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Publishing Department  
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Phone: 385-1-4564-555  
Contact phone: 385-1-4565-006  
Fax: 385-1-4564-687

**WEB SITE** <http://www.hnb.hr>

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# BULLETIN

Zagreb, 2005

# General Information on Croatia

## Economic Indicators

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538
Population (million)	4.494	4.572	4.501	4.554	4.381	4.437	4.443	4.442	4.442
GDP (million HRK, current prices)	107,981	123,811	137,604	141,579	152,519	165,639	179,390	193,067	207,082
GDP (million EUR, current prices) <sup>a</sup>	15,869	17,790	19,281	18,679	19,976	22,177	24,220	25,526	27,629
GDP per capita (in EUR)	3,531	3,891	4,284	4,102	4,560	4,998	5,451	5,747	6,220
GDP – year-on-year rate of growth (in %, constant prices)	5.9	6.8	2.5	-0.9	2.9	4.4	5.2	4.3	3.8
Average year-on-year inflation rate <sup>b</sup>	3.5	3.6	5.7	4.0	4.6	3.8	1.7	1.8	2.1
Current account balance (million EUR) <sup>c</sup>	-755	-2,192	-1,305	-1,313	-490	-818	-2,097	-1,752*	-1,258*
Current account balance (as % of GDP)	-4.8	-12.3	-6.8	-7.0	-2.5	-3.7	-8.7	-6.9	-4.6*
Exports of goods and services (as % of GDP) <sup>c</sup>	38.7	40.3	39.8	40.9	47.1	48.7	45.9	51.9	52.2
Imports of goods and services (as % of GDP) <sup>c</sup>	48.0	56.8	49.1	49.3	52.3	54.6	57.0	59.5	58.8
Outstanding external debt (million EUR, end of year) <sup>d</sup>	4,284	6,761	9,173	10,101	12,109	13,458	15,055	19,811	22,675
Outstanding external debt (as % of GDP)	27.0	38.0	47.6	54.1	60.6	60.7	62.2	77.6	82.1
Outstanding external debt (as % of exports of goods and services)	69.8	94.4	119.4	132.2	128.7	124.6	135.3	149.5	157.2
External debt service (as % of exports of goods and services) <sup>d,e</sup>	9.0	9.8	12.3	21.1	23.6	26.2	27.4	19.9	20.3
Gross international reserves (million EUR, end of year)	1,868	2,304	2,400	3,013	3,783	5,334	5,651	6,554	6,436
Gross international reserves (in terms of months of imports of goods and services, end of year)	2.9	2.7	3.0	3.9	4.3	5.3	4.9	5.2	4.8
National currency: Croatian kuna (HRK)									
Exchange rate on 31 December (HRK : 1 EUR)	6.8636	6.9472	7.3291	7.6790	7.5983	7.3700	7.4423	7.6469	7.6712
Exchange rate on 31 December (HRK : 1 USD)	5.5396	6.3031	6.2475	7.6477	8.1553	8.3560	7.1457	6.1185	5.6369
Average exchange rate (HRK : 1 EUR)	6.8047	6.9597	7.1366	7.5796	7.6350	7.4690	7.4068	7.5634	7.4952
Average exchange rate (HRK : 1 USD)	5.4338	6.1571	6.3623	7.1124	8.2768	8.3391	7.8637	6.7014	6.0355
Consolidated central government deficit (as % of GDP) <sup>f</sup>	....	....	....	-6.5	-7.1	-5.4	-5.0	-4.9	-4.7
Unemployment rate (ILO, persons above 15 years of age) <sup>g</sup>	10.0	9.9	11.4	13.6	16.1	15.8	14.8	14.3	13.8
Employment rate (ILO, persons above 15 years of age) <sup>g</sup>	50.6	49.3	47.0	44.8	42.6	41.8	43.3	43.1	43.5

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

<sup>b</sup> Inflation rate was measured by the RPI in the 1994-1998 period. From 1999 on, it is measured by the CPI.

<sup>c</sup> Preliminary data.

<sup>d</sup> External debt indicators for 2002 and 2003 are shown on a gross basis, while the indicators for 2001 and previous years do not include interest arrears and accrual interest, hybrid and subordinated instruments, repo transactions of banks and the CNB, deposits of international financial institutions with the CNB, and one-sided effects of the secondary bond market.

<sup>e</sup> Includes principal payments on long-term debt net of principal payments on trade credits and direct investments, as well as total interest payments net of interest payments on direct investments.

<sup>f</sup> On a cash basis.

<sup>g</sup> Employment and unemployment rates as at November 1996 and as at June 1997.

Sources: CBS, MoF and CNB.

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# Quarterly Report



## Introduction

Available data points to a deceleration of economic growth during the first quarter of 2005, followed by a recovery during April. The physical volume of industrial production grew only 2.6% year-on-year in the first quarter after adjustment for seasonal effects and working days, but then grew by some 5.9% year-on-year in April. Similarly, seasonally adjusted real retail trade was slightly lower in the first quarter of this year than last year, and construction activity, in part due to extremely cold weather in February, also seems to have fallen or stagnated.

On the demand side, the main generators of the growth slowdown are decreased investment demand and slower growth of export demand. Investment demand growth has been slowing down since mid-2003, as the cycle of major highway construction gradually came to an end. Data for the first quarter point to decreases in imports of intermediate and capital goods and in production of domestic capital goods. However, in this area as well, April data indicate a change of direction: domestic capital good production jumped sharply. CBS nominal data also point to an annual increase in imports of capital goods.

Slower growth in export demand was in the first quarter mainly the result of slowing growth in Croatia's main western trading partners. Croatia's merchandise exports, which grew rapidly during 2004, grew much slower in the first quarter of 2005. At the same time, imports rose, in large part due to increased oil prices. April data on foreign trade point to more favourable developments. High annual growth rates of goods exports and imports suggest increased domestic and foreign demand at the beginning of the second quarter.

The behaviour of consumer demand will be one of the key determinants of growth in the coming period. Retail sales figures suggest that consumer demand continued to slow down gradually during the first quarter. However, consumer confidence surveys taken by the CNB suggest an upturn in confidence during April. Also, consumer credit growth rates turned upward in April, suggesting that consumers may be increasing their purchases in the second quarter.

Labour market developments contributed to the slow growth of consumption in the first quarter. Following a similar pattern to the output data, employment from the unemployment register stayed at a low level during the first three months of the year, only to jump significantly in April. Registered unemployment rose during the first quarter, and stood at 18.7% at the end of April. However, the number of people removed from the register continued to fall, suggesting that the 2002 reforms that tightened the criteria for registering with the CES have been effective. While the various available data sources are not entirely consistent, it seems that employment growth slowed in the first three months (or even stopped during the beginning of the year) and began to pick up in April. Increased seasonal employment can be expected during the second quarter, but it remains to be seen whether the increase in employment will be more lasting.

Real wage growth also fell during the first quarter, with

real gross wages during the first quarter only 1.4% higher than in the same period last year. Real net wage growth was somewhat higher (2.0%), due to changes in the income tax (increases in the standard deduction and the deductions for dependents). Higher inflation and modest nominal wage increases, 4.6% compared to 6.1% in the last quarter of 2004, account in part for slower real wage growth.

With cost pressures from the labour market benign, and the nominal exchange rate tending to appreciate, the outlook for inflation seems not to be worrisome although inflation rose from the 2.7% registered in December 2004 to 3.9% in March 2005. The main causes came from the demand side, and should be transitory – increased prices of meat and vegetables, and increased crude oil prices. The increase in meat prices seems to have been a delayed consequence of the drought of 2003, which increased the cost of feed and led to decreased stockbreeding. Increased vegetable prices resulted from exceptionally cold weather in February and March. Crude oil prices increased both because of increases in world market prices, and because of the strengthening of the US dollar vis-à-vis the euro and the kuna.

With the Ministry of Agriculture, Forestry and Water Management introducing new measures to stabilise the livestock and meat market, and crude oil prices apparently heading downward in the second quarter at least, all of these pressures should abate. In April inflation came down to 3.5% year-on-year, as prices fell 0.4 percentage points during the month. Core inflation, however, continued to rise, reaching 3.6% in April. Meat prices played a decisive role in the increase in core inflation, since they have an even higher weight in this index than in the consumer price index. This suggests that the increase in core inflation does not necessarily portend more significant inflationary pressures in the near future.

During the first quarter, the nominal exchange rate of the kuna against the euro appreciated some 3.0%, from HRK 7.67/EUR on 31 December 2004 to HRK 7.44/EUR on 31 March 2005. This appreciation largely continued in April and May, with the exchange rate standing at HRK 7.31/EUR on 31 May. This represented a 4.7% appreciation relative to the end of 2004. The exchange rate began appreciating at the beginning of January, and continued to appreciate despite high levels of kuna liquidity in the banking system. The central bank attempted to moderate appreciation pressures by purchasing some EUR 207m during the first quarter. The central bank created HRK 1.6bn in this manner.

Although the US dollar is involved in a much smaller percentage of Croatia's trade and financial flows than the euro, shifts in the dollar-kuna exchange rate have been much more pronounced than shifts in the euro-kuna rate. The dollar appreciated some 8.0% against the kuna in the first five months of the year, with substantial variability. Because of this, the nominal effective exchange rate of the kuna only appreciated 2.5% in the first five months of the year, less than the rate of appreciation of the kuna against the euro. Because of the lag in receiving inflation data, we cannot yet compare this nominal appreciation with real appreciation during the first five months. For the first quarter, we can say that the real effective exchange rate appreciated 1.9% deflated by consumer prices and depreciated 0.4% deflated by producer prices.

With consistent appreciation pressures present, the central bank did not intervene in the foreign exchange market to remove kuna liquidity, as it often does in the first quarter of the year. On the contrary, the central bank created liquidity, and allowed high levels of liquidity to remain in the system as a way of curbing appreciation pressure. Such a policy, however, runs the risk of increasing lending growth, which in the past has led to increased imports and increased inflationary pressure. In May, the central bank decided to take a new set of measures to curb banks' foreign borrowing, while draining kuna liquidity. The measures included an increase in the marginal reserve requirement on the increase in banks' foreign liabilities from 30% to 40%, and an increase in the portion of the reserve requirement on foreign currency liabilities that must be held in kuna from 42% to 50%. The intent of the measures is to slow down capital inflows, thus softening appreciation pressures, and to lower liquidity to slow down lending. The measures will become effective at the beginning of the June reserve requirement period.

When speaking of bank liquidity, it is important to mention that the CNB introduced new instruments to improve liquidity management in April. Following the practices of other central banks, including the European Central Bank, the CNB now offers an overnight deposit facility for banks, and holds weekly reverse repurchase agreement auctions. The deposit facility has already been used heavily by banks, which use the facility to "store" surplus funds. By contrast, the repo facility has not been widely used, since banks have had little need for additional liquidity. However, after the increase in the kuna portion of the reserve requirement on foreign currency liabilities in June, the repo facility could be an important source of liquidity for banks needing to meet their reserve requirements or otherwise desiring short-term kuna liquidity.

More broadly, these two new instruments introduce important reference interest rates into the Croatian financial system. The deposit facility rate should provide a floor to interest rates. The Lombard rate remains as a sort of ceiling, and the repo rate should provide an overall indication of average market rates.

Monetary aggregates during the first quarter confirm that this year was different than previous years. While narrow money (M1) has usually nominally contracted during the first quarter in years past, it stagnated during the first quarter of 2005. This led to an increase in the annual growth rate of M1 from 2.0% at the end of 2004 to 9.2% in March 2005. M1 continued to grow at annual rates in the second quarter as well. Broad money (M4) contracted slightly in real terms in the first quarter, but this was due to decrease in the kuna value of foreign currency deposits resulting from exchange rate appreciation. When exchange rate effects are excluded, M4 stagnated in the first quarter but grew slightly in April. Interestingly, kuna time deposits, which have been growing very rapidly in the last two years, basically stagnated in the first quarter. However, such deposits grew more rapidly again in April.

Bank lending to the non-bank sector grew by 2.7% in the first quarter when exchange rate effects are excluded, so that the annual growth rate did not change substantially, reaching 13.0% in March. The growth rate of bank lending accel-

erated at the beginning of the second quarter, with the annual growth rate standing at 14.3% at end-April. The growth rate of loans to households substantially exceeded that for loans to enterprises. Both types of loans grew in April, with the result that bank lending to households stood at 17.9% year-on-year at the end of April, and bank lending to enterprises at 7.0%. It should be noted, however, that enterprises are more likely to borrow directly from foreign banks, and seem to use leasing more than households, so that the rate of growth of total enterprise borrowing is likely to be higher than their rate of borrowing from domestic banks.

Banks also increased their lending to government significantly during the first quarter. This came on the basis of the syndicated loan to the government made in March (EUR 500m), and on the basis of increased purchases of MoF T-bills. Net bank lending to government grew by some 42.0% year-on-year in March and fell slightly in April.

Banks' net foreign assets fell during the first quarter. Banks decreased their foreign assets as a response to the lowering of the foreign exchange liquidity requirement from 35% to 32% in February. They also increased their foreign liabilities by some HRK 5.5bn in March, so that net foreign assets decreased from HRK -17.6bn at the end of 2004 to HRK -27.7bn at the end of March. April brought further decreases in banks' foreign assets, and another 4.8% decrease in net foreign assets.

Turning to the balance of payments, preliminary data on Croatia's current account show a deficit of EUR 1.3bn in the first quarter. This represents a 10% increase on last year's first quarter. The widening of foreign trade imbalance and stagnation of revenues from services rendered in tourism were the main characteristics of the current account transactions in the first three months of 2005.

Examining merchandise trade in more detail, we find that much of the slowdown in exports in the first quarter was due to lower ship exports. Excluding ship exports, which vary substantially from month to month, exports grew at 15.2% year-on-year in the first quarter, measured at the constant exchange rate. However, this high annual growth rate of exports did grow rather slower in the first quarter than in the last three quarters of 2004: the trend growth rate of this series essentially stagnated in the first quarter. On the other hand, the data for the first four months of 2005 suggest faster growth in goods export (ships excluded) - 18.8% year-on-year.

Furthermore, imports grew more rapidly than exports in the first four months of 2005. Some of this was due to increased crude oil prices, which increased the value of oil imports. Increased prices for steel and iron, which are the result of rapid growth in China, also may have affected the import figures. Automobile imports and capital goods imports accounted for much of the import boom in recent years. In the first four months, however, automobile imports grew at a negative annual rate and imports of capital goods slowed down.

The other factor contributing to weaker current account results in the first quarter was tourism. Net tourism revenues grew by a moderate 0.8% year-on-year in the first quarter, partly due to colder weather, and partly due to increased numbers of guests staying in non-paying accommodations.

Since the first quarter is relatively unimportant in total annual tourism revenues, the stagnation in revenues should not have a major effect on the 2005 tourism results.

During the first quarter, FDI flows decreased substantially relative to the same period last year, as both inflows and outflows went down. Net portfolio investment showed an outflow of EUR 0.4bn, mainly due to the government's repayment of a matured eurobond issued in 2002. Net other investment amounted to EUR 1.7bn. International reserves, which in the balance of payments do not include revaluation effects due to exchange rate changes, grew by EUR 189m.

Croatia's external debt grew by EUR 367m, or 1.6%, in the first quarter of 2005 compared with the same period last year. It grew by another EUR 211m in April, so that gross external debt reached EUR 23.3bn at end-April or 78.2% of projected 2005 GDP. In the first four months of 2005, banks increased their debt by some EUR 513m, other domestic sectors by EUR 369m, and the government decreased its debt by EUR 440m. These developments resulted in a decrease in the government's share of the external debt from 31.9% at the end of 2004 to 29.2% at end-April 2005.

During the first quarter, the deficit of consolidated general government was HRK 6.2bn, or 2.8% of the expected value of the nominal 2005 GDP. This deficit was completely financed on the domestic market. In addition, due to the developments in the exchange rate and the payment of due liabilities, the external debt of consolidated general government decreased by HRK 5.5bn.

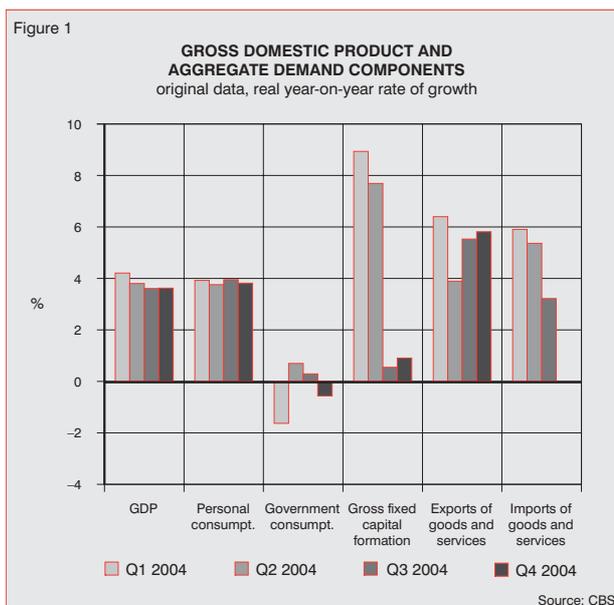
In addition, the Government introduced important tax reforms at the start of the year. The new law on profit tax eliminates taxes on corporate dividends, and also eliminates the possibility of fully amortising plant and equipment at the beginning of its lifetime. The law on income tax increases the personal exemption and the exemptions for dependents, and limits the cumulative amount of tax exemptions that an individual or family may claim. The effects of these new laws will only be visible next year, i.e. after processing tax reports for 2005.

Tax revenues grew only 1.7% year-on-year in the first quarter of 2005 compared with the same period last year. The main culprit was receipts from the value-added tax, which fell in nominal terms for the first time since 1999. Excise taxes on refined petroleum products also fell (2.3% year-on-year), partly due to lower consumption resulting from higher prices. Social security contributions, however, rose some 7.1% year-on-year, reflecting the increase in the average monthly gross wage.

## Demand

According to quarterly GDP calculation, real economic growth slowed down from 4.5% in 2003 to 3.8% in 2004.<sup>1</sup> Real GDP growth slowed down from its annual growth of 4.2% in the first quarter of 2004 to 3.8% in the second quarter and to 3.6% in the third and fourth quarters of that year.

<sup>1</sup> GDP data for 2002, 2003 and 2004, provided by the CBS, are provisional data only and are based on quarterly GDP calculation (not reconciled with the annual GDP calculation).



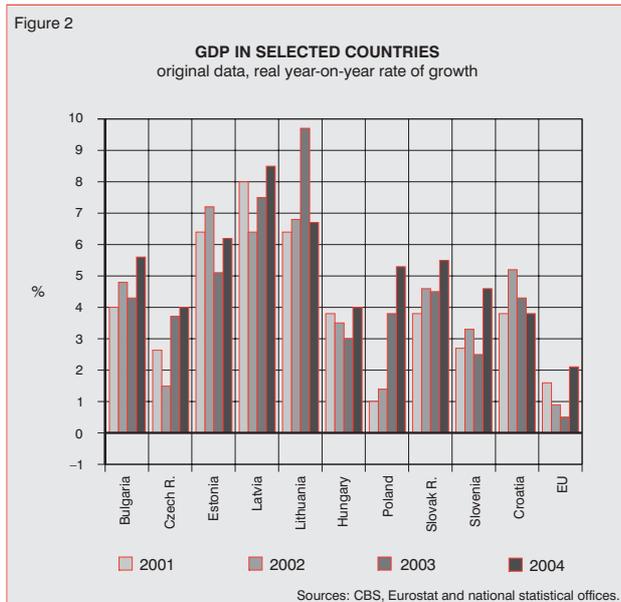
This was primarily due to a significant fall in gross fixed capital formation in the second half of last year following the completion of the investment cycle in road construction. The growth of personal consumption in 2004 slowed down slightly compared with the year before, but looking at its annual growth rates by quarters, they were relatively stable so the contribution of personal consumption to total economic growth did not decline significantly. The weakening of the domestic demand in the second half of 2004 was partly compensated by the strengthening of net foreign demand, which changed very much the structure of sources of economic growth compared with the previous period.

Economic indicators available on a monthly level point to further deceleration of GDP growth early this year. While last year it was investment weakening which caused this deceleration, the available indicators seem to indicate that the reasons for this year's slowdown in economic activity also lie in the weakening of personal consumption and net foreign demand. Such dynamics of individual GDP components in the first quarter will reflect on further deceleration of its growth.

Economic growth in the countries in the environment (Figure 2), as the most significant Croatia's trading partners, accelerated during 2004, which helped improve these countries' exports growth in that year. Its slowdown notwithstanding, the real growth of GDP in Croatia during the observed period was higher than in the countries of the Economic and Monetary Union (2.1%),<sup>2</sup> but lagged behind the growth of the new EU Member Countries.

According to Eurostat's flash estimates of quarterly GDP calculation, after a slowdown in economic growth in the EMU, observable by mid-2004, and the stabilisation of the annual growth rate at 1.8% in the second half of that year, the first quarter of this year might see further deceleration of additional 0.4 percentage points in aggregate economic activities in all EMU Member Countries (the real annual

<sup>2</sup> Data on economic developments abroad are subject to revision; therefore, real changes shown in quarterly CNB Bulletins do not always have to agree.



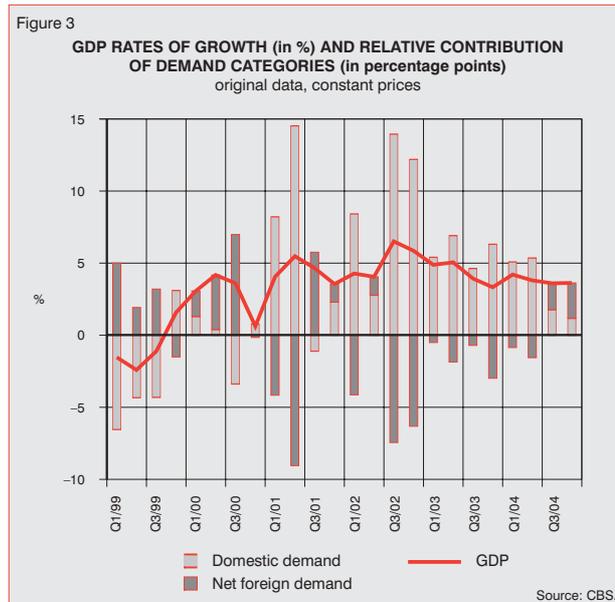
growth forecast for the EMU and the EU stands at 1.4% and 1.7%, respectively). Given such data, the European Commission has made a slight downward adjustment of its short-term economic growth forecasts, according to which, the second and the third quarter of this year were to see a moderate growth in the EMU member countries, ranging from 0.2% to 0.6%, compared with the previous quarter.

### Foreign Demand

According to quarterly GDP estimate, the annual growth of exports of goods and services was up from 3.9% in the second quarter of last year to 5.5% in the third quarter and 5.8% in the fourth quarter of the year. At the same time, in the second half of 2004, the growth of imports of goods and services started decelerating and falling behind total exports growth. Such dynamics of merchandise trade caused a positive contribution of net foreign demand to GDP growth at the beginning of the second half of 2004 (for the first time since the second quarter of 2002), which reached 2.4 percentage points in the last quarter, equalling the combined contribution of personal and government consumption during the observed period.

Nominal CBS data on merchandise trade for the first quarter of this year point to a slowdown in merchandise exports, which rose by 1.4% compared with the same period previous year, as a result of a slowdown in the annual growth of exports of products of all the major industrial groupings. Such developments were followed by acceleration in the growth of merchandise imports (4.0% annually), mainly due to a more rapid growth of the nominal value of imported energy caused by rising oil prices. The latest CBS data on merchandise trade in April show that such developments will probably continue, but against a backdrop of a significant increase in the volume of merchandise trade, generated by high annual import and export growth rates (14.4% and 16.3%, respectively).

After the last regular balance of payments data revision,<sup>3</sup> the developments in goods and services trade (original data)



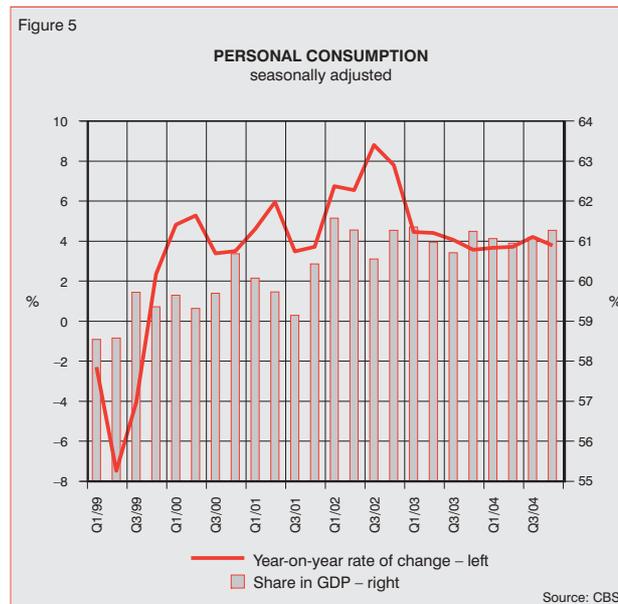
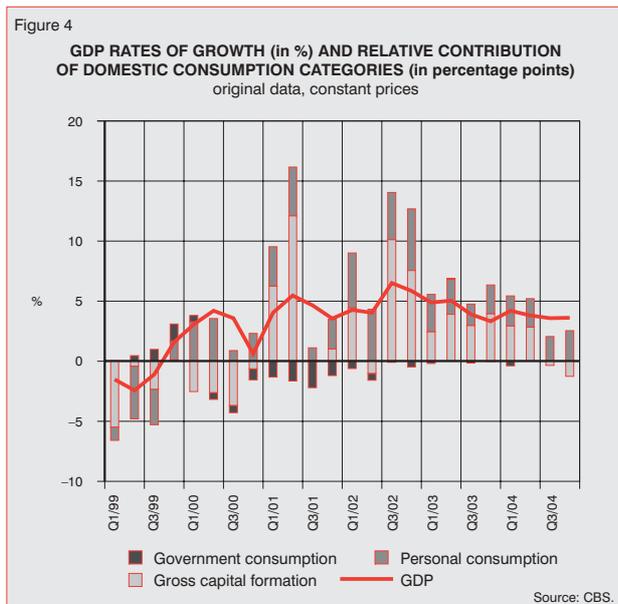
according to GDP calculation in the national accounts and according to balance of payments data were much better adjusted in 2004 than it was the case previously. In the first half of 2004, the growth of imports of goods and services according to GDP calculations lagged somewhat behind the growth of imports of goods and services according to balance of payments data. In the third and the fourth quarters their growth rates converged, with only few differences remaining, and resembled those in 2003. As regards the imports of goods and services, a somewhat more significant deviation in their annual growth rates was observed only in the third quarter, which can be attributed to the differences in measuring tourist consumption according to these two sources.

### Domestic Demand

The falling contribution of domestic demand to GDP growth, from 5.3 percentage points in the second quarter of 2004 to 1.8 percentage points in the third quarter, reflecting a diminishing contribution of investment and personal consumption, continued into the last quarter of the year, when its contribution to GDP growth amounted to a mere 1.2 percentage points. However, the reason for the further deceleration of the contribution of domestic demand towards the end of 2004 lies primarily in a strong negative contribution of changes in inventories. As changes in inventories also include statistical discrepancy, arising from the differences in GDP calculation according to the production and the expenditure method, it cannot be established with certainty whether the fall in investment in inventories in the last quarter of 2004 was indeed as sharp as suggested by the national accounts (-18.0%), or whether some of it can be ascribed to statistical discrepancy.

The available volume indices of economic activity in the first quarter of this year point to a further slowdown in

<sup>3</sup> Balance of payments data revisions are made more frequently than revisions of GDP calculations.



economic growth. However, the results of confidence surveys of consumers and companies in Croatia suggest that the slowdown might be of a temporary nature only. The surveys showed somewhat improved consumer confidence in the first quarter of this year and steadily rising industry optimism, as well as mild recovery of optimism in construction and a more robust recovery of optimism in trade. Such expectations were soon confirmed with acceleration in the annual growth rate of industrial production in April and more favourable developments in the labour market.

### Personal Consumption

Personal consumption, which accounts for almost 3/5 of aggregate demand, grew steadily throughout 2004. Its growth by quarters was moderately high, ranging between 3.8% and 3.9%. A slight slowdown in the annual growth rate of personal consumption of 0.2 percentage points in 2004 was due to the base period effect of its more robust growth in the first half of 2003 when personal consumption rose by 4.8% compared with the same period previous year. According to original data, its contribution to real GDP growth in 2004 remained almost the same as in the previous year (2.4 percentage points and 2.5 percentage points, respectively).

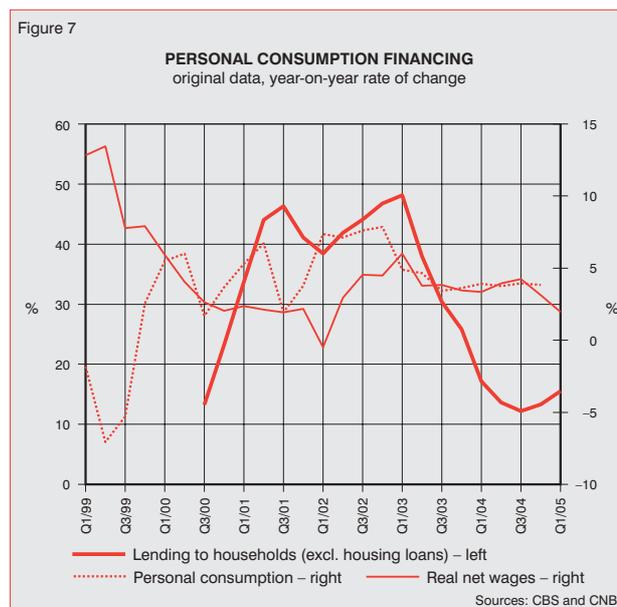
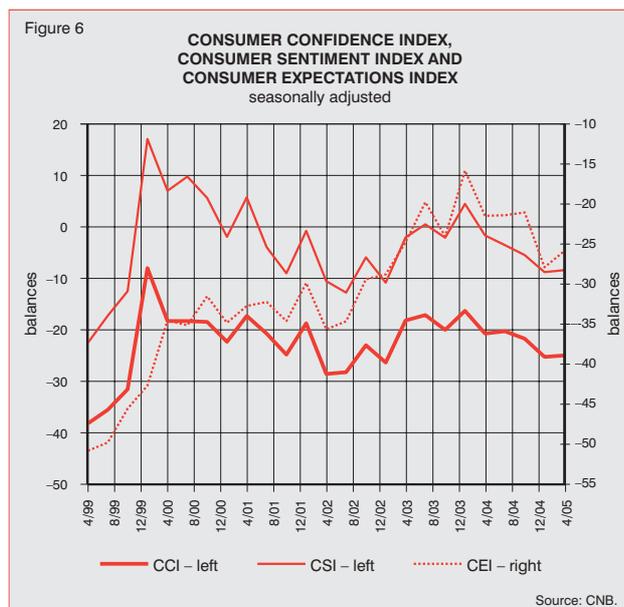
Although the available monthly indicators which can serve as an indicator of developments in personal consumption point to a slowdown in personal consumption in early 2005, this slowdown may turn out to be only a short-term one and as such not reflect greatly on the contribution of personal consumption to GDP growth in this year. After a steep rise in retail sale in July 2004, caused by a rapid increase in car imports and sales in anticipation of the announced excise duties on car sales, real retail trade turnover trended downwards between November 2004 and March 2005. These developments can partly be attributed to a more pronounced random component in the retail sale series in February 2005 involving a sharp fall in retail sales, which was followed by retail trade recovery in March. As this recovery failed to fully compensate for the negative effects of the

February fall in turnover, the February contraction had a negative effect on cumulative data for real retail trade turnover in the first quarter (a fall of 0.5% compared with the same period previous year). However, if we exclude the sale of motor vehicles and motorcycles from the retail trade series, the retail trade recovery in March was somewhat more pronounced, and the slowdown in its annual growth rate in the last quarter of past and first quarter of this year was lesser than total retail trade turnover might suggest.

The weakening of personal consumption in the first quarter of this year points to a somewhat slower growth of the production of consumer goods and a slowdown in the imports of these products. The slowdown was more noticeable in the production of durable consumer goods, in connection with a continued fall in car sales towards the end of 2004 and early this year, on an annual level. The weakening of demand for cars also reflected negatively on the dynamics of imports of road vehicles during the observed period. However, as the dynamics of personal consumption was not subject to major fluctuations, despite fluctuations in retail trade turnover, no significant contraction in personal consumption should be expected in early 2005.

The results of the last (April) consumer confidence survey<sup>4</sup> indicate a mild recovery in consumer optimism, primarily based on the increased consumer optimism in terms of financial situation in their households in the next 12 months and the expected increase in their savings during the same period. However, consumer confidence optimism in terms of the level of unemployment in Croatia and general economic outlook in the country in the next twelve months is still trending downwards. As a result of such shifts in expectations, the aggregate indicators of consumer response to individual issues such as Consumer Confidence Index (CCI) and Consumer Expectation Index (CEI) rose mildly in the second quarter of this year, ending their downward trend,

4 Between 2 April 1999 and 2 April 2005, the Croatian National Bank conducted consumer confidence surveys on a quarterly basis. Since May this year these surveys are conducted on a monthly basis in cooperation and with the financial and technical assistance of the European Commission.



present towards end-2004 and in early 2005. Consumers rate the current economic situation in Croatia somewhat improved compared with the year before and consider it more favourable for the purchase of durable consumer goods compared with the same period previous year, which led to a somewhat more rapid recovery of the Consumer Sentiment Index (CSI) in the second quarter of this year. Based on such consumer expectations as regards current and future economic developments, personal consumption is expected to either hold steady or rise moderately in mid-2005.

The sources of financing personal consumption early this year sent out mixed signals as to its short-term dynamics. Nominal bank placements to households, housing loans excluded,<sup>5</sup> grew rapidly (15.5%) in the first quarter of this year, compared with 13.3% on an annual level in the last quarter of last year. This was the strongest growth of bank placements to households since the second quarter 2004, ending their growth's downward trend since mid-2003. Conversely, developments in the labour market towards the end of last year and early this year and the dynamics of government transfers suggest a somewhat slower growth of household income during that period. Thus, the annual growth rate of average real net wages paid fell from 4.3% in the third quarter 2004 to 3.1% in the last quarter of that year and to 2.0% in the first quarter of 2005. Provisional CBS data on the total number of employed persons, as well as CPII data on the number of insured persons, as a somewhat more reliable short-term employment indicator, point to a slight slowdown in the employment growth in the first quarter of this year. However, employment data for April show some positive developments in the labour market early in the second quarter, that might help alleviate the said negative developments affecting the wage bill in the first quarter of 2004. After adjustment of pensions growth in March this year with the growth of nominal gross wages in the second

half of 2004, pensions grew, on average, by 2.3%, compared with their prior-adjustment levels, which is, because of the above-mentioned slowdown in the growth of salaries, a decrease of 1.7 percentage points compared with the increase in pensions that took place with the last adjustment in September last year. With the given labour market developments at the beginning of the year, the expectations are that the next pension adjustment will not be much bigger either.

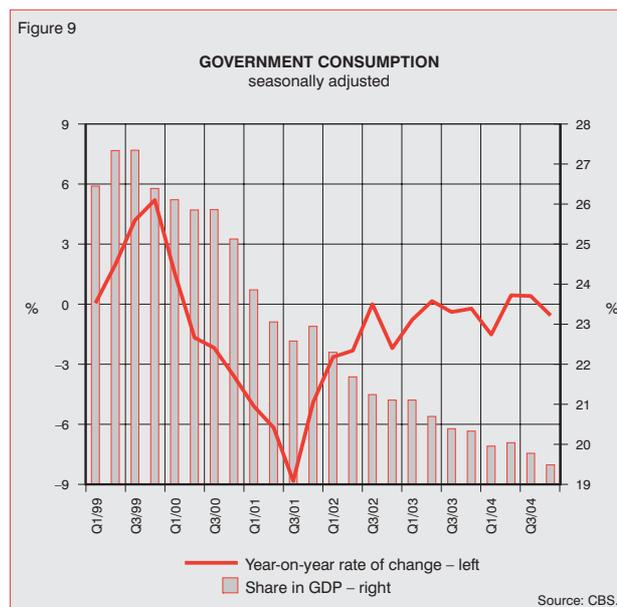
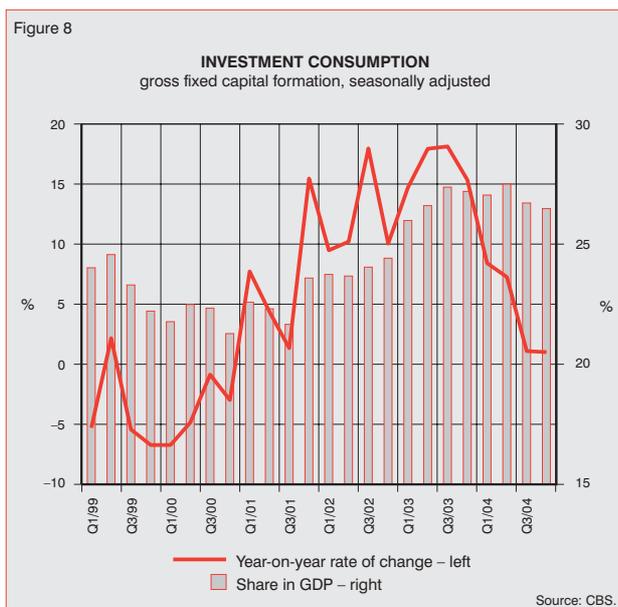
#### Investment Consumption

Following its increase of 13.7% in the second half of 2003, the growth of total gross capital formation slowed down steadily, falling to 9.0% in the first half of 2004 and recording a negative rate of change of 2.8% in the second half of the year. The investment dynamics during the observed period was mainly attributable to developments in fixed capital formation (changes in inventories account for approximately 10.0% of total investment) whose growth slowed down steadily on an annual level between mid-2003 and mid-2004. In the third and the fourth quarters of last year, it slowed down even more, reflecting a decrease in capital expenditures of the government following the completion of investment in road construction, also affecting negatively the value added in construction. The said developments caused a decrease in the contribution of gross fixed capital formation to economic growth, from 4.0 percentage points in 2003 to 1.2 percentage points in 2004, which is the smallest contribution of this category of aggregate demand to GDP since the year 2000.

Capital expenditures of the consolidated central government (comprising CH, CR, DAB, and CPF)<sup>6</sup> fell considerably in the last quarter of 2004, compared with the same period 2003 (-11.3%) and in the first quarter of this year they grew by 20.6% on an annual level. Realised capital expendi-

5 In the system of national accounts (SNA-ESA concepts), housing loans intended for home purchase or renovation are treated as investment consumption and not personal consumption.

6 This coverage serves to approximate revenue and expenditure of the general government. To ensure comparability with data for 2003, government capital investment is here analysed in accordance with the old methodology for statistical monitoring of government finance (GFS 1986).



ture on this level of government account for less than 1/4 of total capital expenditures of the government planned for 2005 so they are expected to continue to rise later in the year. Nevertheless, their average annual growth rates will probably be a little lower because the planned capital expenditures of the consolidated general government (GFS 2001) for 2005, which provide an indication of developments in government investments in traffic infrastructure this year, exceed the level of capital expenditures of the government in 2004 by a little over 10.0%.

The annual nominal growth of bank loans to companies, after accelerating steadily throughout 2004, has slowed down somewhat (to 7.5%) in the first quarter of this year. The dynamics of placements to companies, exchange rate effects excluded, provides proof of such developments during the observed period, although it should be borne in mind that companies have at their disposal other forms of financing, both foreign and domestic. However, the weakening of the domestic demand for investment goods, as evidenced by the annual deceleration in the growth of production of capital goods in February, followed by its even stronger slowdown in March, seems to indicate that the beginning of this year was marked by a weakening of the investment activity. Falling domestic demand for investment goods during the first quarter of 2005 is reflected in nominal CBS data on merchandise trade, which point to a slowdown in the annual growth of imports of intermediary products and continued downward trend in imports of capital goods which started in mid-2004. However, rapid growth in the production of capital goods in April this year, which provided the biggest boost to the growth of manufacturing in that month as well as to its cumulative increase in the first four months, is yet another encouraging indicator in that month, particularly because it points to a possible fast recovery in the dynamics of total gross capital formation.

### Government Consumption

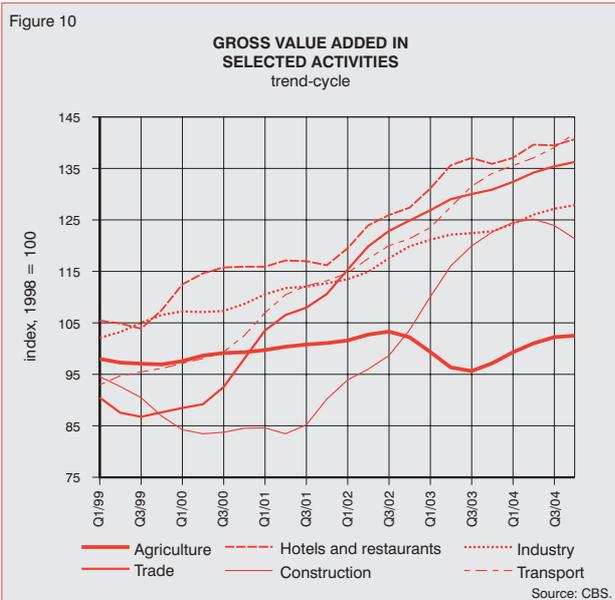
According to quarterly GDP calculation, government consumption, after its slight annual growth in mid-2004 de-

clined by 0.6% in the last quarter of that year with its annual rate of change standing at -0.3%. Thus, at -0.1 percentage point, the contribution of government consumption to real growth in 2004 was almost neutral, similarly as in 2003. Such developments helped decrease the share of government consumption in GDP, which continuing its downward trend over the past several years, fell below 20.0% in 2004.

Nominal data of the Ministry of Finance on the outturn of revenue and expenditure of the consolidated central government based on the GFS 2001 methodology are preliminary data only and relate to the first phase of the introduction of a new format of government finance statistics. Therefore, the extremely rapid growth in expenditures for the use of goods and services in the first quarter of 2005 (over 40.0%) may not be a very reliable indicator of the dynamics of government consumption. Nevertheless, some acceleration in the nominal growth of government consumption can be expected in the observed period. By contrast, as suggested by original CBS data on employment in the entire public administration during the same period, one can expect that the real government consumption will continue to fall in its most significant segment.

## Output

The available monthly volume indices for the first quarter of this year point to continued downward movements of the growth of gross value added (GVA) present throughout the entire 2004. While the slowdown in the growth of GVA in the second half of 2004 was attributable almost exclusively to negative trends in the construction, its slowdown at the beginning of this year can be attributed to negative developments in almost all activities. The growth of industrial production and real turnover in retail trade slowed down significantly and negative developments were also observable in the transport of goods, a significant segment of the transport, storage and communications. Construction showed signs of recovery at the beginning of this year, although this activity



is likely to record again negative annual rates of change in the first half of the year due to the base period effect of its contraction in the middle of 2004.

The expectations of a slowdown in the annual growth of GVA in the first quarter of 2005 are due to a negative two-business day difference this year compared with the same period last year. An additional factor affecting the dynamics of economic activity in the first quarter of the year, particularly construction and industry in February and March, were the extremely unfavourable weather conditions in the first quarter.

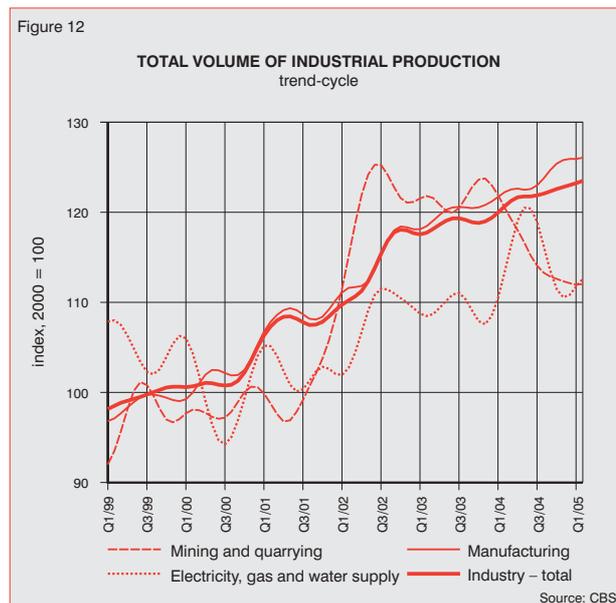
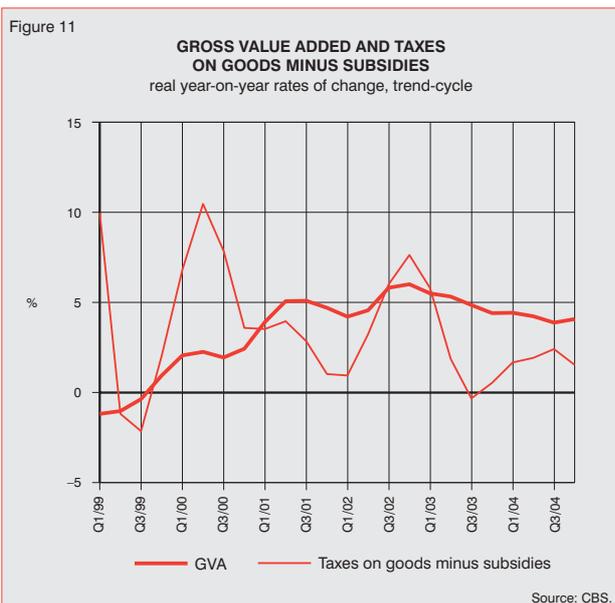
According to the Ministry of Finance data, receipts from taxes on products fell slightly nominally on an annual level during the first quarter, while subsidies rose significantly during the same period. The rise in subsidies can probably be attributed to interim financing during the same period last year, but it can also point to difficulties in data comparability in terms of the new expenditures data (compiled in accordance with the GFS 2001 methodology) and early last year

data. Nevertheless, with the given dynamics of indirect taxes and subsidies in the first quarter of this year, real GDP is expected to grow much slower than GVA.

### Industry

With its 1.1 percentage point contribution to real GVA growth and annual growth rate of 3.9%, industry was the strongest generator of growth last year. Towards the end of last year, the contribution of industry to economic growth increased (reaching 1.3 percentage points in the last quarter of 2004), thus alleviating the slowdown in GVA growth due to contraction in construction during that period. However, monthly data on the volume indices of industrial production in the first four months of this year point to stagnation in total industrial production, particularly in February and March. According to seasonal and calendar adjusted data (the first quarter of 2004 numbered two business days less than the same period previous year), the annual growth rate of industrial production in the first quarter of this year amounted to 2.6%, so the slowdown in its growth compared with the last quarter 2004 was much slighter (only 0.6 percentage points, compared with the original data that point to a slowdown of 3.7 percentage points). The latest CBS data on volume indices of industrial production point to a significant acceleration in the growth rate of industrial production in April (6.3% annually), raising its cumulative annual growth rate in the first four months of this year to 1.8% (compared with 0.2% in the first quarter) and again providing a boost to industrial production growth.

Stagnation in overall industrial production in early 2005 was primarily the result of the annual contraction in energy supply and mining and quarrying during that period, while manufacturing was somewhat less affected by negative developments. Nevertheless, manufacturing recorded negative annual rates of change in February and March, but its annual growth rate recovered in April, reaching the high level recorded towards the end of the last and early this year. Such a short-lived contraction in manufacturing can at least partly



be attributed to extremely low temperatures and increased gas consumption of households and smaller producers who have priority in supply, which in turn led to a reduced supply of gas to big producers as large consumers of this commodity. Following the said recovery in April, the cumulative annual growth rate of manufacturing stood at 4.8%, according to seasonally adjusted data, which is an increase of 1.8 percentage points compared with its average growth rate in the previous year, making it again the main generator of total industry growth. For the most part, the growth of manufacturing during the first four months of this year was generated by only a few of its divisions which account for a relatively small share of production, with the majority of its activities either holding steady or contracting mildly. Although accounting for a little more than one tenth of total industry, the manufacture of electrical machinery, apparatus and equipment, the manufacture of machinery and equipment and the manufacture of rubber and plastic products made a particular contribution in terms of industrial growth.

In addition to stagnation in the manufacture of energy, the dynamics of production of durable consumer goods also trended downwards, which can be associated with the weakening of domestic demand for products in that industrial grouping, also observable in contracting car sales and imports. At the same time, the growth of production of investment goods was dynamic. According to production indicators by sections and divisions of the National Classification of Economic Activities, which point to a large concentration of the sources of growth in a small number of divisions, the manufacture of capital goods has generated, despite its relatively small share in total industrial production (13.1%) almost two thirds of its cumulative annual growth in April, half of it in that month alone. Dynamic growth in the production of investment goods in the observed period had, it would appear, more to do with the strengthening of domestic demand for these types of products, indicating renewed strengthening of the domestic investment activity towards mid-year. Such developments, together with the strengthening of foreign demand for investment and consumer goods in April,

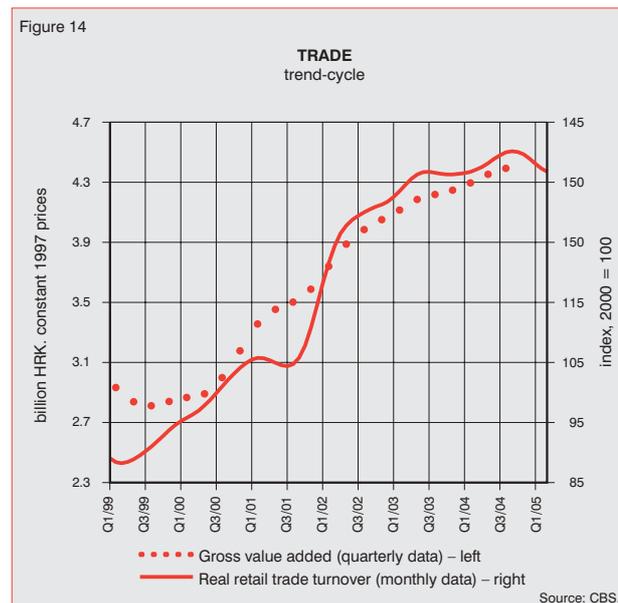
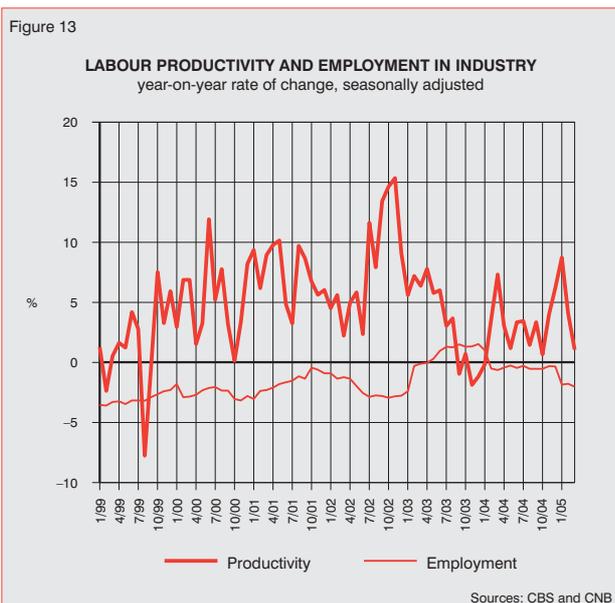
will undoubtedly lead to a decrease in finished goods inventories, following their rapid accumulation towards the end of last and the beginning of this year, absorbing the industrial production surplus generated by the weakening of the domestic and foreign demand.

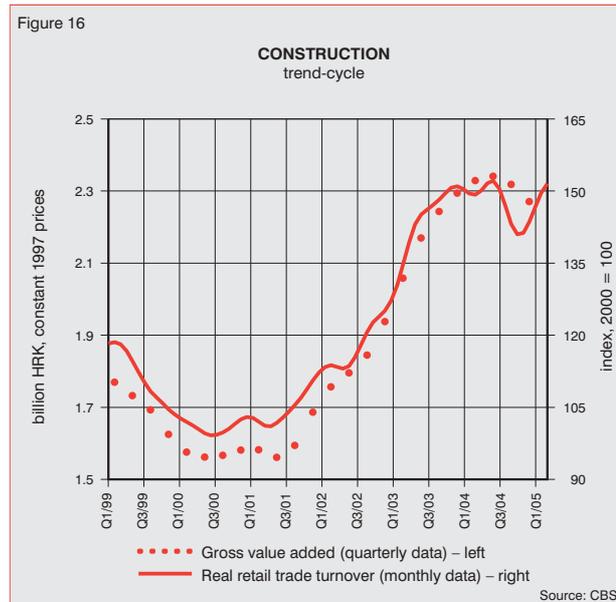
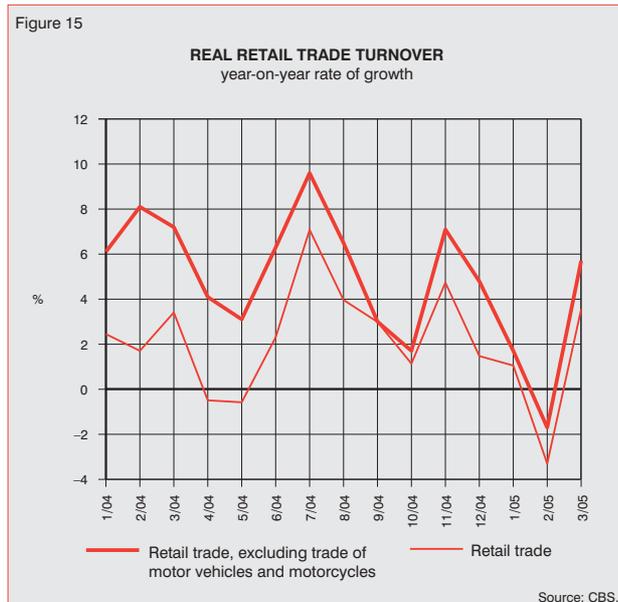
Following average labour productivity growth in 2004 (3.1%), largely attributable to the revitalisation of the industrial production towards the end of last year, labour productivity growth during the first quarter of this year, according to seasonally adjusted data, accelerated to 4.6%. The acceleration in labour productivity growth can be ascribed mainly to the nature of the preliminary CBS employment data for this year, which show a significant decrease in employment in industry compared with the end of last year, and a much slighter slowdown in seasonal and calendar adjusted dynamics of industrial production. It is probable that the revision of employment data planned for next year will show that labour productivity earlier this year continued to grow at only slightly slower rates than towards the end of 2004.

### Trade

In 2004, GVA in trade grew by 4.2%, its slowest growth since 2000. The slowdown in GVA in trade can be attributed to the abatement of the effect of the spreading of chain stores in Croatia, which throughout 2001 and 2002 increased significantly the level of turnover in trade, and thus also its contribution to total GVA growth. The contribution of trade to total GVA formation of the economy last year was 0.6 percentage points, less than that of industry, transport and financial intermediation, whose levels of contribution it had largely exceeded in the preceding years 2001 and 2002. However, the dynamics of value added in trade held steady throughout 2004, despite minor fluctuations between quarters, following its year-long weakening.

The real retail trade turnover was slightly smaller in the first quarter of 2005, according to seasonally adjusted data, compared with the same period last year, pointing to further possible slowdown of personal consumption in the observed





period. Although the national accounts provide for a separate treatment of domestic and foreign contribution of consumption to trade turnover growth, so there is no strong correlation between the dynamics of retail trade and personal consumption, the period in question involves that outside the main tourist season, a somewhat stronger association may be expected between the dynamics of real retail trade turnover and personal consumption in the first quarter.

The said developments in retail trade were probably only short-lived occurrences caused primarily by a more pronounced irregular component of the retail trade series in February this year, after which it recovered. In addition, due to the dynamics of the sales of motor vehicles and motorcycles, the growth rate of retail trade reached its historical low on an annual level compared with the same series which excludes the sale of motor vehicles and motorcycles. If we exclude from the retail trade series the sale of motor vehicles,<sup>7</sup> the fall in retail trade turnover in February this year was somewhat slighter, and its growth in March more dynamic. According to these data, the level of retail trade turnover in March this year rose by 5.7% compared with the same period previous year, which is an increase of 2.2 percentage points compared with total retail trade growth during the same period.

## Construction

After the height of the investment cycle in road construction in 2003 helped increase the contribution of construction to GVA formation to 1.3 percentage points in that year, making it equal with the contribution of industry, the completion of the investment cycle by mid-2004 caused the contribution of construction to total GVA growth in 2004 to fall

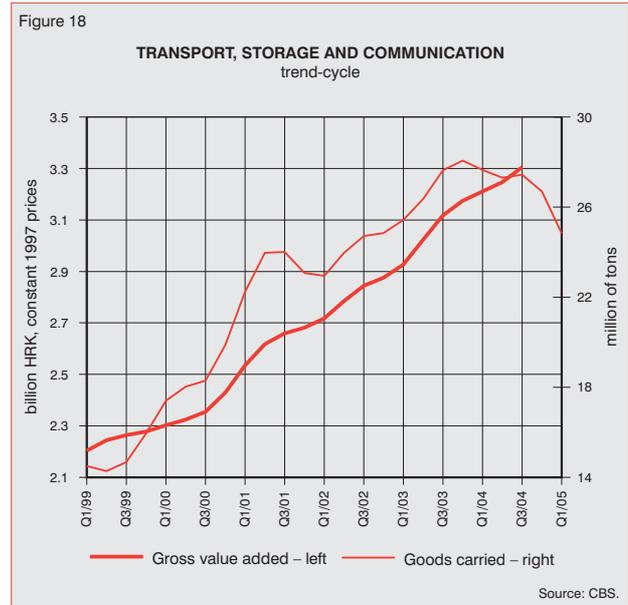
by 0.9 percentage points. The contraction of capital expenditure of the government in the second half of 2004 led to a fall in the value added in construction and its stagnation on an annual level in 2004, resulting in the said effects on the dynamics of total GVA in that year and significantly slower investment growth.

In terms of the volume of construction works towards the end of 2004 and in early 2005, construction is showing signs of recovery. However, the annual rates of change point to its stagnation in January 2005, due to the base period effect of the mid-2004 contraction and a new contraction in the volume of construction works that followed in February, probably attributable to bad weather conditions. There are indications of its possible recovery in the near term, as suggested by upward movements in the growth of the value of net construction work orders and the growth of the value of works based on the building permits issued, though the latter was still below the level it recorded towards end-2003, and despite its new contraction in February this year. Similar developments were observed in mining and quarrying, though data for that section of industry cover the period up to April when its somewhat more rapid expansion offset its negative base period effects which repressed its positive annual growth. Given the circumstances, the expectations are that, recovery in the first quarter of the year notwithstanding, the effects of the base period will probably cause the contraction in construction to spread over to that period as well. Indications of positive annual developments can be seen early in the second quarter.

## Tourism

Of all the economic activities last year, hotels and restaurants recorded the slowest growth. According to quarterly GVA calculation, the growth of value added in hotels and restaurants was down from 8.3% in 2003 to 3.1% in 2004, causing this activity's contribution to total GVA formation in 2004 to be almost neutral. The growth of value added in hotels and restaurants slowed down throughout 2004 despite

<sup>7</sup> This relates to division 50 of the NCEA, which comprises the sale, maintenance and repair of motor vehicles and retail trade of automotive fuels, which is closer to Eurostat definition of retail trade (for more details, visit: <http://forum.europa.eu.int/irc/dsis/coded/info/data/coded/en/g1006847.htm>; <http://forum.europa.eu.int/irc/dsis/coded/info/data/coded/en/g1006956.htm>).



dynamic increase in the first and mild acceleration in the last quarter, both outside the main tourist season. These developments were in line with stagnating total nominal income (i.e., a decrease in net income) from tourism recorded by balance of payments in 2004 and with a slowdown in the growth of volume indices available on a monthly level (the number of tourist nights and arrivals).

According to original CBS data, the number of tourist nights in the first quarter of this year continued to grow at a little over 5.9%, while the annual growth of tourist arrivals accelerated to 8.1%. This is strongest growth of both tourist nights and arrivals since the first quarter of 2004, and it was boosted by rapid annual growth in foreign tourist arrivals (34.0%) and nights (35.0%) in March due to Easter holidays, which took place a little earlier this year. The negative annual growth rates of tourist nights and arrivals in April can thus also be ascribed to the shift of Easter holidays, but after exclusion of the seasonal effects, these indicators show positive developments. It should be noted, however, that the statistical research of the CBS covers only tourists in organised accommodation, which makes a little more difficult the evaluation of total developments in tourism. To a certain degree, this can also cause a mismatch between the volume indices and the financial indicators in tourism (the balance of payments recorded a stagnation in income from tourism in the first quarter 2005, despite favourable developments in volume indices) and differences in total exports and imports according to balance of payments and GDP calculation.

### Transport and Communications

After its acceleration in 2003, the real growth of GVA in transport, storage and communications slowed down to 6.9% in 2004, which is still above the level of average GVA in other economic activities. The number of passengers transported in 2004 held steady compared with the year 2003, while the annual growth of the goods transported, measured in tons, decelerated throughout the first three quarters to fall in absolute terms in the last quarter (the annual rate of

change -6.7%), resulting in a moderate growth of transport of goods in that year (1.0%).

According to available CBS volume indices on transport, storage and communications for the first quarter of 2005, the negative trends present in the individual segments of this activity since the second half of 2004 continued into the first quarter. This may lead to a further slowdown in the growth of value added of this activity in the first quarter. The transport of goods, measured in tons, fell by 2.4% in the first quarter compared with the same period previous year, with road, sea and coastal water transport, as the most significant type of transport, accounting for over 2/3 of goods transport fell even more rapidly. At the same time, the transport of passengers held steady, as a result of its annual growth in the railroad, maritime and air transport, followed by negative developments in road transport of passengers, which accounts for over one half of total passenger transport. Conversely, certain segments of telecommunications services are still the most dynamic segment of transport and communications. Thus in the first quarter of this year, the number of minutes spent in the mobile network grew sharply by 12.5% on an annual level, though at the expense of the number of minutes spent in the fixed network, which fell by 5.7%, compared with the same period previous year.

## Labour Market

Labour market developments in the first quarter of 2005 point to a slowdown following an expansion suggested by the administrative data for the second half of the last year. The upward trend in registered unemployment continued, employment growth slowed down and real wages stagnated. However, the decline in clearings from the CES records, which had a significant impact on the growth of registered unemployment since mid-2004, was arrested during the first quarter of the current year. Stronger employment from the register, which reversed the upward trend in registered unemployment, paralleled with a considerable rise in the num-

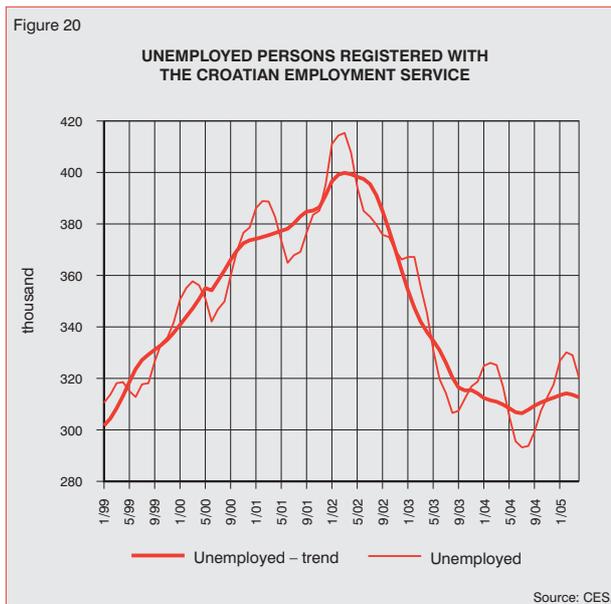
ber of the insured with the CPII announced more favourable developments in the labour market at the beginning of the second quarter of 2005. According to the Labour Force Survey data for the second half of 2004, the fall in unemployment at the annual level coincided with a stagnation in Labour Force Survey employment. Consequently, the Labour Force Survey indicators do not convey a clear picture of the labour market trends during the second half of 2004.

### Unemployment and Employment

As a result of stagnation in inflows into and employment from the CES register during the first quarter of 2005, mild growth in registered unemployment continued. Stagnant inflows into the register, whose level was almost one-fifth below that in early 2002, i.e. before the amendments to the Law on Employment Intermediation and Rights During Unemployment, might be the result of the weakening of the CES's intermediation role on the labour market but also of the fact that, owing to the new, stricter registration rules, a certain number of persons who were actually not unemployed but who registered with the CES in order to enjoy various rights, was discouraged from registration.

Stagnancy in employment from the register and the dynamics of inflows into the register have been observed for over a year. However, the downward trend in the number of clearings from the CES records stopped in late 2004, thus halting the decline in registered unemployment and spurred its growth. As a result, clearings from the register almost returned to the level before the above mentioned employment intermediation reform and decreased by 15.3% (4,000) compared with the first quarter of 2004. Despite a stronger initial impact of the employment intermediation reform on the inflows into the register, which greatly influenced the registered unemployment dynamics in the early phase of the reform, its effects on clearings from the records were long-term.

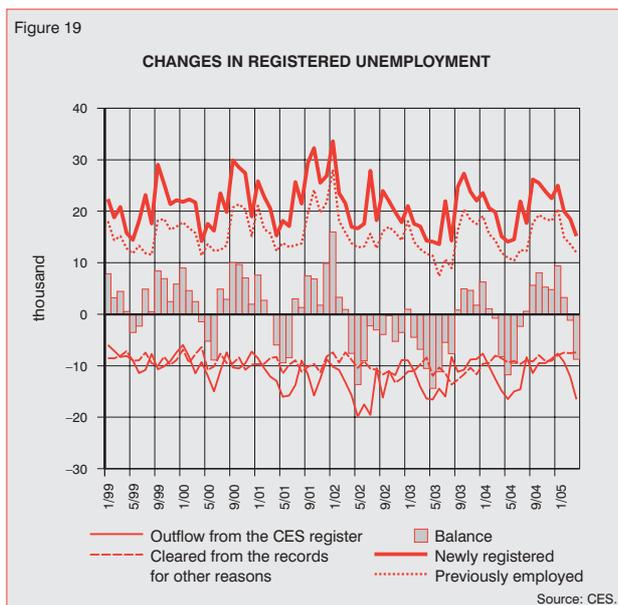
The upward trend in registered unemployment that had started in early 2004 culminated in the middle of the first



quarter of 2005, but was again reversed due to a rise in employment in April. Such a trend was mostly influenced by a decline in the number of clearings from the records owing to the late effects of the employment intermediation reform. Therefore, the question is whether the upturn in registered unemployment in late 2004 and in the first quarter of the current year conveys a true picture of the economic slowdown, despite the fact that certain labour market indicators clearly point to the weakening of its expansion during this period.

A fall in registered unemployment in April was followed by its cumulative rise by almost 0.9% (3,000) over the first four months of 2005, which barely approximated the annual growth of registered unemployment in this month. Administrative unemployment rate followed the dynamics of persons registered with the CES, so its upward trend that started in mid-2004 continued up to February 2005. After reaching its peak in February and March, the trend in administrative unemployment rate was reversed in April, due to a rise in employment from the CES register, which, together with seasonal effects, accounted for an 18.7% reduction in the administrative unemployment rate, which was 0.2 percentage points more than in the same month last year.

The data on the Labour Force Survey unemployment for the second half of 2004 were published in early May. In that period, the Labour Force Survey unemployment rate remained at the level from the first half of the year, i.e. 13.8%. Given the slightly different pattern of the Labour Force Survey unemployment compared with that of registered unemployment, which is why seasonal factors usually contribute to its rise during the second quarter of a year, such dynamics of the Labour Force Survey unemployment resulted in its decline by 0.6 percentage points compared with the second half of 2003. Therefore, the dynamics of the Labour Force Survey unemployment rate is not likely to support the unemployment trend reversal, suggested by the Labour Force Survey unemployment rate from the second half of 2004. However, it is possible that, due to the semi-annual conducting the Survey, the breaks within a current semi-annual



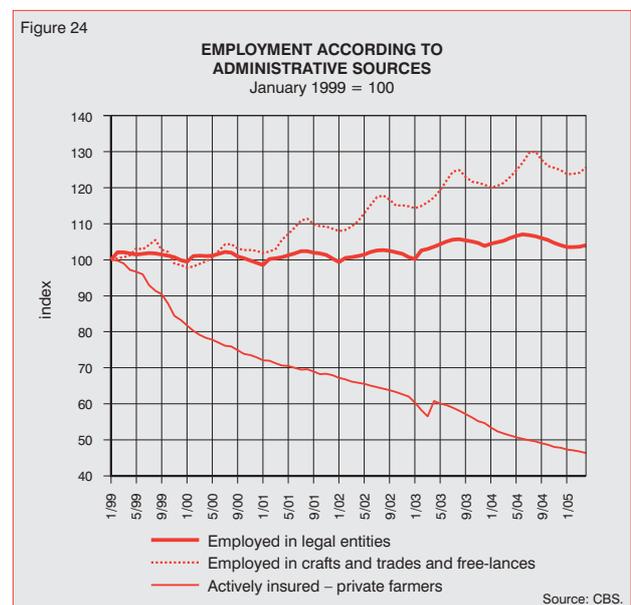
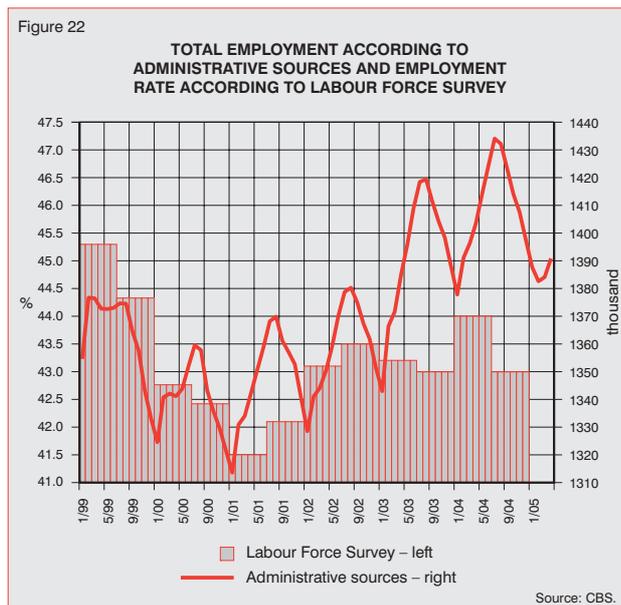
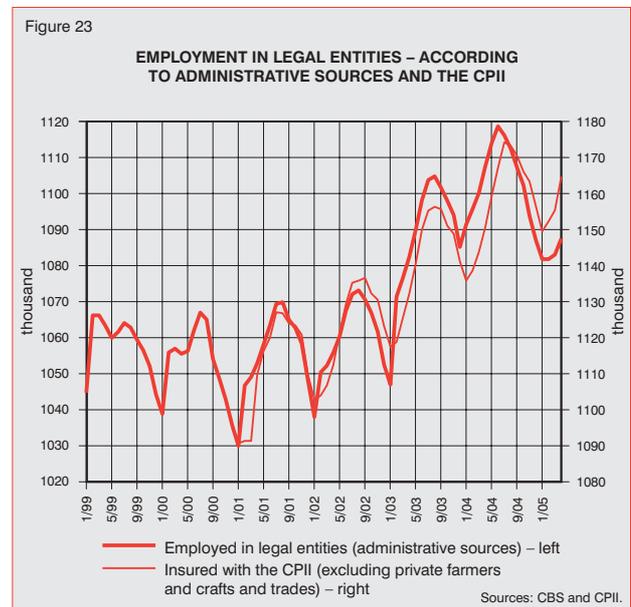
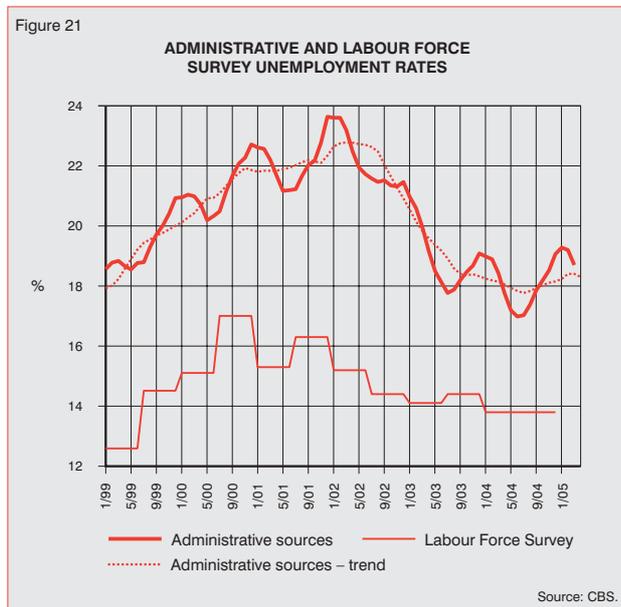
period are less observable.

Employment data point to somewhat stronger spillover effects of the economic activity slowdown in the first quarter of 2005 compared with the end of the last year. According to the final and significantly changed CES data on overall employment in 2004, published in mid-April, the upward trend in employment slowed down significantly as early as last year. However, the revision was partly based on up-to-date figures on employment in the military and police, which accounted for a decline in public administration employment by almost 10,000 in February 2004 compared with the previous month. Given that only dated estimates were available by then, the inclusion of up-to-date figures on the military and police employment into the CES employment data can account for the bulk of change in the total employment dynamics in that year compared with 2003. However, a slowdown in employment growth was observed even after the exclusion of the public sector employment data. Consequently, the annual rate of employment growth during the last quar-

ter of 2004, according to the final CES data, stood at 1.7%, slightly below the rate for the whole 2004 (2.0%).

Contrary to the dynamics of the Labour Force Survey unemployment, Labour Force Survey employment declined in the second half of 2004 compared with the first half of the year, and stagnated relative to the same period of 2003. The largest share (about 3/4) of the stated decline in the Labour Force Survey employment was that of employment in agriculture. It is therefore possible that it reflected the changes in the classification between the employed and inactive rural population pursuing only marginal economic activity (i.e. working for slightly more than an hour a week, which is the dividing line between employment and inactivity).

Owing to a break in the total employment data series, caused by the preliminary nature of the CES data from February 2005 on, it is difficult to interpret the employment dynamics at the beginning of 2005. However, the CPII data on the insured clearly point to a continuing slowdown in employment growth. The upward trend in employment in crafts



and trades and free-lances slowed down (the annual growth rate was 2.3% in the first quarter compared with the average of 5.2% for the whole 2004), and the total number of the insured declined (the annual growth rate was 0.9% in the first quarter compared with 1.3% for the whole 2004). These employment data suggest that the labour market expansion continued at the beginning of the current year, despite its expected slowdown caused by a sharp slowdown in the economic activity dynamics over the period. A somewhat stronger employment from the CES register during April was connected with a mild annual increase in the number of the insured with the CPII which rose from 0.9% on average in the first quarter to 1.0% in April. Consequently, employment from the CES register follows other monthly labour market and economic activity indicators (industrial production dynamics) which, together with the enterprise and consumer optimism indices, point to a possible strengthening of both the economic activity and labour force dynamics towards the middle of 2005.

Excluding public administration in narrow terms, which is represented by unreliable administrative data owing to the change in the collection methodology in February 2004, a significant fall in employment at the annual level in the first quarter of 2005, was recorded in transport and communications (2,000 persons, 2.0%) and manufacturing (4,000 persons, 2.0%). These divisions account for almost one-third of total employment. In the first quarter, construction recorded mild annual growth, probably as a sign of recovery in this activity.

### Wages and Labour Costs

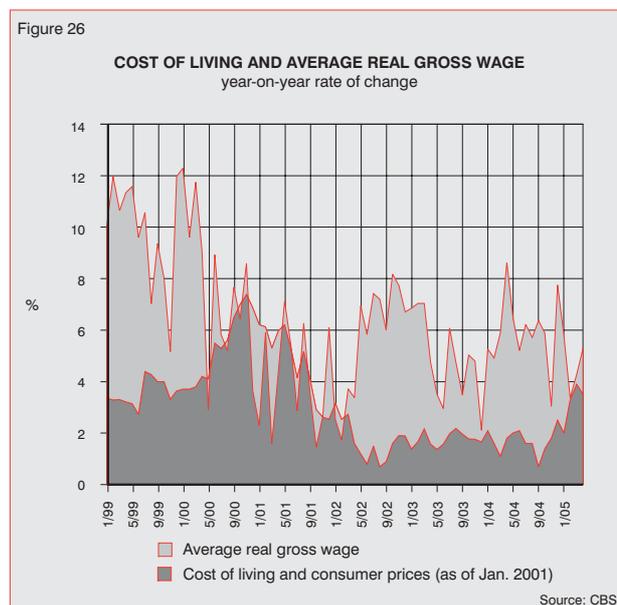
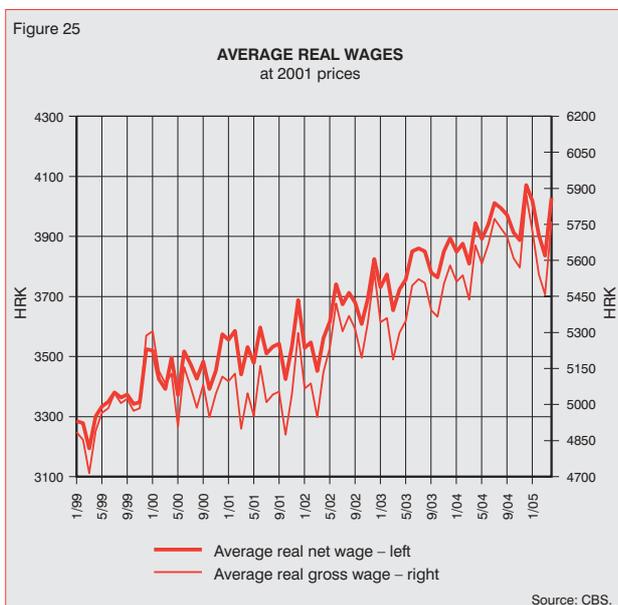
While an only slight slowdown was recorded in employment in the second half of 2004 and at the beginning of 2005, the response of wage dynamics to the economic slowdown was much stronger. In the first quarter of 2005, the slowdown in real wages continued, almost resulting in their stagnation compared with end-2004. Owing to the real wage stagnation and disappearance of the base effects of stronger

real wage growth in early 2004, the annual rates of wage growth dropped further. As a result, the average real gross wage rose by as little as 1.4% in the first quarter compared with the same period last year. This growth was 2.3 percentage points below the annual growth of real wages in the last quarter of 2004, and another 0.5 percentage points below the annual average for 2004. Lower annual growth rates of labour costs were only recorded for a short period in early 2002, and the outturns for the first quarter of 2005 were mainly the result of an annual stagnation of gross wages paid in February and March. The increase in the basic personal allowance and personal allowances for supported family members (see Box 1) alleviated the slowdown in average real net wage. As a result, it grew at a rate of 2.0% in the first quarter of the year, following the annual growth of 3.1% in the last quarter of 2004 and 3.7% over the whole 2004.

Inflation acceleration slightly curbed the real wage growth, but the main contribution to the real wage stagnation was made by slower nominal wage growth. The annual growth rate of nominal average gross wage was 4.6% in the first quarter of 2005, down 1.5 percentage points on the first quarter of the last year.

While there were still variations in real wage growth, no division recorded particularly high real growth of labour costs except energy supply, which made the largest individual contribution to the growth of real gross wage. On the other hand, the annual contraction in real labour costs in construction and their stagnancy in trade contributed the most to a slowdown in the annual growth of average labour costs. Together with public administration in narrow terms, which saw a contraction in real labour costs owing to the continuation of restrictive wage policy, these divisions account for approximately one third of total employment. Real labour costs also stagnated in education, while health care was the only public sector activity recording above-average growth of real labour costs, which resulted in a 0.4% rise in real average gross wage in the overall public sector.

A significant slowdown in wage growth was recorded in manufacturing, so that the contribution of energy supply,



**Box 1: Tax Reform**

In early 2005, the Income Tax Act and Profit Tax Act came into force, introducing significant changes into the tax system. Pursuant to the new Profit Tax Act, tax rates were reduced for taxpayers in the areas of special state concern, tax on corporate dividends was lifted and the possibility of one-off write-down of assets was eliminated. By virtue of the new Income Tax Act, basic personal allowance and personal allowances for supported family members were increased, while the cumulative amount of tax allowances decreased. Furthermore, all categories of income from work were defined more precisely, thus creating a broader tax base. Lifting the tax on dividends and eliminating the possibility of one-off write-down of assets (for income taxpayers who qualify for this, e.g. craftsmen) coincided with the introduction of a lump sum income tax for taxpayers who are not subject to VAT and who derive income from the renting of flats, rooms or beds to travellers and tourists. In this report will focus on the new Income Tax Act and will analyse in greater detail the impact of the reform, with respect to the increased basic personal allowance and automatic adjustment of income thresholds in individual tax brackets, on net wages and labour costs borne by employers.

Reducing the burden of taxes and social security contributions on labour may slowdown the growth of labour costs or accelerate the net wage growth, but it can also hold down the rise in public revenues from income tax. The amount of reduced tax burden on an individual taxpayer, as the result of increased basic personal allowance, depends solely on the taxpayer's gross wage (i.e. his/her position in the wage distribution). Therefore, it is relatively easy to assess the impact of the reduction on average tax burden. In contrast to this, the impact of increased personal allowances for supported family members depends on the relationship between the wage and number of supported family members for each taxpayer, and cannot be accurately assessed on the basis of publicly available data.

Increasing the basic personal allowance has several important effects. First, the individual impact of the increase depends on the tax treatment of a taxpayer. The absolute amount of the allowance is determined by the taxpayer's tax bracket, while its relative level depends on the individual's position within the tax bracket. Persons with above-average wages mainly derive greater benefits from the reform, both in absolute and relative terms. Moreover,

**Table 1: Reduction in Tax Burden as a Consequence of Increased Basic Personal Allowance**

Marginal tax rate (%)	Tax bracket <sup>a</sup> before tax reform (gross wage in HRK)	Tax bracket after tax reform (gross wage in HRK)	Reduction in tax burden (in HRK)
0	0 – 1875	0 – 2000	0
15	1876 – 5625	2001 – 6000	15
25	5626 – 10313	4801 – 8800	45
35	10314 – 28125	8801 – 30000	100
45	28126 –	30001 –	250

<sup>a</sup> For the purpose of harmonisation with other parts of Box 1, tax brackets are expressed as gross wage and not as income (i.e. gross wage reduced by contributions), as is usual in tax regulations. Source: CNB calculations.

as a fall in real labour costs in early 2005 was paralleled with a decline in real net wages, it is not clear in how far the negative economic activity trends and a continuation of the restrictive public sector wage policy influenced such labour cost dynamics, and in how far the fall in labour costs was influenced by the tax reform. The increase in the basic personal allowance stopped the upward trend in tax burden that had arisen from the last year's interaction between growing wages and a progressive tax system, which failed to actually reduce the tax burden. As a result, the burden of taxes and social security contributions in Croatia remained below the EU average, despite the slightly lower tax rates in some of the poorer Member States like Portugal or Greece.

The absolute amount of reduction in tax burden as a result of increased basic personal allowance depends on a taxpayer's gross wage and his/her tax bracket after the increase. Table 1 shows the absolute amounts of reduction in tax burden on account of the increase in basic personal allowance and adjustments of tax bracket limits. According to this, the tax liabilities of lowest-wage employees (the lowest compulsory contribution base for 2005, also referred to as the minimum wage, amounts to 2,080 kuna) will be reduced by 15 kuna, while the reduction in tax liabilities of employees with wages exceeding 30,000 kuna will be the largest (250 kuna). The described reduction has the strongest impact on the tax liabilities of lowest-wage earners. Thus, the amount of tax paid on minimum wage decreases, due to the reform, by about two thirds, which is the consequence of a low tax burden on such persons. By contrast, the tax liability of persons with gross wages exceeding 3,000 kuna decreases by less than one-tenth. However, the largest reduction in the tax burden, expressed as a share in gross wage (0.9%) relates to persons with gross wages of 11,000 kuna, almost double the average gross wage, while the reduction for persons with minimum wages amounts to 0.7% of gross wage. In addition, substantial variations in the reduction of the tax burden (up to 0.6% of gross wage) arise from relatively small differences in gross wages or tax

Figure 27

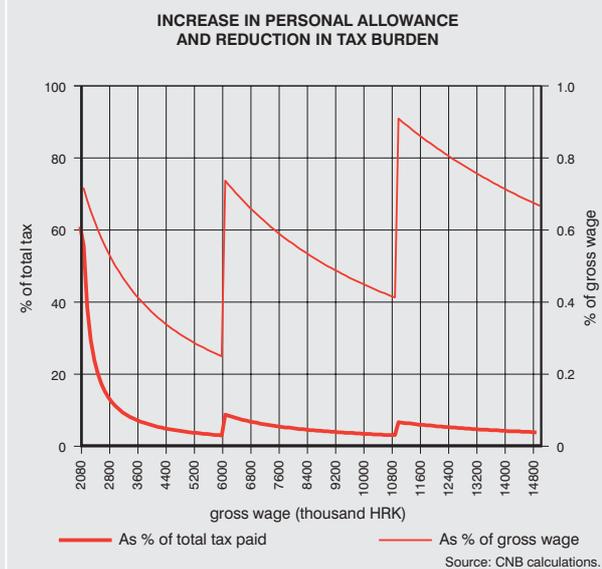


Table 2: Taxes and Social Security Contributions Burden on Labour Costs, in % and kuna

		2003		2004		2005		2005 – hypothetical	
		Absolute amount	Rate	Absolute amount	Rate	Absolute amount	Rate	Absolute amount	Rate
Employer	Employer labour costs	6,558.5		6,978.1		7,355.5		7,355.5	
	Health insurance contributions	839	15.00	893	15.00	941	15.00	941	15.00
	Health insurance contributions – accidents	28	0.50	30	0.50	31	0.50	31	0.50
	Unemployment insurance contributions	95	1.70	101	1.70	107	1.70	107	1.70
Average gross wage		5,596.0		5,954.0		6,276.0		6,276.0	
Employee	Pension and disability insurance contributions – 1st pillar	839	15.00	893	15.00	941	15.00	941	15.00
	Pension and disability insurance contributions – 2nd pillar	280	5.00	298	5.00	314	5.00	314	5.00
	Unemployment insurance contributions	0	0.00	0	0.00	0	0.00	0	0.00
	Income tax	447	7.98	516	8.66	535	8.53	580	9.24
Net wage		4,030.3		4,247.4		4,485.6		4,440.6	
Net wage/Employer labour costs			61.5		60.9		61.0		60.4
Taxes and contributions/Employer labour costs			38.5		39.1		39.0		39.6

Rate = contribution rates and implicit tax rate. Source: CNB calculations.

Figure 28



Source: CBS.

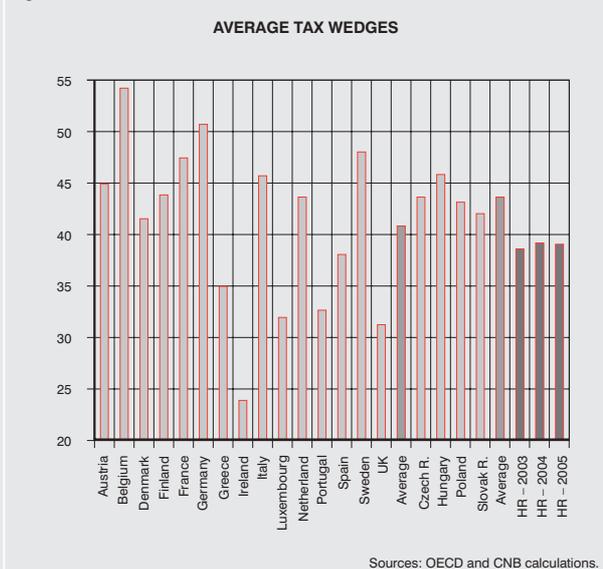
brackets in which taxpayers are in. This is accounted for by the tax system design and the manner in which the tax reduction has been effected.

The average reduction in tax burden can be calculated by weighting the reductions in tax burden for each category of employee by their respective shares in total employment. The effect of the increase in basic personal allowance on the tax burden and government budget revenues has been assessed by means of a projection based on the CBS data on the wage structure in 13 categories of employees<sup>8</sup> in which the effects on the tax burden have been weighted. The projection shows that the increase in basic personal allowance has reduced the average tax burden by 0.6% of average gross wage, which, from the fiscal point of view, results in an approximately 5.7% (almost HRK 550m) decline in income tax revenues in 2005. In addition to this, income tax revenues also decreased on account of the rise in personal allowances for supported family members, but this decrease cannot be assessed on the basis of the avail-

able data. Of course, account should be taken of all (positive and negative) effects of the new Income Tax Act on the fiscal revenues from income tax, which will not be entirely visible before 2006, i.e. before the income tax returns for 2005 have been processed. The above mentioned positive and negative effects of the new Income Tax Act are not concurrent. While the negative effects (mainly arising from the increase in basic personal allowance and personal allowances for supported family members) on income tax revenues (and, consequently, on the operational balance) appear during a current year, positive effects (e.g. reducing the cumulative amount of tax allowances) are only observed in the following year, i.e. after the annual calculation of income tax.

Table 2 shows the average tax burden on a taxpayer with no supported family members, who receives average gross wage in Croatia and is not subject to surtax on income tax. The reduction in the tax burden on such a taxpayer due to a rise in basic personal allowance is slightly larger than the average reduction, and can therefore well illustrate the overall dynamics of the labour cost growth due to taxes and social security contributions, as well as of the hypothetical

Figure 29



Sources: OECD and CNB calculations.

8 Based on the data on wage brackets from March 2003, adjusted for average wage growth till 2005 (CBS, Employment and Wages in 2003, Statistical Reports 1243, Zagreb, 2004).

effects of the failure to increase allowances. The average tax burden rose by 0.5 percentage points during 2004 compared with the previous year, owing to the interaction between tax progression and wage growth. A similar increase could again be expected in 2005 (Table 2, column '2005 -hypothetical') if allowances had not been increased. Consequently, the increase in allowances did not actually result in labour cost reduction, but in maintaining its current level.

During 2004, average real gross wage rose at a faster pace than net wage, but this trend was reversed as early as the first quarter of 2005. As a result, the annual net wage growth continually exceeded the growth of gross wage, i.e. labour costs. At the same time, the growth of gross wages slowed down significantly and it can be assumed that a large number of entrepreneurs used the increase in allowances to reduce their labour costs or relieve wage pressures. However, given an almost equal slowdown in net wages, it is difficult to say in how far the slowdown in real labour costs is the consequence of the tax reform and in how far it reflects the slowdown in economic activity and

price acceleration.

Due to the above mentioned increase in allowances, the average burden of taxes and social security contributions on overall labour costs in Croatia remained slightly below the average in Central and East-European transition economies (43.6%) and below the average in "old" EU Member States (40.8%). It is obvious that transition countries, owing to their high expenditures caused by employment growth and the rise in the number of pensioners, failed to reduce the burden of taxes and social security contributions on labour. A relatively small share of taxes and social security contributions in labour costs in Croatia, relative to other transition countries, can be accounted for by the long-lasting policy of relieving the average burden on labour, which succeeded in reducing their share in average labour costs by more than ten percentage points over the last decade. However, the share of income tax and social security contributions in labour costs in Croatia is still relatively high compared with some poorer EU Member States (until recently), like Portugal or Ireland, in which it only slightly exceeds 30%.

participating with less than one-tenth in the total employment in industry, to the overall annual growth of real labour costs in industry outdid the contribution of total manufacturing. Given the previously mentioned low growth rate of real labour costs during the first quarter, particularly in industry, inflationary pressures from the labour market are not likely to build, despite the significant slowdown in the total and industrial labour productivity indicated by the monthly data on economic activity dynamics for the first quarter of the year. In addition, the public sector wage policy is still aimed at maintaining the low rate of wage bill growth, which has proved to be a useful instrument for relieving price pressures under the circumstances of an economic activity slowdown paralleled with growing price pressures on the demand side. The described developments follow the slowed

dynamics of labour costs in industry. More specifically, in 2004, labour costs rose at a somewhat slower pace than industrial productivity. But faster wage growth in certain segments of the previously mentioned activities (e.g. health care and, particularly, energy supply which is still broadly state-owned) can, of course, stimulate wage growth in other economic segments unless it is the result of a consistent wage policy.

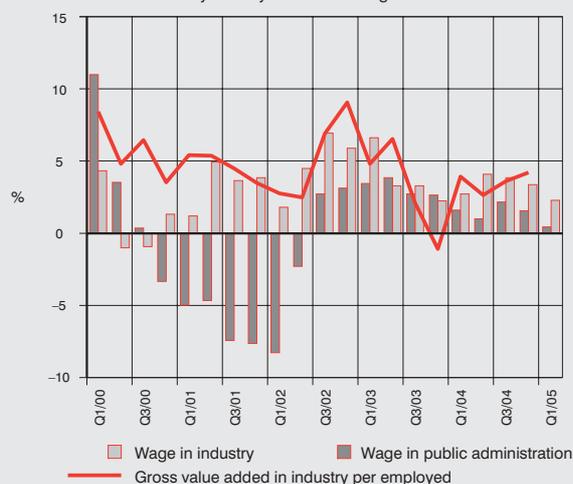
## Prices

In the first quarter of 2005, Croatia's year-on-year consumer price inflation rate grew by 1.2 percentage points, from 2.7% in December 2004 to 3.9% in March 2005. The main causes came from the supply side, i.e. the rise in prices of meat, vegetables and refined petroleum products. They should be transitory and should not lead to a long-term rise in the inflation rate. As expected, vegetable prices started to weaken at the beginning of the second quarter, causing the CPI to fall by 0.2% in April over March. In April inflation came down to 3.5% year-on-year, aided among other things by the base-period effect.

In the first quarter, there were no significant changes in the main factors affecting domestic inflation. This, above all, refers to the policy of relative stability of the domestic currency against the euro. A slight upward trend in nominal wages, present in 2004, continued into 2005. Amid signs of stagnant personal consumption and slightly increased government consumption, inflationary pressures from domestic economic environment were subdued. However, with foreign trade liberalisation approaching its end and reduced entry of the new chains of the stores in the domestic market, deflation pressures are expected to lessen. Imported inflationary pressures were rather high in the first quarter of 2005, emerging from the growth in prices of refined petro-

Figure 30

**AVERAGE REAL GROSS WAGE IN PUBLIC ADMINISTRATION AND INDUSTRY AND GROSS VALUE ADDED IN INDUSTRY PER EMPLOYED**  
year-on-year rate of change



Source: CBS.

Figure 31

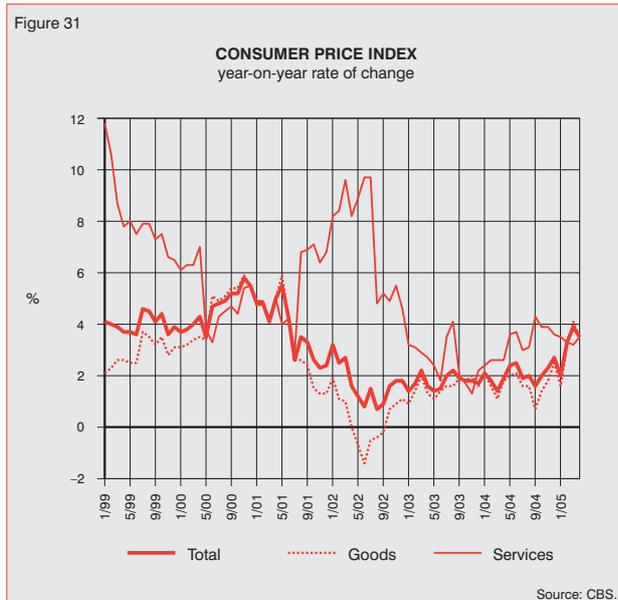


Table 3: Consumer Price Index, year-on-year rate of change

	Weight 2005	12/04	1/05	2/05	3/05	4/05
Total	100.0	2.7	2.0	3.3	3.9	3.5
Food and non-alcoholic beverages	32.9	2.4	1.4	4.5	5.5	4.3
Alcoholic drinks and tobacco	5.8	10.2	10.1	10.5	10.6	10.4
Clothing and footwear	8.0	-1.7	-3.1	-2.0	-1.2	-0.2
Housing, water, energy, gas and other fuels	14.8	6.0	5.7	5.4	6.0	5.8
Furniture, equipment and maintenance	4.7	0.2	0.4	1.2	1.6	2.8
Health	2.8	1.0	0.8	0.7	0.8	1.1
Transport	11.2	2.6	1.0	1.4	3.3	1.7
Communication	4.3	-0.5	-0.4	-0.3	-0.4	-0.3
Recreation and culture	5.6	2.5	2.5	2.7	1.8	2.8
Education	0.9	1.1	1.4	1.7	1.4	1.7
Catering services	3.2	2.8	2.2	2.3	2.1	2.4
Miscellaneous goods and services	5.9	1.9	1.8	1.7	1.8	2.0
Goods	77.1	2.5	1.6	3.2	4.1	3.5
Services	22.9	3.6	3.5	3.3	3.2	3.5

Source: CBS.

leum products and other raw materials in the world market, the depreciation of the kuna vis-à-vis the dollar and the rise in the year-on-year rate of change of producer prices in the eurozone.

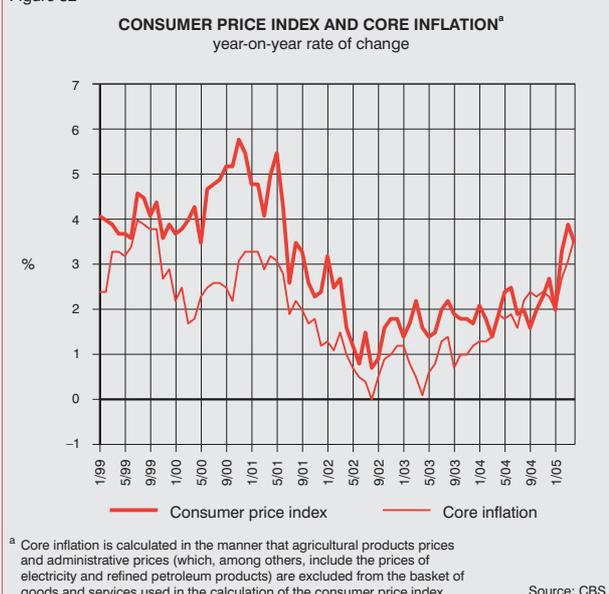
The acceleration in the year-on-year growth rate of meat prices was the most pronounced price shock in the domestic market. Meat prices rose from 3.5% in December 2004 to 9.4% in March 2005, contributing 0.6 percentage points to the total year-on-year inflation rate (from 0.3 to 0.9 percentage points). Furthermore, due to cold weather vegetable prices grew at an exceptionally high rate, from -2.0% in December 2004 to 9.4% in March, and contributed 0.5 percentage points to the total year-on-year inflation rate (from -0.1 to 0.4 percentage points). Growing from 12.3% in December 2004 to 19.6% in March, refined petroleum products prices also recorded a significant rise in their year-on-year growth rate. Their contribution to the total year-on-year inflation rate was 0.3 percentage points (from 0.5 to 0.8 percentage points).

In explaining to the media the reasons for the strong growth in meat prices in the domestic market, the Minister of Agriculture noted that the domestic meat production and the meat market are to a large extent unregulated and unstable, as well as pointed to the problems of insufficient domestic production and grey market. Hence, the Ministry of Agriculture, Forestry and Water Management introduced new measures for the improvement of cattle and pigs breeding that are expected to stabilise the livestock and meat market. Accounting for 9.7% in the CPI basket, this group of products has a significant influence on the overall domestic inflation. That is also the reason why meat price changes often cause the short-term fluctuations in inflation. The increase in meat prices (meat prices started to trend upward in mid-2004) seems to have been a delayed consequence of the drought of 2003, which increased the cost of feed and led to decreased stockbreeding. Concurrently, the Ministry did not allow meat imports that would be above the pre-set quotas. In the meantime, the situation stabilised to some extent and the end of the new production cycle is expected to bring

lower meat prices.

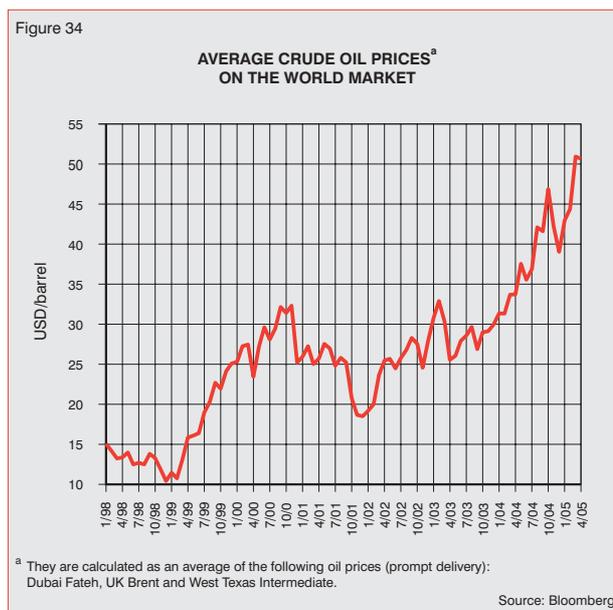
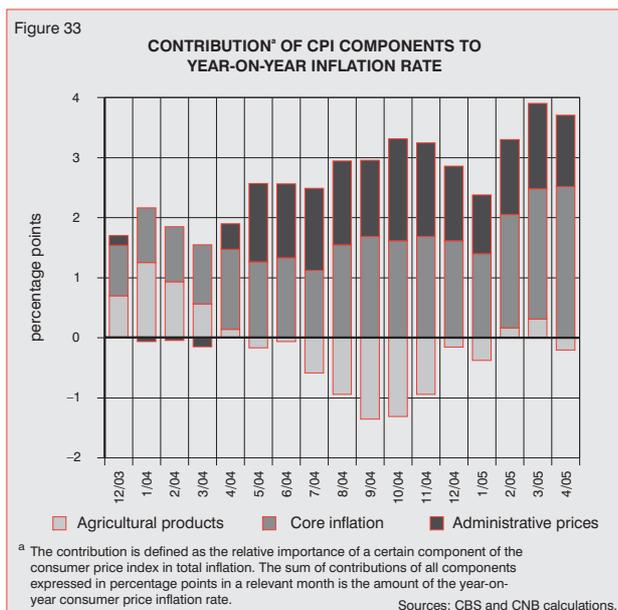
Consumer price inflation slowed down in early second quarter 2005. According to the recent CBS data, the aggregate level of consumer prices decreased by 0.2% in April compared with the previous month, while the year-on-year consumer price inflation rate fell by 0.4 percentage points, from 3.9% in March to 3.5% in April, due to the favourable effects of the base period. Following the growth of 30.4% in the first three months of 2005, vegetable prices started to fall as expected. In consequence, the year-on-year rate of change of vegetable prices went down from 9.4% in March to -4.8% in April, contributing 0.6 percentage points less to the total year-on-year inflation rate. Despite the continued growth in meat prices in April (although at a lower intensity) and a modest growth in prices of other food products, this was the key factor contributing to the fall in the year-on-year rate of change of food prices. Another major contributor to the fall of consumer price inflation was the decrease in the year-on-year rate of change of automobile prices from

Figure 32



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

Source: CBS.



–6.6% in March to –9.0% in April that was favoured by the appreciation of the kuna/euro exchange rate. Notwithstanding the growth of 1.9% in April over March, the year-on-year rate of change of refined petroleum products prices dropped from 16.9% in March to 14.0% in April as a result of the favourable impact of the base period (i.e. faster monthly growth in April 2004). The fall in the contribution of food and transport prices to the total year-on-year inflation rate in April was in part offset by the increase in contributions of clothing and footwear prices, furniture and equipment prices and recreation and culture prices.

The year-on-year core inflation rate rose by 1.3 percentage points in the first four months of 2005 – from 2.3% in December 2004 to 3.1% in March and to 3.6% in April according to the data published by the CBS. The largest contribution to the growth in the core inflation rate in the first four months of 2005 was made by the increase in the year-on-year rate of change of meat prices, from 3.5% in December to 10.7% in April, while the contribution of meat prices to core inflation grew by 1.0 percentage point (from 0.5 to 1.5 percentage points). Since meat prices account for 13.8% in the core inflation basket in 2005, or more than in the CPI basket, and since the core inflation basket<sup>9</sup> excludes agricultural products prices<sup>10</sup> and administrative prices, the share of other products in the basket is proportionally increased.

Taking into account that the contribution of agricultural products prices and administrative prices to the total year-on-year inflation rate was somewhat lower in April 2005 than in December 2004, total inflation growth in the first four months of 2005 was entirely stimulated by the acceleration in core inflation. Despite the annual increase in prices of refined petroleum products, total year-on-year rate of change of administrative prices declined slightly, mostly due to the intention to avoid the unpopular price increases in

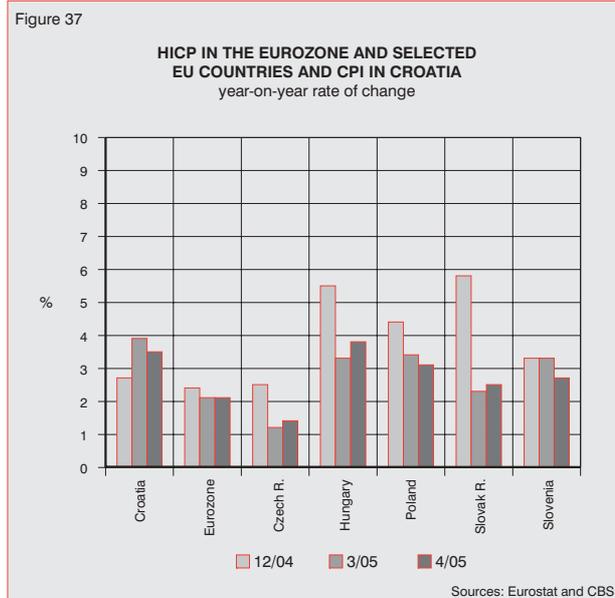
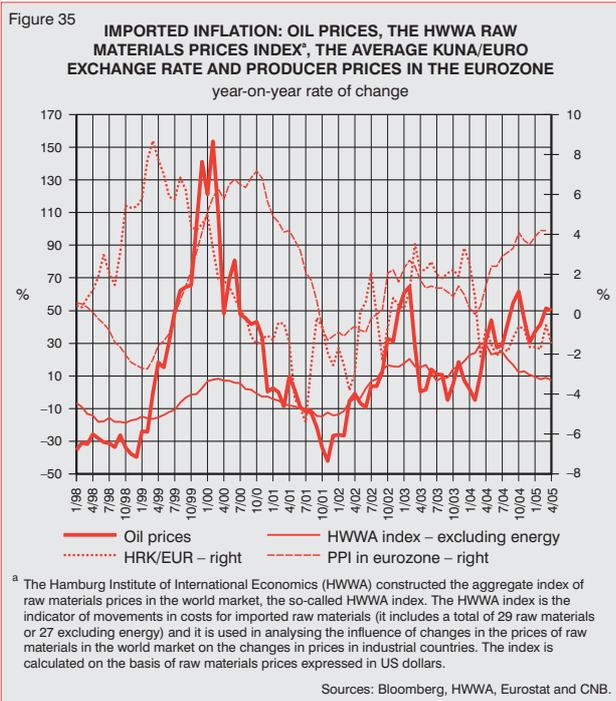
the period before the local elections.

Imported pressures seen in the last four months were strong. The growth in crude oil prices was driven by the higher than expected growth in demand for oil. Having in mind that the free capacities for the exploitation, transportation and processing of crude oil, i.e. refined petroleum products, are limited, sudden swings between demand and supply in the market may result in high growth and fluctuation of oil price. In addition, the geopolitical uncertainties that were putting upward pressure on oil prices in 2004 have now abated completely in the first half of 2005. The average daily price of crude oil lifted from USD 39.0 a barrel in December 2004 to USD 50.6 a barrel in April 2005 in the world market, with prices for some types of crude oil exceeding the level of USD 57.0 a barrel in April. While the appreciation of the kuna/US dollar exchange rate suppressed the growth of crude oil prices in 2004, the weakening of the kuna against the US dollar in the first four months of 2005 resulted in the higher growth in oil prices in kuna terms (31.3%) than in US dollar terms (29.7%). Although OPEC Member Countries decided to increase its production quota on the meeting held on 16 March, the weakening of crude oil prices was recorded not earlier than in the second half of April. With the total growth in crude prices standing at 31.3% in kuna terms, domestic prices of refined petroleum products grew by 8.4% in April over December. In the reference period, crude oil prices grew at a somewhat higher rate in the eurozone (35.7% in euro terms). However, the eurozone's growth rate of retail prices of refined petroleum products was lower and stood at 8.0%.

The upward trend in raw materials prices (energy excluded) continued in the first four months of 2005 but at a lower rate than in 2004. As a result, the year-on-year growth rate of raw materials prices, measured by the HWWA index (expressed in dollar terms, energy excluded), went down to 7.4% in April 2004 from 10.6% in December 2004. Strong demand, especially from China, pushed the prices of iron ores and non-ferrous metals up to 45.7% and 13.9% year-on-year respectively in April 2005. Imported inflation,

<sup>9</sup> The share of products excluded from the basket stood at 30.06% in 2005 (of which 6.93 percentage points was accounted for by agricultural products prices and 23.13 percentage points by administrative prices).

<sup>10</sup> Vegetable, fruit and fish.

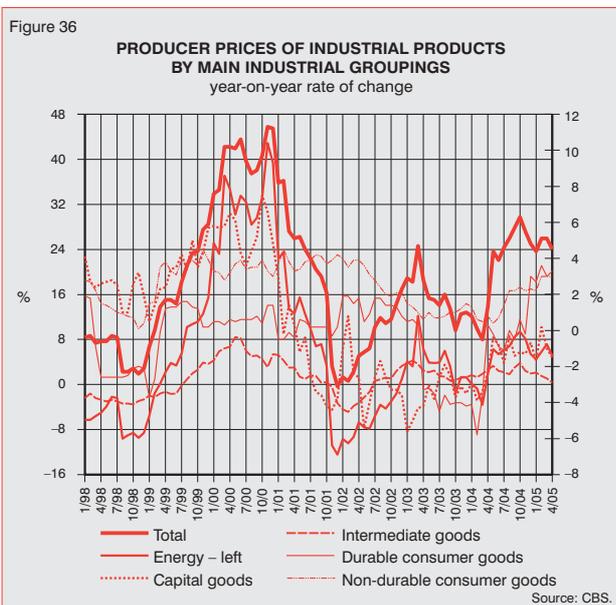


with the eurozone producer prices being one of its components, caused the year-on-year growth rate of imported inflation to accelerate from 3.5% in December 2004 to 4.2% in March 2005. The recorded acceleration was largely the result of the growth in energy prices. The year-on-year growth rate of producer prices of final products was low in the eurozone in the last two years, standing at 1.4% and 0.8% for durable and non-durable consumer goods respectively in March 2005. For the time being, there are no signs of a more significant spillover of the growth in refined petroleum products into producer prices of final goods in the eurozone.

Driven by the growth in producer prices of refined petroleum products, the year-on-year growth rate of domestic producer prices rose from 4.8% in December 2004 to 5.1% in the first quarter of 2005, while the year-on-year rate of

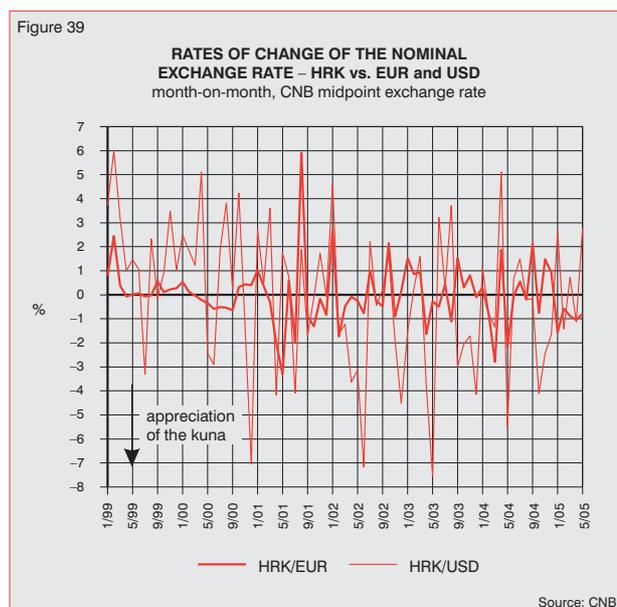
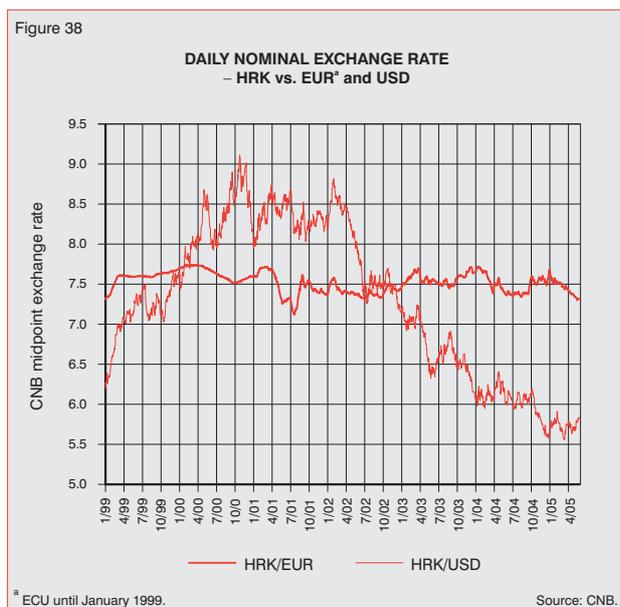
change of energy prices went up from 5.4% to 7.2%. Despite the continued growth in producer prices of refined petroleum products in April, the year-on-year rate of change of producer prices of refined petroleum products fell from 22.1% in March to 12.5% in April due to the effect of the base period (i.e. considerably higher growth in April 2004), and thus greatly contributed to the fall in the year-on-year rate of change of producer prices, from 5.1% in March to 4.5% in April. The year-on-year rates of change of durable and non-durable consumer goods for final production accelerated slightly in the first four months of 2005, reaching 3.3% and 3.0% respectively in April. Also present in 2004, the upward trend in these prices might be the consequence of a certain spillover of the increase in oil prices and raw material prices into final products prices.

In contrast to Croatia, the eurozone inflation rate trended downward in the first four months of 2005. According to Eurostat's data, released on 19 May, the year-on-year inflation rate stood at 2.1% in April, down 0.3 percentage points compared with the rate recorded in December 2004. The rate of inflation also slowed down in the Czech R., Poland and Slovenia and especially in Hungary and the Slovak R.



## Exchange Rate

Despite high levels of kuna liquidity in the banking system, the kuna/euro exchange rate appreciated nominally in the first quarter of 2005 – by 3.0% or from HRK 7.67/EUR on 31 December 2004 to HRK 7.44/EUR on 31 March 2005. The appreciation trend was somewhat more pronounced in the first half of January when the kuna strongly trended upward and regained the value it had before the slide in the second half of December 2004. This appreciation largely continued in March, with the exchange rate strengthening by 0.9% or from HRK 7.51/EUR on 28 February to HRK 7.44/EUR on 31 March. In March, the increased demand for kuna and appreciation pressures were, inter alia, stimulated by the placement of funds in the government



bonds worth of HRK 3.0bn. The central bank attempted to moderate appreciation pressures by purchasing a total of EUR 217.0m in the first quarter of 2005 (of this amount, EUR 117.0m were purchased from banks at three foreign exchange auctions: EUR 8.5m on 19 January, EUR 80.4m on 4 March and EUR 28.1m on 15 March, while EUR 100.0m were purchased via other foreign exchange transactions). The central bank generated a significant amount of liquidity in this manner – HRK 1,637.6m. As planned, in the first quarter of 2005 the CNB sold to the MoF a total of EUR 245.6m it required to service the external debt.

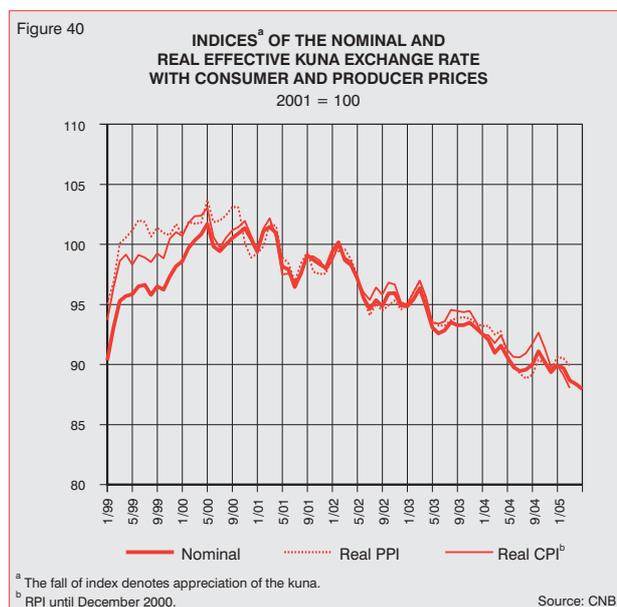
The kuna/euro exchange rate continued to appreciate in nominal terms in May and April and strengthened by a total of 1.8%, from HRK 7.44/EUR on 31 March to HRK 7.31/EUR on 31 May. In this two-month period, the central bank intervened only once in the foreign exchange market and purchased a total of EUR 90.8m from banks at the auction held on 15 April. In April, it sold foreign exchange amounting to EUR 27.6m to the MoF.

The exchange rate of the kuna against the US dollar fluctuated significantly in the foreign exchange market in the first five months of 2005, moving within a range of 9.0% to -3.8% relative to the average exchange rate recorded in that period. The US dollar strengthened against the euro by 8.0% in the first five months and the value of the euro fell from USD 1.36/EUR on 31 December 2004 to USD 1.25/EUR on 31 May 2005. The nominal appreciation trend of the US dollar against the euro was pronounced in January and in the period after the second half of March. The build-up of appreciation pressures is, above all, attributed to the growing interest-rate differential between the USA and the eurozone (caused by the tight monetary policy of the Fed) and the unexpectedly weak economic growth in the eurozone. Analysts however estimate that these pressures are short-term by nature and that the US dollar/euro exchange rate will continue to weaken in the long run due to the structural imbalance in the US economy (the burgeoning current-account deficit).

The kuna/US dollar exchange rate depreciated by 3.6% in the first five months of 2005, from HRK 5.64/USD on 31

December 2004 to HRK 5.84/USD on 31 May 2005. The pronounced appreciation of the kuna against the euro mitigated the intensity of the depreciation of the kuna against the US dollar, because the nominal exchange rate of the kuna against the dollar is calculated on the basis of the exchange rate of the kuna against the euro (the basic currency used for compiling the CNB exchange rate) and the exchange rate of the US dollar against the euro in the international foreign exchange market. With a 4.7% nominal appreciation against the euro and a 3.6% depreciation against the US dollar in the first five months of 2005, the kuna appreciated by 4.9% against the Swiss franc, 1.6% against the pound sterling and 4.7% against the Slovene tolar. The index of the daily nominal effective exchange rate of the kuna appreciated against the currency basket by a total of 2.5% (31 May 2005 to 31 December 2004).

As a result, the movements of the index of the real effective exchange rate of the kuna varied within the first quarter period of 2005. According to the index of the real effective



exchange rate deflated by consumer prices and producer prices, the kuna exchange rate appreciated by 1.9% and 0.4% respectively in real terms against the currency basket in the first quarter of 2005 (March 2005 to December 2004). In this period, the average monthly index of the nominal effective exchange rate of the kuna appreciated by 0.8%. The difference between the real effective kuna appreciation rates and the real effective kuna depreciation rates was the result of a faster growth in domestic consumer prices than in foreign consumer prices and a somewhat slower growth in domestic producer prices compared with those registered abroad.

## Monetary Policy and Instruments

### Monetary Environment

The first and the beginning of the second quarter of 2005 were marked by abundant kuna liquidity, which was created at end-2004. Still, as there were no seasonal depreciation pressures in early 2005, the CNB did not sell foreign exchange to banks. These sales are used to withdraw kuna surpluses and are needed due to seasonal falls in currency in circulation at the beginning of the year. Instead of seasonal depreciation, the kuna has continuously strengthened against the euro in 2005 despite kuna surpluses, so that the CNB created additional liquidity by purchasing foreign exchange from commercial banks.

High liquidity was particularly beneficial for the central government that, in line with its orientation towards increased financing on the domestic market, raised its domestic debt by some HRK 10bn in the first quarter of 2005, of which 3/4 refer to its debt to commercial banks. Banks financed the government primarily by large purchases of T-bills, which are the most suitable instrument for investing temporary liquidity surpluses due to their maturity, marketability and acceptability as collateral for CNB loans. At end-March, banks extended to the government a foreign exchange loan of EUR 500m, which was used for the redemption of mature eurobonds. Placements to the private sector have continued to grow at almost the same rates as in the last two years, and the increased government borrowing on the domestic market has not led to slower growth in these placements, i.e. to crowding-out of the private sector. Data on household loans (the exchange rate effects excluded) show that the period of their slower growth, which lasted since 2003, ended, and that their year-on-year growth rates have slowly picked up pace over the last few months. Despite strong credit activities, data on economic activity indicate its slowdown in early 2005. Hence, a slight upturn in the annual growth rate of consumer prices, from 2.7% in December 2004 to 3.5% in April 2005, can be attributed to a cost-push and not to a domestic demand-pull. This is confirmed by items that recorded the sharpest price increase: automotive fuels, and agricultural products and meat, whose prices increased due to unfavourable weather conditions.

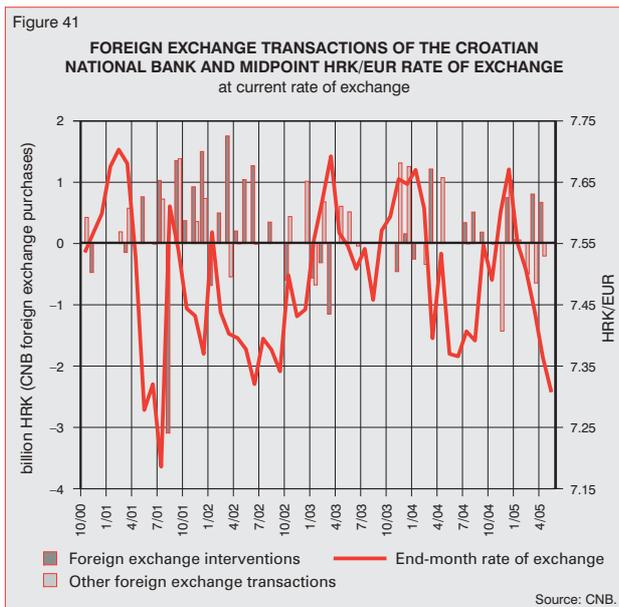
To eliminate the risk posed by the high liquidity, in May 2005, the CNB Council increased the rate of the foreign exchange component of reserve requirements (RR) that is allocated in kuna, from 42% to 50%, to be applied as of June 2005. This should withdraw the entire liquidity surplus and spur the use of new monetary policy measures, which were introduced in April 2005 (see Box 2). In addition to the management of the kuna exchange rate, the new operational framework foregrounds the need for more active management of liquidity and money market interest rates. Hence, following the ECB's example, it is based on operations aimed at creating liquidity. The greatest challenge for the new operational framework will be capital inflows and pressures on the exchange rate. In case appreciation pressures persist, the central bank will continue its foreign exchange purchases and thus create domestic liquidity, which will considerably restrict the use of the new instruments.

External debt is still in the centre of attention of monetary policymakers. In February 2005, the CNB released a portion of the foreign exchange assets of banks by the Decision on the Minimum Required Amount of Foreign Currency Claims, which was to ease domestic market refinancing of government eurobonds at end-March. To additionally stress its concern over strong external debt growth and discourage the existing bank policy of external borrowing for the purpose of financing domestic credit activities, the CNB increased the rate of the marginal reserve requirement (MRR) from 24% to 30% in February. However, even this rate was insufficient to deter banks' foreign borrowing. After falling briefly in January and February, foreign exchange liabilities of banks went up by EUR 800m in March. Hence, the CNB additionally raised the MRR rate in May, to 40%.

### Uses of Instruments of Monetary Policy

The high kuna liquidity, which marked the first and the beginning of the second quarter of 2005, was created by the CNB foreign exchange purchases in December 2004, which was the period of increased seasonal demand for currency. The seasonal downturn in currency in circulation in the first quarter of 2005 additionally increased already substantial liquidity surpluses of commercial banks. Appreciation pressures prevented liquidity withdrawal by foreign exchange sales. To cushion the exchange rate strengthening, the CNB intervened four times in the foreign exchange market by purchasing a total of EUR 207.8m from banks, thus creating some HRK 1.5bn in the January-May 2005 period. In the same period, in its transactions with the central government and other foreign exchange transactions, the CNB sold EUR 173.3m net of foreign exchange, thereby withdrawing HRK 1.3bn. In the first five months of 2005, the CNB purchased EUR 34.5m net in its foreign exchange transactions, with a monetary effect of HRK 258.8m.

Regular reverse repo operations, conducted every Wednesday, have been introduced as a supplementary monetary policy instrument used to manage liquidity (and interest rates). In these transactions banks may withdraw funds from the CNB, with a repayment period of up to one week. The CNB sets the marginal amount and price of these funds. In



time, the interest rate at regular reverse repo auctions should set the average price of money. In view of the high liquidity on the money market at the moment this instrument was introduced, commercial banks did not need additional liquidity so that their April 2005 bids of symbolic amounts that they offered at regular auctions were only to test this instrument and procedures of its use. The CNB mostly declined such offers, regardless of offered interest rates, which were in the lower half of the interest rate range set by standing facilities: Lombard loans and overnight cash deposits. However, these rates were higher than those on the money market (see Money Market). At only one auction, the CNB accepted some offers, in the amount of HRK 2m, showing that this instrument can be used as needed. In May, banks did not submit their offers at regular auctions.

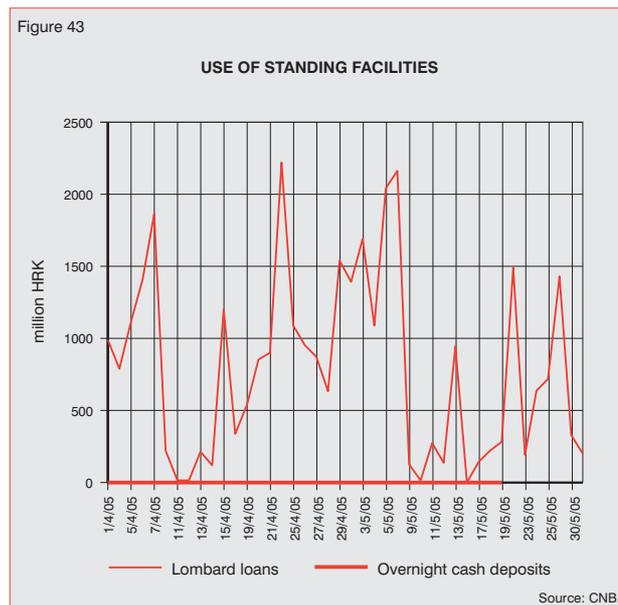
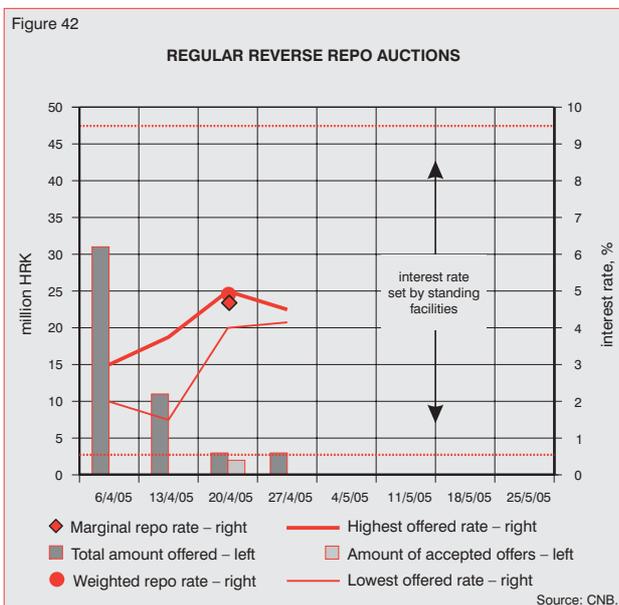
In April and May there was neither opportunity for reverse repo operations, nor for the use of new fine tuning operations and structural monetary policy operations. These operations were not used because in its portfolio the CNB

does not currently hold any domestic assets (T-bills) that it could sell on the secondary market and thereby withdraw surplus liquidity. Due to the kuna appreciation, the CNB was not inclined to withdraw liquidity by issuing CNB bills.

Commercial banks used the newly introduced standing facility to deposit funds overnight with the CNB at the interest rate of 0.5%. The surplus liquidity in the system reduced the demand on the money market so that banks could often deposit surplus liquidity (exceeding the funds needed for RR purposes) only in overnight deposits with the CNB. Hence, these deposits were quite substantial and largely reflected the liquidity surplus over the amount needed for maintaining kuna RR. Overnight deposits averaged HRK 884m in April and HRK 770m in May. In line with the demand pattern on the money market, overnight deposits usually increase at the end of a calculation period and on the last working day of a week.

In the same period, banks did not need costly Lombard loans, whose utilisation has been eased by the changes in the new monetary policy operational framework.

The use of overnight deposits has also been spurred by the changes in the method of allocating and remunerating RR in kuna. As of April, 70% of the calculated RR in kuna banks allocate in their accounts with the CNB, and this amount is remunerated. The remaining 30% banks maintain in their vaults and settlement accounts with the CNB. As of April, in line with practices of other central banks, the CNB no longer remunerates the funds banks keep in their settlement accounts. This has prompted banks to deposit their surplus funds in overnight deposits with the CNB. In addition to ending the payment of remuneration on the RR component that banks hold in their settlement accounts, the CNB further reduced the rate of remuneration on the allocated component of kuna RR was cut from 1.25% to 0.75%, effective as of June, whereas the rate of remuneration on the allocated foreign exchange RR was cut from 0.75% to 0.50% of the benchmark interest rate (ECB and Fed). The former cut has reduced the amount of kuna autonomously created by

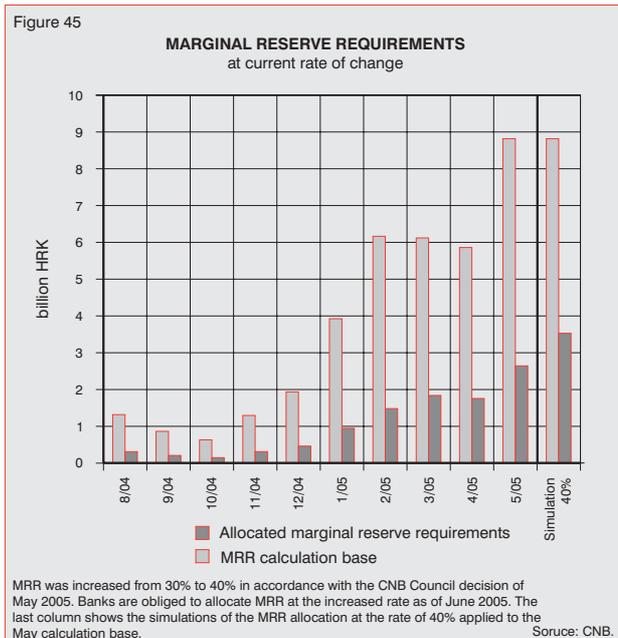


the CNB via remuneration paid, which has boosted surplus kuna liquidity. The latter cut has additionally increased the price of using foreign exchange funds, particularly those acquired abroad.

Reserve requirements are still the main instrument used to automatically withdraw liquidity. In the first five months of 2005, the calculated RR in kuna increased by HRK 781m due to the increase in the base itself. The rate of allocation, which was minimum 60%, though banks allocated much more (on average, 72.3% in December 2004), has been fixed since April, at 70%. The allocated RR in kuna declined in the first five months of 2005, by HRK 82m. The increase in the calculated kuna component of RR for f/c sources of funds, from 42% to 50%, will additionally increase kuna RR in June. The effect of this increase on the May base for the RR calculation is around HRK 1.9bn. This surpasses the current liquidity surplus, and therefore opens room for the use of the new instruments.

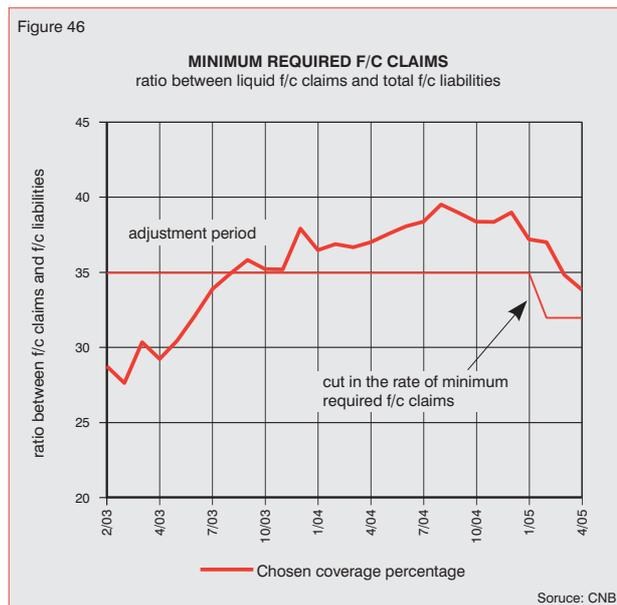
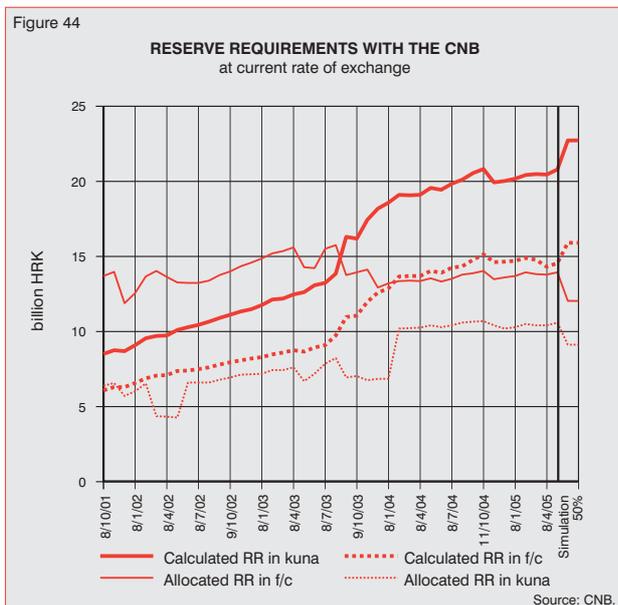
Following the increase in the kuna component of allocation, the RR in foreign exchange will be reduced by the same amount, i.e. some EUR 220m. Like RR in kuna, RR in foreign exchange have also increased in 2005 due to the increase in the base. This was particularly evident in allocations in February and May when, due to the monthly averaging of the base, the consequences of banks' foreign borrowing at end-December and end-March became fully evident. In the first five months of 2005, allocated RR in foreign exchange rose by some EUR 100m.

To discourage banks from further strong borrowing abroad, the CNB increased the MRR rate on two occasions, thereby reducing the portion of funds that banks can place on the basis of foreign borrowing and earn profits on the difference between interest rates in Croatia and abroad. The MRR rate was increased from 24% to 30% in February 2005. However, this increase was insufficient to discourage commercial banks from foreign borrowing, which substantially increased in March. In May, the CNB Council decided to increase the MRR rate again, to 40%, effective since June. This increase, although it has reduced the option to profit



from external borrowing for the purposes of extending relatively expensive domestic loans, has not completely eliminated room for such profiting. To completely eliminate the possibility of profiting from such activities, the MRR rate should be over 50%. The calculated MRR increased strongly on account of the increase in both the rate and the calculation base. In the first five months of 2005, MRR grew by around EUR 300m. The increase in the rate to 40% should additionally raise the total MRR amount by some EUR 120m.

The described tightening of bank obligations with respect to RR was accompanied by the easing of another related instrument; the rate of the minimum required amount of foreign currency claims was cut from 35% to 32% in February, which released some HRK 4.0bn. Although these funds were intended for the financing of a foreign currency loan to the government in March, commercial banks used them to temporarily reduce their foreign liabilities (and thereby the MRR



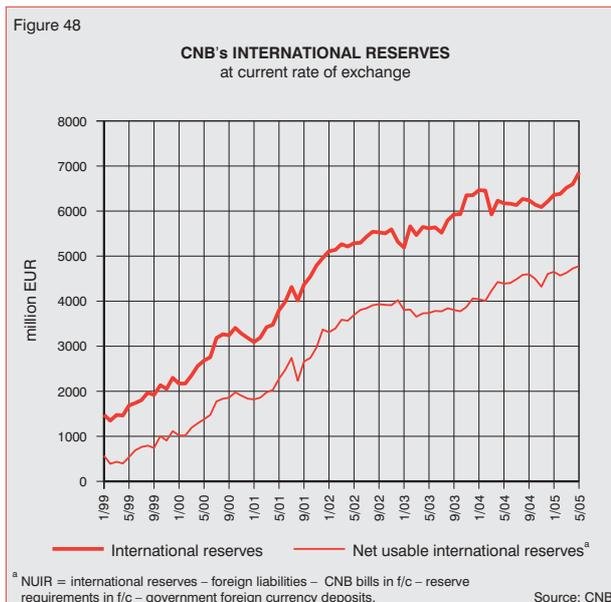
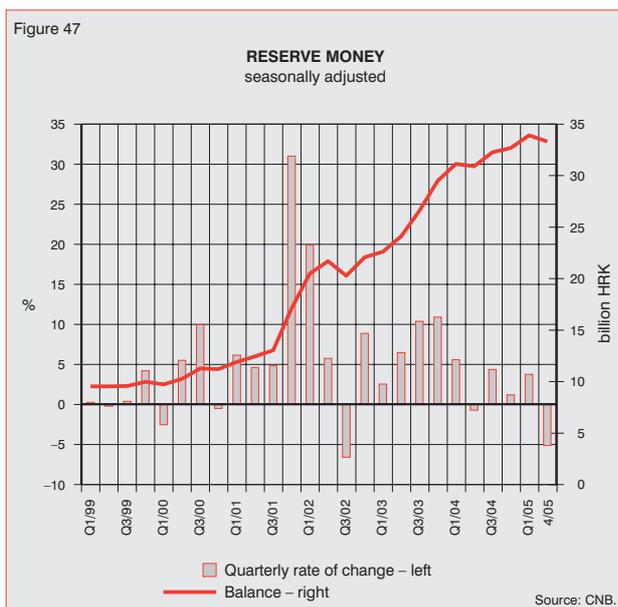
calculation base) in February and early March, and to finance the increase in placements to other sectors. Once they exhausted the funds released, banks again turned to foreign sources.

### Reserve Money and International Reserves

Demand for reserve money (M0) usually falls at the beginning of the year due to a seasonal decline in currency in circulation. Since reserve money contracted less in early 2005 than in the previous years, and since there was no seasonal sale of foreign exchange, reserve money fell less than in the preceding years. This is evident in the growth of its seasonally adjusted value in the first quarter of 2005. Nevertheless, a portion of reserve money went to a government deposit with the CNB, which was extremely low at end-2004. A decline in balances in the banks' settlement accounts with the CNB and an increase in government funds, which occurs at the end of almost every month, resulted in a fall of the annual growth rate of reserve money from 10.9% at end-December 2004 to 10.0% at end-March and to only 8.0% at end-April 2005. In the first quarter of 2005, the average amount of reserve money was 11.3% over that in the first quarter of 2004. Due to the increase in government deposits in April 2005, M0 averaged 8.0% less than in April 2004.

Within the structure of reserve money, bank deposits with the CNB recorded the largest nominal downturn in the first three months of 2005, of HRK 0.9bn. This was the outcome of a decline in funds in the banks' settlement accounts and vaults (of HRK 0.8bn and HRK 0.2bn respectively) and an increase in allocated kuna RR of banks (of HRK 87m). However, the beginning of the second quarter saw a recovery of M0 due to a HRK 245m increase in currency outside banks. Surplus liquidity, which they used to keep in their settlement accounts, banks have started placing into the newly introduced overnight deposits, which stood at HRK 1.5bn at end-April, while the average balance in the settlement accounts fell by HRK 1.3bn in that month.

Government deposits in kuna, which fell sharply at



end-December 2004 (to only HRK 283m) due to the settlement of government obligations at the year-end, recorded a recovery in their average balance in the first quarter of 2005, which withdrew a portion of liquidity from banks. This recovery followed the January issue of government bonds on the domestic market, which was used for the settlement of due instalments to the Paris and London clubs. As agreed, the central government deposited these funds with the CNB and gradually purchased from the CNB the foreign exchange needed for the settlement of its external obligations. In the first quarter of 2005, kuna deposits averaged some HRK 858m, up 52.8% over the same period last year. In April, government deposits in kuna declined and averaged HRK 493m, down 16.6% relative to last April. In the first five months of 2005, government f/c deposits with the CNB were of a negligible amount as the government had no significant f/c inflows.

International reserves were on a steady upward trend in the first five months of 2005, after falling briefly in January due to the sale of foreign exchange that the government needed for the repayment of its obligations to the Paris and London clubs. The increase in international reserves was boosted by CNB foreign exchange transactions, whereby EUR 34.5m net was purchased, the increase in the allocated RR in foreign exchange of EUR 100m, the increase in the MRR of around EUR 300m, as well as the income from international reserves investment. The strengthening of the US dollar against the euro also contributed to the increase in international reserves in euro equivalent. At end-May, total international reserves stood at EUR 6,991m, which is an increase of EUR 554m relative to the beginning of the year. Net available international reserves amounted to EUR 5,181m, recording an increase of EUR 155m.

### Monetary Developments

In the first quarter of 2005, monetary developments were marked by seasonal stagnation in domestic funding sources so that banks continued to finance their domestic credit

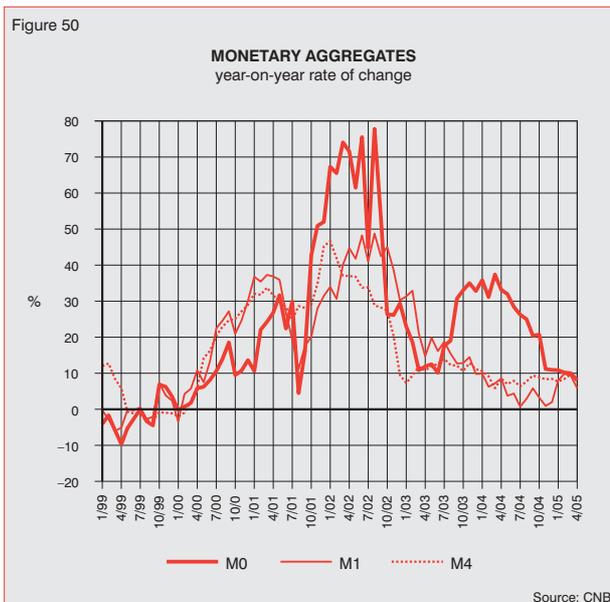
activities by borrowing abroad. The government's orientation towards the domestic market led to a stronger rise in bank placements to the central government than to households and enterprises. The 3% appreciation of the kuna against the euro caused a decline in kuna equivalent of all foreign exchange items, as well as placements and deposits with a currency clause.

### Money

Money (M1) held steady in the first quarter of 2005, which was in contrast with its seasonal decline that was common in the first quarters of previous years. This quickened the M1 year-on-year growth rate, which went up from 2.0% at end-2004 to 9.2% at end-March. The seasonally adjusted value of money also indicates its recovery in the first months of 2005. Money grew at the beginning of the second quarter and stood at HRK 34.9bn at end-April 2005, up 6.0% over last April.

Demand deposits fell by only HRK 105m in nominal terms in the first three months of 2005, while they fell by HRK 1.7bn in the same period last year. This increased the year-on-year growth rate of demand deposits, to 8.8% at end-March. Let us remember that demand deposits grew by only 1.2% throughout 2004. At the end of the first quarter of 2005, demand deposits stood at HRK 23.5bn. They declined slightly in April, by HRK 100m, which reduced their annual growth rate to 4.2%.

Households and enterprises, which are the two most significant sectors with regard to the structure of demand deposits, recorded diverse developments. Funds in corporate giro and current accounts decreased by HRK 0.6bn (-4.8%) in the first three months of 2005, while household funds in these accounts increased by HRK 0.7bn (8.0%). Weaker corporate demand for transaction money is common at the beginning of a calendar year, while the increase in household demand deposits reflects intense credit activities of banks in that sector. In line with these developments, the annual growth rate of household demand deposits grew to 21.5% at end-March, while the annual growth rate of corporate de-



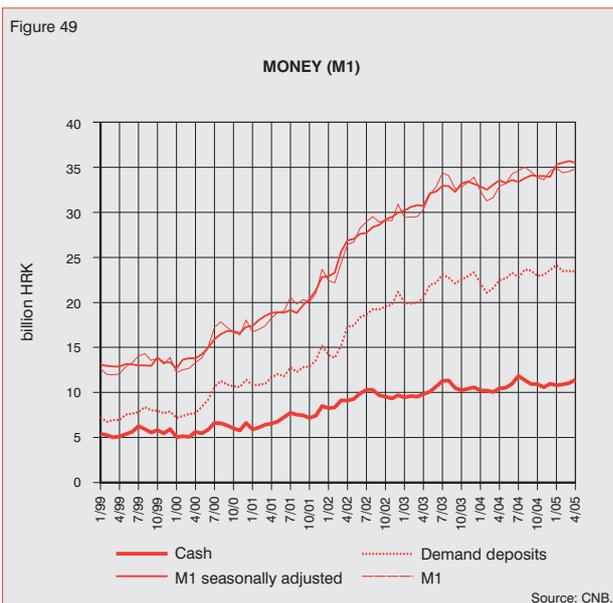
mand deposits was much lower, 4.1%.

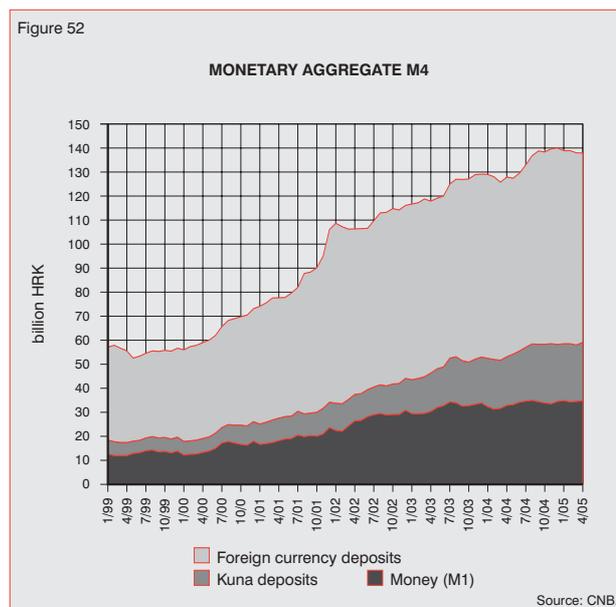
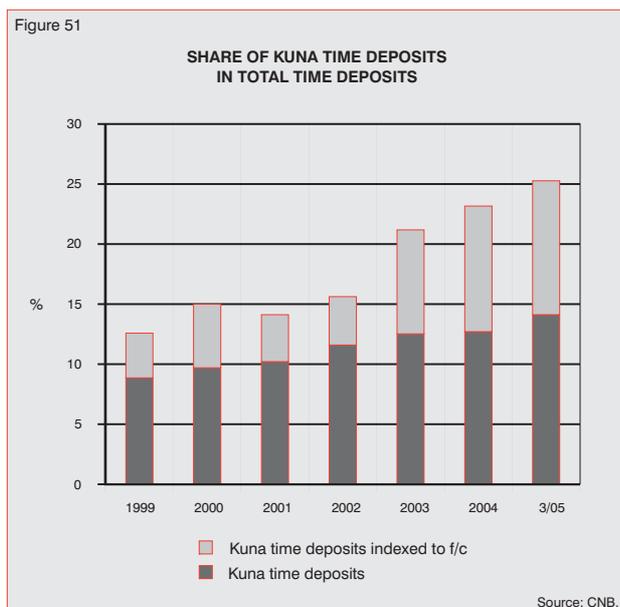
The other component of money – currency, recorded a lesser seasonal decline in the first three months of 2005 than in the previous years. The average daily balance of currency in circulation was 7.6% (HRK 0.7bn) higher in the first quarter of 2005 than in the same period last year and the annual growth rate of currency was 10.2% at end-March. Currency continued to grow at the start of the second quarter (by HRK 0.4bn) and stood at HRK 11.4bn at end-April, growing annually by 10.0%.

### Total Liquid Assets

Growth in kuna non-monetary deposits, which marked monetary developments in the last two years, came to an end in the first quarter of 2005 when domestic kuna sources remained flat. In the same period last year, kuna deposits recorded strong growth (of HRK 1.3bn) due to the base period effect, so that the annual growth rate of kuna savings declined. The annual growth rate of kuna deposits was halved from 30.7% at the end of the first quarter of 2004 to 14.5% at end-March 2005. Still, kuna deposits grew by HRK 0.7bn in April and stood at HRK 23.3bn. This led to the recovery of their annual growth rate (17.2%) so that it can be concluded that the first-quarter stagnation in kuna savings was only temporary.

Slower growth in kuna deposits was affected by the drop in corporate kuna savings, while the steady increase in household kuna savings and time deposits in particular continued. In the first quarter of 2005, household kuna deposits went up by HRK 1.2bn, thus retaining a high annual growth rate (of 38.0%). Kuna corporate deposits fell by almost the same amount, which led to the stagnation of the kuna component of quasi-money in the first quarter of 2005. At end-March 2005, kuna corporate deposits were 3.7% smaller than at end-March 2004. Faster growth in kuna household deposits than corporate deposits has changed the structure of the deposits themselves, so that, relative to last March, the share of households in total kuna deposits grew by 10 percentage points, to 57%.





In the first quarter of 2005, developments in foreign currency deposits in kuna terms were affected by the appreciation of the kuna exchange rate, so that foreign currency deposits actually remained steady despite their decline in kuna terms. Thus, f/c deposits fell by 2.2% (HRK 1.8bn) in kuna terms relative to end-2004. However, the exchange rate effects excluded, this component of quasi-money recorded a slight 0.2% increase. Such developments in f/c savings were recorded in the first quarter of 2004 as well, so that their year-on-year growth rate at end-March 2005 remained at the level recorded at end-2004 (8.0%). A downward trend in f/c deposits in kuna terms continued at the beginning of the second quarter. At end-April, f/c deposits stood at HRK 78.7bn and their annual growth rate fell to 5.3%.

Excluding the effects of kuna exchange rate developments, households recorded a modest increase in f/c savings (0.6%), while enterprises recorded a decline in f/c deposits (-2.2%) in the first quarter of 2005. At the annual level, one may observe that the upward trend in f/c deposits of the corporate sector continued to be stronger than that in the household sector (15.2% vs. 7.1%). Still, this has not strongly affected the structure of f/c deposits so that the household sector, accounting for 84.0% of total f/c deposits, has remained the main source of f/c funds on the domestic market.

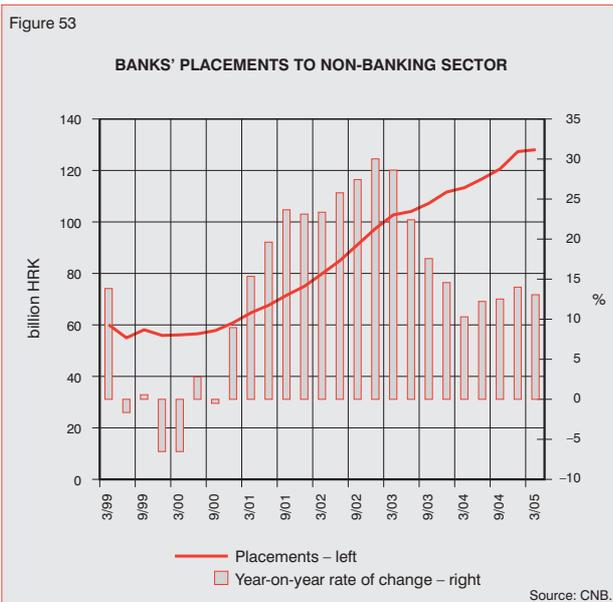
Described developments led to a decline in total liquid assets (M4) in the first quarter of 2005, of HRK 2.0bn (1.4%). However, this can be solely attributed to the effect of the kuna appreciation on that part of total liquid assets that is linked to exchange rate developments (f/c deposits and kuna deposits with a currency clause). The exchange rate effects excluded, M4 held steady in the first three months of 2005 but was 9.3% over that at end-2004 due to a weaker contraction this year. At the beginning of the second quarter, the kuna appreciation continued to affect M4 developments, so that M4 remained flat in nominal terms in April, being HRK 138.0bn at the month-end.

### Placements

Bank placements to the non-banking sector grew by HRK 0.8bn or 0.6% in nominal terms in the first quarter of 2005, which was less than in the last quarter of 2004 (when they grew by 5.5%). Still, placement developments were also affected by the strong appreciation of the kuna against the euro. In the currency structure of loans, which account for 95% of total placements, 3/4 are f/c loans and kuna loans with a currency clause whose value in kuna is linked to exchange rate developments. The exchange rate effects excluded, bank placements to the non-banking sector increased by 2.7% in the first quarter of 2005, after growing by 4.7% in the last quarter of 2004.

The annual growth rate of placements exhibited no major changes, and stood at 13.0% at end-March 2005. In the first three months, household placements grew at a faster pace than corporate placements (3.9% vs. 1.9%, the exchange rate effects excluded). The decline in total corporate placements in the first quarter of 2005 was the outcome of a HRK 0.9bn decline in bank claims arising from money market instruments, which was not offset by a HRK 0.4bn rise in corporate loans. Growth in bank placements quickened at the beginning of the second quarter of 2005 due to increased bank lending to both sectors. At end-April 2005, bank placements to the non-banking sector stood at HRK 129.7bn, up 14.3% over end-April 2004 (the exchange rate effects excluded). Total household and corporate loans stood at HRK 67.2bn and HRK 54.6bn respectively at end-April 2005, growing by 17.9% and 7.0% respectively, relative to end-April 2004.

No major changes were recorded in the structure of household loans in the first quarter of 2005, so that other loans, which include all-purpose loans and current account overdraft facilities, still account for the largest share of total household loans (45.9%). After recording a HRK 0.6bn increase in the first quarter of 2005, other household loans continued to grow strongly in April, by additional HRK 0.5bn. Aggressive policy of banks in the area of household loans and the evidently inexhaustible household demand for



new funds are reflected in the increase in total placements to this sector. The second most important category in the distribution of household loans are home loans, which account for 33.3% of total loans, while car loans account for 12.4%.

**Placements to the Central Government**

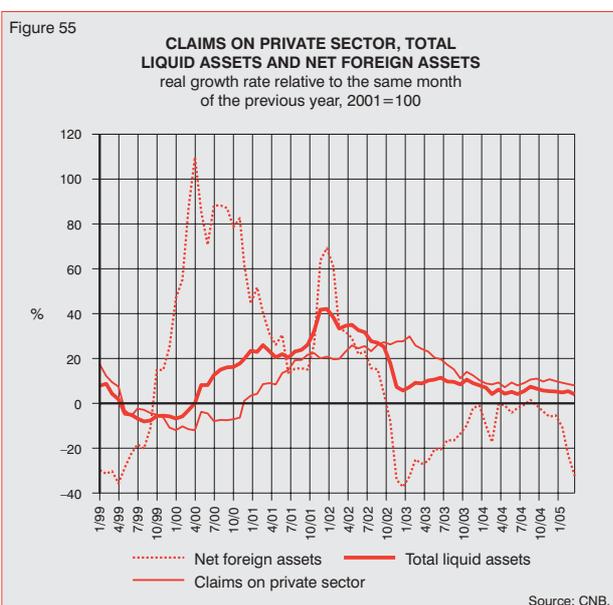
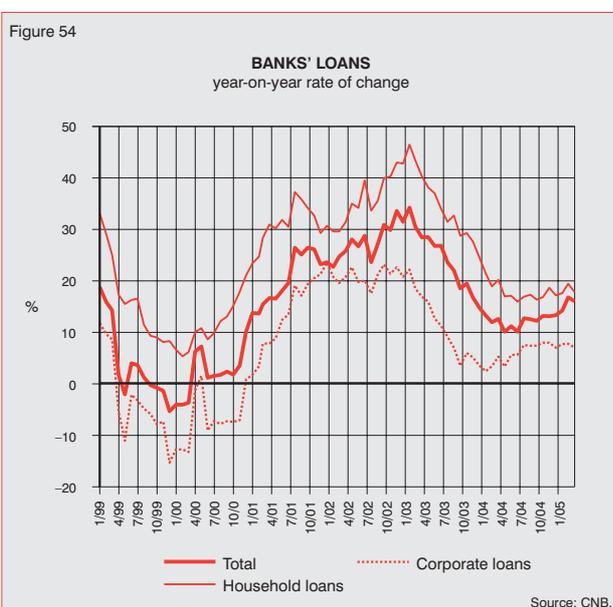
Bank placements to the central government grew sharply in the first quarter of 2005 owing to increased government financing on the domestic market. This increase amounted to HRK 7.7bn in the first three months of 2005, which is ten times over the increase in bank placements to the non-bank sector in the same period. Bank placements to the central government grew mostly on account of a syndicated f/c loan (of EUR 500m) that banks contracted with the government at end-March, accompanied by the government short-term borrowing on the domestic market. In the first three months of this year, the Ministry of Finance increased its T-bill issues, so that bank claims arising from purchased T-bills increased by HRK 3.1bn. In the same period, central government deposits with banks and the CNB recorded only a minor change, falling by HRK 0.4bn.

A growing tendency of the central government towards domestic market financing is also reflected in developments in banks' net placements to the central government. Their year-on-year growth rate was 42.0% at end-March, while it was even higher relative to end-2004, 52.3%. Banks' net placements to the central government fell slightly at the start of the second quarter (by 3.1%), standing at HRK 20.6bn at end-April.

**Foreign Assets and Liabilities**

In conditions of stagnant domestic funding sources, banks have continued to use foreign funding sources to finance domestic credit activities. Foreign liabilities of banks fell temporarily in January and February 2005 when banks settled a part of their short-term liabilities arising from substantial external borrowing at end-2004, but resumed a strong upward trend in March (growing by HRK 5.5bn or 9.6%). In the first quarter of 2005, foreign liabilities of banks rose by HRK 1.5bn. The cut in the rate of the minimum required amount of foreign currency claims from 35% to 32% in February 2005 enabled banks to reduce their foreign assets. Thus, foreign assets of commercial banks fell by HRK 8.6bn (19.7%) in the first quarter of 2005 relative to end-2004.

First quarter developments have changed the foreign position of commercial banks. As a result of increased bank borrowing abroad and a decline in their foreign assets, net foreign assets (NFA) went down from HRK -17.6bn at end-2004 to -27.7bn at end-March 2005 when their annual growth rate was 62.1%. Foreign liabilities of banks levelled off in April, but their foreign assets declined further by 4.8%, which continued the downward trend in NFA.



## Box 2: New Monetary Policy Operational Framework

Implementation of the new monetary policy operational framework began in April 2005.<sup>11</sup> Changes in the operational framework refer primarily to clear definitions of the purposes of particular monetary policy instruments and their relations. Compared with the previous few years, greater attention is being paid to the management of domestic liquidity and interest rates, in addition to the exchange rate. The existing monetary policy instruments have been changed and new instruments have been introduced. The new operational framework is aligned with that used by the European Central Bank.

Among monetary policy instruments, the focus is placed on open market operations, whose purpose is active management of liquidity and interest rates on the money market. Open market operations are divided into regular, fine tuning and structural operations. Several years back, the CNB was withdrawing liquidity by regular auctions of kuna CNB bills. By contrast, the new operational framework envisages that regular reverse repo operations, whereby liquidity is created, are used for the regular implementation of monetary policy. Regular reverse repo operations are conducted at weekly (Wednesday) auctions, and participants may be domestic commercial banks. The maturity of agreements is standardised to up to one week, and MoF treasury bills in kuna are acceptable collateral. Since these operations are used to create liquidity in the system, their importance will grow in periods of falls in the domestic liquidity, which was abundant at the time this instrument was introduced. Regular reverse repo operations should set the benchmark rate on the domestic money market.

In addition to regular operations, the new operational framework comprises fine tuning operations, which are intended to temporarily increase or decrease the liquidity in the system. They are conducted via repo and reverse repo operations, and by direct sale and purchase of securities. Their frequency and maturity are not standardised and they are conducted at non-standard offer auctions or in a bilateral way, with a limited number of participants. MoF treasury bills in kuna are acceptable collateral. In addition, the CNB may issue 35-day CNB bills in kuna to temporarily withdraw surplus liquidity.

The third form of open market operations are structural operations that will be used in case of need for long-term adjustments of the structural liquidity position. They are conducted via direct purchase/sale of securities and repo/reverse repo operations. They can be conducted at regular or irregular time intervals, and their maturity is not standardised. They are conducted via standard offer auctions at which commercial banks participate. Collateral acceptable for this type of operations is broader and includes a growing number of government securities.

The second group of instruments comprises standing

facilities that enable commercial banks to directly withdraw funds or place them into overnight deposits with the CNB. These facilities set the interest rate range on the money market, with a 9.5% interest rate on Lombard loans being the interest rate ceiling, and a 0.5% interest rate on overnight deposits with the CNB being the interest rate floor. Since money market interest rates should move within this range, banks should use the standing facilities only in exceptional circumstances when there is a (temporary) liquidity surplus or shortage at the system level, which should be offset by regular monetary policy operations.

Standing facilities include the previously existing (overnight) Lombard loan extended by the CNB. The possibility of its use on the basis of the same collateral has been increased since April, i.e. the haircut was reduced (instead of the former 50%, up to 90% of MoF treasury bills posted as collateral), and the time limit on the use of this instrument has been lifted (it was restricted to five days in a calculation period for each bank). The CNB has also introduced the option to suspend the granting of Lombard loans and other standing facilities, which may be important in case of potential speculative behaviour by commercial banks.

Intraday loans will be introduced in July 2005 when the Central Depository Agency implements the principle of real time gross settlement and delivery versus payment (DvP), which is to simplify the flow of payment transactions during a working day. A bank may use an intraday loan on a daily basis in the form of a limit in its settlement account. The said limit is the amount of an authorised overdraft in the bank's settlement account. An unpaid intraday loan at the end of a working day will be automatically considered as application for a Lombard loan in the amount of the negative balance in the bank's settlement account. Also, should the CNB suspend the granting of Lombard loans and limit their amount, this automatically implies the identical restrictions on the use of intraday loans. The CNB will charge no interest on intraday loans.

Since April, commercial banks have the option to deposit overnight their surplus kuna liquidity in the form of a cash deposit. The CNB pays a 0.5% interest on this deposit and it is the interest rate floor on the money market. Only banks have access to this instrument, and they may use it at the end of a working day. Like Lombard loans, these deposits have overnight maturity and the CNB refunds them to banks immediately after the CLVPS begins operations. Overnight deposits are not included in the calculation of reserve requirement maintenance. The CNB may also temporarily or permanently suspend the access of a bank or all banks to the deposit facility.

Described changes in monetary policy instruments have not reduced the need for reserve requirements (RR) and foreign exchange interventions, which are still the main monetary policy instruments in Croatia. Reserve requirements have remained the main tool to sterilise surplus liquidity in the system. The rate of RR is still 18%, whereas half (50%) of the calculated f/c component of RR has been allocated and maintained in kuna since June 2005. The only change in the RR instrument is that the percentage of

<sup>11</sup> The monetary policy operational framework is a set of monetary policy instruments and of methods of their use.

**Table 4: Survey of Monetary Policy Instruments Used to Influence Kuna Liquidity**

Instrument	Operation types	Form of operation		Frequency	Maturity	Interest rate/price
		Liquidity increase	Liquidity decrease			
Open market operations	Regular operations	- reverse repo operations	-	once a week	1 week	set at auctions
	Fine tuning operations	- reverse repo operations	- repo operations	as needed	not standardised	set at auctions/ in a bilateral way
		- direct purchase of securities	- direct sale of securities - CNB bill issuance			
	Structural operations	- direct purchase of securities - reverse repo operations	- direct sale of securities - repo operations	as needed	not standardised	set at auctions
Standing facilities	Lombard loans	- loan on the basis of pledged securities	-	daily	overnight	9.5% (interest rate ceiling)
	Intraday loans	- loan on the basis of pledged securities (in the form of a limit in a settlement account)	-	daily	the end of the day when it was used	interest-free
	Overnight deposits with the CNB	-	- deposit	daily	overnight	0.5% (interest rate floor)
RR in kuna		-	- allocated deposit and maintenance in vault and settlement account	- RR rate: 18% - 42% of the f/c component is allocated in kuna - kuna component: 70% allocation, 30% maintenance		0.75% on the allocated kuna component
F/c auctions		- purchase of f/c	- sale of f/c	as needed		set at auctions/ in a bilateral way

Source: CNB.

allocation of the kuna component of RR has been raised and fixed at 70% as of April 2005. The CNB pays remuneration only on the allocated component of kuna RR, at the 0.75% rate effective as of June. A component of RR that banks maintain in vaults and settlement accounts, and which they use for payment operations, is no longer remunerated.

Finally, it should be pointed out that the new monetary policy operational framework does not imply that the CNB will abandon its policy of maintaining a stable exchange rate of the domestic currency by preventing its short-term

volatility. The new operational framework should complement the policy of exchange rate management by more active management of liquidity in the monetary system. Hence, the CNB will continue its interventions in the foreign exchange market, depending on needs, to prevent sudden fluctuations in the exchange rate of the kuna against the euro, in line with its policy over the last ten years. Thus, foreign exchange interventions are still the main monetary policy instrument, whereas room for the use of other instruments will largely depend on capital inflows and pressures on the exchange rate.

## Money Market

The money market in the first quarter of 2005 was marked by relatively high banking system liquidity and a drop in demand for kuna compared with the previous quarter. This resulted in a sizeable decrease in money market in-

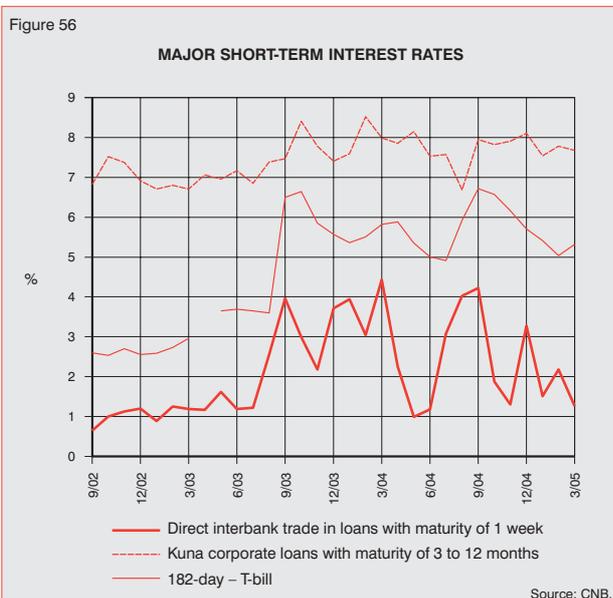
terest rates and turnover. In April, money market interest rates decreased even further, to some extent due to HRK 670.6m placed in the market by the central bank's foreign exchange intervention. Open market operations which also began in April did not arouse significant banks' interest as a result of good liquidity in the money market.

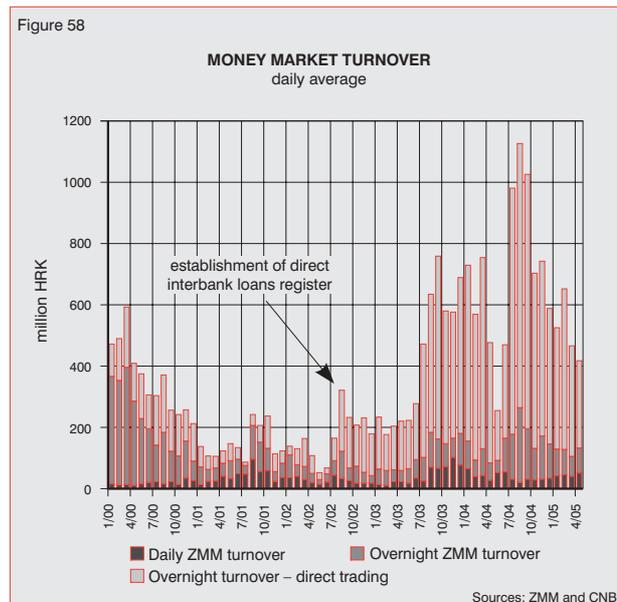
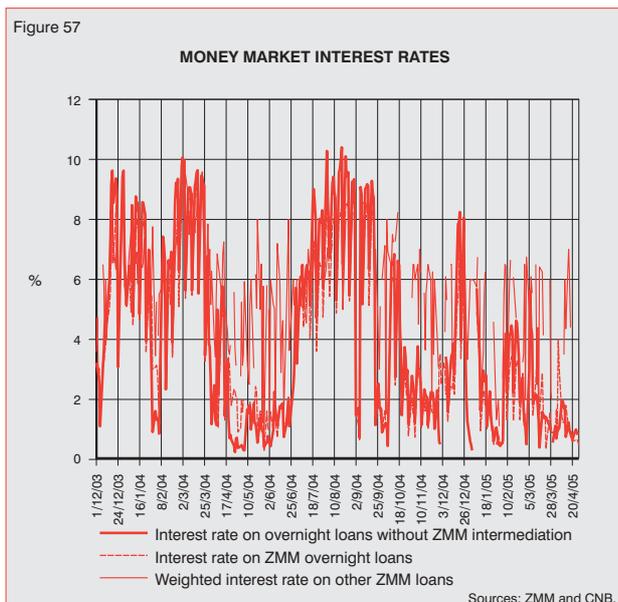
Due to the same reason, investors' interest in MoF T-bills was lively so their interest rates continued to fall in the first quarter of the year and through April.

Banks' lending rates on short-term loans remained almost unchanged in the first quarter of 2005, primarily due to their decrease being implicitly limited by the still high interest rates on T-bills. In contrast, lending rates on long-term corporate loans went down, while those on long-term household loans went up. Deposit rates on foreign currency deposits were reduced at the same time as the money market interest rates.

### Money Market Interest Rates

As shown by ZMM data, the average reported loan demand dropped in the first quarter of 2005 compared with the fourth quarter 2004 so money market interest rates also started declining. They grew mildly in February under the influence of the increased demand for kuna due to the announced new government bond issue but declined again after the central bank's foreign exchange intervention in April.





The weighted interest rates on overnight loans intermediated by the ZMM went down from 3.55% in December 2004 to 2.26% in January 2005, to go up to 2.55% in February and then decline again in March. In April, it totalled 0.89%, which was its lowest level in four years. The weighted interest rate on other loans intermediated by the ZMM reduced in January to 4.21%, its lowest level since August 2003, compared with the end of last year when it stood at 6.02%. Then it rebounded to 5.60% in March, declining to 5.14% in April.

Total turnover in the ZMM dropped from HRK 9.6bn in the last quarter of 2004 to HRK 7.5bn in the first quarter of 2005. The average daily turnover in overnight loans stood at HRK 78.9m in the first quarter of 2005, rising to HRK 82.4 in April. The average daily turnover in other loans went up from HRK 31.5m to HRK 42.3m in the first quarter of 2005 compared with the previous quarter, totalling HRK 50.8m in April.

As for the maturity structure of loans intermediated by the ZMM, overnight loans continued dominating in the first quarter of 2005, although their share reduced from 79% to 65% compared with the previous quarter. The decline in the share of overnight loans is typical of periods with increased kuna liquidity of the banking sector, as were the first quarter and April of 2005. Loans with one-month maturity accounted for some two thirds of other loans.

The intensity of direct interbank overnight lending reduced in the first quarter of 2005 on the previous quarter. The average daily turnover in this money market segment stood at HRK 426.9m (compared with HRK 528.3 in the third quarter of 2004) and decreased further in April, to HRK 284m. The weighted interest rate on direct interbank overnight loans was lower than in the previous quarter, totalling 2.15% in March and reducing to 1.21% in April, its lowest level in eleven months.

### Interest Rates in the Short-Term Securities Market

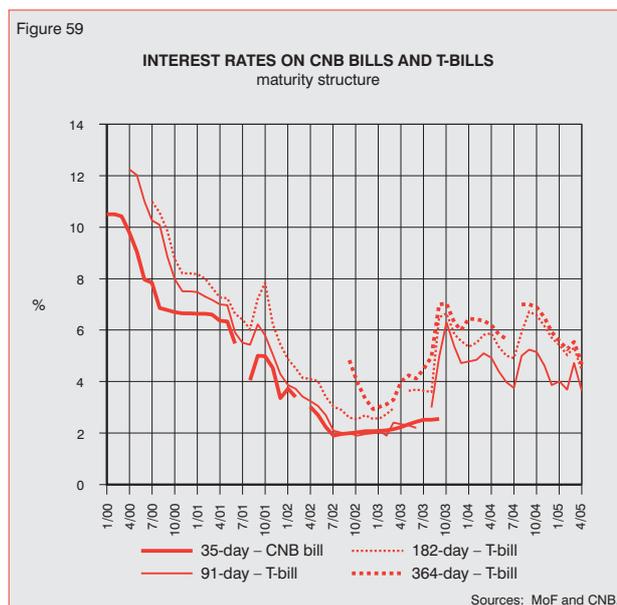
In the first quarter of 2005 and in April investors' interest in MoF T-bills remained relatively strong, thanks to their

good liquidity. As a result, interest rates at T-bill auctions continually reduced, with the stock of subscribed T-bills increasing uninterruptedly to HRK 12.43bn at the end of March and HRK 13.06bn at the end of April, its all-time high.

Interest rates on 182 and 364-day T-bills decreased steadily in the first quarter of 2005 so weighted interest rates on these bills reduced from 5.70% and 5.92% in December 2004 to 5.32% and 5.54% in March. The weighted interest rate on T-bills with 91-day maturity went up from 3.86% to 4.71% during the period. In April, interest rates on T-bills of all maturities went down so weighted interest rates on 91, 182 and 394-day bills totalled 3.64%, 4.44% and 4.68%.

T-bills with the longest maturity accounted for some 54% of total subscribed bills at the end of the first quarter. 182-bills accounted for some 42%, up from the previous period, while the shortest maturity bills remained at the share of some 4%.

The structure of subscribed T-bills remained almost unchanged in April.



At the end of February 2005, MoF issued EUR denominated T-bills worth EUR 400,000. Their end-April balance was EUR 79.5m.

### Banks' Interest Rates

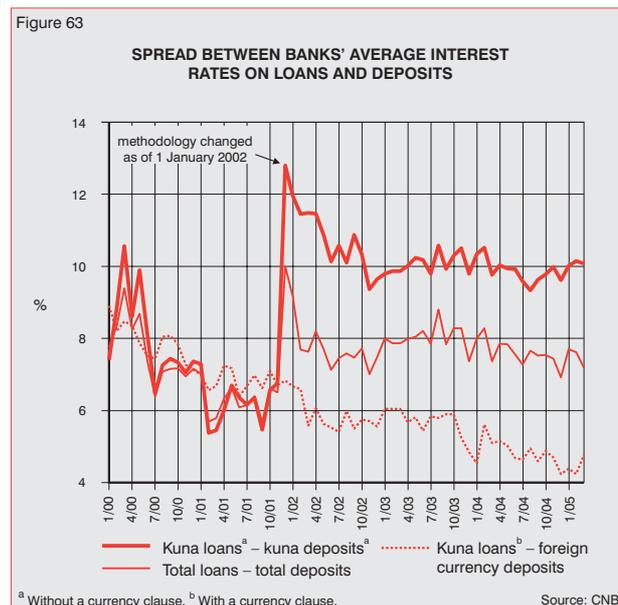
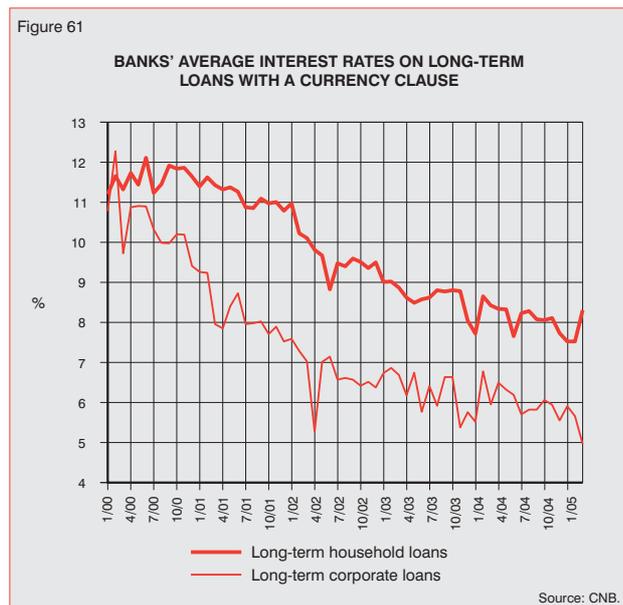
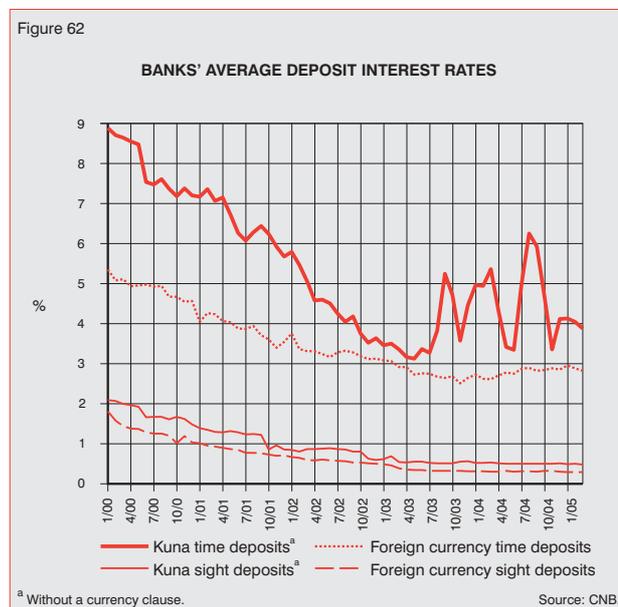
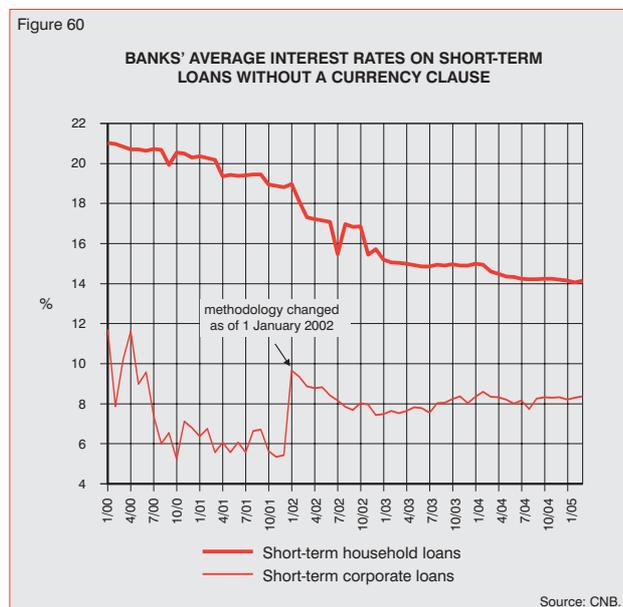
Interest rates on short-term loans did not change significantly over the first quarter 2005. The weighted interest rate on kuna short-term corporate loans not indexed to foreign currency totalled 8.33% in December 2004, and 8.37% in March 2005, while the weighted interest rate on short-term household loans not indexed to foreign currency totalled 14.19% in December 2004 and 14.16% in March 2005.

Amounting to 5.55% at the end of the fourth quarter 2004, the weighted interest rate on long-term corporate loans dropped to below 5% for the first time in March 2005, totalling 4.97%. The weighted interest rate on long-term household loans went up to 8.31% in March 2005, from 7.73% at the end of previous quarter, largely as a conse-

quence of the strong growth of car loans in total long-term loans and the substantial increase in their weighted interest rate, which rose from 6,94% in December 2004 to 8.45% in March 2005.

Banks' deposit rates on kuna time deposits went down in the first quarter of 2005 compared with the end of the previous quarter. The weighted interest rate on total kuna time deposits reduced from 4.12% at the end of the previous quarter to 3.88% in March. The weighted interest rate on kuna sight deposits not indexed to foreign currency declined mildly on the end of the previous quarter, from 0.51% to 0.48%. As for foreign currency deposits, the weighted interest rate on foreign currency time deposits decreased insignificantly, totalling 2.82% in March (compared with the 2.85% in December 2004), while the weighted interest rate on foreign currency sight deposits stagnated at some 0.3%, as in the previous period.

Having increased substantially at the beginning of the first quarter of 2005, the spread between banks' lending and



deposit interest rates reduced in the following two months but was still higher than in December 2004. The spread between interest rates on total loans and total deposits amounted to 7.18 percentage points in March 2005 compared with the 6.92 percentage points in December 2004. The spread between interest rates on kuna loans indexed to foreign currency and interest rates on foreign currency deposits went up from 4.24 percentage points to 4.77 percentage points in the same period. The spread between interest rates on kuna loans not indexed to foreign currency and kuna deposits also widened from 9.61 to 10.07 percentage points.

The analysis of banks' interest rate movements in selected Central European countries and the EMU shows that banks' nominal interest rates on long-term corporate loans in the majority of observed countries decreased in the first quarter of 2005 from the previous quarter. At the same time nominal interest rates on short-term household time deposits remained almost the same.

In the EMU, neither nominal lending rates nor nominal deposit rates changed in the first quarter 2005 compared with the previous quarter. However, a decline in the CPI inflation rate increased both real lending and deposit rates. As a result, real deposit rates in the EMU were positive in the first quarter of 2005 for the first time in twelve months.

Real deposit rates have been negative in Slovakia for a long period of time, while in other Central European countries they register positive values. In Croatia real interest rates on long-term corporate loans as well as on short-term household deposits dropped in the first quarter 2005 to their lowest levels in several years. The main reason for this is to be found in the growth of the inflation rate due to which interest rates on short-term household deposits registered negative values for the first time since December 2000.

## Capital Market

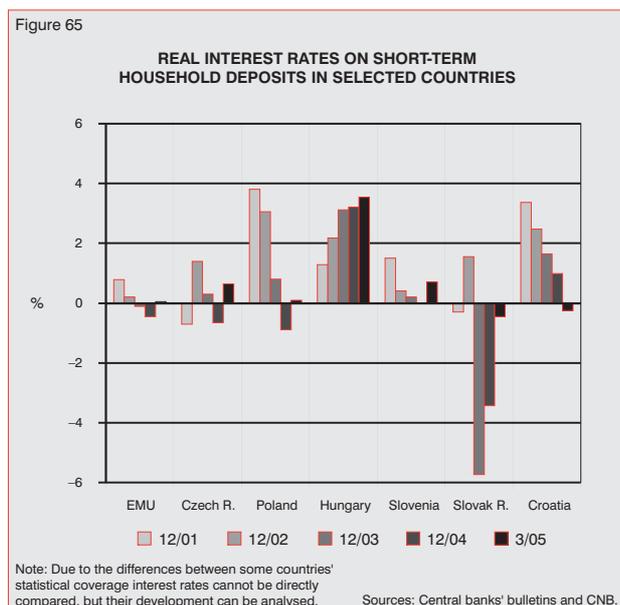
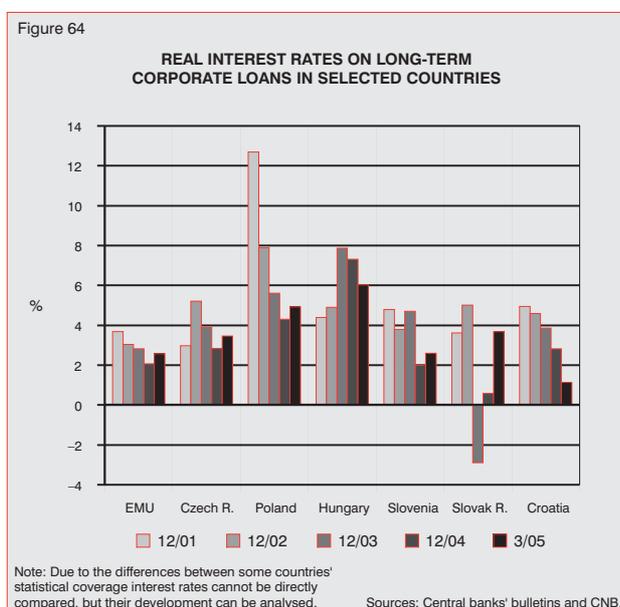
In the first quarter of 2005, the capital market saw strong activity. Following strong turnover and price growth, accompanied by the increase of indices on both exchanges in the first two months of the year, there was a reversal in the trend in March, with the downward trend continuing through April. Despite it, both share turnover and index values were much higher in the first quarter of this year than in the last quarter of 2004. A new corporate bond was issued in January, substituting a bond by the same issuer that fell due, and a new kuna government bond was issued in March. Bond turnover was slightly less intensive in the first quarter compared with the last quarter of 2004. Croatian eurobond yields increased in the first quarter and in April, widening their spread with benchmark German bonds.

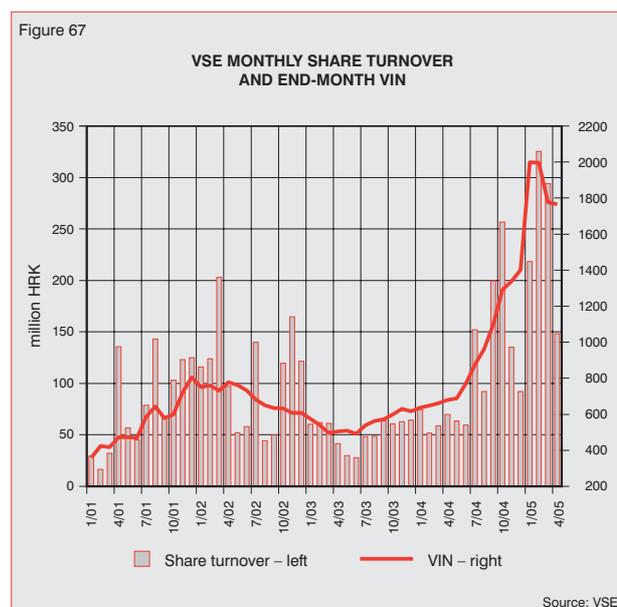
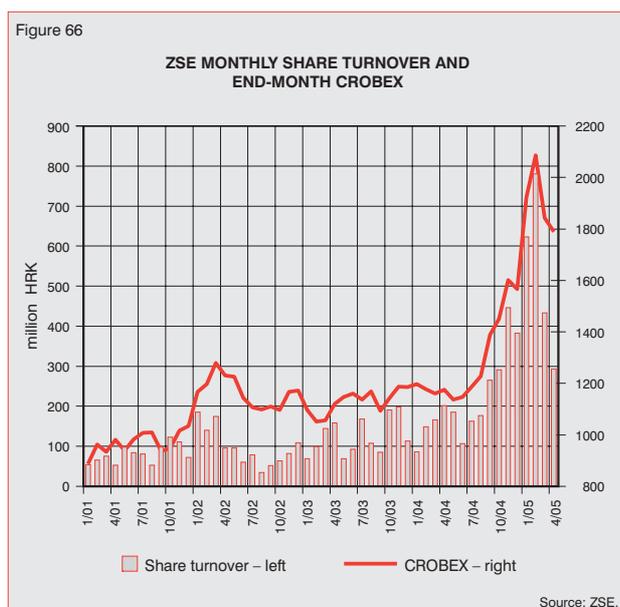
### Equity Securities Market

ZSE share turnover reached HRK 1,837.3m in the first quarter 2005, up 64% on the fourth quarter in 2004, i.e. up 357% on the same period in 2004. As usual, Adris group, Podravka and Pliva shares were traded the most, accounting for 26%, 12% and 11% respectively. In April, ZSE share turnover declined to HRK 292.8m, its lowest monthly level recorded in the past six months.

In the first quarter of 2005, CROBEX value rose by 18%. After growing uninterruptedly for several months at the beginning of March CROBEX reached 2212 points, its all-time high. Then its value started reducing, to end the month at 1843 points. This rise in the CROBEX value was due to the increase in prices of almost all shares included in its calculation, with the largest contribution coming from Končar Elektroindustrija share. The prices of all these shares, with the exception of Riviera Poreč share, declined significantly in March, which caused the reduction in the CROBEX value. Share prices mildly declined again in April, additionally reducing the CROBEX value at the end of the month to 1788.5 points.

Market capitalisation at the ZSE increased over the first quarter of 2005, standing at HRK 69,552m at the end of March (i.e. at 31.2% of the estimated GDP in 2005), which





is HRK 7,817m or 13% more than at the end of the last quarter of 2004. This increase was due to strong growth both in share liquidity and share prices in January and February. Specifically, the overall ZSE market capitalisation is calculated by including total market capitalisation of shares traded regularly in the previous three months, half of market capitalisation of shares that were not traded in the previous month and a quarter of market capitalisation of shares that were not traded in the previous three months. As a result of the decline in the price of most shares at the ZSE in April, by the end of that month market capitalisation of shares decreased to HRK 67,624m.

Market capitalisation of active shares at the VSE totalled HRK 51,026m at the end of March, rising by HRK 9.3m from the end of the last quarter of 2004 and by 138% from the same period in 2004. Share trading at the VSE also rose in the first quarter of this year. Total turnover stood at HRK 837.6m, up 73% compared with the fourth quarter of last year and 3.5 times more than in the same period last year. As in the previous quarter, the increase in turnover at the VSE is a result of the increase in regular trading. In the overall structure shares of public companies accounted for some 41% of the turnover and Free Market for 54%. With only one share listed, the Second Quotation has had a negligible turnover for quite some time. The Quotation of Rights where the rights of the former Ministry of Public Works, Reconstruc-

tion and Development and the Ministry of Finance are traded, recorded a turnover of HRK 17.1m in the first quarter of 2005, which accounted for 2% of total turnover at VSE. VSE share trading declined sizeably to HRK 148m in April.

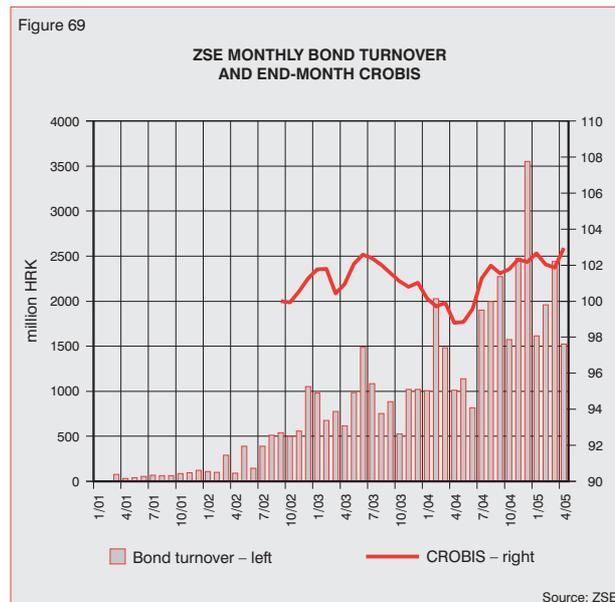
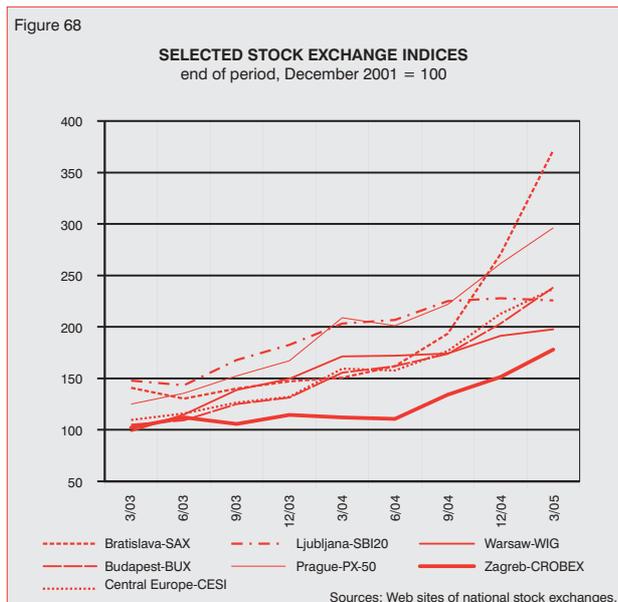
The VSE index, VIN, which had trended upwards since mid-2003, reduced in February 2005. At the end of first quarter its value stood at 1776.8 points, rising by 30% compared with the end-2004. This rise was a result of the increase in prices of its constituents, especially Ericsson Nikola Tesla, which accounted for the largest share of regular turnover in the first four months of 2005. After the trend reversed in February, VIN continued on the downward path in the following two months, with its value declining to 1766.3 points at the end of April.

Central and East European stock exchange indices trended mostly upwards in the first quarter of 2005, with the exception of the LJSE index (SBI20) which stagnated. The composite Central European Stock Exchange Index, CESI, continued to grow, reaching 2450 points, which is 11% more than at end-2004. The CESI is compiled from the share prices of the selected blue chip companies listed on the Budapest, Bratislava, Ljubljana, Prague and Warsaw Stock Exchanges, with the shares listed on the Warsaw and Prague Stock Exchanges carrying the largest weight. The Bratislava and Budapest Stock Exchange indices rose the most in the

Table 5: Comparison of Capital Market Indicators

March 2005	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million USD)	0.3	79.9	3.2	186.3	158.3	2.6
Average daily turnover, bonds (million USD)	76.1	4.5	1.8	96.1	3.9	14.9
Turnover <sup>a</sup> /GDP <sup>c</sup> , annual level (%)	0.2	25.1	3.2	57.0	21.4	2.5
Turnover <sup>a</sup> /GDP <sup>c</sup> , annual level (%)	57.9	1.4	1.9	29.4	0.5	14.3
Turnover velocity <sup>d</sup>	1.6	81.2	12.0	135.6	77.4	7.5
Market capitalisation <sup>a</sup> (million USD), end month	4,374	24,810	6,976	36,266	54,038	9,346
Market capitalisation <sup>b</sup> (million USD), end month	9,389	37,170	4,851	19,102	n.a.	3,326
Market capitalisation <sup>a</sup> /GDP <sup>c</sup> , end month (%)	13.2	30.9	26.9	42.1	27.7	33.8
Market capitalisation <sup>b</sup> /GDP <sup>c</sup> , end month (%)	28.4	46.3	18.7	22.2	n.a.	12.0
Index movement from the beginning of the year (%)	37.4	15.3	-0.9	13.2	2.4	17.7
Index movement from the beginning of the month (%)	1.5	-5.6	-2.9	-2.6	-3.6	-11.6

<sup>a</sup> Shares, <sup>b</sup> Bonds, <sup>c</sup> 2004, <sup>d</sup> Annualised monthly share turnover × 100/ market capitalisation of shares. Sources: Reports from BSSE, BSE, PSE, LJSE, WSE, ZSE and FIBV Statistics (www.fibv.org).



first quarter, by as much as 37% and 17% respectively.

Market capitalisation of both shares and bonds in the observed Central and East European countries continued the upward trend started early in 2003 throughout the first quarter of this year. Both bond and stock turnover on the Prague Stock Exchange increased, while the Ljubljana Stock Exchange saw turnovers declining in both of these market segments. At all other exchanges in the observed countries share turnovers moved in the opposite direction from bond turnovers. Of all stock exchanges, only Bratislava Stock Exchange registered a weaker share turnover than the Zagreb Stock Exchange.

### Debt Securities Market

In January, after its 2002 bond issue fell due, Beliše issued a new four-year corporate bond worth EUR 8m and due in 2009. The bonds were subscribed at an issue price of 99.837 and a coupon of 5.5%. This Beliše bond issue is the first annuity corporate bond issue at the Croatian capital

market. In addition, Beliše is the first Croatian company to place the second corporate bond issue in the domestic market.

In March, the Republic of Croatia issued a kuna bond in the domestic market, worth HRK 3bn and maturing in 2010, at a coupon rate of 6.75%. The issue price was 100 and the spread at issue relative to the benchmark German bond 306 basis points. Revenues from this bond issue were largely used for refinancing obligations towards the London and Paris club and repayment of the short-term loans taken out by the government for repayment of matured eurobonds and Samurai bonds.

At end-March, there were seven government bonds, two municipal bonds, two government agencies' bonds (a DAB bond and a CBRD bond) and seven corporate bonds listed at domestic stock exchanges.

At the end of the first quarter, market capitalisation of government bonds, municipal bonds and government agencies' bonds totalled EUR 3bn (HRK 22.3bn) or 10% of the estimated GDP for 2005. Market capitalisation of corporate

Table 6: Bond Issues in the Domestic Market

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price <sup>a</sup>	Current yield 31/1/2005
DAB-O-05CA	DAB	19/12/2000	19/12/2005	EUR	225,000,000	8.375%	103.60	8.084%
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	110.65	6.213%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	116.00	5.927%
RHMF-O-085A	Republic of Croatia	28/5/2003	28/5/2008	HRK	1,000,000,000	6.125%	102.20	5.993%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	108.00	5.093%
RHMF-O-077A	Republic of Croatia	7/7/2004	7/7/2007	EUR	400,000,000	3.875%	101.55	3.816%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	200,000,000	5.375%	105.00	5.119%
RHMF-O-103A	Republic of Croatia	8/3/2005	8/3/2010	HRK	3,000,000,000	6.750%	104.35	6.469%
GDKC-O-116A	City of Koprivnica	29/6/2004	29/6/2011	HRK	60,000,000	6.500%	–	–
GDZD-O-119A	City of Zadar	1/9/2004	1/9/2011	EUR	18,500,000	5.500%	–	–
HBOR-O-112A	CBRD	11/2/2004	11/2/2011	EUR	300,000,000	4.875%	–	–
BLSC-O-051A	Beliše d.d.	14/1/2005	14/1/2009	EUR	8,000,000	5.500%	–	–
HYBA-O-086A	Hypo-Alpe-Adria Bank d.d.	6/6/2003	6/6/2008	HRK	150,000,000	6.500%	101.00	6.436%
BNAI-O-22CA	Bina Istra d.d.	15/12/2002	15/12/2022	EUR	210,000,000	8.000%	–	–
PODR-O-072A	Podravka d.d.	20/2/2004	20/2/2007	EUR	27,000,000	5.000%	–	–
AGRK-O-074A	Agrokor d.d.	3/4/2002	3/4/2007	EUR	230,000,000	11.000%	108.10	10.176%
PLVA-O-115A	Pliva d.d.	12/5/2004	12/5/2011	EUR	75,000,000	5.750%	99.20	5.796%
ATGR-O-077A	Atlantic Grupa d.o.o.	15/7/2004	15/7/2007	EUR	15,000,000	5.750%	–	–

<sup>a</sup> Regularly traded shares. Source: ZSE, monthly report, January 2005.

Table 7: Republic of Croatia International Bond Issues

Bond	Issue date	Currency	Amount	Nominal interest rate	Spread on issue date	Spread <sup>a</sup> 30/6/2004	Spread <sup>a</sup> 31/12/2004	Spread <sup>a</sup> 31/3/2005
London Club A, 2006	31/7/1996	USD	604,426,000	6-month LIBOR + 81.25 b.p.		104	87	91
London Club B, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.		123	116	117
Eurobonds, 2006	10/3/1999	EUR	300,000,000	7.375%	375	49	15	30
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.750%	215	82	42	59
Eurobonds, 2009	11/2/2002	EUR	500,000,000	6.250%	158	67	38	46
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	102	65	41	53
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	101	81	42	59
Samurai bonds, 2007	11/7/2000	JPY	40,000,000,000	3.000%	135	66	39	29
Samurai bonds, 2006	23/2/2001	JPY	25,000,000,000	2.500%	152	52	34	25
Samurai bonds, 2008	26/6/2002	JPY	25,000,000,000	2.150%	144	76	44	43
Samurai bonds, 2009	26/6/2003	JPY	25,000,000,000	1.230%	99	80	62	46

<sup>a</sup> In relation to benchmark bond. Source: Bloomberg.

bonds totalled EUR 603.7m (HRK 4.5bn) or 2% of the estimated GDP for 2005.

Bond trading at the ZSE in the first quarter of the year was less intensive than over the previous three-month period. The total ZSE bond turnover stood at HRK 6.0bn (compared with the previous quarter when it totalled HRK 7.6bn) and at HRK 1.5bn in April. Accounting for 78% of total bond turnover, government bonds due in 2014, 2019 and 2012 were traded the most in the first quarter of 2005.

Having risen to 102.2 points in the last quarter of 2004, the ZSE bond index, CROBIS, went down to 101.87 points in March, peaking at 103 points at end of April.

In an effort to achieve the planned reduction in foreign borrowing and intensify borrowing in the domestic capital market, the Republic of Croatia issued no bonds in foreign markets in the first quarter of 2005.

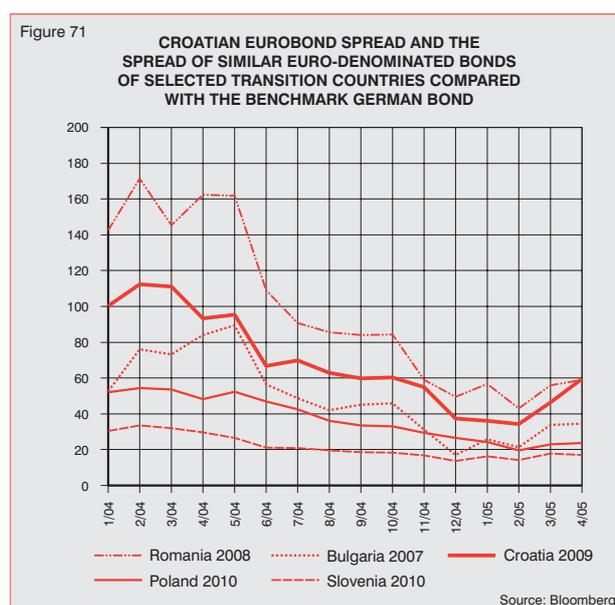
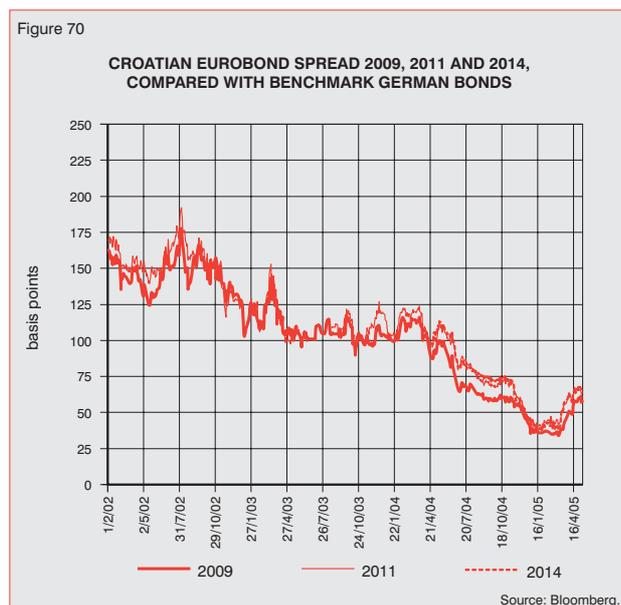
A total of 11 Croatian bond issues were listed in foreign markets in April 2004: two USD denominated issues (government bonds substituted for the Croatian business entities' debt towards the London Club), five EUR denominated and four JPY denominated issues.

The 11 Croatian eurobond issues totalled HRK 33.3bn (EUR 4.5bn) in nominal terms at end-April 2005, decreasing compared with the end of December 2004 when their market capitalisation totalled HRK 37.88bn (EUR 4.94bn).

After the starting date for Croatia's pre-accession negoti-

ations had been set in December 2004, its credit rating improved, decreasing the spread between Croatian eurobonds and benchmark German bonds. However, at the end of March, the insecurity as regards the starting date of the negotiations and the rise in yields of developing countries' bonds widened the spread of Croatian eurobonds. As a result, the spread between Croatian eurobonds and benchmark German bonds amounted to some 60 basis points for the longest maturities (2011 and 2014), up some 16 basis points compared with the end of 2004. By the end of April the spread increased to some 65 basis points for the same maturities.

In consequence of successful negotiations with the EU and their credit rating improvement, spreads of EU candidate countries with the benchmark German bond narrowed considerably at the end of 2004. However, at the end of the first quarter 2005 their spreads increased, while the spreads of the new EU members remained almost unchanged. Having increased at the end of March and in April, the spreads between Croatian eurobonds and benchmark German bonds neared those with Romania, which were the largest at that time. Despite weak economic indicators, Bulgaria's euro-bond spread with the benchmark German bond was much narrower than the spread of Croatia's eurobond maturing in 2009.



## International Transactions

According to the balance of payments data, Croatia's current account deficit stood at EUR 1.3bn in the first quarter of 2005, which was an annual increase of 10%. The widening of foreign trade imbalance and stagnation of revenues from tourism services were the key features of the current account transactions in the first quarter of the current year.

The gross external debt grew to EUR 23.3bn in April, after falling in absolute value in January and February. Prompted by the continued growth of external borrowing, mostly generated by banks, the CNB increased its marginal reserve requirement rate. By doing so, the central monetary institution signalled that, within its fields of competence, it stands ready to take further measures aimed at stabilising the ratio of external debt to GDP. Measured by the IEMP, Croatia's international liquidity was good.

### Current Account

In the first quarter, the goods account ran a deficit of EUR 1.6bn, up 8.1% in nominal terms over the same period last year. A marked merchandise trade deficit was generated by the 5.3% year-on-year growth in goods imports and a slowdown in goods exports that was especially pronounced in March. The analysis of goods exports, offered in the section on Merchandise Trade, shows that these developments were not the result of deteriorated economic fundamentals but mostly of a specific phenomenon related to the trade in ships.

The services account recorded net revenues of EUR 0.2bn in the first quarter of 2005, 8.2% less than in the same period last year. Net revenues from transport services grew by 19.8% year-on-year, with net revenues from passengers carried by aircraft reaching 18.9%. There was also a significant change in net expenditures from other services – the negative balance in other net imported services grew by 35.4% year-on-year in the first three months of 2005. Within this, the negative contributors were the year-on-year fall in net revenues from construction services and the growth in net expenditures for research and development services, while the positive contributor was a significant growth in revenues from royalties and licenses in pharmaceutical industry.

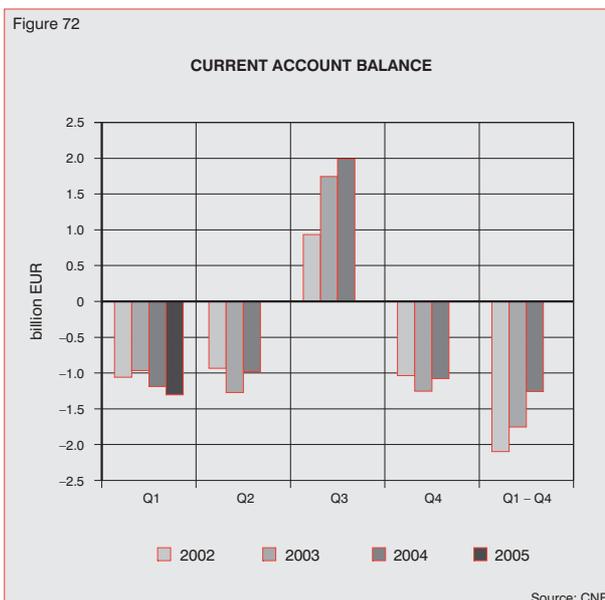
According to the balance of payments data for the first quarter of 2005, EUR 0.2bn of net revenues were recorded in tourism, which, notwithstanding the growth in physical indicators, was a negligible increase 0.8% year-on-year. In line with these indicators, the year-on-year growth rate of foreign tourist arrivals and nights stood at 18.2% and 16.8% respectively in the first three months of 2005. Both figures however show that the growth was slower than that in the same period of 2004 (21.7% and 28.6%). The growth in physical indicators and the stagnation in financial indicators in tourism may in part be explained by the fact that the stated physical indicators, published by the CBS, include only foreign tourists in commercial and paid accommodation. The CNB Survey on Consumption of Foreign Travellers in-

cludes, on the other hand, the data on the consumption of foreign tourists in paid and non-paid accommodation and in transit. 2004 saw a change in the structure of foreign guests, i.e. the increase in the share of tourist in non-paid accommodation and transit and the fall in the share of tourist in paid accommodation whose average consumption is the largest. The stagnation of tourism revenues in the first quarter of 2005 may also to a certain extent be contributed to extremely cold weather (especially in February).

EUR 0.1bn of income and EUR 0.4bn of expenditures were recorded in the income account in the January-March period of 2005, with net expenditures growing by 2.7% year-on-year. Almost one-half of expenditures was accounted for by due interest on government bonds issued abroad. They were followed by expenditures on other investment and expenditures on equity investment, i.e. retain earnings and dividends that, in accordance with the ownership structure, were transferred to the foreign owners of Croatia companies.

As expected, the current transfers account also recorded a surplus of income over expenditures. As a result, net income reached EUR 0.3bn in the first quarter. The year-on-year rates of change, observed in the January-March period of 2005, show the seasonally uncommon growth in current transfers received by the government and the almost unchanged growth in current transfers received by other sectors. The exceptionally high annual growth in current transfers received by the government is attributable to taxes paid on retained earnings from previous years that were transferred to one foreign owner of a Croatian company.

In the January-March period 2005, the described developments in the goods account, services account, income account and current transfers account resulted in a current account deficit of EUR 1.3bn or 4.4% of projected 2005 GDP, which was an absolute annual increase of EUR 0.1bn (10%).



## Merchandise Trade

According to the preliminary CBS data for the first four months of 2005, total goods exports (f.o.b.) stood at USD 2.8bn, up 12.5% year-on-year. Concurrently, total goods imports (c.i.f.) reached USD 5.7bn, up 15.5% year-on-year. Movements in total goods exports and imports resulted in the foreign trade deficit of USD 3bn, which corresponds to an annual growth of 18.5%.<sup>12</sup> The imports/exports coverage rate was 48.4% in the January-April period of 2005, a decrease of 1.3 percentage points over the same period of 2004.

The nominal year-on-year rates of change of goods exports, goods imports and foreign trade deficit, recorded in the first four months of 2005 and calculated from the data expressed in the reporting US dollar, are significantly impacted by the changes in the dollar/euro exchange rate. As the majority of goods trade transactions is conducted in euros, the data expressed at the constant exchange rate better reflect the developments in the foreign trade. Accordingly, expressed at the constant exchange rate, total goods exports grew by 9.4% year-on-year in the first four months of 2005 or 8.7 percentage points less than in the same period of 2004. The slowdown in goods exports, recorded in the January-April period of 2005, was to a large extent the consequence of a pronounced absolute decrease in exports of other transport equipment, i.e. ships (SITC division), which traditionally have the largest share in total goods exports. Measured at the constant exchange rate, the year-on-year rate of ship exports was negative in the first four months of 2005, standing at 35.5%.

It should be borne in mind that ship exports are not evenly distributed throughout one calendar year and that four months are too short a period for comparing and estimating their annual development trends. Data on the year-on-year growth rate of total goods exports (ships excluded) show that the growth was faster in the first four months of 2005 than in the same period last year. This rate of growth, expressed at the constant exchange rate, was 18.8% in the January-April period of 2005, an increase of 9 percentage points over the same period last year. In contrast, the comparison of the data on goods exports (ships excluded) in the first four months of 2005 and in the second half of 2004 demonstrates a reduced intensity of Croatia's goods exports to foreign countries.

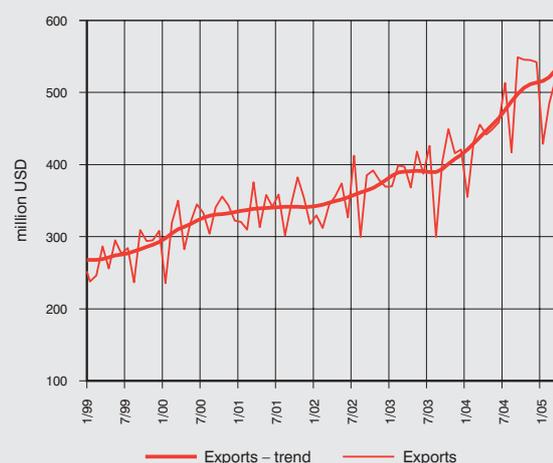
As regards SITC divisions, the main contributors to the absolute growth of total goods exports in the first four months of 2005 were: oil and refined petroleum products (52.4% year-on-year growth, measured at the current exchange rate), plastics in primary forms (75.6%), machinery specialised for particular industries (67.2%), sugar, sugar

product and honey (211.2%) and natural and industrial gas (479%). The analysis of the shares of SITC section in total goods exports in the first four months of 2005 shows that the share of ship exports, despite a considerable annual fall in the value of exports, has remained the largest (10.2%). Measured by the same criterion, the next largest shares were oil and refined petroleum products (8%), electrical machinery, apparatus and equipment (8%) and wearing apparel (7.2%). The increase in the value of exports of oil and refined petroleum products was largely the consequence of the rise in crude oil prices in the world market, i.e. in the Mediterranean market.

Expressed at the constant exchange rate, the year-on-year growth rate of total goods imports was 11.3% in the first four months of 2005, up 3.7 percentage points compared with the same period last year and up 2.6 percentage points compared with 2004 as a whole. Shown by SITC divisions, imports of oil and refined petroleum products (66.5% year-on-year growth, measured by the current exchange

Figure 73

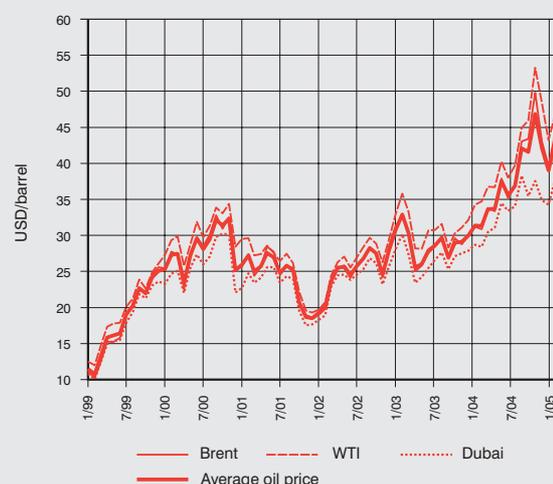
### MERCHANDISE EXPORTS (f.o.b.) AND TREND other transport equipment excluded, at constant 2002 exchange rate



Sources: CBS and CNB.

Figure 74

### CRUDE OIL PRICES ON THE WORLD MARKET



Sources: CBS and CNB.

<sup>12</sup> The stated figures, based on the CBS data, do not comply fully with the BOP figures on goods. The internationally accepted methodological standards that are used to monitor the trade in goods for BOP compilation purposes and that provide for a broader definition of goods than the CBS methodology are the source of non-compliance. As for goods imports, the non-compliance is to a certain extent also attributed to the difference between parities in which import values are recorded (goods imports are reported on an f.o.b. basis in the BOP, while the CBS reports goods imports on a c.i.f. basis).

rate), iron and steel (35.7%), other transport equipment (43.2%), electricity (71.8%) and organic chemical products (46.9%) contributed the most to the absolute growth of total goods imports in the January-April period of 2005.

The structure of total value of goods imported in the first four months of 2005 shows that the highest shares were accounted for by oil and refined petroleum products, road vehicles, electrical machinery, apparatus and equipment and iron and steel. However, although expressed in absolute value the rate of road vehicles imports was also high in the first four months of 2005 (USD 0.6bn at the current exchange rate), imports of automobiles have continued to trend downwards. Consequently, in the January-April period of 2005, the year-on-year rate of change of imports of road vehicles stood at -3.6%, measured at the constant exchange rate. This rate amounted to -3.4% in 2004, the year which saw the start of the downward trend in imports of automobiles, and grew by 16.2% year-on-year in 2003. Apart from road vehicles, there was also a pronounced fall in im-

ports of fertilizers (except for crude fertilizers), non-metallic mineral products, and yarn, fabric and textile products.

It is not quite clear to which extent the mentioned rise in values of imported steel and iron can be attributed to the increase in imported quantities or to the rise in prices in the world market. In 2004 and in early 2005, the growth in prices of iron and steel was the result of the increased global demand for these raw materials, with the growth in China's demand being especially pronounced.

The movements in iron and steel price are of great importance for Croatia, since a significant portion of elements made of these materials is built into the ships on the slipways in Croatian shipyards. With respect to this it should be mentioned that the price of ships to be delivered in 2005 has been contracted before the emergence of the upward trend in iron and steel prices. Due to the facts stated it is most likely Croatian shipyards are going to incur larger losses than originally planned. In addition, being aware of the negative impact of the change in price of iron and steel, some domestic shipyards as of recently incorporate the protection clauses in their new shipbuilding contracts, whereby the risk arising from the change in the price of steel and iron is transferred on the buyer. The downward rush in the dollar value in the last two years has also contributed to the increase in losses incurred by Croatian shipyards because the price of ordered ships is mostly contracted in US dollars and majority of products used in a ship construction are imported from the EU and paid in euros. This is the reason why Croatian shipyards endeavour to conclude the new contracts with prices being expressed partially in dollars and partially in euros or only in euros.

Merchandise trade structure by the economic classification of countries shows that in the first four months of 2005 the share of goods exports of the Republic of Croatia to EU-25 in total goods exports reached 63.3%, which was an annual decrease of 2.9 percentage points. Despite this fall, there was an increase in Croatia's shares of exports to its main EU-25 trade partners: Italy, Germany and Slovenia. Concurrently, there was a fall in the shares of Croatia's

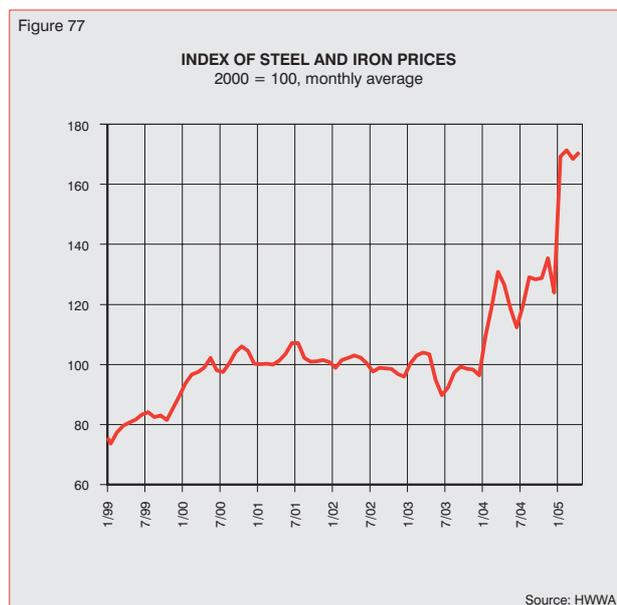
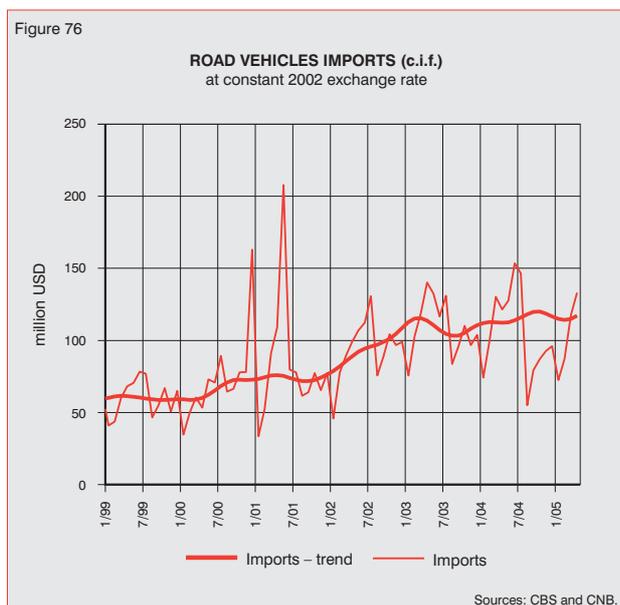
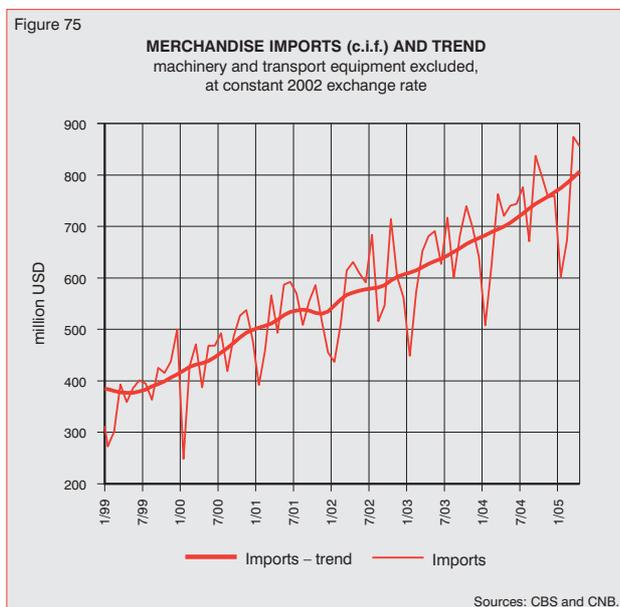


Table 8: Imports and Exports by Economic Classification of Countries, in %

Export	2003	2004 <sup>a</sup>	Jan. – Apr. 2004 <sup>a</sup>	Jan. – Apr. 2005 <sup>a</sup>
Developed countries	74.6	71.7	73.4	69.3
EU-25	67.6	64.5	66.3	63.3
Slovenia	8.3	7.5	7.3	8.1
Hungary	1.3	1.3	1.1	1.4
EU-15	54.7	51.4	53.5	51.7
Austria	7.7	9.4	9.8	8.0
Italy	26.7	22.8	22.8	21.6
Germany	11.9	11.2	11.7	11.2
EFTA	0.8	1.0	1.0	0.9
Developing countries	25.4	28.3	26.6	30.7
CEFTA	0.7	1.2	0.6	1.5
Bosnia and Herzegovina	14.4	14.4	12.0	12.4
Serbia and Montenegro	3.1	3.7	2.8	4.0
Russia	1.2	1.4	1.2	1.4
Import	2003	2004 <sup>a</sup>	Jan. – Apr. 2004 <sup>a</sup>	Jan. – Apr. 2005 <sup>a</sup>
Developed countries	80.8	77.4	79.8	74.3
EU-25	72.0	69.5	71.4	65.7
Slovenia	7.4	7.1	7.5	6.9
Hungary	3.0	3.1	3.1	2.9
EU-15	56.6	54.2	55.6	50.8
Austria	6.6	6.8	6.9	6.0
Italy	18.2	17.1	17.5	15.7
Germany	15.6	15.5	15.9	15.1
EFTA	1.8	1.6	1.6	1.8
Developing countries	19.2	22.6	20.2	25.7
CEFTA	1.2	1.5	1.2	2.2
Bosnia and Herzegovina	1.6	2.1	2.1	2.4
Serbia and Montenegro	0.5	0.8	0.6	0.9
Russia	4.8	7.3	5.7	9.2

<sup>a</sup> Preliminary data. Source: CBS.

exports to Malta, Sweden and Austria. As for developing countries, the shares of exports to Bosnia and Herzegovina, Serbia and Montenegro and the United Arab Emirates grew at significant rates.

The share of EU countries in the structure of total goods imports fell from 71.4% in the first four months of 2004 to 65.7% in the four months of 2005. Despite the growth in absolute terms, the shares of goods imports from EU in total goods imports have trended downwards on account of higher imports from developing countries. Goods imports from Germany, Italy, Poland and Slovenia grew the most on an annual level. On the other hand, the increase in the shares of imports from developing countries was most contributed by the rise in imports from Russia (oil imports), China, Romania, and Bosnia and Herzegovina.

### Capital and Financial Account

In the first quarter of 2005, net FDI to Croatia were EUR 0.1bn, down 36.6% compared with the same period of 2004. Observed on annual level, both inflows and outflows went down. The absolute annual fall in Croatia's investment abroad can be attributed to a reduction in equity and other investment of Croatian residents abroad, while there was an increase in retained earnings. FDI to Croatia amounted to EUR 0.2bn in the first three months of 2005, or 34.5% less than in the same period of 2004. Despite a twofold increase in the annual level of direct equity investment, the impacts of the negative annual increase in retained earnings and other direct investment could not be offset.

Other monetary intermediation accounted for three quar-

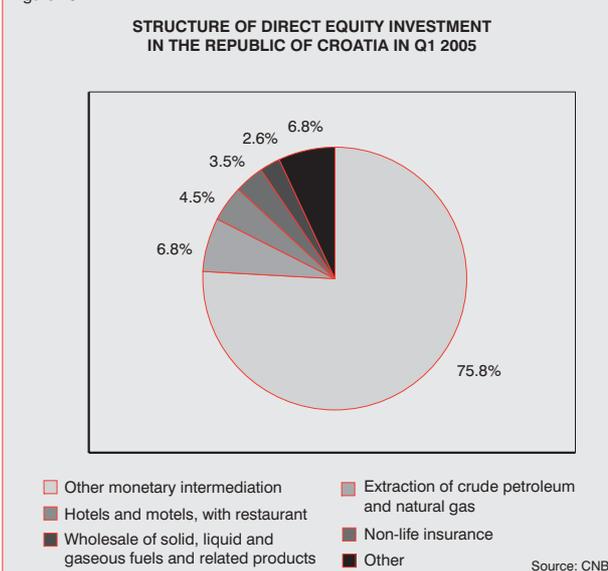
ters of total direct equity investment to Croatia in the first quarter of 2005. In the reference period, Nova banka d.d. was taken over by the Hungarian OTP Bank and two commercial banks were recapitalised by their foreign owners. Apart from investment in other monetary intermediation, the first quarter of 2005 was marked by investment in hotels and motels with restaurants, wholesale of fuels and lubricants, extraction of crude oil and natural gas and other insurance.

Net portfolio investment showed an outflow of EUR 0.4bn in the first three months of 2005, mainly due to the government's repayment of matured bonds issued in the foreign capital market. Although the government issued no new bonds in the foreign capital market in the first quarter of 2005, a transaction worth of EUR 57.6m was recorded. It involved the effects of the secondary bond market, i.e. the sale of bonds, issued in the domestic market and originally bought by Croatian residents, to non-residents. In January, the government settled its first half-year payment obligation towards the London Club (EUR 62m), while eurobonds worth of EUR 500m fell due in March. Other domestic sector's obligations arising from equity securities rose mildly in the first quarter of 2005.

Net inflows from other investment (trade credits, loans, and currency and deposits) reached EUR 1.7bn in the first three months of 2005. As for the assets, the recorded inflow was above all the result of drawn bank assets in the amount of EUR 1bn, mostly comprising currency and deposit (for more detail see Monetary Developments). Obligations arising from other investment grew by EUR 0.7bn in the first quarter of 2005. Of this amount, net short-term and long-term loans accounted for EUR 0.5bn and net currency and deposits for EUR 0.2bn.

International reserves continued to trend upward in the first quarter of 2005. Cross-currency effects excluded, they grew by EUR 189m. The major contributor to this rise was the growth in currency and deposits, largely deposited with foreign commercial banks and central banks. In contrast, there was a fall in the amount of funds invested in securities. According to monetary statistics data (cross-currency

Figure 78



**Table 9: Composition of CNB Reserve Assets, end of period, in million EUR and %**

	2002	2003	2004	Mar. 2005	Apr. 2005
Balance	5,651	6,554	6,436	6,700	6,772
Share					
1. Foreign currency reserves	75.1	87.6	96.9	96.3	97.0
1.1. Securities	32.9	48.9	50.7	49.0	48.2
1.2. Total currency and deposits with:	42.2	38.6	46.2	47.2	48.8
– other national central banks, BIS and IMF	5.8	4.1	3.6	3.0	3.0
– banks headquartered outside Croatia	36.5	34.5	42.6	44.3	45.8
2. IMF reserve position	0.0	0.0	0.0	0.0	0.0
3. SDRs	0.0	0.0	0.0	0.0	0.0
4. Gold	0.0	0.0	0.0	0.0	0.0
5. Reverse repo	24.8	12.4	3.1	3.7	3.0

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

effects included), international reserves of the Republic of Croatia stood at EUR 6.7bn at end-March, up 4.1% compared with end-2004. In the structure of international reserves, debt securities and currency and deposits with banks headquartered outside Croatia accounted for 49% and 47.2% respectively, and reverse repo for 3.7%. International reserves rose to EUR 6.8 in April or by an addition EUR 72m.

### External Debt

At end-April, the gross external debt amounted to EUR 23.3bn or 78.2% of projected 2005 GDP and grew by EUR 578m (2.5%) in absolute terms compared with end-2004. According to the end-month stock data, the gross external debt fell in absolute terms in January and February and grew in March and April. The analysis of the total absolute in-

crease in external debt by individual domestic sectors in the first four months of 2005 shows that the growth in bank external debt was the largest, standing at EUR 513m. The external debt of other domestic sectors grew by EUR 369m in the first four months of 2005, while the external debt of the government sector fell by EUR 440m. The external debt arising from direct investment (it comprises the investment in other domestic sectors and banks) grew by EUR 137m in the first four months of 2005.

In addition to recording the highest growth rate in absolute terms, the banking sector also had the largest share in the total external debt. At end-April, this share stood at EUR 8.2bn, accounting for 35.1% of the total debt. Increased by the amount of direct investment that relate to banks (i.e. by hybrid and subordinated instruments), the banks' share reaches EUR 8.4bn or 36.2% of the total external debt. The monthly dynamics of the total external debt of the Republic of Croatia is largely influenced by the developments in bank external debt. Following the monthly falls in the banking sector's external debt in January and February (amounting to a total of EUR 308m), the external debt of this sector grew by a high EUR 821m in the next two months, mostly due to short-term loans and long-term deposits drawn from abroad.

The share of other domestic sectors in the total external debt was the second largest (direct investment in other domestic sectors included). At end-April, it stood at EUR 6.2bn, accounting for 26.5% of the total external debt. Augmented by direct investment (banks excluded), the external debt of other domestic sectors stood at EUR 8bn and accounted for 34.5% of the total external debt. The long-term

**Table 10: Gross External Debt by Debtor, end of period, in million EUR and %**

	2004	Jan. 2005	Feb. 2005	Mar. 2005	Apr. 2005	Structure		Indices	
						2004	Apr. 2005	2004/03	Apr. 2005/04
1. Government	7,236.1	7,249.0	7,211.8	6,702.7	6,795.9	31.9	29.2	109.6	93.9
2. Central bank (CNB)	2.4	2.2	2.2	2.0	1.9	0.0	0.0	0.6	80.0
3. Banks	7,652.4	7,521.7	7,344.5	8,143.0	8,165.3	33.7	35.1	125.0	106.7
4. Other sectors	5,798.1	5,819.6	5,963.1	6,111.5	6,167.1	25.6	26.5	118.9	106.4
5. Direct investment	1,986.5	1,995.1	2,049.6	2,083.3	2,123.4	8.8	9.1	107.7	106.9
Total (1+2+3+4+5)	22,675.4	22,587.7	22,571.2	23,042.5	23,253.5	100.0	100.0	114.5	102.5

Source: CNB.

**Table 11: Actual and Potential Government External Debt, end of period, in million EUR and %**

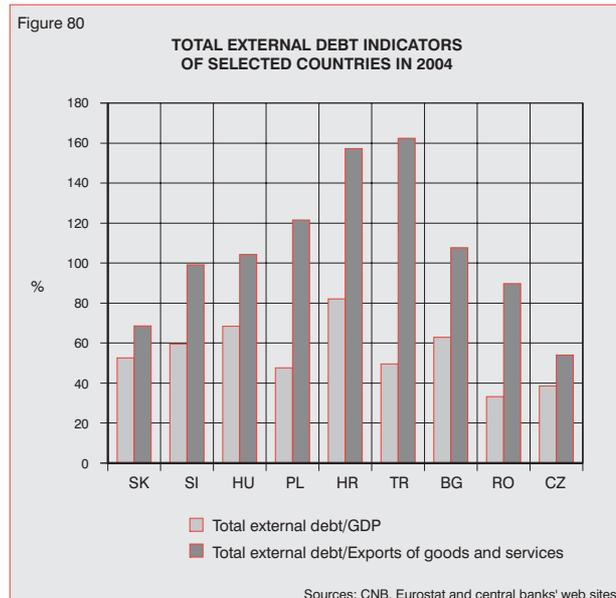
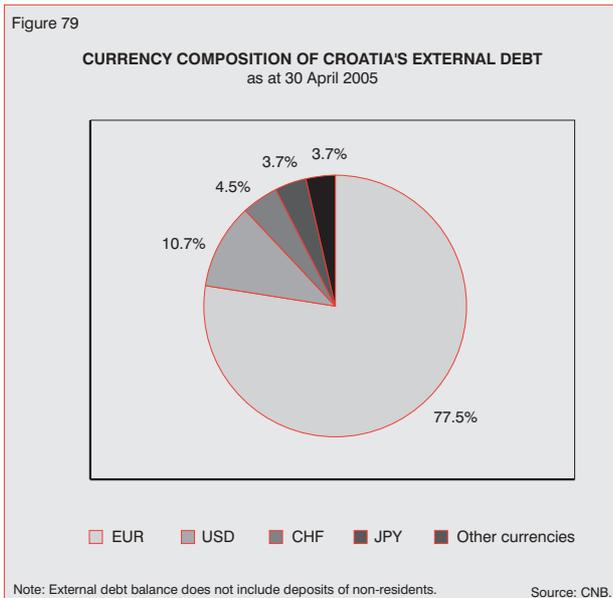
	2003	2004	Apr. 2005	Structure			Indices	
				2003	2004	Apr. 2005	2004/03	Apr. 2005/04
1. Public sector debt	8,334.0	8,521.2	8,108.4	42.1	37.6	34.9	102.2	95.2
2. Publicly guaranteed private sector debt	428.6	343.3	316.2	2.2	1.5	1.4	80.1	92.1
3. Non-publicly guaranteed private sector debt	11,048.1	13,810.9	14,829.0	55.8	60.9	63.8	125.0	107.4
Total (1+2+3)	19,810.6	22,675.4	23,253.5	100.0	100.0	100.0	114.5	102.5

Note: In addition to the general government debt, the public sector debt includes the external debt incurred by public enterprises and mixed ownership companies. Source: CNB.

**Table 12: External Debt and Projected Future Principal Payments by Debtor, in million EUR**

	Outstanding debt 30/4/2005	Immediate	Projected future principal payments								
			Q2/05	Q3/05	Q4/05	2005	2006	2007	2008	2009	Other
1. Government	6,795.9	4.2	101.3	111.9	57.2	270.4	829.6	661.6	631.8	1,013.2	3,385.2
2. Central bank (CNB)	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9
3. Banks	8,165.3	12.7	959.6	437.0	85.9	1,482.6	1,068.8	440.6	346.4	773.0	4,041.3
4. Other sectors	6,167.1	491.0	220.5	266.2	337.7	824.4	866.1	1,074.2	619.3	614.3	1,677.8
5. Direct investment	2,123.4	128.3	78.6	44.2	112.5	235.3	302.6	219.9	232.4	151.5	853.5
Total (1+2+3+4+5)	23,253.5	636.1	1,360.1	859.2	593.3	2,812.7	3,067.2	2,396.2	1,829.8	2,552.0	9,959.6
Supplement:											
Projected interest payments	–	0.0	4.9	128.3	150.1	283.3	633.9	526.2	440.3	376.6	1,021.1
Total principal and interest	–	636.1	1,365.0	987.6	743.4	3,096.0	3,701.1	2,922.4	2,270.1	2,928.6	10,980.7

Source: CNB.



loans contributed the most to the absolute growth in the external debt of other domestic sectors in the first four months of 2005.

In contrast, the government decreased its external debt both in absolute and relative terms. The absolute decrease in the external debt of the government sector was mostly the consequence of the fall in obligations arising from issued bonds. As mentioned earlier, in January the government settled its first half-year payment obligation towards the London Club (EUR 62m), and in March it paid off the eurobond that was issued in 2000 (EUR 500m). This resulted in the relative decrease in the government's share of the external debt to 31.9% at end-2004 and to 29.2% at end-April. Table 11 also shows the decrease in the potential government debt or in the private sector debt guaranteed by the public sector (guarantees of the Republic of Croatia issued to individual enterprises) in the first four months of 2005.

Shown by the original maturity term, the long-term debt accounted for as much as 85.8% of the total external debt at end-April 2005. In addition, shown by individual sectors, the majority of the long-term foreign borrowing was incurred by the government. The share of the short-term debt in the total external debt of other domestic sectors and direct investment stood at about 10%. The short-term debt accounted for 30% of the bank debt.

EUR 2.8bn of principal is projected to fall due in the period from May 2005 to December 2005. More than a half of this amount (EUR 1.5bn) relates to the debt principal of the banking sector, including both the short- and long-term loans. The principal on short-term loans largely falls due at the end of the second quarter 2005, while the principal on long-term loans falls due in the third quarter of 2005. Other domestic sectors will have to settle EUR 0.8bn in principal by the end of 2005, mostly comprising the obligations arising from long-term loans. In order to repay the principal on its external debt, the government will have to set aside EUR 0.3bn by the end of the year. A large portion of the government principal payment is attributable to long-term loans, while a smaller portion is attributable to issued bonds (the

second half-year payment obligation towards the London Club falls due in July 2005).

The shares of individual currencies in the gross external debt did not change much in the first four months of 2005. At end-April, the euro share stood at 77.5%, or 1.5 percentage points less than at end-2004. The US dollar share in the total gross external debt fell negligibly, reaching 10.7% at end-April. The Swiss franc and the Japanese yen accounted for 8.2% and other currencies for 3.7% of the total gross external debt.

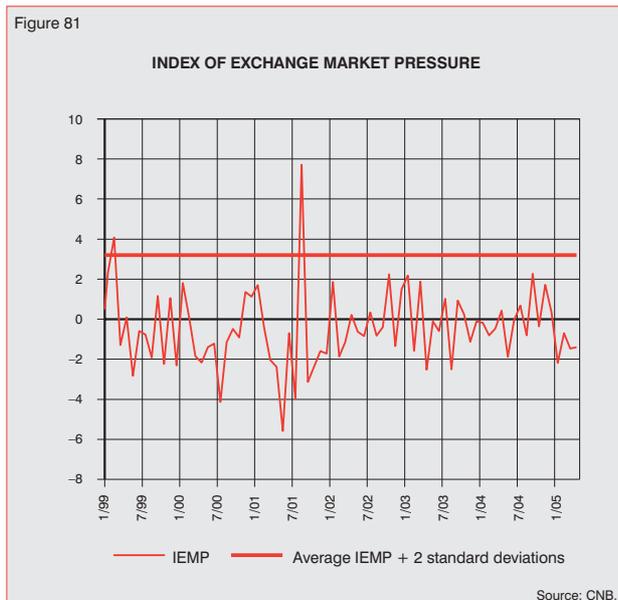
The relative debt indicators deteriorated further due to the growth in the gross external debt in 2004. Compared with Bulgaria, the Czech R., Hungary, Poland, Romania, Slovak R., Slovenia and Turkey, and measured by its external debt-to-GDP ratio at end-2004, Croatia is still counted among the above-average indebted countries. Croatia's ratio of external debt to GDP was 82.1% at end-2004, while the average for eight above mentioned countries was much lower (51.5%). No better result is obtained when Croatia's ratio of external debt to exports of goods and services in 2004 (157.2%) is compared with the average for eight above countries (100.9%).

Bulgaria's and Romania's average share of external debt in GDP amounted to 48.1% at end-2004, or 34 percentage points less than that for Croatia. In addition, their average share of external debt in exports of goods and services stood at 98.8%, or 58.5 percentage points below the same indicator for Croatia.

### International Liquidity

IEMP movements remained favourable in the first quarter of 2005.<sup>13</sup> The index value ranged between 0.3 and 0.9 standard deviations around the average, which was considerably below the level which indicates potential difficulties in

<sup>13</sup> IEMP is calculated as a weighted average of the appreciation rate of the kuna exchange rate against the euro and a growth rate of gross international reserves, using standard deviations as weights.



the settlement of international payments.<sup>14</sup> This was the consequence of slight appreciation pressures recorded in January-March period of 2005, mostly generated by the continued growth in bank foreign borrowing for the purpose of financing domestic lending operations and the increase in demand for kuna due to the subscription of MoF bonds issued in the domestic market. International reserves continued to trend upwards in the reference period, reaching in January its highest level since the end of 2003. As similar movements were observed in April, the IEMP was 0.6 standard deviations below the critical level.

## Government Finance

### Budget Highlights in the First Quarter 2005

The first quarter of 2005 was marked by a much faster expenditures growth than revenues growth. This resulted in consolidated general government deficit of HRK 6.2bn or 2.8% of the nominal GDP expected in 2005.

Consolidated central government deficit reached HRK 6.3bn in the observed period and was completely financed by borrowing in the domestic financial market, which substantially raised the level of domestic debt. At the same time, the external debt at this level of the government reduced by HRK 5.6bn.

At the beginning of 2005, changes were introduced into the tax system in the form of two new acts: on 1 January 2005 the new Income Tax Act and Profit Tax Act entered into force, thus significantly altering the tax system. The new Profit Tax Act, among other things, abolished the tax on dividends and the possibility of one-off write-off of assets as well as reduced the tax rates in the areas of special state concern. The new Income Tax Act, among other things, in-

creased the basic personal allowance and the personal allowance for dependant family members; however, it reduced the cumulative amount of tax reliefs. In addition to defining all categories of income from work more precisely, it abolished the tax on dividends and the possibility of one-off write-off of assets. From the aspect of government finance, that is, fiscal revenues, the overall effect of the tax reform shall not be visible until next year, after the annual calculation of income and profit tax. In contrast to the overall effect, the effects of some parts of the reform are already visible. The effects of the increase in the basic personal allowance on the net salary, labour costs for employers and fiscal revenues are presented in the section discussing employment and salaries (Box 1).

### Budget Revenues

In the period from January to March 2005, a total of HRK 22.1bn were collected at consolidated general government level, thus achieving 21.4% of the annual revenue plan. Revenues of the consolidated central government (inclusive of revenues of government agencies CH, CR, DAB and CPF) made up nearly 90% of the collected funds, while local government revenues account for the remaining share. Since data for local government by economic classification and in line with the GFS 2001 methodology are available only as of June 2004, the following comments on revenues in the first quarter of this year relate to consolidated central government revenues.

According to the MoF data, the consolidated central government revenues totalled HRK 19.8bn in the first quarter of 2005, up 4.9% on the same period a year ago. By economic classification, tax revenues accounted for 55.1%, social contributions for 37.8% and other revenues and grants for the remaining 7.1% of total revenues. This growth is predominantly a consequence of the growth in revenues from social security contributions and administrative fees, while VAT revenues declined.

Tax revenues, which make up the most important source of consolidated central government revenues, reached HRK 10.9bn in the first quarter of 2005, increasing by only 1.7% on annual level. These developments are a result of the rise in profit and income tax revenues combined with the decline in VAT revenues (which account for nearly one third of total consolidated central government revenues). In the first quarter of 2005, profit tax revenues reached HRK 0.8bn, increasing by 31% on annual level. This growth of profit tax revenues is a result of the rise in companies' profits in 2004, that is, of the fact that in 2003 a large number of companies reported smaller profits due to the effect of balance sheet cleansing. Profit tax revenues in the first quarter of 2005 were also affected by the payment of tax on retained earnings which have been paid out to a foreign owner of one of Croatian companies. Income tax revenues in the period from January to March 2005 totalled HRK 0.9bn or 3.4% more than in the same period in 2004, which was partly a consequence of the rise in the average gross monthly salary (4.6%) combined with the mild decline in the number of employed persons (0.3%). Income tax revenues were affected by the provisions of the new Income Tax Act. Revenues from tax on

<sup>14</sup> The critical level is set as the average value of the IEMP increased by two standard deviations. The value of the index above the critical level indicates potential difficulties in the settlement of international payments.

goods and services went down by 0.7% in the period in question. A decline in VAT revenues on annual level was recorded for the first time since the third quarter of 1999, in the absolute amount of HRK 81.1m (or 1.3% compared with the same period in 2004). Broken down by months, in January and February VAT revenues grew mildly on annual level, while in March they went down by 10.6% as a consequence of a 3.4% reduction in retail trade turnover, in real terms, in February this year.<sup>15</sup>

Excise revenues, which, in addition to VAT revenues and revenues from social security contributions, make up the most significant source of consolidated central government revenues, stagnated in the first quarter of 2005. Revenues from excise on coffee, which account for only 2.1% of all excise revenues, grew at a healthy rate, while at an annual level excises on cars grew at the strongest rate. Revenues from excises on cars reached HRK 221.8m in the first quarter 2005, up a high 15.8% on the same period a year ago. This was a result of the last year's changes to the Act on Special Taxes on Cars, Other Motor Vehicles, Boats and Planes, by which excises on cars were raised by 25% on average. The old act was in force in the first quarter of 2004 so the realised growth, among other things, also reflects the effect of the basis period. Although excises on tobacco were raised in July 2004, revenues from this source grew at an only slightly higher rate, that is, went up 1.1% on annual level. In the first quarter of 2005, excises on oil derivatives, which account for the lion's share of total excise revenues, went down by 2.3% at annual level. This was, among other things, a consequence of substantially higher prices of oil derivatives (especially of diesel fuels) in the first quarter which affected consumption and consequently reduced excise revenues from this source.<sup>16</sup> Revenues from excises on non-alcoholic beverages and alcoholic beverages increased by 13.3% and 1.5% respectively, while revenues from excises on beer and excises on luxury products decreased, by 9.4% and 12.9% respectively.

Social security contributions totalled HRK 7.5bn in the first quarter 2005, up 7.1% on the same time a year ago. This growth, resulting from the above-mentioned growth of the average gross monthly salary, contributed the most to the increase in total consolidated central government revenues in the first quarter of 2005.

Other revenues, accounting for some 7% of total revenues, went up 22.1% during the period in question as a consequence of the increase in revenues from administrative fees, followed by interest revenues and rents, i.e. concessions. High growth of revenues from concessions is a consequence of the entry of the third GSM operator into the Croatian market. The Agreement with the Croatian Telecommunications Agency was signed in February and a fee of HRK 200m was paid for the first year of providing telecommunications services and use of radio frequency spectrum. Revenues from fines, penalties and forfeits (as a share of other revenues) reached HRK 82m in the first quarter of 2005, increasing by

12.8% on annual level, as a result of, among other things, the July amendments to the Act on Road Traffic Safety, which substantially increased fines for traffic violations.

Local government revenues in the period from January to March 2005 totalled HRK 2.8bn.<sup>17</sup> In the revenue structure of local government revenues from income tax accounted for the largest share (42.9%), followed by administrative fees (16.9%), revenues from profit tax (13.3%) and current grants within the general government (13.2%).

## Budget Expenditures

According to the MoF data, consolidated general government expenditures in the first quarter of 2005 totalled HRK 25.9bn, accounting for 26% of the annual expenditure plan. Expenditures of the consolidated central government accounted for 93.4% of this amount, while local government accounted for the remaining share. As with revenues, the following comments relate to consolidated central government expenditures which comprise CH, CR, DAB and CPF operations, that being the highest consolidation level for which comparable quarterly data presented by economic classification and GFS 2001 format are available.

Consolidated central government expenditures in the first quarter of 2005 totalled HRK 24.2bn, up 19.4% on the same period in 2004 when the budget was financed on a temporary basis. The largest contribution to this growth came from the increase in expenditures on social contributions, subsidies and grants.

The annual growth rate of social benefits, which account for 42.8% in the expenditure structure, amounted to 13.7%, with social security benefits rising by 16% and social assistance benefits by 6.4%. This growth of social benefits, which, among other things, include old-age pensions, pensions for disabled persons and family pensions is partly a consequence of a mild increase in the number of pension beneficiaries and a rise in the average pension.

Expenditures for subsidies, which account for 7.5% of total consolidated central government expenditures, stood at HRK 1.8bn in the first quarter of 2005. On annual level they rose by 82.6%, with subsidies to both public corporations and private enterprises registering strong growth of HRK 0.3bn or 69.7% and HRK 0.5bn or 94.7% respectively.

During the period in question, interest expenses went up by 8.5%. Interest paid to residents on domestic debt totalled HRK 0.5bn, which is 45.8% more on annual level, while interest paid to non-residents totalled HRK 1.4bn, down 1.3% compared with the first quarter of 2004.

According to the MoF data, the use of goods and services in the first quarter of 2005 cost the government HRK 1.8bn or 40.9% more than in the same period in 2004. Compensation of employees reached HRK 5.9bn, up 2.1% on the previous year. Expenditures for salaries and wages totalled HRK 5bn, increasing by 2.8% on annual level, as a result of the rise in average monthly net salary of government employees<sup>18</sup> (amounting to some 5%) and simultaneous

<sup>15</sup> VAT is to be paid by the last day of the month for the previous month.

<sup>16</sup> Excises on oil derivatives are charged per litre, that is, kilogramme of net weight.

<sup>17</sup> Unconsolidated.

mild decrease in their number (amounting to some 1%).

According to the MoF data, expenditures at local government level<sup>19</sup> totalled HRK 2.1bn in the first quarter of 2005. Of this amount, the use of goods and services accounted for the largest, 37.2% share, followed by compensation of employees and other current expenditures with shares of 27.4% and 14.1% respectively.

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

The net operating balance (revenues minus expenses) of the consolidated central government totalled HRK -4.5bn in the first quarter of 2005, that is, rose three times on annual level. Together with the HRK 1.5bn of the increase in non-financial assets during the period, net borrowing totalled HRK 5.9bn. It was financed completely by an increase in liabilities, while at the same time financial assets went up by HRK 0.9bn.

In the first quarter of 2005, non-financial assets of the consolidated central government increased by HRK 1.5bn as a result of the HRK 0.3bn increase at budgetary central government level and the HRK 1.2bn increase in non-financial assets of central government funds. Compared with the same period in 2004, the growth of non-financial assets of the consolidated central government slowed down to 12.6%, most likely as a consequence of a slowdown in road construction. Acquisition of non-financial assets at consolidated central government level reached HRK 1.5bn in the first quarter of 2005, out of which budgetary central government accounted for 22.3% and central government funds for 77.7%. Of this amount the largest share (HRK 1.4bn) was spent on the acquisitions of buildings and structures thus reflecting the continuation (although slower) of road and highway construction. Apart from acquisition of buildings and structures, in 2004 significant funds were spent on ac-

quisition of machinery and equipment (HRK 123.6m) and acquisition of land (HRK 17.4m). During the period in question, disposal of non-financial assets totalled HRK 0.1bn, with the disposal of buildings and structures accounting for the largest share, amounting to HRK 59.8m. Budgetary central government accounted for HRK 56.2m of that amount due to the sale of public flats. Disposal of land in 2004 generated HRK 3.6m and was realised in the entire amount at the budgetary central government (government budget) level.

Financial assets of the consolidated central government increased by HRK 915.9m in the first quarter of 2005 as a result of the HRK 923.5m increase in domestic financial assets and a HRK 7.6m decrease in foreign financial assets. The growth of domestic financial assets of the consolidated central government is best reflected in the HRK 713.1m increase in currency and deposits (of this amount budgetary central government accounted for HRK 107.4m and central government funds for HRK 605.7m) and a HRK 210.4m rise in loans, shares and other equity. For comparison, the same period in 2004 saw a HRK 552.7m decline in financial assets, with the deposit transferred from 2003 being used for financing purposes.

Consolidated central government liabilities went up by HRK 6.8bn in the first quarter 2005, which was HRK 4.3bn or 165.4% more than the increase observed in the same period a year ago. This large increase in liabilities is a result of the strong growth of operating deficit, which was, together with the increase in non-financial assets completely financed by borrowing, unlike in 2003 when it was partly financed also by the disposal of financial assets. Domestic financial liabilities rose by HRK 10.8bn as a result of the new bond issue, an increase in liabilities resulting from subscribed T-bills and utilised loans. This rise was partly used for repayment of due foreign liabilities, which reduced by HRK 4bn during the period.

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

		Consolidated central government		
		Jan. – Mar. 2004 <sup>a</sup>	Jan. – Mar. 2005	Jan. – Mar. 2005 / Jan. – Mar. 2004
<b>Transactions affecting net worth</b>				
1.	Change in net worth (net operating balance)	-1,458	-4,468	
1.1.	Revenue	18,830	19,761	104.9
1.2.	Expense	20,288	24,229	119.4
<b>Transactions in non-financial assets</b>				
2.	Change in net non-financial assets	1,675	1,464	
2.1.	Acquisition of non-financial assets	1,743	1,528	87.7
2.2.	Disposal of non-financial assets	68	64	94.4
1-2	3. Net lending (+) / borrowing (-) (1-2)	-3,133	-5,932	
5-4	3. Financing (5-4) Transactions in financial assets and liabilities (as % of GDP)	3,133 (1.51)	5,932 (2.68)	
<b>Transactions in financial assets</b>				
4.	Change in financial assets	-553	916	
4.1.	Domestic	-553	923	
4.2.	Foreign	0	-8	
<b>Transactions in liabilities</b>				
5.	Change in liabilities	2,581	6,848	
5.1.	Domestic	2,622	10,844	
5.2.	Foreign	-41	-3,996	

<sup>a</sup> Preliminary data. Source: MoF.

18 Includes public administration and defence (L), education (M), health care and social security (N).

19 Unconsolidated.

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

	Jan. – Mar. 2005				
	Government budget	Extra-budgetary users	Consolidated central government	Units of local and regional self-government	Consolidated general government
Revenue	18.436	1.577	19.761	2.755	22.133
Total expenditure and net lending	23.913	2.363	26.024	2.687	28.328
Expense <sup>a</sup>	23.342	1.140	24.229	2.100	25.946
Acquisition of non-financial assets <sup>a</sup>	341	1.187	1.528	579	2.107
Net acquisition of financial assets – loans <sup>a</sup>	167	10	177	5	183
Acquisition	225	45	270	17	287
Disposal	58	35	93	11	104
Acquisition of shares and other equity <sup>a</sup>	63	27	89	3	92
Acquisition of other accounts receivable <sup>a</sup>	0	0	0	0	0
GFS 1986 balance	-5.477	-786	-6.263	68	-6.194

<sup>a</sup> GFS 2001. Source: MoF.

### Consolidated General Government Balance on Cash Basis

Consolidated general government balance exclusive of capital revenues (on cash basis, presented in the GFS 1986 format) totalled HRK 6.2bn in the first quarter 2005. Since the local government had a positive balance, the consolidated general government deficit was generated entirely on the consolidated central government level.

In the first three months of 2005, consolidated central government deficit reached HRK 6.3bn, up 80.8% from the deficit recorded in the same period last year when the budget was financed on a temporary basis. Budgetary central government accounted for the lion's share of the deficit (HRK 5.5bn), while state agencies and social security funds accounted for smaller shares of HRK 0.8bn and HRK 0.04bn respectively. The cause for such high deficit should be sought in the rise of expenditures, which went up at a significantly faster rate than revenues during the observed period.

### Government Debt

The general government debt, including the CBRD debt, expanded by HRK 4.1bn in the first quarter 2005. According to the CNB data, at end-March it totalled HRK 102.7bn, or 46.4% of the expected nominal GDP for 2005. Issued government guarantees continued declining during the period, ending the quarter at HRK 12.1bn. Inclusive of HRK 12.1bn of the potential debt arising from government guarantees, government debt totalled HRK 114.8bn at the end of the first quarter or 51.9% of the expected nominal GDP for 2005.

In the first three months of 2005, general government debt, including CBRD debt, went up 4.2% on the end-2004. For comparison, during the same period in 2004 debt rose by HRK 1.8bn or 2.1% on the end-2005. Borrowing in the domestic financial market (HRK 9.7bn growth) accounted for the entire 2005 debt increase, while external debt went down (HRK 5.6bn). Such movements, which started in the second half of last year, are a result of the government's intention to rely more on domestic sources of financing in covering its financing needs and repayments of external debt principal. This increased reliance on domestic sources of finance affected the debt structure. In the first quarter of 2005, the share of domestic debt in general government debt (inclusive of CBRD debt) went up by 7.7 percentage points

(from 43.7% at end-December 2004 to 51.4% at end-March 2005), while external debt decreased correspondingly.

Domestic debt increased (HRK 9.7bn) almost entirely due to the increase in general government debt because CBRD domestic debt did not change significantly during the observed period (decreased by HRK 12m). The highest increase in borrowing was registered at the Republic of Croatia level (HRK 9.1bn) and was effected primarily through T-bill issues (net increase of HRK 4bn), followed by bank loans (HRK 3.7bn) and bond issues (HRK 1.4bn). The domestic debt of central government funds went up by HRK 0.7bn, which is 21.5% more than the increase registered in the corresponding period in 2004. As in the first quarter of 2004, the increase in domestic debt of central government funds was accounted for by bank loans, while debt arising from issued bonds reduced. Domestic debt of the local government reduced by HRK 73.1m in the first three months of 2005 due to repayments of bank loans (HRK 70.3m) and interest on municipal bonds (HRK 4.2m).

General government external debt, including the CBRD debt, reduced by HRK 5.63bn during the period: general government external debt by nearly HRK 5.47bn and external debt of the CBRD by slightly over HRK 0.16bn. As for general government debt, the external debt of the Republic of Croatia reduced by HRK 5.57bn, the external debt of central government funds increased by HRK 0.14bn, while the external debt of local government went down by HRK 0.04bn.

Since in addition to the external debt a significant part of the domestic debt is denominated in foreign currency, cross-currency developments affect the total debt stock expressed in domestic currency. As a result, the 3% appreciation of the kuna exchange rate against the euro over the observed period resulted in a statistical debt reduction, so the realised debt increase (HRK 4.1bn) was far smaller than the budget deficit recorded during the same period (HRK 6.2bn), with the deficit being entirely financed through borrowing.

Issued government guarantees totalled HRK 12.1bn at end-March, down HRK 165.6m on the end of last year. This was a result of the decrease in foreign guarantees (HRK 361.8m), while domestic guarantees increased during the period (HRK 196.2m).

## Central Government Domestic Debt

According to the CNB data, the central government domestic debt stood at HRK 51.3bn at the end of the first quarter 2005, growing by HRK 9.8bn or 23.6% compared with end-2004. Of this amount, the increase in the domestic debt of central government funds accounted for HRK 0.7bn, as a result of CR and CH's new borrowings from domestic banks. Republic of Croatia accounted for the remaining share of the increase in central government domestic debt by borrowing through T-bill and bonds issues and taking out bank loans. The increase in the Republic of Croatia domestic debt on the basis of T-bills amounted to nearly HRK 4bn in the first quarter of 2005, while the same period a year ago saw a decline of HRK 0.2bn. Ample bank liquidity at the turn of the year resulted in a high amount of subscribed T-bills and the said substantial increase in domestic debt.

A new issue of government bonds worth HRK 3bn and maturing in 5 years was seen in March. It needs stressing that this is the second issue of kuna government bonds (the first kuna bond was issued in May 2003). Funds collected by this issue were partly used for repayment of liabilities due in the first quarter of 2005 and servicing the domestic public debt due in 2005, while, according to the MoF's announcement, some HRK 0.5bn will be used for covering the current budget deficit until the planned privatisation revenues come in. These transactions resulted in the HRK 1.4bn increase of government domestic debt on the basis of issued bonds.

At the end of March a five-year eurobond in the nominal value of EUR 500m became due, which was refinanced by borrowing in the domestic financial market. The government's intention to refinance this bond through domestic borrowing was supported by the CNB, which in February

amended the Decision on the Minimum Required Amount of Foreign Currency Claims, thus reducing the minimum required coverage of foreign currency liabilities by foreign currency claims from 35% to 32%. This freed up some HRK 4bn at banking system level. A share of these assets was placed to the government for servicing foreign debt. In order to raise the funds necessary for repayment of eurobonds that became due the government signed an agreement on a syndicated loan worth EUR 500m with a syndicate of seven Croatian banks. The first tranche, worth EUR 250m is due at the end of 2009, and the second a year later.

## Central Government External Debt

Central government external debt reached HRK 49.7bn at the end of March 2005, down HRK 5.6bn or 10.1% on the end-2004. The Republic of Croatia accounted for almost the entire amount of the decrease, while external debt of central government funds reduced by only HRK 20m. Broken down by instruments, the substantial reduction in the external debt of the Republic of Croatia resulted from the five-year eurobond worth EUR 500m that was due at end-March. In addition, the reduction in the debt resulted from the principal repayment to the London Club (EUR 62m), repayments of long-term loans (HRK 0.1bn) and payment of interest on said instruments, which is, in line with the new external debt statistics methodology, registered in the total debt stock.

The reduction in the debt of central government funds during the first quarter (HRK 19.7m) is a result of the increase in debt arising from bonds issued in the foreign market (HRK 13m) and the reduction in liabilities arising from received foreign loans (HRK 32.8m).

Table 15: Domestic Debt of Central Government, end of period, in million HRK

	Stock			Change	
	Dec. 2003	Dec. 2004	Mar. 2005	Jan. – Mar. 2004	Jan. – Mar. 2005
1. Domestic debt of central government	34,736	41,517	51,320	1,157	9,803
1.1. Domestic debt of the Republic of Croatia	28,161	37,224	46,305	514	9,081
Treasury bills	6,548	9,022	13,021	-199	3,999
Money market instruments	0	-	-	-	-
Bonds	17,422	23,080	24,500	949	1,420
Credits from banks	4,190	5,121	8,784	-236	3,663
1.2. Domestic debt of central government funds	6,576	4,293	5,016	643	722
Money market instruments	-	-	-	-	-
Bonds	3,616	2,040	1,902	-34	-138
Credits from banks	2,959	2,253	3,114	677	861
Note: Issued guarantees	6,895	4,632	4,824	-228	191

Source: CNB Bulletin, Table I3.

Table 16: External Debt of Central Government, end of period, in million HRK

	Stock			Change	
	Dec. 2003	Dec. 2004	Mar. 2005	Jan. – Mar. 2004	Jan. – Mar. 2005
1. External debt of central government	50,138	55,248	49,661	399	-5,588
1.1. External debt of the Republic of Croatia	41,049	41,952	36,384	-1,553	-5,568
Money market instruments	-	-	-	-	-
Bonds	32,145	32,793	27,330	-1,437	-5,464
Credits	8,904	9,159	9,054	-116	-104
1.2. External debt of central government funds	9,089	13,296	13,277	1,953	-20
Money market instruments	-	-	-	-	-
Bonds	821	2,765	2,778	1,875	13
Credits	8,269	10,532	10,499	78	-33
Note: Issued guarantees	8,619	7,810	7,442	-410	-368

Source: CNB Bulletin, Table I3.



# Statistical Survey



## Classification and Presentation of Data on Claims and Liabilities

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

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

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

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

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

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

Foreign sector includes foreign legal and natural persons.

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

**Table A1: Monetary and Credit Aggregates**

End of period, million kuna and %

Year	Month	Reserve money	Money M1	Money M1	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth					
								Reserve money	Money M1	Money M1	Broadest money M4	Net domestic assets	Domestic credit
1994	December	4,714.2	6,642.6	6,996.7	17,679.9	16,540.1	27,661.5	11.73	2.20	3.83	2.26	11.84	3.45
1995	December	6,744.1	8,234.9	8,503.2	24,623.0	21,576.3	32,819.5	2.97	0.89	1.54	3.41	1.00	1.88
1996	December	8,770.4	11,368.9	11,494.9	36,701.1	24,960.4	33,831.2	11.35	7.83	7.67	4.88	-5.41	-11.61
1997	December	10,346.1	13,731.4	13,848.8	50,742.0	33,829.0	48,863.4	7.86	3.93	3.85	2.16	4.98	4.96
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25
1999	December <sup>a</sup>	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	April	30,895.7	32,890.5	33,537.9	127,867.8	97,727.3	115,926.7	2.73	4.01	4.19	1.67	-0.40	2.33
	May	31,175.6	33,193.9	33,931.5	127,461.4	98,300.7	115,314.9	0.91	0.92	1.17	-0.32	0.59	-0.53
	June	31,157.1	34,265.4	34,846.7	129,559.4	99,728.3	116,769.2	-0.06	3.23	2.70	1.65	1.45	1.26
	July	31,652.1	34,621.5	35,204.2	133,013.2	101,861.7	117,874.0	1.59	1.04	1.03	2.67	2.14	0.95
	August	32,327.9	35,024.3	35,818.7	136,825.8	101,771.0	118,889.6	2.14	1.16	1.75	2.87	-0.09	0.86
	September	32,851.8	34,492.3	35,234.5	138,742.8	103,362.9	120,614.7	1.62	-1.52	-1.63	1.40	1.56	1.45
	October	32,654.4	33,852.4	34,478.5	138,356.9	104,170.9	121,318.6	-0.60	-1.86	-2.15	-0.28	0.78	0.58
	November	31,211.5	33,600.7	34,268.9	139,632.6	105,932.6	124,824.3	-4.42	-0.74	-0.61	0.92	1.69	2.89
	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	January	32,618.7	34,908.8	35,381.4	138,919.6	109,215.0	127,047.2	-3.85	1.00	0.55	-0.73	0.93	-0.21
	February	32,483.7	34,386.9	34,957.3	138,850.4	111,148.3	128,084.1	-0.41	-1.49	-1.20	-0.05	1.77	0.82
	March	33,070.9	34,547.4	35,149.4	137,974.5	115,802.7	128,059.8	1.81	0.47	0.55	-0.63	4.19	-0.02
	April	33,358.8	34,819.1	35,450.3	137,879.2	116,714.0	129,723.4	0.87	0.79	0.86	-0.07	0.79	1.30

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

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

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

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

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

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

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

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

**Table B1: Monetary Survey**

End of period, million kuna

	2000	2001	2002	2003	2004	2005				
	Dec.	Dec. <sup>a</sup>	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	
<b>ASSETS</b>										
1. Foreign assets (net)	29,017.2	48,661.3	32,817.4	32,771.4	31,742.6	29,704.6	27,702.1	22,171.9	21,165.1	
2. Domestic credit	72,051.4	87,637.6	112,518.9	126,371.6	141,278.1	142,771.9	144,673.8	149,340.5	150,347.2	
2.1. Claims on central government and funds (net)	11,167.6	12,673.1	15,055.2	14,710.1	13,969.6	15,724.7	16,589.7	21,280.7	20,623.8	
2.2. Claims on other domestic sectors	60,653.4	74,513.0	96,329.0	110,467.8	125,790.7	125,591.8	126,627.0	126,371.2	127,949.0	
2.3. Claims on other banking institutions	68.7	170.2	219.5	431.8	624.0	499.0	481.4	537.2	541.9	
2.4. Claims on non-banking financial institutions	161.7	281.4	915.3	761.8	893.9	956.4	975.7	1,151.4	1,232.5	
Total (1+2)	101,068.7	136,298.9	145,336.3	159,143.0	173,020.7	172,476.6	172,376.0	171,512.3	171,512.4	
<b>LIABILITIES</b>										
1. Money	18,030.3	23,703.5	30,869.8	33,888.7	34,562.1	34,908.8	34,386.9	34,547.4	34,819.1	
2. Savings and time deposits	7,651.1	10,213.1	13,001.1	18,370.7	22,479.2	22,456.2	22,745.1	22,531.9	23,268.6	
3. Foreign currency deposits	46,901.6	71,836.9	72,054.6	76,035.3	81,742.9	80,340.7	80,287.0	79,977.3	78,744.7	
4. Bonds and money market instruments	478.2	317.8	216.3	598.4	1,163.5	1,214.0	1,431.5	918.0	1,046.8	
5. Restricted and blocked deposits	2,864.5	1,926.2	1,729.5	1,721.6	2,067.0	2,102.3	2,230.5	2,408.0	2,341.9	
o/w: Households' blocked f/c deposits	1,695.1	770.2	319.3	167.8	40.0	0.4	0.0	0.0	0.0	
6. Other items (net)	25,143.1	28,301.4	27,465.1	28,528.2	31,006.1	31,454.7	31,295.0	31,129.7	31,291.3	
Total (1+2+3+4+5+6)	101,068.7	136,298.9	145,336.3	159,143.0	173,020.7	172,476.6	172,376.0	171,512.3	171,512.4	

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

**Table B1: Monetary Survey**

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

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

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

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

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

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

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

Year	Month	Total number of reporting banks	Reporting banks classified according to their total assets						Total number of reporting savings banks	Savings banks classified according to their total assets		
			Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over		Less than 10 million kuna	10 million kuna to less than 100 million kuna	100 million kuna and over
1	2	3	4	5	6	7	8	9	10	11	12	13
1994	December	50	13	21	6	6	2	2	33	22	9	2
1995	December	53	15	20	7	7	2	2	21	7	13	1
1996	December	57	10	26	6	9	4	2	22	10	11	1
1997	December	60	4	28	9	8	9	2	33	12	18	3
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	December	46	4	13	7	9	8	5	10	3	5	2
2003	December	42	2	13	8	5	8	6	7	3	2	2
2004	April	41	2	12	9	5	7	6	6	3	3	–
	May	41	2	12	9	5	7	6	6	3	3	–
	June	41	2	12	9	5	7	6	6	3	3	–
	July	40	2	11	10	5	6	6	6	3	3	–
	August	40	2	11	10	5	6	6	6	3	3	–
	September	40	2	12	9	5	6	6	6	3	3	–
	October	40	2	12	9	5	6	6	6	3	3	–
	November	39	2	12	8	6	5	6	6	3	3	–
December	39	1	12	9	6	5	6	6	3	3	–	
2005	January	38	1	12	8	6	5	6	6	3	3	–
	February	38	1	12	8	6	5	6	6	3	3	–
	March	38	2	11	8	6	5	6	3	2	1	–
	April	37	1	11	9	5	5	6	3	2	1	–

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

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

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

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

**Table C1: Monetary Authorities Accounts**

End of period, million kuna

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
<b>ASSETS</b>									
1. Foreign assets	28,747.4	39,308.9	42,058.8	50,118.6	49,373.4	49,508.2	49,415.6	49,863.2	49,871.8
1.1. Gold	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	1,204.2	905.8	17.4	5.0	4.8	7.5	5.3	5.3	7.0
1.3. Reserve position in the IMF	1.8	1.8	1.6	1.5	1.4	1.4	1.4	1.4	1.4
1.4. Currency and demand deposits with foreign banks	7.4	6.1	6.4	5.8	5.7	5.9	5.5	5.5	5.9
1.5. Time deposits with foreign banks	20,986.9	25,565.9	28,183.2	25,580.7	24,337.7	24,313.4	24,427.0	25,410.2	25,795.7
1.6. Securities in f/c	6,545.7	12,829.3	13,850.0	24,525.5	25,023.7	25,180.0	24,976.3	24,440.9	24,061.8
1.7. Non-convertible foreign exchange	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	0.0	–	0.5	1.4	3.3	0.6	2.3	1.7	2.2
2.1. Claims in kuna	0.0	–	0.5	1.4	3.3	0.6	2.3	1.7	2.2
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	289.5	229.2	110.6	93.6	82.9	80.1	80.1	77.5	77.5
4. Claims on banks	329.9	18.5	17.9	972.0	408.9	15.0	14.7	14.6	15.9
4.1. Credits to banks	313.6	–	–	954.4	394.0	–	–	–	–
Lombard credits	–	–	–	954.4	–	–	–	–	–
Short-term liquidity credits	–	–	–	–	–	–	–	–	–
Other credits	14.0	–	–	–	–	–	–	–	–
Reverse repo transactions	299.6	–	–	–	394.0	–	–	–	–
4.2. CNB deposits with banks	15.2	16.6	17.6	14.5	15.0	15.0	14.7	14.6	14.5
4.3. Overdue claims	1.1	1.9	0.3	3.1	–	–	–	–	1.4
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	29,366.8	39,556.6	42,187.7	51,185.6	49,868.5	49,603.9	49,512.7	49,957.1	49,967.4
<b>LIABILITIES</b>									
1. Reserve money	11,717.3	17,803.2	23,027.9	30,586.2	33,924.4	32,618.7	32,483.7	33,070.9	33,358.8
1.1. Currency outside banks	6,636.7	8,507.4	9,680.9	10,573.1	10,955.6	10,789.4	10,905.2	11,061.7	11,408.0
1.2. Banks' cash in vaults	532.3	538.8	1,214.8	1,683.2	1,871.0	1,807.7	1,663.2	1,665.0	1,805.6
1.3. Banks' deposits	4,540.7	8,741.5	12,109.4	18,329.3	21,082.6	19,963.4	19,889.6	20,344.0	20,124.1
Settlement accounts	459.5	2,450.1	3,923.4	5,616.0	6,408.2	5,249.8	5,001.0	5,582.3	4,265.0
Statutory reserves	4,081.2	6,291.4	8,186.0	12,603.9	14,674.4	14,713.6	14,888.6	14,761.7	14,317.7
CNB bills on obligatory basis	–	–	–	109.4	–	–	–	–	–
Overnight deposits	–	–	–	–	–	–	–	–	1,541.4
1.4. Deposits of other banking institutions	7.5	15.5	19.1	–	–	–	–	–	–
1.5. Deposits of other domestic sectors <sup>b</sup>	0.0	0.1	3.5	0.6	15.1	58.1	25.6	0.3	21.1
2. Restricted and blocked deposits	5,805.5	6,030.5	7,091.2	6,699.2	10,777.1	11,248.9	11,901.9	12,301.7	12,094.6
2.1. Statutory reserve in f/c	5,490.5	5,705.1	7,042.3	6,686.6	10,764.7	11,236.9	11,889.7	12,289.7	12,082.6
2.2. Restricted deposits	315.0	325.4	49.0	12.6	12.4	12.0	12.2	12.0	12.0
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,630.8	1,597.5	195.7	2,798.0	18.1	16.8	16.7	15.2	13.9
3.1. Use of IMF credit	1,290.3	1,025.5	2.8	0.0	–	–	–	–	–
3.2. Liabilities to international organisations	9.5	12.2	12.6	19.6	18.1	16.8	16.7	15.2	13.9
3.3. Liabilities to foreign banks <sup>a</sup>	331.0	559.8	180.2	2,778.5	–	–	–	–	–
4. Central government and funds' deposits	1,157.4	1,752.1	768.1	1,551.1	263.2	1,297.5	975.4	590.7	807.8
4.1. Demand deposits	1,008.5	1,752.1	608.3	600.2	228.0	1,297.5	975.3	590.7	807.8
Central government demand deposits	980.8	1,564.8	569.5	548.5	123.0	1,139.6	797.7	186.0	578.8
Central government funds' demand deposits	27.7	187.3	38.7	51.7	105.0	157.9	177.6	404.7	229.0
4.2. Central government f/c deposits	–	–	–	950.9	35.2	0.1	0.1	0.1	0.1
4.3. CNB bills	148.8	–	159.9	–	–	–	–	–	–
5. CNB bills	4,207.3	6,372.3	6,212.4	4,920.2	–	–	–	–	–
5.1. CNB bills in kuna	2,394.6	3,458.9	4,986.2	–	–	–	–	–	–
5.2. CNB bills in f/c	1,812.7	2,913.4	1,226.3	4,920.2	–	–	–	–	–
6. Capital accounts	5,216.6	6,425.2	5,353.5	5,039.0	5,096.5	4,869.4	4,583.1	4,426.6	4,134.9
7. Other items (net)	–368.1	–424.2	–461.1	–408.1	–210.8	–447.4	–448.0	–448.0	–442.7
Total (1+2+3+4+5+6+7)	29,366.8	39,556.6	42,187.7	51,185.6	49,868.5	49,603.9	49,512.7	49,957.1	49,967.4

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

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

Table C1: Monetary Authorities Accounts

The table reports data on claims and liabilities by monetary authorities. In September 1999, the data were revised, with savings banks being transferred for the sub-sector other banking institutions to the sub-sector banks. The whole data series has been revised accordingly.

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

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

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

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

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

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

Reserve money consists of currency outside banks, cash in banks' vaults, banks' deposits with the CNB, other banking institutions' deposits and other domestic sectors' deposits with the CNB. Banks' deposits are: settlement account balances, statutory reserves deposited on a special account with the CNB as well as CNB bills on an obligatory basis. Deposits by other banking institutions included, until September 2003, settlement account balances of housing savings banks. Deposits by other domestic sectors are other domestic sectors' giro account balances which, on the basis of legal acts are deposited with the Croatian National Bank.

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

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

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

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

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

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

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

**Table D1: Banks' Accounts**

End of period, million kuna

	2000	2001	2002	2003	2004	2005				
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.*	Apr.	
<b>ASSETS</b>										
1. Reserves with the CNB	10,588.9	15,002.7	20,373.5	26,783.7	33,718.2	33,007.3	33,443.4	34,295.8	34,013.4	
1.1. In kuna	5,098.4	9,306.2	13,340.0	20,103.4	22,962.9	21,779.2	21,562.5	22,016.4	21,939.1	
1.2. In f/c	5,490.5	5,696.5	7,033.5	6,680.2	10,755.3	11,228.0	11,880.9	12,279.5	12,074.2	
2. Foreign assets	19,710.4	32,807.6	25,977.8	35,382.9	43,551.0	39,071.1	35,450.1	34,971.7	33,298.1	
3. Claims on central government and funds	19,055.5	20,059.9	21,917.7	21,543.6	21,051.3	23,300.7	24,073.2	28,786.7	28,458.0	
3.1. Bonds arising from blocked f/c deposits	4,484.4	3,420.1	2,473.5	1,531.9	532.0	22.5	22.3	22.3	21.9	
3.2. Other claims	14,571.0	16,639.7	19,444.3	20,011.7	20,519.3	23,278.2	24,050.9	28,764.4	28,436.1	
4. Claims on other domestic sectors	60,363.9	74,283.8	96,218.4	110,374.3	125,707.9	125,511.7	126,546.9	126,293.7	127,871.5	
4.1. Claims on local government	1,174.9	1,280.0	1,422.4	1,563.1	1,787.9	1,708.3	1,732.2	1,750.7	1,729.8	
4.2. Claims on enterprises	35,890.7	42,882.0	51,723.4	53,809.8	58,643.3	58,723.9	59,252.8	58,215.3	58,946.0	
4.3. Claims on households	23,298.3	30,121.9	43,072.6	55,001.4	65,276.7	65,079.5	65,561.8	66,327.7	67,195.6	
5. Claims on other banking institutions	68.7	170.2	219.5	431.8	624.0	499.0	481.4	537.2	541.9	
6. Claims on non-banking financial institutions	161.7	281.4	915.3	761.8	893.9	956.4	975.7	1,151.4	1,232.5	
<b>Total (1+2+3+4+5+6)</b>	<b>109,949.1</b>	<b>142,605.6</b>	<b>165,622.2</b>	<b>195,278.0</b>	<b>225,546.2</b>	<b>222,346.2</b>	<b>220,970.7</b>	<b>226,036.5</b>	<b>225,415.3</b>	
<b>LIABILITIES</b>										
1. Demand deposits	11,386.0	15,180.6	21,166.2	23,315.0	23,591.3	24,061.2	23,456.0	23,485.4	23,390.0	
2. Savings and time deposits	7,651.1	10,213.1	13,001.1	18,370.7	22,479.2	22,456.2	22,745.1	22,531.9	23,268.6	
3. Foreign currency deposits	46,901.6	71,836.9	72,054.6	76,035.3	81,742.9	80,340.7	80,287.0	79,977.3	78,744.7	
4. Bonds and money market instruments	478.2	317.8	216.3	598.4	1,163.5	1,214.0	1,431.5	918.0	1,046.8	
5. Foreign liabilities	17,809.7	21,857.8	35,023.5	49,932.0	61,163.7	58,857.9	57,146.8	62,647.9	61,990.9	
6. Central government and funds' deposits	6,730.5	5,634.7	6,094.9	5,283.3	6,821.8	6,279.1	6,510.4	6,917.0	7,028.6	
7. Credit from central bank	328.8	16.6	17.6	968.9	408.9	15.0	14.7	14.6	14.5	
8. Restricted and blocked deposits	2,549.6	1,600.8	1,680.5	1,709.0	2,054.6	2,090.2	2,218.3	2,396.1	2,329.9	
o/w: Households' blocked f/c deposits	1,695.1	770.2	319.3	167.8	40.0	0.4	0.0	0.0	0.0	
9. Capital accounts	24,953.1	25,455.1	26,323.2	27,389.5	28,666.4	29,094.6	29,294.2	29,301.6	29,519.8	
10. Other items (net)	-8,839.4	-9,507.8	-9,955.6	-8,324.2	-2,546.3	-2,062.6	-2,133.3	-2,153.3	-1,918.3	
<b>Total (1+2+3+4+5+6+7+8+9+10)</b>	<b>109,949.1</b>	<b>142,605.6</b>	<b>165,622.2</b>	<b>195,278.0</b>	<b>225,546.2</b>	<b>222,346.2</b>	<b>220,970.7</b>	<b>226,036.5</b>	<b>225,415.3</b>	

**Table D1: Banks' Accounts**

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

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

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

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

bonds on which interest is paid.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Table D2: Banks' Foreign Assets**

End of period, million kuna

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Foreign assets in f/c	19,619.2	32,763.6	25,924.4	35,261.9	43,428.1	38,920.6	35,104.0	34,892.1	33,194.3
1.1. Claims on foreign banks	19,154.9	31,660.3	21,333.5	31,877.6	35,911.0	31,573.8	27,810.5	27,732.8	25,909.2
Foreign currencies	1,002.8	7,324.7	1,019.8	1,268.6	1,190.0	918.5	926.6	1,069.4	979.5
Demand deposits	995.0	1,231.9	757.7	1,057.0	906.2	934.4	711.6	862.9	1,284.8
Time and notice deposits	16,286.7	21,765.2	17,569.8	27,969.4	30,943.7	26,957.5	23,224.4	22,843.4	20,882.9
Securities	454.9	1,008.5	1,690.2	1,364.2	2,674.1	2,567.7	2,753.3	2,763.5	2,549.4
Loans and advances	370.9	290.3	278.7	203.1	189.0	187.8	186.6	185.7	204.7
Shares and participations	44.6	39.7	17.2	15.4	8.1	7.9	7.9	7.8	7.7
1.2. Claims on foreign non-banks	464.3	1,103.3	4,590.8	3,384.4	7,517.1	7,346.8	7,293.5	7,159.3	7,285.1
Claims on foreign governments	137.8	596.2	3,855.5	2,905.0	7,066.6	6,910.5	6,921.6	6,805.0	6,936.1
Claims on other non-residents	322.4	505.5	733.7	478.9	450.2	436.0	371.5	353.9	348.6
Securities	–	72.1	191.3	32.1	77.4	76.0	0.0	0.0	–
Loans and advances	322.4	433.4	542.4	446.8	372.8	360.0	371.5	353.9	348.6
Shares and participations	4.1	1.6	1.6	0.4	0.3	0.2	0.4	0.4	0.4
2. Foreign assets in kuna	91.2	44.1	53.4	120.9	122.9	150.5	346.1	79.6	103.7
2.1. Claims on foreign banks	66.1	29.2	19.6	99.1	77.8	106.0	302.3	33.9	58.6
2.2. Claims on foreign non-banks	25.1	14.8	33.8	21.9	45.1	44.4	43.8	45.6	45.1
o/w: Loans and advances	23.3	13.9	33.0	21.0	44.3	43.6	43.0	44.8	44.3
Total (1+2)	19,710.4	32,807.6	25,977.8	35,382.9	43,551.0	39,071.1	35,450.1	34,971.7	33,298.1

Tables: D2 – D12

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

Table D2: Banks' Foreign Assets

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

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

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

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

End of period, million kuna

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Bonds (c/part to blocked f/c savings deposits)	4,484.4	3,420.1	2,473.5	1,531.9	532.0	22.5	22.3	22.3	21.9
2. Other claims	14,571.0	16,639.7	19,444.3	20,011.7	20,519.3	23,278.2	24,050.9	28,764.4	28,436.1
2.1. In kuna	12,887.7	14,358.6	15,970.9	16,475.2	15,738.1	18,548.8	19,365.0	20,390.7	20,052.4
2.1.1. Claims on central government	11,288.4	12,810.0	13,969.9	14,500.7	13,933.5	16,650.8	17,487.2	17,651.6	17,368.3
Securities	10,063.5	11,983.1	11,515.6	10,238.1	11,247.1	11,824.4	11,697.6	14,947.8	15,222.8
Loans and advances	1,224.9	826.9	2,454.3	4,262.6	2,686.5	4,826.4	5,789.6	2,703.8	2,145.5
2.1.2. Claims on central government funds	1,599.4	1,548.5	2,001.0	1,974.5	1,804.6	1,898.0	1,877.8	2,739.1	2,684.1
Securities	627.3	560.1	560.7	723.6	621.1	605.6	613.8	652.2	687.4
Loans and advances	972.1	988.4	1,440.3	1,250.9	1,183.5	1,292.4	1,264.0	2,086.9	1,996.7
2.2. In f/c	1,683.3	2,281.2	3,473.3	3,536.4	4,781.1	4,729.5	4,685.9	8,373.7	8,383.7
2.2.1. Claims on central government	1,492.7	1,390.9	2,359.1	3,196.9	3,548.4	3,500.8	3,443.9	7,137.3	7,127.9
Securities	869.2	1,065.5	1,733.4	1,805.4	1,117.0	1,106.8	1,067.5	1,058.9	1,107.3
Loans and advances	623.5	325.5	625.7	1,391.5	2,431.3	2,394.0	2,376.3	6,078.4	6,020.6
2.2.2. Claims on central government funds	190.6	890.3	1,114.2	339.5	1,232.8	1,228.6	1,242.0	1,236.4	1,255.8
Securities	35.0	75.4	195.0	96.4	163.1	187.2	206.7	209.4	203.9
Loans and advances	155.5	814.8	919.2	243.1	1,069.7	1,041.4	1,035.3	1,026.9	1,051.9
Total (1+2)	19,055.5	20,059.9	21,917.7	21,543.6	21,051.3	23,300.7	24,073.2	28,786.7	28,458.0

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

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

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

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

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

**Table D4: Banks' Claims on Other Domestic Sectors**

End of period, million kuna

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Claims in kuna	53,739.5	66,626.8	85,418.7	100,365.0	114,635.7	114,594.0	115,476.8	115,132.8	116,435.4
1.1. Money market instruments	231.9	544.7	1,394.7	1,314.1	2,510.0	2,689.9	2,871.5	1,600.3	1,630.6
1.2. Bonds	1.0	7.7	72.4	56.2	559.8	560.5	547.7	554.1	523.1
1.3. Loans and advances	49,566.8	62,180.6	80,887.6	96,081.7	109,523.9	109,331.4	110,039.9	110,959.3	112,288.0
1.4. Shares and participations	3,939.8	3,893.8	3,064.0	2,912.9	2,042.0	2,012.2	2,017.6	2,019.1	1,993.7
2. Claims in f/c	6,624.3	7,657.0	10,799.8	10,009.3	11,072.2	10,917.7	11,070.1	11,160.9	11,436.1
2.1. Securities	112.4	126.6	243.2	130.6	213.5	243.6	252.0	265.5	253.8
2.2. Loans and advances	6,512.0	7,530.5	10,556.6	9,878.7	10,858.6	10,674.2	10,818.1	10,895.4	11,182.4
Total (1+2)	60,363.9	74,283.8	96,218.4	110,374.3	125,707.9	125,511.7	126,546.9	126,293.7	127,871.5

**Table D4: Banks' Claims on Other Domestic Sectors**

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

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

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

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

End of period, million kuna

	2000	2001	2002	2003	2004	2005				
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.*	Apr.	
<b>LOANS IN KUNA</b>										
1. Loans to central government and funds	2,196.9	1,815.4	3,894.6	5,513.5	3,870.0	6,118.8	7,053.6	4,790.7	4,142.1	
1.1. Loans to central government	1,224.9	826.9	2,454.3	4,262.6	2,686.5	4,826.4	5,789.6	2,703.8	2,145.5	
1.2. Loans to central government funds	972.1	988.4	1,440.3	1,250.9	1,183.5	1,292.4	1,264.0	2,086.9	1,996.7	
2. Loans to local government	996.8	1,069.1	1,202.9	1,485.1	1,701.9	1,635.7	1,661.9	1,666.1	1,647.7	
3. Loans to enterprises	25,328.0	31,049.4	36,708.1	39,777.4	42,844.7	42,919.1	43,112.7	43,266.9	43,750.1	
4. Loans to households	23,242.1	30,062.1	42,976.6	54,819.3	64,977.2	64,776.5	65,265.3	66,026.2	66,890.2	
o/w: Housing loans	8,257.8	9,450.0	12,363.4	16,896.2	21,397.9	21,400.1	21,634.8	21,865.2	22,161.1	
5. Loans to other banking institutions	33.5	34.7	17.6	82.3	154.5	43.4	28.1	51.8	86.6	
6. Loans to non-banking financial institutions	105.5	240.9	521.3	427.9	558.0	382.3	364.8	525.3	562.0	
<b>A. Total (1+2+3+4+5+6)</b>	<b>51,902.8</b>	<b>64,271.6</b>	<b>85,321.1</b>	<b>102,105.4</b>	<b>114,106.4</b>	<b>115,875.9</b>	<b>117,486.4</b>	<b>116,327.2</b>	<b>117,078.6</b>	
<b>LOANS IN F/C</b>										
1. Loans to central government and funds	779.1	1,140.3	1,544.9	1,634.7	3,501.0	3,435.4	3,411.6	7,105.4	7,072.5	
1.1. Loans to central government	623.5	325.5	625.7	1,391.5	2,431.3	2,394.0	2,376.3	6,078.4	6,020.6	
1.2. Loans to central government funds	155.5	814.8	919.2	243.1	1,069.7	1,041.4	1,035.3	1,026.9	1,051.9	
2. Loans to local government	171.6	179.1	152.3	47.1	31.9	23.8	23.7	23.5	23.2	
3. Loans to enterprises	6,284.0	7,291.7	10,308.3	9,649.4	10,527.3	10,347.3	10,497.9	10,570.4	10,853.7	
4. Loans to households	56.3	59.7	96.0	182.1	299.5	303.0	296.6	301.5	305.4	
5. Loans to other banking institutions	–	–	1.2	174.3	52.9	34.0	15.8	6.0	0.0	
6. Loans to non-banking financial institutions	–	–	28.3	58.8	255.3	492.0	523.3	567.8	613.5	
<b>B. Total (1+2+3+4+5+6)</b>	<b>7,291.0</b>	<b>8,670.7</b>	<b>12,131.0</b>	<b>11,746.4</b>	<b>14,667.8</b>	<b>14,635.6</b>	<b>14,768.8</b>	<b>18,574.6</b>	<b>18,868.4</b>	
<b>TOTAL (A+B)</b>	<b>59,193.9</b>	<b>72,942.3</b>	<b>97,452.1</b>	<b>113,851.8</b>	<b>128,774.2</b>	<b>130,511.5</b>	<b>132,255.2</b>	<b>134,901.8</b>	<b>135,947.1</b>	

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

The table shows data on kuna and foreign currency loans

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

**Table D6: Demand Deposits with Banks**

End of period, million kuna

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Local government	573.6	907.0	1,910.4	2,006.2	2,020.7	1,943.0	1,924.4	1,878.0	2,069.1
2. Enterprises	7,087.1	8,981.6	12,344.5	12,872.9	12,036.9	12,263.0	11,300.6	11,455.3	10,984.7
3. Households	3,499.7	4,872.0	6,307.4	7,873.1	8,773.0	9,025.1	9,297.7	9,476.7	9,612.9
4. Other banking institutions	11.6	17.0	42.1	98.9	245.4	216.6	149.7	139.4	256.0
5. Non-banking financial institutions	221.7	407.1	568.1	468.1	517.5	615.4	785.5	537.7	469.3
6. Less: Checks of other banks and checks in collection	-7.6	-4.2	-6.4	-4.2	-2.2	-2.0	-1.9	-1.8	-2.0
<b>Total (1+2+3+4+5+6)</b>	<b>11,386.0</b>	<b>15,180.6</b>	<b>21,166.2</b>	<b>23,315.0</b>	<b>23,591.3</b>	<b>24,061.2</b>	<b>23,456.0</b>	<b>23,485.4</b>	<b>23,390.0</b>

**Table D6: Demand Deposits with Banks**

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

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

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

**Table D7: Time and Savings Deposits with Banks**

End of period, million kuna

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Savings deposits	1,676.1	2,006.8	2,236.2	2,527.9	2,233.9	2,332.5	2,365.0	2,327.6	2,341.6
1.1. Local government	137.6	118.3	14.8	14.4	4.6	5.1	4.4	4.7	4.8
1.2. Enterprises	142.4	88.0	213.3	190.5	38.8	41.0	39.9	45.5	44.2
1.3. Households	1,348.3	1,712.2	1,996.3	2,288.8	2,190.5	2,286.4	2,320.7	2,277.4	2,292.6
1.4. Other banking institutions	0.6	20.8	0.0	–	–	–	–	–	–
1.5. Non-banking financial institutions	47.2	67.5	11.8	34.2	0.0	0.0	0.0	0.0	–
2. Time and notice deposits	5,975.0	8,206.3	10,764.9	15,842.9	20,245.4	20,123.6	20,380.1	20,204.3	20,927.0
2.1. Local government	230.7	340.7	482.8	551.6	550.8	624.6	680.5	695.6	693.0
2.2. Enterprises	2,871.4	3,618.3	4,633.6	7,165.3	8,698.5	8,154.4	7,558.2	7,522.2	7,712.5
2.3. Households	1,789.8	2,554.1	3,793.8	6,194.5	9,321.4	9,715.1	10,164.2	10,455.7	10,660.4
2.4. Other banking institutions	20.8	24.7	58.4	129.3	215.9	274.8	418.4	143.7	283.0
2.5. Non-banking financial institutions	1,062.2	1,668.5	1,796.3	1,802.2	1,458.8	1,354.7	1,558.8	1,387.1	1,578.2
Total (1+2)	7,651.1	10,213.1	13,001.1	18,370.7	22,479.2	22,456.2	22,745.1	22,531.9	23,268.6

**Table D7: Time and Savings Deposits with Banks**

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

**Table D8: Foreign Currency Deposits with Banks**

End of period, million kuna

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Savings deposits	14,566.3	23,748.8	21,074.4	21,547.0	22,144.6	21,813.5	21,239.2	21,005.7	20,716.7
1.1. Local government	16.8	13.2	12.2	14.7	15.6	14.5	14.3	14.6	14.5
1.2. Enterprises	2,408.0	2,884.2	3,346.7	3,620.2	4,273.2	4,283.7	4,030.6	3,948.4	3,889.6
1.3. Households	12,041.5	20,688.3	17,537.3	17,690.2	17,708.9	17,320.0	17,036.7	16,864.1	16,675.2
1.4. Other banking institutions	10.3	23.9	34.7	9.0	15.4	9.7	9.9	16.2	15.7
1.5. Non-banking financial institutions	89.8	139.2	143.5	212.9	131.6	185.6	147.8	162.3	121.7
2. Time deposits	32,335.3	48,088.1	50,980.3	54,488.4	59,598.3	58,527.2	59,047.7	58,971.7	58,028.0
2.1. Local government	8.2	1.7	9.5	3.8	0.3	0.3	0.3	0.3	0.3
2.2. Enterprises	2,753.1	4,619.1	6,009.6	7,154.0	8,518.6	7,802.1	8,194.3	8,267.1	7,698.6
2.3. Households	29,097.2	42,705.4	44,159.2	46,805.1	50,636.0	50,322.4	50,364.9	50,298.2	49,936.5
2.4. Other banking institutions	4.2	11.5	41.5	21.7	20.7	54.0	100.3	81.8	66.0
2.5. Non-banking financial institutions	472.7	750.3	760.5	503.7	422.7	348.5	388.0	324.3	326.6
Total (1+2)	46,901.6	71,836.9	72,054.6	76,035.3	81,742.9	80,340.7	80,287.0	79,977.3	78,744.7

**Table D8: Foreign Currency Deposits with Banks**

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

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

**Table D9: Bonds and Money Market Instruments**

End of period, million kuna

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Money market instruments (net)	–	–	5.1	–	–	–	–	–	–
2. Bonds (net)	353.5	104.4	92.8	151.9	170.5	176.7	175.6	170.3	166.7
3. Other domestic borrowing	124.7	213.4	118.4	446.5	993.0	1,037.3	1,255.9	747.6	880.2
3.1. Local government	–	–	–	0.9	–	–	–	–	–
3.2. Enterprises	15.2	158.1	46.3	92.7	40.3	40.7	52.0	49.3	49.3
3.3. Other banking institutions	1.3	4.6	10.0	222.1	842.8	683.5	854.4	494.2	515.4
3.4. Non-banking financial institutions	108.2	50.7	62.0	130.9	109.9	313.2	349.5	204.2	315.5
Total (1+2+3)	478.2	317.8	216.3	598.4	1,163.5	1,214.0	1,431.5	918.0	1,046.8

**Table D9: Bonds and Money Market Instruments**

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

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

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

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

**Table D10: Banks' Foreign Liabilities**

End of period, million kuna

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Foreign liabilities in f/c	17,669.8	21,692.7	34,198.5	44,574.3	54,536.7	51,469.0	49,614.7	53,735.4	52,424.1
1.1. Liabilities to foreign banks	11,957.6	16,407.4	28,662.3	38,623.1	48,894.3	45,798.3	44,006.8	47,865.2	46,573.9
Demand deposits	176.3	147.1	130.9	266.6	127.6	120.8	108.0	96.2	118.6
Time and notice deposits	345.9	1,208.3	9,002.9	14,875.4	16,056.8	12,358.4	12,458.5	14,254.3	13,426.6
Loans and advances	11,435.4	15,052.1	19,528.5	23,481.2	29,296.3	29,955.3	28,095.5	30,198.7	29,734.3
o/w: Subordinated and hybrid instruments	194.2	2,558.3	2,801.4	2,949.2	2,326.3	2,047.1	2,035.3	2,017.4	1,846.7
Bonds	–	–	–	–	3,413.6	3,363.8	3,344.8	3,315.9	3,294.5
1.2. Liabilities to foreign non-banks	5,712.2	5,285.2	5,536.2	5,951.2	5,642.4	5,670.7	5,607.9	5,870.2	5,850.2
Savings and time deposits	2,868.1	3,777.8	4,160.2	4,753.2	5,002.2	5,072.4	5,013.0	5,280.5	5,264.5
Sight deposits	745.5	873.7	875.6	898.6	1,052.5	1,160.6	1,066.7	1,073.3	1,064.6
Time and notice deposits	2,122.6	2,904.1	3,284.6	3,854.6	3,949.6	3,911.8	3,946.4	4,207.1	4,199.9
Loans and advances	2,844.1	1,507.4	1,376.0	1,198.0	640.2	598.3	594.8	589.8	585.7
o/w: Subordinated and hybrid instruments	66.0	39.3	39.7	39.1	73.4	72.2	71.7	71.1	70.4
2. Foreign liabilities in kuna	140.0	165.1	825.0	5,357.7	6,627.0	7,388.9	7,532.1	8,912.5	9,566.8
2.1. Liabilities to foreign banks	37.0	46.9	690.9	5,087.8	6,103.9	6,826.4	6,942.4	8,293.2	8,931.3
Demand deposits	14.4	38.2	53.6	86.4	145.1	191.8	203.3	199.8	248.0
Time and notice deposits	22.0	4.2	635.8	2,664.1	2,846.9	3,571.6	3,693.6	4,471.8	4,225.7
Loans and advances	0.7	4.5	1.5	2,337.3	3,111.9	3,063.1	3,045.5	3,621.6	4,457.6
2.2. Liabilities to foreign non-banks	103.0	118.2	134.1	269.9	523.1	562.5	589.8	619.3	635.5
Demand deposits	50.8	60.1	56.2	76.8	95.9	106.4	98.1	108.3	111.6
Time and notice deposits	52.2	58.1	77.9	191.4	419.2	448.3	483.8	503.2	519.9
Loans and advances	–	–	–	1.7	8.0	7.9	7.8	7.7	4.0
o/w: Subordinated and hybrid instruments	....	....	....	1.7	8.0	7.9	7.8	7.7	4.0
Total (1+2)	17,809.7	21,857.8	35,023.5	49,932.0	61,163.7	58,857.9	57,146.8	62,647.9	61,990.9

**Table D10: Banks' Foreign Liabilities**

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

Banks' foreign liabilities comprise foreign currency liabilities and

foreign kuna liabilities.

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

**Table D11: Central Government and Funds' Deposits with Banks**

End of period, million kuna

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. In kuna	3,073.3	3,335.1	4,036.8	4,104.4	5,627.2	5,290.9	5,414.7	5,961.7	5,897.0
1.1. Central government deposits	430.0	295.9	634.3	506.4	445.1	395.0	398.1	426.4	454.3
Demand deposits	116.7	33.9	476.4	448.0	373.3	309.7	309.5	330.4	372.8
Savings deposits	26.1	41.6	3.3	3.0	4.2	4.1	4.1	3.3	3.2
Time and notice deposits	259.5	217.6	153.6	54.2	66.5	80.1	83.4	91.7	77.3
Loans and advances	27.7	2.8	1.1	1.1	1.1	1.1	1.1	1.1	1.0
1.2. Central government funds' deposits	2,643.3	3,039.2	3,402.5	3,598.0	5,182.2	4,895.8	5,016.6	5,535.4	5,442.7
Demand deposits	116.9	214.6	553.2	294.8	266.3	221.0	286.5	271.9	279.7
Savings deposits	15.2	10.8	0.0	0.3	3.5	6.0	2.5	1.9	1.9
Time and notice deposits	32.6	195.2	144.3	156.2	262.3	180.1	143.8	638.9	428.7
Loans and advances	2,478.6	2,618.6	2,705.0	3,146.7	4,650.0	4,488.7	4,583.8	4,622.7	4,732.5
2. In f/c	3,657.1	2,299.6	2,058.1	1,178.9	1,194.6	988.2	1,095.7	955.3	1,131.6
2.1. Central government deposits	3,622.6	2,275.0	1,938.9	1,158.2	891.0	828.9	808.3	818.6	787.3
Savings deposits	1,256.1	329.8	263.0	198.5	189.7	212.9	200.6	206.5	188.5
Time and notice deposits	27.0	55.8	293.1	–	23.2	23.6	23.6	23.7	17.1
Refinanced loans and advances	2,339.4	1,889.5	1,382.8	959.6	678.1	592.4	584.0	588.3	581.7
2.2. Central government funds' deposits	34.6	24.5	119.2	20.8	303.6	159.3	287.3	136.7	344.3
Savings deposits	25.0	22.9	114.1	20.8	156.5	139.6	201.8	136.7	148.9
Time and notice deposits	9.5	1.6	5.0	–	147.1	19.6	85.5	–	195.4
Total (1+2)	6,730.5	5,634.7	6,094.9	5,283.3	6,821.8	6,279.1	6,510.4	6,917.0	7,028.6

**Table D11: Central Government and Funds' Deposits with Banks**

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

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

**Table D12: Restricted and Blocked Deposits with Banks**

End of period, million kuna

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
1. Restricted deposits	854.4	830.6	1,361.2	1,541.2	2,014.6	2,089.8	2,218.2	2,396.0	2,329.9
1.1. In kuna	131.6	100.3	789.6	730.1	1,267.4	1,439.2	1,475.0	1,473.5	1,515.3
1.2. In f/c	722.8	730.3	571.6	811.1	747.2	650.7	743.3	922.5	814.6
2. Blocked f/c deposits of households	1,695.1	770.2	319.3	167.8	40.0	0.4	0.0	0.0	0.0
Total (1+2)	2,549.6	1,600.8	1,680.5	1,709.0	2,054.6	2,090.2	2,218.3	2,396.1	2,329.9

**Table D12: Restricted and Blocked Deposits with Banks**

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

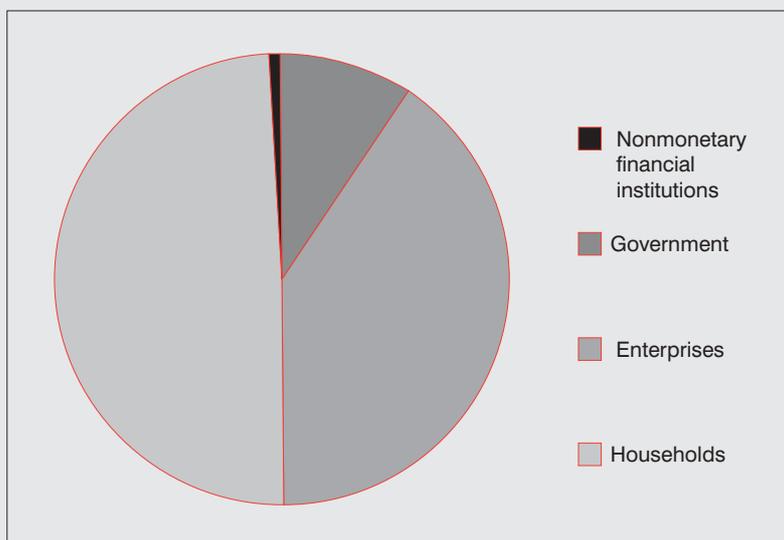
Restricted and blocked deposits include two categories of depos-

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

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

Figure D1

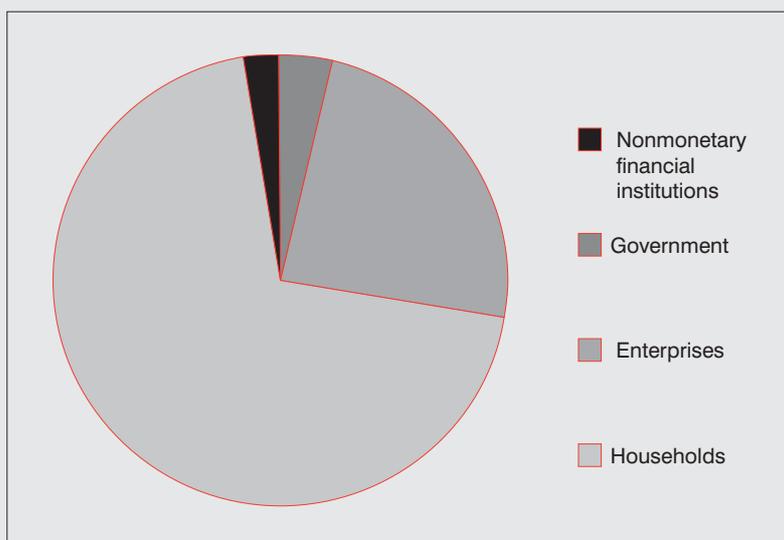
**DISTRIBUTION OF BANKS' LOANS BY DOMESTIC INSTITUTIONAL SECTORS**



April 2005

Figure D2

**DISTRIBUTION OF BANKS' DEPOSITS BY DOMESTIC INSTITUTIONAL SECTORS**



April 2005

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

**Table E1: Housing Savings Banks' Accounts**

End of period, million kuna

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
<b>ASSETS</b>									
1. Reserves with the CNB	7.6	15.5	19.1	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	497.6	1,208.8	1,983.9	3,033.5	3,779.1	3,813.9	3,759.2	3,660.1	3,644.2
3. Claims on other domestic sectors	1.1	11.6	93.3	187.9	373.2	375.7	386.3	557.4	571.1
o/w: Claims on households	0.6	11.6	91.3	187.9	373.2	375.7	386.3	403.0	418.2
4. Claims on banks	7.6	18.1	37.2	247.2	824.2	759.8	902.4	666.0	663.7
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	513.8	1,254.0	2,133.6	3,468.6	4,976.6	4,949.4	5,048.0	4,883.5	4,879.0
<b>LIABILITIES</b>									
1. Time deposits	437.8	1,137.5	2,012.9	3,265.2	4,728.2	4,731.4	4,713.5	4,686.9	4,663.4
2. Bonds and money market instruments	10.0	10.0	–	11.1	10.7	10.6	10.5	10.4	10.3
3. Capital accounts	112.5	124.0	141.1	159.7	206.7	191.6	188.6	172.4	206.3
4. Other items (net)	–46.5	–17.5	–20.4	32.6	30.8	15.9	135.4	13.8	–1.0
Total (1+2+3+4)	513.8	1,254.0	2,133.6	3,468.6	4,976.6	4,949.4	5,048.0	4,883.5	4,879.0

**Table E1: Housing Savings Banks' Accounts**

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

Housing savings banks' required reserves held at the central bank included, until September 2003, kuna funds held in accounts at the central bank.

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

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

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

lar operations with banks.

Claims on other banking institutions include investments in investment funds.

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

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

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

**Table F1: Credit Rates of the Croatian National Bank**

In percentage, on annual basis

Year	Month	CNB discount rate	Credit rates					
			On lombard credits <sup>a</sup>	On intervention credits	On intra-day refinance facility <sup>a</sup>	On short-term liquidity credits	On inaccurately calculated statutory reserves <sup>a</sup>	On arrears
1	2	3	4	5	6	7	8	9
1994	December	8.50	18.00	19.00	17.00	14.00	19.00	22.00
1995	December	8.50	25.49	19.00	17.00	–	19.00	22.00
1996	December	6.50	11.00	19.00	17.00	–	19.00	18.00
1997	December	5.90	9.50	19.00	17.00	–	19.00	18.00
1998	December	5.90	12.00	19.00	7.00	14.00	19.00	18.00
1999	December	7.90	13.00	19.00	–	14.00	19.00	18.00
2000	December	5.90	12.00	18.00	–	13.00	18.00	18.00
2001	December	5.90	10.00	–	–	11.00	15.00	18.00
2002	December	4.50	9.50	–	–	10.50	15.00	15.00
2003	December	4.50	9.50	–	–	10.50	15.00	15.00
2004	April	4.50	9.50	–	–	10.50	15.00	15.00
	May	4.50	9.50	–	–	10.50	15.00	15.00
	June	4.50	9.50	–	–	10.50	15.00	15.00
	July	4.50	9.50	–	–	10.50	15.00	15.00
	August	4.50	9.50	–	–	10.50	15.00	15.00
	September	4.50	9.50	–	–	10.50	15.00	15.00
	October	4.50	9.50	–	–	10.50	15.00	15.00
	November	4.50	9.50	–	–	10.50	15.00	15.00
	December	4.50	9.50	–	–	10.50	15.00	15.00
	2005	January	4.50	9.50	–	–	10.50	15.00
February		4.50	9.50	–	–	10.50	15.00	15.00
March		4.50	9.50	–	–	10.50	15.00	15.00
April		4.50	9.50	–	–	10.50	15.00	15.00

<sup>a</sup> Breaks in the series of data are explained in notes on methodology.

**Table F1: Credit Rates of the Croatian National Bank**

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

Credit rates of the CNB are being set by special decisions of the Council of the Croatian National Bank, on annual basis. Exceptionally, from June 1995 to 11 September 1996 interest rate charged by the CNB on lombard credits was 1.5 percentage point higher than the weighted average interest rate on CNB bills on a voluntary basis (which serve as collateral for lombard credits) in cases when the weighted average interest rate was higher than 16.5%. Congruently, from June 1995 to August 1996 the table reports weighted average interest rate on lombard credits. Interest rate in September 1996 is calculated as the weighted average of interest rate applied in the first 10 days of September 1996 (according to the regime mentioned above) and fixed interest rate applied since 11 September 1996.

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

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

eralized by CNB bills. Since December 1998 until April 1999, this credit is incorporated in lombard credit, applying different interest rate for its usage within one day.

Data shown in column 7 refer, until December 1994, to interest rate on initial credits, and since 18 March 1998, to credits for overcoming liquidity problems of banks under evaluation for entry into rehabilitation and restructuring procedures and since February 1999, to interest rates on short-term liquidity credits. Since December 1999, data show interest rates on short-term liquidity credit with a maturity over 3 months which is 1 percentage point higher than interest rate on lombard credits. Interest rate on short-term liquidity credit up to 3 months is 0.5 percentage point higher than interest rate on lombard credits.

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

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

**Table F2: Deposit Rates of the Croatian National Bank**

In percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis <sup>a</sup>				Interest rates on f/c CNB bills on a voluntary basis					
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	December	5.15	–	9.00	12.00	14.00	–	–	–	–	–	–	–
1995	December	5.50	16.50	12.00	25.54	27.00	–	–	–	–	–	–	–
1996	December	5.50	–	–	8.00	9.50	–	–	–	–	–	–	–
1997	December	4.50	–	–	8.00	9.00	10.00	–	–	–	–	–	–
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–	–
2002	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–	–
2003	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–	–
2004	April	1.25	0.50	–	2.50	–	–	–	–	–	–	–	–
	May	1.25	–	–	–	–	–	–	–	–	–	–	–
	June	1.25	–	–	–	–	–	–	–	–	–	–	–
	July	1.25	–	–	–	–	–	–	–	–	–	–	–
	August	1.25	–	–	–	–	–	–	–	–	–	–	–
	September	1.25	–	–	–	–	–	–	–	–	–	–	–
	October	1.25	–	–	–	–	–	–	–	–	–	–	–
	November	1.25	–	–	–	–	–	–	–	–	–	–	–
	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	January	1.25	–	–	–	–	–	–	–	–	–	–	–
	February	1.25	–	–	–	–	–	–	–	–	–	–	–
	March	1.25	–	–	–	–	–	–	–	–	–	–	–
	April	1.25	–	–	–	–	–	–	–	–	–	–	0.50

<sup>a</sup> 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 paid by the CNB on funds deposited with the CNB as well as on securities issued.

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

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

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

Until October 1994, interest rates on CNB bills on a voluntary basis due in 30 and 90 days are reported in columns 6 and 7 respectively. From November 1994 through January 2001, columns 7 and 9 report interest rates on CNB bills on a voluntary basis due in 91 and 182 days respectively.

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

**Table F3: Banks' Reserve Requirements**

Daily averages and percentages, million kuna and %

Year	Month	Weighted average res. requirement in % on res. base	Reserve requirement (RR)			Other obligatory deposits with the CNB	Statutory reserves deposited with the CNB		Weighted avg. remuneration rate on immobilized funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
1994	December	26.20	1,826.0	1,826.0	–	188.3	1,779.2	–	5.63	–
1995	December	30.90	2,431.8	2,431.8	–	826.5	2,215.9	–	7.93	–
1996	December	35.91	3,652.9	3,652.9	–	–	3,312.0	–	4.99	–
1997	December	32.02	4,348.8	4,348.8	–	–	3,914.2	–	4.05	–
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.06	....
2001	December	19.67	21,187.1	8,691.5	12,495.5	–	6,287.8	5,950.0	1.97	2.73
2002	December	19.00	25,985.1	11,447.1	14,538.0	–	8,156.7	7,139.9	1.72	2.16
2003	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	April	19.00	32,477.6	19,099.7	13,377.9	36.8	13,694.8	10,249.8	1.20	1.16
	May	19.00	32,937.9	19,432.6	13,505.3	–	13,945.7	10,372.8	1.21	1.03
	June	19.00	33,233.4	19,685.3	13,548.1	–	14,131.5	10,436.6	1.20	1.00
	July	19.00	33,336.0	19,813.6	13,522.3	–	14,233.8	10,421.5	1.18	1.10
	August	19.00	33,748.9	20,036.4	13,712.5	253.9	14,327.8	10,477.5	1.17	1.10
	September	19.00	34,298.8	20,440.5	13,858.3	232.0	14,672.2	10,469.5	1.20	1.16
	October	19.00	34,720.2	20,731.8	13,988.4	163.8	15,024.9	10,503.0	1.20	1.40
	November	18.23	33,750.6	20,128.7	13,621.9	279.3	14,749.5	10,196.5	1.22	1.31
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	January	18.00	33,813.7	20,138.1	13,675.7	844.2	14,702.2	10,263.1	1.22	1.49
	February	18.00	34,231.3	20,353.1	13,878.2	1,341.2	14,844.8	10,444.8	1.21	1.41
	March	18.00	34,369.6	20,506.3	13,863.3	1,752.0	14,790.3	10,436.4	1.21	1.30
	April	18.00	34,273.3	20,475.9	13,797.4	1,769.2	14,421.3	10,403.7	0.95	1.41

**Table F3: Banks' Reserve Requirements**

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

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

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

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

Column 6 shows the amount of foreign currency reserve requirements, i.e. the prescribed amount of funds banks are required to deposit in a special statutory reserve account with the CNB, or to main-

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

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

Column 8 shows the portion of the kuna reserve requirement which banks deposit in a special statutory reserve account with the CNB (until December 1994 this amount corresponded with the statutory reserve instrument, while since January 1995 a minimum percentage of the total reserve requirement banks are required to deposit in a special statutory reserve account with the CNB has been prescribed). This percentage currently stands at 40%.

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

Column 10 shows the weighted average remuneration rate on all forms of immobilized funds which include reserve requirements and

**Table F4: Banks' Liquidity Indicators**

Daily averages and percentages, million kuna and %

Year	Month	Free reserves		Primary liquidity ratio (in %)	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
1994	December	119.5	....	1.72	393.7	210.2	–	–
1995	December	49.4	....	0.63	199.4	218.7	–	–
1996	December	267.9	....	2.63	98.5	780.9	–	183.8
1997	December	396.3	....	2.92	32.7	728.9	–	260.7
1998	December	221.9	....	1.65	445.5	850.4	1,377.4	141.3
1999	December	179.6	....	1.30	1,183.6	1,311.1	1,507.6	373.9
2000	December	638.8	10,721.4	3.32	80.1	2,485.3	1,692.7	2,006.5
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,360.9
2002	December	1,225.0	10,398.0	3.53	0.6	4,965.5	1,273.9	4,279.5
2003	December	451.6	20,561.4	0.98	501.6	0.0	4,316.0	3,073.2
2004	April	1,235.8	19,696.8	2.49	6.4	38.1	0.0	3,005.0
	May	1,313.3	19,615.9	2.59	3.6	87.8	0.0	3,643.3
	June	947.1	19,984.7	1.82	1.2	0.0	0.0	3,999.1
	July	618.1	24,020.1	1.17	27.0	0.0	0.0	4,289.5
	August	672.0	26,737.0	1.26	153.8	0.0	0.0	3,950.8
	September	978.6	26,988.7	1.79	0.0	0.0	0.0	3,633.8
	October	1,119.7	27,157.8	2.01	0.0	0.0	0.0	4,029.1
	November	1,580.1	26,854.9	2.81	0.0	0.0	0.0	4,417.6
	December	1,495.5	26,126.1	2.64	0.0	0.0	0.0	4,581.7
2005	January	1,592.1	24,923.7	2.80	0.0	0.0	0.0	4,859.1
	February	1,472.0	23,212.0	2.57	0.0	0.0	0.0	5,266.7
	March	1,132.5	21,380.6	1.95	0.0	0.0	0.0	6,050.3
	April	683.1	19,812.8	1.17	1.1	0.0	0.0	7,164.1

other obligatory deposits with the CNB.

Column 11 shows the weighted average remuneration rate on allocated funds in foreign currency which include the marginal reserve requirement funds (from August 2004 on). The Croatian National Bank pays remuneration equalling the average interest earned on the reserve requirement funds placed abroad on the calculated foreign currency reserve requirement deposited with the Croatian National Bank.

**Table F4: Banks' Liquidity Indicators**

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

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

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

Column 5 shows the primary liquidity ratio as a percentage of

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

Column 6 shows the monthly average of day-to-day balances of secondary liquidity sources used. Secondary liquidity sources comprise: use of statutory reserves (until October 1994), regular loans for maintenance of day-to-day liquidity (until November 1994), use of funds exceeding those available in the bank's giro account (until October 1994), special credits for overcoming liquidity problems (initial credits, credits for overcoming liquidity problems of banks under evaluation for entry into rehabilitation and restructuring procedures), lombard credits (since December 1994), intervention credits for overcoming liquidity problems (since October 1994), short-term liquidity credits (since February 1999), as well as overdue liabilities to the CNB.

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

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

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

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

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

Year	Month	Money market interest rates			Interest rates on kuna credits not indexed to foreign currency								
		On overnight credits	On other credits	Total average	On short-term credits						On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households	
							Total average	Credit lines	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	
1994	December	8.50	17.76	15.39	15.43	....	....	....	....	13.82	....	....	
1995	December	27.26	27.15	22.32	22.56	22.23	23.81	23.75	25.58	13.48	13.39	14.38	
1996	December	9.66	10.72	18.46	19.35	19.18	20.18	19.90	23.12	11.51	11.29	14.28	
1997	December	8.46	9.49	14.06	14.12	13.17	19.26	19.34	18.11	13.24	12.98	13.75	
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16	
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16	
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97	
2001	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14	
2002	December	1.58	1.89	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88	
2003	December	5.47	7.02	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69	
2004	April	3.24	5.46	11.74	11.98	8.30	14.48	14.60	11.91	9.64	5.89	11.18	
	May	1.59	3.93	11.62	12.02	8.20	14.35	14.42	12.58	8.39	5.39	10.31	
	June	1.76	4.64	11.58	11.79	7.99	14.33	14.40	12.31	9.43	6.39	11.00	
	July	5.60	6.10	11.49	11.79	8.15	14.24	14.34	12.52	9.37	5.68	11.57	
	August	7.69	6.99	11.44	11.58	7.72	14.22	14.29	12.80	9.96	6.88	11.50	
	September	6.67	7.50	11.80	12.06	8.24	14.21	14.28	12.60	9.76	6.21	11.43	
	October	3.77	6.71	11.84	12.00	8.32	14.23	14.31	12.51	10.35	7.64	10.87	
	November	1.81	6.27	11.74	11.96	8.28	14.25	14.31	12.45	9.38	6.87	10.80	
	December	3.55	6.02	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16	
2005	January	2.26	4.21	11.80	11.95	8.21	14.16	14.26	12.09	10.39	6.63	11.15	
	February	2.55	4.94	11.88	12.03	8.31	14.05	14.27	9.81	9.97	6.68	10.88	
	March	2.04	5.60	11.82	12.08	8.37	14.16	14.25	11.93	9.24	6.42	11.33	
	April	0.89	5.14	11.57	11.79	8.21	13.74	14.02	9.50	10.07	6.30	11.62	
Relative significance <sup>a</sup>		-	-	54.40	47.46	16.80	30.66	28.78	1.88	6.94	2.02	4.92	

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros			
		On short-term credits					On long-term credits				Total average	On short-term credits	On long-term credits	
		Total average	Enterprises	Households	Total average	Enterprises	Total average	Households	Other					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1994	December	11.99	12.38	....	....	11.65	....	....	....	....	....	....	....	....
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27	
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77	
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71	
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71	
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07	
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05	
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27	
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44	
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18	
2004	April	7.66	7.37	7.26	8.20	7.75	6.49	8.34	6.84	9.33	5.47	5.85	4.83	
	May	7.53	7.14	6.92	8.73	7.65	6.32	8.33	6.71	9.46	5.69	5.53	5.94	
	June	7.18	7.09	6.86	8.59	7.20	6.19	7.65	6.02	8.69	4.90	5.70	4.30	
	July	7.25	7.16	6.98	8.55	7.28	5.70	8.23	6.09	9.40	5.50	6.27	4.95	
	August	7.49	7.47	7.21	8.80	7.50	5.82	8.28	5.79	9.83	5.43	6.21	4.96	
	September	7.16	6.78	6.55	8.57	7.32	5.82	8.08	5.73	9.57	4.99	5.77	4.26	
	October	7.51	7.47	7.31	8.32	7.52	6.06	8.06	6.74	9.29	5.08	5.69	4.42	
	November	7.26	7.03	6.77	8.64	7.33	5.94	8.11	5.87	9.06	5.65	5.90	5.32	
	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	January	6.97	7.03	6.86	8.13	6.95	5.91	7.52	5.71	8.51	5.45	5.63	5.29	
	February	6.89	6.95	6.80	7.92	6.87	5.66	7.52	5.52	8.42	5.46	6.22	4.65	
	March	7.44	6.86	6.72	7.65	7.55	4.97	8.31	5.44	8.79	5.47	5.80	5.03	
	April	6.92	7.11	7.04	7.50	6.89	5.64	7.38	6.33	8.41	5.53	5.85	5.21	
Relative significance <sup>a</sup>		39.05	6.45	5.49	0.96	32.61	9.24	23.36	11.53	11.84	6.54	3.29	3.25	

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	Total average	On time deposits					
					Total average	On short-term deposits		On long-term deposits		
						Total average	Households	Enterprises	Total average	Households
1	2	3	4	5	6	7	8	9	10	11
1994	December	5.03	3.55	9.65	....	....	....	....	....	....
1995	December	6.10	3.88	13.65	13.80	10.56	14.28	9.88	10.67	9.62
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	April	1.71	0.76	4.31	4.30	3.57	4.46	4.75	4.71	4.81
	May	1.67	0.74	3.42	3.41	3.81	3.35	4.51	4.80	3.69
	June	1.64	0.74	3.34	3.34	3.82	3.25	3.22	4.84	2.02
	July	1.89	0.72	5.09	5.11	3.88	5.30	3.72	4.84	2.06
	August	2.11	0.75	6.25	6.28	3.80	6.57	3.68	4.90	2.10
	September	2.17	0.74	5.93	5.95	3.87	6.16	3.56	4.69	2.20
	October	2.06	0.74	4.67	4.68	3.92	4.76	3.80	4.76	3.05
	November	1.76	0.75	3.36	3.34	4.01	3.26	4.53	4.67	4.45
	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	January	1.79	0.74	4.13	4.13	4.06	4.14	3.87	4.28	3.17
	February	1.73	0.74	4.05	4.06	4.04	4.06	3.73	4.39	2.74
	March	1.75	0.74	3.87	3.87	3.90	3.86	4.03	4.93	2.99
	April	1.70	0.73	3.46	3.44	3.98	3.32	4.09	4.97	2.78
Relative significance <sup>a</sup>		43.76	30.65	9.71	9.44	1.72	7.72	0.26	0.16	0.11

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

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on savings and time deposits indexed to f/c				Interest rates on foreign currency deposits					
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits					
						Total average	Households		Enterprises		
							EUR	USD	EUR	USD	
1	2	3	4	5	6	7	8	9	10	11	
1994	December	6.95	....	....	....	....	....	....	....	....	
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53	
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39	
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40	
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74	
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30	
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29	
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40	
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38	
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15	
2004	April	3.74	3.51	4.72	2.51	0.30	0.33	0.23	0.25	0.19	
	May	3.85	3.48	5.08	2.51	0.31	0.33	0.22	0.32	0.17	
	June	3.64	3.44	5.08	2.50	0.31	0.33	0.22	0.28	0.17	
	July	3.90	3.60	5.06	2.62	0.30	0.33	0.22	0.25	0.18	
	August	3.89	3.63	4.96	2.54	0.31	0.34	0.22	0.28	0.31	
	September	3.89	3.40	4.69	2.56	0.31	0.34	0.22	0.25	0.22	
	October	3.94	3.58	4.59	2.64	0.32	0.35	0.22	0.26	0.20	
	November	3.94	3.65	5.06	2.57	0.31	0.34	0.22	0.26	0.23	
December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21		
2005	January	4.27	3.65	5.02	2.59	0.29	0.32	0.21	0.24	0.30	
	February	4.24	3.74	4.98	2.65	0.29	0.32	0.21	0.24	0.27	
	March	4.31	3.69	5.27	2.67	0.29	0.31	0.21	0.24	0.31	
	April	4.19 <sup>b</sup>	3.61	4.80	2.70	0.29	0.31	0.21	0.24	0.40	
Relative significance <sup>a</sup>		2.30	1.80	0.48	53.94	27.61	19.50	3.22	4.19	0.70	

<sup>a</sup> 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).

<sup>b</sup> Of the total amount of deposits to which this interest rate refers, 19.16 percent refers to enterprises.

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

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

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

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

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

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

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

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

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

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

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

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

Relative significance of particular interest rates (reported in the

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

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

Year	Month	Interest rates on foreign currency deposits										
		On time deposits										
		Total average	On short-term deposits				Total average	On long-term deposits				
			Households		Enterprises			Households		Enterprises		
		EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	
1	2	12	13	14	15	16	17	18	19	20	21	22
1994	December	....	....	....	....	....	....	....	....	....	....	....
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64
2004	April	2.70	2.47	2.82	1.65	2.35	1.15	3.79	4.93	3.08	2.98	1.34
	May	2.78	2.58	3.02	1.68	2.33	1.13	4.33	4.76	2.30	3.25	1.95
	June	2.75	2.58	3.05	1.70	2.40	1.17	4.57	4.86	3.26	3.08	4.81
	July	2.87	2.63	3.08	1.74	2.38	1.34	3.95	4.89	3.18	3.24	0.21
	August	2.90	2.70	3.10	1.72	2.38	1.56	4.62	4.95	2.88	3.23	1.30
	September	2.82	2.63	3.05	1.70	2.35	1.72	4.70	4.96	3.20	3.25	2.09
	October	2.85	2.64	3.05	1.89	2.32	1.76	3.92	4.94	3.30	3.26	3.07
	November	2.79	2.61	3.00	1.69	2.36	1.94	4.77	4.98	3.08	3.05	3.20
2005	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65
	January	2.97	2.71	3.03	1.72	2.48	2.26	4.16	4.82	2.93	3.74	2.33
	February	2.89	2.72	3.05	1.76	2.47	2.50	4.60	4.84	3.23	3.39	1.57
	March	2.82	2.67	3.03	1.73	2.37	2.73	4.47	4.79	2.92	2.95	3.47
	April	3.05	2.83	3.02	1.75	2.45	3.30	4.18	4.81	2.83	3.77	4.69
	Relative significance <sup>a</sup>	26.33	22.08	9.87	1.17	6.88	4.17	4.25	1.78	0.16	2.26	0.06

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

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

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

**Table G5: Banks' Trade with Foreign Exchange**

Million euros, current exchange rate

	2000	2001	2002	2003	2004	2005				
						Jan.	Feb.	Mar. <sup>b</sup>	Apr. <sup>b</sup>	May <sup>a</sup>
<b>A. Purchase of foreign exchange</b>										
1. Legal persons	3,316.4	5,012.4	4,727.8	6,433.1	7,465.3	561.5	546.2	705.1	650.8	655.8
2. Natural persons	2,549.2	3,339.9	3,342.6	3,571.6	3,934.4	268.0	253.7	298.0	309.9	369.3
2.1. Residents	2,021.1	2,684.5	2,842.0	3,103.3	3,586.1	262.3	–	289.5	–	–
2.2. Non-residents	528.0	655.4	500.7	468.2	348.3	5.6	–	8.5	–	–
3. Domestic banks	2,441.4	3,985.8	4,104.5	6,324.4	10,799.3	943.5	625.8	724.4	560.8	630.5
4. Foreign banks	–	–	697.9	1,430.6	1,426.2	165.7	130.9	421.8	218.3	126.3
5. Croatian National Bank	168.2	481.7	294.3	438.3	33.0	–	–	–	–	–
Total (1+2+3+4)	8,475.2	12,819.8	13,167.1	18,197.9	24,110.1	1,938.7	1,556.6	2,149.2	1,739.7	1,781.9
<b>B. Sale of foreign exchange</b>										
1. Legal persons	5,414.8	8,534.2	9,029.3	10,852.4	11,280.3	823.6	749.1	1,230.7	885.3	959.3
2. Natural persons	963.6	1,253.5	1,333.6	1,403.1	1,671.1	119.8	134.3	153.7	134.3	195.4
2.1. Residents	962.8	1,252.3	1,329.7	1,393.1	1,654.5	118.3	–	152.9	–	–
2.2. Non-residents	0.6	1.2	3.9	10.0	16.6	1.4	–	0.8	–	–
3. Domestic banks	2,441.4	3,985.8	4,104.5	6,324.4	10,799.3	943.5	625.8	724.4	560.8	630.5
4. Foreign banks	–	–	334.3	765.3	1,001.1	130.3	190.5	122.4	80.6	74.7
5. Croatian National Bank	284.2	915.7	745.3	84.5	543.2	108.5	–	108.5	90.8	–
Total (1+2+3+4)	9,104.0	14,689.2	15,547.0	19,429.7	25,295.0	2,125.7	1,699.7	2,339.6	1,751.7	1,859.9
<b>C. Net purchase (A–B)</b>										
1. Legal persons	–2,098.4	–3,521.8	–4,301.5	–4,419.4	–3,815.1	–262.0	–202.9	–525.5	–234.6	–303.5
2. Natural persons	1,585.6	2,086.4	2,009.0	2,168.4	2,263.3	148.2	119.4	144.2	175.6	173.9
2.1. Residents	1,058.3	1,432.2	1,512.3	1,710.2	1,931.6	144.0	–	136.6	–	–
2.2. Non-residents	527.4	654.2	496.7	458.2	331.7	4.2	–	7.7	–	–
3. Foreign banks	–	–	363.6	665.3	425.1	35.3	–59.6	299.4	137.7	51.6
4. Croatian National Bank	–116.0	–434.0	–451.0	353.8	–510.2	–108.5	–	–108.5	–90.8	0.0
Total (1+2+3)	–628.8	–1,869.4	–2,379.9	–1,231.8	–1,636.9	–187.0	–143.1	–190.4	–12.1	–78.0
Memo items: Other Croatian National Bank transactions										
Purchase of foreign exchange	405.8	536.8	197.5	570.9	145.1	–	–	–	–	–
Sale of foreign exchange	86.9	2.6	3.4	94.9	239.3	78.3	9.0	13.3	0.7	–

<sup>a</sup> Preliminary data. <sup>b</sup> Revised data.

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

**Table G5: Banks' Trade with Foreign Exchange**

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

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

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

**Table H1: Balance of Payments – Summary**

Million euros

	2000	2001	2002	2003	2004 <sup>a</sup>	2004				2005
						Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1 <sup>b</sup>
<b>A. CURRENT ACCOUNT (1+6)</b>	-489.9	-817.7	-2,097.2	-1,756.9	-1,258.3	-1,187.9	-980.2	1,986.3	-1,076.5	-1,306.7
1. Goods, services, and income (2+5)	-1,448.7	-1,917.2	-3,249.4	-3,001.4	-2,448.0	-1,456.9	-1,285.1	1,691.2	-1,397.1	-1,598.4
1.1. Credit	9,788.6	11,272.5	11,583.7	13,696.4	15,069.5	2,464.9	3,323.5	6,249.7	3,031.4	2,506.0
1.2. Debit	-11,237.3	-13,189.7	-14,833.1	-16,697.8	-17,517.6	-3,921.8	-4,608.6	-4,558.6	-4,428.5	-4,104.4
2. Goods and services (3+4)	-1,028.9	-1,301.0	-2,675.6	-1,927.4	-1,821.2	-1,215.0	-1,039.4	1,769.3	-1,336.1	-1,349.9
2.1. Credit	9,411.3	10,800.1	11,125.4	13,251.4	14,420.0	2,340.6	3,183.7	5,987.0	2,908.7	2,373.0
2.2. Debit	-10,440.2	-12,101.1	-13,801.0	-15,178.7	-16,241.2	-3,555.6	-4,223.1	-4,217.7	-4,244.8	-3,722.9
3. Goods	-3,499.4	-4,603.8	-5,960.3	-6,974.2	-6,724.7	-1,436.5	-1,950.1	-1,627.1	-1,711.1	-1,553.3
3.1. Credit	4,969.3	5,318.8	5,293.1	5,571.7	6,601.9	1,483.4	1,623.1	1,729.7	1,765.7	1,522.7
3.2. Debit	-8,468.6	-9,922.6	-11,253.5	-12,545.9	-13,326.7	-2,919.8	-3,573.2	-3,356.8	-3,476.8	-3,075.9
4. Services	2,470.5	3,302.8	3,284.8	5,046.9	4,903.6	221.5	910.7	3,396.4	375.0	203.4
4.1. Credit	4,442.0	5,481.3	5,832.3	7,679.7	7,818.1	857.3	1,560.6	4,257.3	1,142.9	850.4
4.2. Debit	-1,971.5	-2,178.5	-2,547.5	-2,632.8	-2,914.5	-635.8	-649.9	-860.9	-768.0	-647.0
5. Income	-419.8	-616.2	-573.8	-1,074.1	-626.9	-241.9	-245.8	-78.1	-61.0	-248.5
5.1. Credit	377.3	472.4	458.3	445.0	649.5	124.2	139.8	262.7	122.7	132.9
5.2. Debit	-797.2	-1,088.6	-1,032.1	-1,519.1	-1,276.4	-366.2	-385.6	-340.9	-183.8	-381.5
6. Current transfers	958.9	1,099.5	1,152.2	1,244.5	1,189.7	269.0	304.9	295.1	320.7	291.7
6.1. Credit	1,195.5	1,333.3	1,453.2	1,538.7	1,582.8	367.0	401.5	387.6	426.7	393.4
6.2. Debit	-236.6	-233.8	-301.1	-294.2	-393.1	-98.1	-96.6	-92.5	-106.0	-101.8
<b>B. CAPITAL AND FINANCIAL ACCOUNT</b>	1,244.5	1,050.9	2,731.9	2,996.4	2,297.7	877.7	905.9	-234.4	748.4	1,185.4
B1. Capital account	22.2	154.1	501.2	72.4	23.1	7.0	7.4	6.4	2.3	2.3
B2. Financial account, excl. reserves	1,899.5	2,445.8	2,972.6	4,159.5	2,317.7	449.1	1,101.2	-152.1	919.5	1,372.2
1. Direct investment	1,140.6	1,326.9	597.2	1,695.4	696.5	233.0	226.3	130.4	106.8	147.7
1.1. Abroad	-1.5	-175.6	-597.8	-93.0	-278.3	-40.9	-18.6	-168.3	-50.5	-31.6
1.2. In Croatia	1,142.1	1,502.5	1,195.1	1,788.4	974.8	273.9	244.9	298.7	157.3	179.3
2. Portfolio investment	728.0	666.0	-440.2	868.8	244.2	-68.2	410.5	214.0	-312.2	-375.2
2.1. Assets	-25.0	-143.2	-650.6	121.3	-752.5	-362.9	-184.2	10.5	-215.9	24.6
2.2. Liabilities	753.0	809.2	210.4	747.5	996.7	294.8	594.7	203.6	-96.3	-399.8
3. Financial derivatives					0.0	0.0	0.0	0.0	0.0	-88.4
4. Other investment	30.9	453.0	2,815.5	1,595.2	1,377.0	284.3	464.4	-496.5	1,124.9	1,688.0
4.1. Assets	-1,040.4	394.3	451.9	-2,151.8	-422.3	85.7	-159.7	-227.8	-120.5	977.4
4.2. Liabilities	1,071.3	58.7	2,363.6	3,747.0	1,799.3	198.5	624.0	-268.7	1,245.4	710.6
B3. Reserve assets (CNB)	-677.3	-1,549.0	-741.9	-1,235.5	-43.0	421.7	-202.7	-88.6	-173.4	-189.1
<b>C. NET ERRORS AND OMISSIONS</b>	-754.6	-233.3	-634.7	-1,239.5	-1,039.4	310.2	74.3	-1,751.9	328.0	121.4

<sup>a</sup> Revised data. <sup>b</sup> Preliminary data.

**Table H1-H6: Balance of Payments**

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

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

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

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

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

**Table H2: Balance of Payments – Goods and Services**

Million euros

	2000	2001	2002	2003	2004 <sup>a</sup>	2004				2005
						Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1 <sup>b</sup>
Goods	-3,499.4	-4,603.8	-5,960.3	-6,974.2	-6,724.7	-1,436.5	-1,950.1	-1,627.1	-1,711.1	-1,553.3
1. Credit	4,969.3	5,318.8	5,293.1	5,571.7	6,601.9	1,483.4	1,623.1	1,729.7	1,765.7	1,522.7
1.1. Exports (f.o.b.) in trade statistics	4,821.6	5,214.1	5,188.2	5,464.4	6,452.6	1,453.7	1,590.8	1,684.3	1,723.8	1,492.0
1.2. Adjustments for coverage	147.7	104.7	105.0	107.3	149.3	29.6	32.4	45.4	41.9	30.7
2. Debit	-8,468.6	-9,922.6	-11,253.5	-12,545.9	-13,326.7	-2,919.8	-3,573.2	-3,356.8	-3,476.8	-3,075.9
2.1. Imports (c.i.f.) in trade statistics	-8,597.5	-10,244.8	-11,327.0	-12,538.0	-13,349.9	-2,922.3	-3,573.1	-3,372.4	-3,482.1	-3,079.8
2.2. Adjustments for coverage	-481.5	-405.3	-348.9	-475.6	-474.7	-106.5	-133.4	-110.2	-124.6	-111.1
2.3. Adjustments for classification	610.4	727.4	422.5	467.7	498.0	109.0	133.3	125.8	129.9	114.9
Services	2,470.5	3,302.8	3,284.8	5,046.9	4,903.6	221.5	910.7	3,396.4	375.0	203.4
1. Transportation	195.2	186.1	172.0	252.2	245.5	59.4	69.5	87.5	29.1	71.2
1.1. Credit	606.3	658.6	622.8	696.3	791.3	160.2	201.0	226.9	203.2	172.6
1.2. Debit	-411.1	-472.5	-450.8	-444.1	-545.8	-100.8	-131.5	-139.4	-174.1	-101.4
2. Travel	2,399.5	3,072.9	3,138.6	5,090.4	5,010.7	252.4	860.9	3,421.5	475.9	254.5
2.1. Credit	3,011.8	3,749.3	3,960.8	5,686.5	5,687.0	414.6	1,025.6	3,626.8	619.9	412.8
2.1.1. Business	288.1	305.8	341.2	334.5	389.0	82.1	108.8	92.7	105.4	80.1
2.1.2. Personal	2,723.7	3,443.6	3,619.7	5,352.0	5,297.9	332.5	916.8	3,534.1	514.5	332.7
2.2. Debit	-612.3	-676.5	-822.2	-596.1	-676.2	-162.2	-164.7	-205.3	-144.0	-158.3
2.2.1. Business	-281.2	-322.7	-482.6	-292.3	-297.3	-66.7	-75.9	-66.5	-88.1	-66.2
2.2.2. Personal	-331.1	-353.8	-339.6	-303.8	-379.0	-95.5	-88.8	-138.9	-55.8	-92.1
3. Other services	-124.2	43.9	-25.9	-295.8	-352.7	-90.3	-19.7	-112.6	-130.0	-122.3
3.1. Credit	824.0	1,073.4	1,248.6	1,296.9	1,339.8	282.4	334.0	403.6	319.9	265.0
3.2. Debit	-948.1	-1,029.5	-1,274.5	-1,592.7	-1,692.5	-372.7	-353.7	-516.2	-449.9	-387.3

<sup>a</sup> Revised data. <sup>b</sup> Preliminary data.

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

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

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

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

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

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

Current transfers are reported separately for the general government sector and other sectors. The ITRS is used as the main data source on current transfers for both sectors. In addition to taxes and excise duties, pensions, monetary support and donations, which are included in current transfers of both sectors, the government sector also encompasses data on multilateral co-operation, whereas other sectors include data on workers' remittances. Current transfers of the general government sector also include data on exports and imports

**Table H3: Balance of Payments – Income and Current Transfers**

Million euros

	2000	2001	2002	2003	2004 <sup>a</sup>	2004				2005
						Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1 <sup>b</sup>
Income	-419.8	-616.2	-573.8	-1,074.1	-626.9	-241.9	-245.8	-78.1	-61.0	-248.5
1. Compensation of employees	76.0	143.1	167.6	183.9	233.9	54.9	62.2	55.9	60.9	61.1
1.1. Credit	90.2	157.4	187.2	217.3	268.3	62.7	70.6	67.4	67.6	66.1
1.2. Debit	-14.2	-14.3	-19.5	-33.4	-34.4	-7.8	-8.4	-11.5	-6.7	-5.0
2. Direct investment income	-154.1	-357.8	-353.4	-844.5	-430.6	-87.0	-241.9	-71.1	-30.7	-81.8
2.1. Credit	10.4	22.8	23.6	33.4	172.8	4.1	17.0	147.0	4.6	9.9
o/w: Reinvested earnings	7.7	17.1	7.4	30.3	164.1	3.2	12.6	144.3	4.0	9.2
2.2. Debit	-164.5	-380.6	-377.1	-877.8	-603.4	-91.1	-258.9	-218.1	-35.3	-91.7
o/w: Reinvested earnings	-87.3	-188.4	-161.8	-588.9	-290.0	-78.0	-167.3	-66.2	21.6	-59.8
3. Portfolio investment income	-188.1	-241.8	-214.8	-239.6	-256.6	-178.9	-22.6	-25.6	-29.5	-190.4
3.1. Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2. Debit	-188.1	-241.9	-214.9	-239.6	-256.6	-178.9	-22.6	-25.6	-29.5	-190.4
4. Other investment income	-153.6	-159.6	-173.2	-173.9	-173.5	-30.9	-43.5	-37.4	-61.7	-37.4
4.1. Credit	276.7	292.2	247.4	194.4	208.4	57.4	52.2	48.3	50.5	57.0
4.2. Debit	-430.3	-451.8	-420.6	-368.3	-382.0	-88.3	-95.8	-85.6	-112.2	-94.3
Current transfers	958.9	1,099.5	1,152.2	1,244.5	1,189.7	269.0	304.9	295.1	320.7	291.7
1. General government	24.6	65.3	32.2	70.5	0.5	-7.3	9.7	1.7	-3.6	35.8
1.1. Credit	129.4	142.7	143.4	213.1	178.3	40.6	55.6	42.8	39.2	80.3
1.2. Debit	-104.8	-77.4	-111.2	-142.6	-177.8	-48.0	-45.9	-41.1	-42.9	-44.5
2. Other sectors	934.3	1,034.2	1,120.0	1,174.0	1,189.2	276.3	295.2	293.4	324.3	255.9
2.1. Credit	1,066.1	1,190.6	1,309.8	1,325.6	1,404.5	326.4	345.9	344.8	387.4	313.1
2.2. Debit	-131.8	-156.4	-189.8	-151.6	-215.3	-50.1	-50.7	-51.3	-63.1	-57.2

<sup>a</sup> Revised data. <sup>b</sup> Preliminary data.

of goods without a payment obligation, provided by the CBS. In the 1995-1998 period, current transfers of other sectors also encompassed an estimate of unregistered foreign currency remittances, which accounted for 15% of the positive difference between unclassified inflows and outflows of the household sector. From 1993 to the second quarter of 1996, the CNB also assessed a portion of the outflow based on current transfers. Since 2002, inflows and outflows based on current transfers of other sectors are supplemented by the data of the CNB special statistical research on international transactions related to insurance services.

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

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

Data on equity portfolio investments are collected from the same data source as the data on direct investments. Debt portfolio investments include all investments in short-term and long-term debt securities that cannot be classified under direct investments. In the

1997-1998 period, these data were collected through the CNB Research on direct and portfolio investments, and since 1999 data on external debt relations and monetary statistics data for bank investment have been used. Starting from 2002 and 2004, this position has also been compiled for investment funds and pension funds, respectively.

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

**Table H4: Balance of Payments – Direct and Portfolio Investments**

Million euros

	2000	2001	2002	2003	2004 <sup>a</sup>	2004				2005
						Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1 <sup>b</sup>
Direct investment	1,140.6	1,326.9	597.2	1,695.4	696.5	233.0	226.3	130.4	106.8	147.7
1. Abroad	-1.5	-175.6	-597.8	-93.0	-278.3	-40.9	-18.6	-168.3	-50.5	-31.6
1.1. Equity capital and reinvested earnings	-38.1	-139.4	-594.1	-101.9	-252.2	-44.5	-21.6	-158.5	-27.6	-18.5
1.1.1. Claims	-38.6	-139.4	-597.0	-101.9	-252.8	-44.5	-21.6	-158.8	-27.8	-18.5
1.1.2. Liabilities	0.5	0.0	2.9	0.0	0.5	0.0	0.0	0.4	0.2	0.0
1.2. Other capital	36.6	-36.2	-3.7	8.9	-26.1	3.6	3.0	-9.8	-22.9	-13.1
1.1.1. Claims	-11.0	5.5	-6.4	-12.8	-28.6	-4.3	3.0	-9.0	-18.2	-4.0
1.2.2. Liabilities	47.6	-41.7	2.7	21.7	2.5	8.0	0.0	-0.8	-4.7	-9.1
2. In Croatia	1,142.1	1,502.5	1,195.1	1,788.4	974.8	273.9	244.9	298.7	157.3	179.3
2.1. Equity capital and reinvested earnings	835.6	1,087.8	873.8	1,345.1	599.8	238.1	201.0	238.3	-77.6	368.1
2.1.1. Claims	-26.4	-8.0	0.0	-1.2	-24.3	0.0	0.0	-2.8	-21.6	0.0
2.1.2. Liabilities	862.0	1,095.8	873.8	1,346.4	624.1	238.1	201.0	241.1	-56.1	368.1
2.2. Other capital	306.5	414.7	321.2	443.3	375.0	35.8	43.9	60.4	235.0	-188.7
2.2.1. Claims	0.0	0.1	-0.3	-1.5	-12.2	-0.1	-11.9	0.0	-0.2	-34.5
2.2.2. Liabilities	306.5	414.5	321.6	444.8	387.1	35.9	55.8	60.4	235.1	-154.2
Portfolio investment	728.0	666.0	-440.2	868.8	244.2	-68.2	410.5	214.0	-312.2	-375.2
1. Assets	-25.0	-143.2	-650.6	121.3	-752.5	-362.9	-184.2	10.5	-215.9	24.6
1.1. Equity securities	-0.2	0.3	-78.4	-58.0	-32.9	-3.7	-18.6	-7.8	-2.8	-13.8
1.1.1. General government	0.0	0.0	-2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1. Banks	-0.1	0.4	-2.8	0.3	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.2. Other sectors	-0.1	-0.1	-72.7	-58.3	-32.9	-3.7	-18.6	-7.8	-2.8	-13.8
1.1.2. Debt securities	-24.8	-143.5	-572.2	179.4	-719.6	-359.2	-165.6	18.2	-213.1	38.4
1.2.1. Bonds	-19.7	-128.8	-586.9	165.9	-585.0	-277.8	-136.1	35.1	-206.2	30.9
1.2.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2. Banks	-19.7	-128.8	-566.6	180.1	-592.9	-270.9	-134.9	22.1	-209.1	25.6
1.2.1.3. Other sectors	0.0	0.0	-20.3	-14.1	7.9	-6.8	-1.2	13.0	2.9	5.3
1.2.2. Money market instruments	-5.1	-14.8	14.7	13.5	-134.6	-81.4	-29.5	-16.8	-6.9	7.5
1.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2.2. Banks	-5.1	-14.8	20.9	7.3	-134.7	-81.0	-29.9	-16.8	-6.9	7.5
1.2.2.3. Other sectors	0.0	0.0	-6.2	6.2	0.0	-0.5	0.5	0.0	0.0	0.0
1.2. Liabilities	753.0	809.2	210.4	747.5	996.7	294.8	594.7	203.6	-96.3	-399.8
2.1. Equity securities	-0.1	15.1	44.2	13.5	141.2	8.9	47.1	26.4	58.8	44.9
2.1.1. Banks	0.5	-5.2	4.7	-2.1	-0.8	0.7	-0.1	0.7	-2.0	-10.3
2.1.2. Other sectors	-0.6	20.3	39.5	15.6	142.0	8.2	47.3	25.8	60.8	55.2
2.2. Debt securities	753.1	794.1	166.2	734.0	855.5	285.9	547.5	177.2	-155.1	-444.6
2.2.1. Bonds	762.1	774.2	197.2	700.0	889.3	283.2	577.3	183.9	-155.1	-444.6
2.2.1.1. General government	762.1	774.2	67.2	527.3	417.8	272.6	482.1	-183.4	-153.5	-504.4
2.2.1.2. Banks	0.0	0.0	0.0	0.0	444.4	0.0	0.0	443.1	1.3	2.5
2.2.1.3. Other sectors	0.0	0.0	130.0	172.6	27.2	10.6	95.2	-75.8	-2.8	57.2
2.2.2. Money market instruments	-9.0	19.9	-30.9	34.0	-33.8	2.7	-29.7	-6.8	0.0	0.0
2.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.3. Other sectors	-9.0	19.9	-30.9	34.0	-33.8	2.7	-29.7	-6.8	0.0	0.0

<sup>a</sup> Revised data. <sup>b</sup> Preliminary data.

CNB estimate of a portion of net foreign currency inflows of the household sector which is not classified under current transfers. Since 1999 this position has included only the data based on the Bank for International Settlement quarterly data, while data in the fourth quarter of 2001 and in the first two quarters of 2002 relate to the effect of the EMU countries' currencies changeover to the euro.

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

**Table H5: Balance of Payments – Other Investment**

Million euros

	2000	2001	2002	2003	2004 <sup>a</sup>	2004				2005
						Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1 <sup>b</sup>
Other investment (net)	30.9	453.0	2,815.5	1,595.2	1,377.0	284.2	464.4	-496.5	1,124.9	1,688.0
1. Assets	-1,040.4	394.3	451.9	-2,151.8	-422.3	85.7	-159.7	-227.8	-120.5	977.4
1.1. Trade credits	100.1	57.9	-88.4	-167.2	-192.1	-159.0	-16.0	18.9	-36.0	22.9
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1. Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	100.1	57.9	-88.4	-167.2	-192.1	-159.0	-16.0	18.9	-36.0	22.9
1.1.2.1. Long-term	2.8	9.2	-16.3	-23.0	16.4	-14.0	14.8	11.9	3.8	12.9
1.1.2.2. Short-term	97.3	48.7	-72.1	-144.1	-208.5	-144.9	-30.8	7.0	-39.7	10.0
1.2. Loans	-107.9	39.2	-54.7	-22.5	11.1	1.7	11.6	-5.6	3.5	3.8
1.2.1. General government	0.0	-3.4	0.6	-1.0	-0.3	0.3	0.0	0.3	-0.9	0.1
1.2.1.1. Long-term	0.0	-3.4	0.6	-1.0	-0.3	0.3	0.0	0.3	-0.9	0.1
1.2.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2. Banks	1.7	-10.0	-22.0	4.3	6.1	-0.3	10.8	-7.3	2.9	1.2
1.2.2.1. Long-term	1.9	-3.4	-16.5	5.0	7.0	-2.1	8.3	2.0	-1.3	1.2
1.2.2.2. Short-term	-0.2	-6.6	-5.5	-0.6	-0.9	1.7	2.5	-9.3	4.2	0.0
1.2.3. Other sectors	-109.6	52.6	-33.3	-25.9	5.3	1.7	0.8	1.3	1.5	2.5
1.2.3.1. Long-term	-109.6	52.6	-33.2	-26.0	5.6	1.7	0.8	1.6	1.5	2.2
1.2.3.2. Short-term	0.0	0.0	-0.1	0.1	-0.4	0.0	-0.1	-0.3	0.0	0.3
1.3. Currency and deposits	-1,032.6	297.3	594.9	-1,962.1	-241.3	243.1	-155.3	-241.1	-88.0	950.7
1.3.2. General government	-26.5	-18.1	-24.2	30.3	72.7	-83.0	-44.8	63.6	137.0	-68.6
1.3.3. Banks	-964.2	-1,790.9	1,516.5	-1,964.5	-368.7	289.2	-162.7	-270.3	-225.0	1,019.2
1.3.4. Other sectors	-41.9	2,106.3	-897.4	-27.9	54.7	36.8	52.3	-34.4	0.0	0.0
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	1,071.3	58.7	2,363.6	3,747.0	1,799.2	198.5	624.0	-268.7	1,245.4	710.6
2.1. Trade credits	318.2	96.3	501.3	-226.9	-68.9	10.0	-6.7	-82.4	10.2	14.3
2.1.1. General government	-3.5	1.2	-0.1	1.5	-0.3	-0.1	0.3	-0.4	-0.1	-0.2
2.1.1.1. Long-term	-0.5	1.2	-0.1	1.5	-0.3	-0.1	0.3	-0.4	-0.1	-0.2
2.1.1.2. Short-term	-3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	321.7	95.1	501.4	-228.4	-68.6	10.1	-7.1	-82.0	10.3	14.5
2.1.2.1. Long-term	-13.8	-22.1	-1.2	-47.4	-31.1	-12.4	-13.6	0.0	-5.1	6.9
2.1.2.2. Short-term	335.5	117.2	502.6	-181.0	-37.6	22.5	6.5	-82.0	15.4	7.6
2.2. Loans	873.0	-260.5	653.8	2,833.9	1,620.6	409.1	679.6	-10.6	542.5	523.6
2.2.1. Croatian National Bank	-16.9	-4.1	-177.2	354.2	-371.7	-240.8	-128.8	-0.5	-1.7	-1.3
2.2.1.1. o/w: IMF	-31.5	-34.3	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.1. Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.2. Repayments	-31.5	-34.3	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2. Short-term	14.7	30.3	-47.6	354.2	-371.7	-240.8	-128.8	-0.5	-1.7	-1.3
2.2.2. General government	345.2	-212.2	433.9	502.9	406.5	42.9	132.4	214.0	17.2	3.2
2.2.2.1. Long-term	5.7	185.4	433.9	502.9	406.5	42.9	132.4	214.0	17.2	3.2
2.2.2.1.1. Drawings	286.4	363.2	598.2	697.8	700.7	131.0	183.8	271.3	114.6	61.3
2.2.2.1.2. Repayments	-280.6	-177.8	-164.3	-194.9	-294.2	-88.1	-51.4	-57.3	-97.4	-58.2
2.2.2.2. Short-term	339.4	-397.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	117.0	87.2	79.3	1,005.7	625.1	447.0	346.5	-459.9	291.5	324.0
2.2.3.1. Long-term	122.8	93.0	81.6	927.2	568.5	233.5	274.7	-11.4	71.7	5.8
2.2.3.1.1. Drawings	722.7	829.3	656.9	1,644.7	993.1	415.1	395.2	49.7	133.2	245.8
2.2.3.1.2. Repayments	-599.8	-736.3	-575.3	-717.5	-424.5	-181.5	-120.5	-61.0	-61.5	-240.0
2.2.3.2. Short-term	-5.8	-5.8	-2.3	78.5	56.6	213.5	71.8	-448.5	219.9	318.3
2.2.4. Other sectors	427.6	-131.5	317.8	971.2	960.7	160.0	329.6	235.7	235.5	197.8
2.2.4.1. Long-term	534.2	-133.6	335.4	920.7	890.4	127.8	291.2	227.2	244.1	141.6
2.2.4.1.1. Drawings	1,107.1	818.1	1,326.0	1,898.1	1,943.5	394.1	515.9	545.1	488.5	300.6
2.2.4.1.2. Repayments	-572.9	-951.7	-990.7	-977.3	-1,053.1	-266.3	-224.7	-317.8	-244.3	-159.0
2.2.4.2. Short-term	-106.6	2.1	-17.6	50.4	70.3	32.2	38.4	8.5	-8.7	56.2
2.3. Currency and deposits	-119.8	223.0	1,209.4	1,140.7	244.5	-221.4	-49.6	-176.5	692.0	172.0
2.3.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0
2.3.2. Banks	-119.8	223.0	1,209.4	1,140.7	244.5	-221.4	-49.6	-176.5	692.0	122.0
2.4. Other liabilities	0.0	-0.1	-0.9	-0.7	3.0	0.7	0.8	0.7	0.8	0.7

<sup>a</sup> Revised data. <sup>b</sup> Preliminary data.

**Table H6: Balance of Payments – Summary**

Million kuna

	2000	2001	2002	2003	2004 <sup>a</sup>	2004				2005
						Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1 <sup>b</sup>
<b>A. CURRENT ACCOUNT (1+6)</b>	-3,978.1	-6,083.1	-15,509.0	-13,353.1	-9,474.6	-8,934.0	-7,206.8	14,732.7	-8,066.5	-9,810.5
1. Goods, services, and income (2+5)	-11,291.6	-14,276.1	-24,285.8	-23,058.5	-18,744.1	-11,057.4	-9,564.8	12,472.0	-10,593.9	-12,097.1
1.1. Credit	74,468.0	84,083.8	85,563.6	103,318.8	112,482.1	18,756.8	24,710.8	46,140.6	22,873.9	18,819.9
1.2. Debit	-85,759.5	-98,359.9	-109,849.4	-126,377.3	-131,226.2	-29,814.1	-34,275.6	-33,668.6	-33,467.8	-30,916.9
2. Goods and services (3+4)	-8,043.7	-9,950.0	-20,004.4	-14,802.4	-13,997.8	-9,237.0	-7,725.3	13,049.9	-10,085.5	-10,122.2
2.1. Credit	71,592.3	80,321.0	82,188.2	100,061.5	107,631.0	17,811.2	23,670.3	44,201.8	21,947.8	17,820.9
2.2. Debit	-79,636.0	-90,270.9	-102,192.6	-114,863.9	-121,628.8	-27,048.1	-31,395.5	-31,151.9	-32,033.2	-27,943.1
3. Goods	-26,681.2	-34,323.1	-44,135.8	-52,782.7	-50,331.8	-10,922.6	-14,488.0	-12,006.3	-12,915.0	-11,649.7
3.1. Credit	37,909.7	39,695.8	39,198.3	42,167.2	49,471.2	11,283.5	12,077.3	12,787.7	13,322.8	11,433.0
3.2. Debit	-64,591.0	-74,018.9	-83,334.1	-94,949.9	-99,803.0	-22,206.0	-26,565.2	-24,794.0	-26,237.7	-23,082.7
4. Services	18,637.5	24,373.1	24,131.4	37,980.3	36,334.0	1,685.6	6,762.7	25,056.2	2,829.5	1,527.5
4.1. Credit	33,682.6	40,625.2	42,989.9	57,894.3	58,159.8	6,527.7	11,593.0	31,414.1	8,625.0	6,387.9
4.2. Debit	-15,045.0	-16,252.1	-18,858.5	-19,914.0	-21,825.8	-4,842.1	-4,830.3	-6,357.9	-5,795.5	-4,860.4
5. Income	-3,247.9	-4,326.1	-4,281.4	-8,256.1	-4,746.3	-1,820.4	-1,839.6	-578.0	-508.4	-1,974.9
5.1. Credit	2,875.7	3,762.9	3,375.4	3,257.3	4,851.1	945.6	1,040.5	1,938.8	926.2	999.0
5.2. Debit	-6,123.5	-8,089.0	-7,656.8	-11,513.4	-9,597.4	-2,766.0	-2,880.1	-2,516.7	-1,434.6	-2,973.9
6. Current transfers	7,313.5	8,192.9	8,776.7	9,705.4	9,269.5	2,123.3	2,358.0	2,260.8	2,527.4	2,286.6
6.1. Credit	9,118.6	9,934.0	10,761.2	11,639.9	11,859.4	2,792.1	2,986.5	2,862.9	3,218.0	2,953.7
6.2. Debit	-1,805.1	-1,741.1	-1,984.4	-1,934.6	-2,589.9	-668.8	-628.4	-602.1	-690.6	-667.1
<b>B. CAPITAL AND FINANCIAL ACCOUNT</b>	9,598.4	7,343.6	20,661.6	23,316.0	17,706.2	6,599.6	6,655.7	-1,627.6	6,078.5	8,875.7
B1. Capital account	170.1	1,145.1	3,695.6	546.9	172.8	53.2	55.4	47.0	17.2	17.5
B2. Financial account, excl. reserves	14,614.7	17,695.5	22,454.5	32,121.5	17,869.9	3,398.1	8,123.2	-1,021.1	7,369.6	10,276.8
1. Direct investment	8,738.8	9,839.3	4,888.5	13,293.9	5,453.4	1,706.4	1,678.6	996.9	1,071.5	976.6
1.1. Abroad	-22.1	-1,278.4	-4,419.4	-713.8	-2,072.0	-310.8	-139.3	-1,241.4	-380.5	-237.0
1.2. In Croatia	8,761.0	11,117.7	9,307.9	14,007.7	7,525.4	2,017.2	1,817.9	2,238.3	1,452.0	1,213.6
2. Portfolio investment	5,658.7	4,978.9	-3,227.3	6,669.8	1,702.0	-485.5	2,995.9	1,625.9	-2,434.4	-2,943.6
2.1. Assets	-189.8	-1,081.7	-4,839.8	936.8	-5,688.0	-2,770.2	-1,364.5	76.4	-1,629.7	185.8
2.2. Liabilities	5,848.4	6,060.6	1,612.6	5,733.0	7,390.0	2,284.7	4,360.4	1,549.5	-804.6	-3,129.4
3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-659.4
4. Other investment	217.2	2,877.2	20,793.3	12,157.8	10,714.4	2,177.2	3,448.7	-3,643.9	8,732.5	12,903.3
4.1. Assets	-7,942.6	2,569.6	3,261.5	-16,361.3	-3,098.2	676.1	-1,187.1	-1,677.2	-910.0	7,374.1
4.2. Liabilities	8,159.8	307.6	17,531.8	28,519.1	13,812.6	1,501.1	4,635.8	-1,966.7	9,642.5	5,529.2
B3. Reserve assets (CNB)	-5,186.4	-11,497.0	-5,488.5	-9,352.4	-336.5	3,148.3	-1,522.9	-653.5	-1,308.3	-1,418.7
<b>C. NET ERRORS AND OMISSIONS</b>	-5,620.3	-1,260.4	-5,152.6	-9,962.9	-8,231.6	2,334.4	551.1	-13,105.1	1,988.0	934.8

<sup>a</sup> Revised data. <sup>b</sup> Preliminary data.

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

**Table H7: International Reserves and Banks' Foreign Exchange Reserves**

End of period, million euros

Year	Month	International reserves of the Croatian National Bank							Banks' foreign exchange reserves
		Total	Special drawing rights	Reserve position in the Fund	Gold	Foreign exchange			
						Total	Currency and deposits	Bonds and notes	
1994	December	1,145.7	3.7	–	–	1,142.0	1,142.0	–	716.6
1995	December	1,479.0	109.1	–	–	1,369.9	1,288.4	81.4	1,038.1
1996	December	1,867.7	101.3	0.0	–	1,766.3	1,627.6	138.7	1,549.2
1997	December	2,303.7	133.4	0.1	–	2,170.2	1,825.2	345.0	2,078.9
1998	December	2,400.2	197.1	0.1	–	2,203.0	1,642.6	560.4	1,607.0
1999	December	3,012.7	188.7	0.2	–	2,823.7	2,449.8	373.9	1,344.7
2000	December	3,783.2	158.5	0.2	–	3,624.5	2,763.0	861.5	2,310.7
2001	December	5,333.6	122.9	0.2	–	5,210.5	3,469.7	1,740.7	4,056.0
2002	December	5,651.3	2.3	0.2	–	5,648.8	3,787.8	1,861.0	2,581.6
2003	December	6,554.1	0.7	0.2	–	6,553.2	3,346.0	3,207.2	3,927.1
2004	April	6,449.1	1.2	0.2	–	6,447.7	2,953.6	3,494.1	3,632.1
	May	6,393.1	1.0	0.2	–	6,391.9	2,800.1	3,591.8	3,786.4
	June	6,389.5	1.0	0.2	–	6,388.3	2,761.4	3,626.9	3,784.7
	July	6,366.1	1.2	0.2	–	6,364.7	2,672.9	3,691.8	3,915.7
	August	6,482.2	0.7	0.2	–	6,481.4	2,864.6	3,616.7	4,175.2
	September	6,451.8	0.7	0.2	–	6,450.9	2,831.4	3,619.5	4,073.4
	October	6,372.6	0.9	0.2	–	6,371.5	3,150.8	3,220.6	3,995.0
	November	6,324.5	0.6	0.2	–	6,323.7	3,129.2	3,194.5	4,016.7
	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	January	6,556.4	1.0	0.2	–	6,555.3	3,220.6	3,334.6	3,718.0
	February	6,582.1	0.7	0.2	–	6,581.3	3,254.4	3,326.8	3,235.6
	March	6,700.5	0.7	0.2	–	6,699.6	3,415.3	3,284.3	3,298.1
	April	6,772.0	0.9	0.2	–	6,770.8	3,503.5	3,267.3	3,021.9
	May <sup>a</sup>	6,990.6	0.6	0.2	–	6,989.8	3,640.3	3,349.5	2,937.7

<sup>a</sup> Preliminary data.**Table H7: International Reserves and Banks' Foreign Exchange Reserves**

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

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

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

**Table H8: International Reserves and Foreign Currency Liquidity**

End of period, million euros

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec. <sup>b</sup>	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.
<b>I. Official reserve assets and other f/c assets (approximate market value)</b>									
<b>A. Official reserve assets</b>	3,683.9	5,333.6	5,651.3	6,554.1	6,436.2	6,556.4	6,582.1	6,700.5	6,772.0
(1) Foreign currency reserves (in convertible f/c)	2,755.6	3,877.9	4,246.9	5,740.1	6,235.4	6,455.3	6,291.3	6,449.8	6,570.8
(a) Securities	861.5	1,740.7	1,861.0	3,207.2	3,262.0	3,334.6	3,326.8	3,284.3	3,267.3
o/w: Issuer headquartered in reporting country but located abroad	–	–	–	–	–	–	–	–	–
(b) Total currency and deposits with:	1,894.2	2,137.2	2,385.9	2,532.9	2,973.3	3,120.6	2,964.4	3,165.5	3,303.5
(i) other national central banks, BIS and IMF	585.8	461.3	325.1	271.1	233.1	207.4	198.8	199.8	200.0
(ii) banks headquartered in the reporting country	–	–	–	–	–	–	–	–	–
o/w: Located abroad	–	–	–	–	–	–	–	–	–
(iii) banks headquartered outside the reporting country	1,308.4	1,675.9	2,060.8	2,261.8	2,740.3	2,913.3	2,765.6	2,965.7	3,103.5
o/w: Located in the reporting country	–	–	–	–	–	–	–	–	–
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	158.5	122.9	2.3	0.7	0.6	1.0	0.7	0.7	0.9
(4) gold	–	–	–	–	–	–	–	–	–
(5) other reserve assets	769.6	1,332.6	1,401.9	813.1	200.0	100.0	290.0	249.8	200.0
– reverse repo	769.6	1,332.6	1,401.9	813.1	200.0	100.0	290.0	249.8	200.0
<b>B. Other foreign currency assets (specify)</b>	99.3	–	–	–	–	–	–	–	–
– time deposits	99.3	–	–	–	–	–	–	–	–
<b>C. Total (A+B)</b>	3,783.2	5,333.6	5,651.3	6,554.1	6,436.2	6,556.4	6,582.1	6,700.5	6,772.0
<b>II. Predetermined short-term net drains on f/c assets (nominal value)</b>									
<b>1. F/c loans, securities, and deposits (total net drains up to one year)</b>	–1,299.6	–1,350.7	–740.9	–1,538.0	–988.6	–1,008.1	–1,249.2	–917.9	–923.0
(a) Croatian National Bank	–284.4	–443.4	–167.4	–646.9	–1.8	–1.7	–1.7	–2.1	–1.7
Up to 1 month	Principal	–115.5	–196.1	–136.9	–355.9	–	–	–	–
Interest	–4.6	–3.2	–2.2	–1.9	–1.8	–1.7	–1.7	–2.1	–1.7
More than 1 and up to 3 months	Principal	–125.0	–203.7	–26.5	–288.3	–	–	–	–
Interest	–3.1	–2.1	–0.1	–0.7	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–31.1	–34.5	–1.6	–	–	–	–	–
Interest	–5.0	–3.8	–0.1	–	–	–	–	–	–
(b) Central government (excl. central government funds)	–1,015.2	–907.4	–573.5	–891.1	–986.8	–1,006.4	–1,247.5	–915.8	–921.3
Up to 1 month	Principal	–95.9	–101.7	–98.1	–85.9	–76.5	0.0	–482.6	–2.7
Interest	–74.0	–55.6	–42.8	–34.4	–13.8	–57.7	–103.5	–27.1	–
More than 1 and up to 3 months	Principal	–100.7	–351.6	–8.6	–9.3	–510.1	–512.8	–126.7	–61.4
Interest	–82.7	–125.7	–148.1	–168.3	–169.0	–139.1	–25.7	–	–148.3
More than 3 months and up to 1 year	Principal	–533.5	–170.8	–176.2	–495.2	–143.7	–234.1	–393.2	–648.9
Interest	–128.4	–102.0	–99.7	–98.0	–73.8	–62.7	–115.8	–175.8	–168.8
<b>2. Aggregate short and long positions in forwards and futures in f/c vis-a-vis the domestic currency (including the forward leg of currency swaps)</b>	–	–	–	–	–	–	–	–	–
(a) Short positions (–)	–	–	–	–	–	–	–	–	–
Up to 1 month	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–
(b) Long positions (+)	–	–	–	–	–	–	–	–	–
Up to 1 month	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–
<b>3. Other</b>	–43.7	–75.2	–21.5	–363.5	–	–	–	–	–
– outflows related to repos (–)	–43.7	–75.2	–21.5	–363.5	–	–	–	–	–
Up to 1 month	Principal	–43.6	–75.1	–21.5	–363.1	–	–	–	–
Interest	–0.1	–0.1	0.0	–0.4	–	–	–	–	–
More than 1 and up to 3 months	Principal	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–
<b>4. Total predetermined short-term net drains on foreign currency assets (1+2+3)</b>	–1,343.3	–1,426.0	–762.4	–1,901.5	–988.6	–1,008.1	–1,249.2	–917.9	–923.0
<b>III. Contingent short-term net drains on f/c assets (nominal value)</b>									
<b>1. Contingent liabilities in foreign currency</b>	–1,040.3	–1,088.8	–1,631.0	–1,300.4	–1,772.9	–1,815.9	–2,012.0	–2,091.4	–2,050.4
(a) Collateral guarantees on debt falling due within 1 year	–317.7	–315.9	–685.9	–426.8	–370.9	–329.0	–429.4	–441.3	–410.9
– Croatian National Bank	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)	–317.7	–315.9	–685.9	–426.8	–370.9	–329.0	–429.4	–441.3	–410.9
Up to 1 month	–52.0	–49.4	–52.3	–55.8	–62.7	–19.6	–25.6	–65.6	–19.5
More than 1 and up to 3 months	–12.3	–24.7	–35.2	–94.9	–33.9	–36.3	–47.4	–57.7	–95.5

More than 3 months and up to 1 year	-253.5	-241.7	-598.3	-276.1	-274.4	-273.1	-356.4	-318.0	-295.9
(b) Other contingent liabilities	-722.6	-772.9	-945.1	-873.6	-1,402.0	-1,486.9	-1,582.5	-1,650.1	-1,639.5
– Croatian National Bank	-722.6	-772.9	-945.1	-873.6	-1,402.0	-1,486.9	-1,582.5	-1,650.1	-1,639.5
Up to 1 month	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	-722.6	-772.9	-945.1	-873.6	-1,402.0	-1,486.9	-1,582.5	-1,650.1	-1,639.5
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)	–	–	–	–	–	–	–	–	–
2. F/c sec. issued with embedded options (puttable bonds)	–	–	–	–	–	–	–	–	–
3. Undrawn, unconditional credit lines provided by	85.9	170.8	–	–	–	–	–	–	–
– BIS (+)	85.9	–	–	–	–	–	–	–	–
– IMF (+)	–	170.8	–	–	–	–	–	–	–
4. Aggregate short and long positions of options in foreign currencies vis-a-vis the domestic currency	–	–	–	–	–	–	–	–	–
5. Total contingent short-term net drains on f/c assets (1+2+3+4)	-954.5	-918.0	-1,631.0	-1,300.4	-1,772.9	-1,815.9	-2,012.0	-2,091.4	-2,050.4
<b>IV. Memo items</b>									
(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 repored and included in Section I	-42.9	-70.0	-20.0	-351.0	–	–	–	–	–
– lent or repored but not included in Section I	–	–	–	–	–	–	–	–	–
– borrowed or acquired and included in Section I	–	–	–	–	–	–	–	–	–
– borrowed or acquired but not included in Section I	735.9	1,235.1	1,330.3	785.1	180.7	89.1	271.6	244.2	185.5
(e) financial derivative assets (net, marked to market)	–	–	–	–	–	–	–	–	–
(f) currency composition of official reserves assets <sup>a</sup>									
– currencies in SDR basket	3,783.2	5,333.6	5,651.3	6,554.1	6,436.2	6,556.4	6,582.1	6,700.4	6,772.0
– currencies not in SDR basket	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
– by individual currencies									
USD	990.2	1,738.4	1,600.8	1,937.6	1,609.1	1,349.1	1,337.4	1,379.1	1,117.9
EUR	2,633.8	3,471.6	4,047.9	4,615.6	4,826.3	5,206.2	5,243.8	5,320.4	5,652.9
Other	159.2	123.6	2.6	0.9	0.8	1.2	0.9	0.9	1.2

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

**Table H8: International Reserves and Foreign Currency Liquidity**

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

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

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

with foreign negotiable debt securities.

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

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

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		7.087400	0.524804	1.079560	0.371475	4.381763	9.166192	5.995300	3.692018
1995		6.757758	0.518734	1.047969	0.321342	4.425311	8.252950	5.229967	3.649342
1996		6.804708	0.513722	1.062735	0.352150	4.404976	8.479850	5.433800	3.614536
1997		6.959708	0.505322	1.056355	0.361942	4.246962	10.081567	6.157050	3.555932
1998		7.136608	0.514421	1.079581	0.366683	4.395149	10.539883	6.362292	3.619321
1999		7.579622	0.550834	1.155501	0.391455	4.738375	11.504100	7.112441	3.875409
2000		7.634973	0.554855	1.163944	0.394313	4.901679	12.529639	8.276819	3.903700
2001		7.468966	0.542791	1.138637	0.385740	4.946376	12.010492	8.339074	3.818822
2002		7.406773				5.050089	11.788895	7.863712	
2003		7.563414				4.977823	10.945665	6.701390	
2004		7.495169				4.855608	11.048232	6.035494	
2004	April	7.505864				4.827528	11.296071	6.240743	
	May	7.426838				4.819473	11.052733	6.185583	
	June	7.377982				4.861664	11.123095	6.081234	
	July	7.372077				4.831126	11.067028	6.011773	
	August	7.369254				4.791269	11.021240	6.055250	
	September	7.410331				4.805074	10.886861	6.069909	
	October	7.544859				4.888467	10.917838	6.049878	
	November	7.554380				4.963436	10.813955	5.824814	
	December	7.544991				4.916727	10.873149	5.643633	
2005	January	7.563796				4.891373	10.811869	5.741322	
	February	7.516931				4.849005	10.904242	5.780433	
	March	7.459512				4.814920	10.770658	5.653121	
	April	7.395276				4.778072	10.818158	5.716584	
	May	7.327121				4.743797	10.714655	5.758623	

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		6.902400	0.516285	1.052510	0.346500	4.288893	8.784200	5.628700	3.632100
1995		6.812200	0.526742	1.085365	0.335800	4.618693	8.234500	5.316100	3.705900
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.511000
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2003		7.646909				4.901551	10.860544	6.118506	
2004		7.671234				4.971314	10.824374	5.636883	
2004	April	7.533576				4.872317	11.249180	6.365506	
	May	7.369765				4.817155	11.037539	6.016626	
	June	7.365831				4.823095	11.034953	6.057925	
	July	7.406563				4.809769	11.171287	6.148056	
	August	7.391677				4.797921	10.979912	6.136718	
	September	7.547840				4.862672	11.088350	6.125996	
	October	7.490452				4.893801	10.760598	5.874864	
	November	7.600835				5.012090	10.825858	5.731289	
	December	7.671234				4.971314	10.824374	5.636883	
2005	January	7.551070				4.882683	10.924580	5.784488	
	February	7.507513				4.873743	10.888344	5.702630	
	March	7.441756				4.794019	10.808651	5.744312	
	April	7.364438				4.792060	10.870019	5.679807	
	May	7.327121				4.743797	10.714655	5.758623	

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

Indices 2001 = 100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator	
			Indices of producers' prices	Retail price index
1997	December	87.73	93.01	98.79
1998	December	91.08	95.99	95.39
1999	December	99.23	102.76	102.08
2000	December	101.51	99.96	101.79
2001	December	99.07	98.63	98.89
2002	December	95.97	95.63	96.24
2003	December	94.09	94.46	94.62
2004	April	92.61	93.83	93.50
	May	91.68	91.55	92.27
	June	90.84	91.08	91.70
	July	90.50	90.36	91.67
	August	90.64	89.87	92.00
	September	91.05	90.19	92.78
	October	92.15	91.44	93.71
	November	91.29	91.17	92.43
2005	December	90.43	90.61	90.85
	January	91.00	91.70	91.00
	February	90.76	91.56	90.21
	March	89.73	90.98 <sup>a</sup>	89.10 <sup>a</sup>
	April	89.41	90.88 <sup>a</sup>	89.38 <sup>a</sup>
	May	89.01		

<sup>a</sup> Preliminary data.

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

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

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

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

**Table H12: Gross External Debt by Domestic Sectors**

Million euros

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.*	Feb.*	Mar.*	Apr.
<b>1. Government</b>	5,276.6	5,942.4	5,900.3	6,600.6	7,236.1	7,249.0	7,211.8	6,702.7	6,795.9
Short-term	388.7	0.3	0.9	0.9	3.4	2.6	3.4	3.4	4.2
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	388.1	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
Other debt liabilities	0.6	0.3	0.9	0.9	3.4	2.6	3.4	3.4	4.2
Principal arrears	0.6	0.3	0.9	0.9	2.9	2.2	2.4	2.4	3.1
Interest arrears	0.0	0.0	0.0	0.1	0.6	0.3	1.0	1.0	1.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	4,887.9	5,942.1	5,899.5	6,599.6	7,232.6	7,246.4	7,208.4	6,699.2	6,791.7
Bonds	3,443.2	4,268.2	3,947.6	4,310.9	4,635.2	4,639.9	4,573.7	4,045.7	4,063.3
Credits	1,444.6	1,672.7	1,950.8	2,286.4	2,595.3	2,604.5	2,632.8	2,651.5	2,726.4
Trade credits	0.1	1.3	1.1	2.3	2.1	2.1	2.0	2.0	2.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>2. Croatian National Bank</b>	215.4	215.5	23.2	365.7	2.4	2.2	2.2	2.0	1.9
Short-term	43.6	75.1	21.5	363.1	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
Credits	43.6	75.1	21.5	363.1	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
Other debt liabilities	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
Interest arrears	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
Long-term	171.9	140.3	1.7	2.6	2.4	2.2	2.2	2.0	1.9
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	170.6	138.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1.3	1.7	1.7	2.6	2.4	2.2	2.2	2.0	1.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>3. Banks</b>	2,195.7	2,547.1	3,789.6	6,121.1	7,652.4	7,521.7	7,344.5	8,143.0	8,165.3
Short-term	23.2	18.0	14.3	617.1	673.3	2,146.6	1,967.7	2,432.8	2,425.6
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	7.8	2.6	0.3	604.2	660.8	838.9	641.2	976.8	1,013.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	1,294.6	1,313.4	1,442.9	1,399.6
Other debt liabilities	15.4	15.4	14.0	12.9	12.5	13.1	13.1	13.2	12.7
Principal arrears	15.4	15.4	14.0	12.9	12.4	13.0	13.1	13.1	12.6
Interest arrears	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,172.6	2,529.1	3,775.3	5,503.9	6,979.2	5,375.2	5,376.8	5,710.2	5,739.7
Bonds	0.0	0.0	0.0	0.0	444.5	444.7	444.7	446.9	448.5
Credits	1,708.0	1,810.8	1,878.4	2,767.7	3,315.7	3,328.8	3,307.2	3,358.3	3,443.4
Currency and deposits	464.5	718.3	1,896.9	2,736.2	3,219.0	1,601.6	1,624.8	1,904.9	1,847.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>4. Other sectors</b>	3,708.9	3,661.8	3,934.7	4,878.4	5,798.1	5,819.6	5,963.1	6,111.5	6,167.1
Short-term	425.8	434.9	460.7	523.2	664.2	589.0	623.1	666.8	690.9
Money market instruments	10.2	31.1	0.0	33.5	0.0	0.0	0.0	0.0	0.0
Credits	46.2	53.9	27.2	70.1	125.4	130.4	162.9	179.4	174.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	44.5	40.4	47.5	22.2	24.9	22.3	24.9	25.2	25.4
Other debt liabilities	324.9	309.6	386.0	397.4	513.9	436.4	435.3	462.3	491.0
Principal arrears	310.2	293.0	365.4	369.9	462.7	396.3	394.7	418.5	443.6
Interest arrears	14.8	16.6	20.7	27.6	51.2	40.1	40.5	43.8	47.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,283.1	3,226.9	3,474.0	4,355.3	5,133.9	5,230.6	5,340.0	5,444.7	5,476.2
Bonds	31.2	31.2	161.2	345.3	384.3	383.1	385.9	447.9	425.6
Credits	3,003.5	2,969.0	3,103.0	3,858.3	4,637.3	4,720.9	4,828.5	4,861.8	4,913.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	248.5	226.7	209.9	151.7	112.3	126.6	125.5	135.0	136.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

5. Direct investment	712.6	1,091.4	1,407.0	1,844.8	1,986.5	1,995.1	2,049.6	2,083.3	2,123.4
Short-term	81.9	49.0	73.2	124.0	247.9	166.1	167.3	172.8	187.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	23.1	4.4	30.0	43.9	61.9	63.3	61.5	59.1	59.6
Trade credits	43.9	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	15.0	43.0	43.1	80.1	186.0	102.8	105.8	113.8	128.3
Principal arrears	14.7	41.7	41.0	75.9	166.3	93.1	96.0	103.5	117.7
Interest arrears	0.3	1.3	2.1	4.2	19.7	9.6	9.8	10.2	10.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	630.7	1,042.4	1,333.8	1,720.8	1,738.6	1,829.1	1,882.2	1,910.4	1,935.5
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	602.6	1,020.9	1,300.0	1,689.7	1,714.8	1,803.8	1,857.1	1,885.8	1,911.1
Trade credits	28.1	21.5	33.8	31.1	23.8	25.2	25.1	24.6	24.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	12,109.3	13,458.3	15,054.8	19,810.6	22,675.4	22,587.7	22,571.2	23,042.5	23,253.5

**Table H12: Gross External Debt by Domestic Sectors**

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

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

National Bank shows the central bank debts. Item Banks shows debts of banks. Item Other sectors shows debts of other banking institutions, non-banking financial institutions, enterprises, non-profit institutions and households, including craftsmen. Item Direct investment shows borrower – lender transactions of other sectors that are interrelated by ownership (borrower or lender owns more than 10 percent of the other).

Each sector data are further shown by contractual maturity (short-term and long-term) and by debt instrument.

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

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

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

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

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

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

are defined as companies in which business entities from the public sector have a share larger than 50%.

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

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

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

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

Million euros

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.*	Feb.*	Mar.*	Apr.
<b>1. Public sector</b>	6,949.7	7,486.1	7,215.3	8,334.0	8,521.2	8,540.6	8,513.8	8,014.9	8,108.4
Short-term	539.5	170.3	54.8	409.5	34.9	24.8	30.1	31.2	32.5
Money market instruments	0.0	25.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	461.1	98.3	21.9	390.9	9.2	7.7	12.9	13.1	13.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	18.9	25.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	59.5	20.5	32.9	18.6	25.6	17.0	17.1	18.1	19.3
Principal arrears	59.5	20.5	32.9	18.6	24.5	16.7	16.1	16.8	17.9
Interest arrears	0.0	0.0	0.0	0.1	1.2	0.4	1.0	1.3	1.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,368.4	7,315.2	7,160.0	7,924.2	8,486.1	8,515.6	8,483.6	7,983.5	8,075.7
Bonds	3,443.2	4,268.2	3,947.6	4,310.9	4,635.2	4,639.9	4,573.7	4,045.7	4,063.3
Credits	2,828.2	2,954.4	3,130.2	3,560.7	3,806.9	3,818.8	3,852.3	3,868.7	3,938.8
Currency and deposits	1.3	1.7	1.7	2.6	2.4	2.2	2.2	2.0	1.9
Trade credits	95.7	91.0	80.5	50.0	41.6	54.7	55.4	67.0	71.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	41.7	0.6	0.5	0.3	0.2	0.2	0.2	0.2	0.2
<b>2. Publicly guaranteed private sector</b>	597.4	565.8	500.1	428.6	343.3	315.6	315.3	314.6	316.2
Short-term	2.2	9.1	22.3	32.0	42.4	37.6	36.8	37.9	39.3
Money market instruments	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
Currency and deposits	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
Other debt liabilities	2.2	9.1	22.3	32.0	42.4	37.6	36.8	37.9	39.3
Principal arrears	1.3	7.0	16.7	23.3	30.8	28.4	27.6	28.6	29.8
Interest arrears	0.8	2.1	5.6	8.7	11.5	9.2	9.2	9.3	9.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	595.2	556.8	477.8	396.6	300.9	278.0	278.5	276.7	276.9
Bonds	31.2	31.2	31.2	31.2	0.0	0.0	0.0	0.0	0.0
Credits	564.0	519.7	442.6	362.9	299.4	276.6	277.1	275.4	275.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.1	5.9	4.0	2.5	1.5	1.4	1.4	1.3	1.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>3. Non-publicly guaranteed private sector</b>	4,562.2	5,406.4	7,339.4	11,048.1	13,810.9	13,731.5	13,742.0	14,713.0	14,829.0
Short-term	339.4	348.9	420.3	1,062.9	1,263.6	2,675.8	2,527.3	3,034.0	3,048.9
Money market instruments	10.2	5.6	0.0	33.5	0.0	0.0	0.0	0.0	0.0
Credits	24.5	33.3	27.1	646.6	777.0	961.6	791.2	1,143.0	1,174.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	1,294.6	1,313.4	1,442.9	1,399.6
Trade credits	25.6	14.5	47.5	22.2	24.9	22.3	24.9	25.2	25.4
Other debt liabilities	279.2	295.5	345.7	360.7	461.8	397.4	397.8	422.9	449.2
Principal arrears	265.4	281.1	330.6	341.8	422.6	366.5	366.5	388.6	411.6
Interest arrears	13.8	14.4	15.1	18.9	39.2	30.9	31.3	34.3	37.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,551.9	3,966.7	5,512.6	8,140.6	10,561.0	9,060.8	9,165.3	9,595.9	9,656.9
Bonds	0.0	0.0	130.0	314.1	828.8	827.9	830.7	894.7	874.1
Credits	2,934.6	3,117.0	3,359.3	4,988.8	6,441.9	6,558.8	6,639.1	6,727.6	6,869.0
Currency and deposits	464.5	718.3	1,896.9	2,736.2	3,219.0	1,601.6	1,624.8	1,904.9	1,847.7
Trade credits	152.8	131.4	126.4	101.5	71.2	72.4	70.8	68.7	66.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	670.9	1,090.9	1,406.5	1,844.6	1,986.3	1,994.9	2,049.3	2,083.1	2,123.2
<b>Total (1+2+3)</b>	<b>12,109.2</b>	<b>13,458.3</b>	<b>15,054.8</b>	<b>19,810.6</b>	<b>22,675.4</b>	<b>22,587.7</b>	<b>22,571.2</b>	<b>23,042.5</b>	<b>23,253.5</b>

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

Million euros

	Outstanding debt 30/4/2005	Immediate	Projected future principal payments												
			Q2/05	Q3/05	Q4/05	Q1/06	2005	2006	2007	2008	2009	2010	2011	2012	Other
1. Government	6,795.9	4.2	101.3	111.9	57.2	584.2	270.4	829.6	661.6	631.8	1,013.2	790.7	1,379.1	194.6	1,020.8
Short-term	4.2	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	4.2	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	3.1	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	6,791.7	0.0	101.3	111.9	57.2	584.2	270.4	829.6	661.6	631.8	1,013.2	790.7	1,379.1	194.6	1,020.8
Bonds	4,063.3	0.0	39.3	54.4	0.0	523.6	93.7	578.0	347.4	250.3	726.3	554.7	1,025.2	15.5	472.3
Credits	2,726.4	0.0	62.0	57.3	57.1	60.4	176.3	251.0	313.6	381.0	286.9	236.0	353.9	179.1	548.5
Trade credits	2.0	0.0	0.1	0.2	0.1	0.2	0.4	0.6	0.6	0.4	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	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	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
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	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9
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	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	8,165.3	12.7	959.6	437.0	85.9	62.4	1,482.6	1,068.8	440.6	346.4	773.0	314.7	62.8	121.9	3,541.9
Short-term	2,425.6	12.7	920.3	27.9	0.4	0.0	948.7	64.6	0.0	0.0	0.0	0.0	0.0	0.0	1,399.6
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,013.3	0.0	920.3	27.9	0.4	0.0	948.7	64.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1,399.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,399.6
Other debt liabilities	12.7	12.7	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	12.6	12.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	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
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	5,739.7	0.0	39.3	409.0	85.6	62.4	533.9	1,004.2	440.6	346.4	773.0	314.7	62.8	121.9	2,142.3
Bonds	448.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	448.5	0.0	0.0	0.0	0.0
Credits	3,443.4	0.0	39.3	409.0	85.6	62.4	533.9	1,004.2	440.6	346.4	324.4	314.7	62.8	121.9	294.5
Currency and deposits	1,847.7	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	1,847.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other sectors	6,167.1	491.0	220.5	266.2	337.7	203.3	824.4	866.1	1,074.2	619.3	614.3	310.2	233.5	187.3	946.8
Short-term	690.9	491.0	60.0	55.0	49.1	27.9	164.1	35.8	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	174.5	0.0	60.0	55.0	23.7	27.9	138.7	35.8	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	25.4	0.0	0.0	0.0	25.4	0.0	25.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	491.0	491.0	0.0	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	443.6	443.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	47.3	47.3	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	5,476.2	0.0	160.5	211.1	288.6	175.4	660.3	830.3	1,074.2	619.3	614.3	310.2	233.5	187.3	946.8
Bonds	425.6	0.0	7.6	0.0	0.0	0.0	7.6	0.0	230.0	6.6	6.6	7.5	7.5	9.4	150.4
Credits	4,913.6	0.0	141.0	200.4	259.5	166.9	600.9	784.9	824.3	601.9	600.2	301.7	225.8	177.8	796.2
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	136.9	0.0	12.0	10.7	29.1	8.4	51.8	45.5	19.9	10.8	7.6	0.9	0.2	0.1	0.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

5. Direct investment	2,123.4	128.3	78.6	44.2	112.5	57.6	235.3	302.6	219.9	232.4	151.5	200.5	44.6	31.9	576.5
Short-term	187.9	128.3	13.9	15.0	25.0	4.9	53.9	5.7	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	59.6	0.0	13.9	15.0	25.0	4.9	53.9	5.7	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	128.3	128.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	117.7	117.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	10.6	10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,935.5	0.0	64.7	29.2	87.5	52.7	181.5	296.9	219.9	232.4	151.5	200.5	44.6	31.9	576.5
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,911.1	0.0	64.0	28.3	85.8	50.2	178.0	291.3	215.4	228.7	149.0	199.0	43.3	30.9	575.5
Trade credits	24.4	0.0	0.7	1.0	1.7	2.6	3.4	5.6	4.5	3.7	2.5	1.5	1.3	0.9	1.0
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)	23,253.5	636.1	1,360.1	859.2	593.3	907.5	2,812.7	3,067.2	2,396.2	1,829.8	2,552.0	1,616.0	1,720.0	535.7	6,087.9
Supplement: Projected interest payments			4.9	128.3	150.1	234.1	283.3	633.9	526.2	440.3	376.6	263.7	206.8	117.2	433.4

**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.

Estimated interest payments do not include interest on deposits from non-residents, repo transactions and hybrid and subordinated

instruments, as well as late interest on these instruments. Future interest payments are estimated at the interest rates at the contracting time and do not reflect changes of variable interest rates.

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

**Table H15: International Investment Position – Summary**

Million euros

	2000	2001	2002	2003	2004 <sup>a</sup>	2004				2005
						Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1 <sup>b</sup>
1. International investment position (net)	-6,376.9	-4,772.2	-8,676.3	-12,386.0	-15,500.5	-13,720.4	-13,750.0	-15,276.8	-15,500.5	-17,085.1
2. Assets	8,966.2	12,565.7	11,779.5	14,132.4	14,905.2	14,181.1	14,990.9	15,147.5	14,905.2	14,469.4
2.1. Direct investment abroad	939.2	1,095.9	1,753.2	1,642.9	1,633.7	1,771.0	2,055.2	1,960.8	1,633.7	1,783.7
2.2. Portfolio investment	15.3	25.5	39.3	40.6	1,317.5	987.5	1,163.1	1,128.5	1,317.5	1,324.6
2.2.1. Equity securities	15.3	25.5	39.3	40.6	39.8	42.6	48.8	46.0	39.8	41.1
2.2.2. Debt securities	0.0	0.0	0.0	0.0	1,277.7	944.8	1,114.3	1,082.5	1,277.7	1,283.5
Bonds	0.0	0.0	0.0	0.0	1,142.5	858.4	997.6	952.0	1,142.5	1,151.8
Money market instruments	0.0	0.0	0.0	0.0	135.1	86.4	116.8	130.4	135.1	131.7
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	4,231.3	6,110.7	4,335.8	5,894.9	5,517.8	5,244.2	5,383.2	5,606.5	5,517.8	4,660.6
2.4.1. Trade credits	200.0	206.1	181.0	178.1	151.9	195.6	181.4	168.0	151.9	158.6
2.4.2. Loans	166.1	121.6	128.7	119.6	114.9	121.4	111.2	118.5	114.9	118.6
2.4.3. Currency and deposits	3,865.2	5,782.9	4,026.0	5,597.1	5,251.0	4,927.1	5,090.6	5,320.0	5,251.0	4,383.4
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5. Reserve assets (CNB)	3,780.4	5,333.6	5,651.3	6,554.1	6,436.1	6,178.5	6,389.4	6,451.8	6,436.1	6,700.5
3. Liabilities	15,343.1	17,337.8	20,455.8	26,518.4	30,405.7	27,901.5	28,741.0	30,424.3	30,405.7	31,554.6
3.1. Direct investment in Croatia	3,829.6	4,806.1	6,634.4	8,382.1	9,433.3	9,021.0	8,627.0	10,274.5	9,433.3	10,284.9
3.2. Portfolio investment	3,601.4	4,495.2	4,282.3	4,860.2	5,747.4	5,087.8	5,676.4	5,925.9	5,747.4	5,251.0
3.2.1. Equity securities	116.8	164.8	173.6	170.5	283.4	171.4	181.1	263.3	283.4	310.5
3.2.2. Debt securities	3,484.6	4,330.4	4,108.7	4,689.7	5,464.0	4,916.4	5,495.3	5,662.5	5,464.0	4,940.5
Bonds	3,474.4	4,299.3	4,108.7	4,656.2	5,464.0	4,879.9	5,488.5	5,662.5	5,464.0	4,940.5
Money market instruments	10.2	31.1	0.0	33.5	0.0	36.5	6.8	0.0	0.0	0.0
3.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.4. Other investment	7,912.1	8,036.5	9,539.1	13,276.1	15,224.9	13,792.8	14,437.6	14,223.9	15,224.9	16,018.7
3.4.1. Trade credits	293.1	268.4	258.4	176.1	139.3	165.5	155.5	162.0	139.3	162.1
3.4.2. Loans	6,812.4	6,722.9	6,981.2	9,949.9	11,334.5	10,401.4	11,092.0	11,031.8	11,334.5	12,027.7
3.4.3. Currency and deposits	465.8	719.9	1,898.6	2,738.7	3,221.4	2,783.4	2,737.6	2,554.9	3,221.4	3,349.9
3.4.4. Other liabilities	341.0	325.3	400.9	411.3	529.8	442.4	452.4	475.2	529.8	478.9

<sup>a</sup> Revised data. <sup>b</sup> Preliminary data.

**Table H15: International Investment Position – Summary**

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

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

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

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

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

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

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

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

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

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

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

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

**Table H16: International Investment Position – Direct Investment**

Million euros

	2000	2001	2002	2003	2004 <sup>a</sup>	2004				2005
						Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1 <sup>b</sup>
Direct investment (net)	-2,890.4	-3,710.2	-4,881.2	-6,739.2	-7,799.6	-7,249.9	-6,571.8	-8,313.8	-7,799.6	-8,501.1
1. Abroad	939.2	1,095.9	1,753.2	1,642.9	1,633.7	1,771.0	2,055.2	1,960.8	1,633.7	1,783.7
1.1. Equity capital and reinvested earnings	884.5	1,050.2	1,712.8	1,581.4	1,526.9	1,704.5	1,979.7	1,876.7	1,526.9	1,636.8
Claims	884.5	1,050.2	1,712.8	1,581.4	1,526.9	1,704.5	1,979.7	1,876.7	1,526.9	1,636.8
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	54.7	45.6	40.4	61.5	106.9	66.5	75.5	84.1	106.9	146.9
Claims	....	....	....	....	....	....	....	....	....	....
Liabilities	....	....	....	....	....	....	....	....	....	....
1.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	3,829.6	4,806.1	6,634.4	8,382.1	9,433.3	9,021.0	8,627.0	10,274.5	9,433.3	10,284.9
2.1. Equity capital and reinvested earnings	3,117.0	3,714.7	5,227.4	6,537.3	7,446.8	7,126.0	6,670.6	8,257.8	7,446.8	8,201.6
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	3,117.0	3,714.7	5,227.4	6,537.3	7,446.8	7,126.0	6,670.6	8,257.8	7,446.8	8,201.6
2.2. Other capital	712.6	1,091.4	1,407.0	1,844.8	1,986.5	1,895.0	1,956.4	2,016.8	1,986.5	2,083.3
Claims	....	....	....	....	....	....	....	....	....	....
Liabilities	....	....	....	....	....	....	....	....	....	....
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

<sup>a</sup> Revised data. <sup>b</sup> Preliminary data.

**Table H17: International Investment Position – Portfolio Investment**

Million euros

	2000	2001	2002	2003	2004 <sup>a</sup>	2004				2005
						Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1 <sup>b</sup>
Portfolio investment (net)	-3,586.1	-4,469.7	-4,243.0	-4,819.6	-4,430.0	-4,100.3	-4,513.2	-4,797.4	-4,430.0	-3,926.4
1. Assets	15.3	25.5	39.3	40.6	1,317.5	987.5	1,163.1	1,128.5	1,317.5	1,324.6
1.1. Equity securities	15.3	25.5	39.3	40.6	39.8	42.6	48.8	46.0	39.8	41.1
Banks	7.7	8.0	8.1	4.2	4.5	4.5	5.1	4.8	4.5	4.6
Other sectors	7.6	17.5	31.1	36.3	35.3	38.2	43.7	41.2	35.3	36.6
1.2. Debt securities	0.0	0.0	0.0	0.0	1,277.7	944.8	1,114.3	1,082.5	1,277.7	1,283.5
2. Liabilities	3,601.4	4,495.2	4,282.3	4,860.2	5,747.4	5,087.8	5,676.4	5,925.9	5,747.4	5,251.0
2.1. Equity securities	116.8	164.8	173.6	170.5	283.4	171.4	181.1	263.3	283.4	310.5
Banks	39.2	41.1	36.2	38.5	44.4	45.4	37.3	46.5	44.4	45.1
Other sectors	77.6	123.8	137.3	132.0	239.1	126.0	143.8	216.8	239.1	265.4
2.2. Debt securities	3,484.6	4,330.4	4,108.7	4,689.7	5,464.0	4,916.4	5,495.3	5,662.5	5,464.0	4,940.5
Bonds	3,474.4	4,299.3	4,108.7	4,656.2	5,464.0	4,879.9	5,488.5	5,662.5	5,464.0	4,940.5
General government	3,443.2	4,268.2	3,947.6	4,310.9	4,635.2	4,516.7	5,034.5	4,831.1	4,635.2	4,045.7
Banks	0.0	0.0	0.0	0.0	444.5	0.0	0.0	443.1	444.5	446.9
Other sectors	31.2	31.2	161.2	345.3	384.3	363.3	454.0	388.4	384.3	447.9
Money market instruments	10.2	31.1	0.0	33.5	0.0	36.5	6.8	0.0	0.0	0.0
Other sectors	10.2	31.1	0.0	33.5	0.0	36.5	6.8	0.0	0.0	0.0

<sup>a</sup> Revised data. <sup>b</sup> Preliminary data.

**Table H18: International Investment Position – Other Investment**

Million euros

	2000	2001	2002	2003	2004 <sup>a</sup>	2004				2005
						Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>	Q1 <sup>b</sup>
Other investment (net)	-3,636.0	-1,849.1	-5,180.2	-7,015.6	-9,705.3	-8,418.8	-9,052.6	-8,615.7	-9,705.3	-11,356.7
1. Assets	4,231.3	6,110.7	4,335.8	5,894.9	5,517.2	5,243.5	5,382.6	5,605.8	5,517.2	4,660.0
1.1. Trade credits	200.0	206.1	181.0	178.1	151.9	195.6	181.4	168.0	151.9	158.6
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	200.0	206.1	181.0	178.1	151.8	195.6	181.3	167.9	151.8	158.6
Long-term	165.7	180.2	169.6	173.5	147.5	191.0	176.8	163.3	147.5	154.0
Short-term	34.3	25.9	11.4	4.6	4.4	4.6	4.6	4.6	4.4	4.6
1.2. Loans	166.1	121.6	128.7	119.6	114.3	120.8	110.6	117.9	114.3	118.0
1.2.1. General government	3.7	6.1	5.6	5.2	5.3	5.0	5.0	4.7	5.3	6.8
Long-term	3.7	6.1	5.6	5.2	5.3	5.0	5.0	4.7	5.3	6.8
1.2.2. Banks	130.6	82.7	93.6	86.2	79.9	87.2	76.7	83.6	79.9	79.8
Long-term	89.7	46.9	60.2	62.3	56.2	64.8	56.8	54.6	56.2	56.0
Short-term	40.9	35.8	33.4	23.9	23.7	22.4	19.9	29.0	23.7	23.8
1.2.3. Other sectors	31.7	32.8	29.5	28.2	29.1	28.5	28.8	29.6	29.1	31.4
Long-term	31.7	32.8	29.4	28.2	28.7	28.5	28.8	29.2	28.7	30.0
Short-term	0.0	0.0	0.1	0.0	0.4	0.0	0.1	0.4	0.4	1.4
1.3. Currency and deposits	3,865.2	5,782.9	4,026.0	5,597.1	5,251.0	4,927.1	5,090.6	5,320.0	5,251.0	4,383.4
1.3.2. General government	74.1	94.7	115.7	81.9	8.9	166.0	211.1	147.0	8.9	77.8
1.3.3. Banks	2,564.3	4,438.8	2,754.3	4,551.9	4,317.0	3,722.8	3,892.6	4,151.2	4,317.0	3,333.8
1.3.4. Other sectors	1,226.8	1,249.4	1,156.0	963.4	925.1	1,038.3	986.9	1,021.8	925.1	971.8
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	7,867.3	7,959.7	9,515.9	12,910.4	15,222.5	13,662.3	14,435.2	14,221.6	15,222.5	16,016.7
2.1. Trade credits	293.1	268.4	258.4	176.1	139.3	165.5	155.5	162.0	139.3	162.1
2.1.1. General government	0.1	1.3	1.1	2.3	2.1	2.4	2.6	2.3	2.1	2.0
Long-term	0.1	1.3	1.1	2.3	2.1	2.4	2.6	2.3	2.1	2.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	293.0	267.1	257.4	173.8	137.2	163.1	153.0	159.7	137.2	160.1
Long-term	248.5	226.7	209.9	151.7	112.3	135.8	124.2	123.0	112.3	135.0
Short-term	44.5	40.4	47.5	22.2	24.9	27.3	28.8	36.7	24.9	25.2
2.2. Loans	6,768.8	6,647.8	6,959.7	9,586.8	11,334.5	10,273.2	11,092.0	11,031.8	11,334.5	12,027.7
2.2.1. Croatian National Bank	170.6	138.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	170.6	138.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	1,832.6	1,672.7	1,950.8	2,286.4	2,595.3	2,352.6	2,487.1	2,691.6	2,595.3	2,651.5
Long-term	1,444.6	1,672.7	1,950.8	2,286.4	2,595.3	2,352.6	2,487.1	2,691.6	2,595.3	2,651.5
Short-term	388.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,715.8	1,813.5	1,878.7	3,372.0	3,976.4	3,838.7	4,190.1	3,715.0	3,976.4	4,335.1
Long-term	1,708.0	1,810.8	1,878.4	2,767.7	3,315.7	3,021.0	3,300.6	3,273.9	3,315.7	3,358.3
Short-term	7.8	2.6	0.3	604.2	660.8	817.7	889.6	441.0	660.8	976.8
2.2.4. Other sectors	3,049.7	3,022.9	3,130.1	3,928.5	4,762.8	4,081.9	4,414.8	4,625.2	4,762.8	5,041.2
Long-term	3,003.5	2,969.0	3,103.0	3,858.3	4,637.3	3,980.9	4,278.8	4,487.8	4,637.3	4,861.8
Short-term	46.2	53.9	27.2	70.1	125.4	101.0	136.1	137.5	125.4	179.4
2.3. Currency and deposits	464.5	718.3	1,896.9	2,736.2	3,219.0	2,781.1	2,735.2	2,552.6	3,219.0	3,347.9
2.3.1. Banks	464.5	718.3	1,896.9	2,736.2	3,219.0	2,781.1	2,735.2	2,552.6	3,219.0	3,347.9
2.4. Other liabilities	341.0	325.3	400.9	411.3	529.8	442.4	452.4	475.2	529.8	478.9

<sup>a</sup> Revised data. <sup>b</sup> Preliminary data.

**Table I1: Consolidated Central Government**

Million kuna

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

<sup>a</sup> Preliminary data. Source: Ministry of Finance.

**Table I2: Budgetary Central Government Operations**

Million kuna

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

<sup>a</sup> Net purchase of fixed capital formation. <sup>b</sup> Net purchase of fixed capital formation and net purchase of shares. <sup>c</sup> Preliminary data. Source: Ministry of Finance.

**Table I3: Central Government Debt**

End of period, million kuna

	2000	2001	2002	2003	2004	2005			
	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Dec. <sup>a</sup>	Jan. <sup>*</sup>	Feb. <sup>*</sup>	Mar. <sup>*</sup>	Apr.
1. Domestic debt of central government	21,324.2	24,907.3	31,421.5	34,736.4	41,517.0	44,300.0	45,386.4	51,320.5	51,180.4
1.1. Domestic debt of the Republic of Croatia	18,509.7	21,467.9	23,320.0	28,160.8	37,223.7	39,928.9	41,040.2	46,305.0	46,253.1
Treasury bills	2,564.6	4,892.3	5,632.7	6,548.1	9,022.5	10,482.2	10,891.8	13,021.3	13,648.4
Money market instruments	14.2	7.4	0.1	0.3	–	–	–	–	–
Bonds	14,082.5	15,415.8	15,887.9	17,422.0	23,080.1	22,225.7	21,980.2	24,499.7	24,436.4
Credits from the CNB	0.0	–	0.5	1.4	3.3	0.6	2.3	1.7	2.2
Credits from banks	1,848.4	1,152.4	1,798.8	4,189.1	5,117.8	7,220.4	8,165.9	8,782.3	8,166.1
1.2. Domestic debt of central government funds	2,814.4	3,439.4	8,101.5	6,575.5	4,293.3	4,371.1	4,346.2	5,015.5	4,927.3
Money market instruments	–	–	–	–	–	–	–	–	–
Bonds	1,686.8	1,636.1	4,460.7	3,616.4	2,040.1	2,037.2	2,046.9	1,901.7	1,878.7
Credits from banks	1,127.6	1,803.3	3,640.7	2,959.1	2,253.2	2,333.8	2,299.3	3,113.9	3,048.6
2. External debt of central government	39,638.8	43,319.1	43,517.5	50,137.9	55,248.4	54,509.4	53,917.1	49,660.5	49,831.8
2.1. External debt of the Republic of Croatia	36,453.4	39,487.3	37,388.3	41,048.8	41,951.9	41,453.5	40,785.1	36,383.8	36,126.0
Money market instruments	–	–	–	–	–	–	–	–	–
Bonds	25,762.8	30,746.7	28,694.2	32,144.8	32,793.2	32,346.7	31,676.1	27,329.6	27,159.2
Credits	10,690.6	8,740.6	8,694.1	8,904.1	9,158.7	9,106.8	9,109.0	9,054.2	8,966.8
2.2. External debt of central government funds	3,185.4	3,831.8	6,129.2	9,089.1	13,296.4	13,055.9	13,132.0	13,276.7	13,705.8
Money market instruments	–	–	–	–	–	–	–	–	–
Bonds	400.0	709.7	684.6	820.6	2,764.8	2,689.2	2,660.8	2,777.9	2,764.7
Credits	2,785.4	3,122.1	5,444.6	8,268.6	10,531.6	10,366.7	10,471.2	10,498.8	10,941.1
3. Total (1+2)	60,963.0	68,226.4	74,939.0	84,874.3	96,765.4	98,809.4	99,303.6	100,981.0	101,012.2
Supplement: Central government guaranteed debt									
– guarantees for domestic debt	3,412.3	6,025.6	7,528.1	6,895.4	4,632.4	4,746.8	4,780.6	4,823.6	5,245.0
– guarantees for external debt	9,850.7	8,813.6	8,261.9	8,618.5	7,809.8	7,489.1	7,498.4	7,442.2	7,399.8

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

**Table I3: Central Government Debt**

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

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

**Table J1: Consumer Price and Producer Price Indices**

Year	Month	Basic indices, 2001 = 100			Chain indices				Monthly year-on-year indices			
		Consumer price indices			Consumer price indices <sup>a</sup>			Producer prices	Consumer price indices <sup>a</sup>			Producer prices
		Total	Goods	Services	Total	Goods	Services		Total	Goods	Services	
1994	December	....	....	....	100.2	100.1	100.8	100.2	97.0	95.0	108.1	94.5
1995	December	....	....	....	100.2	100.2	99.8	100.5	103.7	102.4	109.3	101.6
1996	December	....	....	....	100.0	100.2	99.5	100.3	103.4	102.3	108.7	101.5
1997	December	....	....	....	100.7	100.3	102.3	99.9	103.8	102.7	108.2	101.6
1998	December	89.6	90.6	86.2	100.3	100.4	100.0	100.0	105.4	104.3	109.2	97.9
1999	December	93.1	93.4	91.8	100.6	100.8	100.0	100.3	103.9	103.1	106.5	105.9
2000	December	98.2	98.5	96.9	100.4	100.4	100.1	100.2	105.5	105.5	105.5	111.2
2001	December	100.5	99.8	103.5	100.4	100.4	100.5	99.0	102.4	101.3	106.8	96.9
2002	December	102.4	100.9	108.3	100.4	100.6	99.6	99.9	101.8	101.1	104.6	102.3
2003	December	104.1	102.5	110.6	100.3	100.2	100.5	100.0	101.7	101.6	102.2	101.0
2004	April	105.3	103.7	111.9	100.2	100.2	100.0	100.9	101.9	101.8	102.6	101.3
	May	106.1	104.2	113.5	100.7	100.5	101.5	102.3	102.4	102.0	103.6	104.4
	June	105.8	103.6	114.3	99.7	99.5	100.7	99.7	102.5	102.1	103.7	103.9
	July	105.3	102.7	115.6	99.6	99.1	101.2	100.9	101.9	101.6	103.0	104.6
	August	105.4	102.7	115.8	100.1	100.1	100.2	101.0	102.0	101.6	103.1	105.1
	September	105.2	102.7	115.0	99.8	100.0	99.3	100.2	101.6	100.7	104.3	105.7
	October	105.7	103.5	114.3	100.4	100.7	99.4	100.8	102.0	101.4	103.9	106.3
	November	106.2	104.1	114.4	100.5	100.6	100.0	99.5	102.3	101.8	103.9	105.5
	December	106.9	105.0	114.6	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	January	107.3	105.3	114.8	100.3	100.3	100.2	100.0	102.0	101.6	103.5	104.4
	February	108.5	106.8	115.2	101.1	101.4	100.3	100.3	103.3	103.2	103.3	105.1
	March	109.3	107.8	115.3	100.7	100.9	100.1	100.3	103.9	104.1	103.2	105.1
	April	109.0	107.3	115.8	99.8	99.6	100.3	100.3	103.5	103.5	103.5	104.5
	May	109.0	107.2	116.2	100.0	99.9	100.4	100.1	102.8	102.9	102.4	102.3

<sup>a</sup> Data from January 1992 to December 1997 relate to the retail price index. <sup>b</sup> Data from January 1992 to December 1998 relate to the retail price index. Source: Central Bureau of Statistics.

**Table J1: Consumer Price and Producer Price Indices**

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

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

**Table J2: Core Consumer Price Indices**

Year	Month	Basic indices, 2001 = 100			Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1998	December	93.2	93.7	90.6	99.9	99.9	100.0	....	....	....
1999	December	95.9	96.4	93.3	100.1	100.1	100.1	102.9	102.9	103.0
2000	December	99.1	99.3	98.0	100.4	100.4	100.2	103.3	103.0	105.0
2001	December	100.3	100.1	101.8	99.8	99.7	100.3	101.2	100.8	103.8
2002	December	101.5	101.1	104.2	100.0	100.1	99.4	101.2	101.0	102.4
2003	December	102.7	102.0	107.3	100.2	100.1	101.0	101.2	100.9	103.0
2004	April	102.7	101.8	108.5	100.2	100.3	99.9	101.9	101.6	103.3
	May	103.1	102.2	109.2	100.4	100.3	100.7	101.8	101.5	103.6
	June	103.5	102.3	110.9	100.4	100.2	101.5	101.9	101.5	104.0
	July	103.7	102.2	112.8	100.2	99.9	101.8	101.6	101.6	101.9
	August	104.3	102.9	112.9	100.6	100.6	100.1	102.2	102.2	101.9
	September	104.2	103.0	111.2	99.9	100.1	98.5	102.4	102.0	104.2
	October	104.7	103.8	109.9	100.5	100.8	98.8	102.3	102.1	103.5
	November	105.0	104.2	110.0	100.3	100.4	100.1	102.4	102.2	103.5
	December	105.1	104.2	110.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	January	104.7	103.8	110.7	99.6	99.5	100.2	102.0	101.9	102.4
	February	105.2	104.2	111.2	100.5	100.5	100.5	102.7	102.7	102.5
	March	105.7	104.9	110.8	100.5	100.6	99.6	103.1	103.3	102.0
	April	106.4	105.5	111.6	100.7	100.6	100.8	103.6	103.7	102.9
	May	106.8	105.9	112.6	100.4	100.3	100.9	103.5	103.6	103.0

Source: Central Bureau of Statistics

**Table J2: Core Consumer Price Indices**

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

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

**Table J3: Average Monthly Net Wages**

In current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1994	December	1,646.0	119.0	153.4	233.2
1995	December	1,883.0	99.4	114.4	145.7
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	December	3,839.0	98.0	107.2	105.0
2003	December	4,045.0	99.8	105.4	105.9
2004	April	4,129.0	99.4	106.1	106.1
	May	4,169.0	101.0	104.9	105.9
	June	4,226.0	101.4	106.0	105.9
	July	4,209.0	99.6	105.7	105.8
	August	4,178.0	99.3	106.7	106.0
	September	4,132.0	98.9	106.0	106.0
	October	4,128.0	99.9	103.3	105.7
	November	4,352.0	105.4	107.4	105.8
	December	4,312.0	99.1	106.6	105.9
2005	January	4,236.0	98.2	104.1	104.1
	February	4,193.0	99.0	104.8	104.4
	March	4,390.0	104.7	105.7	104.9

Source: Central Bureau of Statistics.

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

Index points, original data

Year	Month	Composite indices			Response indices (I)						
		Consumer confidence index	Consumer expectations index	Consumer sentiment index	I1	I2	I3	I4	I7	I8	I11
1999	April	-18.4	-24.8	-53.2	-46.5	-22.0	-61.0	-27.5	44.0	-52.0	-68.0
	July	-16.8	-19.5	-50.8	-43.0	-16.0	-57.5	-23.0	40.5	-52.0	-68.5
	October	-16.0	-14.8	-46.5	-39.0	-12.1	-49.9	-17.6	35.5	-50.7	-69.7
2000	January	-4.4	24.0	-39.4	-26.2	22.5	-39.5	25.5	-4.5	-52.4	-61.2
	April	-8.5	4.8	-35.8	-29.0	4.0	-29.5	5.5	24.0	-49.0	-67.5
	July	-6.0	7.5	-36.2	-30.5	6.5	-30.0	8.5	27.5	-48.0	-66.5
	October	-7.6	3.3	-32.5	-26.5	0.5	-22.0	6.0	26.0	-49.0	-63.0
2001	January	-10.4	5.0	-31.5	-21.5	4.1	-28.6	5.9	12.3	-44.4	-63.7
	April	-8.1	3.5	-34.0	-25.9	1.7	-30.1	5.3	22.9	-46.1	-62.1
	July	-14.0	-6.2	-33.3	-24.1	-5.0	-31.4	-7.4	16.3	-44.3	-60.0
	October	-15.5	-11.4	-35.6	-29.6	-10.0	-35.9	-12.7	22.9	-41.3	-62.3
2002	January	-11.0	6.2	-24.4	-14.7	3.7	-21.4	8.6	3.9	-37.1	-60.1
	April	-16.7	-12.8	-39.1	-31.2	-9.7	-42.7	-15.9	28.1	-43.4	-69.3
	July	-19.0	-15.1	-35.7	-29.1	-12.1	-38.3	-18.1	21.4	-39.7	-67.2
	October	-15.1	-8.3	-30.4	-22.6	-5.1	-31.2	-11.5	20.1	-37.4	-64.0
2003	January	-13.2	-4.0	-25.4	-23.1	-2.8	-26.5	-5.1	14.7	-26.7	-59.6
	April	-15.4	-4.3	-26.1	-23.1	-3.0	-27.9	-5.6	9.9	-27.3	-63.0
	July	-12.3	-1.8	-20.8	-20.0	-1.1	-22.0	-2.5	12.6	-20.4	-58.0
	October	-14.9	-4.5	-25.0	-21.5	-2.6	-26.5	-6.4	14.7	-27.1	-65.2
2004	January	-7.7	11.4	-12.5	-12.3	11.2	-12.1	11.6	5.5	-13.0	-59.2
	April	-12.8	-3.9	-22.8	-20.6	-3.0	-20.2	-4.9	20.4	-27.6	-63.6
	July	-13.5	-5.8	-22.4	-19.6	-2.8	-23.4	-8.8	16.4	-24.2	-58.8
	October	-12.6	-7.9	-22.0	-19.1	-4.1	-30.5	-11.6	22.5	-16.5	-57.3
2005	January	-11.6	-1.9	-22.4	-17.9	0.2	-27.1	-4.0	15.6	-22.3	-58.2
	April	-14.6	-10.7	-29.3	-26.6	-6.0	-36.1	-15.3	25.1	-25.3	-62.3
	May	-13.9	-13.1	-28.6	-20.8	-7.1	-37.8	-19.1	25.0	-27.1	-54.4
	June	-14.3	-11.6	-29.1	-23.8	-7.2	-36.7	-16.1	23.9	-26.8	-57.6

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The components of composite indices are as follows:

CCI: I2, I4, I7×(-1), I11

CEI: I2, I4

CSI: I1, I3, I8

# List of Banks & Savings Banks

1 June 2005

## Licensed Banks

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

## Licensed Housing Savings Banks

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

## Other Licensed Institutions with Full Authorization

1. Hrvatska banka za obnovu i razvitak, Zagreb

## Representative Offices of Foreign Banks

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

## Banks and Savings Banks under Bankruptcy Proceedings

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

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

### Banks and Savings Banks under Liquidation Proceedings

Name of bank/savings bank	Date of liquidation proceedings initiation
1. Investicijsko-komercijalna štedionica d.d., Zagreb	31/05/2000
2. Križevačka banka d.d., Križevci	03/01/2005
3. Primus banka d.d., Zagreb	23/12/2004
4. Štedionica Dora d.d., Zagreb	01/01/2002
5. Štedionica SA-GA d.d., Zagreb	31/12/2001

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

### Banks and Savings Banks whose License Was Revoked, but Have Not Initiated Liquidation Proceedings

Name of bank/savings bank	Date of revoking operating license
1. Hibis štedionica d.d., Zagreb	07/03/2001
2. Marvil štedionica d.d., Zagreb	08/06/2001
3. Zagrebačka štedionica d.d., Zagreb	22/03/2000

# Management of the Croatian National Bank

1 June 2005

## Members of the Council of the Croatian National Bank

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

## Management of the CNB

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

## Executive Directors

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

## List of Abbreviations & Symbols

bn	– billion	MRR	– marginal reserve requirement
b.p.	– basis points	o.w.	– of which
CBRD	– Croatian Bank for Reconstruction and Development	PPI	– producer price index
CBS	– Central Bureau of Statistics	Q	– quarterly
CEFTA	– Central European Free Trade Agreement	RPI	– retail price index
CES	– Croatian Employment Service	RR	– reserve requirement
CH	– Croatian Highways	SAL	– Structural Adjustment Loan
CIHI	– Croatian Institute for Health Insurance	SDR	– special drawing rights
CNB	– Croatian National Bank	VSE	– Varaždin Stock Exchange
consumpt.	– consumption	ZMM	– Zagreb Money Market
CPF	– Croatian Privatization Fund	ZSE	– Zagreb Stock Exchange
CPI	– Consumer Price Index	VAT	– Value Added Tax
CPII	– Croatian Pension Insurance Institute	WTO	– World Trade Organization
CR	– Croatian Roads		
DAB	– State Agency for Deposit Insurance and Bank Rehabilitation		
dep.	– deposit		
ECB	– European Central Bank		
EEEF	– Environment and Energy Efficiency Fund		
EFTA	– European Free Trade Association		
EMU	– European Monetary Union		
EPF	– Environment Protection Fund		
EU	– European Union		
excl.	– excluding		
f/c	– foreign currency		
FDI	– foreign direct investment		
FINA	– Financial Agency		
FISIM	– Financial Intermediation Services Indirectly Measured		
GDP	– gross domestic product		
GVA	– gross value added		
HICP	– Harmonized Index of Consumer Prices		
IEMPI	– Index of Exchange Market Pressure		
ILO	– International Labour Organization		
IMF	– International Monetary Fund		
MoF	– Ministry of Finance		

### Abbreviations for Currency

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

### Symbols

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



