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General information on Croatia

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538
Population (million)	4.426	4.440	4.440	4.440	4.439	4.442	4.440	4.436	4.434	4.429
GDP (million HRK, current prices) ^a	176,690	190,796	208,223	227,012	245,550	264,367	286,341	314,223	342,159	333,063
GDP (million EUR, current prices)	23,146	25,538	28,112	30,011	32,759	35,725	39,102	42,833	47,370	45,379
GDP per capita (in EUR)	5,229	5,752	6,331	6,759	7,380	8,043	8,807	9,656	10,683	10,245
GDP – year-on-year rate of growth (in %, constant prices)	3.0	3.8	5.4	5.0	4.2	4.2	4.7	5.5	2.4	-5.8
Average year-on-year inflation rate ^b	4.6	3.8	1.7	1.8	2.1	3.3	3.2	2.9	6.1	2.4
Current account balance (million EUR)	-568	-821	-2,099	-1,889	-1,434	-1,976	-2,717	-3,236	-4,338	-2,448
Current account balance (as % of GDP)	-2.5	-3.2	-7.5	-6.3	-4.4	-5.5	-6.9	-7.6	-9.2	-5.4
Exports of goods and services (as % of GDP)	40.7	42.3	39.6	43.8	43.5	42.8	43.5	42.7	42.0	35.6
Imports of goods and services (as % of GDP)	45.1	47.4	49.1	50.6	49.4	48.9	50.2	50.1	50.1	39.4
External debt (million EUR, end of year) ^c	12,264	13,609	15,144	19,884	22,933	25,761	29,274	32,929	39,125	43,095*
External debt (as % of GDP)	53.0	53.3	53.9	66.3	70.0	72.1	74.9	76.9	82.6	95.0*
External debt (as % of exports of goods and services)	130.2	125.9	136.1	151.3	161.0	168.7	172.3	179.9	196.6	266.7*
External debt service (as % of exports of goods and services) ^{c,d}	25.5	27.5	27.5	21.3	22.5	25.0	35.8	33.3	28.2	46.1*
Gross international reserves (million EUR, end of year)	3,783	5,334	5,651	6,554	6,436	7,438	8,725	9,307	9,121	10,376
Gross international reserves (in terms of months of imports of goods and services, end of year)	4.3	5.3	4.9	5.2	4.8	5.1	5.3	5.2	4.6	7.0
National currency: Croatian kuna (HRK)										
Exchange rate on 31 December (HRK : 1 EUR)	7.5983	7.3700	7.4423	7.6469	7.6712	7.3756	7.3451	7.3251	7.3244	7.3062
Exchange rate on 31 December (HRK : 1 USD)	8.1553	8.3560	7.1457	6.1185	5.6369	6.2336	5.5784	4.9855	5.1555	5.0893
Average exchange rate (HRK : 1 EUR)	7.6339	7.4710	7.4070	7.5642	7.4957	7.4000	7.3228	7.3360	7.2232	7.3396
Average exchange rate (HRK : 1 USD)	8.2874	8.3392	7.8725	6.7044	6.0312	5.9500	5.8392	5.3660	4.9344	5.2804
Consolidated general government balance (as % of GDP) ^e	-6.5	-5.9	-4.3	-5.4	-4.2	-3.5	-2.6	-2.0	-1.8	-4.3
Public debt (as % of GDP) ^f	34.5	35.5	34.9	35.7	37.9	38.5	36.0	33.4	29.3	35.3
Unemployment rate (ILO, persons above 15 years of age)	16.1	15.8	14.8	14.3	13.8	12.7	11.2	9.6	8.4	9.1
Employment rate (ILO, persons above 15 years of age)	42.6	41.8	43.3	43.1	43.5	43.3	43.6	44.2	44.5	43.3

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

^b CPI inflation rate.

^c In accordance with the obligations assumed during the pre-accession negotiations with the European Commission, the new legislative provisions governing the monitoring of foreign borrowing entered into force early in 2008. The external debt balance at end-2007 is reported in accordance with the old system. In order to provide for the comparability of annual data, the external debt is also calculated in accordance with the new system which shows an upward adjustment in the end-2007 balance, increasing it by EUR 325m or to EUR 33,254m. The advanced data processing system is in use since early 2009. For comparability reasons, the external debt balance at end-2008 is also calculated in accordance with the advanced system which shows an upward adjustment in the end-2008 balance, increasing it by EUR 366m or to EUR 39,491m. Data on round tripping, which stood at EUR 826m at end-2008 and EUR 1,499m at end-2009, are excluded from this figure.

^d Includes principal payments on bonds, long-term trade credits and long-term loans (excluding liabilities to affiliated enterprises), as well as total interest payments net of interest payments on direct investment.

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

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

Sources: CBS, MoF and CNB.

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A faint, light gray architectural floor plan of a building with a central square and circular rooms, overlaid on a large, light blue diamond shape. A solid red horizontal line is positioned above the text.

Quarterly report

Summary

According to the latest data, the economy continued to weaken in the second quarter of 2010, albeit at a slower pace than at the beginning of the year. The annual rate of change in real GDP for this period was -2.5% , as in the first quarter. This was primarily due to a continued sharp contraction in capital investment and a drop in inventory accumulation. Personal consumption, the largest component of aggregate demand, decreased on an annual basis, but increased from the beginning of the year. Domestic production continued to lag behind that in other countries in the region despite a boost coming from exports, which were positive on account of the world trade recovery. The recovery of foreign demand did not suffice to compensate for the sustained weakening of domestic demand, with the result that most sectors contracted in the April to June period. Industry, construction and trade contracted at the sharpest pace, while agriculture and financial intermediation were the only sectors to record GDP growth relative to the beginning of the year.

As confirmed by seasonally adjusted data, negative trends in the labour market persisted. However, both the increase in unemployment and the decrease in employment decelerated from the beginning of the year. Wages recorded similar trends, continuing to drop annually, but at a slower rate. Gross wages decreased further early in the third quarter, while net wages grew annually in July and August, reflecting the favourable impact coming from the abolishment of the lower rate of the special tax on salaries, pensions and other income and from changes in the income tax system.

Against a background of a drop in domestic demand and unit labour costs in the second quarter and early in the third quarter, consumer price inflation in Croatia was low, ranging between 0.6% and 1.0% . Due to relatively weak demand, most foreign and domestic producers, instead of passing on to consumers the price increases in energy and other raw materials on the world market, persisting since the second half of 2009, cut other costs and/or profit margins. This is confirmed by the relatively low annual rates of change in producer prices of durable and non-durable consumer goods. It should be noted that the increase in the HWWI index of raw material prices (in euro terms) in August from March points to mounting imported inflationary pressures in that period, which could, with a time lag, and given the anticipated strengthening of demand, result in an increase in consumer price inflation.

The nominal kuna/euro exchange rate was relatively stable in the third quarter of 2010. The kuna started to weaken against the euro after having come under marked appreciation pressures in June and early July, which were alleviated by CNB foreign exchange interventions. Standing at HRK 7.29/EUR at the end of September, the exchange rate remained unchanged from the same period in the previous year. As a result of cross-currency movements in international markets, the kuna gained 9.1% and 4.4% versus the US dollar and pound sterling respectively in the third quarter, although it fell by 1.3% against the Swiss franc. Due to these exchange rate developments, and the 1.4% depreciation of the kuna/euro exchange rate, the index of the nominal exchange rate of the kuna appreciated 0.9% in the observed period. The real effective exchange rate of the kuna deflated by consumer and producer prices continued to depreciate in the second quarter from the first quarter, signalling a sustained slight increase in export price competitiveness.

Due to the high liquidity of the banking system, money market interest rates remained low, which in turn made a positive

impact on bank interest rates. Interest rates on short-term government and corporate borrowing dropped from the beginning of the year, in contrast with long-term interest rates. Under such conditions, loans to the private sector continued to grow at a moderate rate, with the growth exclusively accounted for by lending to enterprises. Banks considerably improved their foreign positions using the inflows coming from domestic financing sources in July and August.

The second quarter of 2010 saw a further reduction of the current account imbalance, especially with regard to external trade in goods. Exports of goods continued to increase in the April to August period and rates of change in imports of goods were positive for the first time since the end of 2008. The negative factor income balance decreased relative to the second quarter of 2009, mainly due to a fall in domestic sectors' interest expense, also contributing to the contraction of the deficit. The services and current transfers balances remained mainly unchanged from the reference period in the previous year.

Capital inflows continued to decline in the second quarter of 2010, with the net capital outflow standing at EUR 0.1bn. Foreign assets edged up, due both to direct investments and portfolio investments of residents abroad, increasing at a slightly higher rate than foreign liabilities. Foreign direct investments (excluding round-tripping transactions) were a mere EUR 0.2bn. However, due to the negative effect of cross-currency changes involving the weakening of the euro against other currencies, primarily the US dollar, the increase in the external debt balance was significantly higher (EUR 0.6bn). With the July central government bond issue added, external debt reached EUR 43.8bn in July, accounting for 97% of the GDP estimate for 2010 (exclusive of round-tripping investments).

Consolidated central government revenues continued to decrease in the first seven months of 2010 despite changes in tax regulations made in 2009, the most significant being the levy of the special tax on salaries, pensions and other income and the increase in the basic VAT rate. However, expenditures stagnated, the combined result of a reduction in expenditures on employee compensation and the use of goods and services and a rise in expenditures on social benefits and interest; significant cuts in government investments also made a contribution. As a consequence, consolidated central government net borrowing (on a cash basis, GFS 2001, but exclusive of the change in net loans and expenditures for other financial assets) amounted to HRK 8.2bn in the January to July period. The central government financed (refinanced) the deficit through new borrowing and by using the funds deposited with the CNB raised by a late-2009 bond issue. The second tranche of domestic bonds worth HRK 1.5bn and EUR 650m in kuna equivalent was issued in July, together with foreign bonds worth USD 1.25bn. As a result, debt increased by HRK 16.2bn in the first seven months, reaching HRK 131.bn at the end of July.

Due to negative fiscal results in the first part of the year and the changes in the tax system, which were to have a predominantly negative effect on consolidated central government revenues in the rest of the year, in late August the Parliament adopted revisions to the government budget and financial plans of extrabudgetary users, making a substantial downward adjustment in expected revenues and slightly increasing expenditures. The central government deficit target for 2010 was revised upward from 2.7% to 4.4% of estimated GDP.

A comparison of economic developments in Croatia and

selected Central and East European EU member states reveals that Croatia was the only country that by the end of the second quarter of 2010 had shown no signs of economic recovery and that it had recorded a weaker export recovery than other countries in the region. The general government deficit will increase significantly in 2010 relative to the previous year, in contrast

with the deficits of other countries, which are expected to decrease or stagnate at the 2009 level. Finally, although the prolonged recession in Croatia resulted in the narrowing of the current account deficit, it has remained large compared with those of other countries.

Demand

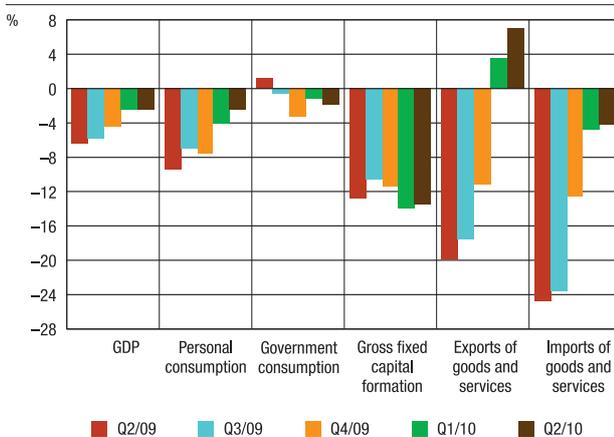
According to the CBS's quarterly GDP estimate,¹ real economic activity fell by 2.5% annually in the second quarter of 2010, as it had in the first quarter. Seasonally and calendar adjusted data show a continued contraction of economic activity during the April-June period, although at a considerably slower pace than at the beginning of the year. (For more about the adjustment methods, see Box 1 Seasonal and calendar time series adjustment). The weakening of domestic demand in the observed period was mostly due to reduced gross fixed capital formation, i.e. a continued fall in capital investment and slower accumulation of inventories.² A sharp fall in capital investment was caused by a further weakening of all investment activity components, i.e. reduced corporate investment in machinery and equipment, as well as by a continued decline in construction activity observed in all sectors (household, corporate and government sectors). Government consumption also contributed negatively to the economic activity trends. By contrast, personal consumption, the largest aggregate demand component, rose slightly from the first quarter of 2010, despite adverse movements on the labour market. Further strengthening of foreign demand contributed positively to overall real economic activity.

The available economic indicators for the early second half of 2010 suggest a slight improvement in aggregate demand. A downward trend in industrial production was halted in July and August, and inventories of finished producer goods continued to decline. Moreover, real retail trade turnover picked up,

suggesting a rise in household consumption and/or an increase in foreign tourist spending in retail trade during the peak tourist season. Furthermore, as shown by the data on capital goods imports, corporate investment in machinery and equipment started to recover. In contrast to this, residential construction activity continued to decline, as did the construction of other, primarily infrastructure facilities.

Figure 1 Gross domestic product and aggregate demand components

original data, real year-on-year rate of growth



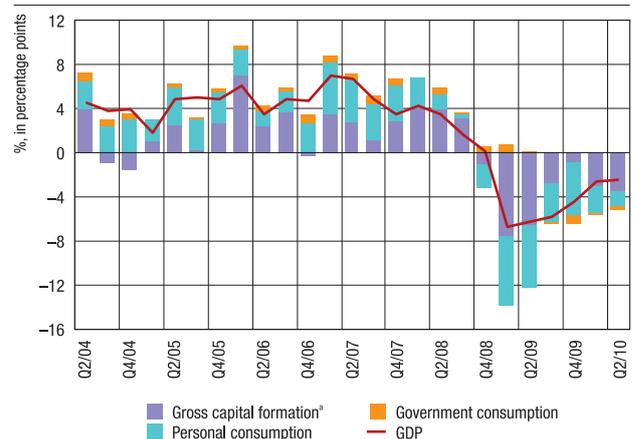
Source: CBS.

¹ The data for the period from the first quarter of 2006 to the second quarter of 2010 are preliminary and are based on the CBS's quarterly GDP estimate.

² The 'changes in inventories' category includes a statistical discrepancy arising from a mismatch between the expenditure and the production GDP calculation methods.

Figure 2 Real GDP growth rates (in %) and relative contribution of domestic demand categories (in percentage points)

original data



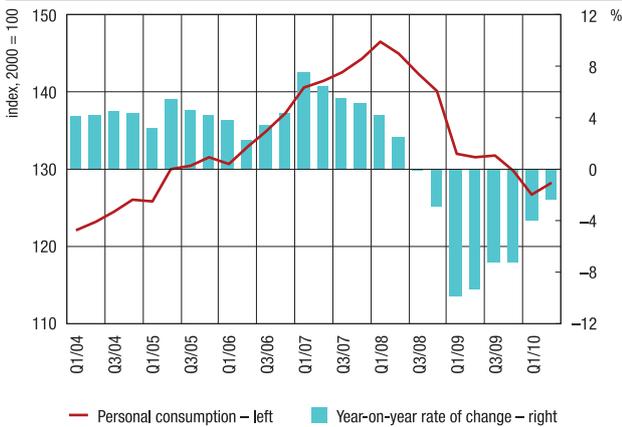
^a Gross capital formation is composed of gross fixed capital formation and changes in stocks. Source: CBS.

Personal consumption

Seasonally adjusted CBS data on personal consumption during the second quarter of 2010, point to a marked increase from the beginning of the year. However, as other available statistical data, e.g. GVA movements in trade, the monthly indicator of retail trade turnover, etc., do not confirm such a strong increase, the personal consumption growth structure cannot be precisely accounted for. That is to say that growth, as suggested by other data, was not the result of increased household spending on consumer goods, as consumers continued to refrain from purchasing durable goods and reduced their consumption of income-inelastic products in the reference period.

According to seasonally and calendar adjusted data on retail trade turnover in July and August 2010, personal consumption increased from the first half of the year. These movements were probably stimulated by changes in the income tax system and the abolishment of the lower rate of the special tax on income, which led to a marked increase in the disposable income of households during the observed period and, consequently, heavier consumption. However, the data on real retail trade turnover as an indicator of changes in personal consumption should be used with caution. Specifically, foreign tourists, whose number

Figure 3 Personal consumption
seasonally adjusted



Source: CBS.

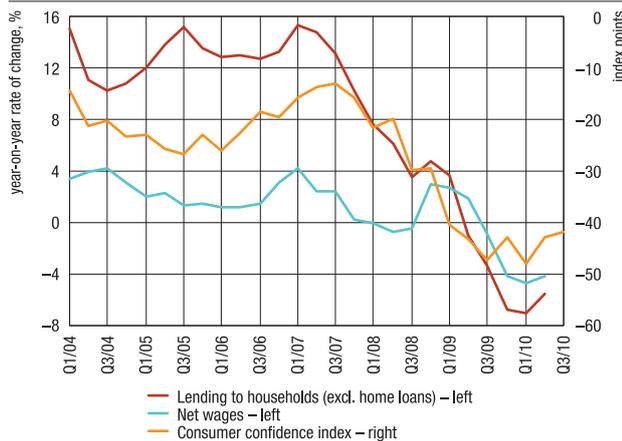
picked up markedly from last year, account for a considerable share in total retail trade turnover during the third quarter.

Gross fixed capital formation

The second quarter of 2010 saw a decline in capital investment, as suggested by seasonally adjusted data. This period also saw a further fall in corporate investments in machinery and equipment, accompanied by a decline in investment in all types of construction projects. As a result of growing difficulties in current liability financing, government investment in infrastructure dropped sharply, whereas the private sector's investment in construction was still strongly inhibited by excess supply of residential units on the market.

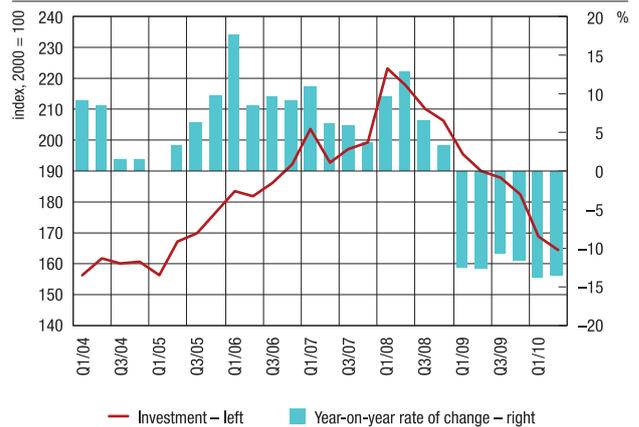
According to available indicators for the beginning of the third quarter of 2010, favourable investment performance is expected to continue in the remainder of the year, although opposite trends are observed in some investment activity components. Thus, a surplus supply of residential real estate, uncertainty about the future economic situation and generally unfavourable financing terms for new construction project investments underpin the continued downtrend in construction investment. On the

Figure 4 Personal consumption components
original data



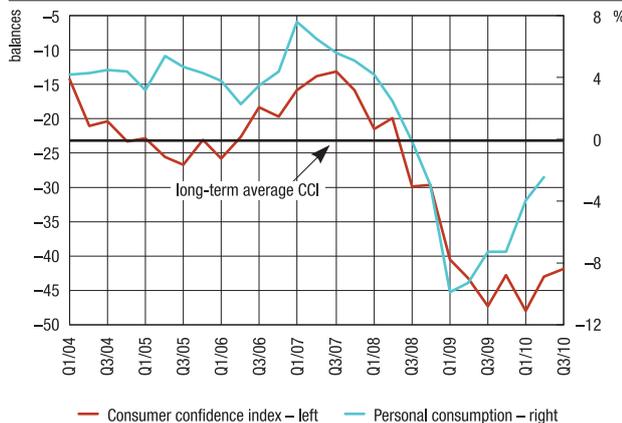
Sources: CBS and CNB.

Figure 6 Gross fixed capital formation
seasonally adjusted



Source: CBS.

Figure 5 Consumer optimism and personal consumption
seasonally adjusted data, year-on-year rate of change and balances



Sources: CBS and CNB.

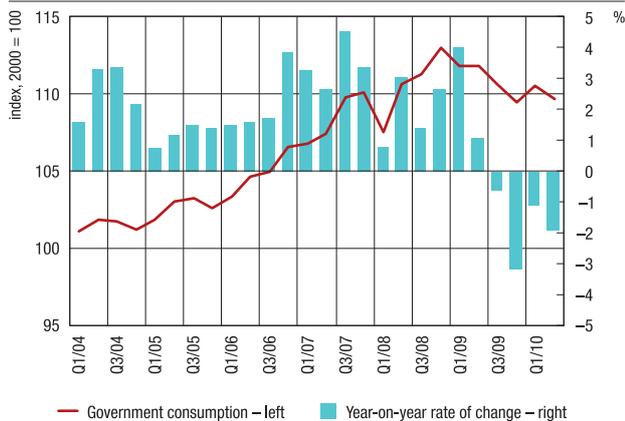
other hand, investment in machinery and equipment continue to grow. This is primarily suggested by a strong increase in capital goods imports (excluding 'other transport equipment' and 'road vehicles'), but also a continued upward trend in the business confidence of manufacturing enterprises.

Government consumption

A fall in government consumption over the second quarter of 2010 relative to the previous quarter, seasonally adjusted, was again the result of a drop in real government spending on goods and services. The number of public administration and public services employees held steady over the observed period, relative to the first quarter, showing that real expenditures for compensation of employees also remained at their previous quarter's level.

Seasonally adjusted CBS data on the number of employed persons by activity in the period July-August 2010 suggest a slight decline in the number of civil servants and public administration employees from the previous quarters, which is why real expenditures for compensation of employees also went down. Moreover, given reduced expenditures for the use of goods and

Figure 7 Government consumption
seasonally adjusted



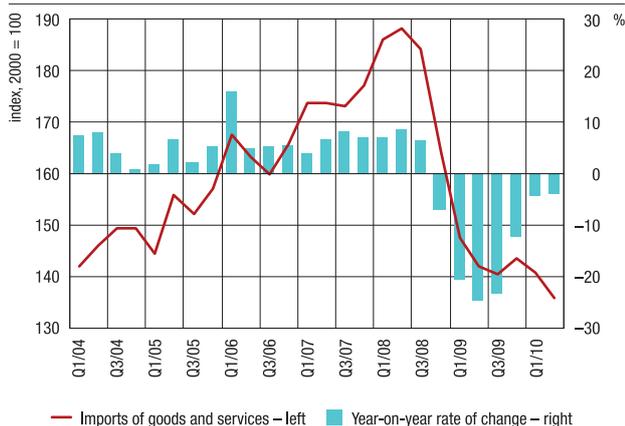
Source: CBS.

services (at the general government level), planned in the budget revision from August, this government consumption item is likely to have decreased slightly over the third quarter of 2010.

Imports of goods and services

As shown by seasonally adjusted data, real goods and services imports decreased in the second quarter of 2010 from the previous quarter. Such movements can be accounted for by the aforementioned decline in domestic demand relative to the January-March period. It is worth noting that a concurrent increase

Figure 8 Imports of goods and services
seasonally adjusted



Source: CBS.

in foreign demand for domestic goods led to the growth of intermediate goods imports and prevented an even sharper fall in imports.

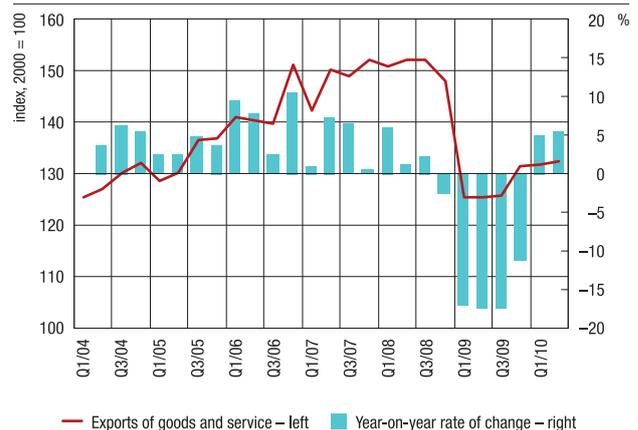
Seasonally adjusted CBS data on trade in goods for July and August 2010, suggest an increase in goods imports from the average level in the previous quarter. This was mostly due to stronger imports of intermediate goods and non-durable consumer goods. It should be emphasised, however, that the CBS data on movements in both the import and the export components of trade in goods are nominal, which makes it rather difficult to draw any conclusions on their real changes.

Exports of goods and services

In the second quarter of 2010, real goods and services exports, seasonally adjusted, went up again from the previous quarter. Both the data on the movements in goods exports and the observed decline in foreign tourist arrivals and nights confirm that this growth was entirely due to a rise in foreign demand for domestic goods, driven by economic recovery in major Croatian export markets.

Nominal data on total goods exports for July and August 2010, point to further growth in foreign demand for domestic goods. The growth in exports, excluding ships and refined petroleum products, was mainly spurred by an increase in intermediate goods exports. This was paralleled by a marked annual rise in the number of foreign tourist nights recorded in commercial accommodation facilities. It is noteworthy that the average spending of foreign visitors declined considerably in the first half 2010 relative to the same period last year. Should this trend continue in the peak tourist season as well, tourism revenues might be considerably lower than would otherwise be suggested by the growth rates in volume indicators of demand for tourist services.

Figure 9 Exports of goods and services
seasonally adjusted



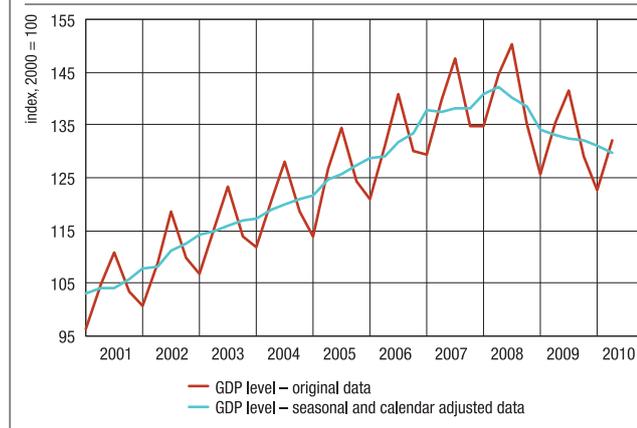
Source: CBS.

Box 1 Seasonal and calendar time series adjustment

A time series is a set of observations of a certain variable taken over a period of time. For most economic data series, the observations of a variable are measured at regular and consecutive intervals (e.g. monthly or quarterly). Generally, each time series can be considered as a combination of three different

components, each representing the influence of a particular set of the effects of real events on this time series. The *trend-cycle component*, for example, describes the general course of a time series, including long-term and medium-term oscillations in the time series. The *seasonal component* describes regular cyclical

Figure 10 Real gross domestic product



Note: The X12 ARIMA method has been used for seasonal and calendar adjustments.
Sources: CBS and CNB calculations.

movements in a time series shorter than one year (e.g. higher consumption during Christmas holidays), and the *irregular component* represents random, unpredictable and non-systematic variations in a time series. Apart from these components, *calendar effects* should sometimes also be taken into account when explaining variations in the series, relating to a different number of days in the same month or quarter of a given year, and to movable holidays (e.g. Easter).

The purpose of the seasonal time series adjustment is to remove the aforementioned seasonal and calendar effects from the time series, thus providing for a more efficient and economically more relevant analysis of movements within the time series. For example, domestic GDP in Croatia is always the highest during the third quarter, as the peak tourist season falls in this period, and it is the lowest during the first quarter. This is clearly illustrated by Figure 10, showing original and seasonally and calendar adjusted real GDP for Croatia by quarter, in the period from the first quarter of 2000 to the second quarter of 2010.

For these reasons, the quarterly rate of change based on original data on real GDP does not typically convey a realistic picture of its fundamental movements and can therefore lead to false conclusions. The same is true for all other time series containing a statistically significant seasonal component. The seasonal and calendar adjustment of the original series is therefore a prerequisite for analyses that include the examination of the course of a given economic data time series.

Various algorithms are used for removing seasonal and calendar effects from time series, prominent among them being X12 ARIMA and TRAMO/SEATS. The CNB predominantly uses the X12 ARIMA method, its algorithm being incorporated in the Demetra software.³ This method has been chosen for its flexibility and the large set of diagnostic tools that it offers. Moreover, comparative tests of selected monthly and quarterly data show that the absolute revisions of the dynamics of seasonal and calendar adjusted data values are considerably smaller than those made under the TRAMO/SEATS method.

The algorithm used in X12 ARIMA generally has two steps:

- 1) Identification of the so-called regARIMA model (a regression

model with ARIMA errors); the purpose of this step is to recognise extreme values and calendar effects, to make a quantitative assessment of these effects and to adjust the time series for them. The estimated regARIMA model is used for the extrapolation of the time series at its beginning and end, which generally improves the seasonal adjustment quality of the series.

- 2) Iterative use of moving averages for decomposing the series into three components: trend-cycle, seasonal and irregular components. This step includes three iterations producing more and more reliable estimates of the stated components, as well as the identification and replacement of extreme values.

The decomposition of the series into the stated components involves only those estimates of the components that are subject to revision when new observations are included in their calculation. Specifically, the moving averages used in the series decomposition are symmetrically centred (i.e. they include the data preceding and the data following a particular single observation), meaning that the time series components cannot be estimated at the very beginning and end of the series. In order to evade this problem, the X12 ARIMA algorithm uses the regARIMA model to estimate the original series value in a future period (one to three years from the last observation). It should be noted that, in empirical research, this procedure proved to be a solution superior to the available alternatives, as it results in minor revisions relating to the end of the adjusted time series.

A simplified presentation of the basic algorithm used by the X12 ARIMA for seasonal factor estimation on quarterly data series is as follows:⁴

- 1) The initial estimate of the trend-cycle (TC) component is made by means of a five-member (2×4) centred moving average applied to the original series. If original observations are marked as X_t , this moving average can be written as:

$$TC_t = \frac{(X_{t-2} + X_{t-1} + X_t + X_{t+1}) + (X_{t-1} + X_t + X_{t+1} + X_{t+2})}{8}$$

- 2) The original estimate of the seasonal (S) and irregular (I) components, assuming multiplicative decomposition $X_t = S_t \times I_t \times TC_t$, is obtained by dividing the original series by the estimated trend-cycle component:

$$S_t = \frac{X_t}{TC_t}$$

- 3) Initial seasonal factors are estimated by applying a five-member (3×3) centred seasonal moving average to the previously obtained series that includes both seasonal and irregular components:

$$S_t = \frac{(S_{t-8} + S_{t-4} + S_t) + (S_{t-4} + S_t + S_{t+4}) + (S_t + S_{t+4} + S_{t+8})}{9},$$

and the seasonal factors obtained are then normalised in order to bring their average annual value to approximately zero. The irregular component is obtained by dividing the SI component by the obtained seasonal factors ($I_t = S_t / S_t$).

- 4) An estimated seasonally adjusted series (SA) is then derived by dividing the original series by the previously estimated seasonal factors:

$$SA_t = \frac{X_t}{S_t}$$

³ The X12 ARIMA method has been developed by the *US Census Bureau*, based on the X11 ARIMA method developed by *Statistics Canada*. Apart from this method, the Demetra software offers another seasonal adjustment method, namely TRAMO/SEATS, which has been devised by Victor Gomez and Augustin Maravall.

⁴ Presented here is only the first iteration of the algorithm, assuming that the series contains no significant calendar effects or extreme values.

This shows that the moving averages⁵ used to estimate the trend-cycle values and seasonal factors include values out of the period for which original observations have been taken. This means that the application of an *ad hoc* asymmetric moving average or forecasting of future values by means of the regARIMA model necessarily results in continued revisions of the estimated seasonal factors and trend-cycle values when new data are included in the estimate.⁶ The seasonal factor assessment if the 3×3 seasonal moving average is applied is final after two years, whereas the assessment of the trend-cycle component involved in the application of the 2×4 seasonal moving average is final after two three-month periods. This conclusion stands only if the regARIMA model estimate has not been revised in the meantime.

While the seasonal and calendar adjustment of economic

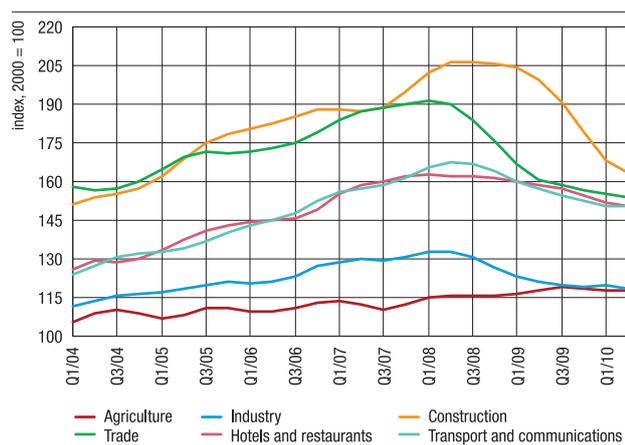
data time series is a prerequisite for a thorough analysis of their movements, it is noteworthy that any method applied to remove seasonal and calendar effects from the original data is nothing but a statistical manipulation of the series which is, due to the stochastic nature of the process it describes, bound to include a random error. Moreover, the algorithm used under the X12 ARIMA method necessarily results in continued revisions of estimated values when new observations of the original series are included in the estimate. Therefore, when analysing the series adjusted through this method it must be borne in mind that adding new original observations can sometimes change the previous conclusions about the course of a certain economic phenomenon.

Output

GDP by the production approach shows similar movements in real gross value added⁷ in the economy over the second quarter of 2010 and in the January-March period, and GVA decreased by 3.0% from the same period last year. Such annual dynamics suggest that its seasonally adjusted value declined from the beginning of the year. Real GVA contraction in the second quarter relative to the first quarter of 2010 was observed in most economic branches, primarily in industry, construction and trade. By contrast, GVA increased in quarterly terms in agriculture and financial intermediation. These trends arose from a further weakening of domestic demand that could not be offset by a concurrent recovery of foreign demand.

The available monthly economic activity indicators for the third quarter of 2010 suggest movements that are slightly more favourable. As shown by seasonally and calendar adjusted data, real retail trade turnover strengthened markedly in July and August from its average level in the previous quarter, with favourable movements being also observed in registered tourist nights in commercial accommodation facilities. Average industrial production also rose slightly over the observed period. By contrast, the number of hours worked at building sites continued to drop, and negative movements persisted in transport, storage and communications.

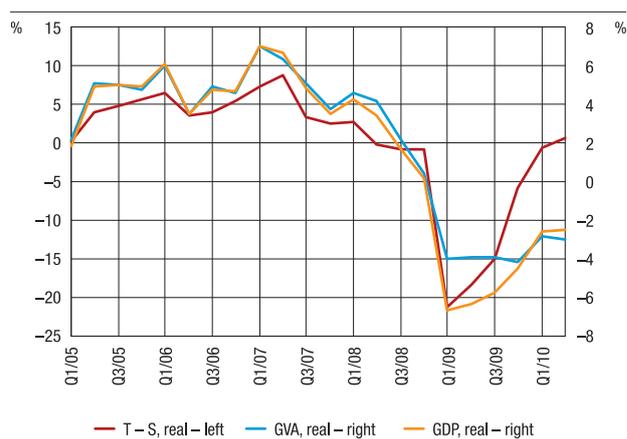
Figure 11 Gross value added in selected activities trend-cycle



Source: CBS.

Figure 12 GVA, GDP and taxes on goods minus subsidies (T - S)

original data, year-on-year rate of change



Source: CBS.

5 It should be noted that in the following two iterations, the final trend-cycle estimation algorithm uses Henderson's moving average, the length of which is estimated automatically on the basis of the ratio between the absolute average values of rates of change in the irregular and trend-cycle components over consecutive periods of time (I/TC ratio). For the estimation of final seasonal factors in the following two iterations, the length of the seasonal moving average is estimated by means of the ratio of absolute year-on-year rates of change for the irregular and seasonal components (Moving Seasonality Ratio, MSR).

6 An alternative option is that the seasonal time series adjustment is made, for example, once in a year and that seasonal factors are subsequently projected for a year in advance. This means that during that one-year period there would be no revisions of the seasonally adjusted values from the previous periods. However, under this approach, the revisions of previous data cannot be avoided, but only their frequency can be reduced (to one revision per year). The experience confirms that this approach results in more substantial revisions compared with the seasonal and calendar adjustment procedure that involves all available data.

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

Industry

According to seasonally adjusted data, GVA in industry dropped over the second quarter of 2010 from the previous three-month period. The contraction of GVA in industry, which accounts for approximately one fifth of total GVA in the economy and has a major impact on other activities' dynamics, was one of the main causes of overall GVA decline during the observed period.

After having dropped over the second quarter, total volume of industrial production rose slightly at the beginning of the second half of 2010. As confirmed by nominal data on industrial turnover on the domestic and foreign markets and on foreign merchandise trade, these movements were primarily the consequence of continued growth in foreign demand, although the domestic component of demand for industrial products also showed signs of recovery.

Current industrial production, broken down by main industrial groupings, recovered in the July-August period. This was mostly due to growth in the production of non-durable consumer goods, spurred by stronger activity in the food industry. This is likely to be the consequence of the growth of retail trade turnover due to a rise in foreign tourist consumption. Positive contributions also came from the manufacture of intermediate goods (the most noticeable being an increase in the manufacture of chemical products and metals) and energy production. By contrast, a negative contribution to industrial production movements came from the manufacture of capital goods, with a lower level of production observed in the installation of machinery and equipment and the manufacture of durable consumer goods.

Trade

According to seasonally adjusted data, gross value added in trade fell again in the second quarter of 2010 from the previous quarter, and was 3.8% below its level in the same quarter last year.

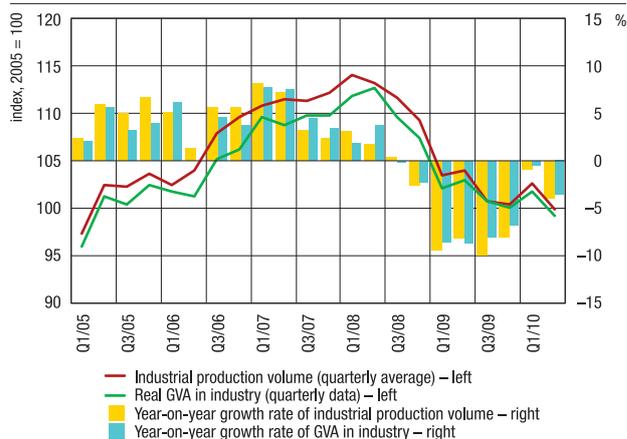
As suggested by seasonally and calendar adjusted data, real retail trade strengthened markedly at the beginning of the third quarter of 2010. The increase in real retail trade turnover was partly attributable to the stronger consumption of foreign tourists during the peak tourist season. The changes in the income tax regime and repeal of the special tax for lower-income taxpayers are also likely to have stimulated the consumption of goods by this group.

Construction

Seasonally adjusted data on GVA in construction for the second quarter of 2010 suggest a slower but persistent quarterly decline. At the same time, the annual decline also slowed down slightly, standing at 16.8%. A continuation of negative movements in this activity was still due to reduced investment in construction projects observed in all sectors. More rigid financing terms and the absence of any significant recovery of demand led to a decline in corporate investment activities, whereas the government's efforts to restrain budget spending resulted in reduced infrastructure investments. The existing uncertainty regarding the future movements in household income, coupled with expectations of lower residential property prices, further reduced demand in a situation of an excess supply of residential units on the market.

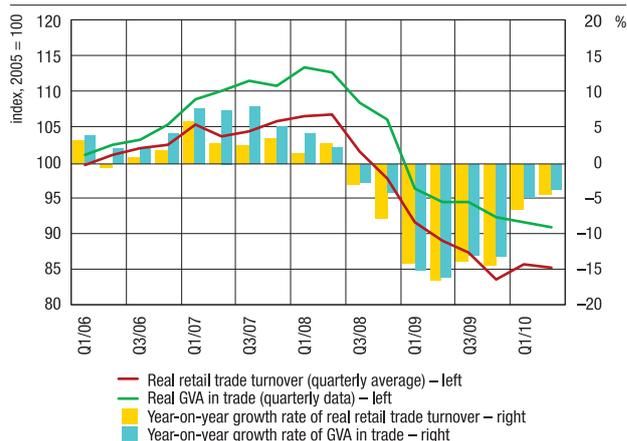
According to seasonally adjusted data, the volume index of construction works fell additionally in July from its average level in the previous quarter, and was 19.2% lower than in the same period in 2009. Negative movements were due to a fall in the number of hours worked both on buildings and in civil engineering. Given the unfavourable trend in leading construction

Figure 13 Industry
seasonally adjusted



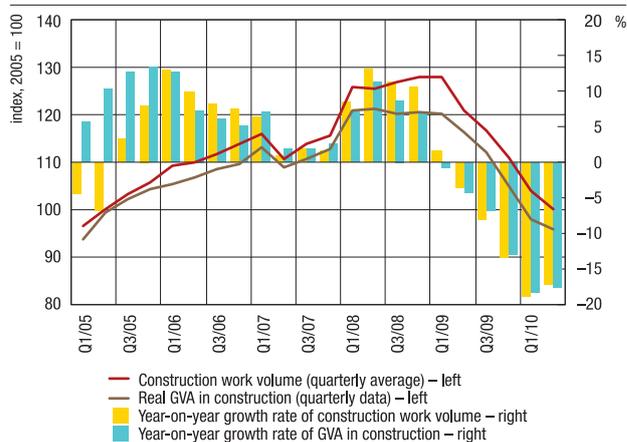
Source: CBS.

Figure 14 Trade
seasonally adjusted



Source: CBS.

Figure 15 Construction
seasonally adjusted



Source: CBS.

activity indicators (building permits issued and the value index of new construction project orders) observed for quite some time,

no significant improvements in this activity can be expected in the short run.

Labour market

Labour market movements improved during the second quarter of 2010 from the beginning of the year. Unemployment decreased and employment picked up. However, according to seasonally adjusted data, adverse movements from end-2008 continued into the first half of the current year, although at a somewhat slower rate. A similar trend was observed in wages, which continued to decline annually, but less sharply than before. A further deceleration was observed early in the third quarter, after the repeal of the two-percent special tax rate on total monthly income between HRK 3,000 and HRK 6,000.

Employment and unemployment

During the second quarter of 2010, employment picked up from the beginning of the year. This increase in employment

was due to seasonal effects, as confirmed by provisional, seasonally adjusted data showing that the fall in employment from end-2008 continued into the first half of 2010, but was slightly less severe. Given its largest share in total employment, employment in legal persons was the strongest negative contributor to this trend. However, the decline in employment was more pronounced in crafts and trades and freelance occupations, as well as in the group of individual farmers insured with the CPIA. The described movements, suggested by preliminary CBS data, are further corroborated by the number of persons insured with the CPIA, which fell by 4.3% over the second quarter from the same period last year.

If analysed by NCEA activity, construction saw the sharpest drop in employment over the second quarter of 2010, thus being the largest negative contributor to total employment. Employment deceleration was also strong in real estate transactions, as well as in financial and insurance activities, whereas most other branches, including industry and trade, saw a slight slowdown in employment growth during the April-June period. Education was the only activity experiencing an annual increase in employment, which contributed to a slight rise in employment in the public administration defined at its broadest (including education, health care and social welfare).

An increase in employment in the second quarter relative to the beginning of 2010 was additionally confirmed by the CES data. According to the same source, employment went up considerably from the same period in 2009, as well, which was partly due to a relatively low number of CES-mediated hirings during the second quarter of 2009. The number of clearings from the records for reasons other than employment also declined in this period. Apart from strong outflows, high inflows of newly unemployed persons into the CES register continued in the observed period, most of them coming directly from employment.

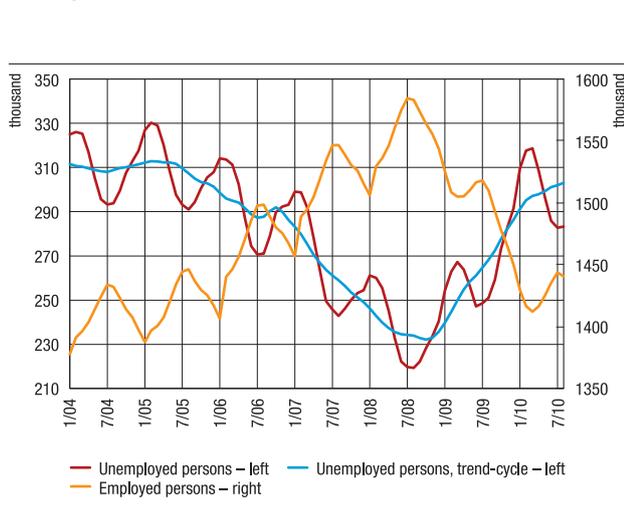
As a result of a rising demand for seasonal workers and stronger outflows from the CES register, registered unemployment dropped in the observed period. However, seasonally adjusted data suggest an increase in the actual number of unemployed persons. Due to a gradual slowdown in unemployment growth since the beginning of 2010, unemployment went up 16.0% from the same period last year. During the second quarter, unemployment rose in all age groups, particularly in the group between 20 and 29 years of age, which made the largest contribution to total unemployment growth. Similar movements continued early in the third quarter, but in August, unemployment rose again at the monthly level, reaching 283,330.

The registered unemployment rate moved in line with unemployment dynamics, decreasing to 17.2% in the second quarter relative to the first quarter. However, compared to the same period last year, it rose by 2.7 percentage points. According to the latest findings, the Labour Force Survey unemployment rate went up from 11.2% in the first quarter to 12.4% in the second quarter of 2010.

Wages and labour costs

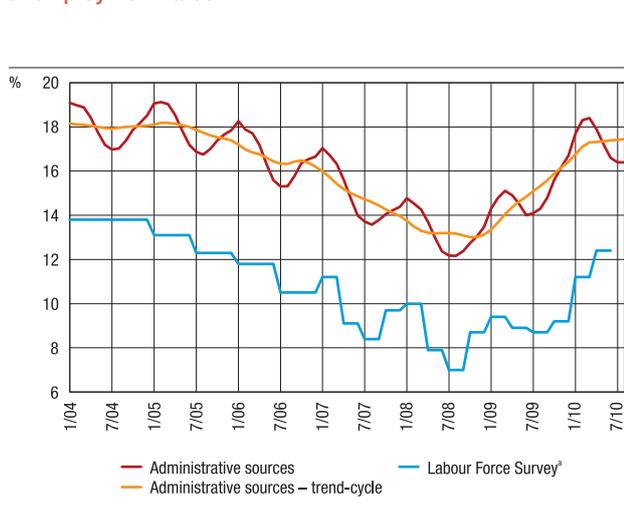
As with employment and unemployment indicators, slightly more favourable trends were observed in wages. They continued to decline, but at a slower annual pace compared with that early in the year. In the April-June period, both net and gross average

Figure 16 Unemployed persons registered with the Croatian Employment Service



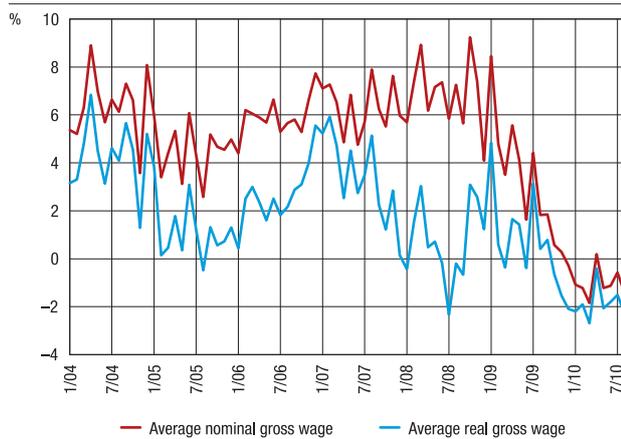
Sources: CBS and CES.

Figure 17 Administrative and Labour Force Survey unemployment rates



^a The Labour Force Survey is published quarterly since the beginning of 2007.
Source: CBS.

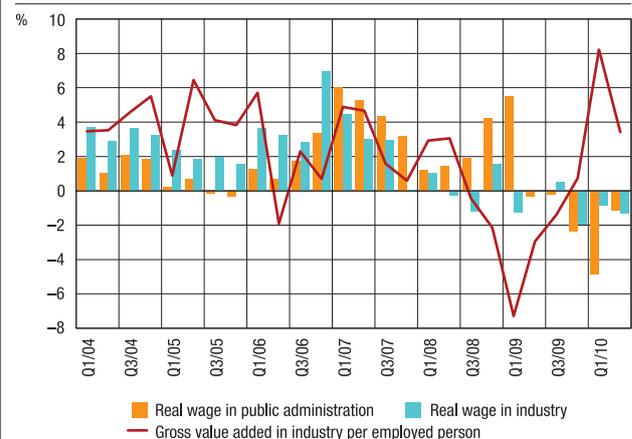
Figure 18 Average monthly gross wages year-on-year rate of change



Note: Data relate to wages paid in the current period.
Source: CBS.

wages decreased by 0.7% in nominal terms from the same period in 2009. The effect of the special tax on salaries, pensions and other income included, the average nominal net wage paid in the second quarter decreased by 3.4% annually. The special tax most affected net wages in information and communications, as well as in financial and insurance activities, and had the least effect on net wages in administrative and support service activities. The beginning of the third quarter saw a further deceleration of the fall in nominal gross wages, coupled with the first annual increase in net wages recorded this year. The special tax paid on total monthly income between HRK 3,000 and 6,000 at a rate of 2% was repealed in July. According to a CBS calculation, the effect of this tax on net wages was 2.0% (compared with 2.8% before the repeal of the aforementioned regulation). Accordingly, net wages did fall by 1.2% in July, but went up by 1.1% annually in August.

Figure 19 Average real gross wage in public administration and industry and gross value added in industry per employed person year-on-year rate of change



Note: Data relate to wages calculated in the current period.
Source: CBS.

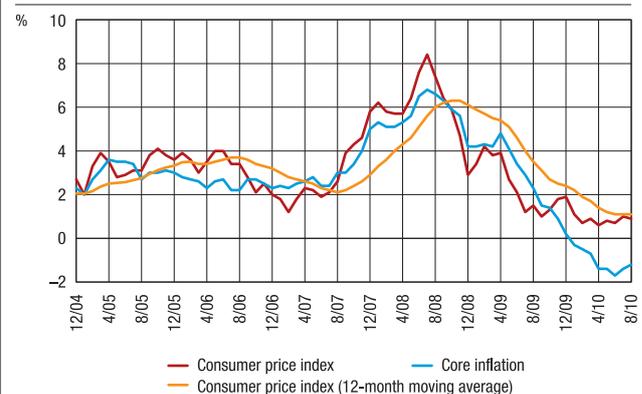
As a result of the nominal gross wage movements in the observed period coupled with a slightly higher annual level of consumer prices, real wages in both gross and net terms went down markedly in almost all economic activities.

Over the second quarter and throughout the first half of 2010, a sharp fall in wages was recorded in the public administration, whereas among the private sector activities the largest negative contributors to this fall were construction and manufacturing. Employment contraction in industry, more pronounced than would have been suggested by the decline in production measured by GVA, led to an increase in labour productivity in this branch at the end of 2009 and early this year. As the strong downward trend in employment continued into the second quarter, paralleled with a less serious fall in GVA, labour productivity continued to grow, although at a considerably slower rate than at the beginning of 2010.

Prices

Against a background of a drop in domestic demand and unit labour costs in the second quarter and early in the third quarter, consumer price inflation in Croatia was low, ranging from 0.6% to 1.0%. Since the last quarter of 2009, unit labour costs have recorded negative rates of change as a result of an annual decrease in employee compensation and the decrease in employment outweighing the fall in GDP. Due to a relatively weak demand, most foreign and domestic producers, instead of passing on to consumers the price increases in energy and other raw materials on the world market, persisting since the second half of 2009, cut other costs and/or profit margins. This is confirmed by the relatively low annual rates of change in producer prices of durable and non-durable consumer goods, standing at 1.0% and -0.4% respectively in August in Croatia, compared with 0.9% and 0.2% respectively in the eurozone.⁸ It should be noted that the increase in the HWWI index of raw material prices (in euro terms) in August from March points to mounting imported inflationary pressures in this period, which could, with a time lag, and given the anticipated increase in demand, result in an

Figure 20 Consumer price index and core inflation^a year-on-year rate of change



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

⁸ The latest available data for the eurozone are for July 2010.

increase in consumer price inflation. The annual rate of change in energy product prices thus reached 19.0% in August, while the rate of change in food raw materials, textile fibres and ferrous metals climbed to 21.8%, 50.6% and 26.3% respectively and that in iron ore shot up to 109.4%.

Consumer prices

The annual rate of change in consumer prices remained unaltered in August from March at 0.9%, while the core inflation rate fell from -0.7 to -1.2% in the same period. The monthly rate of change in overall inflation slightly decreased annually, confirming the impact that a drop in personal consumption and negative labour market developments had on current consumer price trends and especially on the trends in core inflation, which recorded a negative rate of change in the last eight consecutive months.

Although it increased in the mentioned period, the contribution of unprocessed food products to the annual inflation rate was cancelled out by the decreased contributions of the other four major components of the CPI. The annual rate of change in unprocessed food product prices climbed from -4.7% in March

Table 1 Consumer price index and its components

year-on-year rate of change

	Weight 2010	12/09	2010			
			3	6	7	8
Total index	100.0	1.9	0.9	0.7	1.0	0.9
Energy	13.8	7.9	10.1	10.4	9.5	7.7
Unprocessed food	14.2	-1.6	-4.7	-2.7	0.0	0.4
Processed food (incl. alcoholic drinks and tobacco)	23.2	1.8	0.3	-1.8	-1.5	-1.3
Industrial non-food without energy	27.7	-0.5	-0.5	-1.1	-1.2	-1.0
Services	21.2	3.9	1.9	1.9	1.9	1.7

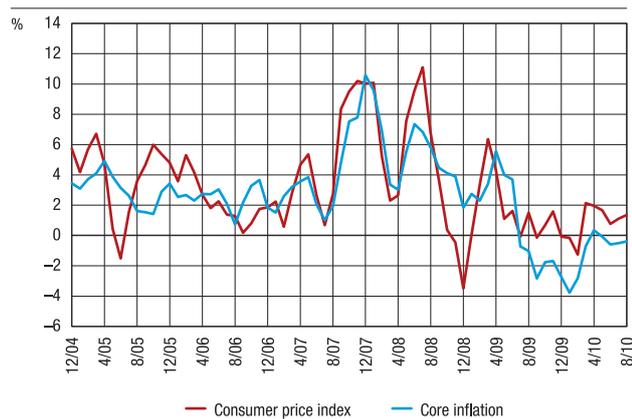
Source: CBS.

to 0.4% in August, in large part due to an unfavourable base effect, as vegetable prices dropped at a lower rate in the summer months this year than in the same period in the previous year. In addition, fruit prices, which usually decrease during the season, increased in the summer this year. Similar trends, attributable to adverse weather conditions, are shown by fruit and vegetable prices in the eurozone.

Although decreasing from 10.1% in March to 7.7% in August, the annual growth rate of energy prices remained relatively high and made the largest contribution to overall inflation (1.1 percentage points). Refined petroleum product prices were slightly higher in August than in March, but their annual rate of change declined due to a favourable base effect resulting from a sharper increase in these prices in the same period in the previous year.

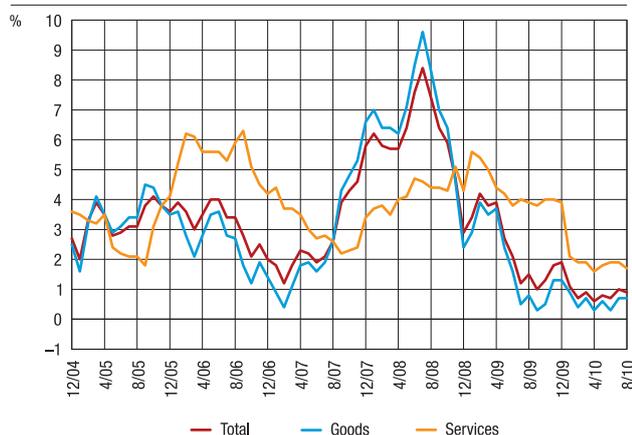
Furthermore, the annual rate of change in food product prices (including alcohol and tobacco) dropped from 0.3% in March to -1.3% in August. This product group recorded negative rates of change in prices since April, when the effect of the price increase in tobacco products in the same month in the previous year disappeared. However, the growth of world prices of food raw materials in recent months, caused by unfavourable weather conditions, has generated imported pressures on food product prices. The impact of these pressures, especially strong in the last two months, was observable in the movements of

Figure 21 Consumer price index and core inflation
annualised rate of change



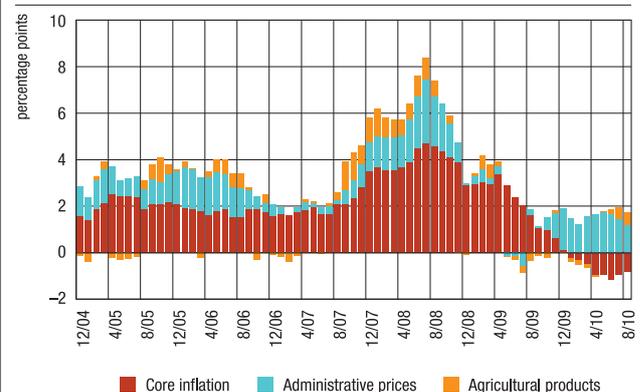
Note: Annualised rate of change is calculated based on the monthly change in the moving quarterly average of seasonally adjusted base price indices.
Sources: CBS and CNB calculations.

Figure 22 Consumer price index, total and by components
year-on-year rate of change



Source: CBS.

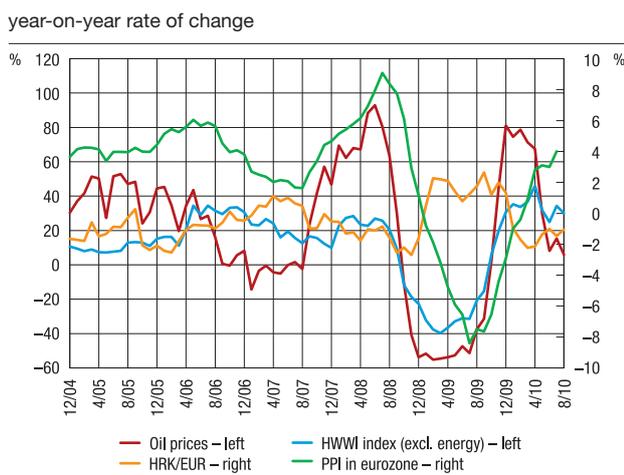
Figure 23 Contribution^a of CPI components to year-on-year inflation rate



^a The contribution is defined as the relative importance of a CPI component for total inflation. The sum of contributions of all components expressed in percentage points in a relevant month is the amount of the annual consumer price inflation rate.

Sources: CBS and CNB calculations.

Figure 24 Imported inflation: oil prices, the HWWI index,^a the average kuna/euro exchange rate and producer prices in the eurozone



^a The index is calculated on the basis of raw materials prices expressed in US dollars.
Sources: Bloomberg, HWWI, Eurostat and CNB.

producer prices of food products, the annual rate of change of which accelerated from -3.0% in March to 1.4% in August, and some food product prices included in the CPI (e.g. oil, sugar, confectionery and coffee).

Industrial producer prices, excluding food and energy, dropped from -0.5 in March to -1.0% in August as a result of an annual decrease in domestic demand and employee compensation and low domestic and foreign producer price inflation for consumer goods, clothing and footwear contributing the most to an annual drop in the prices of these goods. Marked imported inflation pressures also stemmed from the annual growth in world prices for textile fibres (expressed in euro terms), reaching 50.6% in August. Due to the spillover effect of this price growth, the annual growth rate of the domestic producer prices of intermediate textile goods rose to about 14% in August. On the other hand, domestic clothing producer prices only slightly accelerated, from -0.7% in March to 1.0% in August.

Thanks to the disappearance in January this year of the effect of a sharp increase in medical and hospital services in January 2009, the deceleration of the annual rate of change in service prices continued, with service price inflation dropping from 1.9% in March to 1.7% in August, 1.9 percentage points below the long-term average. Against a background of weakening demand, most companies refrained from transferring the price increases in energy and other raw materials to consumers. This is corroborated by the movements in the prices of road transport services, which were 3.6% lower in August 2010 than in the same month in 2009, whereas fuel prices went up 5.3%. The low rate of service price inflation was also due to an annual decrease in wages.

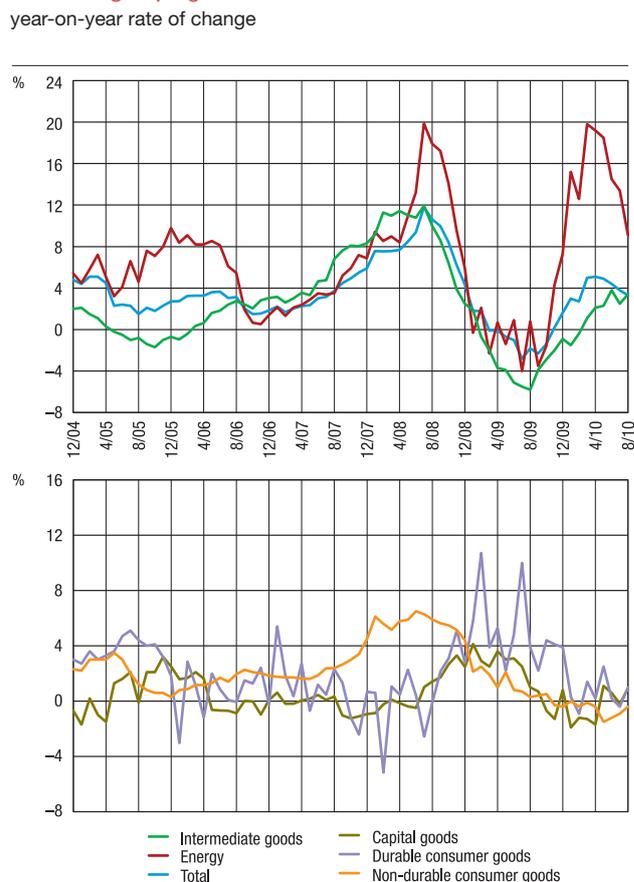
Table 2 Croatian residential real estate price index
year-on-year rate of change

	Weight	2003	2004	2005	2006	2007	2008	2009	2008		2009		2010
									1st half	2nd half	1st half	2nd half	1st half
Croatia	100.0	0.6	13.0	8.7	16.5	13.1	5.6	-4.1	5.7	5.6	-5.3	-3.0	-3.3
Zagreb	65.3	0.6	11.6	9.9	17.0	11.9	2.1	-5.3	1.8	2.3	-3.0	-7.5	-5.9
Adriatic Coast	22.0	8.6	9.1	17.2	15.9	16.3	10.3	-3.6	13.2	7.4	-9.5	2.7	0.5

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

Sources: *Burza nekretnina* and CNB calculations.

Figure 25 Producer prices of industrial products by main industrial groupings



Source: CBS.

Industrial producer prices

In the middle of the second quarter, the annual rate of change in industrial producer prices stopped the rising trend that had marked the previous two quarters due to an energy price increase, dropping from 5.0% in March to 3.3% in August. The drop was brought about by a decrease in the annual rate of change in the prices of energy and consumer goods. The energy price index rose slightly from March to August, but its annual rate of change fell from 19.8% in March to 9.1% in August because of a favourable base effect related to the faster growth of energy prices (especially refined petroleum product prices) in the same period in the previous year.

Residential property prices

Due to a drop in the residential property demand, caused by a fall in real household disposable income, an increase in (nominal) interest rates on home loans, tightened lending conditions

and waning consumer optimism, residential property prices in Croatia fell by 4.1% in 2009 from the previous year. Expecting a further slowdown in residential property market prices, prospective buyers postponed their purchases. The downward trend in residential property demand continued in the first half of 2010, albeit at a much slower pace. Since the supply remained abundant, the prices fell by 3.3% from the same period in the previous year. Residential property prices in Zagreb went down at an annual rate of 5.9% and the prices of residential property on the Adriatic Coast edged up by 0.5%.

The total amount of home loans granted in the first half of 2010 decreased by 10.4% in real terms compared with the same

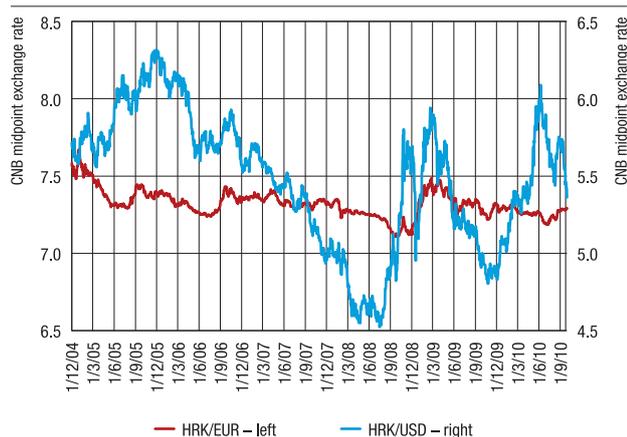
period in the previous year. This rate of decrease, considerably lower than the rate of 40% recorded in the previous two semi-annual periods, is a sign that the negative trends in the demand for residential property might have subsided. The factors contributing to this include the stabilisation of nominal interest rates charged on home loans and banks' promotional activities. In contrast, the accessibility of residential property decreased despite the price fall because of the concurrent sharp drop in household disposable income. In addition, consumers tend to postpone their residential property purchases, being pessimistic about the adverse trends and uncertainty in the labour market.

Exchange rate

The nominal kuna/euro exchange rate was relatively stable in the third quarter of 2010. The kuna started to weaken against the euro after having come under marked appreciation pressures in June and early July, alleviated by the CNB's purchase of EUR

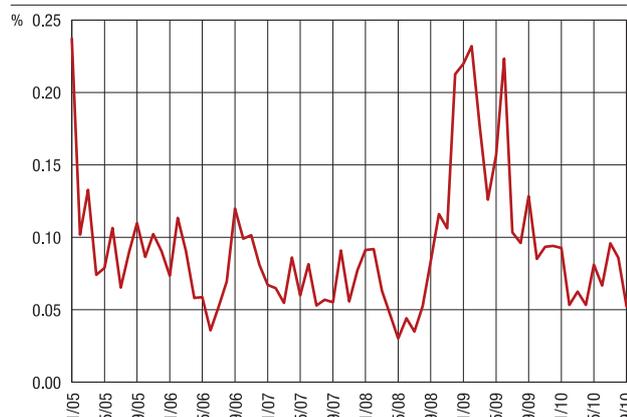
363.7m from banks.⁹ The second half of August saw depreciation pressures intensify, mainly due to a decrease in seasonal foreign exchange receipts from tourism. The exchange rate developments in September were marked by a very low volatility of the kuna/euro exchange rate, which was due to the balance between supply and demand in the foreign exchange market. The daily kuna/euro exchange rate moved within a range of -0.9% to 0.6% around the average exchange rate of HRK 7.25/EUR. Standing at HRK 7.29/EUR at the end of September, the exchange rate remained unchanged from the same period

Figure 26 Daily nominal exchange rate – HRK vs. EUR and USD



Source: CNB.

Figure 27 Exchange rate variability^a

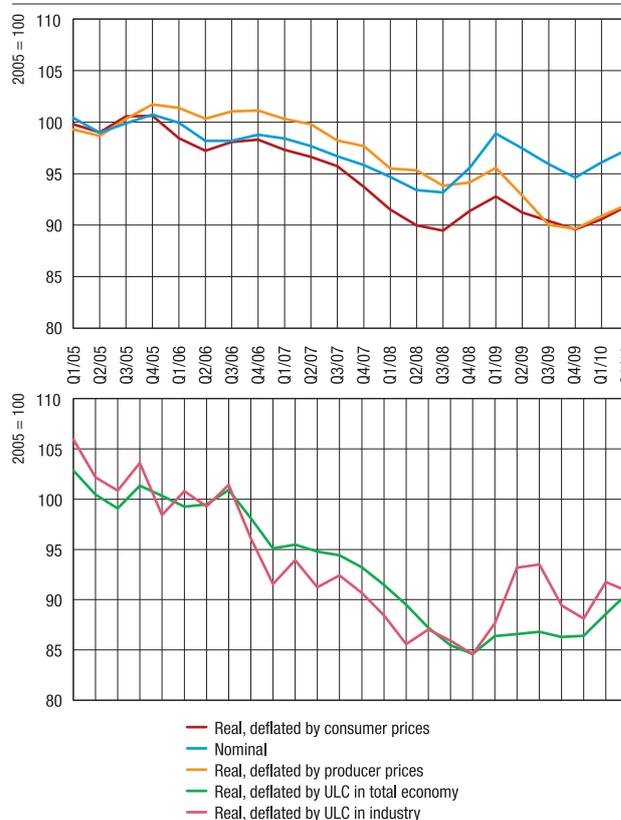


^a The monthly exchange rate variability is measured by the average absolute change in the daily kuna/euro exchange rate.

Source: CNB.

Figure 28 Indices^a of the nominal and real effective kuna exchange rate

deflated by consumer prices, producer prices and unit labour costs



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

Source: CNB calculations.

⁹ EUR 125.6m was purchased at a foreign exchange auction held on 24 June, EUR 118.7m on 29 June and EUR 119.4m on 9 July.

in the previous year. It can also be mentioned that the volume of foreign exchange transactions between the central bank and the MoF was relatively small in the third quarter: the CNB purchased a net of EUR 8.2m from the government.

The variability of the kuna/euro exchange rate remained relatively low. The average absolute change in the daily kuna/euro exchange rate, one of the measures of exchange rate variability, amounted to an average of 0.08% in the third quarter, increasing slightly from an average of 0.07% in the second quarter.

After a long period of appreciation, the US dollar started to decrease in value against the euro in mid-June, a trend that continued until the end of the first decade of August. This is predominantly attributed to an increasingly widespread perception that deficit financing problems experienced by some euro-zone countries would be overcome. However, in the last twenty days of August, the US dollar/euro exchange rate rose again on account of the announcement that ECB incentive measures might be continued until the end of this year. The US dollar then weakened considerably versus the euro in September, returning to its value from mid-April, for the most part due to the release of worse-than-anticipated economic indicators in the US, which led to an increase in pessimism regarding the US economic recovery and reduced dollar demand. Standing at USD 1.36/EUR at the end of September, the US dollar/euro exchange rate had declined by 11.5% from the end of June. In line with the developments in the exchange rates of the dollar and the kuna versus the euro, the kuna/US dollar appreciated 9.1% in the third

quarter, amounting to HRK 5.36/USD at the end of September. The kuna also strengthened vis-à-vis the pound sterling (4.4%) in the third quarter, but weakened vis-à-vis the Swiss franc (1.3%). As a result of these exchange rate developments, primarily the strong appreciation of the kuna/US dollar exchange rate and due to the kuna appreciating 1.4% versus the euro, the index of the daily nominal exchange rate of the kuna appreciated 0.9% in the observed period.

Having slightly depreciated in the first quarter of 2010, the real effective exchange rate of the kuna deflated by consumer and producer prices continued to depreciate in the second quarter, signalling a sustained slight increase in export price competitiveness. This was due to the depreciation of the nominal effective exchange rate of the kuna, primarily driven by the kuna depreciating sharply versus the US dollar, as domestic and foreign prices followed similar trends. In contrast, the indicators of export cost competitiveness showed diverse trends in the second quarter. The index of the real effective exchange rate of the kuna deflated by unit labour costs for the whole economy continued to depreciate slightly in the second quarter due to the nominal effective depreciation of the kuna exchange rate and to the more favourable developments in unit labour costs in Croatia than in its trading partners. In contrast, the index of the real effective exchange rate of the kuna deflated by unit labour costs in industry appreciated because movements in unit labour costs in industry in Croatia were less favourable than those in its trading partners.

Monetary policy and instruments

Monetary environment

Very comfortable kuna liquidity and the stable exchange rate of the kuna continued to be the main determinants of the monetary environment in the third quarter of 2010. Early in the quarter, the CNB intervened in the foreign exchange market by purchasing foreign currency from the banks, thus preventing appreciation pressures. The kuna was stable against the euro after the intervention but it slightly depreciated in the second half of the quarter, in line with usual seasonal movements. The high liquidity of the banking system continued to keep money market interest rates at a low level, which, in turn, made a positive impact on bank interest rates. Under such conditions, loans to the private sector continued to grow at a moderate rate, with the growth exclusively accounted for by lending to the corporate sector.

Uses of instruments of monetary policy

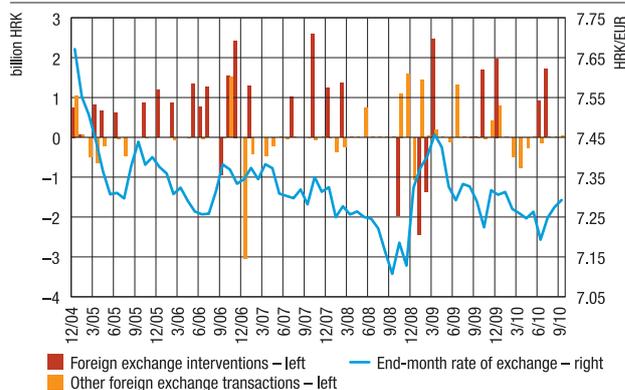
In the third quarter, the use of monetary policy instruments was determined entirely by the high kuna liquidity and appreciation pressures on the domestic currency. The kuna started to strengthen against the euro in the late second and early third quarters due to foreign exchange inflows coming from government foreign borrowing and its foreign currency-indexed kuna borrowing in the domestic financial market. The central bank responded to these trends in the foreign exchange market with two interventions in late June and an intervention in July, purchasing a total of EUR 365.7m and creating HRK 2.6bn. Foreign exchange transactions with the central government were rather modest as the CNB purchased a mere EUR 8.2m net in the third quarter.

The liquidity created by foreign exchange purchases was sufficient, so that no reverse repo auction was held. Banks had no need for Lombard loans but they made use of the overnight deposit facility with the CNB on a daily basis, so that the average

daily balance of overnight deposits was HRK 2.5bn in the third quarter. Due to the seasonal rise in demand for currency and a greater average balance of government kuna deposits with the CNB, the total liquidity surplus in banks' accounts (including overnight deposits), though lower in the third quarter than in the first half of 2010, remained very high (averaging some HRK 2.9bn).

Reserve requirements, which are the main instrument of sterilisation, continued to grow slowly in the third quarter due to the rise in their calculation base, i.e. the increase in deposits in bank liabilities. In the September calculation, kuna and

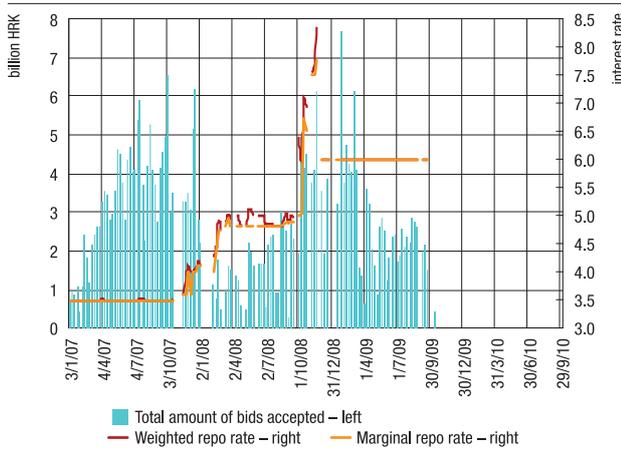
Figure 29 Foreign exchange transactions of the Croatian National Bank and midpoint HRK/EUR rate of exchange at current rate of exchange



Note: The positive value of foreign exchange interventions and foreign exchange transactions relates to the repurchase of foreign exchange by the CNB. Other foreign exchange transactions include the purchase of foreign exchange from and the sale of foreign exchange to the MoF and foreign currency swaps with banks.

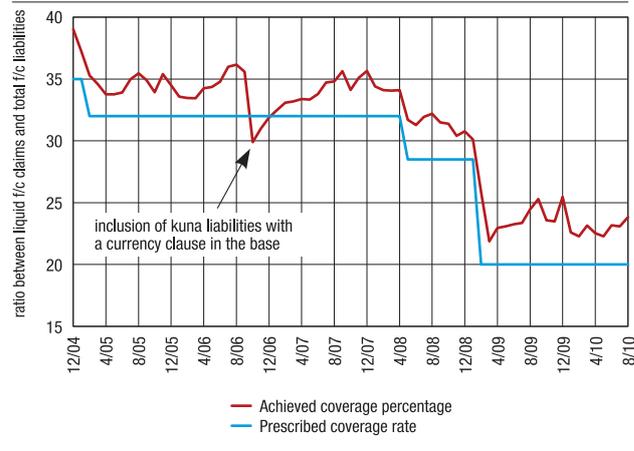
Source: CNB.

Figure 30 Regular reverse repo operations



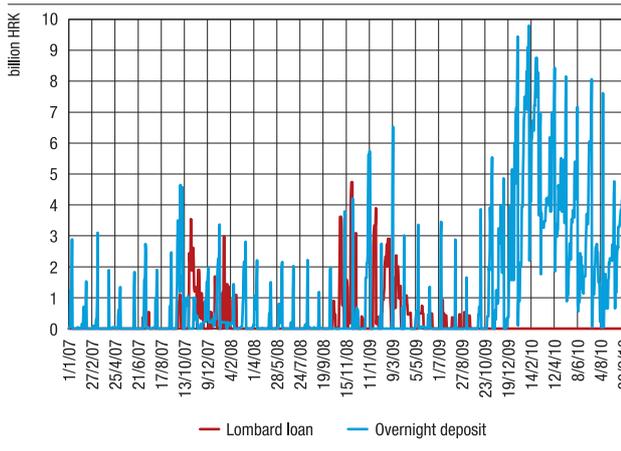
Source: CNB.

Figure 33 Minimum required f/c claims



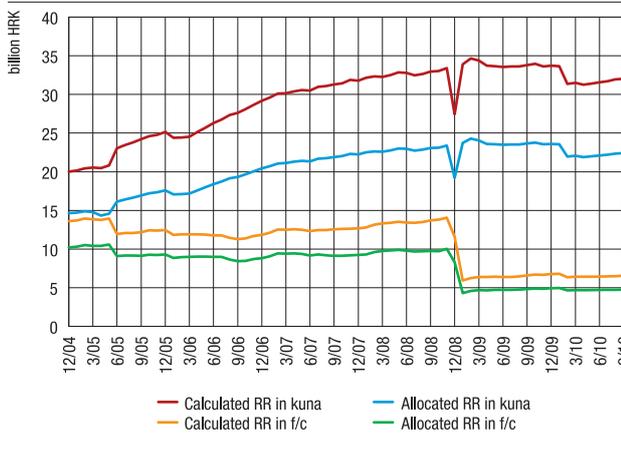
Source: CNB.

Figure 31 Use of standing facilities



Source: CNB.

Figure 32 Reserve requirements with the CNB at current rate of exchange



Source: CNB.

foreign currency reserve requirements stood at HRK 32.0bn and HRK 6.6bn, respectively. Both reserve requirement components dropped slightly on an annual basis, largely as a result of the cut in the rate in early 2010.

The foreign currency liquidity of the banking system, measured as the ratio of total liquid foreign currency claims to total foreign currency liabilities, recorded seasonal growth in the first two months of the third quarter. This ratio did not fall below 23.0% in that period, standing at 23.8% at end-August. As the minimum stipulated foreign currency liquidity ratio is 20.0%, banks' foreign currency liquidity surpluses came to near EUR 1.1bn at the end of August.

Reserve money and international reserves

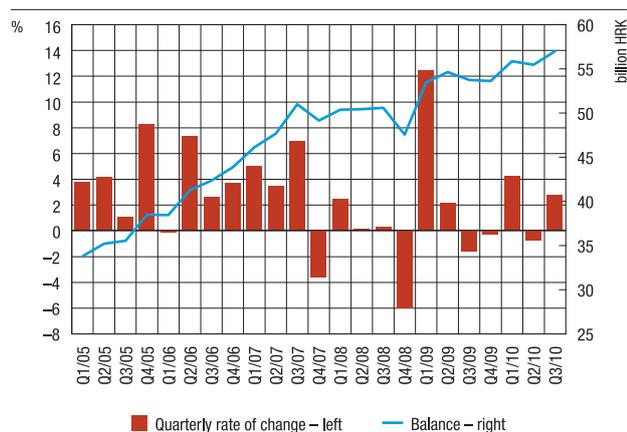
Although the balance of reserve money (M0) at the end of the third quarter was almost the same as at the end of the first half of the year, M0 fluctuated from HRK 54.0bn to HRK 57.7bn over these three months. The high volatility of M0 was largely due to inflows and outflows of government kuna deposits with the CNB. In the third quarter, the government borrowed in the domestic financial market, with banks participating substantially in that financing. The government deposited the funds thus raised with the CNB, which lowered balances in banks' settlement accounts, leading to a fall in both system liquidity and reserve money. The depletion of these funds returned liquidity to the system and increased balances in settlement accounts, prompting the rise in M0.

Looking at the structure of reserve money in the third quarter, currency outside banks recorded a seasonal increase with banks' vault cash growing as well. After the peak tourist season ended, both currency and banks' vault cash returned to their late second quarter levels. Observed on an annual basis, reserve money was up by 5.9% at end-September from the end of the same month in the previous year.

Gross international reserves grew by EUR 0.8bn in the third quarter. The largest share of this increase (over 80%) was due to the temporarily deposited foreign exchange funds that the government raised through bonds issued in foreign markets. Foreign exchange purchases through interventions also had a favourable impact on international reserves. At end-September, gross reserves stood at EUR 11.2bn, up 19.7% on the end of September 2009. Net usable reserves also continued to grow; increasing by EUR 0.1bn in the third quarter, they amounted to

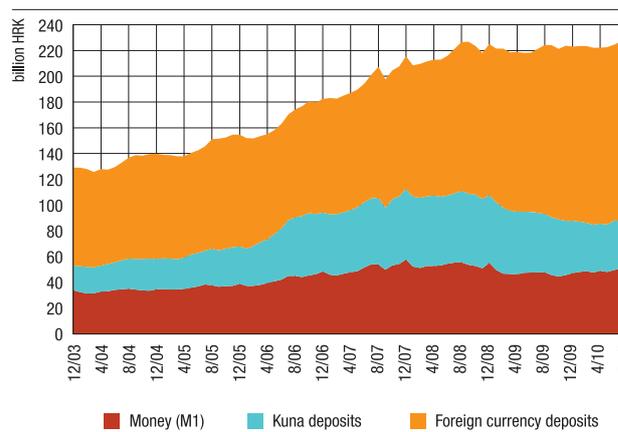
Figure 34 Reserve money

seasonally adjusted



Source: CNB.

Figure 36 Monetary aggregate M4

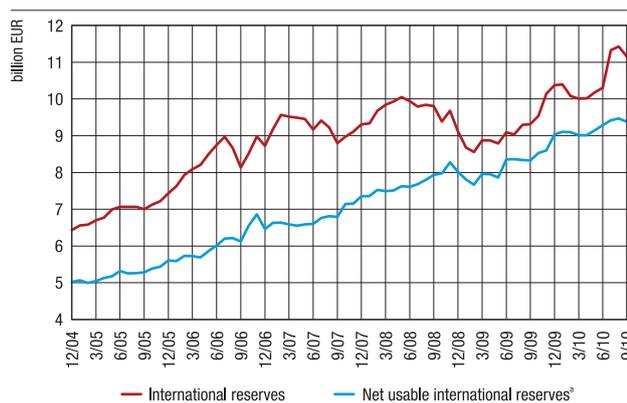


Note: Kuna deposits include bonds and money market instruments.

Source: CNB.

Figure 35 International reserves of the CNB

at current rate of exchange



^a Net usable international reserves are defined as international reserves net of foreign liabilities, reserve requirements in f/c, general and special SDR allocations in 2009, government foreign currency deposits and off-balance sheet liabilities (swaps).

Source: CNB.

EUR 9.7bn, while their annual growth rate was 12.6% at end-September. Due to a substantial share of the US dollar in both gross and net reserves, its strengthening versus the euro (reporting currency) increased the annual growth rates of gross and net reserves by some 2 percentage points in statistical terms.

Monetary developments

A moderate increase in almost all monetary and credit aggregates marked monetary developments in the second quarter of 2010. Both money and savings and time deposits grew, which was in line with a mild increase in bank placements to the private sector. As a result of seasonal effects, the growth in monetary aggregates picked up pace while placement growth remained moderate early in the third quarter. Banks used domestic funding sources in July and August for the strong improvement of their foreign position.

Total liquid assets

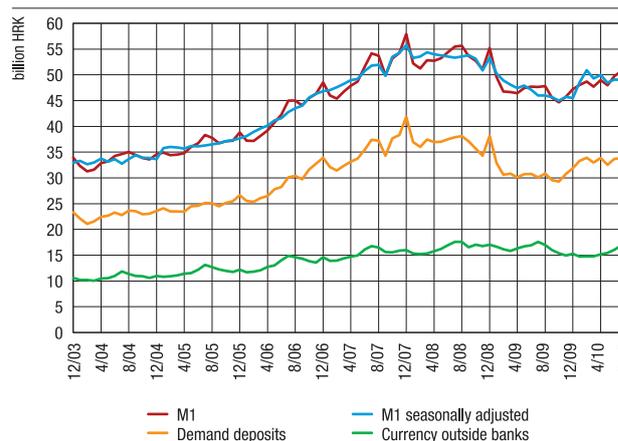
Having grown mildly in the second quarter, total liquid assets recorded seasonal growth of HRK 7.0bn in July and August, similar to that recorded in the same period in the previous year.

The annual growth rate of monetary aggregate M4 remained almost unchanged over the summer months, standing at 3.2% at end-August.

Money

Monetary aggregate M1 grew noticeably in the late second quarter and the first two months of the third quarter. The increase was driven by strong demand for currency during the tourist season and the rise in demand deposits, particularly of the corporate sector. In contrast with 2009, when corporate demand deposits fell sharply under the impact of the crisis, they recovered this year. These developments pushed the annual growth rate of M1 up to 7.2% at end-August.

Figure 37 Money (M1)

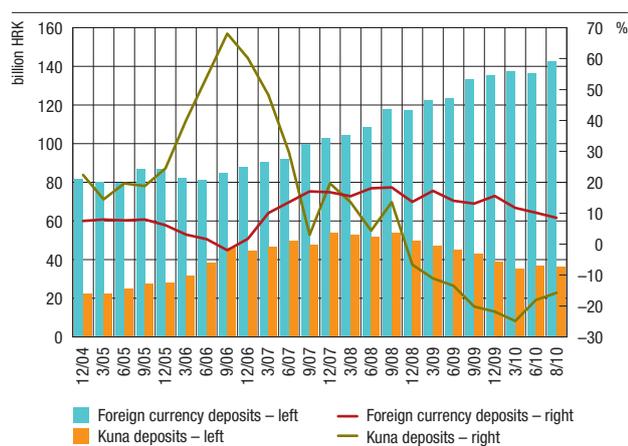


Source: CNB.

Non-monetary deposits

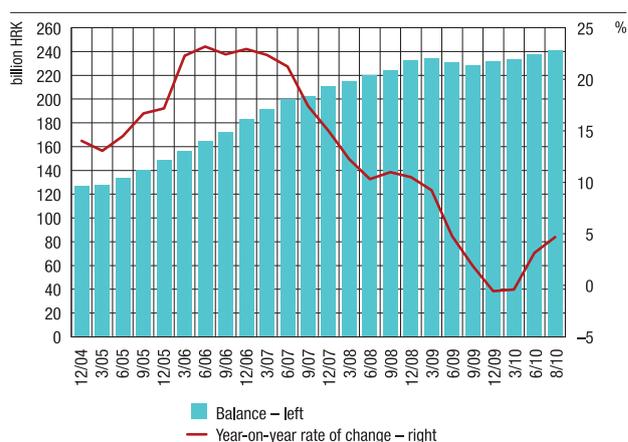
The balance of savings and time deposits of the domestic private sector did not change substantially in the second quarter. In terms of their structure, kuna deposits grew moderately, while foreign currency deposits decreased slightly. Still, these developments were only temporary; foreign currency deposits increased

Figure 38 Kuna and foreign currency deposits



Source: CNB.

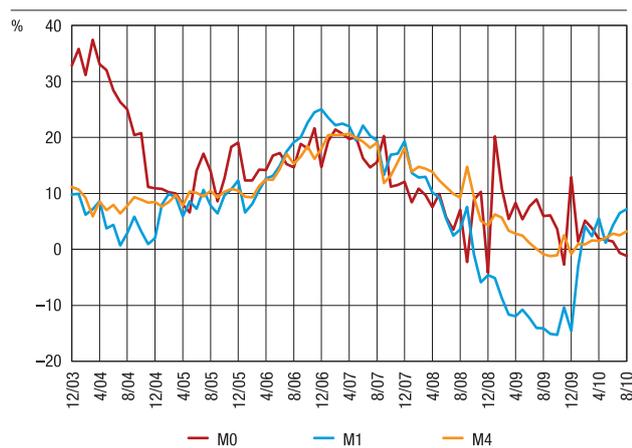
Figure 40 Bank placements to the non-banking sector



Source: CNB.

Figure 39 Monetary aggregates

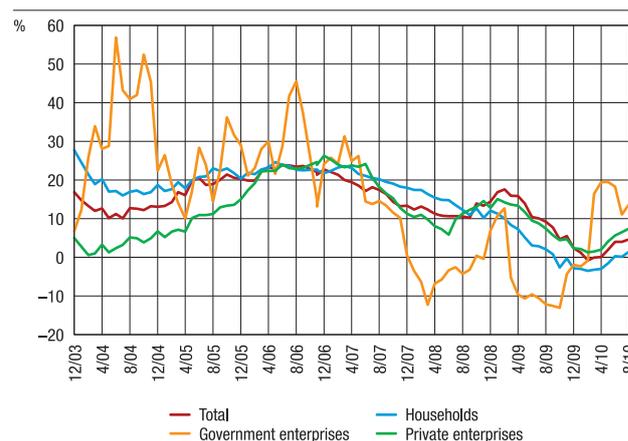
year-on-year rate of change



Source: CNB.

Figure 41 Bank loans

year-on-year rate of change



Note: Total bank loans also include loans to the central government.

Source: CNB.

again in July and August, by HRK 6.1bn, while kuna deposits dropped by HRK 0.5bn. The rise in foreign currency deposits is common at the peak tourist season, but it was much slower than in the same periods in the years preceding the economic crisis. The annual growth rate of foreign currency deposits continued to fall moderately, to 8.5% at end-August, while kuna savings and time deposits dropped by 15.8% on an annual basis.

In sector terms, the largest share of the increase in deposits in the first two months of the third quarter was accounted for by household deposits, which continued their solid upward trend on an annual basis. Corporate deposits also increased over the summer months, but this was due to seasonal factors. In contrast to these two sectors, deposits of other banking and non-banking financial institutions dropped sharply at the beginning of the third quarter due to the purchase of government bonds issued in the domestic financial market.

Placements

The rise in bank placements to the private sector was moderate in the first eight months of 2010, 4.0% in nominal terms. It should be noted that some of this increase was due to exchange

rate changes, particularly the weakening of the kuna against the Swiss franc, of 13.3% in the reference period, which increased the amount of placements in kuna terms (for more about the currency structure of placements and movements of the Swiss franc exchange rate, see Box 2 Swiss franc-indexed loans). Excluding the exchange rate effects, the rise in placements from the beginning of the year was some 1.5 percentage points lower. Notwithstanding a steady though mild downward trend in lending rates and high banking system liquidity, it seems that adverse macroeconomic conditions continue to slow down the recovery in bank lending.

As in the first quarter, credit growth from March to August was almost completely accounted for by enterprises, exclusively enterprises in private ownership, while state-owned enterprises slightly reduced their credit liabilities to banks. Corporate lending rose by 2.3% in the second quarter and by another 1.4% in the first two months of the third quarter, growing by 6.0% from the beginning of the year. This was also due to the approval of CBRD-intermediated loans within the Croatian government's measures for corporate funding as these loans accounted for almost one quarter of total loan growth from the beginning of the year.

In contrast with corporate loans, household loans continued to stagnate in the second quarter and the first two months of the third quarter. Excluding the exchange rate effects, the balance of total household loans at end-August was almost the same as at the end of 2009. Within their structure, the sharpest fall was again recorded by car loans and credit card loans.

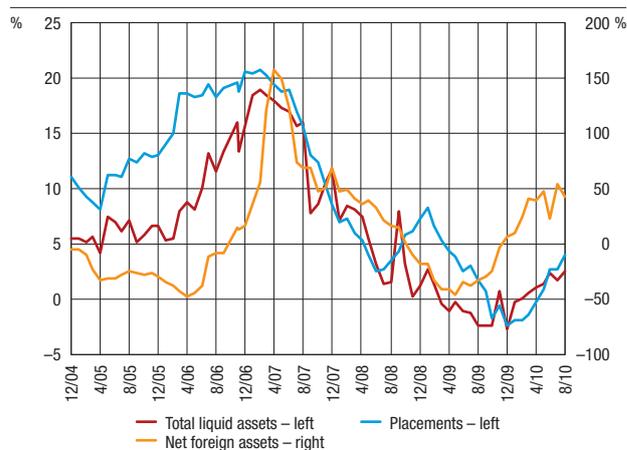
Bank placements to the central government

The central government continued to borrow from domestic banks in the second quarter of 2010 though at a slower pace than early in the year. In July, however, it raised substantial funds by issuing bonds in the domestic and foreign markets. As the government deposited these funds with the CNB, its position relative to banks and the CNB improved by HRK 12.2bn in the period from June to August and was 42.1% more favourable at end-August 2010 relative to the end of August 2009. Still, as the government will use these funds to meet current expenditures, its deposits will decrease in the remainder of the year, which means that the described improvement in its net position at the beginning of the third quarter was only temporary.

Foreign assets and liabilities

Banks' net foreign assets continued to decline in the second quarter of 2010. This was almost entirely due to the rise in liabilities to foreign banks associated with loans and deposits received. Nevertheless, due to seasonal inflows of domestic sector deposits, net foreign assets of banks rose by a total of HRK 8.4bn in July and August. The improvement in the foreign

Figure 42 Net foreign assets, total liquid assets and bank placements to the private sector
real rate of change relative to the same month of the previous year



Source: CNB.

position of banks in that period was due to a HRK 6.7bn decrease in their foreign liabilities and a HRK 1.7bn increase in their foreign assets.

Data on real annual rates of change in main monetary aggregates point to continued moderate growth. To some extent, this is a result of weaker inflationary pressures.

Box 2 Swiss franc-indexed loans

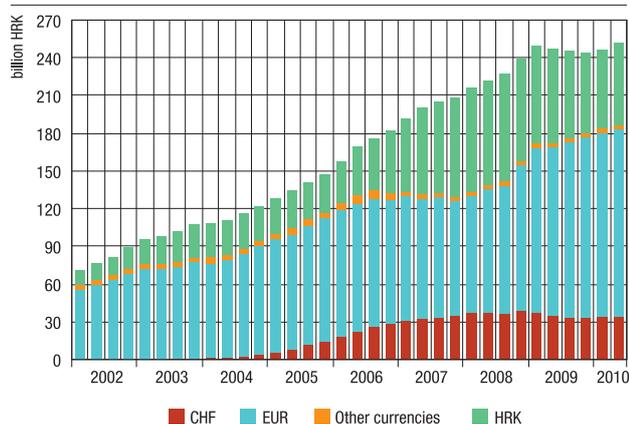
In the period of credit expansion in Croatia, lending indexed to the Swiss franc also grew strongly. Funding sources in that currency were more favourable (lower interest rates) for banks, which also made them more favourable for bank clients in terms of price. However, from the beginning of the global financial crisis and particularly from early 2010, the burden of servicing such loans has increased substantially due to the strengthening of the Swiss franc in the global financial market and its resultant strengthening against the Croatian kuna.

The increase in Swiss franc-indexed bank claims on domestic sectors had begun in 2004 and accelerated strongly in the

following three years. Over one third of total credit growth in that period was indexed to the Swiss franc, so that the share of Swiss franc-indexed claims in total claims on other domestic sectors went up from 3.1% (HRK 3.8bn) at end-2004 to 16.9% (HRK 35.2bn) at end-2007. The global financial crisis and the recession that followed slowed down both total lending and lending indexed to the Swiss franc. In mid-2008, the granting of such loans almost ceased in Croatia. As a result, the share of Swiss franc-indexed loans in total loans slightly decreased in the past two years, to 13.5% (HRK 34.0bn) in mid-2010.

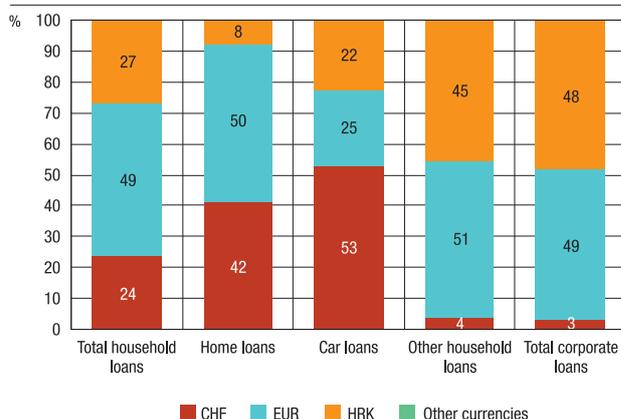
Most Swiss franc-indexed loans are loans to households. At

Figure 43 Loans to other domestic sectors
end-period balance



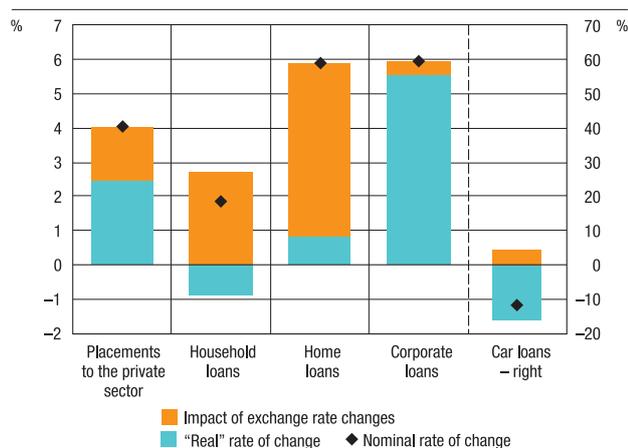
Note: Other domestic sectors include households, enterprises and all government units.
Source: CNB.

Figure 44 Currency structure of loans
balance at the end of August 2010



Source: CNB.

Figure 45 Placements by sectors and use change in the first eight months of 2010



Source: CNB.

end-August 2010, these loans accounted for almost one fourth of total credit liabilities of households. Within individual types of loans, these loans account for a major share of car loans (52.9%) and home loans (41.5%). Within corporate loans, the share of Swiss franc-indexed loans is much smaller, standing at only 3.4% at the end of August 2010.

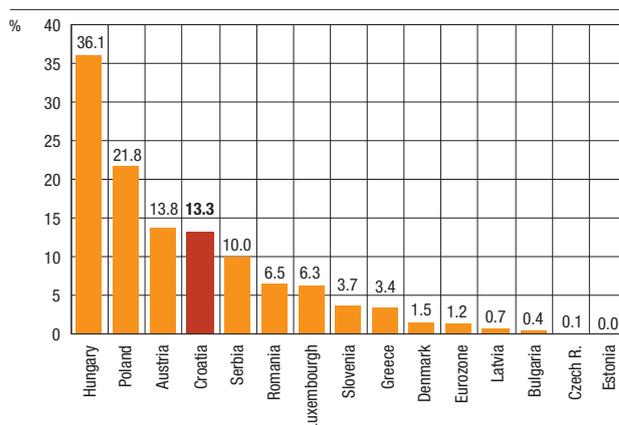
The risk assumed by the debtors that linked their credit liabilities to the value of the Swiss franc primarily arose from changes in the exchange rate of that currency. Monetary policy implemented by the CNB is focused on the maintenance of stability of the nominal exchange rate of the kuna against the euro, while the value of the kuna against the Swiss franc is determined by the franc/euro exchange rate in the global market, which is beyond CNB influence. This is why the central bank tried to warn the public on several occasions about the risk of assuming obligations with a currency clause (for example, see Banks Bulletin, No. 12). In addition, at the time of strong credit growth, the CNB strove to slow down total lending activities of banks (see Box 1 in CNB Bulletin No. 124) and imposed on banks higher capital requirements for loans to clients exposed to currency risk (see Banks Bulletin, No. 13).

The culmination of the global financial crisis and the growing lack of financial market confidence in the sustainability of fiscal deficits in some eurozone countries and their ability to refinance obligations spurred the strengthening of the Swiss franc against the euro. The Swiss National Bank (SNB) responded by an expansive monetary policy aimed at mitigating the appreciation of the currency. The decrease in the benchmark rate that followed in late 2008 continued into early 2009. Furthermore, the SNB substantially increased liquidity in the system: it lent to commercial banks funds with longer maturities, repurchased private sector bonds and intervened in the foreign exchange market. Despite all this, demand for the Swiss franc persistently mounted so that its exchange rate continued to appreciate.

The franc strengthened against the euro by 12.1% just in the period from early 2010 to the end of August. In the same period, it also strengthened against the kuna, by 13.3%, which directly

Figure 46 Share of Swiss franc-indexed loans in total loans by countries

balance at the end of June 2010



Source: Swiss National Bank.

increased annuities paid by debtors with loans indexed to that currency. In response to the strengthening of that currency, for some time a number of banks have been offering their clients the option to convert such loans to euro-indexed loans. Also, to alleviate the impact of exchange rate changes and thus reduce the risk of loan delinquencies, some banks lowered interest rates on Swiss franc-indexed loans in the mid-2010. In such circumstances, the conversion offered would eliminate the risk of a further appreciation of the franc, but would also imply the freezing of the existing debt balance in euros and missing out on benefits of a possible future weakening of the franc. Current data confirm that only a small number of clients opted for the conversion as the balance of Swiss franc-indexed loans has only slightly decreased in the last two years.

In addition to the increase in annuities, the franc's strengthening affected the nominal balance of total bank placements in kuna terms. In statistics on loans approved, banks show the kuna value of loans granted with a currency clause, so when the franc strengthens, the balance of total loans approved increases. For example, home loans grew by 6.0% in nominal terms in the first eight months of 2010. However, excluding the exchange rate effects, home loans were actually stagnant as almost the entire increase was due to exchange rate changes.

Finally, it should be noted that Swiss franc-indexed loans are not specific for Croatia. Their growth was recorded in some developed countries (e.g. Austria), but was most pronounced in East and Southeast Europe: the share of these loans in total loans granted was some 10% in Serbia, 21% in Poland and over 36% in Hungary at the end of the first half of 2010. As the weakening of domestic currency against the Swiss franc has been more marked in some of these countries than in Croatia, the problem of increasing annuities due to exchange rate changes has been even more pronounced in them. Still, due to adjustments in the offer made by the banks themselves or due to stricter regulations, the granting of new loans indexed to the Swiss franc has been either eliminated or much reduced over the last two years.

Money market

Good financial system liquidity also marked the summer months, while the effects of the usual seasonal strengthening of the demand for kuna liquidity were cancelled by three foreign exchange interventions of the CNB in June and July, which created a total of HRK 2.6bn. In such a stable monetary environment, the banks' needs for primary liquidity financing through the money market were relatively modest, tending to keep the total money market turnover at a low level. During the observed period, interest rates mainly held steady at their beginning of year level (around 1.0%).

Low and relatively stable interest rates on the money market were accompanied by stagnation in interest rates on all-maturity T-bills. This was the result of large investor interest boosted by good liquidity of the system and reduced government needs for deficit financing by means of short-term securities issues in the conditions of increased use of other sources of funding, mainly government bonds. A total of 19 T-bill auctions were held in the second and third quarters of the year, which raised around HRK

Loans in demand deposit trading, the dominant lending channel, accounting for approximately 90.0% of total trading, rose to approximately HRK 83bn in the third quarter of the year, increasing by almost HRK 29bn compared to the previous quarter. Repo transactions accounted for the remaining financing on the money market, though the intensity of these transactions was smaller than that in the second quarter (HRK 10.4bn compared to HRK 19.4bn) while securities trading amounted to only HRK 305m.

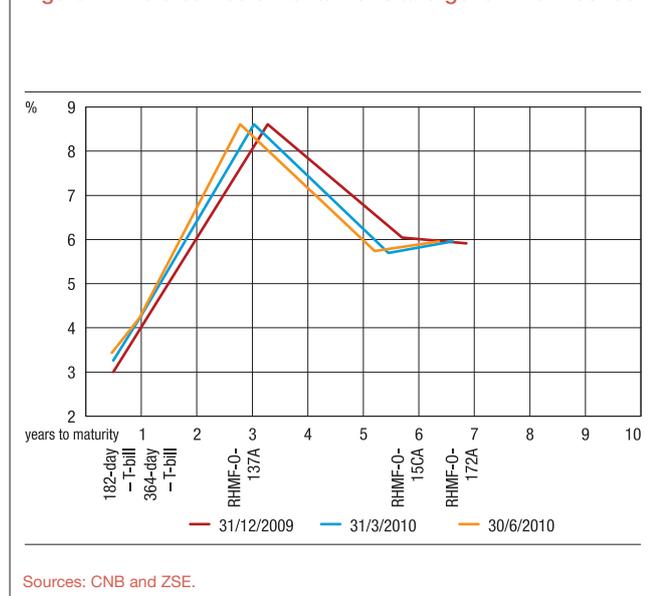
The volume of direct interbank demand deposits trading rose by a high HRK 19.5bn in the third quarter compared to the previous quarter. As the banks met their reserve money needs through direct lending, interbank trading with ZMM intermediation continued to decline, falling on average by HRK 400m in the second and the third quarters. This type of intermediation in reserve money trading is slowly losing in importance (until end-September it accounted for less than 7.5% of the total turnover).

Overnight loans continued to be the most liquid instrument in direct interbank trading in reserve money and their dominant position received an additional boost after the interest for longer maturity loans subsided and repo auctions discontinued. Overnight loans rose significantly in the third quarter and accounted for almost 3/4 of direct interbank trading in reserve money (HRK 24bn). On account of very good mid-year financial system liquidity, interest rates on overnight loans in direct interbank trading held steady at relatively low levels and stood at below 1.0%, except for a slight increase to 1.45% and 1.31% in July and August, respectively.

The issue of new tranches of domestic bonds and an international bond in July reduced government need for additional liquidity by means of regular T-bills auctions, so their issue was mainly used for the refinancing of maturing T-bills. Coupled with high financial sector liquidity, this additionally boosted investor demand, which was relatively high, in relation to the planned issue amounts. In the July to September period, the MoF held twelve auctions, raising a total of HRK 5.9bn, comparable to that in the previous quarter.

The described supply and demand ratios at T-bills auctions in the third quarter of 2010 led to a slight fall in the request-yields on 91-day T-bills (from 2.32% in June to 1.97% in

Figure 47 Yield curves of kuna T-bills and government bonds



12.0bn. The amount of newly issued bills was lower than the amount of bills that matured so the total stock of subscribed T-bills fell by HRK 765m to HRK 23.3bn.

Lending and deposit interest rates of banks, influenced by good financial system liquidity and smaller demand for loans, mainly kept falling steadily throughout the second quarter and in July and August this year, with the exception of interest rates on short-term household loans, which continued to be stable throughout this period.

Money market interest rates

High banking system liquidity in the first nine months of this year led to a fall in the volume of trading on the money market and it was not until the summer months and the seasonal strengthening of the demand for kuna liquidity that the banks started to finance their primary liquidity increasingly through the money market. The average daily trading amount of HRK 1.4bn in the July to September period (a total of HRK 91.7bn on a quarterly level) was only a little higher than that in the previous quarter. This was also the first increase in turnover on that market since end-2008.

Figure 48 Money market turnover

quarterly data

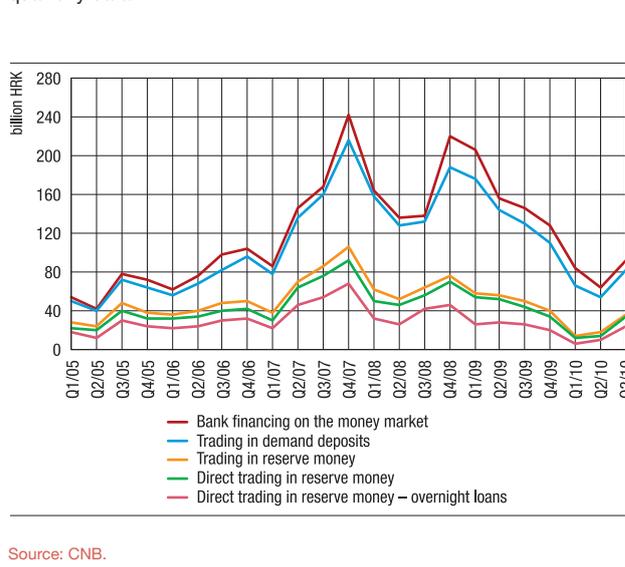
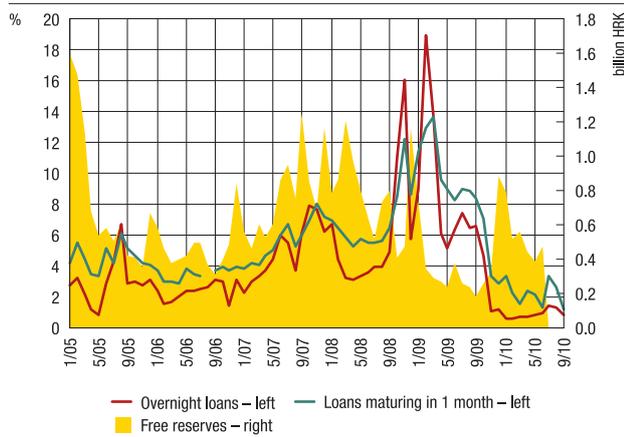
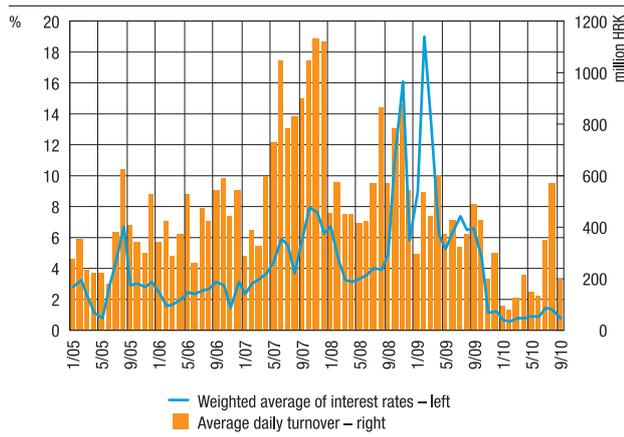


Figure 49 Interest rates in direct interbank trading and bank free reserves
monthly average on the basis of daily data



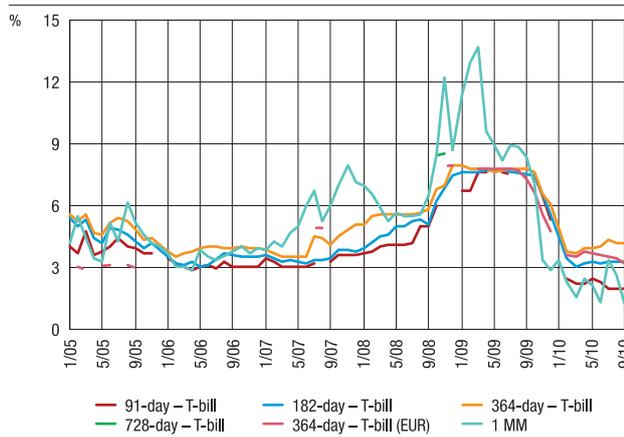
Source: CNB.

Figure 50 Direct interbank trading in overnight loans
monthly average on the basis of daily data



Source: CNB.

Figure 51 Interest rates on T-bills and in direct interbank trading
maturity structure



Sources: MoF and CNB.

September) and on one year euro T-bills (from 3.59% in June to 3.21% in September). The required yields on longer maturity T-bills rose slightly, albeit within a narrow range, probably attributable to seasonal effects of a temporary nature (182-day T-bills rose from 3.16% in June to 3.30% in July, stabilising until the end of the quarter, while one-year kuna T-bills rose from 4.05% in June to 4.31% in July and fell to 4.20% in September).

The stock of total subscribed T-bills fell by HRK 765m towards the end of September, compared to June, and stood at approximately HRK 23.3bn, only slightly over the stock of debt under T-bills at the end of March. Compared to the stock of these bills at the end of the previous year, the increase was bigger (an increase of HRK 1.2bn compared to December 2009). The stock of subscribed T-bills fell in the third quarter because the amounts of (new) issues of euro T-bills were smaller than the amounts of debt due under older issues (from HRK 10.2bn at the end of June, they fell to HRK 9.3bn at the end of September), while the debt stock under kuna T-bills remained almost unchanged (HRK 13.9bn).

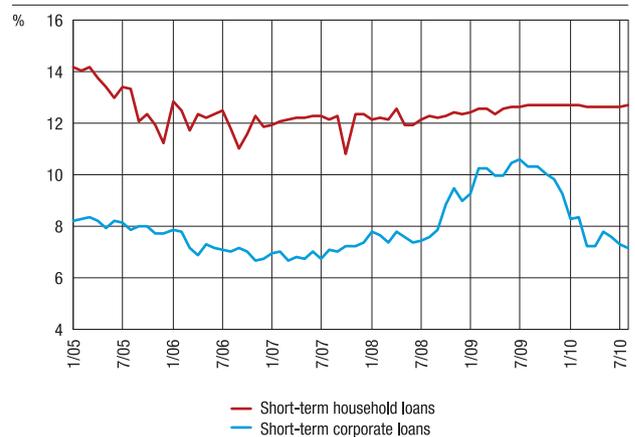
Bank interest rates

Good banking system liquidity and the fall of interest rates on the money market in the second quarter of the year led to a further reduction in interest rates of banks in the middle of the year. This was particularly true of interest rates on long-term loans and time deposits, while short-term interest rates remained stable. The interest rate spread between kuna loans without a currency clause and kuna deposits without a currency clause rose during that period, while the interest rate spread between loans with a currency clause and foreign currency deposits fell during the same period.

Following a sharp decrease at the beginning of the year, interest rates on short-term corporate kuna loans without a currency clause (that account for approximately 21% of the total corporate loans) continued to trend downwards, though at a slower rate. After rising from 7.24% in March to 7.76% in May, they fell to 7.17% until August, thus remaining at a relatively low level, unusually close to interest rates on long-term loans with a currency clause to the same sector (which account for almost one third of the total corporate loans). In March, they were even a little lower than interest rates on long-term loans with a currency clause.

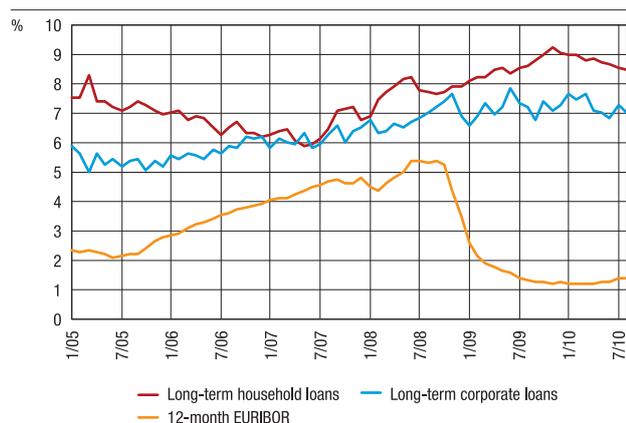
Interest rates on long-term household loans with a

Figure 52 Average bank interest rates^a on short-term loans without a currency clause



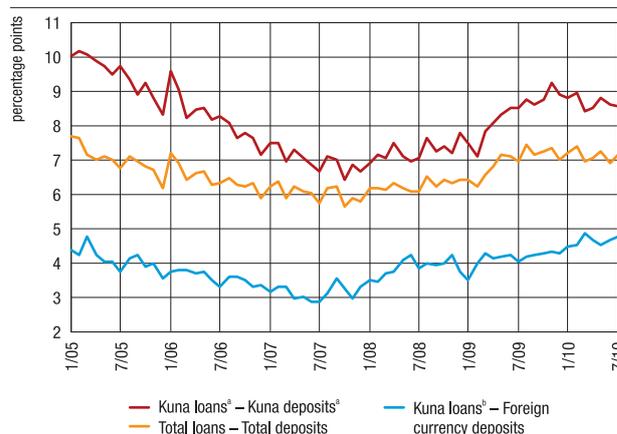
^a The average weighted interest rate on newly granted loans in the reporting month.
Source: CNB.

Figure 53 Average bank interest rates^a on long-term loans with a currency clause



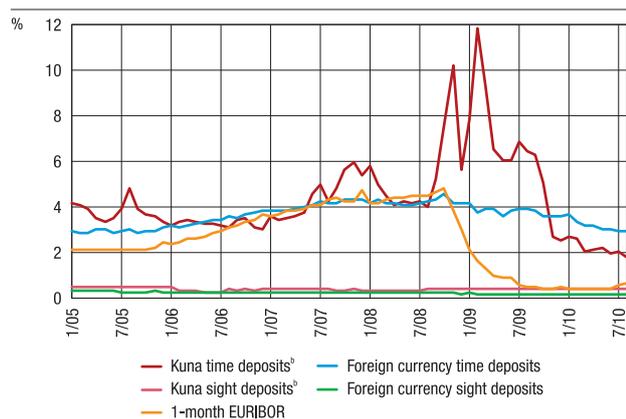
^a The average weighted interest rate on newly granted loans in the reporting month.
Source: CNB.

Figure 55 Spread between average bank interest rates on loans and deposits



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

Figure 54 Average bank deposit interest rates^a



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

currency clause, which account for approximately two thirds of total household loans, trended downwards throughout 2010. Their fall accelerated further towards the middle of the year, declining from 8.82% in March to 8.65% in June and 8.45% in August. Although a reduction of interest rates occurred in long-term household loans with a foreign currency clause, it was other long-term loans to households that had the greatest impact on this reduction. At the same time, two main components in the structure of short-term interest rates, those on payment cards and credit lines remained very stable. Consequently, the interest rates on short-term loans to this sector without a currency clause (which account for one tenth of all household loans)

remained stable and stood at 12.65% and 12.73% at the end of June and August, respectively.

The fall in interest rates on time kuna deposits without a currency clause, which marked the major part of 2009, continued throughout 2010, with these interest rates falling to 1.94% in June and 1.79%, their lowest level ever, in August. The developments in these interest rates reflect the fall in interest rates on 1-month corporate time deposits, the dynamics of which is closely correlated with the developments on the money market. In July and in August, the interest rates on 1-month corporate deposits rose slightly, in line with rising interest rates on the money market. However, the increase in the share of these deposits in total kuna deposits, combined with an interest rate significantly lower than on other time kuna deposits, resulted in a fall in total interest rates on corporate kuna time deposits. The interest rates on foreign currency time deposits continued to fall (from 3.17% in March to 2.99% and 2.97% in June and August, respectively), while interest rates on foreign currency sight deposits and kuna deposits without a currency clause remained relatively stable and stood at 0.37% and 0.20% , respectively, at the end of August.

Such developments in lending and deposit interest rates led to a slight fall in interest rate spreads in the second quarter and their recovery by August. After falling from 4.88 percentage points in March to 4.67 percentage points in June, the interest rate spread on foreign currency-indexed kuna loans and foreign currency deposits rose again to 4.74 percentage points until August. At the same time, the interest rate spread on the “pure” kuna loans and deposits rose from 8.40 percentage points in March to 8.63 and 8.68 percentage points in June and August, respectively. Due to such developments, the general interest rate spread fell to 6.90 percentage points in March and rose to 7.38 percentage points in August.

Capital market

The second quarter of 2010 was marked by rapidly growing investor risk aversion on the financial markets as the Greek crisis threatened to escalate and deepen. This situation was mostly reflected in the fall in the prices of shares on all major global capital markets and in the fall in the price, i.e. the growth in the required yields on emerging market and peripheral eurozone countries bonds, and a fall in benchmark issuers' bond yields, in particular those of Germany and the USA. At the same time, the price of gold, an instrument considered a safe haven in time of insecurity, rose, while the fall in the euro accelerated in May. However, a EUR 110bn financial assistance package to Greece agreed among the EU member states, the IMF and the Greek Government and a common stabilisation plan worth EUR 750bn agreed between the ECB and the IMF in the first half of May helped in global markets stabilisation and prompted a fall in the required yields on Greek bonds and bonds of other peripheral eurozone members.

Despite recovery in major global stock indices from a sharp fall after the Greek crisis had subsided, the trend in price developments continued to be negative. The possible slowdown of global recovery following announcements of more stringent fiscal adjustment to ensure fiscal sustainability in the EU member states and measures of the Chinese government to slow down construction sector growth had a negative impact on global equity markets while at the same time demand for government bonds of the USA and Germany drove their prices up. The Croatian equity markets followed suit, recording negative trends seen in the said markets, albeit with smaller volatility. Thus, in the first quarter of 2010, the ZSE stock exchange index, CROBEX, lost 13.4% of its value, falling by 7.4% compared to the beginning of the year and cancelling the positive trends observed in the first quarter of the year. No major price changes were observed in July and August, with the CROBEX falling by 7.8% compared to the beginning of the year.

The CROBIS index also lost value in the second quarter of 2010. Until end-July, this index fell by 0.9% compared to end-March. Nevertheless, owing to positive developments in the first quarter of 2010, the CROBIS value was still somewhat higher than that at the end of December previous year (0.3%). During the following two months, the CROBIS recovered slightly compared to the end of June, increasing by 0.5% at the end of August 2010 compared to the beginning of the year.

Equity securities market

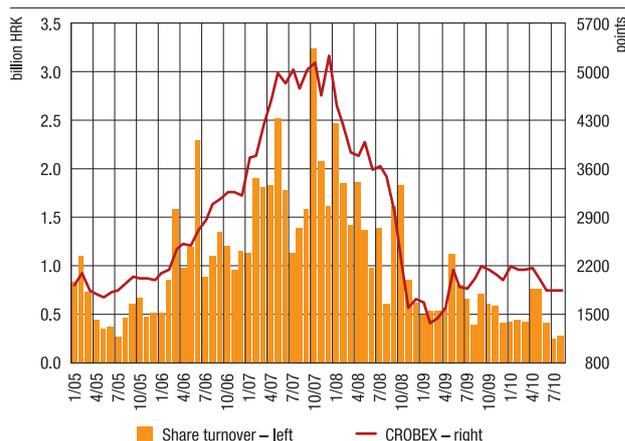
In the second quarter of 2010, the quarterly share turnover¹⁰ rose to HRK 1.3bn, which is an increase of HRK 0.1bn or 9.1% compared to the previous quarter. T-HT shares were the most traded shares in the observed quarter, accounting for 33.8% of the quarterly share turnover. They were followed by shares of Ina d.d. (13.7%) and Zagrebačka pivovara d.d. (13.5%). In addition to T-HT shares (31.4%), the most traded shares in July and August 2010 were preferential shares of Adris grupa d.d. (6.8%) and Končar-elektroindustrija d.d. (6.4%).

Despite a small growth in share prices in April 2010, May and June were characterised by negative trends in the domestic capital market. At the end of April, the CROBEX stood at 2161.3 points, an increase of 0.9% compared to the end of the

first quarter of 2010. However, influenced by global developments, this index fell sharply to 1986.4 points in May. The negative trends continued into June, with the CROBEX value declining by a total of 13.4% until the end of the second quarter, compared to the previous quarter, and stood at 1855.2 points. In July the prices held almost steady compared to end-June, while August brought an additional, though small, fall in the CROBEX value to 1848.1 points, a decrease of 0.4% compared to the end of June 2010.

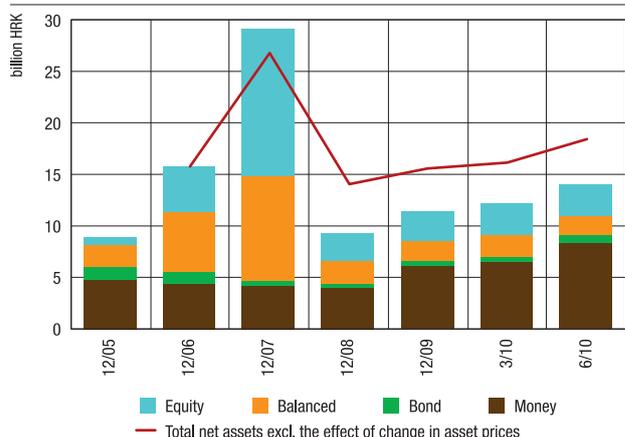
Despite a fall in share and bond prices on the domestic market in the second half of 2010, the total net assets of open-end investment funds with a public offering continued to rise, increasing by HRK 1.8bn at the end of June 2010, compared to the end of the previous quarter, and stood at HRK 14.0bn. The increase in investment funds' net assets in the second quarter of 2010 was mainly the result of inflows of funds to the least risky money market funds, while the assets of other types of funds

Figure 56 Monthly share turnover on the Croatian capital market and end-month CROBEX



Source: ZSE.

Figure 57 Changes in net assets of open-end investment funds with public offering by type



Source: HANFA.

¹⁰ The data on the total share turnover from January 2002 to February 2007 are the sum of turnovers of individual shares at the VSE and ZSE. Unified ZSE data have been used since the VSE and ZSE merger in March 2007.

either held steady or fell. In July and August 2010, after payments were made from money market funds, the total assets of open-end investment funds fell by HRK 1.2bn, though it was still HRK 0.6bn higher than at the end of March this year.

As a result of a fall in the prices of most of the shares listed on the ZSE, at the end of June 2010 market capitalisation¹¹ fell by 11.9% compared to the end of the previous quarter and stood at HRK 125.0bn. Market capitalisation remained almost unchanged in July 2010 while at the end of August it stood at HRK 124.6bn, falling by 12.2% compared to the first quarter of 2010.

Debt securities market

In the second quarter of 2010, there were no new listings and no debt securities maturing on the domestic debt securities market. To secure new funding and refinance future liabilities, in mid-July 2010, the MoF issued new tranches of the existing two bonds, a kuna bond maturing in 2020 (HRK 1.5bn) and a kuna bond with a currency clause maturing in the same year (EUR 650m) which were then listed on the ZSE. Thus on the last day of August 2010, 35 bonds were listed on the ZSE, nine of which were government bonds, eight were municipal bonds, one was a CBRD bond and 17 were corporate bonds. In addition, at the end of August 2010, there were 29 issues of commercial bills of the total of 15 issuers listed on the ZSE, which means that there were nine commercial bills and five issuers fewer than at the end of the first quarter of 2010.

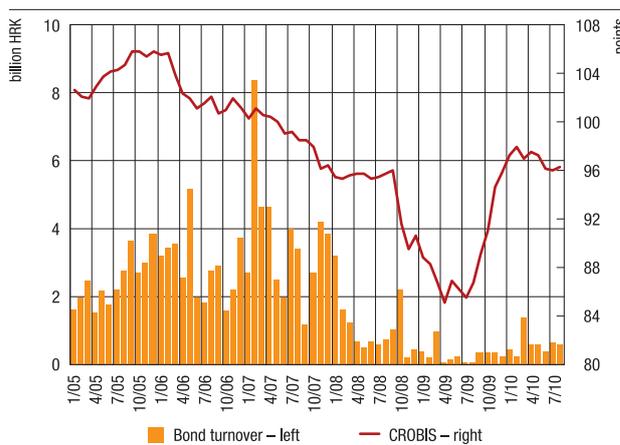
In the second quarter of 2010, bond turnover declined by 20.0% compared to bond turnover in the previous quarter, and stood at HRK 1.7bn. A kuna government bond with a currency clause maturing in 2020 accounted for 29.3% or the largest share of the turnover. It was followed by a kuna government bond of the same maturity (24.0%) and a kuna bond with a currency clause maturing in 2012 (13.9%). Since the second quarter, the demand for debt financial instruments has focused mainly on government bonds, which thus accounted for 90.8% of the total debt securities turnover, an increase compared to 92.3% at the end of the previous quarter. Bond trading in July and August 2010 held steady at levels similar to those in June, with their turnover in July and August standing at HRK 0.6bn and HRK 0.7bn, respectively. Instability that characterised the global markets was also felt on the domestic bond market, but they were significantly lower in intensity. As a result, the value of the CROBIS fell from 97.0 points at the end of March to 96.2 points at the end of June. Following its further fall to 96.0 points in July, the index rose to 96.3 points in August.

Market capitalisation of government bonds, municipal bonds and the CBRD fell by 0.6% in the second quarter, compared to the end of the first quarter 2010, and stood at EUR 5.2bn, or 11.4% of GDP at the end of June.¹² Market capitalisation of corporate bonds rose by a slight 0.4% compared to the end of the previous quarter and stood at EUR 610m or around 1.3% of the realised GDP. Until end-August 2010, market capitalisation of government bonds, municipal bonds and the CBRD rose by almost 17% as a result of the listing of new tranches of two government bonds (kuna and kuna with a currency clause bonds maturing in 2020), compared to the end of the second quarter, while market capitalisation of corporate bonds fell by a slight 0.9%.

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

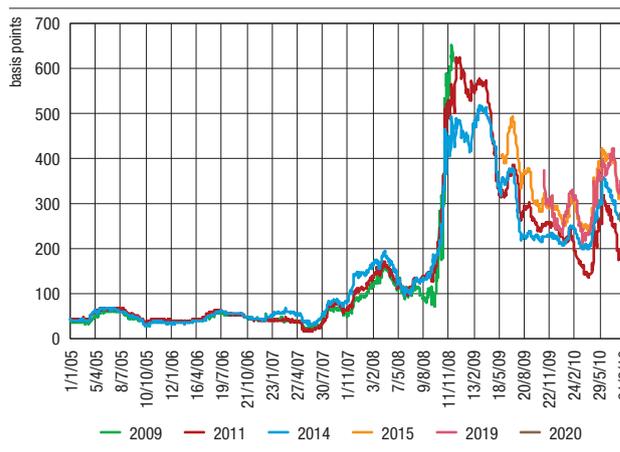
12 Relates to the sum of GDP outturns in the last two quarters of 2009 and the first two quarters of 2010.

Figure 58 Monthly bond turnover on the Croatian capital market and end-month CROBIS



Source: ZSE.

Figure 59 Croatian eurobond spread 2009, 2011, 2014, 2015, 2019 and 2020, compared with benchmark German and American bonds



Source: Bloomberg.

In the second quarter, there were no issues of bonds of the Republic of Croatia on the international market, and none came to maturity. Five issues of Croatian bonds, three of which were denominated in euros and two in US dollars, were listed on the foreign markets towards the end of June 2010. However, in mid-July, an international US dollar-denominated bond, of nominal value of USD 1.25bn, was issued, while towards the end of July, the last payment under the London Club fell due, so the total number of foreign bonds listed on the international markets remained unchanged from the end of the second quarter of 2010.

The fall in the required yields on the Croatian international bonds, which started in the second quarter of 2009, came to a halt towards the end of the first quarter of 2010. The culmination of the Greek crisis and uncertainties surrounding the economic recovery of major European economies led to a significant increase in yields on almost all emerging markets. May saw a significant increase in yields on all Croatian eurobonds, with required yields rising significantly towards the end of June compared to the end of March. At the end of the second quarter of 2010, the spreads between required yields on Croatian bonds maturing in 2011, 2014 and 2015 and yields on the benchmark

Table 3 Bond issues in the domestic market

stock as at 31 August 2010

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price ^a	Current yield 31/8/2010
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	103.90	6.617%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	99.60	5.522%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	500,000,000	5.375%	89.10	6.033%
RHMF-O-157A	Republic of Croatia	14/7/2005	14/7/2015	EUR	350,000,000	4.250%	89.45	4.751%
RHMF-O-15CA	Republic of Croatia	15/12/2005	15/12/2015	HRK	5,500,000,000	5.250%	97.90	5.363%
RHMF-O-137A	Republic of Croatia	11/7/2006	11/7/2013	HRK	4,000,000,000	4.500%	86.95	5.175%
RHMF-O-172A	Republic of Croatia	8/2/2007	8/2/2017	HRK	5,500,000,000	4.750%	93.20	5.097%
RHMF-O-203A	Republic of Croatia	5/3/2010	5/3/2020	HRK	3,500,000,000	6.750%	101.30	6.663%
RHMF-O-203E	Republic of Croatia	5/3/2010	5/3/2020	EUR	350,000,000	6.500%	102.70	6.329%
GDKC-O-116A	City of Koprivnica	29/6/2004	29/6/2011	HRK	60,000,000	6.500%	93.52	6.950%
GDZD-O-119A	City of Zadar	1/9/2004	1/9/2011	EUR	18,500,000	5.500%	98.10	5.607%
GDRI-O-167A	City of Rijeka	18/7/2006	18/7/2016	EUR	24,574,513	4.125%	-	-
GDST-O-137A	City of Split	24/7/2006	24/7/2013	EUR	8,000,000	4.563%	101.30	4.504%
GRVI-O-17AA	City of Vinkovci	23/10/2007	23/10/2017	HRK	42,000,000	5.500%	-	-
GROS-O-17AA	City of Osijek	30/10/2007	30/10/2017	HRK	25,000,000	5.500%	-	-
GDST-O-15BA	City of Split	27/11/2007	27/11/2015	EUR	8,100,000	4.750%	-	-
GDST-O-177A	City of Split	8/7/2008	8/7/2017	EUR	8,200,000	6.000%	-	-
HBOR-O-112A	CBRD	11/2/2004	11/2/2011	EUR	300,000,000	4.875%	-	-
RBA-O-112A	Raiffeisenbank Austria d.d.	10/2/2006	10/2/2011	HRK	600,000,000	4.125%	100.36	4.110%
PODR-O-115A	Podravka d.d.	17/5/2006	17/5/2011	HRK	375,000,000	5.125%	96.20	5.327%
NEXE-O-116A	Nexe grupa d.d.	14/6/2006	14/6/2011	HRK	750,000,000	5.500%	87.25	6.304%
HEP-O-13BA	Hrvatska elektroprivreda d.d.	29/11/2006	29/11/2013	HRK	500,000,000	5.000%	91.70	5.453%
ATGR-O-11CA	Atlantic grupa d.d.	6/12/2006	6/12/2011	HRK	115,000,000	5.750%	87.82	6.547%
INGR-O-11CA	Ingra d.d.	6/12/2006	6/12/2011	HRK	200,000,000	6.125%	74.99	8.168%
OPTE-O-142A	Optima telekom d.o.o.	1/2/2007	1/2/2014	HRK	250,000,000	9.125%	67.00	13.619%
JDGL-O-126A	Jadran Galenski laboratorij d.d.	11/6/2007	11/6/2012	HRK	125,000,000	5.650%	-	-
JDRA-O-129A	Jadranska d.d.	13/9/2007	13/9/2012	HRK	75,000,000	6.475%	99.07	-
JRLN-O-12AA	Jadrolinija d.d.	25/10/2007	25/10/2012	HRK	70,000,000	6.500%	100.50	6.468%
OIV-O-14BA	Odašiljači i veze d.o.o.	20/11/2007	20/11/2014	HRK	100,000,000	7.250%	95.00	7.632%
HEP-O-17CA	Hrvatska elektroprivreda d.d.	7/12/2007	7/12/2017	HRK	700,000,000	6.500%	94.88	6.851%
RPRO-O-181A	Rijeka promet d.d.	25/1/2008	25/1/2018	HRK	192,000,000	6.813%	-	-
PLOR-O-133A	Plodine d.d.	4/3/2008	4/3/2013	HRK	100,000,000	9.000%	85.00	10.588%
MTEL-O-137A	Metronet telekomunikacije d.d.	17/7/2009	17/7/2013	EUR	19,800,000	12.000%	-	-
SCVI-O-14CA	Športski centar Višnjik d.o.o.	23/12/2008	23/12/2014	EUR	9,600,000	8.813%	-	-
HP-O-127A	HP – Hrvatska pošta d.d.	1/7/2009	1/7/2012	EUR	41,000,000	9.000%	-	-

^a Regularly traded shares.

Source: ZSE.

Table 4 Republic of Croatia international bond issues

stock as at 31 August 2010

Bonds	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread ^a 31/12/2009	Spread ^a 31/3/2009	Spread ^a 30/6/2009	Spread ^a 31/8/2010
London Club A, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.			302	162	307	
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.75%	6.90%	215	233	150	277	177
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	215	205	331	270
Eurobonds, 2015	27/5/2009	EUR	750,000,000	6.500%	6.57%	406	274	251	409	337
Eurobonds, 2019	5/11/2009	USD	1,500,000,000	6.750%	7.01%	324	239	231	389	352
Eurobonds, 2020	14/7/2010	USD	1,250,000,000	6.625%	6.75%					283

^a In relation to benchmark bond.

Source: Bloomberg.

German bonds were 277, 331 and 409 basis points, a sharp increase compared to their end-March values of 150, 205 and 251 basis points, respectively. The yield spread between the Croatian international USD-denominated bond maturing in 2019 and the benchmark American bond stood at 389 basis points at the end of June, which is also a significant increase compared to the end of March 2010, when this spread stood at 231 basis points. July and August brought about a gradual easing of investor concern,

and a small decline in the spreads on required yields. At the end of August, the yield spread between the Croatian eurobonds denominated in euros maturing in 2011, 2014 and 2015 and the benchmark German bonds stood at 177, 260 and 337 points and that between the US bond maturing in 2019 at 352 basis points. The yield spread between the newly-issued US-dollar international bond maturing in 2020 and the benchmark US bond stood at 283 basis points towards the end of August.

International transactions

In the second quarter of 2010, as in the first three months of the current year, a continuation of a sharp contraction in the current account deficit was recorded. This can mainly be accounted for by a further decrease in the imbalance in the trade in goods and to a smaller extent by a deficit in the factor income account. A reduced volume of the current account transactions was accompanied by a modest capital inflow, arising from both equity investment and foreign borrowing.

Current account

In the second quarter of 2010, the current account deficit amounted to one third of the deficit recorded in the same period of the previous year, as a result of which the decreasing imbalance from early 2009 continued to trend downward. Throughout that period, the main reason for the decrease in the current account imbalance was a contraction in the negative balance of trade in goods; this trend continued into the second quarter. An 18.5% growth of exports of goods at the annual level along with an additional moderate fall of imports of –2.4% resulted in a reduction of deficit of foreign trade in goods by almost one fourth. Furthermore, an evident positive contribution to the current account deficit movements was made by the movements of factor income, the negative balance of which narrowed relative to the second quarter of 2009, mainly due to a reduction in interest expenses of domestic sectors. There was no considerable change in the balance of services and current transfers accounts relative to the comparable period of the previous year.

The positive balance in the services account was almost identical to that recorded in the second quarter of 2009, which is a

consequence of about the same decrease in both revenues and expenditures. The greatest positive change was recorded in the account of other services, where, in contrast to the deficit of the second quarter of 2009, a small positive balance was recorded as a result of a fall in expenditures and a growth in revenues. It should be noted here that a fall in expenditures is mainly associated with agricultural services and mining services, and legal, accounting and other services. In the account of transportation services, a slightly larger positive balance was recorded than in the comparable period of the previous year, due to increased revenues, mainly from sea cargo transport services, which can be related to the moderate recovery of trade in goods. As regards net tourism revenues, a slightly larger fall in revenues than in expenditures resulted in their mild reduction. In the second quarter of the current year, tourism revenues went down by 7.3% from the same period of the previous year, which is a consequence of a decrease in revenues from guests staying in paid accommodation. According to the CBS data, which exclusively encompass the arrivals in the said accommodation category, an almost equal number of foreign tourists was recorded in the second quarter as in the same three months of the previous year, so that the fall in revenues is mostly a consequence of their poorer average consumption.

A reduction in the negative balance of the factor income account can mostly be accounted for by the movements of direct investment income, i.e. by a growth in revenues and a somewhat stronger reduction in expenditures arising on this basis. The said revenue growth can primarily be attributed to improved business performance and the associated reinvested earnings of foreign

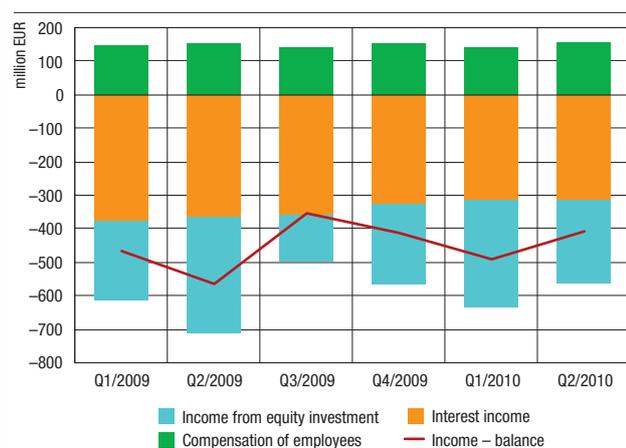
Table 5 Current account
in million EUR

	2008	2009	Q1/2010	Q2/2010 ^a	Indices		
					2009/2008	Q1/2010 / Q1/2009	Q2/2010 ^a / Q2/2009
CURRENT ACCOUNT	-4,338	-2,477	-1,397	-277	57.1	75.2	31.6
1 Goods	-10,794	-7,387	-1,283	-1,566	68.4	74.1	77.9
1.1 Credit (f.o.b.)	9,814	7,703	2,033	2,254	78.5	105.4	118.5
1.2 Debit (f.o.b.)	-20,608	-15,090	-3,316	-3,821	73.2	90.6	97.6
2 Services	6,958	5,676	124	1,411	81.6	91.7	100.7
2.1 Credit	10,091	8,454	788	2,057	83.8	101.9	97.0
2.2 Debit	-3,133	-2,778	-664	-646	88.7	104.0	89.8
3 Income	-1,572	-1,802	-490	-409	114.6	104.8	72.5
3.1 Credit	1,352	782	183	251	57.8	85.1	124.5
3.2 Debit	-2,924	-2,584	-673	-660	88.4	98.6	86.2
4 Current transfers	1,070	1,036	253	287	96.8	122.0	97.4
4.1 Credit	1,684	1,608	395	450	95.5	113.1	104.4
4.2 Debit	-614	-572	-142	-163	93.1	100.0	119.6

^a Preliminary data.

Source: CNB.

Figure 60 Factor income in the current account



Source: CNB.

enterprises in resident ownership, as opposed to the losses recorded in the previous periods. On the other hand, a fall in expenditures relative to the same period of 2009 is a consequence of a smaller amount of reinvested earnings of domestic enterprises in foreign ownership. Furthermore, total factor income account deficit contraction was also affected by a fall in net expenditures for other investments, which is almost in entirety a result of reduced interest expenses of banks and other domestic sectors due to lower benchmark interest rates in the global market compared to the same period of 2009.

Net revenues in the current transfers account dropped only slightly, as a result of a somewhat larger growth of expenditures than of revenues. It should be noted that the said expenditure growth can mainly be accounted for by a growth in government expenditures, whereas the rise in revenues can be attributed exclusively to a growth in transfers to households.

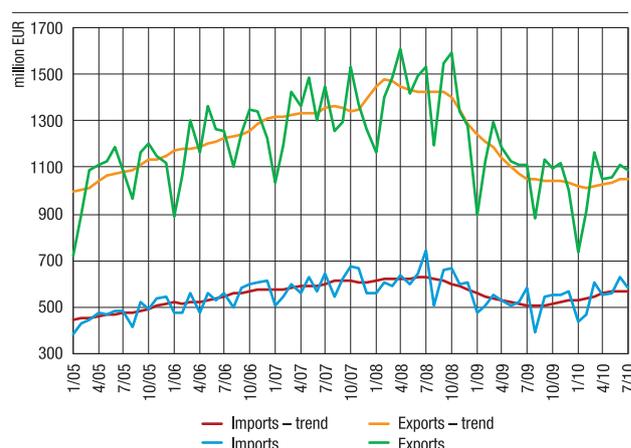
Trade in goods

According to the CBS data, a downward trend in imbalance in the foreign trade in goods, present from early 2009, continued into the second quarter of the current year. Relative to the same period of the previous year, the said deficit was reduced by a fourth, owing to the movements on both the exports and the imports side. Total goods exports thus reached EUR 2.3bn in the observed three months of 2010, growing at an annual rate of 22.2%, whereas total goods imports again fell moderately (-2.6%), amounting to EUR 3.8bn. Similar trends are present even if other transport equipment, oil and refined petroleum products are excluded from total trade in goods, exports growth being somewhat milder and a fall in imports somewhat stronger than in aggregate values.

In July and August, positive trends continued, i.e. exports continued to grow at a pace similar to that in the previous months. At the same time, imports increased at the annual level, for the first time since end-2008, so that deficit contraction in foreign trade in goods was milder than in the previous period. Viewed by the narrow aggregate (without ships and oil), positive movements of imports and exports were less pronounced and deficit contraction was moderate.

Growth of goods exports in the April-June period is mostly a consequence of increased exports of ships, primarily to Italy and Luxembourg, accounting for more than a half of total exports growth. In contrast to the movements in the previous quarter,

Figure 61 Goods exports (f.o.b.) and goods imports (c.i.f.) other transport equipment, oil and refined petroleum products excluded



Source: CBS.

the contribution of exports of oil and refined petroleum products to total exports growth was negative. These two SITC divisions excluded, exports grew at an annual rate of 12.1%, which is the first positive change since the last quarter of 2008. Exports recovery is also evident in a growing number of SITC divisions, the largest growth being recorded, relative to the comparable period of 2009, by metalliferous ores and metal scrap, plastics in primary forms and paper, paperboard and articles of other pulp. Furthermore, it should be noted that after six quarters of decrease in exports of capital goods, mild positive rates of change began to be recorded. On the other hand, the greatest fall of exports was recorded in the same period in exports of natural and manufactured gas, sugars, sugar preparations and honey and power generating machinery and equipment.

The annual rate of decrease of goods imports in the second quarter was considerably reduced relative to the previous year and a half. This downturn was, to a certain extent, offset by an evident rise in the value of oil imports, by one fourth compared to the same period of the previous year, whereas the contribution of ship imports was also positive, but very mild. These two divisions excluded, the fall in total imports was somewhat stronger, amounting to -6.1%, which still represents a considerable slowing down of the negative trends from the previous period. Importation of electricity was among the sections that recorded the largest fall at the annual level, amounting to a half of its value in the same period of the previous year. Imports of road vehicles continued to be marked by a strong fall at the annual level, although there are some indications of developments that could lead to the halting of the downward trend. The same trend is observed in imports of capital goods, the annual fall of which has also stabilised. Sections that recorded positive rates of change at an annual level in the observed three months include: organic chemicals, power generating machinery and equipment and coal, coke and briquettes.

Oil, refined petroleum products and other transport equipment excluded, exports and imports on the basis of the seasonally adjusted data continued their positive trends from the previous period. Accordingly, exports have been on the increase for three consecutive quarters, increasing their pace additionally in the second quarter of 2010. The average value of exports in July and August was, nevertheless, lower than in the previous quarter, which is mainly a consequence of an extremely large value recorded in June. On the imports side, following a gradual

Table 6 Exports and imports by economic classification of countries

in %

	Exports			Imports		
	2008	2009	Jan. – Aug. 2010 ^a	2008	2009	Jan. – Aug. 2010 ^a
EU-27	60.9	60.5	62.1	64.1	62.7	59.8
Austria	5.8	5.4	5.3	4.9	5.0	4.7
Italy	19.2	19.1	19.8	17.1	15.4	14.8
Germany	10.7	11.0	10.8	13.4	13.5	12.6
Slovenia	7.8	7.4	7.6	5.6	5.7	5.8
EFTA	1.2	1.7	1.2	1.7	2.6	2.0
CEFTA	23.5	21.3	18.3	5.0	5.1	5.2
Bosnia and Herzegovina	15.3	12.9	11.3	2.7	2.7	3.0
Serbia	5.5	5.3	3.7	1.4	1.3	1.4
Montenegro	1.3	1.6	1.0	0.0	0.2	0.0
Other	14.3	16.5	18.3	29.1	29.6	33.1
Russia	1.3	1.5	2.1	10.3	9.5	8.7
China	0.3	0.4	0.3	6.2	6.8	6.9

^a Preliminary data.

Source: CBS.

slow-down of a downward trend at the end of the previous year and early this year, the first positive quarterly growth rate was recorded in the second quarter, data for July and August only confirming a continued recovery.

After being on a downward trend for several consecutive years, the EU member states' share in total Croatian exports increased considerably in 2010. This can mainly be attributed to an increase of exports to Italy, primarily of ships. At the same time, exports to CEFTA countries decreased considerably, which can be accounted for by weak economic activity and a later onset of the recovery in that group of countries. Exports to Bosnia and Herzegovina decreased the most, the greatest contribution to which was made by a fall of exports of non-metallic mineral manufactures (mostly cement), electricity and power generating machinery and equipment. In contrast to such movements of shares in exports, the trends from the previous periods continued on the imports side, i.e. a fall of the share of EU member states and a stagnation of the share of CEFTA countries. In contrast, imports from other countries increased considerably, especially from Turkey, which can be attributed, almost in entirety, to an increased value of imports of oil and refined petroleum products.

Capital and financial account

In the second quarter of 2010, a net outflow of capital from the Republic of Croatia in the amount of EUR 0.1bn was recorded. This is a consequence of a very mild increase in foreign assets, international reserves of the central bank among other things, which was partly offset by a rise in total liabilities of domestic sectors, primarily based on equity investments from abroad.

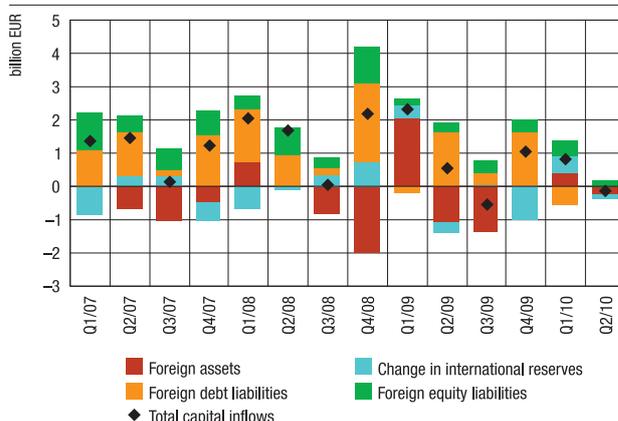
In addition to international reserves which increased by EUR 0.1bn foreign assets of investment funds also rose due to increased investments in shares and equity holdings in foreign capital markets. Furthermore, direct investments of residents abroad recovered moderately, including their reinvested earnings which were again positive, following several quarters of losses in foreign markets. Nevertheless, the balance of bank foreign assets did not change significantly.

As regards the changes in foreign liabilities of domestic sectors, equity liabilities increased by only EUR 0.2bn (reclassification of round-tripping transactions excluded), a record low

since the beginning of the economic crisis. In the course of the second quarter, debt liabilities also did not change significantly, which corresponds to a change of external debt (cross-currency changes and other adjustments excluded). Net transactions of external debt, broken down by individual sectors, show that the financial sector (banks and other financial institutions) and the public sector only refinanced their due liabilities in the second quarter, increasing the debt level very mildly, whereas uses of foreign loans of the private non-financial sector were lower than repayments (EUR 0.2bn). It should be noted that in 2007 and 2008, total growth of external debt of the private non-financial sector exceeded EUR 2.5bn annually. The corporate sector, despite the crisis in 2009 and uncertainty in the global financial market, borrowed abroad more than was necessary to repay due debts (debt growth of more than EUR 1bn), but this trend significantly slowed down in 2010 and even reversed at mid-year.

Total direct equity investments in the Republic of Croatia stood at EUR 0.5bn in the second quarter, but a majority of that amount related to a conversion of a portion of round-tripping transactions from debt into equity (EUR 0.4bn). The remaining

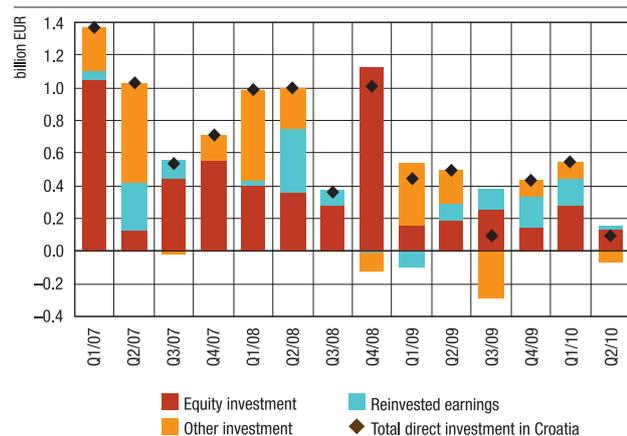
Figure 62 Financing sources of the current account



Note: A negative change in foreign assets and international reserves denotes their growth. Round tripping is excluded from all transactions.

Source: CNB.

Figure 63 Foreign direct investment in Croatia



Note: Round tripping is excluded from all transactions.

Source: CNB.

portion of investments related to the acquisition of real property, real property activities and manufacture of non-metallic mineral goods. The distribution of T-HT's reinvested earnings from previous periods contributed to a decrease in direct equity investments by EUR 0.1bn. The amount of reinvested earnings of foreign owners of domestic enterprises and banks was insignificant, since the largest amounts of dividends are usually paid out in the second quarter, so that the remaining amount of the earnings

reinvested in that period is normally small.

External debt¹³

In the second quarter of 2010, Croatia's external debt, excluding a change in round-trip debt transactions, went up by EUR 0.6bn. However, the overall debt growth can be attributed to cross-currency changes caused by weakening of the euro exchange rate against other currencies, while net transactions were slightly negative. Positive net transactions, i.e. use of new loans larger than existing loan repayments, were recorded only by commercial banks, whereas other sectors only refinanced their due liabilities. The debt further increased by another EUR 0.2bn in July, as a result of the central government bond issue and borrowing of public enterprises, which was mitigated by a reduction of banks' debt, so that total external debt amounted to EUR 43.8bn.

In contrast to the first quarter, when the central government obtained a loan from the World Bank in order to redeem the eurobond worth EUR 0.5bn, the central government did not record any larger transactions based on foreign borrowing in the second quarter of 2010. However, its debt balance increased as a consequence of cross-currency changes. Strong fluctuations of the exchange rate of the reporting currency, the euro, against the US dollar generally have the greatest impact on the central government debt balance due to a large share of debt denominated in the US dollar in its total debt (almost 30%). If the new issue of the US dollar-denominated central government bond worth USD 1.25bn from July is also taken into account, then the share of debt denominated in the US dollar rises to almost 40%, making the government debt highly sensitive to a possible

Table 7 Gross external debt by domestic sectors

end of period, in million EUR and %

	Stock			Absolute growth				
	2008.	2009	Jul. 2010	2008	2009 ^a	Q1/2010	Q2/2010	Jul. 2010
1 Government ^b	4,197	5,165	5,867	-1,241	998	-200	60	841
2 Croatian National Bank	2	1	1	0	-1	0	0	0
3 Banks	10,079	10,680	10,281	1,161	616	-18	437	-819
4 Other sectors	19,836	21,358	21,755	4,899	1,225	132	71	195
5 Direct investment	5,010	5,891	5,903	1,052	767	44	28	-60
o/w: Hybrid and subordinated instruments	218	378	397	162	160	9	12	-2
Total (1 + 2 + 3 + 4 + 5)	39,125	43,095	43,808	5,871	3,604	-41	596	158

^a Comparable data have been used to calculate the debt growth (the switch to the advanced system of data processing would increase the external debt balance as at end-2008 by EUR 366m or to EUR 39.5bn).

^b Government does not include the CBRD and CM. Both CBRD and CM have been reclassified to other sectors.

Source: CNB.

Table 8 Gross external debt of enterprises, excluding round tripping, hybrid and subordinated instruments

end of period, in million EUR and %

	Stock			Absolute growth				
	2008	2009	Jul. 2010	2008	2009 ^a	Q1/2010	Q2/2010	Jul. 2010
1 Non-banking financial institutions	6,764	7,419	6,796	1,205	219	-371	-193	-59
2 Public and mixed enterprises	4,687	5,350	6,095	2,021	479	308	202	235
3 Other enterprises	12,911	13,821	14,131	2,542	1,119	242	91	-23
4 Other ^b	266	280	239	20	14	-12	-13	-16
Total (1+2+3+4)	24,628	26,871	27,261	5,789	1,831	167	87	137

^a Comparable data have been used to calculate the debt growth (the switch to the advanced system of data processing would increase the external debt balance of enterprises as at end-2008 by EUR 411m).

^b Including other banking institutions, non-profit institutions, craftsmen and sole traders, and households.

Source: CNB.

¹³ The reported and analysed external debt data do not include the debt arising from round tripping.

further weakening of the euro. As regards public and mixed-ownership enterprises constituting the public sector along with the central government and CBRD, their debt increased by another EUR 0.5bn from the end of the first quarter, reaching thus EUR 5.9bn in end-July.

Banks increased their foreign liabilities by EUR 0.4bn (including a change in balance of hybrid and subordinated instruments) in the second quarter of 2010. The largest part of the growth in foreign liabilities was recorded in June, followed by a decrease commonly characterising the summer months. Banks' debt fell by as much as EUR 0.8bn in July, reaching thus EUR 10.3bn, which was the same as in July the previous year.

In the second quarter of 2010, domestic enterprises borrowed abroad up to the amount sufficient only for the refinancing of due liabilities, so that the balance of their debt stagnated at the level recorded at the end of the first quarter. There were

also no new borrowings that would be used for economic activity financing, on account of both uncertainty regarding economic recovery and continuing unfavourable financing conditions in the foreign market. Non-banking financial institutions are significant in the structure of debt shown by individual entities because their debt continued to fall, offsetting a very mild increase in the debt of enterprises in public and mixed ownership and in majority private ownership. In July, enterprises, but only those in majority state ownership, additionally borrowed abroad, while there were no major changes in the debt of private enterprises. As regards refinancing of the debt of private enterprises, an upward trend in late repayments of principal and interest from the end of the previous year continued into the second quarter of this year, their balance amounting to as much as EUR 1.1bn in end-July 2010.

Government finance

Fiscal policy features in the first seven months of 2010

Consolidated central government revenues continued to decrease despite changes in tax regulations made in 2009, the most significant being the levy of the special tax on salaries, pensions and other income and the increase in the basic VAT rate. This was mainly attributable to the economic downturn and the ensuing unfavourable developments in the labour market as well as the growing illiquidity of economic entities. In the observed period, expenditures stagnated, the combined result of a reduction in expenditures on employee compensation and the use of goods and services and a rise in expenditures on social benefits and interest. Notwithstanding a pronounced fall in government capital investments in the first seven months of 2010, it should be said that the revised budget and amendments to financial plans of extrabudgetary users for 2010 show that outlays for the acquisition of non-financial assets are planned to increase at the consolidated central government level. As the disposal of non-financial assets was several-fold lower than the acquisition, consolidated central government net borrowing (on a cash basis, GFS 2001) amounted to HRK 8.2bn in the January to July period. The central government (re) financed the deficit and due liabilities largely through new borrowing and the use of funds deposited with the CNB raised by a bond issue in late 2009. The second tranche of domestic bonds worth HRK 1.5bn and EUR 650m in foreign currency-indexed bonds was issued in July, together with foreign bonds worth USD 1250m, which secured funds to finance the liabilities falling due in the remainder of the year. As a result, debt grew by HRK 16.2bn in the first seven months of 2010, reaching HRK 132bn at end-July.

Owing to a shortfall in revenues, ninety percent of the deficit planned for 2010 under the original budget and financial plans of extrabudgetary users was realised in the first seven months. In addition, tax law amendments in force since July 2010 will have a largely negative effect on the dynamics of consolidated central government revenues in the remaining part of the year. The lower rate of the special tax has been abolished, while the higher rate is to be abolished in November 2010. Income tax brackets and rates have also been changed, which will hit local government units the most. In contrast, excise duties on tobacco products and unleaded petrol were raised. Due to all this, a revision to the government budget and financial plans of extrabudgetary users was adopted in late August, making a substantial downward adjustment in expected revenues and slightly increasing

expenditures. The central government deficit target for 2010 was thus revised upward from 2.7% to 4.5% of estimated GDP.

Consolidated central government revenues and expenditures

According to the preliminary MoF data, consolidated central government revenues were HRK 63.2bn in the first seven months of 2010, a decrease of 1.8% from the same period in 2009. The fall was largely due to developments in revenues from profit tax and social contributions.

Still, due to the introduction of the special tax on salaries, pensions and other income, and the collection of arrears on excise duties on refined petroleum products (including road fees incorporated in fuel prices) tax revenues grew slightly in the period under review. To some extent, this was also due to the rise in VAT revenues, which may be attributed to tax law amendments, i.e. the increase in the basic VAT rate in view of the negative trends in the nominal retail trade turnover and goods imports. The decline in domestic demand was also reflected in lower revenues from excises on cars, customs duties and taxes on financial and capital transactions.

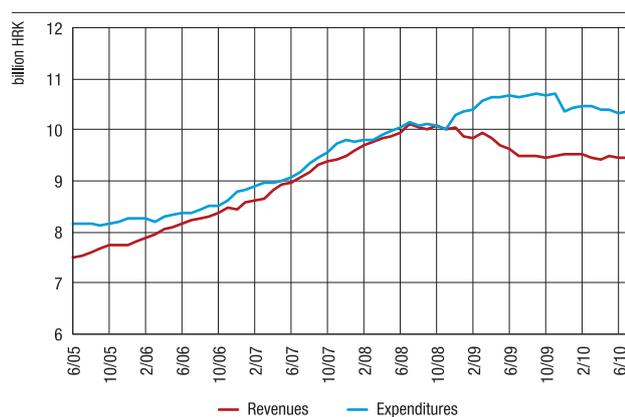
Poor business performance of economic entities in 2009 was reflected in a sharp downturn in profit tax revenues, which were one third lower in the first seven months of 2010 relative to the same period in 2009.¹⁴ As the economic activity has stayed on a downward path in 2010, the downturn was probably also due to requests of profit tax payers for an additional reduction in their monthly advance tax payments.

A marked decrease in the gross wage bill, which was more due to the fall in employment than the fall in the average gross wage, had an extremely negative effect on revenues from social contributions and income tax in the first seven months of 2010. The fall in these revenues was also due to the rise in arrears on taxes and contributions.

Consolidated central government expenditures stood at HRK 70.3bn, up 0.1% relative to the first seven months of 2009. In the January-July period of 2010, most funds were spent on expenditures for social security benefits. This sub-category of social benefits, which includes the bulk of pensions and health care expenditures, grew noticeably relative to the same period in 2009. As publicly available data are not sufficiently disaggregated, it is difficult to establish the causes of such movements, but

¹⁴ Current profit tax liabilities are paid based on the profit in the previous year.

Figure 64 Consolidated central government revenues and expenditures



Note: Trend values are calculated as moving 12-month averages of original data. Disposals and acquisitions of non-financial assets are included. From 2008 on, CM is excluded from the consolidated central government balance.

Sources: MoF and CNB calculations.

they seem to be partly due to methodological changes and partly due to the rise in pension expenditures. Looking at the government budget plan for 2010, one may conclude that the MoF no longer records pension supplements within social assistance benefits but within pension security benefits. The rise in pension expenditures in the first seven months of 2010 was also caused by the increase in early retirement, which may be connected with efforts to deal with surplus labour against the background of the economic downturn, as well as the announcements that early retirement would be additionally penalised as of October 2010.

Employee compensations dropped by 1.9% in the observed period, primarily due to the base period effect, i.e. the decrease in the wage calculation basis for civil servants and government employees in the second quarter of 2009. Looking at the areas of the NCEA that mostly include civil servants and government employees, one may conclude that the cut in these expenditures was also influenced by a decline in the number of the employed in public administration and defence, health care and social services.

Expenditures for the use of goods and services dropped markedly. Yet the amount planned for the entire 2010 leads to the conclusion that, due to the shortfall in revenues, some expenditures have been postponed for the second half of the year. Subsidies were also reduced in the first seven months, while interest payments grew sharply due to stronger borrowing, with other expenditures growing as well. The increase in the latter expenditure category was largely driven by transfers to Croatian Motorways (CM) of road fees used to finance road infrastructure construction and maintenance.

Operating balance of the consolidated central government and transactions in non-financial assets and financial assets and liabilities

A HRK 7.0bn negative net operating balance was generated as operating revenues were much lower than expenditures. Concurrently, expenditures for the acquisition of non-financial assets, which include investments in construction projects, machinery, equipment, land, and the like, were nearly one fourth lower than in the previous year, while revenues from the disposal of non-financial assets held steady at the previous year's level. As a consequence, consolidated central government net borrowing (cash basis, GFS 2001) stood at HRK 8.2bn in the period under review. The deficit was the outcome of the negative balance of

Table 9 Operating balance and transactions in non-financial assets and financial assets and liabilities, GFS 2001

in million HRK and %

	Consolidated central government		
	Jan. – Jul. 2009	Jan. – Jul. 2010	Jan. – Jul. 2010/Jan. – Jul. 2009
1 Change in net worth (net operating balance)	-5,835	-7,046	20.8
1.1 Revenue	64,358	63,208	-1.8
1.2 Expense	70,193	70,254	0.1
2 Change in net non-financial assets	1,556	1,166	-25.1
2.1 Acquisition of non-financial assets	1,738	1,344	-22.7
2.2 Disposal of non-financial assets	182	178	-2.3
3 Net lending (+) / borrowing (-) (1 – 2)	-7,391	-8,212	11.1
3 Financing (5 – 4) Transactions in financial assets and liabilities	7,391	8,212	11.1
4 Change in financial assets	2,280	7,943	248.4
4.1 Domestic	2,279	7,942	248.5
4.2 Foreign	1	1	-
5 Change in liabilities	9,670	16,155	67.1
5.1 Domestic	9,661	11,841	22.6
5.2 Foreign	9	4,314	46,884.0

Note: On a cash basis.

Sources: MoF and CNB calculations.

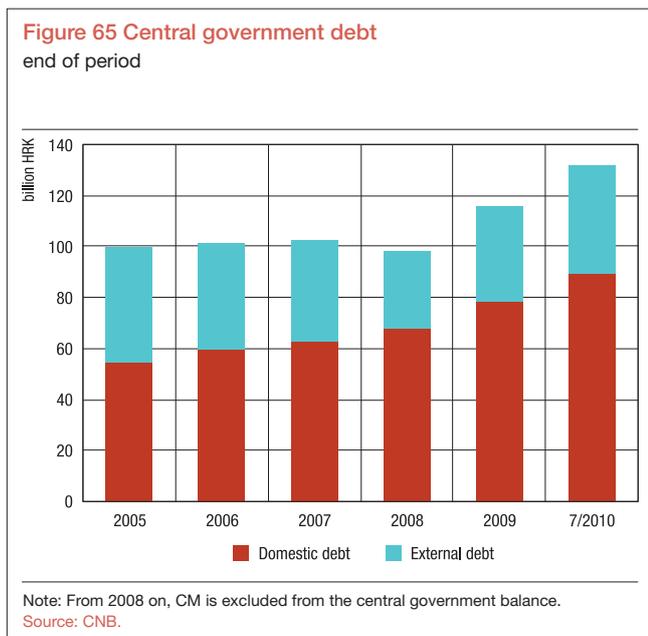
the state budget, while extrabudgetary users generated a surplus of HRK 0.3bn.

As the government borrowed in July 2010 to finance the deficit and refinance some of its future liabilities, financial assets in the form of deposits grew markedly. In addition, although receipts from the repayment of previously granted loans were substantial, the increase in financial assets was also due to outlays for loans granted, which can largely be attributed to the payment of activated guarantees. As the central government borrowed heavily in the first seven months of 2010, financial liabilities grew by as much as HRK 16.2bn.

Central government debt

Central government debt stood at HRK 132bn at end-July 2010, growing by HRK 16.2bn relative to end-2009. It should be noted that the depreciation of the kuna against the US dollar in that period statistically increased the debt denominated in US dollars, while the exchange rate of the kuna versus the euro had the opposite effect on government liabilities denominated in euros. Contingent government debt arising from guarantees issued also rose, by HRK 5.9bn, due in part to the guarantees issued to the CBRD and CM.

Domestic debt of the consolidated central government grew by HRK 11.3bn in the first seven months of 2010, HRK 0.6bn of which was accounted for by the rise in liabilities of extrabudgetary funds, while the rest was due to borrowing at the state budget level. The increase in central government debt was largely due to borrowing through the issue of MoF bonds and T-bills. Apart from the mentioned bond issue in July 2010, the government also issued HRK 3.5bn worth of bonds and EUR 350m worth of bonds with a currency clause in March. The government raised substantial funds by loans, particularly noteworthy being a loan



of EUR 500m granted by a domestic bank syndicate. The government used these funds to finance the deficit and refinance maturing domestic liabilities. Among others, HRK 3.0bn worth of domestic bonds and a loan of EUR 500m fell due.

In the same period, external debt rose by HRK 4.9bn, entirely due to borrowings at the level of the Republic of Croatia, while the debt of extrabudgetary users remained almost unchanged. The debt growth largely reflects the net effect of government borrowing through bonds issued in the American market in July and the World Bank loan obtained early in the year, as well as the repayment of EUR 500m worth of foreign bonds and the last instalments payable to the London Club.

Comparison between Croatia and selected Central and Eastern European countries

Economic recovery, which had begun throughout Europe as early as in the middle of the previous year, strengthened additionally in the second quarter of 2010. In the EU member states, real economic activity grew significantly by 1.0% in the second quarter of 2010 compared to the previous quarter, after it had been increasing at an average quarterly (seasonally adjusted) rate of only 0.3% since the third quarter of 2009. Positive developments were present in almost all the EU member states, except in Greece, Ireland and Luxembourg, including in the Central and Eastern European countries.

Since economic growth has outstripped the results from the previous period in most of the countries, it is indicative that current economic activity is intensifying. Nevertheless, the recovery was not equally distributed across the observed countries. As regards the new EU member states, in the group of countries consisting of Poland, Slovakia and Czech Republic the recovery

remained relatively strong. In contrast, Romania and Bulgaria recorded a low positive rate of change of real GDP, whereas in Hungary that rate stagnated at the level from the previous quarter. At the same time, the economic situation continued to stabilise in the Baltic countries, although a slightly more pronounced volatility of the rates of change of the real economic activity was still observed. It is evident that the majority of the European economies are on the upturn, but the recovery of economic activity is somewhat less pronounced in Eastern European countries. In contrast, there were no evident indications of recovery in Croatia by the end of the second quarter of 2010.

This strengthening of the economic activity in the Central and Eastern European countries in the first half of 2010 is mainly based on the growth in foreign demand due to acceleration of the economic activity in the old EU member states, especially in Germany, the most important exports market for the majority

Table 10 Gross domestic product

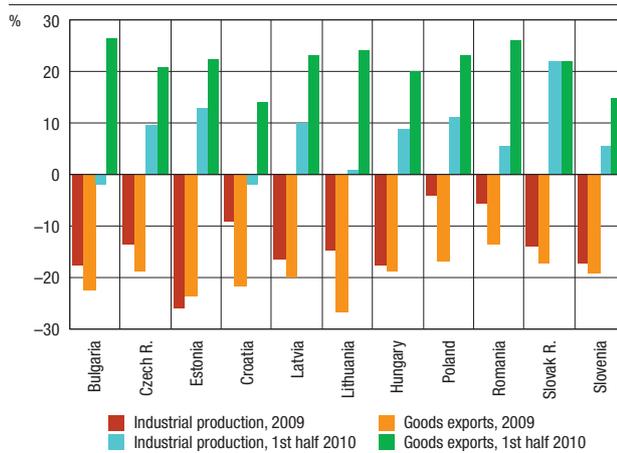
rate of change from the previous quarter, seasonally adjusted data

	Q1/2008	Q2/2008	Q3/2008	Q4/2008	Q1/2009	Q2/2009	Q3/2009	Q4/2009	Q1/2010	Q2/2010
Bulgaria	1.5	1.3	1.4	0.6	-6.3	0.0	-0.1	-0.2	-0.5	0.5
Czech R.	0.3	0.7	0.2	-0.7	-3.8	-0.5	0.5	0.5	0.4	0.9
Estonia	-2.2	-1.0	-2.7	-5.7	-5.6	-3.7	-1.4	1.4	1.1	1.9
Croatia	2.1	0.9	-1.3	-1.4	-3.0	-0.9	-0.6	-0.1	-0.8	-1.0
Latvia	-3.0	-2.2	-1.1	-4.2	-11.6	-1.5	-3.2	-1.2	0.9	0.8
Lithuania	1.0	-0.7	-0.9	-1.7	-13.1	-0.4	0.3	0.3	-3.1	3.2
Hungary	1.0	-0.3	-0.9	-2.1	-2.9	-1.3	-0.6	0.0	0.6	0.0
Poland	1.4	0.8	0.7	-0.3	0.4	0.5	0.7	1.2	0.7	1.1
Romania	3.8	1.5	-0.4	-2.2	-4.1	-1.5	0.1	-1.5	-0.3	0.3
Slovak R.	-1.9	1.5	1.2	0.4	-7.4	0.8	1.2	1.7	0.8	1.2
Slovenia	1.7	0.7	0.2	-3.3	-6.1	-0.6	0.4	0.1	-0.1	1.1
EU-27	0.6	-0.3	-0.5	-1.9	-2.5	-0.3	0.3	0.2	0.3	1.0

Note: Data for Bulgaria are not available. The reported data may be revised due to the application of the method of seasonal adjustment.

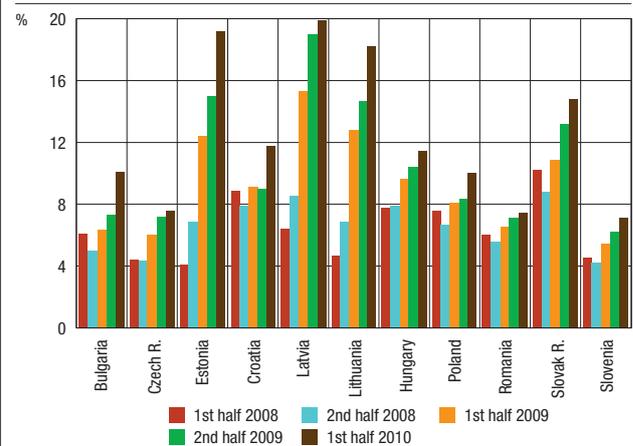
Sources: Eurostat, CBS and CNB.

Figure 66 Industrial production (volume) and goods exports (nominal value in euros)
year-on-year rate of change



Sources: Eurostat and CBS.

Figure 67 Labour Force Survey unemployment rate



Sources: Eurostat and CBS.

of the observed countries. As anticipated, growth in foreign demand has spurred recovery of domestic industrial production, where strong acceleration of real growth at the annual level was also recorded in all the observed countries, except in Bulgaria and Croatia, where industrial production was lower than that recorded in the same period of the previous year.

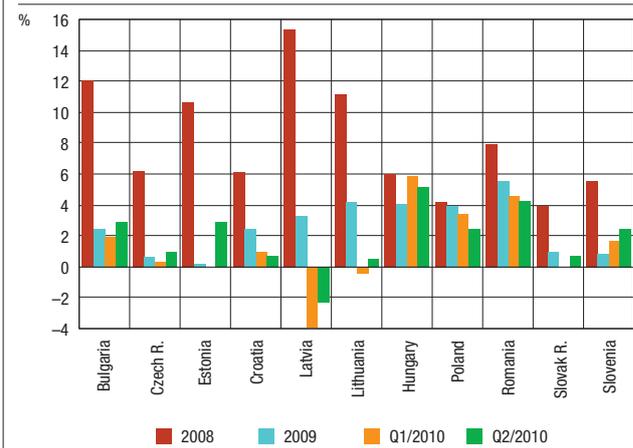
On the other hand, data on changes in household consumption, gross fixed capital formation and government consumption in the first half of 2010 indicate that they remained at a low level, i.e. they point to a lack of recovery of domestic consumption in almost all countries in the region as a consequence of unfavourable developments in the labour market, difficult lending conditions and individual fiscal policy measures. Viewed by individual components, the current level of household consumption increased only in Poland and the Czech Republic, the real rates of change in gross fixed capital formation were mostly negative and volatile and government consumption was mildly expansive in Poland, Latvia and Lithuania. Consequently, the recovery of goods imports was much weaker and more unevenly distributed than the revival in exports, which had an effect on any further improvement in the balance of foreign trade in the observed economies.

These favourable movements in the real sector of the economy, however, had no impact on the labour market. In most of the Central and Eastern European countries employment thus still remained at a lower level than in the previous year, regardless of the common seasonal increase in employment during the second quarter. Accordingly, in the first half of 2010, employment was reduced most in Latvia, Lithuania and Bulgaria at the annual level, whereas in Poland, which was the only European country that resisted recession, and, somewhat unexpectedly, in Romania, employment increased at an annual level in the second quarter. Broken down by sectors of the economy, jobs were lost the most in construction, industry and trade, whereas a half of the observed countries, despite the still present need for restricting public consumption, recorded an annual growth in public sector employment. As a result, in the first half of the year, the Labour Force Survey unemployment rate was higher than in the same period of 2009, its largest value (of almost 20%) being recorded in the Baltic countries.

The crisis has forced employers to cut both jobs and wages in order to adjust their operations to the new conditions in the economy and to secure survival on the market. Nevertheless,

Figure 68 Consumer price inflation

average year-on-year rate of change

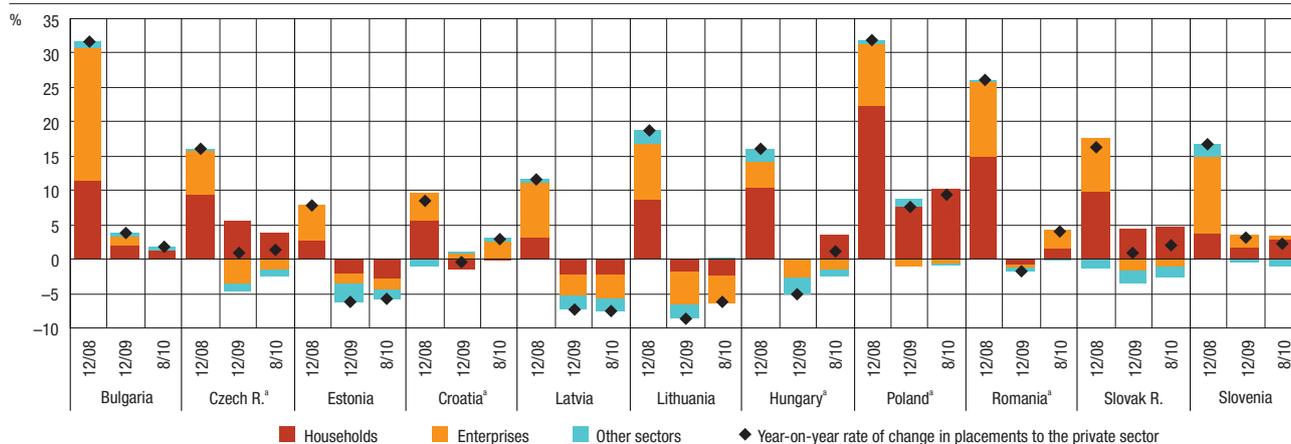


Sources: Eurostat and CBS.

adjustments on the wage side were smaller and they took place after employment reduction. In the first half of 2010, the nominal gross wage was thus lower only in the Baltic countries and in Croatia compared to the same period of the previous year. In the remaining countries, nominal wage movements were positive but their pace varied, so that some countries recorded growth deceleration and other countries even growth acceleration. Broken down by sector, in the second quarter, wages in the private sector in most of the countries grew faster than those in the public sector, the strongest wage decrease in the public sector being recorded in Latvia.

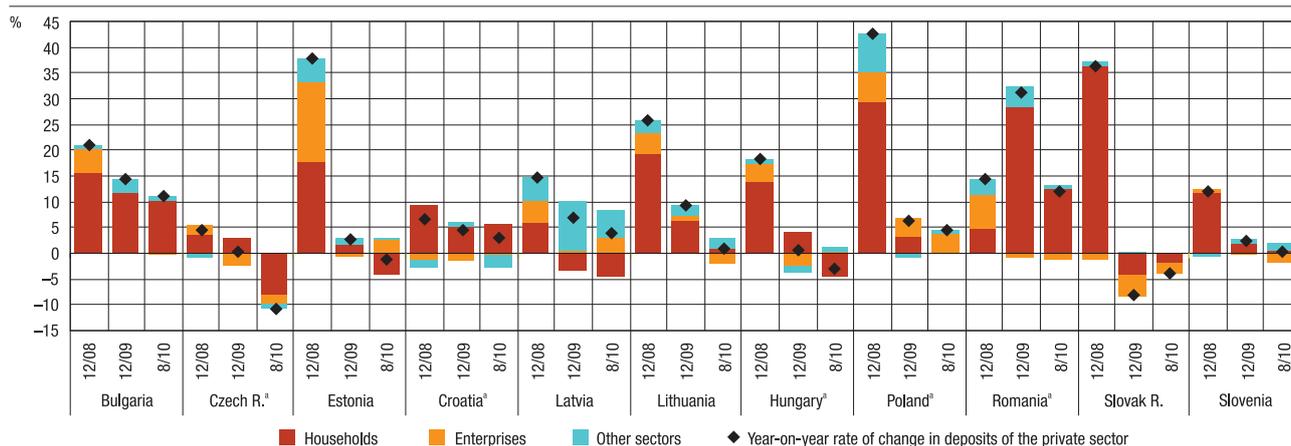
As regards price movements, in the second quarter of 2010, inflation accelerated in most of the observed countries, but the year-on-year consumer price inflation remained significantly lower in almost all the observed countries than in the same period of the previous year. The prices of food and energy were among the major drivers of growth in consumer price inflation. The impact of the increase in prices of these products was felt most in Estonia and Latvia, but the prices in Latvia continued to fall at the annual level. In contrast, the year-on-year growth in consumer price inflation was again the largest in Hungary in

Figure 69 Bank placements to the private sector
contribution to the year-on-year rate of change, end of period



^a Excluding the exchange rate effect.
Source: National central banks.

Figure 70 Savings and time deposits of the private sector
contribution to the year-on-year rate of change, end of period



^a Excluding the exchange rate effect.
Source: National central banks.

relative terms, primarily due to a large annual growth in prices of energy and services.

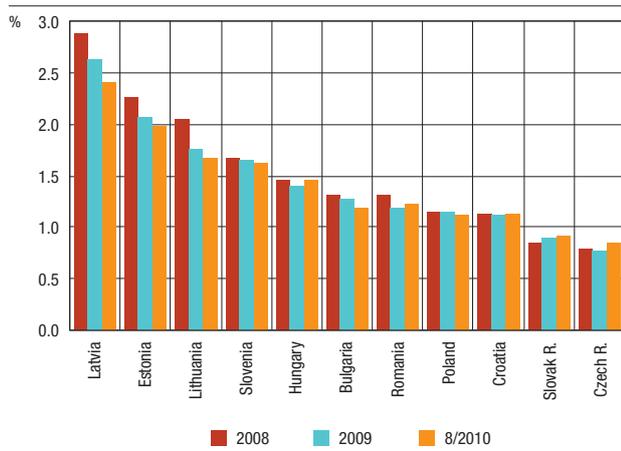
Unfavourable trends in private sector lending from the previous year slowed down or were halted in most of the observed countries in 2010. However, there were still no evident indications of lending recovery; this was reflected in the annual rates of change of placements, which were negative or only slightly positive in end-August (except in Poland where growth of loans to the private sector remained relatively high even in the period of crisis). Naturally, the weak economic activity contributed to this, along with a risk of a growth in non-performing loans, which increased additionally in some countries in the regions (especially in Hungary, Poland and Croatia) in the recent months, because of the large exposure of debtors to the fluctuations of the Swiss franc exchange rate (see Box 2).

In the countries where placements increased, such a growth was spurred by household lending (except in Croatia), which rose by more than 10% at the annual level in some countries, mainly as result of a favourable impact of home loan growth. For instance, in Poland, Romania and Slovenia the year-on-year growth of home loans thus reached 25% in end-August. In

contrast, corporate loans recorded a further decrease at the annual level in most of the countries. In the Baltic countries, all the institutional sectors registered a fall in loans, indicating that lending activity contraction did not finish in these countries.

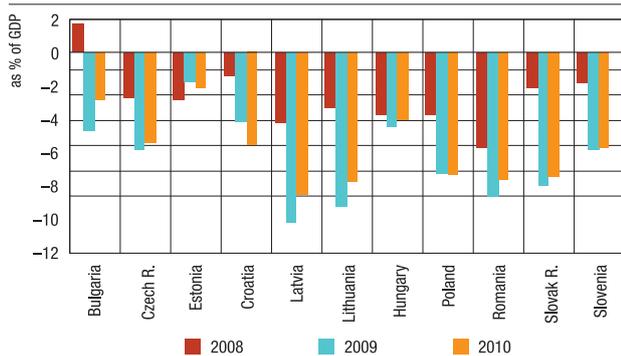
In contrast with placements, the growth in savings and time deposits with banks continued to decelerate in almost all the observed countries in the second quarter and in the first two months of the third quarter of 2010. A contribution to this was made by a poorer inflow of household deposits and by a decrease in household deposits in some countries (the Czech Republic, Estonia, Latvia, Hungary), which can be explained by households' response to unfavourable labour market conditions by the resort to spending their financial assets. Household deposit growth accelerated mildly only in Croatia and high annual growth rates were also recorded in Romania (19.9%) and Bulgaria (14.8%). As regards corporate deposits, they continued to decrease or to stagnate in most of the countries, with a year-on-year growth recorded only in Estonia, Latvia and Poland. The described movements resulted in a further reduction in the placement to deposit ratio of the private sector, the strongest adjustment being recorded in the Baltic countries, which had been

Figure 71 Placement to deposit ratio of the private sector



Source: National central banks.

Figure 72 Consolidated general government balance (ESA 95)



Note: The projection of the consolidated general government balance of the observed countries for 2010 is the estimate of the European Commission, while the expected general government deficit for Croatia is the estimate of the CNB (GFS 2001). The projected deficit includes the annual repayment of pensioners' debt and the projected called guarantees, bringing the definition of the deficit largely in the line with the definition used by EU member states in their reporting to the Eurostat.

Sources: Eurostat, EC, MoF and CNB calculations.

characterised by the strongest credit expansion before the financial crisis.

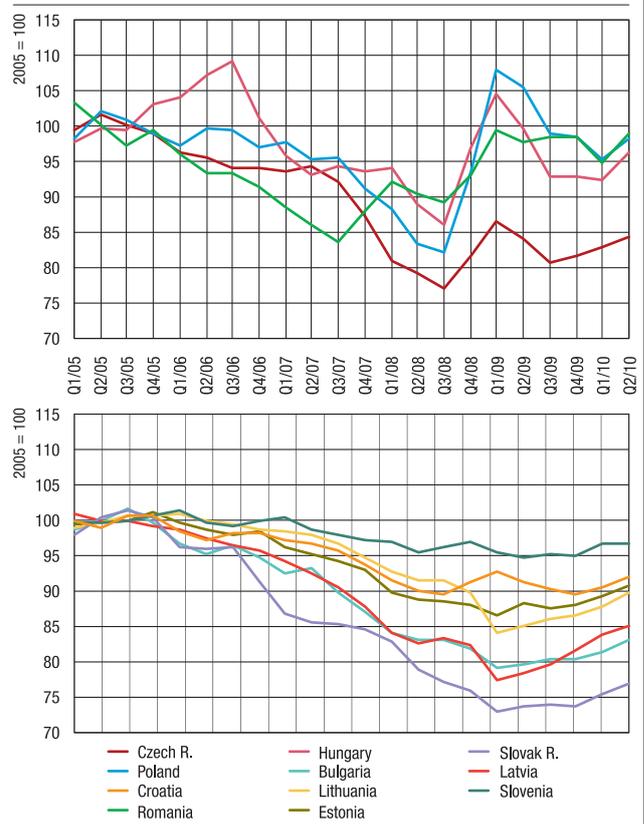
Differing intensities of the recovery or the absence of recovery, changes in tax legislation, as well as a range of discretionary measures introduced by the countries resulted in different movements in the field of public finance in the first half of 2010. When it comes to general government revenues, the largest annual growth was registered in Poland and the Czech Republic, whereas a relatively strong, if much slower fall than in the previous year, continued in Latvia and Bulgaria. Divergent movements were also recorded on the expenditure side of the budget. Accordingly, total expenditures dropped in the Baltic countries and in Bulgaria, whereas they increased in Poland, Romania and Slovenia, which can largely be accounted for by a rise in expenses for social benefits. The common characteristic of all the observed countries, including Croatia, is that they registered a general government budget deficit in the first six months and deficit is also expected to be recorded on a whole year basis.

According to the Consensus Forecast projections, consolidated general government budget deficit will remain relatively large in almost all the observed countries in 2010. In most of the

countries, the fiscal consolidation measures, as well as the expected revenue growth related to the continued economic recovery, will produce certain results as early as in the current year, so that deficit as a percentage of GDP will begin to decrease. On the other hand, deficit will stagnate in Poland and Slovenia, while only in Estonia and in Croatia, in particular, will an increase be recorded. Since budget deficit will probably be financed to the largest extent by borrowing, a continuation of the consolidated general government debt growth is expected in all the observed countries.

Turmoil in the global financial markets in the second quarter had an impact on the exchange rate movements in the observed countries. In almost all countries, depreciation of the real effective exchange rate index deflated by consumer prices was thus recorded relative to the previous quarter, indicating an improvement in price competitiveness of these countries. These movements were mainly a result of depreciation of the nominal effective exchange rate index of the currencies of these countries. Only in Slovenia among the observed countries did the real effective exchange rate index hold steady at about the same level as in the previous quarter, which is, along with depreciation of the nominal effective exchange rate index, a result of a faster growth of consumer prices in Slovenia than in its most important trade partners.

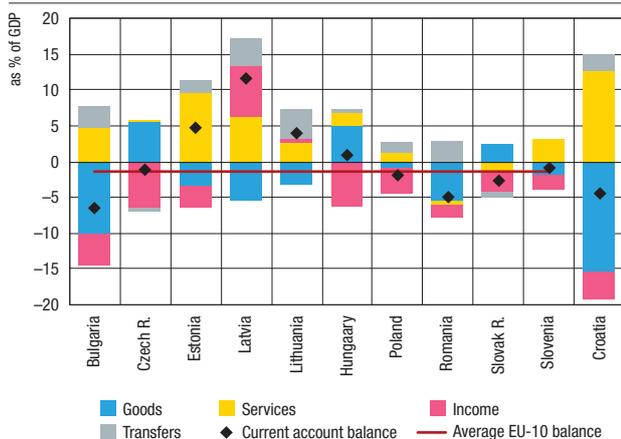
Recovery of price competitiveness, accompanied by a continuous strengthening of foreign demand, contributed to a further export growth in the observed countries, while growth in imports was somewhat slower. Owing to such trends, the ten new EU member states together recorded a surplus in trade in goods with other countries for the first time in the first quarter

Figure 73 Index^a of the real effective exchange rate deflated by consumer prices^a The fall in the index denotes a real effective appreciation.

Sources: BIS and CNB.

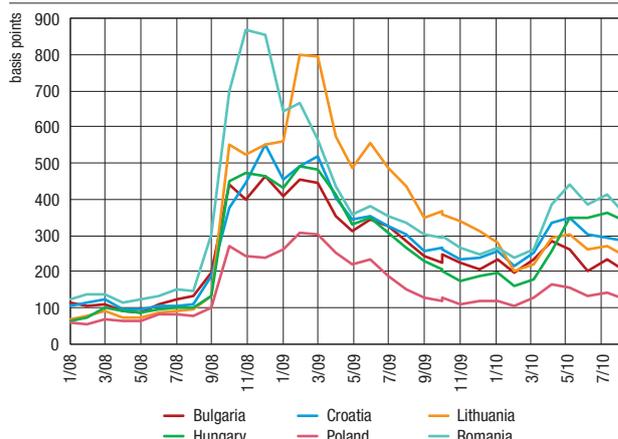
Figure 74 Current account balances of Central and Eastern European countries

cumulative data for the last four quarters (in accordance with data for the first quarter of 2010)



Sources: Eurostat and CNB.

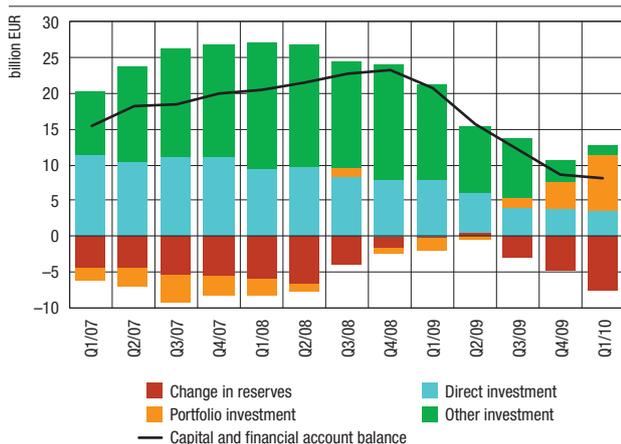
Figure 76 Spreads on emerging market sovereign debt



Sources: Bloomberg and JPM.

Figure 75 Total capital inflows in ten Central and Eastern European countries

moving average for four quarters



Note: New EU member states, excluding Malta and Cyprus.
Source: Eurostat.

of 2010. The Czech Republic, Hungary and Slovakia had a large share in this, with relatively large surpluses for quite some time, but other countries recording increasingly small deficits also had a positive impact. In contrast, in the international trade in services a further decrease in surpluses was evident in most of the observed countries and factor income and current transfer account balances also mildly deteriorated.

Overall, the current account deficit of all CEE countries viewed together was reduced in the first quarter of 2010 to -1.5% of GDP, which is a slight decrease compared to the balance at the end of the previous year. The most evident improvement was recorded in Bulgaria, where two-digit deficits from the previous years decreased to -6.5% of GDP, which is still significantly higher than in other observed countries. In comparison with the said countries, Croatia, like Bulgaria and Romania, still had a relatively large deficit, despite reducing it considerably.

In accordance with the decreased needs for current account deficit financing, foreign capital inflow also continued to decline in CEE countries. Foreign direct investment remained rather modest, reaching not even a half of the amount generated in the period before the economic crisis. More than two-thirds of the

Table 11 Comparison of capital market indicators

June 2010	Sofia	Prague	Zagreb	Baltic capital market	Budapest	Warsaw	Bucharest	Bratislava	Ljubljana
Average daily turnover, shares (in million EUR)	0.49	54.59	1.78	1.29	98.04	413.17	5.46	1.87	1.35
Average daily turnover, bonds (in million EUR)	....	90.71	4.65	0.69	3.45	1.30	0.10	20.82	0.62
Turnover ^a /GDP ^c , annual level (%)	0.35	9.74	0.99	0.56	25.39	30.98	1.17	0.73	0.96
Turnover ^b /GDP ^c , annual level (%)	....	16.18	2.58	0.30	0.89	0.10	0.02	8.13	0.43
Turnover velocity ^d	2.66	27.66	2.59	5.98	126.02	59.38	7.28	14.29	4.53
Market capitalisation ^a (in million EUR), end of month	4,618	49,740	17,380	5,428	19,605	175,354	18,916	3,303	7,541
Market capitalisation ^b (in million EUR), end of month	....	....	5,788	2,154.0	34,430.3	....	....	22,351.1	13,111.0
Market capitalisation ^a /GDP ^c , end of month (%)	13.2	35.2	38.3	9.4	20.2	52.2	16.1	5.1	21.2
Market capitalisation ^b /GDP ^c , end of month (%)	....	....	12.8	3.7	35.4	....	....	34.6	36.8
Share index movement from the beginning of the year (%)	-12.7	-1.2	-7.4	25.2	-0.8	-1.5	1.1	-20.0	-12.9
Share index movement from the beginning of the month (%)	-2.3	-6.2	-6.6	-1.7	-4.8	-5.1	-3.9	2.4	-0.7

^a Shares. ^b Bonds. ^c The sum of the GDP realised in the last four quarters. ^d Annualised monthly share turnover × 100 / market capitalisation of shares.

Sources: Bloomberg; BSE-Sofia, BSE, BSSE, BSE, PSE, LJSE, WSE, NASDAQ OMX Baltic and ZSE.

received direct investment in the first quarter of 2010 was realised in Poland and in the Czech Republic, whereas direct investment was reduced considerably in Hungary. Similarly, debt investment also failed to increase considerably, at least in the case of the private sector, whereas public sector borrowing in the foreign markets was somewhat stronger for the purpose of financing the increased budget deficits, contributing to a slightly faster growth of external debt compared to the previous year. Purchase of foreign exchange received through borrowing contributed to a growth in international reserves in a large number of countries, especially in Poland.

Following a decline in the perception of risk in the observed countries in the whole of 2009 and in the first quarter of 2010, this trend came to a halt in April 2010. More specifically, the sovereign debt crisis in the eurozone strengthened the concern of global investors over the recovery dynamics of the global economy and possible problems relating to the financing of CEE countries. The EMBI yield spread on the sovereign bonds of

most of the observed countries thus again started to widen. In end-June 2010, the largest EMBI yield spread on sovereign debt was recorded by Romania, exceeding 400 points. Although the EMBI yield spreads narrowed for all the observed countries in the third quarter, they still remained higher than at the end of the first quarter of 2010.

Heightened risk aversion of the global investors simultaneously had a negative effect on the movements in share prices on all the world capital markets. Consequently, all the stock exchange indices of the observed countries fell in the second quarter of 2010. The Bucharest stock exchange index fell the most, dropping by one-fifth of its value, whereas the smallest fall was recorded by the index of the Baltic countries.¹⁵ At the same time, the average daily share turnover was also reduced on most of the stock exchanges under review, so that market capitalisation of shares decreased on all of the reviewed stock exchanges at the end of the second quarter of 2010 relative to end-March.

¹⁵ The stock exchanges in Tallinn, Riga and Vilnius constitute together the Baltic capital market which was formed for the purpose of minimising the difference between the capital markets in Estonia, Latvia and Lithuania, facilitating cross-border trading and attracting new investment. All the three mentioned stock exchanges share the same trading system and co-ordinated rules and market procedures.

A faint, light gray architectural drawing of a classical building facade, featuring a central diamond-shaped window with a floral motif, surrounded by various columns and arches. The drawing is tilted and serves as a background for the page.

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 2003, the subsector Republic of Croatia included government authorities, comprising the Croatian Roads, the Croatian Motorways and the State Agency for Deposit

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

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

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

Foreign sector includes foreign legal and natural persons.

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

A Monetary and credit aggregates

Table A1 Monetary and credit aggregates
end of period, in million HRK 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
1996	December	8,770.4	11,368.9	11,494.9	36,701.1	24,960.4	33,831.2	11.35	7.83	7.67	4.88	-5.41	-11.61
1997	December	10,346.1	13,731.4	13,848.8	50,742.0	33,829.0	48,863.4	7.86	3.93	3.85	2.16	4.98	4.96
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25
1999	December ^a	10,310.0	13,858.9	13,965.7	56,659.3	40,003.8	55,875.8	4.53	5.46	5.48	2.28	0.35	-4.58
2000	December	11,717.3	18,030.3	18,256.4	73,061.1	44,043.9	60,883.8	7.32	10.04	9.89	3.66	10.46	2.66
2001	December	17,803.2	23,703.5	23,936.5	106,071.4	57,410.0	74,964.5	8.01	13.00	11.96	11.65	3.40	1.16
2002	December	23,027.9	30,869.8	31,876.7	116,141.8	83,324.4	97,463.7	10.72	6.11	6.79	1.65	7.92	2.15
2003	December	30,586.2	33,888.7	34,630.9	128,893.1	96,121.7	111,661.4	8.90	1.78	1.93	0.14	3.11	0.66
2004	December	33,924.4	34,562.1	35,186.5	139,947.7	108,205.1	127,308.6	8.69	2.86	2.68	0.23	2.15	1.99
2005	December	40,390.8	38,817.1	39,855.4	154,647.0	131,343.2	149,168.3	9.38	4.34	3.87	-0.02	1.84	1.94
2006	December	46,331.2	48,521.0	49,141.7	182,458.6	154,844.1	183,379.5	3.17	4.75	4.07	1.57	3.38	2.99
2007	December	51,923.9	57,878.3	58,663.4	215,822.1	166,375.5	210,828.4	3.73	6.71	6.62	3.95	3.54	2.65
2008	December	49,743.0	55,222.3	56,044.6	225,018.5	183,279.1	232,982.1	-9.89	8.17	8.49	3.17	5.68	1.96
2009	September	52,791.1	45,559.4	46,011.5	224,086.6	184,717.4	228,759.2	-4.62	-4.72	-4.73	-0.16	-1.04	-0.64
	October	54,446.1	44,657.2	45,158.6	221,147.8	183,289.0	227,891.2	3.13	-1.98	-1.85	-1.31	-0.77	-0.38
	November	53,699.8	45,748.0	46,255.6	223,600.6	179,711.1	231,436.6	-1.37	2.44	2.43	1.11	-1.95	1.56
	December	56,141.9	47,181.7	47,760.5	223,094.6	178,083.2	231,661.9	4.55	3.13	3.25	-0.23	-0.91	0.10
2010	January	57,770.5	48,084.2	48,541.3	223,486.8	181,640.3	233,047.7	2.90	1.91	1.63	0.18	2.00	0.60
	February	57,234.3	48,701.2	49,190.9	223,347.0	184,078.9	232,731.5	-0.93	1.28	1.34	-0.06	1.34	-0.14
	March	54,694.4	47,726.2	48,329.4	222,043.1	184,290.7	233,913.8	-4.44	-2.00	-1.75	-0.58	0.12	0.51
	April	54,076.0	48,982.2	49,554.8	222,055.0	184,328.8	234,764.5	-1.13	2.63	2.54	0.01	0.02	0.36
	May	54,796.4	47,986.9	48,636.6	222,569.0	185,391.6	236,038.1	1.33	-2.03	-1.85	0.23	0.58	0.54
	June	55,858.3	49,715.7	50,349.9	224,581.4	187,596.3	238,071.7	1.94	3.60	3.52	0.90	1.19	0.86
	July	54,794.4	50,749.5	51,454.6	226,952.6	177,911.9	239,486.1	-1.90	2.08	2.19	1.06	-5.16	0.59
	August	54,707.7	51,234.6	51,991.4	231,585.1	177,141.4	240,991.2	-0.16	0.96	1.04	2.04	-0.43	0.63

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

Table A1 Monetary and credit aggregates • The table shows data on some basic monetary and credit aggregates, including their monthly growth rates. In September 1999, all the monetary aggregates were revised. In previous publications of the CNB, data on claims and obligations of savings banks were not included in the compilation of the monetary aggregates.

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

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

Broadest money (M4) comprises Money (M1), savings and

time deposits, foreign currency deposits as well as bonds and money market instruments (all components are taken over from the Monetary survey, Table B1).

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

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

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

B Monetary institutions

Table B1 Monetary survey
end of period, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010				
						Mar.	Jun.	Jul.	Aug.	
ASSETS										
1 Foreign assets (net)	23,303.8	27,614.5	49,446.5	41,739.4	45,011.4	37,752.4	36,985.1	49,040.7	54,443.7	
2 Domestic credit	168,427.7	200,328.9	226,076.1	254,569.8	253,523.6	262,293.5	267,864.4	257,862.1	258,583.0	
2.1 Claims on central government and funds (net)	19,259.4	16,949.4	15,247.7	21,587.7	21,861.7	28,379.8	29,792.7	18,376.0	17,591.8	
2.2 Claims on other domestic sectors	147,414.3	181,031.9	207,398.7	231,472.7	229,870.2	231,979.9	235,919.6	236,780.3	238,571.2	
2.3 Claims on other banking institutions	592.2	1,029.5	1,640.0	441.9	681.7	733.1	795.1	1,175.2	1,040.5	
2.4 Claims on non-banking financial institutions	1,161.8	1,318.1	1,789.7	1,067.4	1,109.9	1,200.8	1,357.0	1,530.5	1,379.5	
Total (1+2)	191,731.5	227,943.3	275,522.6	296,309.2	298,534.9	300,045.9	304,849.6	306,902.8	313,026.7	
LIABILITIES										
1 Money	38,817.1	48,521.0	57,878.3	55,222.3	47,181.7	47,726.2	49,715.7	50,749.5	51,234.6	
2 Savings and time deposits	27,992.1	44,836.8	53,644.9	50,070.3	39,139.4	35,504.6	36,896.0	35,808.1	36,435.7	
3 Foreign currency deposits	86,760.8	88,256.7	103,090.1	117,194.8	135,410.6	137,324.5	136,457.8	139,140.6	142,524.4	
4 Bonds and money market instruments	1,077.0	844.1	1,208.8	2,531.1	1,362.8	1,487.7	1,511.8	1,254.3	1,390.5	
5 Restricted and blocked deposits	2,092.3	2,504.5	2,280.9	3,094.2	2,598.3	2,451.4	2,774.9	2,628.6	2,439.3	
6 Other items (net)	34,992.2	42,980.2	57,419.6	68,196.5	72,842.0	75,551.5	77,493.3	77,321.6	79,002.3	
Total (1+2+3+4+5+6)	191,731.5	227,943.3	275,522.6	296,309.2	298,534.9	300,045.9	304,849.6	306,902.8	313,026.7	

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
1996	December	57	10	26	6	9	4	2	22	10	11	1
1997	December	60	4	28	9	8	9	2	33	12	18	3
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	December	46	4	13	7	9	8	5	10	3	5	2
2003	December	42	2	13	8	5	8	6	7	3	2	2
2004	December	39	1	12	9	6	5	6	6	3	3	–
2005	December	36	1	10	6	8	5	6	3	2	1	–
2006	December	35	2	6	5	10	4	8	3	2	1	–
2007	December	35	2	5	2	12	5	9	2	1	1	–
2008	December	36	2	7	1	11	6	9	2	1	1	–
2009	September	36	3	6	2	10	7	8	2	1	1	–
	October	36	3	6	2	10	7	8	2	1	1	–
	November	36	3	5	3	10	7	8	2	1	1	–
	December	36	3	5	3	10	7	8	2	1	1	–
2010	January	36	3	5	2	11	7	8	2	1	1	–
	February	36	3	5	2	11	7	8	2	1	1	–
	March	36	3	5	2	11	7	8	2	1	1	–
	April	36	3	5	2	11	7	8	2	1	1	–
	May	36	3	5	2	11	7	8	2	1	1	–
	June	36	3	5	2	11	7	8	2	1	1	–
	July	36	3	5	2	11	7	8	2	1	1	–
	August	36	3	5	2	11	7	8	2	1	1	–

Table B2 Number of reporting banks and savings banks and their classification by total assets • The table shows the total number of banks and savings banks during the transition period which report monthly to the CNB. Their operations are shown in the Banks' accounts. Monetary statistics includes reporting

institutions under winding-up and, until February 2005, institutions whose operating licences have been revoked, but which have not initiated winding-up proceedings.

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

	2005	2006	2007	2008	2009	2010			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
5.2 CNB bills in f/c	-	-	-	-	-	-	-	-	-
6 Capital accounts	5,357.4	5,408.8	6,664.5	9,562.4	11,151.3	11,749.0	12,343.9	12,008.5	12,660.8
7 Other items (net)	-498.2	-515.8	-665.6	-707.1	-735.9	-736.9	-744.5	-780.7	-798.0
Total (1+2+3+4+5+6+7)	59,153.0	68,064.6	72,425.1	66,885.8	75,828.3	72,669.5	74,146.7	82,106.6	83,158.4

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

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 to October 2008) 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.

D Banks

Table D1 Banks' accounts
end of period, in million HRK

	2005	2006	2007	2008	2009	2010				
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	
ASSETS										
1 Reserves with the CNB	41,775.2	48,384.7	50,178.9	40,705.6	45,902.1	44,631.9	44,457.7	42,519.4	42,862.5	
1.1 In kuna	28,283.1	31,814.1	35,929.1	32,700.5	40,860.4	39,921.3	39,809.8	37,844.6	38,027.2	
1.2 In f/c	13,492.1	16,570.6	14,249.8	8,005.1	5,041.7	4,710.7	4,647.8	4,674.8	4,835.2	
2 Foreign assets	35,572.5	39,621.2	46,438.5	50,246.6	49,577.0	44,828.0	45,322.3	45,036.2	47,045.1	
3 Claims on central government and funds	28,877.2	27,936.8	28,971.5	37,801.1	44,249.5	47,952.1	49,202.8	49,171.2	48,754.8	
4 Claims on other domestic sectors	147,340.9	180,967.8	207,330.7	231,408.6	229,866.1	231,975.9	235,915.6	236,776.4	238,567.3	
4.1 Claims on local government	1,767.2	1,892.0	2,140.8	2,077.4	2,074.2	2,123.4	2,213.5	2,273.8	2,275.4	
4.2 Claims on enterprises	67,017.9	83,386.5	92,265.1	102,779.8	104,898.1	107,129.1	109,606.4	110,545.0	111,139.9	
4.3 Claims on households	78,555.7	95,689.3	112,924.9	126,551.4	122,893.7	122,723.4	124,095.7	123,957.6	125,151.9	
5 Claims on other banking institutions	592.2	1,029.5	1,640.0	441.9	681.7	733.1	795.1	1,175.2	1,040.5	
6 Claims on non-banking financial institutions	1,161.8	1,318.1	1,789.7	1,067.4	1,109.9	1,200.8	1,357.0	1,530.5	1,379.5	
Total (1+2+3+4+5+6)	255,319.8	299,258.1	336,349.4	361,671.2	371,386.3	371,321.8	377,050.6	376,208.9	379,649.7	
LIABILITIES										
1 Demand deposits	26,653.3	33,911.7	41,870.8	38,171.2	31,899.6	32,951.0	33,667.4	33,799.8	34,559.5	
2 Savings and time deposits	27,992.1	44,836.8	53,644.9	50,070.3	39,139.4	35,504.6	36,896.0	35,808.1	36,435.7	
3 Foreign currency deposits	86,760.8	88,256.7	103,090.1	117,194.8	135,410.6	137,324.5	136,457.8	139,140.6	142,524.4	
4 Bonds and money market instruments	1,077.0	844.1	1,208.8	2,531.1	1,362.8	1,487.7	1,511.8	1,254.3	1,390.5	
5 Foreign liabilities	67,112.3	76,076.0	65,152.6	75,296.1	80,365.3	79,719.4	82,457.8	78,076.5	75,734.0	
6 Central government and funds' deposits	9,287.0	10,800.4	13,525.8	16,007.5	18,219.3	17,384.2	17,432.5	19,463.0	19,470.9	
7 Credit from central bank	4,215.6	3,911.4	4,178.3	14.0	13.5	13.2	13.0	12.9	13.0	
8 Restricted and blocked deposits	2,036.4	2,447.6	2,252.3	3,038.4	2,548.4	2,395.6	2,720.7	2,559.8	2,387.7	
9 Capital accounts	32,665.7	40,805.1	53,178.9	60,317.4	66,306.4	67,930.5	68,728.5	69,499.4	70,094.1	
10 Other items (net)	-2,480.4	-2,631.7	-1,753.2	-969.7	-3,879.1	-3,389.0	-2,834.8	-3,405.6	-2,960.1	
Total (1+2+3+4+5+6+7+8+9+10)	255,319.8	299,258.1	336,349.4	361,671.2	371,386.3	371,321.8	377,050.6	376,208.9	379,649.7	

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, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010			
						Mar.	Jun.	Jul.	Aug.
1 Foreign assets in f/c	35,457.9	39,454.5	45,837.2	49,705.1	49,230.3	44,511.3	44,729.9	44,602.6	46,287.6
1.1 Claims on foreign financial institutions	27,228.5	30,404.1	37,824.9	38,038.3	34,186.6	30,564.2	31,315.6	31,667.4	31,972.5
Foreign currencies	1,136.1	1,232.1	1,245.5	1,973.2	1,772.6	1,599.7	2,049.3	2,365.2	2,070.6
Demand deposits	860.2	870.1	1,305.2	2,109.8	1,338.7	1,368.0	1,486.0	1,352.8	1,588.1
Time and notice deposits	20,874.6	23,509.4	31,726.1	31,444.5	29,254.5	25,651.5	26,175.1	26,360.6	26,742.2
Securities	4,197.0	4,441.5	3,210.4	2,307.1	1,629.0	1,720.6	1,423.0	1,411.6	1,383.5
Loans and advances	152.9	339.2	195.9	166.3	117.6	188.5	113.5	114.0	119.4
Shares and participations	7.8	11.8	141.9	37.4	74.2	35.9	68.7	63.3	68.6
1.2 Claims on foreign non-banks	8,229.4	9,050.4	8,012.3	11,666.8	15,043.7	13,947.1	13,414.4	12,935.2	14,315.2
Claims on foreign governments	7,735.7	8,217.0	6,696.1	9,976.8	13,477.2	12,361.2	11,846.2	11,407.2	12,831.5
Claims on other non-residents	493.1	798.1	1,295.2	1,613.5	1,534.5	1,564.0	1,527.7	1,506.3	1,461.8
Securities	68.0	141.5	180.9	235.1	205.4	230.0	207.4	178.7	154.5
Loans and advances	425.2	656.6	1,114.3	1,378.4	1,329.1	1,334.0	1,320.3	1,327.6	1,307.3
Shares and participations	0.5	35.3	20.9	76.5	32.0	21.9	40.5	21.6	21.9
2 Foreign assets in kuna	114.6	166.7	601.3	541.5	346.7	316.7	592.4	433.6	757.5
2.1 Claims on foreign financial institutions	71.3	96.9	408.1	144.1	86.3	83.5	351.2	197.8	517.8
2.2 Claims on foreign non-banks	43.4	69.8	193.3	397.4	260.3	233.3	241.2	235.8	239.7
o/w: Loans and advances	42.6	69.2	192.7	396.8	260.0	233.0	240.9	235.5	239.4
Total (1+2)	35,572.5	39,621.2	46,438.5	50,246.6	49,577.0	44,828.0	45,322.3	45,036.2	47,045.1

Table D2 Banks' foreign assets • This table shows banks' claims on foreign legal and natural persons.

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

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

Table D3 Banks' claims on the central government and funds
end of period, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010			
						Mar.	Jun.	Jul.	Aug.
1 In kuna	20,532.7	22,703.0	24,081.8	24,901.6	24,461.9	27,442.5	28,396.1	27,524.2	27,094.5
1.1 Claims on central government	17,352.6	18,361.2	19,057.3	19,899.5	19,230.6	20,409.9	21,434.5	20,590.5	20,159.6
Securities	16,037.7	14,546.7	16,099.8	16,969.0	16,305.4	17,456.7	17,064.4	17,308.6	16,838.0
o/w: Bonds (c'part to f/c savings deposits)	20.6	8.3	6.4	6.1	5.2	5.2	5.4	5.2	5.1
Loans and advances	1,314.9	3,814.5	2,957.5	2,930.4	2,925.1	2,953.3	4,370.1	3,281.9	3,321.6
1.2 Claims on central government funds	3,180.1	4,341.9	5,024.5	5,002.1	5,231.3	7,032.6	6,961.6	6,933.8	6,934.9
Securities	–	–	–	6.1	–	–	–	–	–
Loans and advances	3,180.1	4,341.9	5,024.5	4,996.1	5,231.3	7,032.6	6,961.6	6,933.8	6,934.9
2 In f/c	8,344.5	5,233.8	4,889.7	12,899.5	19,787.7	20,509.6	20,806.7	21,647.0	21,660.3
2.1 Claims on central government	7,241.0	4,624.4	4,388.6	9,843.6	14,793.1	14,650.5	14,794.5	14,911.8	14,900.5
Securities	1,248.1	429.0	268.4	300.7	234.7	196.3	255.7	262.6	208.0
Loans and advances	5,992.8	4,195.4	4,120.1	9,542.9	14,558.4	14,454.1	14,538.8	14,649.3	14,692.5
2.2 Claims on central government funds	1,103.5	609.4	501.2	3,055.9	4,994.6	5,859.1	6,012.2	6,735.2	6,759.8
Securities	144.2	109.2	82.1	50.9	52.0	96.7	94.3	95.3	96.1
Loans and advances	959.3	500.2	419.1	3,005.1	4,942.6	5,762.4	5,917.9	6,639.8	6,663.7
Total (1+2)	28,877.2	27,936.8	28,971.5	37,801.1	44,249.5	47,952.1	49,202.8	49,171.2	48,754.8

Table D3 Banks' claims on the central government and funds • The table shows banks' kuna and foreign currency claims on the central government and funds. The item Securities, shown under Claims in kuna on the Republic of Croatia,

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

Table D4 Banks' claims on other domestic sectors
end of period, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010			
						Mar.	Jun.	Jul.	Aug.
1 Claims in kuna	133,603.5	166,755.1	194,476.7	216,530.8	211,273.4	212,404.8	215,614.1	215,872.2	217,696.5
1.1 Money market instruments	2,329.9	1,980.7	2,147.4	2,674.5	2,040.2	1,956.6	1,989.4	1,977.6	1,961.0
1.2 Bonds	361.6	1,088.8	1,366.0	1,341.4	1,691.0	1,741.2	1,675.8	1,672.9	1,677.1
1.3 Loans and advances	128,882.3	161,694.2	188,462.5	210,424.0	205,279.3	206,439.3	209,668.7	209,937.5	211,551.3
1.4 Shares and participations	2,029.6	1,991.4	2,500.8	2,090.8	2,262.9	2,267.7	2,280.3	2,284.3	2,507.1
2 Claims in f/c	13,737.4	14,212.8	12,854.0	14,877.8	18,592.7	19,571.1	20,301.5	20,904.2	20,870.7
2.1 Securities	307.6	221.1	249.2	109.3	441.1	228.1	212.4	195.9	121.5
2.2 Loans and advances	13,429.8	13,991.6	12,604.9	14,768.5	18,151.7	19,343.0	20,089.1	20,708.3	20,749.2
Total (1+2)	147,340.9	180,967.8	207,330.7	231,408.6	229,866.1	231,975.9	235,915.6	236,776.4	238,567.3

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 forfeiting 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, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010				
						Mar.	Jun.	Jul.	Aug.	
LOANS IN KUNA										
1 Loans to central government and funds	4,495.0	8,156.4	7,982.0	7,926.5	8,156.4	9,985.9	11,331.7	10,215.6	10,256.5	
1.1 Loans to central government	1,314.9	3,814.5	2,957.5	2,930.4	2,925.1	2,953.3	4,370.1	3,281.9	3,321.6	
1.2 Loans to central government funds	3,180.1	4,341.9	5,024.5	4,996.1	5,231.3	7,032.6	6,961.6	6,933.8	6,934.9	
2 Loans to local government	1,613.9	1,720.3	1,867.5	1,786.9	1,795.4	1,862.0	1,957.4	2,021.0	2,019.8	
3 Loans to enterprises	49,105.9	64,666.3	74,001.7	82,431.7	80,913.1	82,172.7	83,964.2	84,302.4	84,721.4	
4 Loans to households	78,162.4	95,307.6	112,593.3	126,205.3	122,570.8	122,404.6	123,747.1	123,614.1	124,810.0	
o/w: Housing loans	27,571.1	36,927.3	45,218.6	52,305.5	52,949.4	53,596.5	55,084.6	55,053.0	56,074.0	
5 Loans to other banking institutions	46.5	304.4	213.6	36.1	236.5	196.2	237.6	520.8	371.6	
6 Loans to non-banking financial institutions	591.8	854.4	947.6	741.4	689.0	825.9	797.4	967.1	814.2	
A Total (1+2+3+4+5+6)	134,015.6	171,009.4	197,605.7	219,128.0	214,361.3	217,447.3	222,035.4	221,641.0	222,993.6	
LOANS IN F/C										
1 Loans to central government and funds	6,952.1	4,695.6	4,539.2	12,548.0	19,501.0	20,216.5	20,456.7	21,289.1	21,356.2	
1.1 Loans to central government	5,992.8	4,195.4	4,120.1	9,542.9	14,558.4	14,454.1	14,538.8	14,649.3	14,692.5	
1.2 Loans to central government funds	959.3	500.2	419.1	3,005.1	4,942.6	5,762.4	5,917.9	6,639.8	6,663.7	
2 Loans to local government	63.0	11.3	8.7	5.5	3.0	1.7	1.7	0.4	0.5	
3 Loans to enterprises	12,973.5	13,598.5	12,264.5	14,416.8	17,825.7	19,022.5	19,738.8	20,364.4	20,406.8	
4 Loans to households	393.3	381.8	331.6	346.1	323.0	318.8	348.6	343.4	341.9	
5 Loans to other banking institutions	19.9	68.1	74.0	1.2	31.0	10.7	2.5	-	-	
6 Loans to non-banking financial institutions	512.3	360.5	668.0	143.5	269.4	223.3	411.3	414.5	416.1	
B Total (1+2+3+4+5+6)	20,914.1	19,115.9	17,886.0	27,461.1	37,953.0	39,793.6	40,959.7	42,411.9	42,521.5	
TOTAL (A+B)	154,929.7	190,125.3	215,491.7	246,589.1	252,314.3	257,240.9	262,995.2	264,053.0	265,515.1	

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 forfeiting.

Table D6 Demand deposits with banks
end of period, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010			
						Mar.	Jun.	Jul.	Aug.
1 Local government	1,688.7	1,803.8	2,689.4	2,441.1	1,377.7	1,063.6	922.9	1,093.2	1,164.3
2 Enterprises	13,344.2	16,668.6	19,599.3	16,896.1	14,893.1	16,180.1	16,076.1	16,470.1	17,025.3
3 Households	10,728.3	14,257.8	17,896.7	17,620.1	14,218.6	14,260.3	14,940.2	15,151.6	15,255.4
4 Other banking institutions	322.1	485.1	481.1	293.6	517.1	443.6	524.5	241.0	375.3
5 Non-banking financial institutions	571.3	697.6	1,205.2	921.1	893.4	1,003.7	1,204.0	844.1	739.5
6 Less: Checks of other banks and checks in collection	-1.3	-1.2	-0.9	-0.7	-0.3	-0.2	-0.3	-0.2	-0.2
Total (1+2+3+4+5+6)	26,653.3	33,911.7	41,870.8	38,171.2	31,899.6	32,951.0	33,667.4	33,799.8	34,559.5

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, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010			
						Mar.	Jun.	Jul.	Aug.
1 Savings deposits	2,493.6	2,905.6	3,086.1	2,770.3	2,523.1	2,490.9	2,592.3	2,537.0	2,533.1
1.1 Local government	2.7	2.8	2.5	0.0	0.0	0.1	0.1	0.1	0.1
1.2 Enterprises	101.6	110.3	154.7	108.8	203.7	226.4	180.3	245.5	263.9
1.3 Households	2,388.3	2,792.4	2,929.0	2,657.7	2,268.9	2,247.6	2,400.0	2,275.9	2,252.0
1.4 Other banking institutions	–	–	–	–	5.0	8.5	–	–	–
1.5 Non-banking financial institutions	1.0	0.0	–	3.7	45.5	8.2	11.9	15.4	17.2
2 Time and notice deposits	25,498.4	41,931.3	50,558.8	47,300.1	36,616.3	33,013.8	34,303.7	33,271.2	33,902.5
2.1 Local government	508.7	491.8	549.5	726.0	498.8	850.4	881.7	831.7	869.2
2.2 Enterprises	8,222.5	14,715.4	18,414.8	16,268.0	11,559.0	9,328.5	8,690.8	9,458.6	10,126.7
2.3 Households	13,254.9	20,755.0	20,479.1	22,721.6	16,910.7	17,199.9	17,439.1	17,332.1	17,278.3
2.4 Other banking institutions	931.9	2,697.9	6,386.5	2,563.4	3,039.8	2,266.0	3,495.7	2,365.8	2,244.4
2.5 Non-banking financial institutions	2,580.4	3,271.3	4,728.9	5,021.1	4,608.1	3,369.0	3,796.4	3,283.0	3,383.9
Total (1+2)	27,992.1	44,836.8	53,644.9	50,070.3	39,139.4	35,504.6	36,896.0	35,808.1	36,435.7

Table D7 Time and savings deposits with banks • The table shows kuna savings and time deposits by other domestic sectors, other banking institutions and non-banking financial institutions with banks.

Table D8 Foreign currency deposits with banks
end of period, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010			
						Mar.	Jun.	Jul.	Aug.
1 Savings deposits	22,641.0	22,698.6	22,845.0	21,262.2	20,781.0	20,942.3	21,588.6	22,272.1	23,770.5
1.1 Local government	11.9	30.8	27.5	22.1	25.5	13.1	23.7	14.4	12.8
1.2 Enterprises	4,408.3	4,589.7	5,543.6	5,132.0	5,053.6	5,299.6	5,338.0	5,479.9	6,129.6
1.3 Households	17,933.6	17,609.9	16,720.8	15,682.8	15,148.7	15,086.5	15,665.1	16,132.9	16,846.1
1.4 Other banking institutions	116.0	276.7	251.7	121.4	150.4	170.9	171.9	137.9	202.5
1.5 Non-banking financial institutions	171.3	191.4	301.5	303.9	402.9	372.2	389.9	507.0	579.4
2 Time deposits	64,119.7	65,558.1	80,245.1	95,932.6	114,629.6	116,382.2	114,869.2	116,868.5	118,753.8
2.1 Local government	3.2	1.9	2.1	2.3	2.5	6.3	12.4	11.4	13.7
2.2 Enterprises	8,154.2	7,086.2	10,391.9	11,215.5	13,516.9	13,117.6	12,010.1	13,438.6	13,187.6
2.3 Households	55,036.1	57,210.8	66,465.7	80,419.6	95,598.0	97,008.2	97,053.0	98,257.3	99,783.4
2.4 Other banking institutions	242.0	366.2	1,038.6	808.2	663.0	659.6	788.9	670.0	867.0
2.5 Non-banking financial institutions	684.2	892.9	2,346.8	3,487.0	4,849.1	5,590.5	5,004.8	4,491.2	4,902.0
Total (1+2)	86,760.8	88,256.7	103,090.1	117,194.8	135,410.6	137,324.5	136,457.8	139,140.6	142,524.4

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, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010			
						Mar.	Jun.	Jul.	Aug.
1 Money market instruments (net)	–	0.8	0.8	0.8	0.8	–	–	–	–
2 Bonds (net)	164.9	340.9	632.0	609.5	765.3	988.8	998.0	983.6	992.8
3 Other domestic borrowing	912.1	502.5	576.0	1,920.8	596.7	499.0	513.8	270.7	397.7
3.1 Local government	–	–	–	–	–	–	–	–	–
3.2 Enterprises	40.8	0.0	152.9	3.5	4.6	4.0	3.2	2.9	2.9
3.3 Other banking institutions	828.1	492.8	266.4	1,719.2	551.8	495.0	510.7	267.8	394.8
3.4 Non-banking financial institutions	43.2	9.6	156.6	198.0	40.4	–	–	–	–
Total (1+2+3)	1,077.0	844.1	1,208.8	2,531.1	1,362.8	1,487.7	1,511.8	1,254.3	1,390.5

Table D9 Bonds and money market instruments • The table shows banks' liabilities for securities issued (net) and loans received from other domestic sectors, other banking institutions and non-banking financial institutions.

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

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

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

Table D10 Banks' foreign liabilities

end of period, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010			
						Mar.	Jun.	Jul.	Aug.
1 Foreign liabilities in f/c	52,073.3	55,114.3	48,461.3	54,726.8	60,046.7	60,080.9	61,479.8	57,926.6	56,071.0
1.1 Liabilities to foreign financial institutions	45,747.7	48,561.3	41,483.1	47,878.5	51,702.3	50,992.2	52,207.1	48,464.9	46,471.3
Demand deposits	156.3	195.0	258.8	176.6	221.0	271.2	328.9	291.4	275.0
Time and notice deposits	12,523.1	12,174.1	10,562.9	14,016.4	21,945.8	20,669.6	21,057.3	19,527.3	18,368.3
Loans and advances	29,775.6	32,903.9	27,373.0	30,408.3	29,535.4	30,051.5	30,820.9	28,646.2	27,828.0
o/w: Subordinated and hybrid instruments	1,167.4	820.7	405.9	1,585.1	2,000.7	2,001.4	2,011.2	2,018.9	2,039.5
Bonds	3,292.6	3,288.3	3,288.4	3,277.1	–	–	–	–	–
1.2 Liabilities to foreign non-banks	6,325.6	6,553.0	6,978.2	6,848.4	8,344.4	9,088.6	9,272.6	9,461.7	9,599.7
Savings and time deposits	5,846.3	6,192.4	6,729.9	6,719.0	8,336.3	9,070.2	9,254.7	9,443.7	9,581.6
Sight deposits	1,172.9	1,635.8	1,537.2	1,374.5	1,267.8	1,410.2	1,383.3	1,533.2	1,538.5
Time and notice deposits	4,673.4	4,556.7	5,192.7	5,344.6	7,068.6	7,660.0	7,871.4	7,910.4	8,043.0
Loans and advances	479.3	360.5	248.3	129.3	8.0	18.4	17.9	18.0	18.1
o/w: Subordinated and hybrid instruments	–	–	–	–	–	10.9	10.8	10.9	10.9
2 Foreign liabilities in kuna	15,039.1	20,961.8	16,691.3	20,569.2	20,318.6	19,638.5	20,978.0	20,149.9	19,663.0
2.1 Liabilities to foreign financial institutions	14,099.6	20,087.0	16,093.8	20,061.0	19,943.0	19,270.1	20,591.6	19,762.8	19,287.4
Demand deposits	179.6	1,438.1	519.0	898.1	359.1	273.7	384.6	394.6	338.5
Time and notice deposits	6,979.5	11,198.8	11,423.7	15,014.2	14,654.3	12,952.7	14,111.2	13,282.8	12,831.8
Loans and advances	6,940.5	7,450.2	4,151.2	4,148.8	4,929.6	6,043.7	6,095.8	6,085.5	6,117.1
o/w: Subordinated and hybrid instruments	405.7	404.0	0.4	–	749.2	773.8	836.9	826.5	858.1
2.2 Liabilities to foreign non-banks	939.5	874.8	597.5	508.2	375.7	368.4	386.4	387.1	375.6
Demand deposits	180.3	170.1	253.2	257.0	222.8	220.9	235.6	243.8	233.6
Time and notice deposits	755.2	703.3	340.6	245.7	144.4	139.0	142.2	134.7	133.5
Loans and advances	4.0	1.4	3.7	5.5	8.5	8.5	8.5	8.5	8.5
o/w: Subordinated and hybrid instruments	4.0	1.4	3.7	5.5	8.5	8.5	8.5	8.5	8.5
Total (1+2)	67,112.3	76,076.0	65,152.6	75,296.1	80,365.3	79,719.4	82,457.8	78,076.5	75,734.0

Table D10 Banks' foreign liabilities • The table shows banks' total foreign currency and kuna liabilities to foreign legal and natural persons, with the exception of restricted kuna and foreign currency deposits by foreign legal and natural persons.

Banks' foreign liabilities comprise foreign currency liabilities and foreign kuna liabilities.

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

Table D11 Central government and funds' deposits with banks
end of period, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010			
						Mar.	Jun.	Jul.	Aug.
1 In kuna	7,596.1	9,030.0	11,535.0	14,185.1	15,124.1	15,681.5	15,946.1	16,617.4	16,440.5
1.1 Central government deposits	605.0	497.5	666.4	429.5	356.6	449.9	539.6	939.3	585.3
Demand deposits	458.1	366.2	454.9	176.7	189.3	155.4	184.7	285.9	217.1
Savings deposits	1.8	2.1	1.2	1.1	0.6	0.5	0.6	0.6	2.6
Time and notice deposits	144.0	128.1	209.3	251.6	166.7	294.0	354.3	652.8	365.6
Loans and advances	1.0	1.0	1.0	–	–	–	–	–	–
1.2 Central government funds' deposits	6,991.1	8,532.6	10,868.6	13,755.5	14,767.5	15,231.5	15,406.5	15,678.1	15,855.2
Demand deposits	580.2	254.6	330.1	645.6	389.5	448.1	449.5	419.2	539.7
Savings deposits	1.9	14.6	2.4	0.0	0.3	0.1	0.0	0.0	0.0
Time and notice deposits	251.7	496.7	413.6	385.8	410.8	649.4	414.8	432.0	511.3
Loans and advances	6,157.3	7,766.7	10,122.4	12,724.1	13,966.9	14,133.9	14,542.2	14,826.9	14,804.2
2 In f/c	1,690.9	1,770.4	1,990.8	1,822.5	3,095.2	1,702.8	1,486.4	2,845.6	3,030.4
2.1 Central government deposits	906.2	811.7	759.4	1,122.5	1,088.3	1,024.7	1,219.3	1,334.0	1,464.5
Savings deposits	340.6	264.8	527.4	666.8	716.8	459.3	514.2	841.7	836.0
Time and notice deposits	38.7	275.0	49.7	330.0	309.4	532.4	669.0	492.0	628.2
Refinanced loans and advances	527.0	271.9	182.3	125.7	62.2	33.0	36.1	0.2	0.2
2.2 Central government funds' deposits	784.7	958.6	1,231.4	699.9	2,006.9	678.0	267.1	1,511.6	1,566.0
Savings deposits	139.4	93.4	85.7	107.1	106.6	54.6	102.3	160.5	270.9
Time and notice deposits	25.8	356.2	153.8	519.6	256.4	260.5	92.8	1,278.6	1,199.8
Loans and advances	619.6	509.0	991.8	73.2	1,643.9	363.0	71.9	72.5	95.3
Total (1+2)	9,287.0	10,800.4	13,525.8	16,007.5	18,219.3	17,384.2	17,432.5	19,463.0	19,470.9

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, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010			
						Mar.	Jun.	Jul.	Aug.
1 Restricted deposits	2,036.4	2,447.6	2,252.3	3,038.4	2,548.4	2,395.6	2,720.7	2,559.8	2,387.7
1.1 In kuna	1,277.1	1,427.0	1,322.8	1,478.8	1,366.0	1,403.2	1,398.5	1,502.3	1,375.9
1.2 In f/c	759.3	1,020.5	929.5	1,559.6	1,182.5	992.3	1,322.2	1,057.5	1,011.8
2 Blocked f/c deposits of households	–	–	–	–	–	–	–	–	–
Total (1+2)	2,036.4	2,447.6	2,252.3	3,038.4	2,548.4	2,395.6	2,720.7	2,559.8	2,387.7

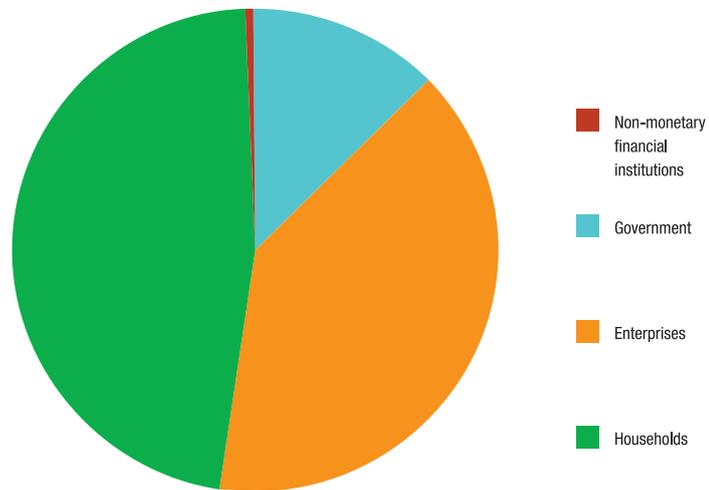
Table D12 Restricted and blocked deposits with banks • The table shows households' restricted (kuna and foreign currency) deposits and blocked deposits.

Blocked foreign currency deposits include households'

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

Figure D1

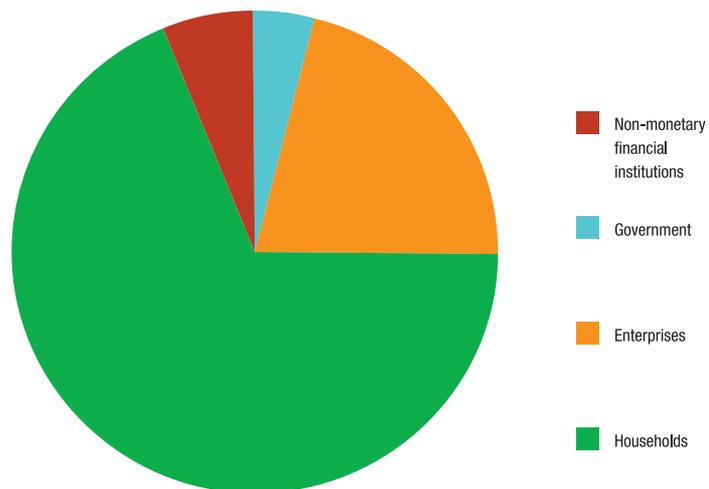
Distribution of banks' loans by domestic institutional sectors



August 2010

Figure D2

Distribution of banks' deposits by domestic institutional sectors



August 2010

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.

E Housing savings banks

Table E1 Housing savings banks' accounts
end of period, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010			
						Mar.	Jun.	Jul.	Aug.
ASSETS									
1 Reserves with the CNB	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	4,274.3	4,674.8	4,036.5	3,395.5	3,137.9	3,096.3	3,079.4	3,114.8	3,139.4
3 Claims on other domestic sectors	575.5	1,296.0	2,220.4	2,857.9	2,979.1	2,951.6	2,927.5	2,947.4	2,950.5
o/w: Claims on households	575.5	1,296.0	2,220.4	2,857.9	2,979.1	2,951.6	2,927.5	2,947.4	2,950.5
4 Claims on banks	994.4	181.4	133.6	533.7	294.8	201.8	156.8	137.7	161.4
5 Claims on other banking institutions	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	5,844.2	6,152.3	6,390.5	6,787.1	6,411.7	6,249.7	6,163.7	6,199.9	6,251.3
LIABILITIES									
1 Time deposits	5,514.7	5,803.6	6,037.9	6,297.6	5,711.8	5,485.2	5,346.3	5,385.9	5,417.4
2 Bonds and money market instruments	10.3	61.7	40.1	91.5	230.8	265.6	294.7	297.9	295.9
3 Capital accounts	258.0	244.7	303.0	390.6	478.1	498.5	500.7	495.0	500.5
4 Other items (net)	61.1	42.2	9.6	7.4	–8.9	0.5	21.9	21.0	37.4
Total (1+2+3+4)	5,844.2	6,152.3	6,390.5	6,787.1	6,411.7	6,249.7	6,163.7	6,199.9	6,251.3

Table E1 Housing savings banks' accounts • Housing savings banks' accounts include data on claims and liabilities of the Croatian housing savings banks. All housing savings banks' claims and liabilities refer exclusively to domestic sectors.

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

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

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

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

Claims on other banking institutions include investments in investment funds.

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

Bonds and money market instruments are housing savings banks' liabilities for securities issued (net) and loans 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 collectively assessed impairment provisions. Other items (net) are unclassified liabilities decreased by unclassified assets.

F Monetary policy instruments and liquidity

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 refinance facility ^b	On short-term liquidity credits	On inaccurately calculated statutory reserves ^b	On arrears
1	2	3	4	5	6	7	8	9	10
1996	December	6.50	–	11.00	19.00	17.00	–	19.00	18.00
1997	December	5.90	–	9.50	19.00	17.00	–	19.00	18.00
1998	December	5.90	–	12.00	19.00	7.00	14.00	19.00	18.00
1999	December	7.90	–	13.00	19.00	–	14.00	19.00	18.00
2000	December	5.90	–	12.00	18.00	–	13.00	18.00	18.00
2001	December	5.90	–	10.00	–	–	11.00	15.00	18.00
2002	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2003	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2004	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	December	4.50	3.50	7.50 ^c	–	–	8.50 ^c	15.00	15.00
2006	December	4.50	3.50	7.50	–	–	8.50	15.00	15.00
2007	December	9.00 ^d	4.06	7.50	–	–	8.50	15.00	15.00
2008	December	9.00	6.00	9.00	–	–	10.00	15.00	15.00
2009	September	9.00	6.00	9.00	–	–	10.00	15.00	15.00
	October	9.00	6.00	9.00	–	–	10.00	15.00	15.00
	November	9.00	–	9.00	–	–	10.00	15.00	15.00
	December	9.00	–	9.00	–	–	10.00	15.00	15.00
2010	January	9.00	–	9.00	–	–	10.00	15.00	15.00
	February	9.00	–	9.00	–	–	10.00	15.00	15.00
	March	9.00	–	9.00	–	–	10.00	15.00	15.00
	April	9.00	–	9.00	–	–	10.00	15.00	15.00
	May	9.00	–	9.00	–	–	10.00	15.00	15.00
	June	9.00	–	9.00	–	–	10.00	15.00	15.00
	July	9.00	–	9.00	–	–	10.00	15.00	15.00
	August	9.00	–	9.00	–	–	10.00	15.00	15.00

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

Table F1 Credit rates of the Croatian National Bank • The table shows interest rates used by the CNB to calculate and charge interest on credits from the primary issue and on all other claims.

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

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

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

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

and for payments from households' current accounts, and from October 1994 until September 1997 to interest rates on daily credits for savings deposits and households' current accounts in kuna. Daily credits, as opposed to special credits, are paid back on the same day. In October 1997, this instrument was replaced by daily credits for overcoming short-term liquidity problems that are 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
1996	December	5.50	–	–	8.00	9.50	–	–	–	–	–	–	–
1997	December	4.50	–	–	8.00	9.00	10.00	–	–	–	–	–	–
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–	–
2002	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–	–
2003	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–	–
2004	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2006	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2007	December	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
2008	December	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
2009	September	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
	October	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
	November	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
	December	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
2010	January	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	February	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	March	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	April	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	May	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	June	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	July	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	August	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 • 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

Table F3 Banks' reserve requirements

daily averages and percentages, in million HRK 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
1996	December	35.91	3,652.9	3,652.9	-	-	3,312.0	-	4.99	-
1997	December	32.02	4,348.8	4,348.8	-	-	3,914.2	-	4.05	-
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.05	....
2001	December	19.67	21,187.1	8,691.5	12,495.5	-	6,287.8	5,950.0	1.97	2.73
2002	December	19.00	25,985.1	11,447.1	14,538.0	-	8,156.7	7,139.9	1.72	2.16
2003	December	19.00	31,009.4	18,023.8	12,985.6	109.4	12,459.8	6,850.2	1.17	1.47
2004	December	18.00	33,615.7	20,040.9	13,574.8	430.1	14,664.1	10,171.3	1.22	1.36
2005	December	18.00	37,424.5	24,997.9	12,426.6	3,940.2	17,497.7	9,271.4	0.52	0.92
2006	December	17.00	40,736.4	28,966.1	11,770.4	7,332.5	20,257.0	8,780.9	0.52	1.06
2007	December	17.00	44,465.9	31,809.1	12,656.8	6,641.1	22,266.4	9,203.5	0.53	1.29
2008	December	14.87	41,474.4	29,179.7	12,294.7	461.9	20,425.8	8,807.0	0.52	0.81
2009	September	14.00	40,316.3	33,756.0	6,560.3	131.7	23,629.1	4,801.0	0.52	0.26
	October	14.00	40,547.6	33,890.5	6,657.1	134.0	23,723.3	4,859.0	0.52	0.35
	November	14.00	40,416.4	33,739.3	6,677.1	136.8	23,617.5	4,857.6	0.52	0.16
	December	14.00	40,423.5	33,693.7	6,729.8	30.9	23,585.6	4,898.0	0.52	-
2010	January	14.00	40,448.1	33,667.2	6,780.9	-	23,567.0	4,937.3	0.52	-
	February	13.32	38,605.2	32,102.4	6,502.8	-	22,471.7	4,747.4	0.52	-
	March	13.00	37,874.7	31,468.5	6,406.3	-	22,027.9	4,681.7	0.52	-
	April	13.00	37,779.3	31,362.6	6,416.7	-	21,953.8	4,692.1	0.52	-
	May	13.00	37,765.9	31,349.9	6,416.0	-	21,944.9	4,689.1	0.52	-
	June	13.00	37,970.3	31,515.2	6,455.1	-	22,060.6	4,712.6	0.52	-
	July	13.00	38,106.9	31,647.5	6,459.4	-	22,153.3	4,715.9	0.52	-
	August	13.00	38,335.3	31,863.5	6,471.9	-	22,304.4	4,724.1	0.52	-

well as a minimum percentage of the total reserve requirements deposited with the Croatian National Bank. From September 2001 on, column 5 includes also the f/c component of reserve requirements that is set aside/maintained in kuna.

Column 6 shows the amount of foreign currency reserve requirements, i.e. the prescribed amount of funds banks are required to deposit in the CNB's foreign currency accounts, or to maintain (in average) in accounts of liquid claims. Until November 2000, the calculation base consisted of the average daily balances of household foreign currency savings deposits with a remaining maturity of up to 3 months, while starting from December 2000 the base consists of foreign currency sources of funds, including: ordinary foreign currency accounts, special foreign currency accounts, foreign currency accounts and foreign currency sight deposits, received foreign currency deposits and received foreign currency loans, as well as obligations arising from securities issued in foreign currency (excluding banks' equity securities). From November 2001 on, the base includes also hybrid and subordinated instruments.

Column 7 shows the total amount of other obligatory deposits with the CNB, including CNB bills on an obligatory basis, those CNB bills on a voluntary basis used by banks to maintain the prescribed minimal liquidity (LAR), special statutory reserves until July 1995, special reserve requirement on liabilities arising from issued securities from March 2006 to February 2009, statutory reserves on f/c deposits, f/c credits from foreign banks and guarantees for such credits and marginal reserve

requirement (from August 2004 to October 2008).

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

Column 9 shows the portion of the foreign currency reserve requirement which banks deposit in the CNB's foreign currency accounts. The percentage for allocating the foreign currency component of reserve requirements calculated on the basis of foreign currency funds of non-residents and foreign currency funds received from legal persons in a special relationship with a bank amounts to 100%, while the percentage for allocating the remaining portion of the foreign currency component of reserve requirements amounts to 60%.

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

Column 11 shows the weighted average remuneration rate on allocated funds in foreign currency, including the marginal reserve requirement funds (from August 2004 to October 2008). From November 2009 on, the CNB does not pay remuneration on the allocated foreign currency component of reserve requirements.

Table F4 Banks' liquidity indicators

daily averages and percentages, in million HRK 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
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	–	4,316.0	3,073.2
2004	December	1,495.5	26,126.1	2.64	0.0	–	–	4,581.7
2005	December	672.5	20,493.4	0.96	0.2	–	–	4,163.3
2006	December	840.8	20,239.1	0.83	–	–	–	5,993.7
2007	December	1,161.5	30,412.6	1.03	330.4	–	–	4,449.4
2008	December	1,168.7	28,101.4	1.03	289.1	–	–	6,171.2
2009	September	181.5	24,897.9	0.18	129.7	–	–	4,529.6
	October	253.8	24,146.7	0.26	–	–	–	5,406.8
	November	320.1	24,082.1	0.33	–	–	–	5,101.7
	December	880.0	24,885.6	0.91	–	–	–	4,776.6
2010	January	784.1	24,541.5	0.82	–	–	–	4,710.5
	February	519.6	23,949.6	0.55	–	–	–	5,225.8
	March	555.7	23,023.3	0.59	–	–	–	5,116.9
	April	445.3	23,604.0	0.48	–	–	–	5,533.6
	May	387.1	25,201.0	0.42	–	–	–	5,430.2
	June	469.6	25,994.3	0.50	–	–	–	5,737.2
	July	404.0	27,045.2	0.43	–	–	–	6,119.9
	August	378.8	29,727.3	0.40	–	–	–	5,748.8

Table F4 Banks' liquidity indicators • The table reports monthly averages of day-to-day balances of some indicators of banks' liquidity. Savings banks are included beginning in July 1999.

Column 3 shows free reserves in kuna, defined as a difference between the average balance in the settlement account and the average balance in the vault (until October 2008). From November 2008 on, they are defined as a difference between the average balance in the settlement account in the kuna reserve requirement maintenance period and the minimal average settlement account balance prescribed by the kuna reserve requirement calculation methodology.

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

Column 5 shows the primary liquidity ratio as a percentage

of monthly day-to-day kuna free reserves averages (column 3) in monthly day-to-day averages of deposits which constitute the reserve base.

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

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

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

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

G Financial markets

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	Interest rates on interbank demand deposit trading		Interest rates on kuna credits not indexed to foreign currency									
		On overnight credits	On other credits	Total average	On short-term credits						On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households	
							Total average	Credit lines	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	
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	1.03	1.59	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88	
2003	December	6.54	6.36	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69	
2004	December	4.87	4.74	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16	
2005	December	3.08	3.91	9.91	9.99	7.71	11.26	13.18	5.35	8.75	6.48	10.35	
2006	December	3.14	2.52	9.07	9.37	6.75	11.84	13.21	4.67	7.53	5.86	9.44	
2007	December	6.23	7.33	9.32	9.74	7.39	12.34	13.19	4.95	7.50	6.66	8.01	
2008	December	5.77	6.77	10.71	10.89	8.98	12.33	12.97	4.96	9.05	8.10	10.35	
2009	September	6.58	7.48	11.82	11.89	10.32	12.68	13.22	4.08	10.59	9.20	11.46	
	October	4.66	5.80	11.70	11.74	10.03	12.68	13.24	4.20	10.93	10.16	11.29	
	November	1.09	2.18	11.60	11.65	9.85	12.73	13.24	4.09	10.66	9.25	11.28	
	December	1.20	1.50	11.12	11.22	9.29	12.68	13.24	4.89	9.77	8.27	11.33	
2010	January	0.62	1.08	10.97	10.99	8.31	12.69	13.20	4.11	10.56	7.55	11.38	
	February	0.55	0.88	10.86	10.96	8.32	12.70	13.19	4.26	9.32	6.36	11.28	
	March	0.77	1.02	10.20	10.27	7.24	12.60	13.16	4.02	9.37	7.10	11.03	
	April	0.77	1.41	10.28	10.31	7.24	12.64	13.16	4.00	9.87	7.19	10.79	
	May	0.85	1.42	10.59	10.74	7.76	12.64	13.17	4.50	9.03	6.41	10.72	
	June	0.94	1.40	10.35	10.52	7.57	12.65	13.15	3.92	8.51	6.03	10.77	
	July	1.45	2.20	10.31	10.50	7.29	12.65	13.19	4.44	8.54	6.31	10.98	
	August	1.31	1.71	10.36	10.47	7.17	12.73	13.19	3.83	8.89	6.34	11.35	
Relative significance ^a		-	-	77.03	71.46	28.99	42.47	40.40	2.08	5.58	2.73	2.84	

^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 to August 2002, interest rates on the money market were 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.

As from Bulletin No. 157 columns 3 and 4 contain the revised data for the period from September 2002 onward. From September 2002 on, interest rates on overnight credits and other credits are calculated as the weighted monthly averages of the weighted daily interest rates on interbank demand deposit trading.

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					
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18
2004	December	6.89	7.25	7.09	8.47	6.77	5.55	7.73	5.71	8.79	5.34	5.92	4.83
2005	December	6.18	6.52	6.34	7.91	6.07	5.18	6.98	4.95	8.10	5.29	5.28	5.30
2006	December	6.30	6.56	6.29	8.33	6.22	6.21	6.22	4.75	7.57	5.65	6.19	5.34
2007	December	6.73	6.86	6.86	6.84	6.66	6.51	6.80	5.12	8.24	6.79	6.59	7.10
2008	December	7.73	8.20	8.18	8.65	7.43	6.92	7.89	6.08	9.02	7.08	7.17	6.83
2009	September	8.25	8.76	8.69	9.80	7.86	6.76	8.82	6.55	9.83	7.48	7.93	7.06
	October	8.30	8.33	8.28	9.64	8.27	7.42	9.01	6.41	9.94	7.32	7.38	7.21
	November	8.34	8.22	8.16	9.06	8.44	7.08	9.24	6.50	10.07	8.55	7.48	8.90
	December	8.28	8.48	8.41	10.23	8.11	7.31	9.02	6.45	9.96	6.98	7.35	6.49
2010	January	8.36	8.25	8.19	9.71	8.46	7.68	8.96	6.41	10.03	6.72	7.37	6.40
	February	8.24	8.26	8.15	9.75	8.23	7.49	8.96	6.39	9.89	6.94	7.33	6.55
	March	8.45	8.72	8.68	9.32	8.28	7.67	8.82	6.41	9.77	6.95	7.42	6.50
	April	8.17	8.29	8.09	10.02	8.09	7.07	8.87	6.37	9.85	6.23	6.87	5.68
	May	7.91	7.85	7.77	8.93	7.95	7.05	8.73	6.43	9.84	6.81	7.15	6.43
	June	7.93	8.45	8.53	7.77	7.65	6.82	8.65	6.46	9.66	5.77	6.97	5.62
	July	8.01	8.13	7.94	9.65	7.97	7.28	8.53	6.38	9.42	6.70	6.81	6.57
	August	7.94	8.08	8.14	7.67	7.87	7.03	8.45	6.30	9.28	7.22	7.63	6.80
Relative significance ^a		19.70	6.26	5.49	0.77	13.44	5.48	7.96	2.20	5.76	3.26	1.65	1.62

^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).

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 • 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
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	December	1.58	0.61	3.36	3.34	3.89	3.23	4.12	5.04	3.49
2006	December	1.91	0.56	2.98	2.94	4.10	2.69	4.32	4.98	3.11
2007	December	2.67	0.49	5.42	5.34	4.47	5.48	6.28	5.45	6.45
2008	December	2.92	0.43	5.65	5.60	5.34	5.64	6.58	5.88	6.85
2009	September	3.20	0.46	6.32	6.19	5.25	6.28	8.09	6.13	8.32
	October	2.95	0.45	5.05	4.96	5.30	4.92	6.26	6.14	6.27
	November	2.36	0.43	2.69	2.72	5.04	2.34	2.53	6.28	2.10
	December	2.22	0.43	2.52	2.49	4.89	2.04	2.76	6.12	2.07
2010	January	2.17	0.43	2.70	2.70	4.95	1.95	2.64	6.23	1.99
	February	1.91	0.40	2.64	2.95	4.65	1.74	1.79	5.63	1.27
	March	1.80	0.40	2.07	2.10	4.44	1.18	1.95	5.42	1.37
	April	1.76	0.36	2.15	2.25	4.35	1.44	1.81	5.52	1.34
	May	1.78	0.36	2.19	2.25	4.22	1.37	2.00	5.38	1.53
	June	1.72	0.35	1.94	1.91	4.12	1.22	2.07	5.34	1.59
	July	1.73	0.36	2.04	1.93	4.06	1.31	2.44	5.19	2.05
	August	1.68	0.36	1.79	1.71	3.93	1.32	2.20	5.10	1.91
Relative significance ^a		52.04	32.77	16.61	13.85	2.09	11.76	2.75	0.25	2.50

^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				
						Total average	Households		Enterprises	
							EUR	USD	EUR	USD
1	2	3	4	5	6	7	8	9	10	11
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21
2005	December	3.99	3.63	4.77	2.61	0.27	0.27	0.17	0.27	0.76
2006	December	3.67	3.30	4.07	2.94	0.25	0.23	0.17	0.32	0.44
2007	December	3.98	3.76	4.35	3.44	0.25	0.22	0.15	0.36	0.43
2008	December	4.09	4.05	4.42	3.97	0.21	0.20	0.15	0.26	0.13
2009	September	4.06	3.15	4.48	4.01	0.18	0.21	0.15	0.11	0.06
	October	3.40	3.08	3.37	3.99	0.18	0.21	0.15	0.10	0.07
	November	3.39	3.16	4.08	3.99	0.18	0.21	0.15	0.11	0.08
	December	3.01	3.12	3.31	3.98	0.18	0.22	0.16	0.10	0.07
2010	January	3.50	3.07	3.33	3.88	0.19	0.22	0.16	0.11	0.07
	February	3.40	2.78	4.39	3.71	0.18	0.22	0.16	0.10	0.07
	March	3.52	2.73	2.63	3.57	0.18	0.21	0.16	0.09	0.07
	April	3.63	2.99	5.46	3.51	0.17	0.20	0.16	0.09	0.09
	May	3.21	2.78	2.54	3.37	0.17	0.20	0.16	0.09	0.07
	June	3.32	2.79	3.82	3.26	0.18	0.22	0.16	0.10	0.08
	July	3.57	3.02	4.06	3.26	0.19	0.21	0.16	0.11	0.08
	August	2.68 ^b	2.84	3.85	3.20	0.20	0.21	0.17	0.23	0.06
Relative significance ^a		0.65	0.59	0.06	47.31	21.93	14.73	1.87	4.86	0.46

^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, 45.12% refers to enterprises.

Tables G4a – G4b 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 starting 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

Table G4b Banks' interest rates on kuna deposits indexed to foreign currency and on foreign currency deposits weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on foreign currency deposits										
		On time deposits										Total average
		On short-term deposits				On long-term deposits						
		Total average	Households		Enterprises		Total average	Households		Enterprises		
EUR	USD		EUR	USD	EUR	USD		EUR	USD			
1	2	12	13	14	15	16	17	18	19	20	21	22
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65
2005	December	3.07	2.94	2.99	1.76	2.63	4.34	3.69	4.25	0.48	4.39	-
2006	December	3.82	3.76	3.16	2.05	4.24	5.84	4.25	4.47	2.26	4.79	4.61
2007	December	4.32	4.25	3.47	2.60	5.10	5.33	4.80	4.83	3.84	5.13	2.19
2008	December	4.15	3.95	4.33	2.69	4.13	1.84	5.51	5.57	3.58	5.52	2.38
2009	September	3.86	3.76	4.58	2.73	3.34	2.52	5.18	5.25	3.73	5.39	3.50
	October	3.61	3.46	4.27	2.79	3.08	1.73	5.36	5.42	3.81	5.41	0.00
	November	3.58	3.40	4.25	2.70	2.73	2.15	5.28	5.37	3.86	5.19	1.50
	December	3.58	3.40	4.33	2.73	2.64	1.77	5.13	5.43	3.86	2.85	0.13
2010	January	3.65	3.47	4.22	2.68	2.78	1.47	5.30	5.39	3.78	4.75	0.79
	February	3.31	3.10	4.04	2.75	2.36	1.28	5.14	5.25	3.73	3.90	2.76
	March	3.17	2.91	3.78	2.72	2.42	0.97	5.12	5.20	3.71	4.47	2.00
	April	3.17	2.92	3.73	2.75	2.26	1.55	5.01	5.07	3.93	3.48	1.10
	May	3.03	2.84	3.63	2.73	2.07	1.45	4.62	4.73	3.82	2.18	3.00
	June	3.00	2.83	3.48	2.75	2.33	1.57	4.61	4.68	3.65	3.30	-
	July	2.98	2.75	3.50	2.64	2.11	1.32	4.65	4.74	3.78	2.71	1.22
	August	2.94	2.68	3.48	2.62	1.96	1.35	4.59	4.69	3.74	1.11	-
Relative significance ^a		25.38	21.95	10.56	0.68	9.32	1.39	3.44	3.25	0.13	0.06	-

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

rates on savings and foreign currency time deposits, which are weighted by the end-of-month balances of all categories included in the calculation.

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

The basis for the calculation of the weighted averages of

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

Table G5 Banks' trade with foreign exchange
in million EUR, current exchange rate

	2005	2006	2007	2008	2009	2010			
						Mar.	Jun.	Jul. ^a	Aug.
A Purchase of foreign exchange									
1 Legal persons	8,443.5	14,442.7	26,365.0	33,058.3	19,939.9	1,571.5	1,369.4	2,079.3	2,194.6
2 Natural persons	4,931.8	6,262.7	6,151.3	4,755.3	4,920.3	382.7	436.4	562.0	548.4
2.1 Residents	4,662.6	5,909.4	3,184.0	4,252.9	4,389.6	346.6	364.2	454.0	417.6
2.2 Non-residents	269.2	353.2	326.3	502.4	530.7	36.1	72.2	108.0	130.8
3 Domestic banks	9,069.9	14,380.1	20,141.3	20,017.6	10,964.5	807.0	962.9	1,221.9	936.9
4 Foreign banks	2,602.3	5,056.8	5,194.1	7,342.5	5,681.9	389.2	565.8	542.5	480.9
5 Croatian National Bank	0.0	125.5	0.0	420.6	1,899.4	–	–	–	–
Total (1+2+3+4)	25,106.0	40,439.5	57,851.7	65,594.2	43,405.9	3,150.4	3,334.5	4,405.7	4,160.7
B Sale of foreign exchange									
1 Legal persons	13,022.3	17,515.0	28,564.1	35,448.8	21,707.2	1,528.0	1,519.4	2,049.1	2,494.5
2 Natural persons	2,722.5	4,109.1	3,712.5	4,366.4	3,205.5	160.1	108.6	193.2	167.7
2.1 Residents	2,693.9	4,056.4	2,071.3	4,335.2	3,186.0	159.3	107.3	191.4	165.7
2.2 Non-residents	28.6	52.6	40.0	31.2	19.5	0.8	1.3	1.8	1.9
3 Domestic banks	9,069.9	14,380.1	20,141.3	20,017.6	10,964.5	807.0	962.9	1,221.9	936.9
4 Foreign banks	1,407.1	3,526.1	4,072.6	6,615.7	5,281.5	346.9	410.3	468.7	397.8
5 Croatian National Bank	670.8	1,329.5	839.0	409.1	2,224.2	–	125.6	238.1	–
Total (1+2+3+4)	26,892.7	40,859.7	57,329.5	66,857.5	43,382.7	2,842.1	3,126.7	4,170.9	3,996.8
C Net purchase (A-B)									
1 Legal persons	–4,578.8	–3,072.3	–2,199.1	–2,390.5	–1,767.3	43.5	–149.9	30.2	–300.0
2 Natural persons	2,209.3	2,153.6	2,438.9	388.9	1,714.8	222.6	327.8	368.8	380.7
2.1 Residents	1,968.7	1,853.0	1,112.7	–82.2	1,203.6	187.3	256.9	262.6	251.8
2.2 Non-residents	240.6	300.6	286.3	471.1	511.2	35.3	70.9	106.2	128.9
3 Foreign banks	1,195.2	1,530.7	1,121.4	726.8	400.4	42.3	155.6	73.8	83.1
4 Croatian National Bank	–670.8	–1,204.0	–839.0	11.5	–324.8	–	–125.6	–238.1	–
Total (1+2+3)	–1,845.2	–592.1	522.2	–1,263.3	23.2	308.4	207.9	234.8	163.9
Memo items: Other Croatian National Bank transactions									
Purchase of foreign exchange	–	3.1	5.1	265.4	664.6	2.4	1.7	2.4	0.2
Sale of foreign exchange	167.6	441.3	176.7	83.7	98.3	108.0	19.6	–	–

^a Revised 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.

H International economic relations

Table H1 Balance of payments – summary^{a,b}

in million EUR

	2005	2006 ^c	2007 ^c	2008 ^c	2009 ^c	2010	
						Q1 ^c	Q2 ^d
A CURRENT ACCOUNT (1+6)	-1,975.6	-2,726.2	-3,236.1	-4,337.8	-2,477.0	-1,397.0	-277.3
1 Goods, services, and income (2+5)	-3,159.5	-3,833.6	-4,279.1	-5,408.3	-3,513.3	-1,649.8	-564.5
1.1 Credit	15,990.2	17,882.6	19,600.2	21,256.5	16,938.8	3,004.0	4,562.4
1.2 Debit	-19,149.7	-21,716.2	-23,879.3	-26,664.8	-20,452.1	-4,653.8	-5,126.8
2 Goods and services (3+4)	-2,200.2	-2,641.6	-3,166.6	-3,835.9	-1,711.3	-1,159.5	-155.0
2.1 Credit	15,272.9	16,990.4	18,307.2	19,904.6	16,157.1	2,821.2	4,311.4
2.2 Debit	-17,473.2	-19,632.0	-21,473.8	-23,740.5	-17,868.4	-3,980.7	-4,466.4
3 Goods	-7,518.0	-8,344.2	-9,434.0	-10,793.8	-7,386.9	-1,283.1	-1,566.3
3.1 Credit	7,220.3	8,463.6	9,192.5	9,814.0	7,703.2	2,033.3	2,254.4
3.2 Debit	-14,738.3	-16,807.8	-18,626.5	-20,607.8	-15,090.1	-3,316.4	-3,820.7
4 Services	5,317.7	5,702.7	6,267.4	6,957.9	5,675.6	123.6	1,411.3
4.1 Credit	8,052.6	8,526.8	9,114.7	10,090.6	8,453.9	787.9	2,057.0
4.2 Debit	-2,734.9	-2,824.2	-2,847.3	-3,132.7	-2,778.3	-664.3	-645.7
5 Income	-959.2	-1,192.1	-1,112.5	-1,572.4	-1,802.0	-490.2	-409.5
5.1 Credit	717.3	892.2	1,293.0	1,351.9	781.7	182.8	250.9
5.2 Debit	-1,676.5	-2,084.3	-2,405.5	-2,924.3	-2,583.8	-673.1	-660.4
6 Current transfers	1,183.8	1,107.4	1,043.0	1,070.5	1,036.3	252.7	287.2
6.1 Credit	1,628.4	1,639.5	1,576.1	1,684.4	1,607.8	394.6	450.3
6.2 Debit	-444.6	-532.1	-533.1	-613.9	-571.5	-141.9	-163.1
B CAPITAL AND FINANCIAL ACCOUNT	3,008.7	3,699.1	4,140.5	5,943.1	3,304.8	818.0	-149.5
B1 Capital account	53.8	-134.9	28.5	14.9	42.7	12.6	13.3
B2 Financial account, excl. reserves	3,776.8	5,246.2	4,833.7	5,597.8	4,158.5	287.9	-41.2
1 Direct investment	1,276.1	2,561.5	3,467.8	3,236.2	1,209.9	492.4	-56.8
1.1 Abroad	-191.8	-206.8	-211.2	-972.8	-918.7	-57.4	-152.9
1.2 In Croatia	1,467.9	2,768.3	3,679.0	4,209.0	2,128.6	549.7	96.1
2 Portfolio investment	-1,187.9	-529.6	6.2	-630.3	186.2	-647.9	0.6
2.1 Assets	-581.3	-459.8	-404.7	-279.0	-793.4	-103.0	32.5
2.2 Liabilities	-606.6	-69.8	410.9	-351.3	979.6	-544.9	-32.0
3 Financial derivatives	-88.4	0.0	0.0	0.0	0.0	-61.1	-42.3
4 Other investment	3,777.0	3,214.3	1,359.7	2,991.9	2,762.4	504.5	57.3
4.1 Assets	982.2	-692.3	-1,653.3	-1,620.9	759.9	690.7	-88.0
4.2 Liabilities	2,794.7	3,906.6	3,012.9	4,612.8	2,002.6	-186.2	145.3
B3 Reserve assets	-821.8	-1,412.2	-721.6	330.4	-896.4	517.5	-121.5
C NET ERRORS AND OMISSIONS	-1,033.1	-972.9	-904.4	-1,605.3	-827.8	579.0	426.8

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from January 1999 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Data also include the round tripping which increases direct investment in Croatia and direct investment abroad by the same amount. This type of direct investment was recorded in December 2008 (EUR 825.7m) and August 2009 (EUR 666.5m).

^c Revised data. ^d Preliminary data.

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

Tables 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:

Table H2 Balance of payments – goods and services

in million EUR

	2005	2006	2007	2008	2009 ^a	2010	
						Q1 ^a	Q2 ^b
Goods	-7,518.0	-8,344.2	-9,434.0	-10,793.8	-7,386.9	-1,283.1	-1,566.3
1 Credit	7,220.3	8,463.6	9,192.5	9,814.0	7,703.2	2,033.3	2,254.4
1.1 Exports (f.o.b.) in trade statistics	7,069.4	8,251.6	9,001.6	9,585.1	7,529.4	2,000.2	2,208.7
1.2 Adjustments for coverage	150.9	212.0	191.0	228.9	173.8	33.1	45.7
2 Debit	-14,738.3	-16,807.8	-18,626.5	-20,607.8	-15,090.1	-3,316.4	-3,820.7
2.1 Imports (c.i.f.) in trade statistics	-14,949.5	-17,104.7	-18,826.6	-20,817.1	-15,220.1	-3,337.8	-3,848.0
2.2 Adjustments for coverage	-346.4	-341.1	-370.4	-421.4	-331.1	-79.8	-89.2
2.3 Adjustments for classification	557.6	638.0	570.4	630.8	461.2	101.1	116.6
Services	5,317.7	5,702.7	6,267.4	6,957.9	5,675.6	123.6	1,411.3
1 Transportation	376.1	474.2	542.1	508.5	255.0	37.1	87.5
1.1 Credit	880.3	1,037.5	1,165.4	1,209.4	752.0	145.8	219.3
1.2 Debit	-504.2	-563.2	-623.3	-700.9	-497.1	-108.7	-131.8
2 Travel	5,394.9	5,708.7	6,035.2	6,694.0	5,655.8	188.1	1,314.4
2.1 Credit	5,998.9	6,293.3	6,752.6	7,459.4	6,379.7	324.7	1,473.4
2.1.1 Business	504.0	388.4	389.2	386.4	255.7	39.0	80.8
2.1.2 Personal	5,494.9	5,904.9	6,363.4	7,073.1	6,124.0	285.7	1,392.6
2.2 Debit	-604.1	-584.6	-717.3	-765.5	-724.0	-136.6	-159.0
2.2.1 Business	-267.4	-229.5	-266.9	-261.3	-240.8	-39.1	-55.4
2.2.2 Personal	-336.7	-355.1	-450.4	-504.2	-483.1	-97.6	-103.6
3 Other services	-453.3	-480.3	-310.0	-244.6	-235.1	-101.5	9.3
3.1 Credit	1,173.4	1,196.0	1,196.8	1,421.8	1,322.2	317.4	364.2
3.2 Debit	-1,626.6	-1,676.3	-1,506.7	-1,666.4	-1,557.3	-419.0	-355.0

^a Revised data. ^b Preliminary data.

- 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 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

Table H3 Balance of payments – income and current transfers
in million EUR

	2005	2006 ^a	2007	2008 ^a	2009 ^a	2010	
						Q1 ^a	Q2 ^b
Income	-959.2	-1,192.1	-1,112.5	-1,572.4	-1,802.0	-490.2	-409.5
1 Compensation of employees	259.7	373.2	494.2	564.1	586.5	142.7	155.1
1.1 Credit	289.2	404.3	527.8	599.7	624.2	151.0	164.4
1.2 Debit	-29.5	-31.1	-33.6	-35.5	-37.6	-8.3	-9.3
2 Direct investment income	-739.0	-1,011.1	-921.6	-1,139.4	-1,150.8	-367.0	-288.6
2.1 Credit	112.7	80.2	174.5	194.6	-58.6	-3.8	54.6
o/w: Reinvested earnings	63.8	63.5	123.3	118.6	-97.4	-10.5	17.7
2.2 Debit	-851.8	-1,091.3	-1,096.1	-1,334.0	-1,092.3	-363.2	-343.2
o/w: Reinvested earnings	-570.5	-721.0	-483.3	-508.5	-321.0	-166.5	-28.5
3 Portfolio investment income	-217.6	-175.9	-162.9	-145.8	-160.5	-67.9	-69.3
3.1 Credit	46.2	57.4	74.5	74.6	64.9	7.7	8.7
3.2 Debit	-263.8	-233.3	-237.4	-220.4	-225.4	-75.7	-77.9
4 Other investment income	-262.3	-378.2	-522.2	-851.3	-1,077.2	-198.0	-206.7
4.1 Credit	269.1	350.3	516.2	483.0	151.3	27.9	23.3
4.2 Debit	-531.4	-728.6	-1,038.4	-1,334.3	-1,228.5	-225.9	-230.0
Current transfers	1,183.8	1,107.4	1,043.0	1,070.5	1,036.3	252.7	287.2
1 General government	9.7	-8.6	-16.7	-20.0	-30.0	-19.5	-9.8
1.1 Credit	219.6	255.7	260.2	342.6	309.0	63.0	93.1
1.2 Debit	-209.9	-264.4	-276.8	-362.7	-339.0	-82.5	-102.9
2 Other sectors	1,174.1	1,116.0	1,059.6	1,090.5	1,066.3	272.3	297.0
2.1 Credit	1,408.8	1,383.8	1,316.0	1,341.7	1,298.8	331.6	357.1
2.2 Debit	-234.6	-267.7	-256.3	-251.2	-232.5	-59.4	-60.1

^a Revised data. ^b Preliminary data.

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 and Central Bureau of Statistics data on the number of foreign and domestic travellers, along with the data on distribution of foreign travellers by countries contained in the CBS Report on tourism, in order to assess the corresponding balance of payment items.

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

Transactions in the income account are classified into four main groups. Compensation of employees item is compiled on the basis of the ITRS. Income from direct investment, portfolio investment and other investment are reported separately. Data on reinvested earnings are reported separately, under direct investment income, calculated on the basis of the CNB Research on direct and other equity investment. In contrast to data on dividends, these data are not available for the 1993-1996 period, since at that time they were not reported separately. From the first quarter of 2009 on, international standards are applied in the statistical monitoring of reinvested earnings, meaning that reinvested earnings are reported on a quarterly basis, i.e. in the period in which the profit is actually earned. Previously,

reinvested earnings were reported in the month in which the decision on the distribution of the previous year's profit was adopted, meaning that they were based on the profit earned in the preceding year. On the basis of statistical data on external debt relations, starting from 1997, income from direct investment includes data on interest arising from credit relations between residents and non-residents directly related through ownership. Income from equity portfolio investment is compiled on the basis of the same research, whereas data on debt portfolio investment income have been compiled since 1999, based on statistics on foreign credit relations, which also encompass income related to debt securities owned by non-residents. Income from other investments includes the calculation of interest in accordance with the foreign credit relations statistics. The methodology for compiling the statistics on debt investment income has been changed in 2007 to include the reporting of income on an accrual basis. This basically means that income from debt investment and interest are reported at the point in time when they accrue and not at the point in time when they mature or when they are paid. As a result, the historical data for the 1999-2006 period have been revised.

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

Table H4 Balance of payments – direct and portfolio investments^{a,b}

in million EUR

	2005	2006	2007	2008 ^c	2009 ^c	2010	
						Q1 ^c	Q2 ^d
Direct investment	1,276.1	2,561.5	3,467.8	3,236.2	1,209.9	492.4	-56.8
1 Abroad	-191.8	-206.8	-211.2	-972.8	-918.7	-57.4	-152.9
1.1 Equity capital and reinvested earnings	-121.0	-210.5	-265.3	-1,078.5	-912.5	-48.7	-126.1
1.1.1 Claims	-122.2	-210.5	-268.4	-1,078.5	-1,009.9	-59.2	-126.1
1.1.2 Liabilities	1.3	0.0	3.1	0.0	97.4	10.5	0.0
1.2 Other capital	-70.9	3.7	54.1	105.7	-6.2	-8.6	-26.8
1.1.1 Claims	-59.8	-13.9	20.3	106.8	-42.5	-27.4	-28.9
1.2.2 Liabilities	-11.1	17.6	33.9	-1.1	36.3	18.8	2.1
2 In Croatia	1,467.9	2,768.3	3,679.0	4,209.0	2,128.6	549.7	96.1
2.1 Equity capital and reinvested earnings	1,363.5	2,468.6	2,671.6	2,696.1	1,078.5	445.7	531.6
2.1.1 Claims	0.0	-0.1	0.0	-6.9	-96.6	0.0	0.0
2.1.2 Liabilities	1,363.5	2,468.7	2,671.6	2,702.9	1,175.1	445.7	531.6
2.2 Other capital	104.4	299.7	1,007.4	1,512.9	1,050.1	104.1	-435.5
2.2.1 Claims	0.0	12.4	20.3	-26.4	-32.1	-16.4	-36.9
2.2.2 Liabilities	104.4	287.3	987.2	1,539.3	1,082.2	120.4	-398.6
Portfolio investment	-1,187.9	-529.6	6.2	-630.3	186.2	-647.9	0.6
1 Assets	-581.3	-459.8	-404.7	-279.0	-793.4	-103.0	32.5
1.1 Equity securities	-193.0	-320.5	-844.2	147.8	-107.0	-249.4	-147.7
1.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1 Banks	0.0	2.6	0.0	0.0	0.0	0.0	0.0
1.1.2 Other sectors	-193.0	-323.1	-844.2	147.8	-107.0	-249.4	-147.7
1.2 Debt securities	-388.2	-139.3	439.4	-426.8	-686.4	146.4	180.2
1.2.1 Bonds	-407.8	118.2	329.7	-326.0	-345.0	237.2	7.5
1.2.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2 Banks	-371.4	161.9	267.8	-226.5	-52.5	228.2	-80.8
1.2.1.3 Other sectors	-36.3	-43.7	61.9	-99.5	-292.5	9.0	88.2
1.2.2 Money market instruments	19.5	-257.4	109.7	-100.8	-341.4	-90.8	172.7
1.2.2.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2.2 Banks	19.5	-257.4	109.7	-100.9	-341.4	-91.2	170.8
1.2.2.3 Other sectors	0.0	0.0	0.0	0.1	0.0	0.4	1.9
2 Liabilities	-606.6	-69.8	410.9	-351.3	979.6	-544.9	-32.0
2.1 Equity securities	89.2	325.7	315.9	-87.1	15.2	-7.5	-0.4
2.1.1 Banks	-12.8	28.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	102.0	297.7	315.9	-87.1	15.2	-7.5	-0.4
2.2 Debt securities	-695.8	-395.6	95.1	-264.2	964.4	-537.4	-31.6
2.2.1 Bonds	-695.8	-395.6	95.1	-264.3	964.4	-537.4	-31.6
2.2.1.1 General government	-705.9	-463.7	-276.4	-208.0	998.8	-528.4	-23.4
2.2.1.2 Banks	3.2	1.2	1.0	-1.6	-446.5	0.0	0.0
2.2.1.3 Other sectors	6.9	66.9	370.5	-54.7	412.1	-9.0	-8.2
2.2.2 Money market instruments	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
2.2.2.2 Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.3 Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from January 1999 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Data also include the round tripping which increases direct investment in Croatia and direct investment abroad by the same amount. This type of direct investment was recorded in December 2008 (EUR 825.7m) and August 2009 (EUR 666.5m).

^c Revised data. ^d Preliminary data.

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

Table H5 Balance of payments – other investment^a
in million EUR

	2005	2006	2007	2008	2009 ^b	2010	
						Q1 ^b	Q2 ^c
Other investment (net)	3,777.0	3,214.3	1,359.7	2,991.9	2,762.4	504.5	57.3
1 Assets	982.2	-692.3	-1,653.3	-1,620.9	759.9	690.7	-88.0
1.1 Trade credits	-134.8	-33.3	-99.4	-126.5	150.4	57.7	28.2
1.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1 Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2 Other sectors	-134.8	-33.3	-99.4	-126.5	150.4	57.7	28.2
1.1.2.1 Long-term	10.4	-4.9	-63.5	26.7	58.0	7.6	7.7
1.1.2.2 Short-term	-145.3	-28.4	-35.9	-153.2	92.4	50.2	20.5
1.2 Loans	-116.8	-153.1	-4.5	-107.5	41.5	-7.3	-2.6
1.2.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.1 Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2 Banks	-28.5	-80.4	-32.6	-66.7	20.5	1.0	0.3
1.2.2.1 Long-term	-20.5	-58.9	-25.4	-26.8	-28.7	5.0	1.4
1.2.2.2 Short-term	-8.0	-21.5	-7.3	-39.9	49.2	-4.0	-1.1
1.2.3 Other sectors	-88.3	-72.7	28.1	-40.8	21.0	-8.3	-2.9
1.2.3.1 Long-term	-89.2	-73.0	28.1	-37.6	20.9	-6.5	8.0
1.2.3.2 Short-term	1.0	0.3	0.0	-3.2	0.1	-1.8	-10.9
1.3 Currency and deposits	1,233.8	-505.9	-1,549.4	-1,386.8	567.9	640.2	-113.7
1.3.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2 Banks	1,313.7	-462.1	-1,317.1	-136.4	426.5	521.1	-127.4
1.3.3 Other sectors	-79.8	-43.8	-232.3	-1,250.5	141.4	119.0	13.7
1.4 Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Liabilities	2,794.7	3,906.6	3,012.9	4,612.8	2,002.6	-186.2	145.3
2.1 Trade credits	15.1	18.5	313.5	32.0	-143.7	-267.3	125.7
2.1.1 General government	0.4	-0.7	-0.6	-0.5	0.0	0.0	0.0
2.1.1.1 Long-term	0.4	-0.7	-0.6	-0.5	0.0	0.0	0.0
2.1.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	14.7	19.2	314.2	32.5	-143.7	-267.3	125.7
2.1.2.1 Long-term	27.4	-3.7	165.0	34.9	-58.0	0.3	-19.2
2.1.2.2 Short-term	-12.7	22.9	149.2	-2.4	-85.7	-267.6	145.0
2.2 Loans	2,405.7	3,059.2	2,890.3	3,703.9	969.3	402.8	-203.1
2.2.1 Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1 o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.1 Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.2 Repayments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 General government	97.2	165.0	161.0	96.7	-7.4	191.4	-59.5
2.2.2.1 Long-term	97.2	165.0	161.0	65.0	24.3	191.4	-59.5
2.2.2.1.1 Drawings	342.0	477.8	523.5	330.1	306.0	226.1	13.2
2.2.2.1.2 Repayments	-244.8	-312.8	-362.5	-265.2	-281.7	-34.8	-72.7
2.2.2.2 Short-term	0.0	0.0	0.0	31.7	-31.7	0.0	0.0
2.2.3 Banks	826.0	541.2	-1,065.0	115.2	-166.5	219.2	31.7
2.2.3.1 Long-term	281.1	419.5	-630.8	-276.1	158.1	-58.4	103.6
2.2.3.1.1 Drawings	1,236.1	2,833.6	1,216.2	609.4	1,219.2	73.9	268.1
2.2.3.1.2 Repayments	-955.0	-2,414.1	-1,847.0	-885.4	-1,061.1	-132.3	-164.5
2.2.3.2 Short-term	544.9	121.7	-434.2	391.3	-324.6	277.6	-71.9
2.2.4 Other sectors	1,482.6	2,353.0	3,794.4	3,492.0	1,143.2	-7.8	-175.3
2.2.4.1 Long-term	1,428.1	2,264.1	3,184.9	3,175.7	866.9	-27.2	-179.5
2.2.4.1.1 Drawings	2,934.5	4,266.4	5,960.8	6,700.9	4,804.5	813.3	1,044.8
2.2.4.1.2 Repayments	-1,506.4	-2,002.3	-2,775.9	-3,525.2	-3,937.5	-840.4	-1,224.3
2.2.4.2 Short-term	54.5	88.9	609.5	316.2	276.2	19.4	4.2

	2005	2006	2007	2008	2009 ^b	2010	
						Q1 ^b	Q2 ^c
2.3 Currency and deposits	371.1	826.2	-193.6	875.7	1,175.0	-321.9	222.4
2.3.1 General government	0.1	0.1	-0.1	-0.1	-1.2	0.0	0.0
2.3.2 Banks	371.1	826.0	-193.6	867.1	1,197.2	-321.9	222.4
2.3.3 Other sectors	-0.1	0.1	0.1	8.7	-21.1	0.0	0.0
2.4 Other liabilities	2.8	2.7	2.7	1.3	2.0	0.3	0.3

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

or investments in patents and rights.

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

Data on equity portfolio investments are collected from the same data source as the data on direct investments. Debt portfolio investments include all investments in short-term and long-term debt securities that cannot be classified under direct investments. In the 1997-1998 period, these data were collected through the CNB Research on direct and portfolio investments, and since 1999 data on external debt relations and monetary statistics data for bank investment have been used. Starting from 2002 and 2004, this position has also been compiled for investment funds and pension funds, respectively. Since 2009, these positions have been modified by the statistics on trade in equity and debt securities submitted by the Central Depository and Clearing Company and commercial banks providing securities custody services. Portfolio investments are modified by these data in the parts not fully covered by existing research. Data for the 2006-2009 period have also been revised.

Other investment encompasses all other debt investments that have not been mentioned, apart from investment constituting reserve assets. Other investments are classified by

instruments, maturity and sectors. Trade credits, in the 1996–2002 period, included the CNB estimates of advance payment and deferred payments, made on the basis of the sample of the largest and large importers and exporters. Data on advance payments have been estimated since 1996, while data on short-term deferred payments (first up to 90 days, then up to 150 days, and today from 8 days to 1 year) have been collected since 1999. In 2003, this research was replaced by a new one, where the selected companies, regardless of their size (stratified sample), are obliged to submit data. Data on deferred payments with the original maturity of more than one year are adopted from the CNB foreign credit relations statistics. Credits granted by residents to non-residents, i.e. foreign loans utilised by residents and granted by non-residents, which cannot be classified into direct investments or trade credits, are classified by the institutional sector and maturity under the corresponding positions of other investment. The CNB foreign credit relations statistics represent the data source for these positions. Currency and deposit position shows residents' claims on foreign countries for foreign cash and deposits with foreign banks, as well as obligations of the Croatian banks for deposits owned by non-residents. Monetary statistics represent a data source for the general government sector and banks sector. Data on balance and currency structure of foreign assets and liabilities, contained in monetary statistics, are used to assess transactions from which the exchange rate effect was eliminated. In the 1993-1998 period, data on other sectors' claims under this position were compiled on the basis of the CNB estimate of a portion of net foreign currency inflows of the household sector which is not classified under current transfers. Since 1999, this position has included only the data based on the Bank for International Settlement quarterly data, while data in the fourth quarter of 2001 and in the first two quarters of 2002 also relate to the effect of the EMU countries' currencies changeover to the euro. Data for the fourth quarter of 2008 were modified by estimates of currency and deposit withdrawals from the financial system driven by fears of the effects of the global financial crisis.

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

Table H6 Balance of payments – summary^a

in million HRK

	2005	2006	2007	2008	2009 ^b	2010	
						Q1 ^b	Q2 ^c
A CURRENT ACCOUNT (1+6)	-14,828.7	-20,131.5	-23,874.5	-31,687.6	-18,292.2	-10,180.1	-2,076.0
1 Goods, services, and income (2+5)	-23,586.8	-28,240.5	-31,525.4	-39,163.3	-25,897.0	-12,020.6	-4,095.5
1.1 Credit	117,994.9	130,752.9	143,640.4	153,418.7	124,241.6	21,873.5	33,060.1
1.2 Debit	-141,581.7	-158,993.5	-175,165.8	-192,582.0	-150,138.7	-33,894.2	-37,155.7
2 Goods and services (3+4)	-16,508.1	-19,535.2	-23,342.4	-27,771.7	-12,651.8	-8,444.1	-1,124.2
2.1 Credit	112,693.7	124,216.9	134,156.6	143,655.7	118,500.3	20,545.3	31,242.7
2.2 Debit	-129,201.8	-143,752.1	-157,499.0	-171,427.5	-131,152.1	-28,989.4	-32,366.9
3 Goods	-55,568.1	-61,083.9	-69,218.6	-77,984.3	-54,248.2	-9,350.7	-11,354.6
3.1 Credit	53,397.7	61,988.6	67,424.8	70,856.8	56,546.0	14,806.8	16,339.8
3.2 Debit	-108,965.8	-123,072.5	-136,643.4	-148,841.1	-110,794.2	-24,157.5	-27,694.4
4 Services	39,060.0	41,548.7	45,876.2	50,212.6	41,596.4	906.6	10,230.4
4.1 Credit	59,296.0	62,228.3	66,731.8	72,798.9	61,954.3	5,738.5	14,903.0
4.2 Debit	-20,236.0	-20,679.6	-20,855.6	-22,586.3	-20,357.9	-4,831.8	-4,672.5
5 Income	-7,078.7	-8,705.3	-8,183.0	-11,391.6	-13,245.2	-3,576.5	-2,971.3
5.1 Credit	5,301.2	6,536.0	9,483.7	9,762.9	5,741.4	1,328.3	1,817.4
5.2 Debit	-12,379.9	-15,241.4	-17,666.8	-21,154.5	-18,986.6	-4,904.8	-4,788.8
6 Current transfers	8,758.1	8,109.0	7,650.9	7,475.7	7,604.9	1,840.5	2,019.5
6.1 Credit	12,047.2	12,005.6	11,562.1	12,159.5	11,797.8	2,874.0	3,170.4
6.2 Debit	-3,289.1	-3,896.5	-3,911.1	-4,683.7	-4,192.9	-1,033.4	-1,150.9
B CAPITAL AND FINANCIAL ACCOUNT	22,046.3	27,135.5	30,264.9	42,591.1	24,392.8	6,239.2	-809.5
B1 Capital account	396.8	-981.8	209.1	108.2	314.2	92.0	96.0
B2 Financial account, excl. reserves	27,725.0	38,430.7	35,370.8	40,174.7	30,589.8	2,371.3	-26.4
1 Direct investment	9,093.0	18,762.5	25,485.8	22,967.0	8,912.4	3,592.2	-414.8
1.1 Abroad	-1,415.4	-1,515.1	-1,552.6	-7,000.3	-6,729.4	-417.1	-1,108.0
1.2 In Croatia	10,508.5	20,277.5	27,038.4	29,967.4	15,641.8	4,009.3	693.2
2 Portfolio investment	-8,785.7	-3,916.8	37.3	-4,456.0	1,288.2	-4,719.8	9.4
2.1 Assets	-4,267.9	-3,391.6	-2,984.9	-1,952.8	-5,768.2	-740.0	241.5
2.2 Liabilities	-4,517.8	-525.3	3,022.2	-2,503.2	7,056.4	-3,979.8	-232.1
3 Financial derivatives	-659.4	0.0	0.0	0.0	0.0	-445.5	-306.4
4 Other investment	28,077.0	23,585.1	9,847.7	21,663.7	20,389.2	3,944.4	685.4
4.1 Assets	7,421.4	-5,121.6	-12,078.3	-11,587.5	5,681.4	5,034.6	-633.1
4.2 Liabilities	20,655.6	28,706.7	21,926.0	33,251.1	14,707.8	-1,090.2	1,318.5
B3 Reserve assets (CNB)	-6,075.4	-10,313.4	-5,315.0	2,308.3	-6,511.2	3,775.9	-879.1
C NET ERRORS AND OMISSIONS	-7,217.6	-7,004.0	-6,390.4	-10,903.6	-6,100.6	3,940.9	2,885.5

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

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

Table H7 International reserves and banks' foreign currency reserves^a
end of period, in million EUR

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	
1996	December	1,867.7	101.3	0.0	–	1,766.3	1,627.6	138.7	1,549.2
1997	December	2,303.7	133.4	0.1	–	2,170.2	1,825.2	345.0	2,078.9
1998	December	2,400.2	197.1	0.1	–	2,203.0	1,642.6	560.4	1,607.0
1999	December	3,012.7	188.7	0.2	–	2,823.7	2,449.8	373.9	1,344.7
2000	December	3,783.2	158.5	0.2	–	3,624.5	2,763.0	861.5	2,310.7
2001	December	5,333.6	122.9	0.2	–	5,210.5	3,469.7	1,740.7	4,056.0
2002	December	5,651.3	2.3	0.2	–	5,648.8	3,787.8	1,861.0	2,581.6
2003	December	6,554.1	0.7	0.2	–	6,553.2	3,346.0	3,207.2	3,927.1
2004	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	December	7,438.4	0.9	0.2	–	7,437.3	3,834.5	3,602.8	2,938.4
2006	December	8,725.3	0.7	0.2	–	8,724.4	4,526.9	4,197.5	3,315.0
2007	December	9,307.4	0.8	0.2	–	9,306.5	4,533.9	4,772.5	4,388.9
2008	December	9,120.9	0.7	0.2	–	9,120.0	2,001.8	7,118.2	4,644.5
2009	October	9,540.9	327.4	0.2	–	9,213.3	2,265.4	6,947.8	3,963.6
	November	10,145.5	327.9	0.2	–	9,817.5	2,753.5	7,064.0	3,963.9
	December	10,375.8	331.7	0.2	–	10,043.9	2,641.4	7,402.6	4,293.9
2010	January	10,394.0	336.8	0.2	–	10,057.0	2,648.0	7,409.0	3,597.4
	February	10,081.5	345.2	0.2	–	9,736.1	2,762.1	6,974.0	3,649.9
	March	10,008.1	342.5	0.2	–	9,665.5	2,717.3	6,948.1	3,801.9
	April	10,015.0	346.7	0.2	–	9,668.1	2,724.0	6,944.0	3,709.9
	May	10,176.6	365.3	0.2	–	9,811.1	3,016.3	6,794.8	3,807.3
	June	10,305.2	368.3	0.2	–	9,936.7	3,110.6	6,826.1	3,977.6
	July	11,325.0	352.8	0.2	–	10,972.0	4,160.1	6,811.9	4,008.5
	August	11,428.4	360.3	0.2	–	11,068.0	3,981.8	7,086.1	4,015.6
	September ^b	11,154.4	347.5	0.2	–	10,806.7	3,635.8	7,170.9	4,271.6

^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.

		2005	2006	2007	2008	2009	2010				
		Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	
	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)		-899.7	-650.5	-521.1	-1,084.1	-989.3	-1,181.2	-1,215.3	-1,235.3	-1,249.6	
III Contingent short-term net drains on f/c assets (nominal value)											
1 Contingent liabilities in foreign currency		-2,273.1	-2,734.9	-2,607.4	-1,896.1	-1,351.6	-1,467.1	-1,474.5	-1,507.2	-1,522.4	
(a) Collateral guarantees on debt falling due within 1 year		-443.8	-478.9	-662.1	-803.2	-661.5	-818.2	-828.4	-862.3	-857.7	
– Croatian National Bank		-	-	-	-	-	-	-	-	-	
– Central government (excl. central government funds)		-443.8	-478.9	-662.1	-803.2	-661.5	-818.2	-828.4	-862.3	-857.7	
Up to 1 month		-59.6	-71.9	-54.3	-91.8	-30.3	-59.0	-1.6	-2.2	-10.6	
More than 1 and up to 3 months		-53.0	-84.8	-42.4	-58.4	-101.3	-202.5	-53.5	-87.4	-116.4	
More than 3 months and up to 1 year		-331.2	-322.2	-565.3	-652.9	-529.8	-556.6	-773.3	-772.7	-730.7	
(b) Other contingent liabilities		-1,829.3	-2,256.0	-1,945.3	-1,092.9	-690.1	-648.9	-646.1	-644.9	-664.6	
– Croatian National Bank		-1,829.3	-2,256.0	-1,945.3	-1,092.9	-690.1	-648.9	-646.1	-644.9	-664.6	
Up to 1 month		-	-	-	-	-	-	-	-	-	
More than 1 and up to 3 months		-1,829.3	-2,256.0	-1,945.3	-1,092.9	-690.1	-648.9	-646.1	-644.9	-664.6	
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)		-2,273.1	-2,734.9	-2,607.4	-1,896.1	-1,351.6	-1,467.1	-1,474.5	-1,507.2	-1,522.4	
IV Memo items											
(a) Short-term domestic currency debt indexed to the exchange rate		-	-	-	-	-	-	-	-	-	
o/w: Central government (excl. central government funds)		-	-	-	-	-	-	-	-	-	
(b) Financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)		-	-	-	-	-	-	-	-	-	
(c) Pledged assets		-	-	-	-	-	-	-	-	-	
(d) Securities lent and on repo		-	-	-	-	-	-	-	-	-	
– Lent or repoed and included in Section I		-	-	-	-6.1	-	-4.2	-1.0	-0.6	-9.1	
– 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		88.5	559.5	389.7	478.6	766.5	1,311.6	1,040.4	1,099.5	1,286.9	
(e) Financial derivative assets (net, marked to market)		-	-	-	-	-	-	-	-	-	
(f) Currency composition of official reserves assets											
– Currencies in SDR basket		7,438.1	8,725.0	9,307.1	9,120.8	10,375.7	10,008.0	10,305.0	11,324.8	11,428.1	
– Currencies not in SDR basket		0.3	0.3	0.3	0.1	0.1	0.1	0.2	0.3	0.3	
– By individual currencies											
USD		1,104.5	1,266.0	1,357.2	2,064.6	2,461.8	1,963.1	1,923.7	2,809.7	2,913.8	
EUR		6,332.5	7,458.0	7,944.2	7,054.9	7,581.5	7,702.1	8,012.6	8,161.9	8,153.7	
Other		1.3	1.3	6.0	1.5	332.5	342.9	368.8	353.5	360.9	

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 (IA) 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

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
1996		6.805527	0.513812	1.062870	0.352204	4.407070	8.476847	5.433979	3.614716
1997		6.960719	0.505335	1.056368	0.362049	4.248502	10.089408	6.161849	3.556098
1998		7.139159	0.514631	1.080018	0.366853	4.396452	10.537622	6.362284	3.620795
1999		7.581823	0.550993	1.155840	0.391568	4.739965	11.514804	7.122027	3.876528
2000		7.633852	0.554774	1.163773	0.394256	4.903244	12.530514	8.287369	3.903127
2001		7.471006	0.542939	1.138947	0.385845	4.946810	12.010936	8.339153	3.819865
2002		7.406976				5.049125	11.793108	7.872490	
2003		7.564248				4.978864	10.943126	6.704449	
2004		7.495680				4.854986	11.048755	6.031216	
2005		7.400047				4.780586	10.821781	5.949959	
2006		7.322849				4.656710	10.740292	5.839170	
2007		7.336019				4.468302	10.731537	5.365993	
2008		7.223178				4.553618	9.101622	4.934417	
2009		7.339554				4.861337	8.233112	5.280370	
2009	October	7.244857				4.786519	7.906241	4.890609	
	November	7.283676				4.822430	8.110227	4.885203	
	December	7.292240				4.850202	8.096641	4.979623	
2010	January	7.290819				4.936781	8.253859	5.098490	
	February	7.304744				4.978585	8.346769	5.327413	
	March	7.260644				5.009436	8.050570	5.346701	
	April	7.258114				5.063618	8.280297	5.405008	
	May	7.257505				5.112983	8.456556	5.752744	
	June	7.229388				5.229912	8.716015	5.921915	
	July	7.211539				5.361420	8.642265	5.667137	
	August	7.246101				5.397058	8.789254	5.613821	
	September	7.282934				5.570093	8.694234	5.593489	

loans, securities and deposits (III1) 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 (II2) include future collections (+) or payments (-) arising from currency swaps between the CNB and domestic banks (temporary sale or purchase of foreign currency). Item Other (II3) 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 (III1) 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 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 IB 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
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.514000
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2003		7.646909				4.901551	10.860544	6.118506	
2004		7.671234				4.971314	10.824374	5.636883	
2005		7.375626				4.744388	10.753209	6.233626	
2006		7.345081				4.571248	10.943208	5.578401	
2007		7.325131				4.412464	9.963453	4.985456	
2008		7.324425				4.911107	7.484595	5.155504	
2009		7.306199				4.909420	8.074040	5.089300	
2009	October	7.225837				4.788811	8.049278	4.867522	
	November	7.317610				4.855747	8.055493	4.905880	
	December	7.306199				4.909420	8.074040	5.089300	
2010	January	7.313102				4.985753	8.453476	5.236361	
	February	7.270536				4.968249	8.151739	5.342054	
	March	7.259334				5.071847	8.126423	5.392463	
	April	7.246875				5.052200	8.339327	5.473884	
	May	7.263120				5.090496	8.526790	5.852635	
	June	7.193455				5.422066	8.870952	5.897241	
	July	7.248517				5.353805	8.705882	5.576640	
	August	7.274976				5.562334	8.904499	5.719321	
	September	7.292743				5.490283	8.481906	5.361523	

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 2005 = 100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator	
			Consumer price index	Producer price index
1996	December	92.67	104.56	99.92
1997	December	96.27	106.16	102.55
1998	December	100.26	105.40	106.31
1999	December	108.18	111.59	111.29
2000	December	109.87	110.36	106.71
2001	December	107.12	107.17	105.38
2002	December	104.68	105.19	102.47
2003	December	104.01	104.83	102.55
2004	December	100.45	101.04	98.72
2005	December	100.86	100.37	101.96
2006	December	98.14	97.62	100.58
2007	December	95.59	92.77	97.41
2008	December	95.57	91.37	93.42
2009	October	94.21	89.13	89.08
	November	94.60	89.22	89.67
	December	95.07	90.39	90.20
2010	January	95.55	89.90	90.40
	February	96.58	90.93	91.40
	March	96.17	90.87	90.86
	April	96.39	91.08	91.35
	May	97.66	92.13	92.36
	June	98.00	92.51	92.37
	July	96.94	91.68 ^a	91.56 ^a
	August	97.13	92.20 ^a	91.61 ^a
	September	97.45		

^a Preliminary data.

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 versus the euro, US dollar, Swiss franc and pound sterling. The basic CNB methodology for the calculation of both the nominal and real effective exchange rates of the kuna is described in Box 2 in the CNB Bulletin No. 64 (October 2001) and was first modified in 2004 (see the CNB Bulletin No. 94, June 2004). Starting with the CNB Bulletin No. 157 (March 2010), the presented time series of indices of the effective exchange rates of the kuna have been calculated based on the weights reflecting the structure of the current account (ITRS data) in the period from January 2006 to December 2009. The euro was assigned a 77.6% weight, the US dollar a 20.6% weight, the pound sterling a 0.9% weight and the Swiss franc a weight of 0.8%. The time series of basic indices were recalculated on the basis of 2005.

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 prices (the ratio of price indices in partner countries and domestic prices). Producer price indices, 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 for the period until and including December 1997 and consumer price indices for the period 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.

	2005 Dec.	2006 Dec.	2007 Dec. ^b	2008 Dec. ^{c,d}	2009 Dec. ^{e*}	2010				
						Mar.*	Apr.*	May*	Jun.*	Jul.
Long-term	7,469.7	9,799.3	13,264.9	18,910.5	19,982.2	19,966.6	20,016.5	20,126.9	20,006.3	20,132.7
Bonds	763.9	837.8	1,208.3	1,186.4	1,611.1	1,599.4	1,615.0	1,615.5	1,589.1	1,582.1
Credits	6,542.1	8,816.1	11,766.9	17,391.3	18,083.0	18,075.6	18,082.7	18,222.9	18,136.2	18,256.6
Currency and deposits	0.0	0.0	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	163.7	145.4	289.8	322.2	288.1	291.6	318.8	288.6	281.0	294.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5 Direct investment	2,450.7	2,878.4	3,932.8	5,835.9	7,390.1	7,494.9	7,167.6	7,166.6	7,251.1	7,132.6
Short-term	177.5	233.9	540.4	1,415.7	426.3	483.3	531.9	521.6	551.7	553.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	36.3	51.2	216.8	1,314.0	327.3	360.4	403.2	397.8	424.7	426.3
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	141.2	182.7	323.6	101.6	99.0	122.9	128.7	123.8	127.0	126.8
Principal arrears	121.8	158.2	293.9	85.8	75.3	98.7	104.1	99.4	101.1	100.3
Interest arrears	19.4	24.5	29.7	15.8	23.7	24.2	24.6	24.4	26.0	26.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,273.2	2,644.5	3,392.5	4,420.2	6,963.8	7,011.6	6,635.7	6,645.0	6,699.4	6,579.5
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	2,239.3	2,618.1	3,374.5	4,414.7	6,962.8	7,010.9	6,635.0	6,644.2	6,698.6	6,578.8
Trade credits	33.9	26.4	18.0	5.5	1.0	0.7	0.7	0.7	0.7	0.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	25,761.1	29,273.9	32,929.2	39,950.2	44,593.9	44,613.9	44,016.5	44,458.2	44,938.7	45,037.4
o/w: Round tripping ^a	-	-	-	825.6	1,499.0	1,560.1	1,207.2	1,270.1	1,288.4	1,229.5

^a The rise in the external debt of the Republic of Croatia is attributed to the direct investment-related debt which comprises round-tripping transactions. ^b The relevant comparable data as at 31 December 2007, published in Bulletin No. 146, should be used for the calculation of the external debt growth rate in 2008. ^c From January 2008 on, the data of non-financial enterprises are estimated on the basis of the data collected from the sample. ^d The relevant comparable data as at 31 December 2008, published in Bulletin No. 161, should be used for the calculation of the external debt growth rate in 2009. ^e From January 2009 on, the data of non-banking financial institutions and non-financial enterprises are processed with the help of the new reporting system (INOK) which uses market interest rates to calculate the balance and the schedule of interest payments. The comparable balance as at 31 December 2008 has been calculated by applying the same methodology (published in Bulletin No. 161).

Table H12 Gross external debt by domestic sectors • External debt is defined as the external debt liabilities of residents on the basis of debt securities issued in the foreign markets (at face value), credits (repo agreements included) regardless of their contractual maturity, deposits of non-residents, and trade credits granted by non-residents with contractual maturity of more than 180 days (90 days up to 11 July 2001 and 150 days up to 31 December 2002).

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

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

long-term basis.

Outstanding gross external debt includes principal and interest arrears, as well as accrued interest and future principal payments.

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

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

Table H13 Public sector gross external debt, and publicly guaranteed and non-publicly guaranteed private sector gross external debt • The gross external debt position presented in this table highlights the role of the public sector.

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

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

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

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

Table H13 Public sector gross external debt, and publicly guaranteed and non-publicly guaranteed private sector gross external debt^a
in million EUR

	2005 Dec.	2006 Dec.	2007 Dec. ^b	2008 Dec. ^{c,d}	2009 Dec. ^{e*}	2010				
						Mar.*	Apr.*	May*	Jun.*	Jul.
1 Public sector	8,501.6	8,256.8	9,259.5	10,247.8	12,200.5	12,160.4	12,283.7	12,467.0	12,439.2	13,541.9
Short-term	23.2	41.7	72.5	184.6	259.6	108.4	146.6	151.2	153.4	256.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	2.3	15.2	35.4	164.1	215.6	62.1	99.3	102.9	104.2	183.7
Currency and deposits	2.6	2.6	2.3	2.3	1.1	1.2	1.2	1.3	1.3	1.2
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	18.3	23.9	34.7	18.2	42.9	45.2	46.2	47.0	47.9	72.0
Principal arrears	17.1	20.6	29.9	17.1	39.4	41.3	42.3	43.5	43.9	68.4
Interest arrears	1.2	3.3	4.8	1.1	3.6	3.9	3.9	3.5	4.1	3.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	8,477.3	8,213.6	9,185.2	10,061.5	11,767.2	11,847.4	11,930.5	12,102.2	12,069.9	13,089.4
Bonds	4,052.0	3,640.5	3,859.7	3,714.5	4,891.4	4,430.6	4,447.9	4,499.8	4,525.4	5,385.8
Credits	4,314.5	4,485.2	5,120.3	6,068.5	6,608.0	7,144.9	7,182.7	7,332.8	7,283.1	7,428.7
Currency and deposits	0.0	0.0	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	110.8	87.9	205.2	267.9	267.8	272.0	299.9	269.6	261.5	274.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	1.0	1.5	1.8	1.7	173.7	204.5	206.6	213.6	215.9	195.6
2 Publicly guaranteed private sector	289.7	204.2	139.9	80.3	9.2	7.2	7.2	10.0	10.2	9.5
Short-term	21.8	17.2	11.3	7.1	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	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
Trade credits	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	17.2	11.3	7.1	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	14.2	14.4	9.4	7.1	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	7.6	2.8	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	267.9	187.0	128.6	73.2	9.2	7.2	7.2	10.0	10.2	9.5
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	267.3	187.0	128.6	73.2	9.2	7.2	7.2	10.0	10.2	9.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	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	16,969.7	20,812.9	23,529.9	29,622.2	32,384.2	32,446.3	31,725.5	31,981.3	32,489.3	31,485.9
Short-term	3,171.4	4,008.7	3,763.3	4,564.9	4,211.8	4,328.8	4,016.2	3,960.1	4,503.2	3,923.5
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,195.5	1,290.2	1,356.4	1,641.6	1,287.2	1,699.3	1,387.1	1,271.0	1,438.0	985.9
Currency and deposits	1,438.6	2,211.1	1,648.8	2,670.3	2,283.9	1,823.3	1,805.2	1,842.6	2,081.3	1,959.8
Trade credits	27.8	35.9	31.1	39.5	28.2	37.6	41.3	40.7	40.5	42.4
Other debt liabilities	509.5	471.5	727.0	213.5	612.5	768.6	782.7	805.8	943.4	935.3
Principal arrears	472.5	425.6	645.4	150.2	490.3	633.7	643.4	665.9	782.1	773.9
Interest arrears	37.0	45.8	81.7	63.3	122.3	134.9	139.3	140.0	161.2	161.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	11,348.7	13,927.4	15,835.5	19,223.1	20,955.9	20,827.2	20,748.3	21,068.2	20,950.9	20,625.6
Bonds	831.8	764.3	564.4	550.6	292.2	288.6	298.7	293.3	278.6	282.2
Credits	8,267.8	10,919.0	12,691.4	16,162.4	16,600.7	16,284.9	16,238.7	16,469.9	16,342.5	16,265.1
Currency and deposits	2,194.3	2,184.7	2,493.9	2,455.0	4,042.7	4,234.1	4,192.0	4,278.9	4,303.1	4,052.0
Trade credits	54.8	59.4	85.8	55.0	20.3	19.6	18.9	26.1	26.7	26.3

	2005 Dec.	2006 Dec.	2007 Dec. ^b	2008 Dec. ^{c,d}	2009 Dec. ^{e*}	2010				
						Mar.*	Apr.*	May*	Jun.*	Jul.
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	2,449.6	2,876.9	3,931.1	5,834.2	7,216.4	7,290.4	6,961.0	6,952.9	7,035.2	6,936.9
Total (1+2+3)	25,761.1	29,273.9	32,929.2	39,950.2	44,593.9	44,613.9	44,016.5	44,458.2	44,938.7	45,037.4
o/w: Round tripping ^a	-	-	-	825.6	1,499.0	1,560.1	1,207.2	1,270.1	1,288.4	1,229.5

^a The rise in the external debt of the Republic of Croatia is attributed to the direct investment-related debt which comprises round-tripping transactions. ^b The relevant comparable data as at 31 December 2007, published in Bulletin No. 146, should be used for the calculation of the external debt growth rate in 2008. ^c From January 2008 on, the data of non-financial enterprises are estimated on the basis of the data collected from the sample. ^d The relevant comparable data as at 31 December 2008, published in Bulletin No. 161, should be used for the calculation of the external debt growth rate in 2009. ^e From January 2009 on, the data of non-banking financial institutions and non-financial enterprises are processed with the help of the new reporting system (INOK) which uses market interest rates to calculate the balance and the schedule of interest payments. The comparable balance as at 31 December 2008 has been calculated by applying the same methodology (published in Bulletin No. 161).

Table H14 Gross external debt by domestic sectors and projected future payments^a

in million EUR

	Gross external debt 31/7/2010	Immedi- ate	Projected future principal payments												
			Q3/10	Q4/10	Q1/11	Q2/11	2010	2011	2012	2013	2014	2015	2016	2017	Other
1 Government	5,867.4	0.1	126.3	67.2	758.1	67.5	193.5	934.1	156.7	143.0	621.3	982.2	104.5	73.1	2,658.9
Short-term	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
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	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
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	5,867.4	0.0	126.3	67.2	758.1	67.5	193.5	934.1	156.7	143.0	621.3	982.2	104.5	73.1	2,658.9
Bonds	4,085.9	0.0	59.2	0.0	730.4	0.0	59.2	730.4	0.0	0.0	487.7	717.3	0.0	0.0	2,091.2
Credits	1,781.5	0.0	67.2	67.2	27.7	67.5	134.3	203.7	156.7	143.0	133.5	264.9	104.5	73.1	567.7
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Croatian National Bank	1.2	0.0	1.2	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	1.2	0.0	1.2	0.0	0.0	0.0	1.2	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1.2	0.0	1.2	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3 Banks	10,280.8	0.7	2,331.8	707.3	585.2	751.2	3,039.1	2,674.8	1,606.7	555.2	901.4	279.7	354.2	816.2	52.7
Short-term	2,556.4	0.7	1,641.1	230.1	365.4	280.2	1,871.2	684.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	595.9	0.0	380.5	0.0	150.3	65.1	380.5	215.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1,959.8	0.0	1,260.6	230.1	215.1	215.1	1,490.7	469.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.7	0.7	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	0.0	0.0	0.0	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	0.7	0.7	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	7,724.4	0.0	690.7	477.2	219.8	471.0	1,167.9	1,990.3	1,606.7	555.2	901.4	279.7	354.2	816.2	52.7
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	3,672.4	0.0	444.4	267.4	62.0	313.2	711.8	886.5	499.4	407.7	509.2	49.7	298.7	268.3	41.3

	Gross external debt 31/7/2010	Immedi- ate	Projected future principal payments												
			Q3/10	Q4/10	Q1/11	Q2/11	2010	2011	2012	2013	2014	2015	2016	2017	Other
Currency and deposits	4,052.0	0.0	246.3	209.8	157.8	157.8	456.1	1,103.8	1,107.4	147.6	392.2	229.9	55.6	547.9	11.4
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	21,755.4	1,006.5	978.6	1,372.1	1,209.4	1,137.0	2,350.7	4,394.5	2,314.8	2,697.7	1,176.9	1,143.9	1,262.5	1,380.8	4,027.2
Short-term	1,622.7	1,006.5	148.9	113.5	242.8	85.2	262.5	353.7	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	573.7	0.0	148.9	113.5	200.4	85.2	262.5	311.3	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	42.4	0.0	0.0	0.0	42.4	0.0	0.0	42.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1,006.5	1,006.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	842.2	842.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	164.3	164.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	20,132.7	0.0	829.7	1,258.5	966.6	1,051.8	2,088.2	4,040.8	2,314.8	2,697.7	1,176.9	1,143.9	1,262.5	1,380.8	4,027.2
Bonds	1,582.1	0.0	32.3	16.4	294.6	0.0	48.6	310.9	284.0	29.6	29.6	29.6	309.5	540.2	0.0
Credits	18,256.6	0.0	793.4	1,168.5	521.2	995.6	1,961.9	3,520.0	2,028.5	2,663.8	1,147.3	1,114.3	953.0	840.6	4,027.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	294.0	0.0	4.0	73.7	150.8	56.1	77.7	209.9	2.2	4.3	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
5 Direct investment	7,132.6	126.8	519.7	1,800.1	581.0	529.1	2,319.9	1,527.7	645.0	331.3	264.5	156.7	259.5	126.0	1,375.1
Short-term	553.0	126.8	83.2	122.3	40.1	175.9	205.5	220.8	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	426.3	0.0	83.2	122.3	40.1	175.9	205.5	220.8	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	126.8	126.8	0.0	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	100.3	100.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	26.4	26.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,579.5	0.0	436.6	1,677.8	541.0	353.2	2,114.4	1,306.9	645.0	331.3	264.5	156.7	259.5	126.0	1,375.1
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	6,578.8	0.0	436.6	1,677.7	541.0	353.2	2,114.2	1,306.7	644.9	331.1	264.5	156.7	259.5	126.0	1,375.1
Trade credits	0.7	0.0	0.0	0.2	0.0	0.0	0.2	0.2	0.2	0.2	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
Total (1+2+3+4+5)	45,037.4	1,134.0	3,957.7	3,946.7	3,133.8	2,484.8	7,904.3	9,531.1	4,723.2	3,727.3	2,964.1	2,562.5	1,980.7	2,396.1	8,114.0
o/w: Round tripping ^a	1,229.5	0.0	28.7	902.4	0.0	0.0	931.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	298.3
Supplement: Projected interest payments			90.0	266.9	286.8	291.3	356.9	1,087.8	861.6	767.8	634.1	547.4	421.6	340.7	2,073.8
o/w: Round tripping			0.0	5.1	0.0	0.0	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	376.5

^a The rise in the external debt of the Republic of Croatia is attributed to the direct investment-related debt which comprises round-tripping transactions.

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. Projected principal payments and estimated interest payments on currency and deposits of non-residents under item Banks are reported in accordance with the available monetary statistics data on original and remaining maturity.

Estimated interest payments do not include interest on repo transactions and hybrid and subordinated instruments, as well as late interest on these instruments (up to March 2010, estimated

interest payments did not also include interest on currency and deposits). Future interest payments of banks are estimated on the basis of contractual interest rates and do not reflect changes of variable interest rates. Future interest payments of other sectors are estimated on the basis of the benchmark interest rate applicable on the reporting date. Projected payments of accrued interest, which are an integral part of the gross external debt, increase the projected principal payments in the first quarter period and, consequently, decrease the interest payments estimated for the same period.

Table H15 Gross external debt by other sectors

in million EUR

	2005 Dec.	2006 Dec.	2007 Dec. ^a	2008 Dec. ^{b,c}	2009 Dec. ^{d*}	2010				
						Mar.*	Apr.*	May*	Jun.*	Jul.
1 Other sectors	8,176.4	10,500.1	14,743.1	19,835.7	21,357.7	21,490.0	21,596.6	21,750.9	21,560.5	21,755.4
Short-term	706.7	700.9	1,478.2	925.3	1,375.4	1,523.4	1,580.1	1,624.0	1,554.3	1,622.7
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	133.0	155.0	681.0	652.9	693.1	673.4	710.8	731.2	523.9	573.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	27.8	35.9	31.1	39.5	28.2	37.6	41.3	40.7	40.5	42.4
Other debt liabilities	545.9	510.0	766.0	232.9	654.2	812.3	828.0	852.1	989.9	1,006.5
Principal arrears	502.1	460.6	683.4	170.4	529.6	674.9	685.6	709.3	826.0	842.2
Interest arrears	43.8	49.4	82.6	62.5	124.6	137.4	142.4	142.7	163.9	164.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	7,469.7	9,799.3	13,264.9	18,910.5	19,982.2	19,966.6	20,016.5	20,126.9	20,006.3	20,132.7
Bonds	763.9	837.8	1,208.3	1,186.4	1,611.1	1,599.4	1,615.0	1,615.5	1,589.1	1,582.1
Credits	6,542.1	8,816.1	11,766.9	17,391.3	18,083.0	18,075.6	18,082.7	18,222.9	18,136.2	18,256.6
Currency and deposits	0.0	0.0	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	163.7	145.4	289.8	322.2	288.1	291.6	318.8	288.6	281.0	294.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1 Other banking institutions	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	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
Currency and deposits	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
Principal arrears	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
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	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	2,132.1	2,871.4	3,922.0	4,949.7	5,396.1	5,127.4	5,102.9	5,058.8	4,973.3	4,964.7
Short-term	19.6	60.1	201.6	155.4	436.3	336.9	322.3	338.2	198.3	171.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	14.3	46.5	184.5	144.5	431.8	332.2	317.1	333.3	192.6	166.4
Currency and deposits	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
Other debt liabilities	5.3	13.6	17.1	10.9	4.5	4.7	5.2	4.9	5.7	5.6
Principal arrears	2.9	6.4	2.9	4.2	1.3	1.4	1.7	1.5	1.6	1.9
Interest arrears	2.4	7.2	14.2	6.7	3.2	3.3	3.5	3.4	4.1	3.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,112.5	2,811.3	3,720.4	4,794.3	4,959.8	4,790.5	4,780.5	4,720.6	4,775.0	4,792.8
Bonds	388.6	531.4	806.7	791.5	1,014.7	1,003.4	1,007.5	1,012.0	998.9	1,003.3
Credits	1,723.8	2,279.9	2,913.7	3,992.3	3,945.1	3,787.1	3,773.0	3,708.6	3,776.1	3,789.5
Currency and deposits	0.0	0.0	0.0	10.6	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
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3 Public enterprises	1,121.9	1,168.5	1,997.4	3,945.4	5,177.9	5,454.7	5,536.8	5,665.4	5,645.4	5,900.7
Short-term	13.3	31.6	48.3	145.1	77.7	107.2	145.4	149.9	151.5	255.6
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	15.2	35.4	132.4	34.8	62.1	99.3	102.9	104.2	183.7
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	13.3	16.4	12.9	12.7	42.8	45.1	46.1	47.0	47.3	71.9

	2005 Dec.	2006 Dec.	2007 Dec. ^a	2008 Dec. ^{b,c}	2009 Dec. ^{d*}	2010				
						Mar.*	Apr.*	May*	Jun.*	Jul.
Principal arrears	12.5	14.5	12.5	11.8	39.3	41.2	42.2	43.5	43.8	68.4
Interest arrears	0.8	1.9	0.5	0.9	3.6	3.9	3.9	3.5	3.5	3.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,108.6	1,136.9	1,949.0	3,800.4	5,100.2	5,347.5	5,391.4	5,515.6	5,493.9	5,645.1
Bonds	0.0	0.0	296.2	301.2	304.2	307.4	308.7	310.2	311.7	296.6
Credits	1,026.8	1,066.8	1,470.2	3,254.7	4,528.3	4,768.2	4,782.7	4,935.7	4,920.8	5,073.5
Trade credits	81.8	70.1	182.7	244.5	267.8	272.0	299.9	269.6	261.5	274.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.4 Mixed enterprises	328.8	416.5	594.9	741.6	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	5.3	6.3	16.5	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	3.0	6.3	16.5	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	2.9	6.1	16.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.2	0.2	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	323.5	410.2	578.4	740.4	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	297.1	394.3	557.1	717.7	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	26.4	15.9	21.3	22.7	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.5 Other enterprises	4,454.5	5,929.1	8,062.2	9,933.4	10,504.0	10,639.8	10,684.1	10,750.9	10,687.1	10,651.0
Short-term	653.7	578.8	1,174.3	619.2	829.2	1,044.7	1,077.6	1,100.1	1,188.0	1,178.5
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	114.8	86.9	451.2	373.8	194.2	244.6	259.7	259.1	210.6	207.1
Trade credits	27.8	35.9	31.1	39.5	28.2	37.6	41.3	40.7	40.5	42.4
Other debt liabilities	511.1	456.0	692.0	205.9	606.8	762.5	776.7	800.2	936.9	929.0
Principal arrears	473.4	420.3	630.2	151.2	489.0	632.3	641.7	664.4	780.6	771.9
Interest arrears	37.7	35.7	61.8	54.7	117.9	130.3	134.9	135.8	156.3	157.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,800.9	5,350.3	6,887.9	9,314.2	9,674.8	9,595.1	9,606.6	9,650.8	9,499.1	9,472.5
Bonds	375.3	306.4	105.4	93.8	292.2	288.6	298.7	293.3	278.6	282.2
Credits	3,377.5	4,989.1	6,701.7	9,168.7	9,362.6	9,287.1	9,289.2	9,338.9	9,201.3	9,171.3
Trade credits	48.1	54.8	80.8	51.7	20.0	19.4	18.7	18.7	19.2	19.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.6 Non-profit institutions	4.9	5.3	5.4	3.8	3.6	3.0	3.0	2.9	2.8	2.7
1.7 Craftsmen and sole traders	35.2	26.8	24.1	17.1	11.5	10.2	9.9	9.8	9.5	9.1
1.8 Households	73.3	82.7	137.2	244.7	264.7	254.9	259.8	263.0	242.5	227.2

^a The relevant comparable data as at 31 December 2007, published in Bulletin No. 146, should be used for the calculation of the external debt growth rate in 2008. ^b From January 2008 on, the data of non-financial enterprises are estimated on the basis of the data collected from the sample. ^c The relevant comparable data as at 31 December 2008, published in Bulletin No. 161, should be used for the calculation of the external debt growth rate in 2009. ^d From January 2009 on, the data of non-banking financial institutions and non-financial enterprises are processed with the help of the new reporting system (INOK) which uses market interest rates to calculate the balance and the schedule of interest payments. The comparable balance as at 31 December 2008 has been calculated by applying the same methodology (published in Bulletin No. 161).

Table H16 International investment position – summary^{a,b}

in million EUR

	2005	2006 ^c	2007 ^c	2008 ^c	2009 ^c	2010	
						Q1 ^c	Q2 ^d
1 International investment position (net)	-20,228.5	-30,036.1	-39,702.4	-35,130.6	-39,221.2	-40,691.1	-40,851.6
2 Assets	16,061.4	18,154.1	21,427.6	22,268.2	24,124.2	23,274.4	22,948.8
2.1 Direct investment abroad	1,729.8	1,833.3	2,365.1	3,513.8	4,055.6	4,156.2	4,243.4
2.2 Portfolio investment	2,155.7	2,486.9	3,250.9	2,648.0	3,410.0	3,517.2	3,222.8
2.2.1 Equity securities	379.6	559.3	1,745.5	663.4	794.0	1,058.3	1,069.8
2.2.2 Debt securities	1,776.1	1,927.6	1,505.4	1,984.6	2,616.1	2,458.9	2,153.0
Bonds	1,628.9	1,536.2	1,225.0	1,602.2	1,907.5	1,659.1	1,524.0
Money market instruments	147.1	391.4	280.4	382.4	708.6	799.8	628.9
2.3 Financial derivatives	0.0	0.0	0.0	0.0	24.1	20.7	28.7
2.4 Other investment	4,737.6	5,108.5	6,504.2	6,985.5	6,258.6	5,731.3	5,959.1
2.4.1 Trade credits	262.9	230.5	248.9	224.7	123.8	114.1	107.1
2.4.2 Loans	146.2	239.5	296.4	435.9	382.3	391.1	403.3
2.4.3 Currency and deposits	4,328.5	4,638.3	5,958.9	6,324.9	5,752.5	5,226.1	5,448.6
2.4.4 Other assets	0.0	0.4	0.0	0.0	0.0	0.0	0.0
2.5 Reserve assets (CNB)	7,438.4	8,725.3	9,307.4	9,120.9	10,375.8	9,849.0	9,494.9
3 Liabilities	36,289.9	48,190.2	61,130.1	57,398.8	63,345.5	63,965.5	63,800.4
3.1 Direct investment in Croatia	12,332.0	20,782.0	30,611.5	22,670.7	25,435.7	26,093.8	25,352.5
3.2 Portfolio investment	5,531.4	5,417.6	5,946.5	4,879.0	5,841.2	5,413.1	5,416.7
3.2.1 Equity securities	647.5	1,012.8	1,522.3	613.8	657.6	694.0	603.7
3.2.2 Debt securities	4,883.8	4,404.8	4,424.2	4,265.2	5,183.7	4,719.2	4,813.0
Bonds	4,883.8	4,404.8	4,424.2	4,265.2	5,183.7	4,719.2	4,813.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3 Financial derivatives	n/a	n/a	n/a	n/a	n/a	72.3	180.6
3.4 Other investment	18,426.6	21,990.6	24,572.1	29,849.2	32,016.4	32,386.2	32,850.7
3.4.1 Trade credits	249.5	244.9	337.8	367.5	339.9	354.5	341.9
3.4.2 Loans	14,541.4	17,347.4	20,088.8	24,343.4	25,348.4	25,972.9	26,122.7
3.4.3 Currency and deposits	3,635.6	4,398.4	4,145.5	5,138.3	6,328.1	6,058.9	6,386.1
3.4.4 Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from December 1998 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Data also include the round tripping which increases direct investment in Croatia and direct investment abroad by the same amount. This type of direct investment was recorded in December 2008 (EUR 825.7m) and August 2009 (EUR 666.5m). Accordingly, they impact the stock of direct investment in Croatia and direct investment abroad from these months onwards. ^c Revised data. ^d Preliminary data.

Table H16 International investment position • This table is made in accordance with the recommendations of the IMF (Balance of Payments Manual, Fifth Edition, 1993). Data sources include: reports from banks, enterprises, the Croatian National Bank, and the Zagreb Stock Exchange (ZSE).

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

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

Data on foreign direct and portfolio equity investment are compiled on the basis of market prices, whenever available. Market prices on the last day of the reporting period taken from the Zagreb Stock Exchange are used in the part related to investment in the Republic of Croatia, while in the part related to investment abroad, the reporting units participating in the research on direct and portfolio equity investments are obliged to state the value at market prices of their equity investment abroad. When this is not possible, the book value of total equity held by direct or portfolio investors is used, regardless of whether investments are made in the Republic of Croatia or abroad

(the own funds at book value method).

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 and monetary statistics data.

Data on portfolio equity and debt investment are modified by the data submitted by the Central Depository and Clearing Company and commercial banks providing securities custody services, particularly in the part Assets of other sectors.

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. The Bank for International Settlement quarterly data are used for other sectors.

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

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

Table H17 International investment position – direct investment^a
in million EUR

	2005	2006	2007	2008 ^b	2009 ^b	2010	
						Q1 ^b	Q2 ^c
Direct investment (net)	-10,602.2	-18,948.7	-28,246.4	-19,156.9	-21,380.1	-21,937.6	-21,109.1
1 Abroad	1,729.8	1,833.3	2,365.1	3,513.8	4,055.6	4,156.2	4,243.4
1.1 Equity capital and reinvested earnings	1,610.5	1,725.2	2,264.1	3,324.0	3,964.7	4,061.8	4,116.7
1.1.1 Claims	1,610.5	1,725.2	2,264.1	3,324.0	3,964.7	4,061.8	4,116.7
1.1.2 Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2 Other capital	119.3	108.2	101.0	189.7	90.9	94.4	126.7
1.1.1 Claims	138.0	144.8	175.4	220.2	213.0	235.7	274.1
1.2.2 Liabilities	18.7	36.6	74.4	30.5	122.1	141.3	147.4
1.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 In Croatia	12,332.0	20,782.0	30,611.5	22,670.7	25,435.7	26,093.8	25,352.5
2.1 Equity capital and reinvested earnings	9,920.2	17,961.2	26,777.2	16,889.6	18,222.5	18,828.6	18,376.7
2.1.1 Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Liabilities	9,920.2	17,961.2	26,777.2	16,889.6	18,222.5	18,828.6	18,376.7
2.2 Other capital	2,411.8	2,820.7	3,834.3	5,781.1	7,213.2	7,265.3	6,975.7
2.2.1 Claims	20.1	21.1	24.2	24.3	52.9	67.5	98.9
2.2.2 Liabilities	2,431.9	2,841.8	3,858.5	5,805.4	7,266.0	7,332.8	7,074.6
2.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Data also include the round tripping which increases direct investment in Croatia and direct investment abroad by the same amount. This type of direct investment was recorded in December 2008 (EUR 825.7m) and August 2009 (EUR 666.5m). Accordingly, they impact the stock of direct investment in Croatia and direct investment abroad from these months onwards. ^b Revised data. ^c Preliminary data.

Table H18 International investment position – portfolio investment^a
in million EUR

	2005	2006 ^b	2007 ^b	2008 ^b	2009 ^b	2010	
						Q1 ^b	Q2 ^c
Portfolio investment (net)	-3,375.7	-2,930.7	-2,695.6	-2,231.0	-2,431.2	-1,896.0	-2,193.9
1 Assets	2,155.7	2,486.9	3,250.9	2,648.0	3,410.0	3,517.2	3,222.8
1.1 Equity securities	379.6	559.3	1,745.5	663.4	794.0	1,058.3	1,069.8
1.1.1 Banks	5.9	6.7	8.3	11.6	12.8	8.1	13.2
1.1.2 Other sectors	373.7	552.6	1,737.2	651.8	781.1	1,050.2	1,056.6
1.2 Debt securities	1,776.1	1,927.6	1,505.4	1,984.6	2,616.1	2,458.9	2,153.0
2 Liabilities	5,531.4	5,417.6	5,946.5	4,879.0	5,841.2	5,413.1	5,416.7
2.1 Equity securities	647.5	1,012.8	1,522.3	613.8	657.6	694.0	603.7
2.1.1 Banks	59.8	143.2	164.7	66.5	62.4	60.2	63.4
2.1.2 Other sectors	587.7	869.5	1,357.6	547.3	595.2	633.8	540.3
2.2 Debt securities	4,883.8	4,404.8	4,424.2	4,265.2	5,183.7	4,719.2	4,813.0
2.2.1 Bonds	4,883.8	4,404.8	4,424.2	4,265.2	5,183.7	4,719.2	4,813.0
2.2.1.1 General government	3,663.4	3,109.1	2,756.9	2,621.9	3,572.5	3,119.8	3,217.4
2.2.1.2 Banks	456.6	457.9	459.0	456.8	0.0	0.0	0.0
2.2.1.3 Other sectors	763.9	837.8	1,208.3	1,186.4	1,611.1	1,599.4	1,595.5
2.2.2 Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.1 Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

Table H19 International investment position – other investment^a

in million EUR

	2005	2006	2007	2008	2009 ^b	2010	
						Q1 ^b	Q2 ^c
Other investment (net)	-13,689.0	-16,882.1	-18,067.8	-22,863.7	-25,757.8	-26,654.9	-26,891.6
1 Assets	4,737.6	5,108.5	6,504.2	6,985.5	6,258.6	5,731.3	5,959.1
1.1 Trade credits	262.9	230.5	248.9	224.7	123.8	114.1	107.1
1.1.1 General government	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
1.1.2 Other sectors	262.9	230.5	248.9	224.7	123.8	114.1	107.1
Long-term	190.9	177.5	228.8	202.6	96.8	91.2	86.8
Short-term	72.0	53.0	20.1	22.1	27.0	22.9	20.3
1.2 Loans	146.2	239.5	296.4	435.9	382.3	391.1	403.3
1.2.1 Croatian National Bank	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Long-term	0.6	0.6	0.6	0.6	0.6	0.6	0.6
1.2.2 General government	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
1.2.3 Banks	113.2	188.5	214.8	285.3	268.7	270.8	274.6
Long-term	85.3	140.0	160.0	193.6	232.2	229.7	231.6
Short-term	27.9	48.5	54.8	91.7	36.5	41.1	43.0
1.2.4 Other sectors	32.3	50.4	81.1	150.0	113.1	119.7	128.1
Long-term	32.0	50.2	81.0	146.8	112.8	117.3	112.9
Short-term	0.3	0.2	0.1	3.3	0.2	2.4	15.2
1.3 Currency and deposits	4,328.5	4,638.3	5,958.9	6,324.9	5,752.5	5,226.1	5,448.6
1.3.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2 Banks	3,112.2	3,499.9	4,715.1	4,863.6	4,442.9	3,952.7	4,166.9
1.3.3 Other sectors	1,216.3	1,138.3	1,243.8	1,461.3	1,309.6	1,273.4	1,281.7
1.4 Other assets	0.0	0.4	0.0	0.0	0.0	0.0	0.0
2 Liabilities	18,426.6	21,990.6	24,572.1	29,849.2	32,016.4	32,386.2	32,850.7
2.1 Trade credits	249.5	244.9	337.8	367.5	339.9	354.5	341.9
2.1.1 General government	2.6	1.9	1.2	0.7	0.0	0.0	0.0
Long-term	2.6	1.9	1.2	0.7	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	246.9	243.0	336.6	366.7	339.9	354.5	341.9
Long-term	219.1	207.0	305.5	327.2	311.7	316.8	308.2
Short-term	27.8	35.9	31.1	39.5	28.2	37.6	33.7
2.2 Loans	14,541.4	17,347.4	20,088.8	24,343.4	25,348.4	25,972.9	26,122.7
2.2.1 Croatian National Bank	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
2.2.2 General government	2,486.7	2,559.0	2,613.7	1,574.6	1,592.7	1,839.2	1,804.5
Long-term	2,486.7	2,559.0	2,613.7	1,542.9	1,592.7	1,839.2	1,804.5
Short-term	0.0	0.0	0.0	31.7	0.0	0.0	0.0
2.2.3 Banks	4,889.2	5,368.9	4,276.8	4,496.7	4,352.8	4,604.7	4,715.4
Long-term	3,822.9	4,217.4	3,565.2	3,374.7	3,542.3	3,515.8	3,696.2
Short-term	1,066.3	1,151.6	711.7	1,122.0	810.5	1,088.9	1,019.2
2.2.4 Other sectors	7,165.5	9,419.4	13,198.2	18,272.0	19,402.9	19,529.0	19,602.7
Long-term	6,964.8	9,187.2	12,371.2	17,589.5	18,644.0	18,786.5	18,993.5
Short-term	200.8	232.2	827.1	682.5	759.0	742.4	609.3
2.3 Currency and deposits	3,635.6	4,398.4	4,145.5	5,138.3	6,328.1	6,058.9	6,386.1
2.3.1 Croatian National Bank	2.6	2.6	2.3	2.3	1.1	1.2	1.3
2.3.2 Banks	3,633.0	4,395.8	4,143.2	5,125.5	6,327.0	6,057.7	6,384.9
2.3.3 Other sectors	0.0	0.0	0.0	10.6	0.0	0.0	0.0
2.4 Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

	2005	2006	2007	2008	2009	2010			
						Mar.	Jun.	Jul.	Aug.
3.3 CHANGE IN NET INCURRENCE OF LIABILITIES	7,998.8	1,890.7	560.6	5,654.1	17,432.0	2,512.4	705.6	11,997.9	35.0
3.3.1 Domestic	12,041.7	5,282.8	2,017.1	6,795.7	10,130.2	2,465.6	968.8	5,098.9	-65.2
A) Budgetary central government	10,591.6	3,166.3	1,477.6	5,656.6	9,576.6	2,376.3	969.4	4,266.9	-58.5
B) Extrabudgetary users	1,450.1	2,116.5	539.5	1,139.1	553.6	89.3	-0.6	832.0	-6.7
3.3.2 Foreign	-4,042.8	-3,392.1	-1,456.5	-1,141.7	7,301.8	46.9	-263.2	6,899.1	100.2
A) Budgetary central government	-5,080.6	-3,943.2	-2,980.2	-1,445.8	6,878.4	52.5	-230.5	6,908.5	100.5
B) Extrabudgetary users	1,037.8	551.2	1,523.7	304.1	423.4	-5.7	-32.7	-9.5	-0.3

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

Source: MoF.

Table I2 Budgetary central government operations^a
in million HRK

	2005	2006	2007	2008	2009	2010			
						Mar.	Jun.	Jul.	Aug.
1 REVENUE	85,653.0	95,235.6	108,320.6	115,772.7	110,257.9	9,216.1	8,445.5	9,452.9	9,356.6
1.1 Taxes	50,687.6	58,469.1	64,234.5	69,572.7	63,678.9	5,551.9	4,889.3	5,536.7	5,654.7
1.2 Social contributions	31,301.3	33,877.1	37,203.5	40,703.5	39,994.7	3,185.5	3,172.5	3,334.7	3,259.3
1.3 Grants	27.5	196.0	428.0	468.6	616.3	54.1	32.2	77.6	24.8
1.4 Other revenue	3,636.6	2,693.3	6,454.5	5,027.8	5,968.0	424.5	351.5	504.0	417.8
2 EXPENSE	87,857.5	95,950.0	108,007.6	115,292.4	117,924.0	11,043.2	9,146.6	10,198.6	9,435.2
2.1 Compensation of employees	23,182.6	24,313.9	27,545.1	29,948.5	31,289.3	2,613.4	2,554.1	2,801.7	2,510.8
2.2 Use of goods and services	4,951.9	6,069.1	7,162.4	8,113.7	7,363.8	675.2	517.4	730.0	549.5
2.3 Consumption of fixed capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4 Interest	4,387.0	4,713.6	4,535.0	4,683.2	5,225.2	967.9	355.6	310.4	351.2
2.5 Subsidies	5,248.7	5,670.8	6,492.0	6,859.5	6,710.0	881.7	418.4	656.4	432.3
2.6 Grants	3,796.8	6,653.0	8,363.2	5,783.1	5,559.6	494.9	349.5	526.9	445.3
2.7 Social benefits	41,358.5	43,444.6	48,176.0	52,593.2	56,148.5	4,843.2	4,638.9	4,625.8	4,658.1
2.8 Other expense	4,931.9	5,085.0	5,733.9	7,311.2	5,627.6	567.0	312.6	547.5	488.0
3 CHANGE IN NET WORTH: TRANSACTIONS	-2,204.5	-714.4	313.0	480.2	-7,666.0	-1,827.1	-701.1	-745.7	-78.6
3.1 Change in net acquisition of non-financial assets	1,553.7	1,555.8	2,545.2	2,988.1	1,963.4	59.2	38.6	83.9	48.7
3.1.1 Fixed assets	1,517.0	1,595.1	2,625.7	2,719.5	1,839.7	56.6	37.5	84.8	50.6
3.1.2 Inventories	0.0	-80.2	-161.4	79.4	35.4	-0.1	-0.5	-2.2	-0.7
3.1.3 Valuables	7.2	7.8	9.6	10.1	8.9	0.9	0.0	0.5	0.0
3.1.4 Non-produced assets	29.5	33.1	71.3	179.1	79.3	1.7	1.6	0.7	-1.3
3.2 Change in net acquisition of financial assets	1,752.8	-3,047.2	-3,734.8	1,702.9	6,825.5	542.6	-0.8	10,345.9	-85.3
3.2.1 Domestic	1,757.7	-3,063.9	-3,752.8	1,690.5	6,823.2	542.6	-1.6	10,345.9	-85.3
3.2.2 Foreign	-4.9	16.7	18.0	12.4	2.3	0.0	0.8	0.0	0.0
3.2.3 Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3 Change in net incurrence of liabilities	5,510.9	-777.0	-1,502.6	4,210.8	16,455.0	2,428.8	738.9	11,175.4	41.9
3.3.1 Domestic	10,591.6	3,166.3	1,477.6	5,656.6	9,576.6	2,376.3	969.4	4,266.9	-58.5
3.3.2 Foreign	-5,080.6	-3,943.2	-2,980.2	-1,445.8	6,878.4	52.5	-230.5	6,908.5	100.5

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

Source: MoF.

Table I3 Central government debt^a

end of period, in million HRK

	2005 Dec.	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.*	2010				
						Mar.*	Apr.*	May*	Jun.*	Jul.
1 Domestic debt of central government	54,794.2	59,688.4	63,240.9	67,996.8	78,268.1	82,364.9	82,778.9	83,753.8	84,686.5	89,617.7
1.1 Domestic debt of the Republic of Croatia	50,840.7	54,490.4	56,883.1	64,961.8	74,473.7	78,555.9	78,976.5	79,909.0	80,968.9	85,207.0
Treasury bills	12,278.0	12,412.9	11,740.6	14,440.7	18,802.5	20,745.5	20,409.7	20,794.2	21,444.6	20,193.9
Money market instruments	0.9	–	–	10.7	19.3	20.3	21.3	20.7	20.7	20.7
Bonds	31,151.8	35,249.6	39,273.5	39,306.7	39,369.3	41,788.6	41,931.7	42,006.2	41,873.1	48,274.3
Credits from the CNB	1.4	0.9	1.0	2.2	2.9	–	0.1	–	–	–
Credits from banks	7,408.6	6,827.0	5,867.9	11,201.5	16,279.8	16,001.6	16,613.6	17,087.9	17,630.5	16,718.1
1.2 Domestic debt of central government funds	3,953.5	5,198.0	6,357.8	3,035.0	3,794.4	3,809.1	3,802.4	3,844.8	3,717.6	4,410.7
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	–	–	–	–	–	–	–	–	–	–
Credits from banks	3,953.5	5,198.0	6,357.8	3,035.0	3,794.4	3,809.1	3,802.4	3,844.8	3,717.6	4,410.7
2 External debt of central government	45,164.3	41,494.8	39,610.7	30,259.7	37,501.0	35,851.8	35,803.9	36,282.8	35,961.8	42,374.0
2.1 External debt of the Republic of Croatia	36,414.5	32,556.6	29,424.0	28,459.4	35,785.8	34,127.2	34,091.8	34,572.8	34,297.3	40,697.0
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	27,020.1	22,836.9	20,397.3	18,768.2	26,101.8	22,647.6	22,694.0	23,079.1	23,125.9	29,616.6
Credits	9,394.5	9,719.7	9,026.7	9,691.2	9,684.0	11,479.6	11,397.8	11,493.7	11,171.4	11,080.4
2.2 External debt of central government funds	8,749.8	8,938.2	10,186.7	1,800.3	1,715.3	1,724.6	1,712.1	1,710.0	1,664.5	1,677.0
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	–	–	–	–	–	–	–	–	–	–
Credits	8,749.8	8,938.2	10,186.7	1,800.3	1,715.3	1,724.6	1,712.1	1,710.0	1,664.5	1,677.0
3 Total (1+2)	99,958.5	101,183.1	102,851.6	98,256.5	115,769.2	118,216.8	118,582.9	120,036.6	120,648.2	131,991.7
Supplement: Central government guaranteed debt										
– guarantees for domestic debt	5,880.2	7,660.3	8,110.6	13,299.2	15,692.5	18,563.9	18,947.1	19,244.3	19,043.8	18,910.2
– guarantees for external debt	13,853.9	14,303.7	19,024.2	31,406.6	34,908.9	35,450.6	35,765.3	36,277.1	35,601.1	37,613.9

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions and CM is reclassified from the subsector central government funds to the subsector public enterprises. The debt of the CBRD, presented in this table under headings 2 External debt of central government and 1 Domestic debt of central government, is reclassified from December 1998 and June 1999 onwards respectively, and the debt of CM is reclassified from January 2008 onwards.

Table I3 Central government debt • As from Bulletin No. 154 the table contains the revised data.

The central government debt comprises the domestic and external debt.

The domestic debt of the central government is compiled from the MoF data on T-bills and bonds and the CNB data on money market instruments, credits from banks and credits from the CNB.

The stock of T-bills includes MoF T-bills denominated in kuna, eurobills and T-bills indexed to the euro with a maturity of up to one year. The stock of eurobills includes accrued interest. The difference between the nominal value and the issue value of T-bills denominated in kuna and of T-bills indexed to the euro is the accrued interest which is distributed over the life of instruments using the simple interest calculation method (i.e. in a linear manner) and the method of calculating the number of days where the actual number of days is divided by 360.

The stock of bonds includes central government bonds issued in the domestic market, MoF T-bills with a maturity of over one year and a share of total central government bonds issued in the foreign market which is held by resident institutional units at the end of the reporting period. The difference between the nominal value and the issue value of T-bills with a maturity of

over one year is the accrued interest which is distributed over the life of instruments using the compound interest calculation method. The stock of central government bonds includes accrued interest.

From January 2004 onwards, the stock of credits from banks includes both outstanding principal and accrued interest.

The external debt statistics compiled by the CNB is the source of data on the central government external debt.

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

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

J Non-financial statistics – selected data

Table J1 Consumer price and producer price indices

Year	Month	Basic indices, 2005 = 100			Chain indices				Monthly year-on-year indices			
		Consumer price indices			Consumer price indices ^a			Producer prices ^b	Consumer price indices ^c			Producer prices ^d
		Total	Goods	Services	Total	Goods	Services		Total	Goods	Services	
1996	December	....	....	....	100.0	100.2	99.5	100.3	103.4	102.3	108.7	101.5
1997	December	....	....	....	100.7	100.3	102.3	99.9	103.8	102.7	108.2	101.6
1998	December	82.1	84.6	73.7	100.3	100.4	100.0	100.0	105.4	104.3	109.2	97.9
1999	December	85.3	87.2	78.5	100.6	100.8	100.0	100.3	103.9	103.1	106.5	105.9
2000	December	90.0	92.0	82.8	100.4	100.4	100.1	100.2	105.5	105.5	105.5	111.2
2001	December	92.1	93.2	88.5	100.4	100.4	100.5	99.0	102.4	101.3	106.8	96.9
2002	December	93.8	94.2	92.6	100.4	100.6	99.6	99.9	101.8	101.1	104.6	102.3
2003	December	95.4	95.7	94.6	100.3	100.2	100.5	100.0	101.7	101.6	102.2	101.0
2004	December	98.0	98.0	98.0	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	December	101.6	101.4	102.0	100.5	100.5	100.5	99.7	103.6	103.5	104.1	102.7
2006	December	103.7	102.8	106.4	100.0	100.0	100.2	100.0	102.0	101.4	104.2	101.9
2007	December	109.7	109.5	110.0	101.2	101.2	101.3	100.4	105.8	106.6	103.4	105.9
2008	December	112.8	112.2	114.7	99.4	99.1	100.5	98.7	102.9	102.4	104.3	104.3
2009	October	115.1	114.8	116.9	100.1	100.2	99.6	99.8	101.3	100.5	104.0	98.6
	November	115.6	115.4	117.1	100.4	100.5	100.2	100.1	101.8	101.3	104.0	100.2
	December	114.9	114.5	117.3	99.4	99.3	100.2	100.0	101.9	101.3	103.9	101.6
2010	January	115.5	115.1	117.7	100.5	100.5	100.4	101.3	101.1	100.9	102.1	103.0
	February	115.7	115.4	117.9	100.2	100.2	100.2	99.9	100.7	100.4	101.9	102.7
	March	116.2	116.0	117.7	100.4	100.6	99.8	101.0	100.9	100.7	101.9	105.0
	April	116.7	116.8	117.2	100.4	100.7	99.5	100.6	100.6	100.3	101.6	105.1
	May	117.0	117.0	117.8	100.2	100.2	100.5	100.5	100.8	100.6	101.8	104.9
	June	116.9	116.5	119.1	99.9	99.6	101.1	100.4	100.7	100.3	101.9	104.4
	July	116.4	115.5	120.7	99.6	99.2	101.3	100.0	101.1	100.7	101.9	103.8
	August	116.2	115.2	120.9	99.8	99.7	100.2	100.3	100.9	100.7	101.7	103.3
	September	116.6	116.3	118.5	100.3	100.9	98.0	100.4	101.4	101.5	101.0	104.4

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

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

Source: CBS.

Table J1 Consumer price and producer price indices • The Central Bureau of Statistics (CBS) introduced the consumer price index (CPI) in early 2004. This indicator of price movements was compiled in accordance with the methodological principles laid down by the ILO and Eurostat. In its First Release, issued on 17 February 2004, the CBS published the data on movements in the CPI in January 2004 and the time series for the CPI as of January 2001. The CBS subsequently constructed the time series for the consumer 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 • 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 J2 Core consumer price indices

Year	Month	Basic indices, 2005 = 100 ^a			Chain indices			Year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1998	December	87.3	88.6	80.0	99.9	99.9	100.0	....	....	....
1999	December	89.8	91.1	82.3	100.1	100.1	100.1	102.9	102.9	103.0
2000	December	92.8	93.9	86.5	100.4	100.4	100.2	103.3	103.0	105.0
2001	December	93.9	94.6	89.8	99.8	99.7	100.3	101.2	100.8	103.8
2002	December	95.0	95.6	91.9	100.0	100.1	99.4	101.2	101.0	102.4
2003	December	96.2	96.4	94.7	100.2	100.1	101.0	101.2	100.9	103.0
2004	December	98.4	98.5	97.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	December	101.3	101.4	101.0	100.1	100.0	100.5	103.0	102.9	103.7
2006	December	103.6	103.6	103.6	99.8	99.7	100.3	102.3	102.2	102.5
2007	December	108.8	109.1	107.2	100.8	100.8	100.4	105.0	105.3	103.5
2008	December	113.3	113.5	112.5	99.4	99.3	100.2	104.2	104.0	105.0
2009	October	115.1	115.1	114.7	100.3	100.5	99.1	101.4	101.2	102.3
	November	115.0	115.0	114.9	99.9	99.8	100.3	100.9	100.6	102.4
	December	113.6	113.3	115.2	98.8	98.6	100.2	100.2	99.8	102.4
2010	January	112.9	112.4	115.4	99.4	99.2	100.2	99.7	99.2	102.2
	February	112.9	112.3	115.9	100.0	99.9	100.4	99.5	99.0	102.1
	March	113.1	112.7	115.5	100.2	100.3	99.6	99.3	98.7	102.1
	April	113.7	113.5	114.7	100.5	100.8	99.3	98.6	98.0	101.8
	May	114.2	113.9	115.7	100.4	100.3	100.9	98.6	97.9	102.1
	June	114.2	113.5	117.7	100.0	99.7	101.7	98.3	97.6	102.0
	July	113.8	112.5	120.6	99.7	99.1	102.5	98.6	97.9	102.3
	August	113.7	112.3	121.1	99.9	99.8	100.4	98.8	98.2	102.1
	September	114.1	113.6	116.5	100.3	101.2	96.2	99.4	99.2	100.7

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

Source: CBS.

Table J3 Average monthly net wages

in current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	December	3,839.0	98.0	107.2	105.0
2003	December	4,045.0	99.8	105.4	105.9
2004	December	4,312.0	99.1	106.6	105.9
2005	December	4,473.0	97.3	103.7	104.9
2006	December	4,735.0	97.0	105.9	105.2
2007	December	4,958.0	96.6	104.7	105.2
2008	December	5,410.0	100.3	109.1	107.0
2009	October	5,279.0	100.8	100.3	103.2
	November	5,385.0	102.0	99.8	102.9
	December	5,362.0	99.6	99.1	102.6
2010	January	5,258.0	98.1	99.1	99.1
	February	5,157.0	98.1	98.6	98.8
	March	5,359.0	103.9	99.8	99.2
	April	5,246.0	97.9	99.1	99.2
	May	5,277.0	100.6	99.1	99.2
	June	5,415.0	102.6	100.8	99.5
	July	5,323.0	98.3	100.3	99.6

Source: CBS.

Table J4 Consumer confidence index, consumer expectations index and consumer sentiment index
index points, original data

Year	Month	Composite indices			Response indices (I)						
		Consumer confidence index	Consumer expectations index	Consumer sentiment index	I1	I2	I3	I4	I7	I8	I11
1999	October	-33.7	-14.9	-46.3	-38.4	-12.1	-49.9	-17.6	35.5	-50.7	-69.7
2000	October	-20.9	3.5	-32.2	-26.2	1.2	-22.0	5.7	26.9	-48.3	-63.6
2001	October	-27.0	-11.4	-35.6	-29.6	-10.0	-35.9	-12.7	22.9	-41.3	-62.3
2002	October	-25.2	-8.3	-29.3	-22.6	-5.1	-31.2	-11.5	20.1	-34.1	-64.0
2003	October	-22.2	-4.5	-25.0	-21.5	-2.6	-26.5	-6.4	14.7	-27.1	-65.2
2004	October	-23.9	-7.9	-22.0	-19.1	-4.1	-30.5	-11.6	22.5	-16.5	-57.3
2005	December	-26.4	-13.7	-25.6	-16.4	-5.9	-34.4	-21.5	27.6	-25.9	-50.6
2006	December	-18.9	-4.7	-15.4	-10.9	1.1	-22.4	-10.5	16.9	-12.9	-49.4
2007	December	-24.7	-15.5	-24.5	-16.8	-9.8	-31.8	-21.2	12.8	-25.0	-54.8
2008	December	-42.0	-33.3	-40.9	-30.7	-25.9	-51.8	-40.6	43.4	-40.3	-57.9
2009	November	-40.2	-24.6	-42.3	-35.2	-18.0	-52.7	-31.2	53.8	-39.1	-57.8
	December	-46.8	-32.7	-47.6	-35.7	-22.6	-64.5	-42.8	63.9	-42.5	-58.0
2010	January	-48.5	-35.2	-47.9	-39.5	-26.4	-64.8	-43.9	66.4	-39.5	-57.1
	February	-45.5	-30.6	-48.1	-39.3	-23.4	-63.0	-37.7	63.4	-42.0	-57.6
	March	-49.4	-36.2	-50.9	-43.3	-26.2	-67.5	-46.2	67.5	-41.8	-57.7
	April	-44.3	-30.0	-48.0	-39.1	-21.2	-64.1	-38.8	59.5	-40.9	-57.6
	May	-40.8	-30.3	-48.4	-39.3	-22.7	-63.4	-37.8	43.9	-42.6	-58.9
	June	-40.8	-31.3	-46.7	-39.3	-24.5	-62.5	-38.1	45.4	-38.4	-55.2
	July	-41.7	-28.5	-44.5	-38.5	-21.0	-60.0	-36.0	47.2	-35.0	-62.6
	August	-43.0	-31.6	-46.3	-36.3	-21.9	-62.1	-41.3	54.2	-40.6	-54.6
	September	-42.6	-30.9	-45.3	-38.2	-21.2	-63.0	-40.5	51.7	-34.7	-56.8
	October	-44.4	-32.5	-46.0	-37.0	-21.4	-64.8	-43.6	53.5	-36.1	-58.9

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 questionnaire, 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 $\times (-1)$, I11

CEI: I2, I4

CSI: I1, I3, I8.

List of banks and savings banks

1 October 2010

Authorised banks

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

Authorised savings banks

- 1 Obrtnička štedna banka d.d., Zagreb
- 2 A štedna banka malog poduzetništva d.d., Zagreb

Authorised housing savings banks

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

Other institutions

- 1 Hrvatska banka za obnovu i razvitak, Zagreb, operates in accordance with the Act on the Croatian Bank for Reconstruction and Development (OG 138/2006)

Representative offices of foreign banks

- 1 BKS Bank AG, Zagreb
- 2 Commerzbank Aktiengesellschaft, Zagreb
- 3 Deutsche Bank AG, Zagreb
- 4 LHB Internationale Handelsbank AG, Zagreb
- 5 Union de Banques Arabes et Françaises – UBAF, Zagreb

Banks and savings banks undergoing bankruptcy proceedings

Name of bank/savings bank	Date of bankruptcy proceedings opening
1 Agroobrtnička banka d.d., Zagreb	14/6/2000
2 Alpe Jadran banka d.d., Split	15/5/2002
3 Cibalae banka d.d., Vinkovci	20/10/2000
4 Glumina banka d.d., Zagreb	30/4/1999
5 Gradska banka d.d., Osijek	3/5/1999/
6 Hrvatska gospodarska banka d.d., Zagreb	19/4/2000
7 Ilirija banka d.d., Zagreb	6/4/1999
8 Komercijalna banka d.d., Zagreb	30/4/1999
9 Međimurska štedionica d.d., Čakovec	17/3/2004
10 Trgovačko-turistička banka d.d., Split	8.9/2000
11 Županijska banka d.d., Županja	3/5/1999

Banks and savings banks undergoing winding-up proceedings

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

Banks and savings banks whose authorisation was withdrawn, but have not initiated winding-up proceedings

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

Management of the Croatian National Bank

1 October 2010

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, Controlling and Accounting Area	Diana Jakelić
Payment Operations Area	Neven Barbaroša
Information Technology Area	Mario Žgela
Support Services Area	Boris Ninić
International Relations Area	Michael Faulend

Abbreviations and symbols

Abbreviations

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

Three-letter currency codes

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

Symbols

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



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