1	-2,528.1	-2,310.6	-2,436.2
3.1. Credit	5,295.6	5,574.7	6,606.8	7,220.3	8,463.6	9,192.5	2,046.3	2,308.9	2,360.8	2,476.5
3.2. Debit	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-16,807.8	-18,626.5	-4,205.5	-4,837.0	-4,671.4	-4,912.6
4. Services	3,284.8	4,933.0	4,768.9	5,317.7	5,710.4	6,319.9	98.6	1,525.0	4,326.3	370.0
4.1. Credit	5,832.3	7,565.9	7,636.7	8,052.6	8,534.1	9,179.0	771.5	2,208.8	5,046.9	1,151.7
4.2. Debit	-2,547.5	-2,632.8	-2,867.8	-2,734.9	-2,823.7	-2,859.1	-672.9	-683.8	-720.6	-781.7
5. Income	-577.7	-1,095.2	-670.2	-959.2	-1,164.8	-1,137.4	-206.3	-647.4	-191.7	-92.0
5.1. Credit	462.3	449.5	709.3	717.3	891.2	1,289.4	312.1	331.7	313.5	332.1
5.2. Debit	-1,040.0	-1,544.7	-1,379.6	-1,676.5	-2,056.0	-2,426.8	-518.4	-979.1	-505.2	-424.1
6. Current transfers	1,152.2	1,244.5	1,191.8	1,183.8	1,106.2	1,045.0	245.5	269.8	263.2	266.5
6.1. Credit	1,453.2	1,538.7	1,584.6	1,628.4	1,638.3	1,573.9	356.1	403.2	387.9	426.8
6.2. Debit	-301.1	-294.2	-392.8	-444.6	-532.1	-529.0	-110.6	-133.4	-124.7	-160.4
B. CAPITAL AND FINANCIAL ACCOUNT	2,538.0	2,716.9	2,483.6	2,929.9	3,583.9	4,144.0	1,309.0	1,417.4	126.7	1,290.9
B1. Capital account	521.6	101.9	31.4	53.8	-133.8	34.2	7.0	9.0	12.7	5.4
B2. Financial account, excl. reserves	2,758.3	3,850.5	2,495.3	3,697.9	5,129.9	4,831.4	2,110.1	1,072.5	-196.5	1,845.3
1. Direct investment	530.8	1,656.9	670.8	1,275.8	2,561.2	3,419.4	1,261.4	950.6	500.3	707.1
1.1. Abroad	-607.1	-105.5	-278.8	-192.1	-176.7	-206.5	-99.2	-64.0	-33.8	-9.4
1.2. In Croatia	1,137.9	1,762.4	949.6	1,467.9	2,737.9	3,625.9	1,360.6	1,014.6	534.1	716.6
2. Portfolio investment	-437.7	867.6	287.1	-1,177.9	-547.3	-34.8	-387.4	36.3	184.8	131.5
2.1. Assets	-650.5	121.6	-736.1	-571.2	-472.5	-404.6	-314.5	-328.9	69.5	169.3
2.2. Liabilities	212.9	746.0	1,023.2	-606.7	-74.9	369.8	-72.9	365.2	115.3	-37.8
3. Financial derivatives	0.0	0.0	0.0	-88.4	0.0	0.0	0.0	0.0	0.0	0.0
4. Other investment	2,665.1	1,326.0	1,537.4	3,688.4	3,116.0	1,446.8	1,236.1	85.6	-881.6	1,006.7
4.1. Assets	460.0	-2,216.9	-575.1	898.7	-774.5	-1,613.3	331.5	-340.2	-1,042.4	-562.3
4.2. Liabilities	2,205.0	3,542.9	2,112.4	2,789.7	3,890.6	3,060.1	904.6	425.8	160.7	1,569.0
B3. Reserve assets	-741.9	-1,235.5	-43.0	-821.8	-1,412.2	-721.6	-808.1	335.9	310.5	-559.8
C. NET ERRORS AND OMISSIONS	-439.3	-828.1	-1,049.9	-954.2	-891.4	-937.5	712.3	-36.7	-2,213.9	600.7

^a Revised data. ^b Preliminary data.

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

Table: H1-H6: Balance of Payments

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

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

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

The Report of the Central Bureau of Statistics on foreign trade in goods of the Republic of Croatia represents the basic data source for the balance of payments items related to exports and imports. These data are adjusted, in accordance with the recommended compilation method, for coverage and classification. Accordingly, goods exports and imports in the balance of payments are reported at f.o.b. parity. The value of exports at this parity is already contained in the previously mentioned CBS Report, whereas the value of imports f.o.b. is estimated on the basis of research studies of the CNB on the stratified sample of importers. The resulting value serves as a basis for the estimate of the share of transportation and insurance services by

Table H2: Balance of Payments – Goods and Services

million euros

	2002	2003	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2007			
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b
Goods	-5,957.9	-6,971.2	-6,724.2	-7,518.0	-8,344.2	-9,434.0	-2,159.1	-2,528.1	-2,310.6	-2,436.2
1. Credit	5,295.6	5,574.7	6,606.8	7,220.3	8,463.6	9,192.5	2,046.3	2,308.9	2,360.8	2,476.5
1.1. Exports (f.o.b.) in trade statistics	5,188.2	5,464.4	6,453.8	7,069.4	8,251.6	9,001.6	2,009.8	2,265.5	2,301.5	2,424.8
1.2. Adjustments for coverage	107.4	110.4	153.0	150.9	212.0	191.0	36.5	43.4	59.3	51.7
2. Debit	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-16,807.8	-18,626.5	-4,205.5	-4,837.0	-4,671.4	-4,912.6
2.1. Imports (c.i.f.) in trade statistics	-11,327.0	-12,538.0	-13,354.4	-14,949.5	-17,104.7	-18,826.6	-4,270.2	-4,888.2	-4,704.3	-4,963.9
2.2. Adjustments for coverage	-348.9	-475.6	-474.7	-346.4	-341.1	-370.4	-64.6	-96.9	-109.7	-99.2
2.3. Adjustments for classification	422.5	467.7	498.1	557.6	638.0	570.4	129.4	148.1	142.5	150.4
Services	3,284.8	4,933.0	4,768.9	5,317.7	5,710.4	6,319.9	98.6	1,525.0	4,326.3	370.0
1. Transportation	172.0	252.2	299.3	376.1	424.7	449.5	89.2	114.3	154.4	91.6
1.1. Credit	622.8	696.3	791.3	880.3	987.9	1,084.3	226.6	275.7	326.5	255.6
1.2. Debit	-450.8	-444.1	-492.0	-504.2	-563.2	-634.8	-137.4	-161.4	-172.0	-164.0
2. Travel	3,138.6	4,976.6	4,822.3	5,394.9	5,708.7	6,034.0	101.1	1,457.9	4,133.3	341.6
2.1. Credit	3,960.8	5,572.7	5,505.6	5,998.9	6,293.3	6,747.9	262.4	1,629.6	4,316.5	539.4
2.1.1. Business	341.2	260.9	328.2	504.0	388.4	389.2	56.5	125.7	120.2	86.6
2.1.2. Personal	3,619.7	5,311.8	5,177.4	5,494.9	5,904.9	6,358.8	205.9	1,503.9	4,196.3	452.7
2.2. Debit	-822.2	-596.1	-683.3	-604.1	-584.6	-714.0	-161.3	-171.7	-183.2	-197.8
2.2.1. Business	-482.6	-292.3	-297.3	-267.4	-229.5	-266.9	-44.5	-60.2	-71.9	-90.3
2.2.2. Personal	-339.6	-303.8	-386.0	-336.7	-355.1	-447.0	-116.8	-111.4	-111.2	-107.5
3. Other services	-25.9	-295.8	-352.7	-453.3	-422.9	-163.5	-91.7	-47.3	38.5	-63.1
3.1. Credit	1,248.6	1,296.9	1,339.8	1,173.4	1,252.9	1,346.7	282.5	303.5	403.9	356.8
3.2. Debit	-1,274.5	-1,592.7	-1,692.5	-1,626.6	-1,675.8	-1,510.3	-374.2	-350.8	-365.4	-419.9

^a Revised data. ^b Preliminary data.

which the original value of imports c.i.f., stated in the CBS Report, is reduced. In the 1993-2001 period, this share stood at 7.10% (estimated only on the basis of the largest and large importers), while from 2002 on it has amounted to 3.73%. The same research study, conducted by the CNB at the end of 2006 (comprising the imports in the previous year), showed that the share of transportation and insurance costs, after continuing to decrease, has reached 3.03%. This share was first applied in the calculations for the first quarter of 2007. In the period from 1993 to 1996, the value of imports was modified by estimates of imports in duty free zones, which have been included in the merchandise trade statistics since 1997. From 1996 on, goods exports and imports are modified by the data on repairs on goods and goods procured in ports by carriers. In addition, since 1999, based on the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travellers Abroad, the item of goods exports has been modified by the estimated value of goods sold to foreign travellers and tourists and taken out of the Republic of Croatia. The item of goods imports is adjusted for the estimated value of goods imported personally by the Croatian citizens from the neighbouring countries (shopping expenditures).

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

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

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

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

Table H3: Balance of Payments – Income and Current Transfers

million euros

	2002	2003	2004 ^a	2005 ^a	2006 ^b	2007 ^a	2007			
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b
Income	-577.7	-1,095.2	-670.2	-959.2	-1,164.8	-1,137.4	-206.3	-647.4	-191.7	-92.0
1. Compensation of employees	167.6	183.9	233.9	259.7	373.2	494.2	118.1	122.7	125.5	127.9
1.1. Credit	187.2	217.3	268.3	289.2	404.3	527.8	125.4	130.5	133.4	138.5
1.2. Debit	-19.5	-33.4	-34.4	-29.5	-31.1	-33.6	-7.3	-7.8	-7.9	-10.6
2. Direct investment income	-353.3	-854.7	-441.6	-739.0	-983.8	-936.2	-171.6	-598.7	-135.3	-30.6
2.1. Credit	25.1	35.2	175.6	112.7	79.2	170.4	57.9	58.1	34.4	19.9
o/w: Reinvested earnings	8.3	31.7	165.8	63.8	63.7	119.6	47.0	48.0	26.5	-1.9
2.2. Debit	-378.5	-889.9	-617.3	-851.8	-1,063.0	-1,106.6	-229.5	-656.8	-169.7	-50.6
o/w: Reinvested earnings	-160.9	-587.9	-291.7	-570.5	-697.9	-495.6	-60.6	-322.4	-104.0	-8.5
3. Portfolio investment income	-219.1	-238.7	-250.0	-217.6	-175.9	-158.6	-39.5	-40.2	-43.9	-35.1
3.1. Credit	0.0	0.0	32.7	46.2	57.4	75.1	15.2	21.2	16.0	22.6
3.2. Debit	-219.1	-238.7	-282.7	-263.8	-233.3	-233.7	-54.7	-61.4	-59.9	-57.7
4. Other investment income	-173.0	-185.7	-212.5	-262.3	-378.2	-536.7	-113.2	-131.2	-138.1	-154.2
4.1. Credit	249.9	197.0	232.6	269.1	350.4	516.1	113.6	121.9	129.6	151.0
4.2. Debit	-422.9	-382.7	-445.2	-531.5	-728.6	-1,052.8	-226.8	-253.1	-267.7	-305.3
Current transfers	1,152.2	1,244.5	1,191.8	1,183.8	1,106.2	1,045.0	245.5	269.8	263.2	266.5
1. General government	32.2	70.5	2.6	9.7	-8.6	-16.7	-6.0	-4.2	-13.8	7.4
1.1. Credit	143.4	213.1	180.1	219.6	255.7	260.2	54.6	65.6	53.7	86.3
1.2. Debit	-111.2	-142.6	-177.5	-209.9	-264.4	-276.8	-60.7	-69.7	-67.5	-78.9
2. Other sectors	1,120.0	1,174.0	1,189.2	1,174.1	1,114.8	1,061.7	251.5	274.0	277.0	259.1
2.1. Credit	1,309.8	1,325.6	1,404.5	1,408.8	1,382.5	1,313.8	301.4	337.6	334.2	340.6
2.2. Debit	-189.8	-151.6	-215.3	-234.6	-267.7	-252.1	-49.9	-63.6	-57.1	-81.5

^a Revised data. ^b Preliminary data.

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

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

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

Foreign direct investments include equity capital, reinvested earnings and debt relations between ownership-related residents and non-residents. Direct investments are investments whereby a foreign owner acquires a minimum of 10% interest in equity capital of a

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

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

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

Table H4: Balance of Payments – Direct and Portfolio Investments

million euros

	2002	2003	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2007			
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b
Direct investment	530.8	1,656.9	670.8	1,275.8	2,561.2	3,419.4	1,261.4	950.6	500.3	707.1
1. Abroad	-607.1	-105.5	-278.8	-192.1	-176.7	-206.5	-99.2	-64.0	-33.8	-9.4
1.1. Equity capital and reinvested earnings	-601.0	-101.9	-259.6	-121.0	-190.4	-228.4	-82.0	-68.0	-52.2	-26.2
1.1.1. Claims	-603.1	-101.9	-260.0	-122.2	-190.4	-230.4	-82.0	-68.0	-52.2	-28.2
1.1.2. Liabilities	2.1	0.0	0.4	1.3	0.0	1.9	0.0	0.0	0.0	1.9
1.2. Other capital	-6.1	-3.6	-19.2	-71.2	13.7	22.0	-17.2	4.0	18.4	16.8
1.1.1. Claims	-7.7	-15.3	-23.6	-59.8	-3.9	-11.9	-21.0	0.0	17.3	-8.2
1.2.2. Liabilities	1.6	11.7	4.4	-11.4	17.5	33.9	3.8	4.0	1.1	25.0
2. In Croatia	1,137.9	1,762.4	949.6	1,467.9	2,737.9	3,625.9	1,360.6	1,014.6	534.1	716.6
2.1. Equity capital and reinvested earnings	879.3	1,349.8	611.4	1,363.5	2,435.0	2,594.2	1,089.5	436.6	515.4	552.7
2.1.1. Claims	0.0	-1.2	-22.4	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
2.1.2. Liabilities	879.3	1,351.1	633.8	1,363.5	2,435.1	2,594.2	1,089.5	436.6	515.4	552.7
2.2. Other capital	258.6	412.5	338.2	104.4	302.9	1,031.7	271.2	578.0	18.7	163.9
2.2.1. Claims	-0.3	-1.5	-17.8	0.0	16.6	-2.6	-1.7	0.0	-0.9	0.0
2.2.2. Liabilities	259.0	414.0	356.0	104.4	286.3	1,034.3	272.8	578.0	19.6	163.9
Portfolio investment	-437.7	867.6	287.1	-1,177.9	-547.3	-34.8	-387.4	36.3	184.8	131.5
1. Assets	-650.5	121.6	-736.1	-571.2	-472.5	-404.6	-314.5	-328.9	69.5	169.3
1.1. Equity securities	-78.4	-57.8	-39.1	-193.0	-320.5	-834.3	-431.4	-278.2	-241.7	116.8
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. Banks	-2.7	0.3	0.0	0.0	2.6	-0.6	-0.6	0.0	0.1	-0.2
1.1.1.2. Other sectors	-75.6	-58.1	-39.1	-193.0	-323.1	-833.7	-430.8	-278.2	-241.8	117.0
1.1.2. Debt securities	-572.2	179.4	-696.9	-378.2	-152.0	429.7	116.8	-50.7	311.2	52.4
1.2.1. Bonds	-586.9	165.9	-567.1	-396.5	98.7	323.0	136.2	-37.5	151.4	72.9
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	-566.6	180.1	-575.0	-360.2	142.4	261.1	89.3	33.5	56.9	81.3
1.2.1.3. Other sectors	-20.3	-14.1	7.9	-36.3	-43.7	61.9	46.9	-71.0	94.4	-8.4
1.2.2. Money market instruments	14.7	13.5	-129.9	18.3	-250.6	106.7	-19.4	-13.3	159.8	-20.5
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	20.9	7.3	-129.9	18.3	-250.6	106.7	-19.4	-13.3	159.8	-20.5
1.2.2.3. Other sectors	-6.2	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Liabilities	212.9	746.0	1,023.2	-606.7	-74.9	369.8	-72.9	365.2	115.3	-37.8
2.1. Equity securities	42.4	13.0	141.6	89.2	320.7	306.1	25.8	57.0	88.1	135.1
2.1.1. Banks	2.5	-2.6	0.8	-12.8	37.3	9.8	8.8	12.2	-3.7	-7.5
2.1.2. Other sectors	39.8	15.6	140.7	102.0	283.4	296.3	17.0	44.8	91.8	142.7
2.2. Debt securities	170.5	733.1	881.6	-695.9	-395.6	63.7	-98.7	308.2	27.1	-172.9
2.2.1. Bonds	202.7	698.8	915.6	-695.9	-395.6	63.7	-98.7	308.2	27.1	-172.9
2.2.1.1. General government	62.1	525.9	429.6	-690.5	-321.9	-30.2	-111.6	297.4	-248.2	32.2
2.2.1.2. Banks	0.0	0.0	453.2	3.2	1.2	1.0	5.3	5.3	-14.3	4.8
2.2.1.3. Other sectors	140.7	173.0	32.8	-8.6	-74.9	92.9	7.6	5.5	289.7	-209.9
2.2.2. Money market instruments	-32.2	34.2	-34.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	-32.2	34.2	-34.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Revised data. ^b Preliminary data.

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

foreign countries for foreign cash and deposits with foreign banks, as well as obligations of the Croatian banks for deposits owned by non-residents. Monetary statistics represent a data source for the general government sector and banks sector. Data on balance and currency structure of foreign assets and liabilities, contained in monetary statistics, are used to assess transactions from which the exchange rate effect was eliminated. In the 1993-1998 period, data on other sectors' claims under this position were compiled on the basis of the CNB estimate of a portion of net foreign currency inflows of the household sector which is not classified under current transfers. Since 1999, this position has included only the data based on the Bank for International Settlement quarterly data, while data in the fourth quarter of 2001 and in the first two quarters of 2002 relate to

Table H5: Balance of Payments – Other Investment

million euros

	2002	2003	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2007			
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b
Other investment (net)	2,795.0	1,326.3	1,537.4	3,688.4	3,116.0	1,446.8	1,236.1	85.6	-881.6	1,006.7
1. Assets	460.0	-2,216.9	-575.1	898.7	-774.5	-1,613.3	331.5	-340.2	-1,042.4	-562.3
1.1. Trade credits	-79.4	-169.7	-188.1	-134.8	-33.4	-124.4	-71.0	-38.7	-4.2	-10.4
1.1.1. General government	0.0	0.0	0.0	-0.3	0.2	0.1	0.0	0.0	0.0	0.0
1.1.1.1. Long-term	0.0	0.0	0.0	-0.3	0.2	0.1	0.0	0.0	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	-79.4	-169.7	-188.1	-134.6	-33.5	-124.5	-71.1	-38.8	-4.3	-10.4
1.1.2.1. Long-term	-6.6	-25.6	18.1	10.7	-5.1	-59.7	-5.9	-10.3	-14.3	-29.1
1.1.2.2. Short-term	-72.7	-144.1	-206.1	-145.3	-28.4	-64.9	-65.2	-28.4	10.0	18.7
1.2. Loans	-55.5	-85.1	43.8	-116.8	-153.1	-4.5	-17.6	15.8	-68.3	65.6
1.2.1. General government	0.6	-1.0	-1.8	-1.5	-1.3	-7.3	0.5	-4.4	-0.7	-2.8
1.2.1.1. Long-term	0.6	-1.0	-1.8	-1.5	-1.3	-7.3	0.5	-4.4	-0.7	-2.8
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	-22.6	4.3	3.7	-28.5	-80.4	-32.2	-2.0	1.3	-31.4	-0.1
1.2.2.1. Long-term	-20.9	5.1	-0.1	-20.5	-58.9	-24.6	-13.9	-10.4	4.6	-4.9
1.2.2.2. Short-term	-1.6	-0.8	3.9	-8.0	-21.5	-7.7	11.9	11.7	-36.0	4.7
1.2.3. Other sectors	-33.5	-88.5	41.8	-86.8	-71.4	35.1	-16.1	18.8	-36.2	68.5
1.2.3.1. Long-term	-33.4	-88.5	43.2	-87.8	-71.7	35.0	-15.4	19.3	-31.0	62.0
1.2.3.2. Short-term	-0.1	0.1	-1.3	1.0	0.3	0.0	-0.7	-0.5	-5.2	6.5
1.3. Currency and deposits	594.9	-1,962.1	-430.8	1,150.3	-588.1	-1,484.4	420.1	-317.3	-969.8	-617.5
1.3.1. General government	-24.2	30.3	72.7	-44.4	26.5	25.0	25.0	0.0	0.0	0.0
1.3.2. Banks	1,516.5	-1,964.5	-523.4	1,230.3	-544.3	-1,460.4	424.1	-297.2	-969.8	-617.5
1.3.3. Other sectors	-897.4	-27.9	19.8	-35.6	-70.2	-49.1	-29.0	-20.0	0.0	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	2,335.0	3,543.3	2,112.4	2,789.7	3,890.6	3,060.1	904.6	425.8	160.7	1,569.0
2.1. Trade credits	501.1	-225.6	-54.5	15.1	11.4	390.5	56.4	247.1	158.4	-71.4
2.1.1. General government	-0.1	1.5	-0.3	0.4	-0.7	-0.3	-0.2	-0.1	0.0	-0.1
2.1.1.1. Long-term	-0.1	1.5	-0.3	0.4	-0.7	-0.3	-0.2	-0.1	0.0	-0.1
2.1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	501.2	-227.1	-54.2	14.7	12.1	390.8	56.6	247.3	158.4	-71.4
2.1.2.1. Long-term	-1.4	-46.2	-16.7	27.4	-3.7	164.6	7.1	82.9	27.9	46.7
2.1.2.2. Short-term	502.6	-181.0	-37.5	-12.7	15.8	226.2	49.4	164.3	130.5	-118.0
2.2. Loans	625.3	2,890.0	1,676.4	2,405.8	3,059.2	2,864.0	214.6	119.5	902.7	1,627.1
2.2.1. Croatian National Bank	-173.8	358.2	-367.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1. o/w: IMF	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2. Short-term	-44.3	358.2	-367.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	409.3	500.4	425.8	248.1	133.5	158.6	-23.7	1.3	47.2	133.8
2.2.2.1. Long-term	409.3	500.4	425.8	248.1	133.5	158.6	-23.7	1.3	47.2	133.8
2.2.2.1.1. Drawings	645.9	764.8	795.5	590.1	560.4	643.4	66.0	158.5	130.1	288.8
2.2.2.1.2. Repayments	-236.7	-264.5	-369.7	-342.0	-426.9	-484.8	-89.7	-157.2	-83.0	-155.0
2.2.2.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	73.5	1,007.7	650.4	826.0	541.2	-1,067.0	-512.6	-554.0	-430.5	430.1
2.2.3.1. Long-term	75.8	929.1	741.7	281.1	419.5	-632.8	-378.1	-388.0	-22.4	155.7
2.2.3.1.1. Drawings	739.1	1,722.8	1,260.0	1,236.1	2,833.6	1,213.8	536.9	46.5	267.8	362.6
2.2.3.1.2. Repayments	-663.3	-793.7	-518.3	-955.0	-2,414.1	-1,846.6	-915.0	-434.5	-290.2	-206.9
2.2.3.2. Short-term	-2.3	78.6	-91.2	544.9	121.7	-434.2	-134.4	-166.1	-408.2	274.4
2.2.4. Other sectors	316.3	1,023.9	967.9	1,331.7	2,384.5	3,772.4	750.9	672.2	1,286.1	1,063.2
2.2.4.1. Long-term	336.0	977.0	932.4	1,277.2	2,295.6	3,162.9	532.0	605.8	1,032.5	992.5
2.2.4.1.1. Drawings	1,494.5	2,140.3	2,232.5	2,686.4	4,183.9	5,816.0	979.4	1,284.0	1,672.9	1,879.7
2.2.4.1.2. Repayments	-1,158.5	-1,163.3	-1,300.1	-1,409.2	-1,888.3	-2,653.1	-447.4	-678.2	-640.4	-887.1
2.2.4.2. Short-term	-19.7	46.9	35.5	54.5	88.9	609.5	218.9	66.5	253.6	70.6
2.3. Currency and deposits	1,209.5	879.6	487.5	366.1	817.2	-197.1	633.0	58.4	-901.0	12.4
2.3.1. General government	0.1	0.1	0.0	0.0	0.1	9.5	9.2	0.2	-0.3	0.4
2.3.2. Banks	1,209.3	879.5	487.5	366.1	817.1	-206.6	623.8	58.2	-900.7	12.0
2.4. Other liabilities	-0.9	-0.7	3.0	2.8	2.7	2.7	0.5	0.7	0.6	0.8

^a Revised data. ^b Preliminary data.

Table H6: Balance of Payments – Summary

million kuna

	2002	2003	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2007			
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b
A. CURRENT ACCOUNT (1+6)	-15,744.2	-14,637.6	-11,167.9	-14,828.6	-19,884.3	-23,751.4	-14,882.8	-10,178.6	15,247.2	-13,937.3
1. Goods, services, and income (2+5)	-24,275.5	-24,051.3	-20,094.6	-23,586.7	-27,984.3	-31,329.2	-16,690.1	-12,161.9	13,324.2	-15,801.4
1.1. Credit	85,611.4	102,483.3	111,525.2	117,995.0	130,798.9	144,084.4	23,043.4	35,632.3	56,396.7	29,012.0
1.2. Debit	-109,886.9	-126,534.6	-131,619.8	-141,581.7	-158,783.2	-175,413.6	-39,733.5	-47,794.2	-43,072.5	-44,813.4
2. Goods and services (3+4)	-19,986.2	-15,671.7	-15,083.2	-16,508.1	-19,478.8	-22,958.2	-15,171.5	-7,383.3	14,724.2	-15,127.6
2.1. Credit	82,206.3	99,192.2	106,225.6	112,693.7	124,269.8	134,626.8	20,745.7	33,195.4	54,106.3	26,579.4
2.2. Debit	-102,192.6	-114,863.9	-121,308.8	-129,201.8	-143,748.6	-157,585.1	-35,917.2	-40,578.7	-39,382.1	-41,707.0
3. Goods	-44,117.7	-52,759.8	-50,327.5	-55,568.1	-61,083.9	-69,218.6	-15,897.7	-18,589.6	-16,884.4	-17,846.9
3.1. Credit	39,216.5	42,190.2	49,507.8	53,397.7	61,988.6	67,424.8	15,065.4	16,972.5	17,243.2	18,143.9
3.2. Debit	-83,334.1	-94,949.9	-99,835.3	-108,965.8	-123,072.5	-136,643.4	-30,963.0	-35,562.1	-34,127.6	-35,990.8
4. Services	24,131.4	37,088.0	35,244.3	39,060.0	41,605.1	46,260.3	726.1	11,206.3	31,608.6	2,719.3
4.1. Credit	42,989.9	57,002.0	56,717.8	59,296.0	62,281.2	67,202.0	5,680.4	16,222.9	36,863.2	8,435.5
4.2. Debit	-18,858.5	-19,914.0	-21,473.5	-20,236.0	-20,676.1	-20,941.6	-4,954.2	-5,016.6	-5,254.5	-5,716.2
5. Income	-4,289.2	-8,379.5	-5,011.4	-7,078.6	-8,505.5	-8,371.0	-1,518.6	-4,778.6	-1,400.0	-673.8
5.1. Credit	3,405.1	3,291.2	5,299.6	5,301.3	6,529.1	9,457.5	2,297.7	2,436.9	2,290.3	2,432.6
5.2. Debit	-7,694.3	-11,670.7	-10,311.0	-12,379.9	-15,034.5	-17,828.5	-3,816.3	-7,215.4	-3,690.3	-3,106.4
6. Current transfers	8,531.3	9,413.6	8,926.8	8,758.1	8,100.0	7,577.8	1,807.3	1,983.3	1,923.0	1,864.2
6.1. Credit	10,761.2	11,639.9	11,872.9	12,047.2	11,996.6	11,458.2	2,621.5	2,964.0	2,833.8	3,038.8
6.2. Debit	-2,229.9	-2,226.3	-2,946.1	-3,289.1	-3,896.5	-3,880.4	-814.2	-980.7	-910.8	-1,174.7
B. CAPITAL AND FINANCIAL ACCOUNT	18,920.4	20,752.3	18,810.9	22,097.1	26,971.7	31,561.9	9,929.0	10,627.0	1,215.3	9,790.6
B1. Capital account	3,847.2	771.3	235.5	396.8	-980.5	250.7	51.7	66.1	92.9	39.9
B2. Financial account, excl. reserves	20,561.8	29,333.4	18,911.9	27,775.7	38,265.5	36,626.3	15,829.4	8,099.0	-1,153.3	13,851.1
1. Direct investment	4,183.5	12,706.4	4,452.8	9,093.0	18,761.7	25,127.2	9,283.9	7,007.6	3,655.6	5,180.2
1.1. Abroad	-4,486.9	-801.9	-2,077.2	-1,415.4	-1,293.6	-1,518.3	-730.6	-469.9	-248.2	-69.5
1.2. In Croatia	8,670.4	13,508.3	6,530.0	10,508.5	20,055.3	26,645.4	10,014.5	7,477.5	3,903.8	5,249.7
2. Portfolio investment	-3,260.4	6,593.2	2,097.8	-8,725.0	-4,054.2	-273.3	-2,851.7	264.4	1,349.5	964.5
2.1. Assets	-4,839.6	938.6	-5,563.8	-4,195.8	-3,483.1	-2,983.9	-2,315.1	-2,416.8	507.5	1,240.6
2.2. Liabilities	1,579.2	5,654.5	7,661.6	-4,529.2	-571.1	2,710.6	-536.6	2,681.2	842.0	-276.1
3. Financial derivatives	0.0	0.0	0.0	-659.4	0.0	0.0	0.0	0.0	0.0	0.0
4. Other investment	19,638.7	10,033.7	12,361.3	28,067.2	23,558.0	11,772.4	9,397.2	827.1	-6,158.4	7,706.5
4.1. Assets	3,322.5	-16,854.7	-3,680.4	7,419.8	-5,121.7	-10,750.5	2,662.6	-2,275.6	-7,374.3	-3,763.3
4.2. Liabilities	16,316.1	26,888.4	16,041.7	20,647.4	28,679.8	22,523.0	6,734.6	3,102.8	1,215.9	11,469.8
B3. Reserve assets (CNB)	-5,488.5	-9,352.4	-336.5	-6,075.4	-10,313.4	-5,315.1	-5,952.1	2,461.8	2,275.7	-4,100.5
C. NET ERRORS AND OMISSIONS	-3,176.2	-6,114.7	-7,643.0	-7,268.5	-7,087.4	-7,810.5	4,953.7	-448.4	-16,462.4	4,146.7

^a Revised data. ^b Preliminary data.

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

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 ex-

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

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

end of period, million euros

Year	Month	International reserves of the Croatian National Bank							Banks' foreign currency reserves
		Total	Special drawing rights	Reserve position in the Fund	Gold	Foreign currency			
						Total	Currency and deposits	Bonds and notes	
1994	December	1,145.7	3.7	–	–	1,142.0	1,142.0	–	716.6
1995	December	1,479.0	109.1	–	–	1,369.9	1,288.4	81.4	1,038.1
1996	December	1,867.7	101.3	0.0	–	1,766.3	1,627.6	138.7	1,549.2
1997	December	2,303.7	133.4	0.1	–	2,170.2	1,825.2	345.0	2,078.9
1998	December	2,400.2	197.1	0.1	–	2,203.0	1,642.6	560.4	1,607.0
1999	December	3,012.7	188.7	0.2	–	2,823.7	2,449.8	373.9	1,344.7
2000	December	3,783.2	158.5	0.2	–	3,624.5	2,763.0	861.5	2,310.7
2001	December	5,333.6	122.9	0.2	–	5,210.5	3,469.7	1,740.7	4,056.0
2002	December	5,651.3	2.3	0.2	–	5,648.8	3,787.8	1,861.0	2,581.6
2003	December	6,554.1	0.7	0.2	–	6,553.2	3,346.0	3,207.2	3,927.1
2004	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	December	7,438.4	0.9	0.2	–	7,437.3	3,834.5	3,602.8	2,938.4
2006	December	8,725.3	0.7	0.2	–	8,724.4	4,526.9	4,197.5	3,315.0
2007	March	9,519.7	0.8	0.2	–	9,518.8	5,237.3	4,281.5	2,882.6
	April	9,488.4	1.3	0.2	–	9,486.9	5,229.6	4,257.4	2,743.7
	May	9,451.5	0.8	0.2	–	9,450.5	5,171.7	4,278.9	2,705.4
	June	9,170.4	0.8	0.2	–	9,169.4	4,901.4	4,268.0	3,084.8
	July	9,412.1	1.3	0.2	–	9,410.7	5,055.3	4,355.4	3,025.1
	August	9,223.0	0.7	0.2	–	9,222.1	4,823.7	4,398.4	3,418.5
	September	8,795.1	0.7	0.2	–	8,794.2	4,404.6	4,389.6	3,839.8
	October	8,973.8	1.3	0.2	–	8,972.3	4,361.1	4,611.2	3,946.8
	November	9,112.3	0.8	0.2	–	9,111.3	4,462.5	4,648.8	4,180.6
	December	9,307.4	0.8	0.2	–	9,306.5	4,533.9	4,772.5	4,388.9
2008	Januray	9,332.8	1.0	0.2	–	9,331.6	4,527.3	4,804.2	4,316.4
	February ^b	9,676.9	0.6	0.2	–	9,676.1	4,510.9	5,165.2	4,112.5

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

^b Preliminary data.

Table H7: International Reserves and Banks' Foreign Currency Reserves

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

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

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

Table H8: International Reserves and Foreign Currency Liquidity

end of period, million euros

	2002	2003	2004	2005	2006	2007				2008
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
I. Official reserve assets and other f/c assets (approximate market value)										
A. Official reserve assets	5,651.3	6,554.1	6,436.2	7,438.4	8,725.3	9,519.7	9,170.4	8,795.1	9,307.4	9,332.8
(1) Foreign currency reserves (in convertible f/c)	4,246.9	5,740.1	6,235.4	7,337.3	8,162.8	8,513.9	8,249.2	7,994.2	8,911.0	8,431.6
(a) Securities	1,861.0	3,207.2	3,262.0	3,602.8	4,197.5	4,281.5	4,268.0	4,389.6	4,772.5	4,804.2
o/w: Issuer headquartered in reporting country but located abroad	–	–	–	–	–	–	–	–	–	–
(b) Total currency and deposits with:	2,385.9	2,532.9	2,973.3	3,734.5	3,965.3	4,232.4	3,981.2	3,604.6	4,138.4	3,627.3
(i) Other national central banks, BIS and IMF	325.1	271.1	233.1	407.3	198.7	197.8	196.9	195.9	190.7	190.4
(ii) Banks headquartered in the reporting country	–	–	–	–	–	–	–	–	–	–
o/w: Located abroad	–	–	–	–	–	–	–	–	–	–
(iii) Banks headquartered outside the reporting country	2,060.8	2,261.8	2,740.3	3,327.2	3,766.6	4,034.6	3,784.3	3,408.6	3,947.7	3,437.0
o/w: Located in the reporting country	–	–	–	–	–	–	–	–	–	–
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	2.3	0.7	0.6	0.9	0.7	0.8	0.8	0.7	0.8	1.0
(4) Gold	–	–	–	–	–	–	–	–	–	–
(5) Other reserve assets	1,401.9	813.1	200.0	100.0	561.6	1,004.9	920.2	800.0	395.5	900.0
– Reverse repo	1,401.9	813.1	200.0	100.0	561.6	1,004.9	920.2	800.0	395.5	900.0
B. Other foreign currency assets (specify)	–	–	–	–	–	–	–	–	–	–
– Time deposits	–	–	–	–	–	–	–	–	–	–
C. Total (A+B)	5,651.3	6,554.1	6,436.2	7,438.4	8,725.3	9,519.7	9,170.4	8,795.1	9,307.4	9,332.8
II. Predetermined short-term net drains on f/c assets (nominal value)										
1. F/c loans, securities, and deposits (total net drains up to one year)	–740.9	–1,538.0	–988.6	–899.7	–650.5	–644.9	–779.4	–529.6	–521.1	–526.8
(a) Croatian National Bank	–167.4	–646.9	–1.8	–1.1	–1.6	–1.9	–2.0	–1.9	–2.0	–2.5
Up to 1 month	Principal	–136.9	–355.9	–	–	–	–	–	–	–
Interest	–2.2	–1.9	–1.8	–1.1	–1.6	–1.9	–2.0	–1.9	–2.0	–2.5
More than 1 and up to 3 months	Principal	–26.5	–288.3	–	–	–	–	–	–	–
Interest	–0.1	–0.7	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–1.6	–	–	–	–	–	–	–	–
Interest	–0.1	–	–	–	–	–	–	–	–	–
(b) Central government (excl. central government funds)	–573.5	–891.1	–988.6	–898.6	–648.9	–643.0	–777.5	–527.7	–519.1	–524.4
Up to 1 month	Principal	–98.1	–85.9	–76.5	–77.9	–48.3	–11.3	–292.7	–11.0	–47.6
Interest	–42.8	–34.4	–13.8	–	–	–	–	–	–	–
More than 1 and up to 3 months	Principal	–8.6	–9.3	–510.1	–603.0	–138.4	–78.7	–69.8	–119.8	–133.2
Interest	–148.1	–168.3	–169.0	–	–	–	–	–	–	–11.0
More than 3 months and up to 1 year	Principal	–176.2	–495.2	–143.7	–160.2	–399.8	–415.1	–291.2	–308.4	–284.5
Interest	–99.7	–98.0	–73.8	–57.5	–62.3	–137.9	–123.9	–88.5	–53.8	–36.4
2. Aggregate short and long positions in forwards and futures in f/c vis-a-vis the domestic currency (including the forward leg of currency swaps)	–	–	–	–	–	–	–	–	–	–
(a) Short positions (–)	–	–	–	–	–	–	–	–	–	–
Up to 1 month	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–	–
(b) Long positions (+)	–	–	–	–	–	–	–	–	–	–
Up to 1 month	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–	–
3. Other	–21.5	–363.5	–	–	–	–	–	–	–	–
– Outflows related to repos (–)	–21.5	–363.5	–	–	–	–	–	–	–	–
Up to 1 month	Principal	–21.5	–363.1	–	–	–	–	–	–	–
Interest	0.0	–0.4	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	Principal	–	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–	–
4. Total predetermined short-term net drains on f/c assets (1+2+3)	–762.4	–1,901.5	–988.6	–899.7	–650.5	–644.9	–779.4	–529.6	–521.1	–526.8
III. Contingent short-term net drains on f/c assets (nominal value)										
1. Contingent liabilities in foreign currency	–1,631.0	–1,300.4	–1,772.9	–2,273.1	–2,734.9	–3,364.5	–3,110.8	–2,604.9	–2,607.4	–2,627.8
(a) Collateral guarantees on debt falling due within 1 year	–685.9	–426.8	–370.9	–443.8	–478.9	–437.4	–549.7	–608.1	–662.1	–656.9

– Croatian National Bank	–	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)	–685.9	–426.8	–370.9	–443.8	–478.9	–437.4	–549.7	–608.1	–662.1	–656.9
Up to 1 month	–52.3	–55.8	–62.7	–59.6	–71.9	–20.5	–51.6	–31.7	–54.3	–7.9
More than 1 and up to 3 months	–35.2	–94.9	–33.9	–53.0	–84.8	–76.5	–38.3	–101.0	–42.4	–219.7
More than 3 months and up to 1 year	–598.3	–276.1	–274.4	–331.2	–322.2	–340.4	–459.8	–475.4	–565.3	–429.2
(b) Other contingent liabilities	–945.1	–873.6	–1,402.0	–1,829.3	–2,256.0	–2,927.2	–2,561.1	–1,996.8	–1,945.3	–1,970.9
– Croatian National Bank	–945.1	–873.6	–1,402.0	–1,829.3	–2,256.0	–2,927.2	–2,561.1	–1,996.8	–1,945.3	–1,970.9
Up to 1 month	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–945.1	–873.6	–1,402.0	–1,829.3	–2,256.0	–2,927.2	–2,561.1	–1,996.8	–1,945.3	–1,970.9
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)	–	–	–	–	–	–	–	–	–	–
2. Foreign currency securities issued with embedded options (puttable bonds)	–	–	–	–	–	–	–	–	–	–
3. Undrawn, unconditional credit lines provided by:	–	–	–	–	–	–	–	–	–	–
– BIS (+)	–	–	–	–	–	–	–	–	–	–
– IMF (+)	–	–	–	–	–	–	–	–	–	–
4. Aggregate short and long positions of options in f/c vis-a-vis the domestic currency	–	–	–	–	–	–	–	–	–	–
5. Total contingent short-term net drains on f/c assets (1+2+3+4)	–1,631.0	–1,300.4	–1,772.9	–2,273.1	–2,734.9	–3,364.5	–3,110.8	–2,604.9	–2,607.4	–2,627.8
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	–20.0	–351.0	–	–	–	–	–	–	–	–5.3
– Lent or repoed but not included in Section I	–	–	–	–	–	–	–	–	–	–
– Borrowed or acquired and included in Section I	–	–	–	–	–	–	–	–	–	–
– Borrowed or acquired but not included in Section I	1,330.3	785.1	180.7	88.5	559.5	972.4	900.7	791.4	389.7	876.8
(e) Financial derivative assets (net, marked to market)	–	–	–	–	–	–	–	–	–	–
(f) Currency composition of official reserves assets	–	–	–	–	–	–	–	–	–	–
– Currencies in SDR basket	5,651.3	6,554.1	6,436.2	7,438.1	8,725.0	9,519.5	9,170.1	8,794.8	9,307.1	9,332.7
– Currencies not in SDR basket	0.0	0.0	0.0	0.3	0.3	0.3	0.3	0.3	0.3	0.1
– By individual currencies										
USD	1,600.8	1,937.6	1,609.1	1,104.5	1,266.0	1,239.2	1,254.2	1,272.5	1,357.2	1,360.5
EUR	4,047.9	4,615.6	4,826.3	6,332.5	7,458.0	8,276.7	7,912.2	7,518.8	7,944.2	7,970.3
Other	2.6	0.9	0.8	1.3	1.3	3.9	4.0	3.8	6.0	2.0

Table H8: International Reserves and Foreign Currency Liquidity

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

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

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

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

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

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

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		7.087680	0.524825	1.079616	0.371511	4.381907	9.166621	5.994736	3.692176
1995		6.757247	0.518724	1.047746	0.321349	4.425013	8.250868	5.229850	3.649215
1996		6.805527	0.513812	1.062870	0.352204	4.407070	8.476847	5.433979	3.614716
1997		6.960719	0.505335	1.056368	0.362049	4.248502	10.089408	6.161849	3.556098
1998		7.139159	0.514631	1.080018	0.366853	4.396452	10.537622	6.362284	3.620795
1999		7.581823	0.550993	1.155840	0.391568	4.739965	11.514804	7.122027	3.876528
2000		7.633852	0.554774	1.163773	0.394256	4.903244	12.530514	8.287369	3.903127
2001		7.471006	0.542939	1.138947	0.385845	4.946810	12.010936	8.339153	3.819865
2002		7.406976				5.049125	11.793108	7.872490	
2003		7.564248				4.978864	10.943126	6.704449	
2004		7.495680				4.854986	11.048755	6.031216	
2005		7.400047				4.780586	10.821781	5.949959	
2006		7.322849				4.656710	10.740292	5.839170	
2007		7.336019				4.468302	10.731537	5.365993	
2007	March	7.356923				4.563893	10.825095	5.559130	
	April	7.396197				4.520671	10.892890	5.482475	
	May	7.329989				4.442055	10.756935	5.422621	
	June	7.328786				4.430674	10.840476	5.467952	
	July	7.291804				4.400808	10.816511	5.321551	
	August	7.311674				4.464012	10.788705	5.366679	
	September	7.313069				4.440287	10.637593	5.275187	
	October	7.320799				4.384000	10.512950	5.149405	
	November	7.339884				4.453499	10.365513	5.004536	
	December	7.315282				4.410997	10.172190	5.022677	
2008	January	7.326929				4.516125	9.821601	4.987008	
	February	7.266515				4.516712	9.689673	4.933374	

Currency Deposits into the Public Debt of the Republic of Croatia, which fall due in the next 12 months. Pledged assets (IV.(c)) show time deposits in foreign currency with a maturity over 3 months listed in item I.B. which are also used as collateral. Repo transactions with securities show the value of collateral that is subject to repo and reverse repo transactions with securities as well as how these transactions are registered in the Template.

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

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

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

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

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

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		6.902400	0.516285	1.052510	0.346500	4.288893	8.784200	5.628700	3.632100
1995		6.812200	0.526742	1.085365	0.335800	4.618693	8.234500	5.316100	3.705900
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.514000
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2003		7.646909				4.901551	10.860544	6.118506	
2004		7.671234				4.971314	10.824374	5.636883	
2005		7.375626				4.744388	10.753209	6.233626	
2006		7.345081				4.571248	10.943208	5.578401	
2007		7.325131				4.412464	9.963453	4.985456	
2007	March	7.382466				4.543615	10.853375	5.542808	
	April	7.372840				4.486060	10.797950	5.414438	
	May	7.308634				4.439430	10.752735	5.439591	
	June	7.303218				4.407494	10.859804	5.422645	
	July	7.297330				4.435528	10.817269	5.337427	
	August	7.319403				4.458972	10.787624	5.372433	
	September	7.281634				4.388906	10.418707	5.136955	
	October	7.350060				4.380250	10.543767	5.106691	
	November	7.313666				4.435482	10.227473	4.962455	
	December	7.325131				4.412464	9.963453	4.985456	
2008	January	7.249864				4.492696	9.752306	4.896241	
	February	7.277476				4.536797	9.547987	4.823034	

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

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

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

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

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

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

indices 2001=100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator	
			Producer price index	Consumer price index
1996	December	83.88	90.19	96.70
1997	December	87.77	93.06	98.84
1998	December	91.09	95.99	95.39
1999	December	99.25	102.78	102.09
2000	December	101.63	100.07	101.91
2001	December	99.07	98.63	98.89
2002	December	95.99	95.65	96.26
2003	December	94.18	94.55	94.71
2004	December	90.42	90.61	90.85
2005	December	91.52	94.33	90.99
2006	December	88.42	92.51	87.96
2007	March	88.41	92.13	87.82
	April	88.41	92.39	87.65
	May	87.56	91.67	86.76
	June	87.75	91.62	87.35
	July	86.79	90.81	86.78
	August	87.17	90.16	86.71
	September	86.75	89.62	85.58
	October	86.23	89.29	85.16
	November	85.72	89.52	84.31
	December	85.58	88.97 ^a	83.10 ^a
2008	January	85.50	87.68 ^a	82.55 ^a
	February	84.74		

^a Preliminary data.

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

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

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

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

Table H12: Gross External Debt by Domestic Sectors

million euros

	2002	2003	2004	2005	2006	2007					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.	Nov.	Dec.
1. Government	5,884.9	6,570.7	7,257.3	7,047.3	6,667.7	6,521.3	6,779.0	6,531.9	6,561.6	6,573.7	6,663.0
Short-term	1.3	1.3	2.7	2.0	1.3	1.1	2.9	1.9	2.0	1.8	5.3
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1.3	1.3	2.7	2.0	1.3	1.1	2.9	1.9	2.0	1.8	5.3
Principal arrears	0.9	0.9	2.4	1.8	0.0	0.5	1.1	1.0	1.1	1.1	1.1
Interest arrears	0.4	0.4	0.3	0.2	1.2	0.6	1.8	0.9	0.9	0.7	4.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,883.6	6,569.4	7,254.6	7,045.3	6,666.5	6,520.2	6,776.2	6,530.0	6,559.6	6,571.9	6,657.7
Bonds	3,950.4	4,306.6	4,662.4	4,052.1	3,640.5	3,528.6	3,793.7	3,540.6	3,550.3	3,562.9	3,563.6
Credits	1,932.1	2,260.5	2,590.2	2,990.6	3,024.1	2,990.0	2,980.9	2,988.0	3,008.0	3,007.8	3,093.0
Trade credits	1.1	2.3	2.1	2.6	1.9	1.7	1.5	1.4	1.3	1.3	1.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	23.2	365.9	2.4	2.6	2.6	2.1	2.3	2.0	1.9	1.9	2.3
Short-term	23.2	365.9	2.4	2.6	2.6	2.1	2.3	2.0	1.9	1.9	2.3
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	21.5	363.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1.7	2.6	2.4	2.6	2.6	2.1	2.3	2.0	1.9	1.9	2.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	3,798.7	6,140.1	7,731.7	8,978.7	10,222.6	10,313.9	9,805.5	8,456.0	8,640.7	8,809.7	8,879.1
Short-term	1.2	605.5	1,969.2	2,505.2	3,362.7	3,447.7	2,961.9	1,889.9	2,019.1	2,048.1	2,361.2
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.3	604.6	519.9	1,064.8	1,150.4	1,013.7	844.6	437.2	529.0	485.6	710.8
Currency and deposits	0.0	0.0	1,448.4	1,438.6	2,211.1	2,432.8	2,116.2	1,451.9	1,489.3	1,561.6	1,648.8
Other debt liabilities	0.8	0.9	0.9	1.7	1.2	1.3	1.1	0.8	0.9	0.8	1.7
Principal arrears	0.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Interest arrears	0.4	0.7	0.9	1.7	1.2	1.3	1.1	0.8	0.9	0.8	1.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,797.5	5,534.7	5,762.5	6,473.6	6,859.9	6,866.2	6,843.6	6,566.1	6,621.6	6,761.6	6,517.9
Bonds	0.0	0.0	453.2	456.6	457.9	463.2	468.5	454.2	455.8	457.4	459.0
Credits	1,900.6	2,798.5	3,517.4	3,822.7	4,217.3	3,830.0	3,440.6	3,415.6	3,400.1	3,404.1	3,565.1
Currency and deposits	1,896.9	2,736.2	1,791.9	2,194.3	2,184.7	2,572.9	2,934.4	2,696.3	2,765.8	2,900.2	2,493.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other sectors	4,030.9	4,945.7	5,895.6	7,264.0	9,502.5	10,240.0	11,007.6	12,554.0	12,757.8	12,995.5	13,451.9
Short-term	472.6	512.9	535.2	707.7	700.9	923.0	1,022.9	1,310.5	1,350.2	1,393.8	1,478.2
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	25.4	68.1	98.5	140.2	155.0	365.7	410.3	649.9	693.5	721.1	681.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	47.5	22.2	23.2	27.8	35.9	33.9	37.9	31.8	31.0	31.1	31.1
Other debt liabilities	399.7	389.0	413.5	539.8	510.0	523.5	574.8	628.7	625.7	641.6	766.0
Principal arrears	366.5	356.3	377.1	496.3	460.6	469.5	513.3	574.9	569.6	587.2	683.4
Interest arrears	33.2	32.7	36.3	43.5	49.4	54.0	61.5	53.9	56.1	54.4	82.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,558.2	4,432.8	5,360.4	6,556.2	8,801.6	9,317.0	9,984.6	11,243.5	11,407.6	11,601.7	11,973.7
Bonds	171.9	344.8	377.9	375.3	306.4	314.0	319.5	609.3	612.9	604.8	401.6
Credits	3,174.9	3,933.0	4,852.7	6,017.1	8,349.8	8,851.8	9,429.5	10,377.6	10,527.1	10,708.4	11,282.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	211.5	155.0	129.8	163.8	145.4	151.1	235.6	256.6	267.5	288.5	289.8

Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Direct investment	1,405.4	1,861.4	2,046.1	2,455.0	2,878.4	3,072.1	3,464.0	3,683.4	3,751.1	3,856.1	3,932.8
Short-term	79.8	122.3	124.1	184.6	233.9	288.2	359.7	390.8	415.8	463.6	540.4
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	29.9	38.7	33.0	36.5	51.2	93.9	141.9	154.3	174.7	212.1	216.8
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	49.9	83.6	91.2	148.1	182.7	194.4	217.8	236.5	241.1	251.4	323.6
Principal arrears	42.0	73.4	78.1	128.7	158.2	171.7	189.1	213.2	217.5	229.3	293.9
Interest arrears	7.9	10.2	13.1	19.4	24.5	22.7	28.7	23.3	23.7	22.2	29.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,325.7	1,739.1	1,921.9	2,270.4	2,644.5	2,783.8	3,104.4	3,292.6	3,335.3	3,392.6	3,392.5
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,291.6	1,707.6	1,892.2	2,236.8	2,618.1	2,759.0	3,081.2	3,270.8	3,314.6	3,372.8	3,374.5
Trade credits	34.1	31.5	29.8	33.6	26.4	24.8	23.2	21.8	20.6	19.8	18.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	15,143.1	19,883.8	22,933.0	25,747.7	29,273.9	30,149.4	31,058.4	31,227.2	31,713.1	32,237.0	32,929.2

Table H12: Gross External Debt by Domestic Sectors

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

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

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

Outstanding gross external debt includes principal and interest

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

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

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

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

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

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

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

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

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

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

million euros

	2002	2003	2004	2005	2006	2007					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.	Nov.	Dec.
1. Public sector	7,211.5	8,327.6	8,580.3	8,500.4	8,256.8	8,186.2	8,578.7	8,764.3	8,866.4	8,939.6	9,259.5
Short-term	60.8	415.8	29.5	23.1	41.7	34.8	34.1	34.3	63.2	61.1	72.5
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	21.9	391.2	0.7	2.3	15.2	12.4	12.2	13.8	43.2	42.9	35.4
Currency and deposits	1.7	2.6	2.4	2.6	2.6	2.1	2.3	2.0	1.9	1.9	2.3
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	37.2	22.1	26.4	18.2	23.9	20.3	19.5	18.6	18.1	16.2	34.7
Principal arrears	35.0	20.5	25.4	17.1	20.6	18.3	15.8	15.2	15.3	15.1	29.9
Interest arrears	2.1	1.6	1.0	1.1	3.3	2.0	3.7	3.4	2.7	1.2	4.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	7,150.2	7,911.5	8,549.6	8,476.3	8,213.6	8,150.0	8,543.0	8,728.2	8,801.4	8,876.7	9,185.2
Bonds	3,950.4	4,306.6	4,662.4	4,052.1	3,640.5	3,528.6	3,793.7	3,835.4	3,847.4	3,860.4	3,859.7
Credits	3,118.5	3,554.4	3,833.2	4,314.5	4,485.2	4,519.0	4,588.0	4,719.3	4,752.3	4,799.4	5,120.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	9.6	7.4	4.2	19.5	10.2	0.0
Trade credits	81.4	50.6	54.1	109.7	87.9	92.8	154.0	169.3	182.3	206.7	205.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.5	0.3	1.2	1.0	1.5	1.5	1.5	1.8	1.8	1.8	1.8
2. Publicly guaranteed private sector	559.5	433.7	334.1	290.8	204.2	177.6	170.7	143.7	143.1	142.8	139.9
Short-term	21.8	21.1	23.5	22.1	17.2	16.4	11.9	12.1	11.4	11.2	11.3
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	21.8	21.1	23.5	22.1	17.2	16.4	11.9	12.1	11.4	11.2	11.3
Principal arrears	13.9	14.3	15.6	14.5	14.4	13.9	9.4	10.2	9.5	9.4	9.4
Interest arrears	7.9	6.8	7.9	7.6	2.8	2.4	2.5	1.9	1.9	1.8	1.9
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	537.8	412.6	310.6	268.8	187.0	161.3	158.8	131.7	131.7	131.6	128.6
Bonds	31.2	31.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	502.5	378.9	309.1	267.0	187.0	161.3	158.8	131.7	131.7	131.6	128.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	4.0	2.5	1.5	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Non-publicly guaranteed private sector	7,372.1	11,122.4	14,018.6	16,956.4	20,812.9	21,785.5	22,309.1	22,319.3	22,703.6	23,154.7	23,529.9
Short-term	415.8	1,048.6	2,456.4	3,172.3	4,008.7	4,322.8	3,944.0	3,157.9	3,298.7	3,373.3	3,763.3
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	25.4	644.8	617.7	1,202.7	1,290.2	1,366.9	1,242.6	1,073.3	1,179.3	1,163.9	1,356.4
Currency and deposits	0.0	0.0	1,448.4	1,438.6	2,211.1	2,432.8	2,116.2	1,451.9	1,489.3	1,561.6	1,648.8
Trade credits	47.5	22.2	23.2	27.8	35.9	33.9	37.9	31.8	31.0	31.1	31.1
Other debt liabilities	342.9	347.9	367.1	503.2	471.5	489.2	547.3	600.9	599.1	616.7	727.0
Principal arrears	318.9	322.6	338.5	466.4	425.6	437.7	489.2	550.5	545.8	563.8	645.4
Interest arrears	24.0	25.3	28.6	36.8	45.8	51.5	58.1	50.4	53.3	52.9	81.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,551.4	8,212.8	9,517.3	11,330.1	13,927.4	14,392.1	14,902.5	15,479.7	15,655.7	15,927.0	15,835.5
Bonds	140.7	313.7	831.1	831.8	764.3	777.3	788.0	768.7	771.6	764.6	564.4
Credits	3,386.6	5,058.6	6,817.9	8,249.0	10,919.0	10,982.0	11,096.8	11,926.0	12,031.8	12,179.1	12,691.4
Currency and deposits	1,896.9	2,736.2	1,791.9	2,194.3	2,184.7	2,572.9	2,934.4	2,696.3	2,765.8	2,900.2	2,493.9
Trade credits	127.1	104.3	76.3	55.0	59.4	60.0	83.2	88.7	86.5	83.0	85.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	1,404.9	1,861.1	2,044.9	2,454.0	2,876.9	3,070.6	3,462.5	3,681.6	3,749.3	3,854.3	3,931.1
Total (1+2+3)	15,143.1	19,883.8	22,933.0	25,747.7	29,273.9	30,149.4	31,058.4	31,227.2	31,713.1	32,237.0	32,929.2

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

million euros

	Outstanding debt 31/12/2007	Immediate	Projected future principal payments													
			Q1/08	Q2/08	Q3/08	Q4/08	2008	2009	2010	2011	2012	2013	2014	2015	Other	
1. Government	6,663.0	5.3	231.6	407.0	76.7	142.1	857.5	1,056.9	858.8	1,492.2	302.4	231.8	692.2	335.8	830.0	
Short-term	5.3	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	5.3	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	4.2	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	6,657.7	0.0	231.6	407.0	76.7	142.1	857.5	1,056.9	858.8	1,492.2	302.4	231.8	692.2	335.8	830.0	
Bonds	3,563.6	0.0	153.3	148.8	25.4	17.4	345.0	714.5	563.2	1,054.5	45.8	28.4	512.8	28.4	270.9	
Credits	3,093.0	0.0	78.1	258.0	51.3	124.6	511.9	342.3	295.6	437.5	256.5	203.4	179.3	307.4	559.1	
Trade credits	1.2	0.0	0.2	0.2	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
2. Croatian National Bank	2.3	0.0	2.3	0.0	0.0	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Short-term	2.3	0.0	2.3	0.0	0.0	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	2.3	0.0	2.3	0.0	0.0	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
3. Banks	8,879.1	1.7	2,366.7	455.0	485.1	372.5	3,679.2	1,445.6	578.1	786.3	372.5	91.7	73.9	38.5	1,811.7	
Short-term	2,361.2	1.7	2,072.8	153.2	67.8	65.7	2,359.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	710.8	0.0	625.3	85.4	0.0	0.0	710.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	1,648.8	0.0	1,447.5	67.8	67.8	65.7	1,648.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	1.7	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	6,517.9	0.0	293.8	301.8	417.3	306.7	1,319.7	1,445.6	578.1	786.3	372.5	91.7	73.9	38.5	1,811.7	
Bonds	459.0	0.0	9.0	0.0	0.0	0.0	9.0	450.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	3,565.1	0.0	67.8	192.2	307.6	194.6	762.2	855.1	423.7	786.3	372.5	91.7	73.9	38.5	161.3	
Currency and deposits	2,493.9	0.0	217.1	109.7	109.7	112.1	548.6	140.5	154.4	0.0	0.0	0.0	0.0	0.0	1,650.4	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
4. Other sectors	13,451.9	766.0	1,002.6	501.2	739.0	668.0	2,910.7	1,784.2	1,633.4	1,505.0	1,214.0	376.4	362.3	397.1	2,502.8	
Short-term	1,478.2	766.0	360.0	138.7	151.0	62.4	712.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	681.0	0.0	360.0	138.7	119.9	62.4	681.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Trade credits	31.1	0.0	0.0	0.0	31.1	0.0	31.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	766.0	766.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	683.4	683.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	82.6	82.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	11,973.7	0.0	642.5	362.5	588.0	605.5	2,198.6	1,784.2	1,633.4	1,505.0	1,214.0	376.4	362.3	397.1	2,502.8	
Bonds	401.6	0.0	7.6	0.0	0.0	0.0	7.6	0.0	0.0	105.4	0.0	0.0	0.0	0.0	288.6	
Credits	11,282.3	0.0	610.4	336.1	558.5	552.3	2,057.3	1,686.6	1,583.8	1,393.7	1,212.6	376.1	362.0	396.9	2,213.4	
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Trade credits	289.8	0.0	24.6	26.5	29.5	53.2	133.7	97.6	49.6	5.9	1.5	0.3	0.3	0.2	0.8	

Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Direct investment	3,932.8	323.6	245.7	142.5	111.8	332.1	832.1	497.0	408.0	403.0	342.6	61.5	101.1	300.5	663.5	
Short-term	540.4	323.6	58.5	41.1	34.8	82.5	216.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	216.8	0.0	58.5	41.1	34.8	82.5	216.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	323.6	323.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	293.9	293.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	29.7	29.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	3,392.5	0.0	187.2	101.5	77.0	249.7	615.3	497.0	408.0	403.0	342.6	61.5	101.1	300.5	663.5	
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	3,374.5	0.0	185.4	100.9	76.4	248.1	610.7	492.4	401.7	401.8	342.0	61.4	100.7	300.5	663.4	
Trade credits	18.0	0.0	1.8	0.6	0.6	1.6	4.6	4.6	6.3	1.1	0.6	0.2	0.5	0.1	0.1	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total (1+2+3+4+5)	32,929.2	1,096.6	3,848.9	1,505.8	1,412.5	1,514.7	8,281.8	4,783.8	3,478.4	4,186.4	2,231.5	761.4	1,229.5	1,071.9	5,808.0	
Supplement: Projected interest payments			15.9	262.4	211.1	264.0	753.3	917.4	720.1	612.9	367.0	292.5	280.2	231.9	754.9	

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

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

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

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

Table H15: Gross External Debt by Other Sectors

million euros

	2002	2003	2004	2005	2006	2007					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.	Nov.	Dec.
1. Other sectors	4,030.9	4,945.7	5,895.6	7,264.0	9,502.5	10,240.0	11,007.6	12,554.0	12,757.8	12,995.5	13,451.9
Short-term	472.6	512.9	535.2	707.7	700.9	923.0	1,022.9	1,310.5	1,350.2	1,393.8	1,478.2
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	25.4	68.1	98.5	140.2	155.0	365.7	410.3	649.9	693.5	721.1	681.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	47.5	22.2	23.2	27.8	35.9	33.9	37.9	31.8	31.0	31.1	31.1
Other debt liabilities	399.7	389.0	413.5	539.8	510.0	523.5	574.8	628.7	625.7	641.6	766.0
Principal arrears	366.5	356.3	377.1	496.3	460.6	469.5	513.3	574.9	569.6	587.2	683.4
Interest arrears	33.2	32.7	36.3	43.5	49.4	54.0	61.5	53.9	56.1	54.4	82.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,558.2	4,432.8	5,360.4	6,556.2	8,801.6	9,317.0	9,984.6	11,243.5	11,407.6	11,601.7	11,973.7
Bonds	171.9	344.8	377.9	375.3	306.4	314.0	319.5	609.3	612.9	604.8	401.6
Credits	3,174.9	3,933.0	4,852.7	6,017.1	8,349.8	8,851.8	9,429.5	10,377.6	10,527.1	10,708.4	11,282.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	211.5	155.0	129.8	163.8	145.4	151.1	235.6	256.6	267.5	288.5	289.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1. Other banking institutions	17.5	26.3	25.4	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	1.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	1.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	16.5	25.3	25.4	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	16.5	25.3	25.4	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Non-banking financial institutions	304.9	685.1	981.2	1,249.1	1,873.7	2,088.1	2,270.7	2,562.4	2,572.4	2,565.3	2,630.7
Short-term	3.1	2.7	9.5	19.6	60.1	85.5	104.8	134.2	139.4	149.6	201.6
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	5.4	14.3	46.5	67.1	86.3	125.6	133.5	143.2	184.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	3.1	2.7	4.0	5.3	13.6	18.4	18.4	8.6	5.9	6.4	17.1
Principal arrears	2.1	1.5	1.5	2.9	6.4	8.0	6.7	5.5	2.1	2.8	2.9
Interest arrears	1.1	1.2	2.5	2.4	7.2	10.3	11.7	3.2	3.8	3.7	14.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	301.8	682.5	971.7	1,229.5	1,813.7	2,002.6	2,166.0	2,428.2	2,433.0	2,415.6	2,429.2
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	301.8	681.8	971.7	1,229.3	1,813.6	2,002.6	2,166.0	2,428.2	2,433.0	2,415.6	2,429.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.7	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3. Public enterprises	822.0	1,005.9	972.4	1,120.8	1,168.5	1,173.9	1,243.0	1,624.1	1,695.4	1,764.0	1,997.4
Short-term	31.6	41.8	20.6	13.3	31.6	25.4	26.6	26.6	49.2	47.5	48.3
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.4	25.7	0.0	0.0	15.2	12.4	12.3	13.1	35.8	35.5	35.4
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	31.2	16.2	20.6	13.3	16.4	13.0	14.3	13.5	13.4	12.0	12.9
Principal arrears	29.8	15.5	20.0	12.5	14.5	11.7	12.4	11.7	11.7	11.7	12.5
Interest arrears	1.4	0.7	0.6	0.8	1.9	1.3	1.9	1.9	1.7	0.3	0.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	790.4	964.0	951.9	1,107.6	1,136.9	1,148.5	1,216.4	1,597.5	1,646.2	1,716.5	1,949.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	294.8	297.1	297.5	296.2

Credits	726.3	929.6	919.4	1,026.8	1,066.8	1,077.5	1,087.9	1,158.2	1,194.2	1,241.2	1,470.2
Trade credits	64.1	34.4	32.5	80.7	70.1	71.0	128.6	144.6	154.9	177.8	182.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.4. Mixed enterprises	480.9	384.9	347.1	328.7	416.5	487.4	552.8	604.5	605.7	598.2	594.9
Short-term	4.7	6.8	3.9	5.3	6.3	6.2	2.4	3.8	10.1	9.8	16.5
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	2.2	0.7	2.3	0.0	0.0	0.0	0.7	7.4	7.4	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	4.7	4.6	3.2	3.0	6.3	6.2	2.4	3.1	2.7	2.5	16.5
Principal arrears	4.4	4.1	3.0	2.9	6.1	6.1	2.3	2.5	2.6	2.3	16.4
Interest arrears	0.3	0.6	0.1	0.1	0.2	0.0	0.1	0.6	0.1	0.1	0.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	476.3	378.1	343.2	323.4	410.2	481.3	550.5	600.7	595.6	588.3	578.4
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	460.1	364.3	323.6	297.0	394.3	461.1	526.6	577.3	569.5	560.6	557.1
Trade credits	16.2	13.8	19.6	26.4	15.9	20.2	23.8	23.4	26.1	27.7	21.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.5. Other enterprises	2,335.3	2,763.8	3,473.2	4,428.1	5,929.1	6,370.0	6,786.3	7,605.8	7,725.9	7,908.8	8,062.2
Short-term	426.7	454.3	482.9	654.8	578.8	776.9	860.2	1,117.9	1,120.6	1,156.1	1,174.3
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	24.2	39.8	81.7	122.0	86.9	275.4	302.6	504.8	510.6	528.8	451.2
Trade credits	47.5	22.2	23.2	27.8	35.9	33.9	37.9	31.8	31.0	31.1	31.1
Other debt liabilities	355.1	358.6	378.1	505.1	456.0	467.6	519.8	581.3	579.1	596.2	692.0
Principal arrears	326.7	330.7	346.8	467.5	420.3	429.1	476.2	537.7	534.1	551.5	630.2
Interest arrears	28.4	27.9	31.3	37.5	35.7	38.5	43.6	43.6	45.0	44.7	61.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,908.6	2,309.6	2,990.2	3,773.3	5,350.3	5,593.2	5,926.1	6,487.9	6,605.2	6,752.8	6,887.9
Bonds	171.9	344.8	377.9	375.3	306.4	314.0	319.5	314.5	315.8	307.3	105.4
Credits	1,627.0	1,874.6	2,545.3	3,348.9	4,989.1	5,224.2	5,528.8	6,090.2	6,208.3	6,367.7	6,701.7
Trade credits	109.7	90.1	67.1	49.1	54.8	55.0	77.7	83.2	81.2	77.8	80.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.6. Non-profit institutions	3.3	2.8	4.0	4.9	5.3	5.3	5.4	5.4	5.4	5.4	5.4
1.7. Craftsmen and sole traders	40.9	50.0	42.7	35.2	26.8	28.6	28.2	25.3	24.6	23.9	24.1
1.8. Households	26.1	26.9	49.7	71.5	82.7	86.7	121.2	126.5	128.4	130.0	137.2

Table H16: International Investment Position – Summary

million euros

	2002 ^a	2003 ^a	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2007			
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b
1. International investment position (net)	-7,275.1	-10,716.7	-15,371.6	-20,229.0	-29,971.2	-39,670.2	-36,024.5	-39,218.3	-38,856.5	-39,670.2
2. Assets	12,492.1	14,347.6	15,117.6	16,042.7	18,243.8	21,110.5	19,099.7	19,707.2	20,265.8	21,110.5
2.1. Direct investment abroad	1,606.8	1,626.7	1,563.4	1,729.8	1,833.8	2,378.5	2,069.9	2,348.5	2,347.3	2,378.5
2.2. Portfolio investment	876.5	737.4	1,506.0	2,136.8	2,575.9	3,017.2	2,875.0	3,243.4	3,194.8	3,017.2
2.2.1. Equity securities	79.1	141.3	176.8	418.0	720.4	1,595.5	1,147.5	1,457.0	1,728.0	1,595.5
2.2.2. Debt securities	797.4	596.1	1,329.1	1,718.8	1,855.4	1,421.7	1,727.5	1,786.4	1,466.7	1,421.7
Bonds	787.5	593.7	1,168.7	1,571.6	1,464.0	1,141.4	1,322.4	1,364.8	1,210.7	1,141.4
Money market instruments	9.9	2.4	160.4	147.1	391.4	280.3	405.1	421.5	256.1	280.3
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	4,357.4	5,429.5	5,612.1	4,737.7	5,108.8	6,407.4	4,635.1	4,945.0	5,928.6	6,407.4
2.4.1. Trade credits	222.5	253.4	221.6	263.0	230.7	227.4	222.8	223.9	225.2	227.4
2.4.2. Loans	108.9	102.1	102.2	146.2	239.5	293.2	246.9	248.0	324.7	293.2
2.4.3. Currency and deposits	4,026.0	5,074.0	5,288.2	4,328.5	4,638.3	5,886.8	4,165.4	4,473.1	5,378.7	5,886.8
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
2.5. Reserve assets (CNB)	5,651.3	6,554.1	6,436.1	7,438.4	8,725.3	9,307.4	9,519.7	9,170.3	8,795.1	9,307.4
3. Liabilities	19,767.1	25,064.3	30,489.1	36,271.6	48,215.0	60,780.6	55,124.2	58,925.5	59,122.3	60,780.6
3.1. Direct investment in Croatia	5,790.8	6,808.6	9,114.2	12,332.4	20,782.0	30,375.0	26,966.5	30,072.1	30,263.5	30,375.0
3.2. Portfolio investment	4,361.0	4,918.4	5,981.6	5,530.4	5,442.4	5,833.4	5,386.3	5,840.8	5,919.0	5,833.4
3.2.1. Equity securities	238.7	233.4	488.1	646.5	1,037.5	1,409.3	1,080.4	1,259.0	1,315.0	1,409.3
3.2.2. Debt securities	4,122.2	4,685.1	5,493.5	4,883.9	4,404.8	4,424.2	4,305.8	4,581.8	4,604.1	4,424.2
Bonds	4,122.2	4,651.4	5,493.5	4,883.9	4,404.8	4,424.2	4,305.8	4,581.8	4,604.1	4,424.2
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. Financial derivatives										
3.4. Other investment	9,615.4	13,337.3	15,393.4	18,408.7	21,990.6	24,572.2	22,771.5	23,012.6	22,939.7	24,572.2
3.4.1. Trade credits	260.0	179.5	155.1	194.2	183.3	322.1	186.7	275.0	289.8	322.1
3.4.2. Loans	7,055.0	10,027.9	11,578.7	14,035.5	16,896.6	19,332.1	17,051.1	17,105.9	17,868.2	19,332.1
3.4.3. Currency and deposits	1,898.6	2,738.8	3,242.7	3,635.6	4,398.3	4,145.0	5,007.8	5,053.0	4,150.2	4,145.0
3.4.4. Other assets	401.8	391.2	417.0	543.5	512.5	773.0	525.8	578.7	631.5	773.0

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

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

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

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

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

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

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

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

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

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

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

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

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

Table H17: International Investment Position – Direct Investment

million euros

	2002 ^a	2003 ^a	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2007			
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b
Direct investment (net)	-4,183.9	-5,181.9	-7,550.8	-10,602.7	-18,948.2	-27,996.5	-24,896.5	-27,723.6	-27,916.2	-27,996.5
1. Abroad	1,606.8	1,626.7	1,563.4	1,729.8	1,833.8	2,378.5	2,069.9	2,348.5	2,347.3	2,378.5
1.1. Equity capital and reinvested earnings	1,569.1	1,587.0	1,502.3	1,610.4	1,725.0	2,269.1	1,944.8	2,222.8	2,236.6	2,269.1
1.1.1. Claims	1,569.1	1,587.0	1,502.3	1,610.4	1,725.0	2,269.1	1,944.8	2,222.8	2,236.6	2,269.1
1.1.2. 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	37.7	39.7	61.2	119.3	108.9	109.5	125.2	125.7	110.7	109.5
1.1.1. Claims	49.9	63.4	89.6	138.0	145.5	174.4	165.6	170.7	154.3	174.4
1.2.2. Liabilities	12.2	23.7	28.4	18.7	36.6	64.9	40.4	44.9	43.6	64.9
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	5,790.8	6,808.6	9,114.2	12,332.4	20,782.0	30,375.0	26,966.5	30,072.1	30,263.5	30,375.0
2.1. Equity capital and reinvested earnings	4,400.6	4,972.7	7,116.4	9,920.6	17,961.3	26,819.3	23,957.5	26,637.9	26,792.8	26,819.3
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	4,400.6	4,972.7	7,116.4	9,920.6	17,961.3	26,819.3	23,957.5	26,637.9	26,792.8	26,819.3
2.2. Other capital	1,390.2	1,835.9	1,997.8	2,411.8	2,820.8	3,555.7	3,009.0	3,434.2	3,470.7	3,555.7
2.2.1. Claims	0.3	1.8	19.9	20.1	21.1	24.2	22.7	23.2	24.1	24.2
2.2.2. Liabilities	1,390.5	1,837.7	2,017.7	2,431.9	2,841.8	3,579.9	3,031.7	3,457.4	3,494.8	3,579.9
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Revised data. ^b Preliminary data.

Table H18: International Investment Position – Portfolio Investment

million euros

	2002 ^a	2003 ^a	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2007			
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b
Portfolio investment (net)	-3,486.5	-4,183.3	-4,475.6	-3,393.6	-2,866.5	-2,816.9	-2,511.3	-2,597.4	-2,724.3	-2,816.9
1. Assets	874.4	735.1	1,506.0	2,136.8	2,575.9	3,016.5	2,875.0	3,243.4	3,194.8	3,016.5
1.1. Equity securities	77.1	139.0	176.8	418.0	720.4	1,594.8	1,147.5	1,457.0	1,728.0	1,594.8
1.1.1. Banks	7.4	4.7	5.1	5.9	6.7	8.3	8.3	8.6	8.3	8.3
1.1.2. Other sectors	69.6	134.2	171.8	412.1	713.7	1,586.6	1,139.2	1,448.4	1,719.7	1,586.6
1.2. Debt securities	797.4	596.1	1,329.1	1,718.8	1,855.4	1,421.7	1,727.5	1,786.4	1,466.7	1,421.7
2. Liabilities	4,361.0	4,918.4	5,981.6	5,530.4	5,442.4	5,833.4	5,386.3	5,840.8	5,919.0	5,833.4
2.1. Equity securities	238.7	233.4	488.1	646.5	1,037.5	1,409.3	1,080.4	1,259.0	1,315.0	1,409.3
2.1.1. Banks	44.5	46.3	64.7	84.0	156.7	168.0	182.7	192.5	187.9	168.0
2.1.2. Other sectors	194.3	187.1	423.4	562.6	880.8	1,241.2	897.7	1,066.5	1,127.1	1,241.2
2.2. Debt securities	4,122.2	4,685.1	5,493.5	4,883.9	4,404.8	4,424.2	4,305.8	4,581.8	4,604.1	4,424.2
2.2.1. Bonds	4,122.2	4,651.4	5,493.5	4,883.9	4,404.8	4,424.2	4,305.8	4,581.8	4,604.1	4,424.2
2.2.1.1. General government	3,950.4	4,306.6	4,662.4	4,052.1	3,640.5	3,563.6	3,528.6	3,793.7	3,540.6	3,563.6
2.2.1.2. Banks	0.0	0.0	453.2	456.6	457.9	459.0	463.2	468.5	454.2	459.0
2.2.1.3. Other sectors	171.9	344.8	377.9	375.3	306.4	401.6	314.0	319.5	609.3	401.6
2.2.2. Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.1. Other sectors	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Revised data. ^b Preliminary data.

Table H19: International Investment Position – Other Investment

million euros

	2002 ^a	2003 ^a	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2007			
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b
Other investment (net)	-5,258.0	-7,907.9	-9,781.4	-13,671.0	-16,881.8	-18,164.8	-18,136.4	-18,067.6	-17,011.1	-18,164.8
1. Assets	4,357.4	5,429.5	5,612.1	4,737.7	5,108.8	6,407.4	4,635.1	4,945.0	5,928.6	6,407.4
1.1. Trade credits	222.5	253.4	221.6	263.0	230.7	227.4	222.8	223.9	225.2	227.4
1.1.1. General government	0.0	0.0	0.0	0.3	0.1	0.0	0.1	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.3	0.1	0.0	0.1	0.0	0.0	0.0
1.1.2. Other sectors	222.5	253.4	221.6	262.7	230.5	227.4	222.7	223.8	225.2	227.4
Long-term	216.3	211.5	181.4	190.6	177.5	224.7	182.2	191.8	200.2	224.7
Short-term	6.2	41.9	40.2	72.1	53.1	2.7	40.5	32.0	25.0	2.7
1.2. Loans	108.9	102.1	102.2	146.2	239.5	293.2	246.9	248.0	324.7	293.2
1.2.1. Croatian National Bank	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Long-term	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
1.2.2. General government	4.8	5.3	7.0	8.7	9.5	15.5	9.0	12.6	12.9	15.5
Long-term	4.8	5.3	7.0	8.7	9.5	15.5	9.0	12.6	12.9	15.5
1.2.3. Banks	97.5	87.1	81.6	113.2	188.6	212.1	189.6	187.0	215.9	212.1
Long-term	72.9	63.1	62.6	85.3	140.1	157.4	153.1	162.4	155.7	157.4
Short-term	24.6	23.9	19.0	27.9	48.5	54.8	36.5	24.6	60.2	54.8
1.2.4. Other sectors	5.9	9.1	13.0	23.6	40.9	65.0	47.7	47.9	95.3	65.0
Long-term	5.8	9.1	11.7	23.3	40.7	64.9	46.7	46.5	88.7	64.9
Short-term	0.1	0.0	1.3	0.3	0.2	0.1	1.0	1.4	6.6	0.1
1.3. Currency and deposits	4,026.0	5,074.0	5,288.2	4,328.5	4,638.3	5,886.8	4,165.4	4,473.1	5,378.7	5,886.8
1.3.2. General government	115.7	81.9	8.9	54.2	26.4	69.8	1.4	43.4	55.1	69.8
1.3.3. Banks	2,754.3	3,916.8	4,319.7	3,112.2	3,499.9	4,715.1	3,036.2	3,294.4	4,181.5	4,715.1
1.3.4. Other sectors	1,156.0	1,075.4	959.7	1,162.1	1,111.9	1,101.9	1,127.7	1,135.3	1,142.2	1,101.9
1.4. Other assets	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
2. Liabilities	9,615.4	13,337.3	15,393.4	18,408.7	21,990.6	24,572.2	22,771.5	23,012.6	22,939.7	24,572.2
2.1. Trade credits	260.0	179.5	155.1	194.2	183.3	322.1	186.7	275.0	289.8	322.1
2.1.1. General government	1.1	2.3	2.1	2.6	1.9	1.2	1.7	1.5	1.4	1.2
Long-term	1.1	2.3	2.1	2.6	1.9	1.2	1.7	1.5	1.4	1.2
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	259.0	177.2	153.0	191.6	181.3	320.9	185.0	273.5	288.4	320.9
Long-term	211.5	155.0	129.8	163.8	145.4	289.8	151.1	235.6	256.6	289.8
Short-term	47.5	22.2	23.2	27.8	35.9	31.1	33.9	37.9	31.8	31.1
2.2. Loans	7,055.0	10,027.9	11,578.7	14,035.5	16,896.6	19,332.1	17,051.1	17,105.9	17,868.2	19,332.1
2.2.1. Croatian National Bank	21.5	363.3	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
2.2.2. General government	1,932.1	2,260.5	2,590.2	2,990.6	3,024.1	3,093.0	2,990.0	2,980.9	2,988.0	3,093.0
Long-term	1,932.1	2,260.5	2,590.2	2,990.6	3,024.1	3,093.0	2,990.0	2,980.9	2,988.0	3,093.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,901.0	3,403.0	4,037.3	4,887.5	5,367.8	4,275.8	4,843.7	4,285.2	3,852.7	4,275.8
Long-term	1,900.6	2,798.5	3,517.4	3,822.7	4,217.3	3,565.1	3,830.0	3,440.6	3,415.6	3,565.1
Short-term	0.3	604.6	519.9	1,064.8	1,150.4	710.8	1,013.7	844.6	437.2	710.8
2.2.4. Other sectors	3,200.3	4,001.0	4,951.3	6,157.3	8,504.8	11,963.3	9,217.5	9,839.7	11,027.5	11,963.3
Long-term	3,174.9	3,933.0	4,852.7	6,017.1	8,349.8	11,282.3	8,851.8	9,429.5	10,377.6	11,282.3
Short-term	25.4	68.1	98.5	140.2	155.0	681.0	365.7	410.3	649.9	681.0
2.3. Currency and deposits	1,898.6	2,738.8	3,242.7	3,635.6	4,398.3	4,145.0	5,007.8	5,053.0	4,150.2	4,145.0
2.3.1. Croatian National Bank	1.7	2.6	2.4	2.6	2.6	2.3	2.1	2.3	2.0	2.3
2.3.2. Banks	1,896.9	2,736.2	3,240.3	3,632.9	4,395.7	4,142.6	5,005.7	5,050.7	4,148.2	4,142.6
2.4. Other liabilities	401.8	391.2	417.0	543.5	512.5	773.0	525.8	578.7	631.5	773.0

^a Revised data. ^b Preliminary data.

Table I1: Consolidated Central Government According to the Government Level

million kuna

	2004	2005	2006	2007				
				Mar.	Jun.	Sep.	Oct.	Nov.
1. REVENUE (A+B)	87,019.3	92,642.5	100,392.6	8,076.5	8,996.5	10,133.8	9,679.7	9,538.9
A) Budgetary central government	80,463.5	85,653.0	95,234.1	7,800.9	8,607.4	9,703.0	9,210.3	9,033.7
B) Extrabudgetary users	6,555.8	6,989.5	5,158.5	275.6	389.1	430.8	469.4	505.2
1. Croatian Pension Insurance Administration	129.9	38.0	293.5	0.0	0.0	0.0	0.0	0.0
2. Croatian Institute for Health Insurance	663.1	863.9	848.7	0.0	0.0	0.0	0.0	0.0
3. Croatian Employment Service	15.5	18.9	18.4	0.0	0.0	0.0	0.0	0.0
4. Croatian Waters	1,224.4	1,227.8	1,526.9	161.3	156.5	187.2	208.9	154.9
5. Fund for Environmental Protection and Energy Efficiency	170.7	214.7	659.8	53.9	62.7	79.3	104.5	163.5
6. Croatian Motorways Ltd.	2,295.4	2,547.0	1,271.1	54.1	123.6	139.1	120.1	96.3
7. Croatian Roads Ltd.	1,417.8	1,474.7	64.7	3.3	36.0	16.4	3.3	5.8
8. State Agency for Deposit Insurance and Bank Rehabilitation	575.9	367.4	409.6	2.4	5.5	5.4	28.1	69.2
9. Croatian Privatisation Fund	62.9	237.0	65.9	0.6	4.8	3.4	4.4	15.5
2. EXPENSE (A+B)	86,941.4	92,332.1	98,751.4	8,811.9	8,387.0	9,172.4	9,358.2	10,088.8
A) Budgetary central government	81,861.2	86,715.6	91,979.7	8,481.0	7,884.4	8,729.9	8,772.0	9,414.4
B) Extrabudgetary users	5,080.3	5,616.5	6,771.7	331.0	502.6	442.4	586.2	674.4
1. Croatian Pension Insurance Administration	587.4	382.2	565.9	0.0	0.0	0.0	0.0	0.0
2. Croatian Institute for Health Insurance	831.3	914.3	931.6	0.0	0.0	0.0	0.0	0.0
3. Croatian Employment Service	141.3	145.9	155.0	0.0	0.0	0.0	0.0	0.0
4. Croatian Waters	1,426.3	1,489.5	1,779.1	104.1	157.7	184.0	187.9	275.8
5. Fund for Environmental Protection and Energy Efficiency	32.4	172.0	734.8	72.9	60.3	110.1	125.2	161.1
6. Croatian Motorways Ltd.	752.3	1,085.1	1,272.7	72.2	182.6	78.4	139.4	151.5
7. Croatian Roads Ltd.	934.6	1,062.4	1,226.9	75.6	83.1	61.2	125.2	76.2
8. State Agency for Deposit Insurance and Bank Rehabilitation	314.5	183.0	27.4	1.1	9.3	1.4	1.6	1.6
9. Croatian Privatisation Fund	60.1	182.1	78.4	5.0	9.6	7.3	6.8	8.2
NET/GROSS OPERATING BALANCE (1–2)	77.8	310.3	1,641.2	-735.4	609.5	961.4	321.5	-549.9
3. CHANGE IN NET WORTH: TRANSACTIONS (3.1.+3.2.–3.3.)	77.8	310.3	1,641.2	-735.4	609.5	961.4	321.5	-549.9
3.1. CHANGE IN NET ACQUISITION OF NON-FINANCIAL ASSETS	8,373.5	6,699.4	6,108.6	412.3	520.2	590.7	800.1	676.8
Acquisition	8,648.4	7,024.2	6,836.4	459.0	540.8	616.5	825.5	709.7
A) Budgetary central government	1,663.9	1,828.8	1,908.5	101.7	126.7	191.6	407.7	369.9
B) Extrabudgetary users	6,984.5	5,195.4	4,927.9	357.3	414.1	424.9	417.8	339.7
Disposals	274.9	324.8	727.7	46.8	20.7	25.9	25.4	32.9
A) Budgetary central government	244.4	275.1	352.7	32.3	20.5	23.6	23.2	31.8
B) Extrabudgetary users	30.5	49.6	375.1	14.5	0.1	2.3	2.2	1.1
NET LENDING/BORROWING (1–2–3.1.)	-8,295.6	-6,389.1	-4,467.4	-1,147.7	89.3	370.8	-478.6	-1,226.8
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING) (3.3.–3.2.)	8,295.6	6,389.1	4,467.4	1,147.7	-89.3	-370.8	478.6	1,226.8
3.2. CHANGE IN NET ACQUISITION OF FINANCIAL ASSETS	28.4	1,609.8	-2,576.7	-755.0	-193.9	560.4	-1,175.4	-1,277.8
3.2.1. Domestic	18.6	1,614.6	-2,593.4	-755.0	-196.7	560.4	-1,175.4	-1,283.1
A) Budgetary central government	138.6	1,747.7	-3,063.9	-785.6	-235.8	690.4	-1,177.5	-1,377.3
B) Extrabudgetary users	-120.0	-133.1	470.5	30.6	39.2	-130.0	2.1	94.2
3.2.2. Foreign	9.8	-4.9	16.7	0.0	2.7	0.0	0.0	5.3
A) Budgetary central government	9.8	-4.9	16.7	0.0	2.7	0.0	0.0	5.3
B) Extrabudgetary users	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. CHANGE IN NET INCURRENCE OF LIABILITIES	8,324.0	7,998.8	1,890.7	392.6	-283.3	189.6	-696.8	-51.0
3.3.1. Domestic	4,107.7	12,041.7	5,282.8	472.3	-390.7	185.3	-843.6	-193.1
A) Budgetary central government	4,038.7	10,591.6	3,166.3	277.8	-388.0	193.5	-848.2	-269.7
B) Extrabudgetary users	69.0	1,450.1	2,116.5	194.5	-2.6	-8.2	4.6	76.6
3.3.2. Foreign	4,216.3	-4,042.8	-3,392.1	-79.6	107.4	4.3	146.8	142.1
A) Budgetary central government	270.3	-5,080.6	-3,943.2	-93.6	-195.6	-30.7	-0.3	-24.4
B) Extrabudgetary users	3,946.0	1,037.8	551.2	14.0	303.0	35.1	147.1	166.5

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

Table I2: Budgetary Central Government Operations

million kuna

	2004	2005	2006	2007				
				Mar.	Jun.	Sep.	Oct.	Nov.
1. REVENUE	80,463.5	85,653.0	95,235.6	7,803.2	8,607.4	9,702.8	9,210.3	9,034.6
1.1. Taxes	47,149.9	50,687.6	58,469.1	4,502.2	5,157.1	5,256.5	5,655.9	5,524.6
1.2. Social contributions	29,477.6	31,301.3	33,877.1	2,929.4	3,116.4	3,149.9	3,172.6	3,164.0
1.3. Grants	10.1	27.5	196.0	10.8	40.8	29.3	73.8	53.2
1.4. Other revenue	3,825.9	3,636.6	2,693.3	360.7	293.1	1,267.1	308.1	292.8
2. EXPENSE	83,131.1	87,857.5	95,950.0	8,703.5	8,150.7	9,007.1	9,154.8	9,774.4
2.1. Compensation of employees	22,268.3	23,182.6	24,313.9	2,152.2	2,224.9	2,250.1	2,235.2	2,261.2
2.2. Use of goods and services	4,358.7	4,951.9	6,069.1	521.9	486.7	546.0	651.9	737.7
2.3. Consumption of fixed capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Interest	3,972.5	4,387.0	4,713.6	715.5	370.6	373.7	174.6	324.7
2.5. Subsidies	4,968.1	5,248.7	5,670.8	582.6	349.2	731.3	645.7	703.1
2.6. Grants	3,420.3	3,796.8	6,653.0	379.6	495.2	511.4	725.0	846.2
2.7. Social benefits	39,730.9	41,358.5	43,444.6	4,013.5	3,851.3	4,251.6	4,112.4	3,899.2
2.8. Other expense	4,412.4	4,931.9	5,085.0	338.2	372.7	343.1	610.0	1,002.1
3. CHANGE IN NET WORTH: TRANSACTIONS	-2,667.6	-2,204.5	-714.4	-900.3	456.7	695.6	55.5	-739.8
3.1. Change in net acquisition of non-financial assets	1,419.5	1,553.7	1,555.8	69.5	106.2	168.0	384.5	338.2
3.1.1. Fixed assets	1,384.6	1,517.0	1,595.1	62.1	99.3	159.8	362.0	324.3
3.1.2. Inventories	0.0	0.0	-80.2	-1.3	0.0	0.0	14.5	8.8
3.1.3. Valuables	7.5	7.2	7.8	0.9	2.6	0.3	1.1	0.9
3.1.4. Non-produced assets	27.3	29.5	33.1	7.8	4.3	7.9	6.9	4.1
3.2. Change in net acquisition of financial assets	222.0	1,752.8	-3,047.2	-785.6	-233.1	690.4	-1,177.5	-1,372.0
3.2.1. Domestic	212.2	1,757.7	-3,063.9	-785.6	-235.8	690.4	-1,177.5	-1,377.3
3.2.2. Foreign	9.8	-4.9	16.7	0.0	2.7	0.0	0.0	5.3
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. Change in net incurrence of liabilities	4,309.0	5,510.9	-777.0	184.2	-583.6	162.8	-848.4	-294.0
3.3.1. Domestic	4,038.7	10,591.6	3,166.3	277.8	-388.0	193.5	-848.2	-269.7
3.3.2. Foreign	270.3	-5,080.6	-3,943.2	-93.6	-195.6	-30.7	-0.3	-24.4

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

Table I3: Central Government Debt

end of period, million kuna

	2002	2003	2004	2005	2006	2007				2008
	Dec. ^a	Dec.	Dec.	Dec.	Dec.*	Mar.*	Jun.*	Sep.*	Dec.*	Jan.
1. Domestic debt of central government	31,421.5	34,736.4	41,517.0	55,028.8	59,732.5	62,292.6	62,437.5	64,484.3	63,029.8	62,301.1
1.1. Domestic debt of the Republic of Croatia	23,320.0	28,160.8	37,223.7	50,559.5	54,216.7	56,553.6	56,616.2	58,174.9	56,506.5	55,874.8
Treasury bills	5,632.7	6,548.1	9,022.5	12,533.4	12,662.2	13,556.6	12,956.3	12,170.6	11,975.3	11,665.3
Money market instruments	0.1	0.3	–	0.9	–	–	–	–	–	–
Bonds	15,887.9	17,422.0	23,080.1	30,716.0	34,827.9	37,256.9	36,732.6	36,750.7	38,795.2	38,596.1
Credits from the CNB	0.5	1.4	3.3	1.4	0.9	–	–	–	1.0	–
Credits from banks	1,798.8	4,189.1	5,117.8	7,307.8	6,725.7	5,740.1	6,927.4	9,253.6	5,735.0	5,613.4
1.2. Domestic debt of central government funds	8,101.5	6,575.5	4,293.3	4,469.2	5,515.8	5,739.0	5,821.2	6,309.4	6,523.4	6,426.3
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	4,460.7	3,616.4	2,040.1	176.9	253.1	277.1	202.4	203.3	121.5	105.9
Credits from banks	3,640.7	2,959.1	2,253.2	4,292.3	5,262.6	5,461.9	5,618.8	6,106.1	6,401.8	6,320.4
2. External debt of central government	43,399.6	49,924.7	55,437.5	51,769.5	48,833.5	47,974.5	49,347.2	47,424.8	48,976.9	48,149.8
2.1. External debt of the Republic of Croatia	37,432.1	41,041.9	42,231.2	36,414.5	32,556.6	31,798.3	31,219.2	29,051.0	29,363.1	28,827.0
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	28,719.3	32,115.1	32,919.3	27,020.1	22,836.9	22,203.9	21,950.0	20,032.3	20,397.5	20,158.5
Credits	8,712.8	8,926.8	9,311.9	9,394.5	9,719.7	9,594.4	9,269.2	9,018.7	8,965.5	8,668.4
2.2. External debt of central government funds	5,967.6	8,882.8	13,206.3	15,354.9	16,276.9	16,176.2	18,127.9	18,373.8	19,613.9	19,322.8
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	680.4	816.9	2,846.8	2,866.5	3,903.0	3,845.7	5,756.5	5,758.2	5,908.9	5,887.3
Credits	5,287.2	8,066.0	10,359.5	12,488.4	12,373.9	12,330.5	12,371.4	12,615.6	13,705.0	13,435.5
3. Total (1+2)	74,821.1	84,661.1	96,954.5	106,798.2	108,566.0	110,267.1	111,784.6	111,909.1	112,006.7	110,450.9
Supplement: Central government guaranteed debt										
– guarantees for domestic debt	7,528.1	6,895.4	4,642.0	5,345.9	7,312.8	8,216.3	8,106.8	8,065.3	7,919.9	7,859.5
– guarantees for external debt	8,764.6	8,713.0	7,787.7	7,248.8	6,965.0	6,913.5	6,966.2	7,182.5	9,435.5	9,467.5

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

Table I3: Central Government Debt

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

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

Table J1: Consumer Price and Producer Price Indices

Year	Month	Basic indices, 2005 = 100			Chain indices				Monthly year-on-year indices			
		Consumer price indices			Consumer price indices ^a			Producer prices	Consumer price indices ^b			Producer prices
		Total	Goods	Services	Total	Goods	Services		Total	Goods	Services	
1994	December	....	....	....	100.2	100.1	100.8	100.2	97.0	95.0	108.1	94.5
1995	December	....	....	....	100.2	100.2	99.8	100.5	103.7	102.4	109.3	101.6
1996	December	....	....	....	100.0	100.2	99.5	100.3	103.4	102.3	108.7	101.5
1997	December	....	....	....	100.7	100.3	102.3	99.9	103.8	102.7	108.2	101.6
1998	December	82.1	84.6	73.7	100.3	100.4	100.0	100.0	105.4	104.3	109.2	97.9
1999	December	85.3	87.2	78.5	100.6	100.8	100.0	100.3	103.9	103.1	106.5	105.9
2000	December	90.0	92.0	82.8	100.4	100.4	100.1	100.2	105.5	105.5	105.5	111.2
2001	December	92.1	93.2	88.5	100.4	100.4	100.5	99.0	102.4	101.3	106.8	96.9
2002	December	93.8	94.2	92.6	100.4	100.6	99.6	99.9	101.8	101.1	104.6	102.3
2003	December	95.4	95.7	94.6	100.3	100.2	100.5	100.0	101.7	101.6	102.2	101.0
2004	December	98.0	98.0	98.0	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	December	101.6	101.4	102.0	100.5	100.5	100.5	99.7	103.6	103.5	104.1	102.7
2006	December	103.7	102.8	106.4	100.0	100.0	100.2	100.0	102.0	101.4	104.2	101.9
2007	March	104.9	103.8	108.6	100.6	100.8	100.1	100.6	101.8	101.1	103.7	102.0
	April	105.7	104.8	108.3	100.7	101.0	99.7	100.4	102.3	101.8	103.5	102.3
	May	106.2	105.5	108.1	100.5	100.6	99.9	100.4	102.2	101.9	103.0	102.3
	June	105.8	104.9	108.3	99.6	99.4	100.2	100.4	101.9	101.6	102.7	102.9
	July	105.1	103.8	109.3	99.4	98.9	100.8	100.2	102.1	101.9	102.8	103.0
	August	105.7	104.4	109.9	100.6	100.6	100.5	100.8	102.6	102.6	102.6	103.6
	September	107.0	106.4	108.7	101.2	101.9	98.9	100.6	103.9	104.3	102.2	104.5
	October	107.3	107.0	108.3	100.3	100.5	99.7	100.4	104.3	104.8	102.3	104.9
	November	108.4	108.3	108.6	101.0	101.2	100.2	100.6	104.6	105.3	102.4	105.4
	December	109.7	109.5	110.0	101.2	101.2	101.3	100.4	105.8	106.6	103.4	105.8
2008	January	110.4	109.9	111.9	100.7	100.4	101.7	102.3	106.2	107.0	103.7	107.4
	February	110.3	109.5	112.6	99.9	99.6	100.7	100.3	105.8	106.4	103.8	107.5

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

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

Source: CBS.

Table J1: Consumer Price and Producer Price Indices

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

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

Table J2: Core Consumer Price Indices

Year	Month	Basic indices, 2005 = 100 ^a			Chain indices			Monthly year-on-year indices			
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services	
1998	December	87.3	88.6	80.0	99.9	99.9	100.0	....	....	....
1999	December	89.8	91.1	82.3	100.1	100.1	100.1	102.9	102.9	103.0	
2000	December	92.8	93.9	86.5	100.4	100.4	100.2	103.3	103.0	105.0	
2001	December	93.9	94.6	89.8	99.8	99.7	100.3	101.2	100.8	103.8	
2002	December	95.0	95.6	91.9	100.0	100.1	99.4	101.2	101.0	102.4	
2003	December	96.2	96.4	94.7	100.2	100.1	101.0	101.2	100.9	103.0	
2004	December	98.4	98.5	97.4	100.1	100.1	100.4	102.3	102.2	102.9	
2005	December	101.3	101.4	101.0	100.1	100.0	100.5	103.0	102.9	103.7	
2006	December	103.6	103.6	103.6	99.8	99.7	100.3	102.3	102.2	102.5	
2007	March	104.0	103.7	105.1	100.5	100.5	100.2	102.5	102.2	104.0	
	April	104.6	104.5	104.9	100.6	100.8	99.9	102.6	102.5	103.5	
	May	105.4	105.3	105.7	100.7	100.8	100.7	102.8	102.7	103.4	
	June	105.5	105.2	106.7	100.1	99.9	101.0	102.4	102.2	103.1	
	July	105.0	104.3	108.9	99.6	99.1	102.1	102.4	102.1	103.4	
	August	105.6	104.7	110.1	100.6	100.5	101.1	103.0	102.8	104.1	
	September	106.3	106.1	107.6	100.7	101.3	97.7	103.0	102.9	103.3	
	October	107.2	107.3	106.4	100.8	101.1	98.9	103.4	103.4	103.1	
	November	108.0	108.2	106.7	100.8	100.9	100.3	104.0	104.2	103.4	
	December	108.8	109.1	107.2	100.8	100.8	100.4	105.0	105.3	103.5	
	2008	January	108.7	108.8	108.2	99.9	99.7	101.0	105.3	105.6	103.8
		February	108.7	108.7	108.8	100.0	99.9	100.5	105.3	103.7	107.5

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

Table J2: Core Consumer Price Indices

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

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

Table J3: Average Monthly Net Wages

in current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1994	December	1,646.0	119.0	153.4	233.2
1995	December	1,883.0	99.4	114.4	145.7
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	December	3,839.0	98.0	107.2	105.0
2003	December	4,045.0	99.8	105.4	105.9
2004	December	4,312.0	99.1	106.6	105.9
2005	December	4,473.0	97.3	103.7	104.9
2006	December	4,735.0	97.0	105.9	105.2
2007	January	4,739.0	100.1	106.3	106.3
	February	4,649.0	98.1	105.6	105.9
	March	4,788.0	103.0	104.0	105.3
	April	4,750.0	99.2	105.7	105.4
	May	4,875.0	102.6	104.0	105.1
	June	4,848.0	99.5	104.5	105.0
	July	4,855.0	100.1	106.6	105.2
	August	4,869.0	100.3	105.1	105.2
	September	4,743.0	97.4	104.4	105.1
	October	4,871.0	102.7	106.3	105.2
	November	5,131.0	105.3	105.1	105.2
	December	4,958.0	96.6	104.7	105.2

Source: CBS.

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

index points, original data

Year	Month	Composite indices			Response indices (I)						
		Consumer confidence index	Consumer expectations index	Consumer sentiment index	I1	I2	I3	I4	I7	I8	I11
1999	October	-33.7	-14.9	-46.3	-38.4	-12.1	-49.9	-17.6	35.5	-50.7	-69.7
2000	October	-20.9	3.5	-32.2	-26.2	1.2	-22.0	5.7	26.9	-48.3	-63.6
2001	October	-27.0	-11.4	-35.6	-29.6	-10.0	-35.9	-12.7	22.9	-41.3	-62.3
2002	October	-25.2	-8.3	-29.3	-22.6	-5.1	-31.2	-11.5	20.1	-34.1	-64.0
2003	October	-22.2	-4.5	-25.0	-21.5	-2.6	-26.5	-6.4	14.7	-27.1	-65.2
2004	October	-23.9	-7.9	-22.0	-19.1	-4.1	-30.5	-11.6	22.5	-16.5	-57.3
2005	December	-26.4	-13.7	-25.6	-16.4	-5.9	-34.4	-21.5	27.6	-25.9	-50.6
2006	December	-18.9	-4.7	-15.4	-10.9	1.1	-22.4	-10.5	16.9	-12.9	-49.4
2007	March	-16.7	-5.0	-17.8	-13.0	-1.4	-21.7	-8.6	9.7	-18.7	-47.2
	April	-14.5	-1.6	-15.6	-11.7	1.8	-18.9	-4.9	5.6	-16.2	-49.4
	May	-16.8	-2.2	-18.1	-15.5	0.5	-21.0	-4.8	10.1	-17.7	-52.7
	June	-15.6	-3.5	-14.2	-12.2	-0.5	-18.0	-6.5	9.3	-12.5	-46.2
	July	-13.9	0.3	-12.7	-12.3	2.5	-13.8	-2.0	8.3	-11.9	-47.8
	August	-14.7	-1.6	-13.0	-9.9	0.2	-15.9	-3.4	9.6	-13.2	-45.8
	September	-17.9	-4.5	-18.6	-14.4	-1.2	-22.0	-7.8	14.4	-19.5	-48.2
	October	-15.3	-1.0	-15.8	-12.8	1.3	-17.2	-3.2	12.1	-17.3	-47.2
	November	-15.3	-2.5	-16.3	-13.0	0.9	-18.7	-5.8	6.9	-17.1	-49.4
	December	-24.7	-15.5	-24.5	-16.8	-9.8	-31.8	-21.2	12.8	-25.0	-54.8
2008	January	-21.0	-12.4	-22.8	-15.5	-6.9	-29.8	-17.9	9.1	-23.1	-50.0
	February	-24.2	-16.1	-28.1	-21.1	-8.0	-35.7	-24.2	10.0	-27.5	-54.4
	March	-24.1	-13.7	-27.2	-21.9	-6.4	-38.4	-20.9	14.9	-21.2	-54.2

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The components of composite indices are as follows:

CCI: I2, I4, I7×(-1), I11

CEI: I2, I4

CSI: I1, I3, I8.

List of Banks and Savings Banks

1 March 2008

Licensed Banks

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

Licensed Housing Savings Banks

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

Other Licensed Institutions with Full Authorisation

1. Hrvatska banka za obnovu i razvitak, Zagreb

Representative Offices of Foreign Banks

1. Bank für Kärnten und Steiermark AG, Zagreb

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

Banks and Savings Banks Undergoing Bankruptcy Proceedings

Name of bank/savings bank	Date of bankruptcy proceedings initiation
1. Agroobrtnička banka d.d., Zagreb	14/6/2000
2. Alpe Jadran banka d.d., Split	15/5/2002
3. Cibalae banka d.d., Vinkovci	20/10/2000
4. Glumina banka d.d., Zagreb	30/4/1999
5. Gospodarska štedionica d.d., Vrbovec	3/4/2003
6. Gradska banka d.d., Osijek	3/5/1999
7. Hrvatska gospodarska banka d.d., Zagreb	19/4/2000
8. Ilirija banka d.d., Zagreb	6/4/1999
9. Komercijalna banka d.d., Zagreb	30/4/1999
10. Međimurska štedionica d.d., Čakovec	17/3/2004
11. Štedionica Groš banak d.o.o., Zagreb	23/4/2001
12. Štedionica Mediteran d.o.o., Split	5/12/2001
13. Trgovačko-turistička banka d.d., Split	8/9/2000
14. Županjska banka d.d., Županja	3/5/1999

Banks and Savings Banks Undergoing Winding-up Proceedings

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

Banks and Savings Banks whose License Was Revoked, but Have Not Initiated Winding-up Proceedings

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

Management of the Croatian National Bank

1 March 2008

Members of the Council of the Croatian National Bank

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

Management of the CNB

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

Executive Directors

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

