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Phone: +385 1 45 64 555
Contact phone: +385 1 45 65 006
Fax: +385 1 45 64 687

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General information on Croatia

Economic indicators

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538
Population (million)	4.440	4.440	4.440	4.439	4.442	4.440	4.436	4.434	4.429	4.417
GDP (million HRK, current prices) ^a	192,289	208,796	228,932	247,428	266,652	291,044	318,308	345,015	335,189	334,564
GDP (million EUR, current prices)	25,738	28,189	30,265	33,009	36,034	39,745	43,390	47,765	45,669	45,917
GDP per capita (in EUR)	5,797	6,349	6,816	7,436	8,112	8,951	9,781	10,772	10,311	10,396
GDP – real year-on-year rate of growth (in %)	3.7	4.9	5.4	4.1	4.3	4.9	5.1	2.2	-6.0	-1.2
Average year-on-year inflation rate ^b	3.8	1.7	1.8	2.1	3.3	3.2	2.9	6.1	2.4	1.1
Current account balance (million EUR)	-776	-2,030	-1,818	-1,357	-1,895	-2,636	-3,119	-4,217	-2,369	-512.5
Current account balance (as % of GDP)	-3.0	-7.2	-6.0	-4.1	-5.3	-6.6	-7.2	-8.8	-5.2	-1.1
Exports of goods and services (as % of GDP)	42.0	39.5	43.4	43.1	42.4	42.7	42.2	41.7	35.4	38.3
Imports of goods and services (as % of GDP)	46.8	48.8	50.0	48.9	48.3	49.2	49.3	49.5	38.9	38.5
External debt (million EUR, end of year) ^c	13,609	15,144	19,884	22,933	25,990	29,725	33,721	40,590	45,244	46,514
External debt (as % of GDP)	52.9	53.7	65.7	69.5	72.1	74.8	77.7	85.0	99.1	101.3
External debt (as % of exports of goods and services)	125.9	136.1	151.3	161.0	170.2	175.0	184.2	203.9	280.0	264.4
External debt service (as % of exports of goods and services) ^{c,d}	27.5	27.5	21.3	22.5	25.0	37.3*	35.1*	29.6*	47.2*	42.2*
Gross international reserves (million EUR, end of year)	5,334	5,651	6,554	6,436	7,438	8,725	9,307	9,121	10,376	10,660
Gross international reserves (in terms of months of imports of goods and services, end of year)	5.3	4.9	5.2	4.8	5.1	5.4	5.2	4.6	7.0	7.2
National currency: Croatian kuna (HRK)										
Exchange rate on 31 December (HRK : 1 EUR)	7.3700	7.4423	7.6469	7.6712	7.3756	7.3451	7.3251	7.3244	7.3062	7.3852
Exchange rate on 31 December (HRK : 1 USD)	8.3560	7.1457	6.1185	5.6369	6.2336	5.5784	4.9855	5.1555	5.0893	5.5683
Average exchange rate (HRK : 1 EUR)	7.4710	7.4070	7.5642	7.4957	7.4000	7.3228	7.3360	7.2232	7.3396	7.2862
Average exchange rate (HRK : 1 USD)	8.3392	7.8725	6.7044	6.0312	5.9500	5.8392	5.3660	4.9344	5.2804	5.5000
Consolidated general government overall fiscal balance (as % of GDP) ^e	-5.9	-4.3	-5.4	-4.2	-3.5	-3.4	-3.0	-2.1	-4.5	-5.3
Public debt (as % of GDP) ^f	35.2	34.8	35.4	37.6	38.2	35.4	32.9	29.2	35.1	41.3*
Unemployment rate (ILO, persons above 15 years of age)	15.8	14.8	14.3	13.8	12.7	11.2	9.6	8.4	9.1	11.8
Employment rate (ILO, persons above 15 years of age)	41.8	43.3	43.1	43.5	43.3	43.6	44.2	44.5	43.3	41.1

^a Data for the 2008-2010 period are preliminary.

^b CPI inflation rate.

^c In accordance with the obligations assumed during the pre-accession negotiations with the European Commission, the new legislative provisions governing the monitoring of foreign borrowing entered into force early in 2008. The external debt balance at end-2007 is reported in accordance with the old system. In order to provide for the comparability of annual data, the external debt is also calculated in accordance with the new system which shows an upward adjustment in the end-2007 balance, increasing it by EUR 365m or to EUR 34,086m. The advanced data processing system is in use since early 2009. For comparability reasons, the external debt balance at end-2008 is also calculated in accordance with the advanced system which shows an upward adjustment in the end-2008 balance, increasing it by EUR 366m or to EUR 40,956m.

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

^e The overall fiscal balance (GFS 2001) in the 1999-2001 period is shown on a cash basis and from 2002 on a modified accrual basis. CM, CR, CPF and DAB are included from 2001, but CM has been excluded since 2008. Repayments of debt to pensioners are included in the calculation of the balance (for more details on the methodology of the balance calculation, see Box 4 in CNB Bulletin No. 165).

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

Sources: CBS, MoF and CNB.

Contents

Information on economic trends and forecasts

1 Summary

2 Global developments

Croatia's main trading partners

Exchange rates and price movements

Trends in benchmark interest rates

3 Aggregate demand and supply

Aggregate demand

Aggregate supply

4 Labour market

5 Inflation

6 Foreign trade and competitiveness

Box 1 The main determinants of foreign direct investment inflows

Box 2 The impact of FDIs on the business efficiency of non-financial enterprises and exports of goods

Box 3 Real effective exchange rates of the kuna at the level of individual manufacturing activities and their impact on exports

7 Financing conditions and capital flows

Financing conditions

Foreign capital flows

Box 4 Importance of credit growth for economic recovery in Croatia

8 Monetary policy

9 Public finance

Revenues, expenditures and transactions in the non-financial assets of consolidated general government

Consolidated general government deficit and debt

Box 5 Cyclically adjusted budget balance of the Republic of Croatia

10 Deviations from the previous projection

Statistical survey

Classification and presentation of data on claims and liabilities

A Monetary and credit aggregates

Table A1 Monetary and credit aggregates

B Monetary institutions

Table B1 Monetary survey

Table B2 Number of reporting banks and savings banks and their classification by total assets

C Monetary authorities

Table C1 Monetary authorities accounts

D Banks

Table D1 Banks' accounts

Table D2 Banks' foreign assets

Table D3 Banks' claims on the central government and funds

Table D4 Banks' claims on other domestic sectors

Table D5 Distribution of banks' loans by domestic institutional sectors

Table D6 Demand deposits with banks

Table D7 Time and savings deposits with banks

Table D8 Foreign currency deposits with banks

Table D9 Bonds and money market instruments

Table D10 Banks' foreign liabilities

Table D11 Central government and funds' deposits with banks

Table D12 Restricted and blocked deposits with banks

E Housing savings banks

Table E1 Housing savings banks' accounts

F Monetary policy instruments and liquidity

Table F1 Credit rates of the Croatian National Bank

Table F2 Deposit rates of the Croatian National Bank

Table F3 Banks' reserve requirements

Table F4 Banks' liquidity indicators

G Financial markets

Table G1 Banks' interest rates on kuna credits not indexed to foreign currency

Table G2 Banks' interest rates on kuna credits indexed to foreign currency and on credits in euros

Table G3 Banks' interest rates on kuna deposits not indexed to foreign currency

Table G4a Banks' interest rates on kuna deposits indexed to foreign currency and on foreign currency deposits

Table G4b Banks' interest rates on kuna deposits indexed to foreign currency and on foreign currency deposits

Table G5 Banks' trade with foreign exchange

H International economic relations

Table H1 Balance of payments – summary

Table H2 Balance of payments – goods and services

Table H3 Balance of payments – income and current transfers

Table H4 Balance of payments – direct and portfolio investments

Table H5 Balance of payments – other investment

Table H6 Balance of payments – summary

Table H7 International reserves and banks' foreign currency reserves

Table H8 International reserves and foreign currency liquidity

Table H9 Midpoint exchange rates of the Croatian National Bank (period average)

Table H10 Midpoint exchange rates of the Croatian National Bank (end of period)

Table H11 Indices of the effective exchange rate of the kuna

Table H12 Gross external debt by domestic sectors

Table H13 Public sector gross external debt, and publicly guaranteed and non-publicly guaranteed private sector gross external debt

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

Table H15 Gross external debt by other sectors

Table H16 International investment position – summary

Table H17 International investment position – direct investment

Table H18 International investment position – portfolio investment

Table H19 International investment position – other investment

I Government finance – selected data

Table I1 Consolidated central government according to the government level

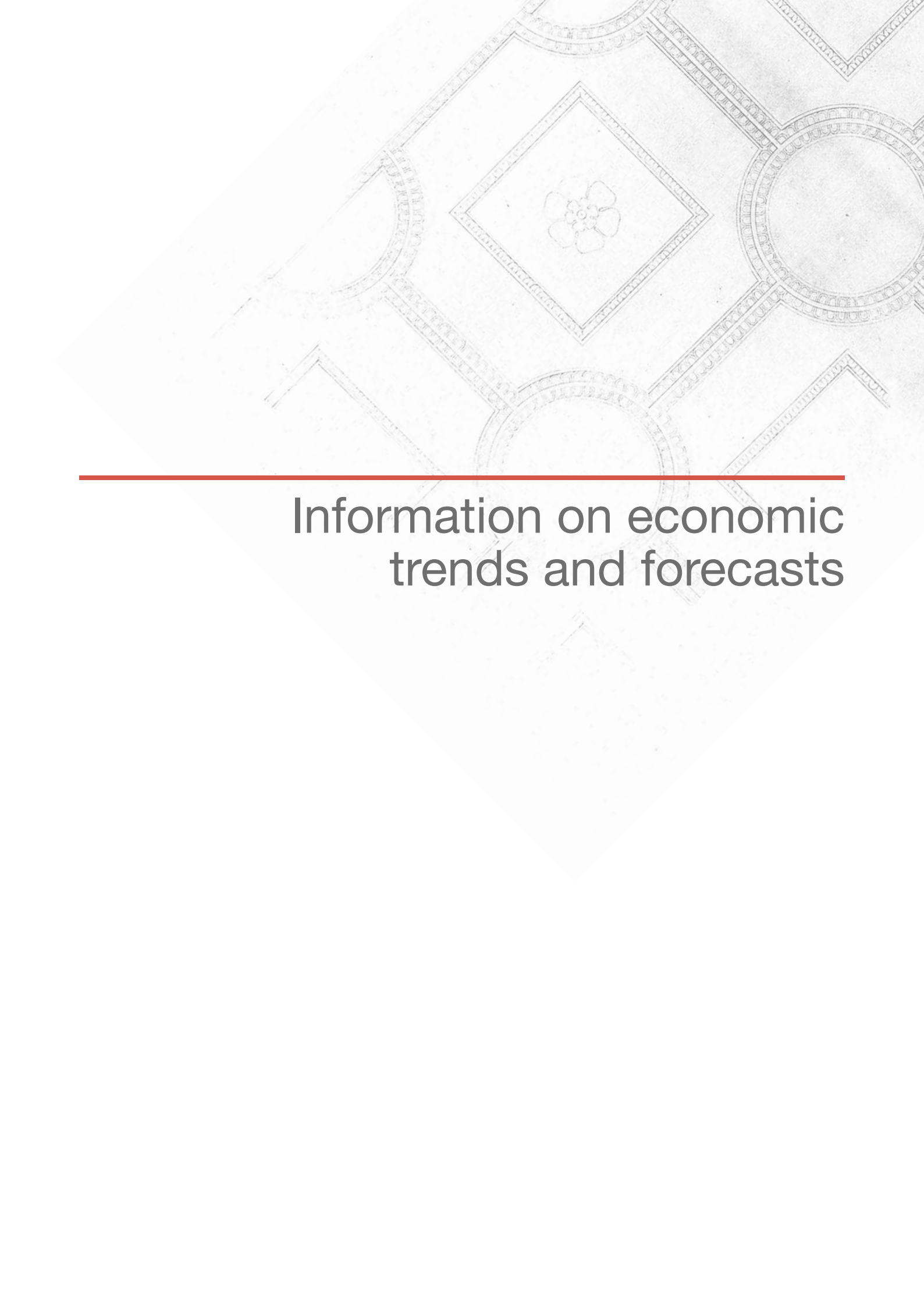
Table I2 Budgetary central government operations

Table I3 Central government debt

J Non-financial statistics – selected data

Table J1 Consumer price and producer price indices

87	Table J2 Core consumer price indices	91
	Table J3 Average monthly net wages	91
87	Table J4 Consumer confidence index, consumer expectations	
88	index and consumer sentiment index	92
89		
	List of banks and savings banks	93
90	Management of the Croatian National Bank	94
90	Abbreviations and symbols	95



Information on economic trends and forecasts

1 Summary

The Croatian economy inched up in the third quarter of 2011, primarily due to good results in the export of tourist services.

Global growth slowed down in the second half of 2011, which prompted downward revisions in the majority of global growth projections for 2012.

Croatia is expected to face economic stagnation in 2012, with recovery coming no sooner than in 2013.

Unfavourable developments in the labour market continued in the second half of 2011 and might not be reversed until the beginning of 2013.

The consumer price inflation in 2012 and 2013 will most likely be around 2.5% year-on-year, not presenting a challenge to monetary policy.

The current account balance might come in positive in 2011.

Financing conditions for domestic sectors deteriorated in the second half of 2011, while the direction of their movement in the near future is uncertain.

Monetary policy will continue to support high liquidity, as long as this does not threaten the exchange rate stability.

Real GDP grew in the third quarter of 2011 relative to the first half of the year mostly as a result of a successful tourist season, while domestic demand stagnated. As the year goes by, growth may slow, reflecting weakening in domestic demand paired with weaker growth in foreign demand. Real GDP growth for the whole of 2011 is thus expected to come in at only 0.4%.

All projections of global economic growth expect a serious slowdown in the recovery of developed economies, with increasing downward risks over the coming period. The main cause for lower expected growth rates consists of weaker growth prospects in the US and the EU and their direct and indirect effects on other developed and emerging market economies.

The expectations of a stagnating domestic economy in 2012 are primarily based on weak growth in foreign demand and projected fiscal consolidation. The reduction of export demand will primarily reflect unfavourable developments and weak growth in EU member states, as well as structural weaknesses of the Croatian economy. As for fiscal developments, it is expected that the government, with a view to preserving the country's credit rating, will opt for a tight budget and continuation of structural reforms in order to strengthen the competitiveness of the domestic economy. The earliest positive results of these measures are expected in 2013, when the main driving force behind a still modest growth is expected to be the export of goods and services paired with stronger fixed capital formation, primarily by the private sector.

Unfavourable developments in the labour market seen in the first half of 2011 continued throughout the third quarter of the year. The number of unemployed persons went on increasing, while the number of employed persons continued to fall. Similar developments are expected in 2012. Positive reactions of the labour market to the recovery in economic activity are not expected until 2013. Accordingly, the average registered unemployment rate might reach some 18.7% in 2012. As for wages, their nominal growth continued in the second half of 2011. However, adjusting for consumer prices, real wages stagnated. In both 2012 and 2013 we expect stagnating wages in the public sector and only a mild increase in the private sector. The average nominal wage might slightly grow, but in real terms might fall.

The average annual inflation rate expected in 2011 is 2.3%. In 2012, inflation is expected to remain low and stable, with the average annual rate equal to that in 2011. Imported inflationary pressures are expected to lose momentum, reflecting a fall in the average price of crude oil and other raw materials in the global market following the slowdown of the global economy. Administrative prices are likely to be adjusted upwards. Specifically, we expect gas and heating prices to be increased early in the third quarter. In 2013, inflation is expected to inch up to 2.6%, reflecting the projected repeal of the zero VAT rate on certain products in January 2013. This will predominantly affect the price of food and somewhat less prices excluding food and energy.

The two-year decline in the external current account deficit continued in the first three quarters of 2011. Owing primarily to the reduced deficit in the trade of goods, which halved during the crisis, the current account balance for 2011 could come in at 0.4% of the estimated GDP, the balance becoming positive for the first time in the past fifteen years. Similar developments are expected to continue in 2012 and 2013.

In the second half of 2011, financing conditions for domestic sectors deteriorated. This applies especially to the leap in the costs of government borrowing in both domestic and foreign markets. Worsening conditions in the international debt market in the second half of 2011 were reflected in significant growth in the sum of yields on the generic ten-year German bond and the EMBI index for Croatia. This increased the requested yields on bonds of peripheral eurozone countries and CDSs for parent banks of the five largest domestic banks. In this environment, interest rates on the majority of loans granted to the domestic private sector went up. Regarding 2012 and 2013, financing conditions for domestic sectors remain highly uncertain. The situation in the global financial markets indicates deep risk aversion, above all due to problems regarding the sustainability of public finances in an increasing number of eurozone countries. These developments suggest that improvement in financing conditions for the government and concomitantly for the domestic private sector may be expected only when the government reins in its public finances to sustainable levels.

As regards the central bank's policy, for a long time the CNB has supported high kuna liquidity in the domestic banking system, striving to contribute to better financing conditions in the domestic market to spur recovery in bank lending. However, the current developments show that there are limits to relying only on an expansive monetary policy in attempts to revive lending and real activity. The central bank will not abandon its policy of

Fiscal deficit and general government debt will continue rising in 2011. Strong fiscal consolidation is projected for 2012 and 2013.

The summary table provides an overview of central projections,

maintaining the stable domestic currency exchange rate. This was confirmed in the third quarter of 2011, when the CNB intervened in the foreign exchange market, and when it raised the reserve requirement rate in October, with a view to stopping depreciation pressures. The central bank will continue pursuing the same policy in the future.

The consolidated general government overall fiscal deficit in 2011 is projected at some 5.7% of the estimated GDP, while the general government debt might reach some 45% of GDP. This means that both general government deficit and public debt have surged for three years in a row (relative to the end of 2008 public debt went up by about 16 percentage points), and it provides a warning of the pressing need for a reversal of the trend in public finances. The CNB's projections of public finances for 2012 and 2013 therefore envisage a strong fiscal adjustment primarily in the segment of government expenditures. This should result in the deficit being cut to some 3% of projected GDP in 2013.

The table below shows central projections for macroeconomic aggregates, time series and/or their changes.

Table 1 Summary table of projected values

	2006	2007	2008	2009	2010	2011	2012	2013
National accounts (real rate of change, in %)								
GDP	4.9	5.1	2.2	-6.0	-1.2	0.4	-0.2	1.2
Personal consumption	3.2	6.3	0.8	-8.5	-0.9	0.2	-0.4	0.3
Government consumption	4.5	5.6	1.9	0.2	-0.8	-0.3	-3.5	-1.4
Gross fixed capital formation	11.1	7.1	8.2	-11.8	-11.3	-7.2	1.6	3.0
Exports of goods and services	5.8	3.7	2.2	-17.3	6.0	-0.7	1.6	3.4
Imports of goods and services	8.3	6.2	3.3	-20.4	-1.3	-4.8	0.9	1.5
Labour market								
Registered unemployment rate	16.6	14.8	13.2	14.9	17.4	17.9	18.7	18.5
ILO unemployment rate	11.8	9.6	8.4	9.1	11.8	13.1	13.6	13.5
Prices								
Consumer price index (average rate of change, in %)	3.2	2.9	6.1	2.4	1.1	2.3	2.3	2.6
Public finance (as % of GDP)								
General government overall fiscal balance	-3.4	-3.0	-2.1	-4.5	-5.3	-5.7	-4.6	-3.2
Public debt ^a	35.4	32.9	29.2	35.1	41.3	45.1	51.8	53.2
External sector								
Current account balance (as % of GDP)	-6.9	-7.2	-8.8	-5.2	-1.2	0.4	0.5	0.9
Goods	-21.0	-21.7	-22.6	-16.2	-13.0	-11.9	-11.7	-11.0
Services	14.3	14.7	14.8	12.6	12.8	13.8	13.8	13.6
Income	-3.0	-2.5	-3.3	-3.9	-3.4	-3.7	-3.9	-4.1
Current transfers	2.8	2.4	2.2	2.3	2.4	2.2	2.3	2.3
Gross external debt (as % of GDP)	74.8	77.7	85.0	99.1	101.3	98.9	99.1	97.0
Monetary developments (rate of change, in %)								
Total liquid assets – M4	18.0	18.3	4.3	-0.9	4.4	4.7	5.2	6.2
Total liquid assets – M4 ^b	18.8	19.0	3.9	-0.6	3.2	3.7	5.3	6.2
Bank placements to the private sector	22.9	15.0	10.5	-0.6	6.8	5.1	3.6	5.0
Bank placements to the private sector ^b	24.1	15.9	8.5	-0.3	3.5	3.7	4.0	5.3

^a Public debt in 2012 and 2013 includes a possible effect of the assumption of debts of state-owned shipyards.

^b Excluding the exchange rate effect.

Note: Estimates for 2011 and projections for 2012 are based on data available until 10 December 2011.

Sources: CBS, MoF and CNB.

with increasing downward risk for both real GDP and inflation relative to the central projections.

The risk dispersion regarding the central projections for economic growth and inflation in the projection period is asymmetric, i.e. the probability that the realised GDP growth and inflation in the projection period would be lower than the central projections is higher than the probability of the outturn exceeding forecast values.

High uncertainty over the future of euro and still serious difficulties in public finances of some eurozone members might result in weaker growth in some of Croatia's main trading partners and consequently in weaker demand for domestic goods and services. This would lead to an even more unfavourable GDP outcome than is currently expected. In addition, there remains the question of whether the Croatian Government will implement fiscal consolidation in the intensity anticipated in this projection. The absence of foreseen fiscal

measures could lead to a possible downgrading of the country's investment credit rating and thus have further negative implications.

As for inflation, the main downside risk lies in weaker domestic demand. The upside risk lies in larger transmission of the global rise in raw material prices on domestic prices, and in a possibly faster growth of prices of oil and other raw materials, should the global economy slowdown be less pronounced than expected. Any exacerbation of geopolitical tensions may also push up oil prices. In addition, domestic prices might go up more quickly under the influence of administrative decisions linked to fiscal consolidation.

According to the previous projection for 2011, GDP growth was forecast at 1.0%, whereas in the current projection it has been lowered to 0.4%. This largely reflects substantial downward correction in gross fixed capital formation. As for 2012, the previous projection expected continued economic recovery with the growth rate reaching 2.2%. However, the major changes in the international scene and the expected relatively strong fiscal consolidation in domestic public finances required downward revision of the real GDP growth projection, to -0.2%. The estimated average annual inflation rate in 2011 is now projected 0.5 percentage points lower than in the June 2011 forecast. This divergence is the result of weaker-than-expected domestic demand, which will limit the spillover of the increase in global prices of raw materials onto domestic food and industrial products. The correction of the projected inflation for 2012 reflects lower global growth and stagnating domestic demand.

The outlook for Croatia's economy at the end of 2011 seems bleak. Diminishing demand for exports, deteriorating lending conditions and the necessity of fiscal consolidation will negatively affect growth in 2012. Moreover, in the medium term, growth will depend on the way economic policy tackles these challenges.

Expected real GDP growth rates for 2011 and 2012 and estimates of consumer price inflation were reduced relative to the previous official projection.

Without fiscal consolidation and structural reforms, Croatia's economic outlook is bleak.

2 Global developments

All global economic growth projections suggest a sharp slowdown in the recovery of developed economies, with negative risks likely to intensify in the coming period. The fall in expected growth rates was mainly due to more pessimistic economic forecasts for the USA and EU and their immediate effects on other developed economies and emerging markets. After the IMF

slashed its global GDP growth forecasts for 2011 and 2012, the latest European Commission projections from November suggest even lower rates. Thus, the global growth rates for 2011 and 2012 are expected to be 3.7% and 3.5% respectively, and these growth dynamics are expected to continue in 2013, with a moderate growth rate of 3.6%. Growth rate projections for

Table 2 Global economic developments

	2010	2011		2012		2013
		Current projection	Δ Previous projection	Current projection	Δ Previous projection	Current projection
GDP (real rate of change, in %)						
World	5.0	3.7	−0.7	3.5	−1.0	3.6
Eurozone	1.9	1.5	−0.1	0.5	−1.3	1.3
USA	3.0	1.6	−1.2	1.5	−1.4	1.3
China	10.3	9.2	−0.4	8.6	−0.9	8.2
Main trading partners of the Republic of Croatia	1.8	1.7	−0.3	1.0	−1.6	1.2
Italy	1.5	0.5	−0.6	0.1	−1.2	0.7
Germany	3.7	2.9	0.4	0.8	−1.3	1.5
Slovenia	1.4	1.1	−0.9	1.0	−1.4	1.5
Austria	2.3	2.9	0.5	0.9	−1.4	1.9
Bosnia and Herzegovina	0.9	1.9	−0.3	1.9	−2.1	....
Serbia	1.0	2.5	−0.5	3.0	−2.0	....
Prices						
Eurozone HICP (year-on-year rate of change)	1.6	2.6	0.1	1.7	−0.2	1.6
Oil prices (USD/barrel)	79.0	103.1	−10.5	97.2	−18.2	94.3
Oil prices (year-on-year rate of change)	27.9	30.5	−13.3	−5.7	−7.3	−3.0
Raw materials prices (excl. energy) (year-on-year rate of change)	26.3	21.2	−3.8	−4.7	−0.4	−3.9
LIBOR 3M EUR (end of year)	1.01	1.23	−0.8	1.31	....	1.42 ^a
EUR/USD exchange rate	1.32	1.39	−0.03	1.34	−0.1	1.35
EUR/CHF exchange rate	1.38	1.23	−0.07	1.23	−0.1	1.28

^a Data refers to the first quarter of 2013.

Sources: EC, IMF, Consensus Forecasts and Bloomberg.

developing countries and emerging markets for 2012 have also been lowered, but projections for 2013 are expected to improve slightly, if only for some countries. Developing countries and emerging markets continue to be the main generators of economic activity. High-frequency indicators for the fourth quarter of 2011 confirm the low economic activity levels in developed countries and an economic slowdown in developing and emerging market countries.

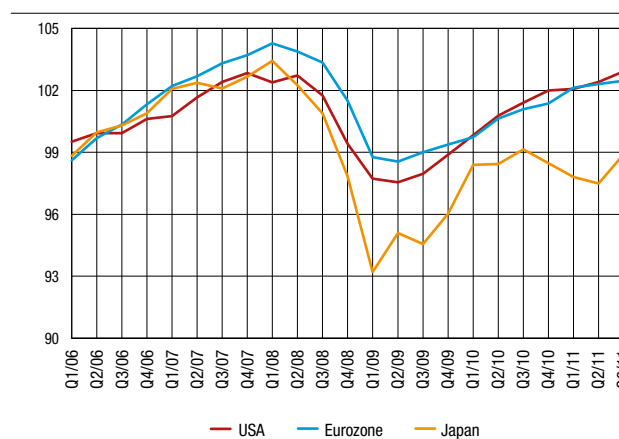
After having decelerated over the second quarter, GDP growth in the eurozone remained stable in the third quarter (0.2% relative to the previous quarter). As well as by internal factors (such as negative movements in security markets, limited credit supply and fiscal policy tightening), economic growth was also limited by external circumstances, such as a decline in the volume of global trade. The economic recovery dynamics in the forthcoming period will be adversely affected by uncertainty about the sustainability of public debt in certain economies, which threatens the stability of the entire eurozone's financial system. Consequently, in the fourth quarter, the rate of growth in the eurozone's real GDP is expected to stagnate or to have a minimum negative value. The GDP growth rate for the whole of 2011 is expected to be 1.5%. Due to intensified negative risks and high uncertainty, the expected growth rate for 2012 has been downsized markedly, to 0.5%. However, current expectations are that there will be a slight acceleration to 1.3% in 2013. According to the European Commission forecasts, there are significant risks of lower-than-expected growth, including, apart from the existing financial market instability and global economic slowdown, the absence of a timely response from economic policy makers and inadequate implementation of necessary reforms. The eurozone inflation forecasts for 2011 and 2012 have not changed significantly from those for the previous years. A slightly lower inflation rate expectation for 2012 is due to relieved external inflationary pressures, while the expected inflation rate for 2013 remains equal to that for 2012.

US economic growth accelerated in the third quarter of 2011, as a result of stronger personal and investment consumption. However, the sustainability of this trend is questionable, given some one-off effects (e.g. of considerably reduced purchases of durable goods in the previous quarter, partly due to the impact of the natural disaster in Japan on the business of retail chain suppliers), a decrease in the disposable household income and a fall in the savings rate to a record low since the last quarter of 2007. Exports grew rapidly, while the 'changes in inventories' category contributed negatively to the change in overall economic activity. Given worse outturns for the first half of the year, according to the EC forecasts, the real growth rate is expected to be 1.6% in 2011 and will not change significantly in 2012 and 2013. Also the Fed points to the prevailing negative risks of the slower-than-expected economic growth in the coming period. Such negative risks primarily include tensions in the global financial markets. However, inflationary expectations are likely to stabilise, as the effects of previous oil and energy price increases tail off.

Following three consecutive quarters of negative economic activity rates, the Japanese economy finally saw an upswing in the third quarter of 2011, increasing by 1.5% from the previous quarter. This growth rate was due to both strong personal consumption and a positive contribution made by foreign demand. It should be noted that the effects of an economic slowdown caused by the natural disaster and the resulting problems for production and supply chains are gradually wearing off. As

Figure 1 Gross domestic product in the USA, eurozone and Japan

seasonally adjusted data, constant prices, 2006 = 100



Note: Data for the eurozone refer to EA17.

Source: Eurostat.

forecast by the European Commission, Japan is expected to see a relatively high growth rate in 2012 compared with other developed economies (1.8%). Such a high growth rate will partly be due to the spillover of positive effects from the current year, whereas in the other half of the year, economic activity is expected to slow down. Consequently, the growth rate forecast for 2013 is only moderate (1.0%), and will probably be limited by efforts towards consolidating the public finance, for Japan is the only developed economy whose gross public debt exceeds 200% of GDP, which poses a serious risk in an environment of pronounced volatility in international financial markets.

The Chinese economy slowed down gradually over the first three quarters of 2011, so that the annual growth rate for the entire year is expected to be 9.2%. Economic growth so far in 2011, was again determined by strong investment in both real estate and machinery and equipment. Concurrently, personal consumption was encouraged by favourable real wage movements, despite the continuation of relatively high inflation rates. Should the measures announced in the latest five-year plan and aimed at developing a sustainable growth model be worked out and implemented, the contribution of personal consumption to future economic growth is expected to be more substantial. As concerns foreign demand movements, despite the negative global trend, Chinese exports increased markedly so far in 2011, mostly due to strong economic activity in Asian countries. Concurrently, due to a slight increase in imports, the realised foreign trade surplus was slightly smaller. The aforementioned high inflation rate motivated the Chinese central bank to continue raising the benchmark interest rate and reserve requirement rate during 2011. In response to speculations on the real estate market, the Chinese authorities extended the limits on new real estate purchases to smaller cities. In view of these measures and adverse global economic trends, the economic slowdown in China is expected to continue in the forthcoming period, so that the annual GDP growth rates are expected to be 8.6% and 8.2% in 2012 and 2013 respectively (according to the EU forecasts). A certain moderation of the Chinese economy is also reflected in the PMI index¹ results for November 2011. Negative movements of this index motivated the central bank to cut the reserve requirement rate by 0.5 percentage points.

¹ The Purchasing Managers Index is obtained through a survey of managers in different manufacturing and service activities, who respond to the questions about movements in new orders, current activity and employment levels, and finished goods inventories, etc.

Croatia's main trading partners

Economic activity in Italy has not intensified so far in 2011. Despite a somewhat higher growth rate in the second quarter (0.3%) compared with the previous quarter (0.1%), economic activity is expected to stagnate in the third quarter, as suggested by the first estimates, and, according to the European Commission forecasts, a slight contraction is expected in the fourth quarter. For the whole of 2011, the economy is expected to grow at a rate of 0.5%, whereas in 2012, economic activity is expected to stagnate at 0.1%, to intensify slightly again in 2013 (0.7%). The main generator of such a modest economic recovery will be foreign demand, with low recovery rates being the consequence of the Italian foreign trade structure. Specifically, given the still small share of Italian exports to fast-growing emerging markets, the main generators of demand for Italian exports will be partners from the eurozone. The adoption of austerity measures by the new Italian government, aimed at ensuring long-term sustainability of public finance, will have a limiting medium-term effect on domestic demand.

Following a remarkable recovery of the German economy in 2010, and its equally good performance in the first quarter of 2011 (1.3% relative to the previous quarter), economic activity slowed down to 0.3% in the second quarter. However, this slowdown was temporary and was caused by the impact of bad weather on construction activity and by accelerated closure of some nuclear power plants. Despite these fluctuations, the German economy recovered noticeably, as indicated by a slight acceleration of growth (0.5%), observed in the third quarter, which was largely due to domestic demand. Consequently, the economic growth rate for 2011 is expected to reach a remarkable 2.9%. Despite a new escalation of uncertainty in the eurozone and the global economic slowdown, Germany is expected to see an only temporary economic downturn in the forthcoming period, thanks to the previously introduced structural labour market reforms and the absence of any serious macroeconomic imbalances. In line with this, for the whole of 2012, the German economy is expected to experience an annual growth rate of 0.9%, which is likely to go up to 1.5% in 2013.

Austria's good economic performance from 2010 continued into the first half of 2011. However, the recovery seems to have lost momentum in the third quarter, when the quarterly growth rate fell to 0.3%. Moreover, as shown by the revised second-quarter data on economic activity movements, foreign demand

ceased to support economic growth as early as that period, due to the global slowdown. According to the Austrian central bank's estimates, economic activity is expected to stagnate in the October-December 2011 period, as a result of low foreign and domestic demand on the back of a global economic downturn and heightened uncertainty about the debt crisis in the eurozone. Thanks to favourable outturns in the first half of the year, economic growth is expected to stand at 2.9% annually in 2011. However, the EC forecasts suggest that the economy might decline sharply in 2012 (by 0.9%), but accelerate again in 2013 (to 1.9%).

After having stagnated in the first two quarters of 2011, the Slovenian economy declined by 0.2% in the third quarter, for the first time after five quarters. Exports picked up, though at lower rates than in the first quarter, while personal consumption remained stagnant. Adverse employment movements were offset by continued if moderate growth of real wages. Strong negative movements in investment activity continued. However, due to the transmission effect, it will increase annually by about 1% in 2011. The EC forecasts for 2012 and 2013 suggest an increase in the economy by 1.1% and 1.0% respectively, despite the lower growth in the main foreign trade partners and the recent lowering of Slovenia's credit rating.

According to the data on industrial production and foreign trade movements, Bosnia and Herzegovina saw a gradual economic slowdown throughout 2011 as a result of intensified negative trends both in the environment and at the global level. In the middle of the third and early in the fourth quarter, the first negative annual growth rates of the total volume of production were observed in manufacturing. However, at the level of the first ten months, industrial production increased by 6.1% from the same period last year. Broken down by main industrial groupings, the strongest growth was observed in energy and intermediate goods. Movements in the production of consumer goods continue to reflect low domestic demand. The observed economic slowdown is additionally confirmed by reduced annual growth rates of nominal exports during 2011.

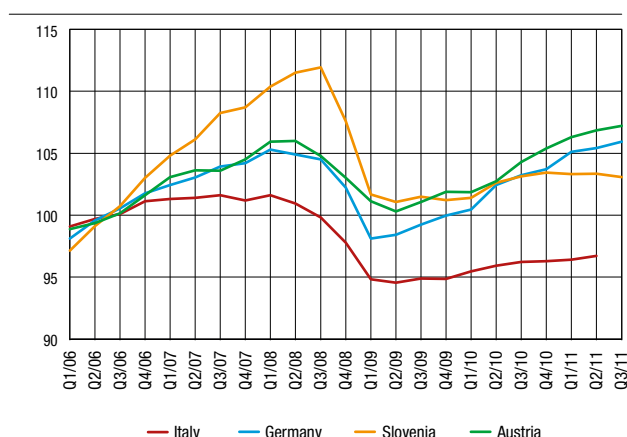
Following a stagnation in economic activity during the April-June period, Serbia's GDP dropped by 0.4% in the third quarter relative to the previous quarter. The absence of any significant increase in exports was due to a fall in the exports of base metals, caused by reduced demand in the eurozone. An increase in the imports of equipment suggests a relatively favourable trend in investment activity, being the only domestic demand component with a positive contribution to GDP change in the third quarter. The downwards revised forecasts of Serbia's main trading partners motivated this country's central bank to lower the economic growth projection to about 2.0% and 1.5% in 2011 and 2012 respectively.

Exchange rates and price movements

Due to heightened uncertainty about the public debt and deficit in some members of the eurozone, the US dollar appreciated markedly against the euro during September. The peak of the Greek crisis resulted in a repeated strengthening of the US dollar against the euro in November. These turbulences might continue in the near future. Current expectations are that the USD/EUR exchange rate is going to strengthen slightly in 2012. After the Swiss central bank had set a floor for the euro at 1.2 CHF, the CHF/EUR exchange rate largely moved slightly above this limit. Similar movements are forecast for 2012.

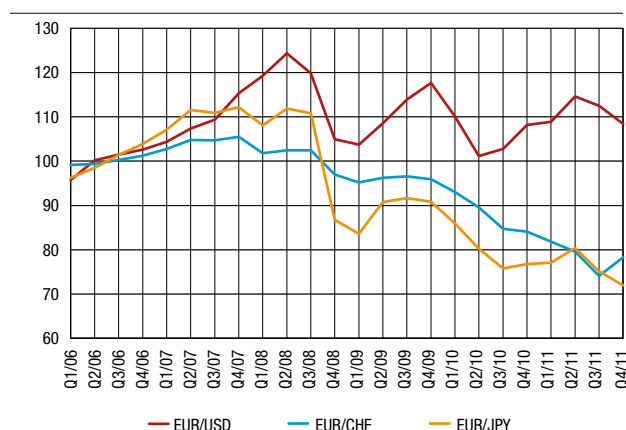
In 2011, raw material prices in the global market peaked in April and started to decline after that month. October saw the first negative annual rate of change in the HWI (raw

Figure 2 Gross domestic product of the main trading partners of the Republic of Croatia
seasonally adjusted data, constant prices, 2006 = 100



Source: Eurostat.

Figure 3 Exchange rates of individual currencies
2006 = 100



Note: Data up to 7 December 2011. A growth in the index denotes an appreciation of the euro.

Source: Eurostat.

materials excluding energy products, in US dollar terms). A fall in raw material prices continues to be the result of concern about future demand, due to the global economic slowdown and this year's good harvest of major agricultural crops. The adjustment of spending to adverse economic movements should result in a further slight decline in prices during 2012 and 2013. However, the continuing strong demand from emerging market countries will prevent major price changes.

Although crude oil prices climbed during the first four months in 2011, caused by deepening geopolitical instability in the Middle East and North Africa, the following period mainly saw a decline in oil prices on the back of growing financial market turbulences and weaker-than-expected economic growth. However, towards the end of October and in November, oil prices picked up, partly due to mounting geopolitical tensions in the Middle East, affecting not only Syria but also Iran. The absence of any significant price growth was due to unfavourable economic outlooks for developed countries and the recovery of oil supply from Libya and North Sea. The most recent market expectations, incorporated in spot contracts, suggest that in 2011, the average crude oil price per barrel might move

around USD 103, which is in line with the previous projection. Overall, the average crude oil price per barrel in 2011 should be about 30% higher than in 2010. According to the current status of spot contracts, assuming the absence of any major geopolitical instability, prices are expected to go down slightly in 2012, from 2011, with a similar trend anticipated for 2013.

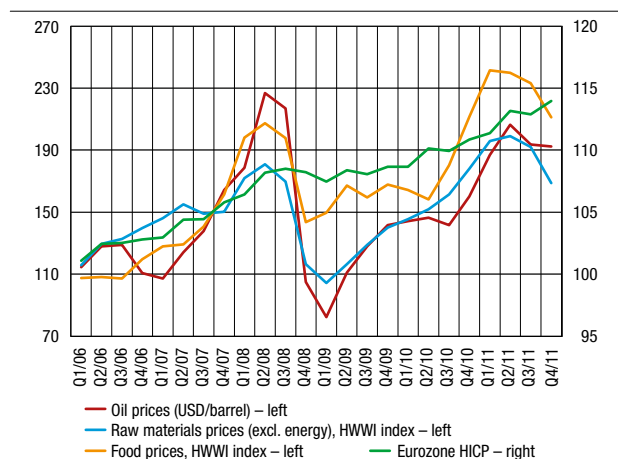
Trends in benchmark interest rates

Taking account of mounting concerns over the sustainability of fiscal positions of certain member states, which have caused a marked decline in expected economic growth rates for the eurozone, the ECB lowered its key interest rate by 0.25 percentage points, to 1.25% and 1.00% in November and December respectively after increasing it in April and July 2011. Given the pessimistic global economic outlook, market participants do not expect any increase in benchmark interest rates in the USA and Japan. As concerns interest rates in emerging market countries, their movements in the following period will depend on the pace of economic slowdown. A possible sharper-than-expected slowdown might result in interest rate cuts, as suggested by a rather unexpected decision of the Chinese central bank to reduce the reserve requirement rate at end-November. The postponement of a benchmark rate increase affected expectations about market interest rate movements, which have generally worsened from the previous projection during the entire reference period.

A systemic increase in financial market uncertainty led to a further rise in yield spreads for European emerging market economies, with persistent high levels of risk premiums recorded in Hungary and Croatia.

Unfavourable financing terms on the foreign market for major foreign creditors of the domestic economy continued. The average CDC spread on bonds of parent banks of the five largest domestic banks remained high, and some parent banks even reported bad business results. Moreover, in the second half of November, the Austrian central bank adopted a decision on limiting the placement growth of the branches of Austrian banks in Central and Eastern Europe. These movements and decisions may adversely affect financing terms for domestic companies in 2012.

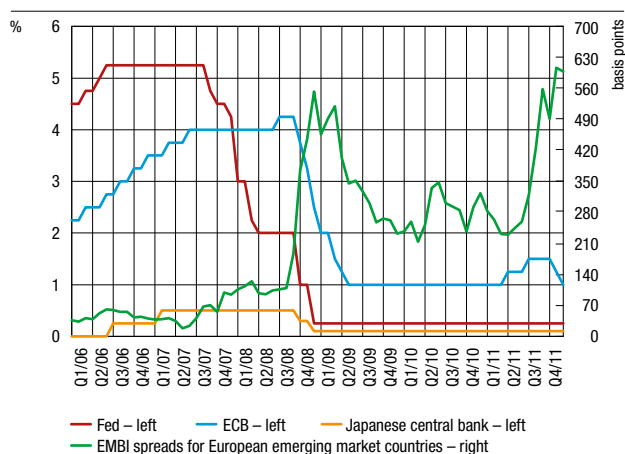
Figure 4 Prices
2005 = 100



Note: Data for the fourth quarter of 2011 refer to October and November.

Sources: Eurostat, Bloomberg and HWWI.

Figure 5 Benchmark interest rates and the average yield spread on bonds of European emerging market countries
end of period



Note: Data up to 9 December 2011.

Source: Bloomberg.

3 Aggregate demand and supply

Real GDP, seasonally adjusted, increased in the third quarter of 2011 from the first half of the year, mainly on account of a successful tourist season. Growth is likely to slow down somewhat in the remaining part of the year, primarily due to a decline in domestic demand, but also to a slowdown in foreign demand. Real GDP is expected to stagnate or even contract slightly in 2012, given the anticipated fiscal consolidation and negative international developments. The economy is expected to grow modestly no earlier than in 2013.

Aggregate demand

After having increased in the second quarter of 2011, nominal goods exports dropped sharply in the remaining part of the year. The decrease, recorded by all industrial groupings, was especially noticeable in energy and capital goods exports. While the decrease in capital goods exports can be partly attributed to an unfavourable base effect, other groupings were probably affected by a slowdown in aggregate demand in Croatia's main trading partners. Trends in exports of services, especially tourist services, were favourable in the third quarter, which was to some extent due to political disturbances in Greece and North Africa and very good weather conditions during the peak and off seasons.

Foreign demand is likely to decrease towards the end of 2011 and in the first half of 2012 because of the anticipated growth slowdown in the eurozone and regional trading partners. Exogenous factors are not expected to produce a similar effect on tourism. The real rate of change in exports of goods and services could be negative (−0.7%) in 2011, mostly because of its sharp decrease at the beginning of the year, and low, but positive, in 2012. Growth is expected to pick up no earlier than 2013 and 2014.

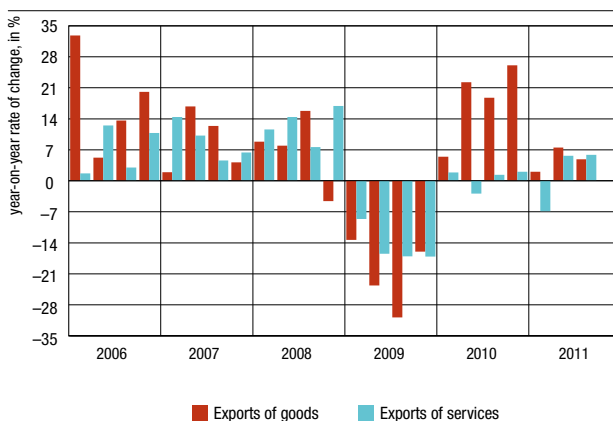
Domestic demand seems to have stagnated in the third quarter of 2011. Personal consumption probably increased slightly, whereas gross fixed capital formation and government consumption declined. Similar trends in domestic demand are expected to continue until the end of 2011, with a recurring drop in household spending.

Personal consumption is expected to increase at a low

annual rate of 0.2% in 2011 and decrease slightly again in 2012 (−0.4%), as unfavourable labour market trends are likely to continue in the forthcoming period. In addition, expectations are that transfers to households will also decrease in 2012 in order for fiscal expenditures to be reduced. If consumer price inflation remains at this year's level, this will lead to a decline of approximately 2.5% in real disposable income. The recovery in personal consumption will also not support trends in consumer loans, expected to hold steady in 2012. This is because the easing of consumer pessimism has not boosted demand for loans, but has only increased the average propensity to consume disposable income.

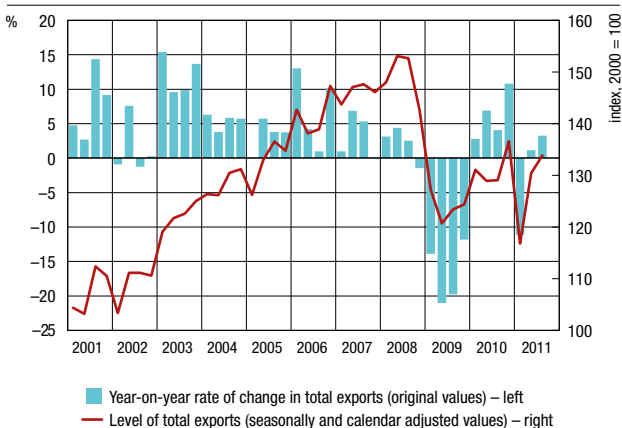
Gross fixed capital formation continued to decrease in the third quarter of 2011, as shown by monthly indicators of construction activity and imports and manufacture of capital goods, although at a considerably lower rate than early in the year. These trends reflect the uncertainty about the future

Figure 7 Exports of goods and services
in EUR, nominal values taken from the balance of payments



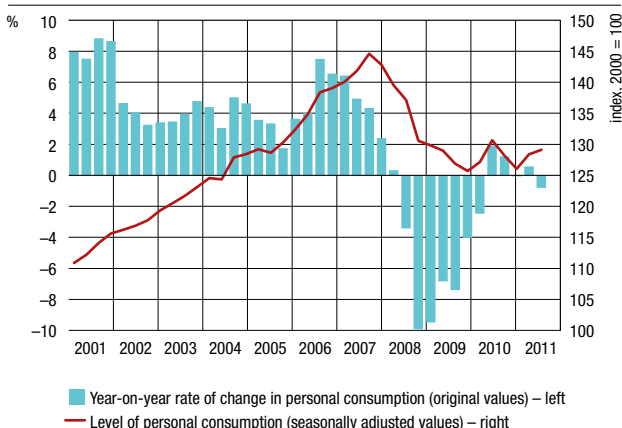
Source: CNB.

Figure 6 Exports of goods and services
real values



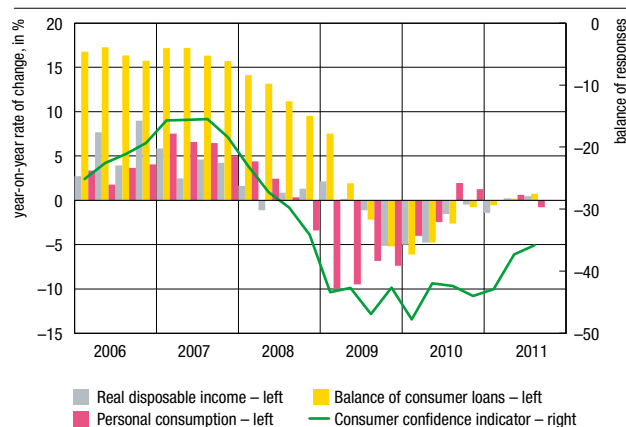
Note: Values for the third quarter of 2011 are CNB's estimates.
Source: CBS data adjusted by the CNB.

Figure 8 Personal consumption
real values



Note: Values for the third quarter of 2011 are CNB's estimates.
Source: CBS data adjusted by the CNB.

Figure 9 Determinants of personal consumption



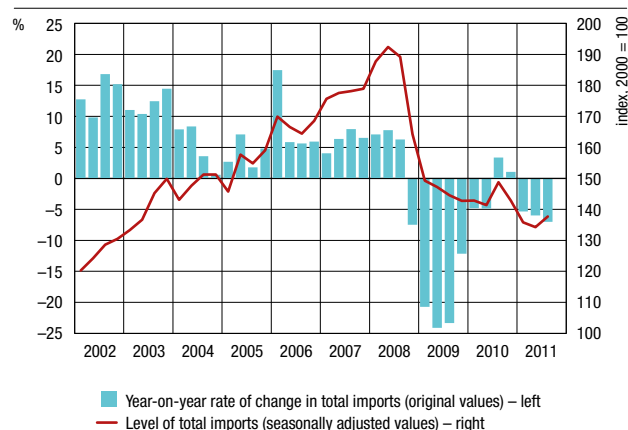
Note: The values of the consumer confidence indicator in a month are calculated as three-member moving averages of monthly data.

Sources: CBS, CNB and Ipsos Puls.

dynamics of domestic and foreign demand and the reluctance of households to invest in real estate.

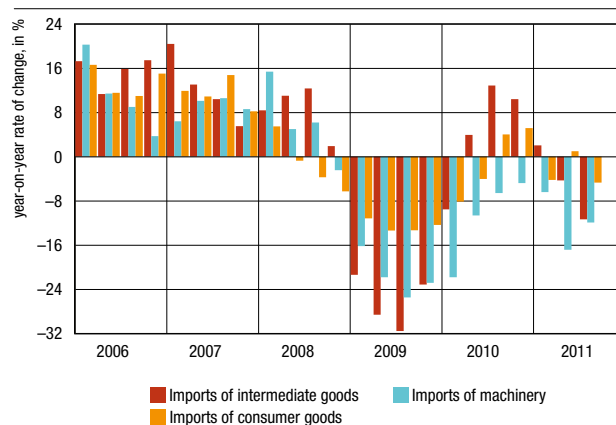
In view of the previous performance and expected stagnation in the last quarter, gross fixed capital formation is likely to decrease at an annual rate of 7.2% in 2011. Given the need for savings in the public sector, public investments are not expected to increase in 2012, so that the anticipated growth will probably be generated by private investments. Such trends would be opposite to those observed in 2011, when a substantial decrease in private sector investments was partly offset by public sector investments. The growth in private investments in 2012 is expected to be generated primarily by investments in the replacement of worn-out machinery and equipment and, to a smaller extent, an increase in production capacities. A trend reversal in investments in buildings and structures is not anticipated. However, government investments will probably hold steady, although there could be an increase in the investments of large public enterprises (HEP, HŽ).

The available data on public finances show a real decrease in government consumption in the third quarter of 2011 and

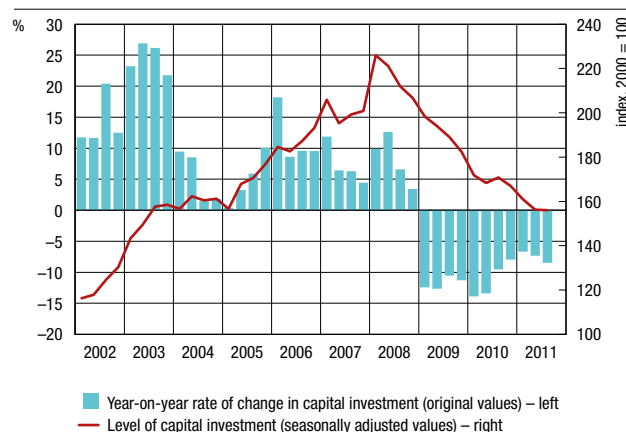
Figure 11 Imports of goods and services
real values

Note: Values for the third quarter of 2011 are CNB's estimates.

Source: CBS data adjusted by the CNB.

Figure 12 Goods imports by category
in EUR, nominal values

Source: CBS data adjusted by the CNB.

Figure 10 Gross fixed capital formation
real values

Note: Values for the third quarter of 2011 are CNB's estimates.

Source: CBS data adjusted by the CNB.

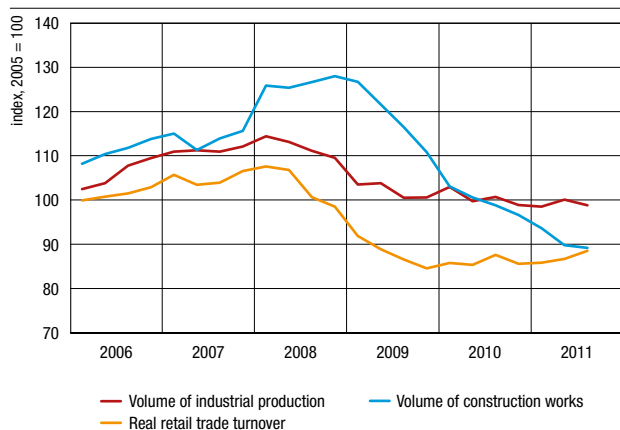
indicate a possible stagnation at the end of the year. The annual rate of change for 2011 is therefore still expected to be negative, primarily due to a real decrease in social benefits in kind and stagnant trends in expenditures on the use of goods and services. On the other hand, the number of civil servants and government employees continued to increase.

Government consumption is expected to have the largest negative impact on overall GDP trends in 2012, both by making a direct negative contribution and by indirectly influencing other aggregate demand components. The rate of change is likely to stand at -3.5%. The year 2013 will probably see similar trends, albeit considerably subdued.

Imports remained as low in the third quarter as at the beginning of this year.

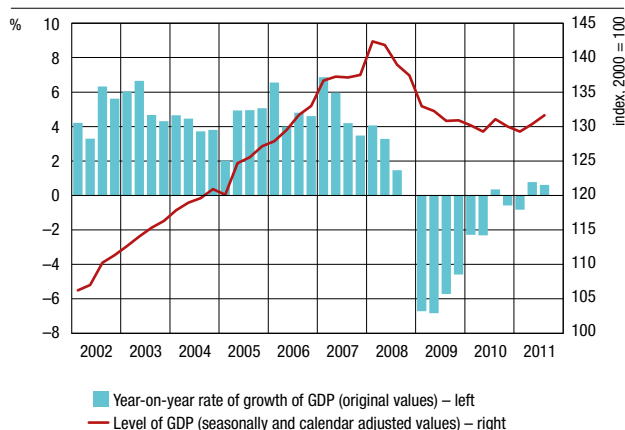
The quarterly dynamics of goods and services imports is expected to slow down again at the end of the year and decrease at an annual rate of 4.8% in 2011. The volume of imports will probably edge up (0.9%) in 2012, primarily due to a slight increase in investments in machinery and equipment.

Figure 13 Short-term economic indicators
seasonally and calendar adjusted



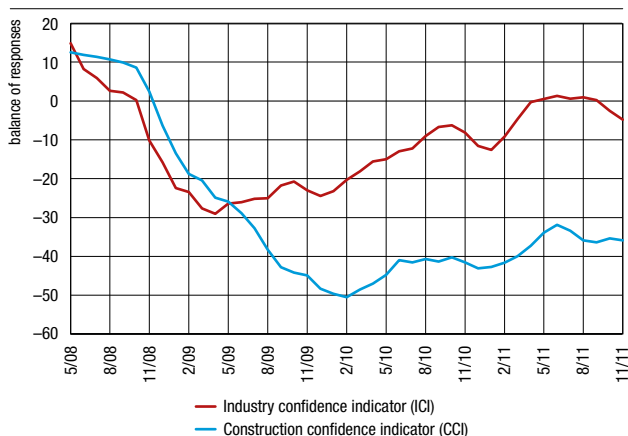
Note: Quarterly data are calculated as a simple average of monthly data.
Source: CBS data adjusted by the CNB.

Figure 15 Gross domestic product
real values



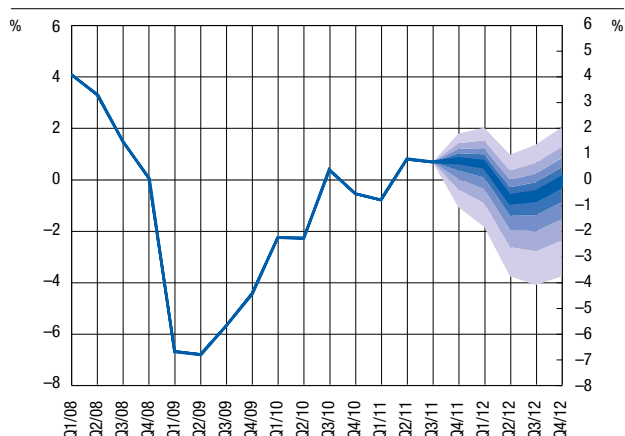
Source: CBS data adjusted by the CNB.

Figure 14 Business confidence indicators



Note: The presented values are three-member moving averages of monthly data. The Business Confidence Survey has been carried out since May 2008.
Sources: CNB and Ipsos Puls.

Figure 16 Projection of real GDP dynamics
year-on-year rate of growth



Sources: CBS and CNB.

Aggregate supply

According to monthly data, real GVA increased slightly in the third quarter of 2011 from the previous quarter, which is in line with movements on the demand side.

The latest business confidence surveys show no improvement in expectations regarding manufacturing and construction trends in the fourth quarter of 2011. Business optimism in manufacturing declined significantly in October and November and that in construction remained unchanged.

Judging by the expectations for trends in aggregate demand components, for most activities the prospects for 2012 are not very favourable. The downgraded growth forecasts for the global economy and European economies indicate a probable slowdown in foreign demand for Croatian goods and services. The ensuing decline in exports will then probably have a dampening effect on manufacturing and hotels and restaurants. In addition, a lack of improvement in the labour market will hinder trade growth and the public sector will provide a weaker incentive to

construction because of a drop in government consumption. Economic activity trends are expected to improve slightly in 2013.

GDP is projected to grow by a total of 0.4% and -0.2% in 2011 and 2012 respectively. It should be noted that this is the central projection and that many factors can lead to its upgrading or downgrading. Figure 16 therefore shows the central growth projection and uncertainties surrounding it. In contrast with the June projection, when it was assumed that the risks of diverging from the central projection were balanced, downside risks feature more prominently in this projection, suggesting unfavourable expectations about developments in the eurozone and in Croatia's main trading partners and an ensuing decline in domestic demand. In addition, it remains to be seen whether the fiscal consolidation will be as strong as anticipated in this projection. A failure to implement the planned fiscal measures may lead to the loss of investment credit rating, which would, in turn, have further negative consequences.

4 Labour market

Unfavourable labour market developments continued from the first half of 2011 into the third quarter. According to the seasonally and calendar adjusted administrative data of the CES and CBS, the average number of employed persons fell relative to the previous quarter, while the average number of unemployed persons, after a quarterly decrease in the April-June period, increased again in the third quarter. These negative developments resulted in there being an increase in the number of unemployed persons and a decrease in the number of employed persons relative to the same period in 2010. As in previous periods, the annual decrease in employment in the third quarter (-2.2%) was for the most part the consequence of a drop in the number of employed persons in construction, industry and trade, while the number of civil servants and government employees and persons employed in agriculture increased.

As shown by the CES data, the most recent developments at the beginning of the fourth quarter suggest the usual seasonal increase in the number of registered unemployed persons in October. However, after the exclusion of seasonal and calendar effects, the data indicate a gradual decrease in the registered unemployment, which, it seems, was equally the result of stronger employment from the CES and transfers into inactivity.

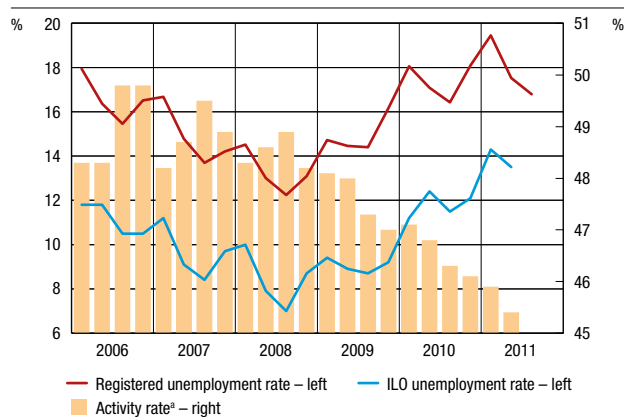
The Labour Force Survey unemployment rate declined to 13.5% in the second quarter from 14.3% in the first quarter of 2011. The activity rate also fell in this period, indicating a further increase in the number of discouraged workers exiting the labour market and taking early retirement. Although employment increased slightly in the reference period, the Labour Force Survey employment rate dropped negligibly relative to the April-June period, remaining at an extremely low level of below 40%.

The number of employed persons is expected to continue decreasing in the remaining part of 2011, with similar developments also being forecast for 2012. Positive reactions of the labour market to the economic recovery should start to materialise no earlier than 2013. Accordingly, the average registered unemployment rate might reach 18.7% in 2012.

Nominal wages continued to grow in the third quarter (their average growth standing at 1.8% in gross and 3.6% in net terms relative to the same period in 2010). More pronounced growth in net wages continues to be the consequence of the repeal of the special tax on salaries, pensions and other income. Broken down by activities, private and public sector wages grew at almost the same annual rate in the July-August period, a continuation of similar trends recorded in the first half of 2011. At the same time, real wages stagnated.

A mild annual increase in nominal gross and net wages is forecast for 2012. Since the labour productivity growth will be more dynamic, the annual fall in unit labour costs may be expected to continue in 2012. Similar developments will probably mark 2013.

Figure 18 Unemployment and activity rates



^a The labour force as a percentage of working age population (15+).
Note: The Labour Force Survey has been published quarterly since the beginning of 2007.

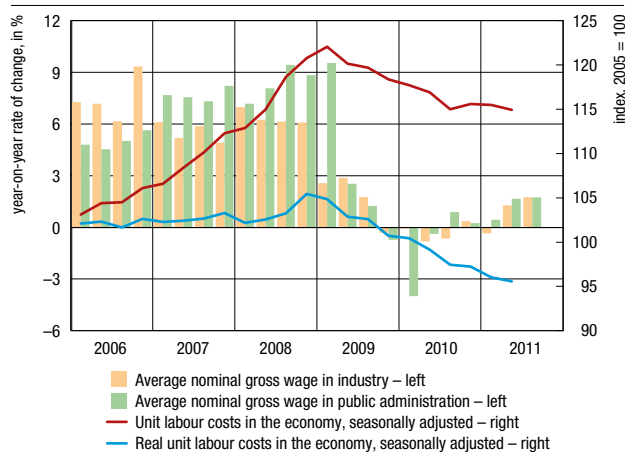
Source: CBS.

Figure 17 Total employment and contribution to employment growth by sector



Sources: CBS and CNB calculations.

Figure 19 Gross wages and unit labour costs



Sources: CBS and CNB calculations.

5 Inflation

Consumer price inflation slightly increased to 2.2% by September 2011, compared to 1.8% in December 2010. This was mainly caused by a rise in the prices of food raw materials and energy products present in the global market since mid-2010, culminating in April 2011, and affecting, with some delay, domestic prices of processed food.² Although the prices of energy went up as well, their annual growth rate decreased due to a favourable base effect. An increase in the prices of raw materials in the global market was prompted by a significant growth of meat prices in the first nine months of 2011. However, since the annual rate of change in the prices of fruit and vegetables in the same period decreased, the contribution of unprocessed food to inflation did not increase.

Overall inflation remained at a relatively low level, which was largely contributed to by domestic factors, such as weak domestic demand and a drop in unit labour costs due to labour market adjustments (a decrease in employment and compensation per employee). The mentioned factors put deflationary pressures on the prices of services and industrial non-food without energy. This was most pronounced in the annual drop in the prices of communications and clothing and footwear.

By October, the annual inflation rate had risen to 2.6%, which was mainly the result of an increased contribution of the prices of unprocessed food and industrial non-food exclusive of energy, notably clothing and footwear.

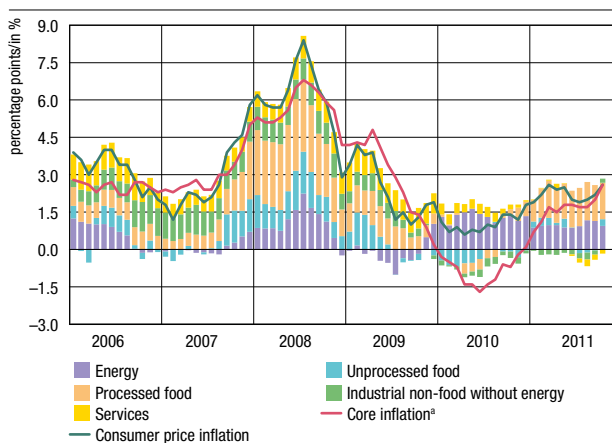
An average annual inflation rate of 2.3% is expected in 2011, while the last quarter might see some acceleration of the average annual inflation rate due to a rise in food prices and a spillover of the previous growth in global raw material prices. On the other hand, in line with price trends in the prompt oil market, a relatively stable trend in the prices of crude oil is expected, which could, due to a favourable base effect, cause the annual rate of change in energy prices to decline.

Stable and low inflation is expected in 2012, keeping its average annual rate of change down to 2.3%, the same as in 2011. Import-related inflationary pressures are expected to decrease,

reflecting a fall in the prices of crude oil and other raw materials due to a slowdown in global economic growth. By contrast, due to the estimated rise in administrative prices in 2012, an increase in gas and heating prices is anticipated at the beginning of the third quarter. Weak domestic demand is expected to continue limiting the pressures on prices.

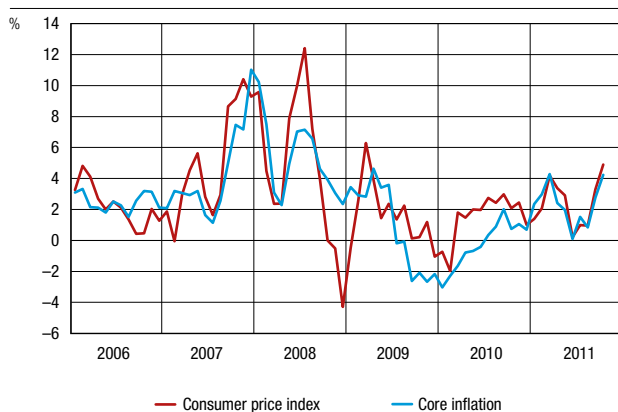
The projection of inflation is dominated by risks that could influence a lower outturn, which is indicated by the asymmetrical shape of the fan (Figure 22). The main risk lies in weak domestic demand. On the other hand, there are certain risks that might induce higher inflation, such as a more pronounced transmission of the previous rise in global raw material prices to domestic prices and a quicker growth of the prices of oil and other raw materials, should the global economic slowdown be less pronounced than

Figure 21 Year-on-year inflation rates and contribution of components to consumer price inflation



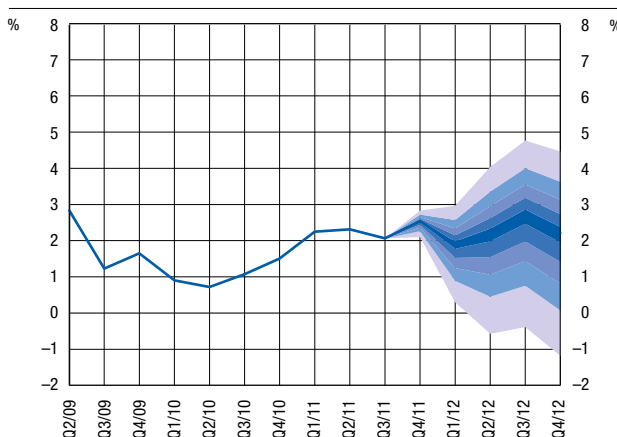
^a Core inflation does not include agricultural product prices and administrative prices.
Sources: CBS and CNB calculations.

Figure 20 Consumer price index and core inflation annualised month-on-month rate of change



Note: The month-on-month rate of change is calculated from the quarterly moving average of seasonally adjusted price indices.
Sources: CBS and CNB calculations.

Figure 22 Projection of consumer price inflation year-on-year rate of change



Sources: CBS and CNB calculations.

² Including the prices of cigarettes, whose increase in January was the result of a delayed effect of the rise of excise taxes on those products in October 2010.

Table 3 Price indicators

year-on-year rate of change

	2007	2008	2009	2010	12/2010	3/2011	6/2011	9/2011	10/2011
Consumer price index and its components									
Total index	2.9	6.1	2.4	1.1	1.8	2.6	2.0	2.2	2.6
Energy	0.6	7.8	-1.1	9.5	9.7	6.6	5.8	7.7	6.4
Unprocessed food	2.6	7.2	2.5	-2.2	-0.3	2.1	0.2	-0.3	1.9
Processed food (incl. alcoholic drinks and tobacco)	4.0	10.5	3.8	-0.1	2.5	6.4	6.3	6.2	6.3
Industrial non-food without energy	3.1	3.0	1.5	-0.7	-0.4	-0.7	-0.7	-0.6	0.6
Services	2.9	3.8	4.3	1.5	0.3	0.2	-0.3	-1.0	-0.8
Other price indicators									
Core inflation	3.0	5.7	2.8	-0.8	0.1	1.7	1.8	2.0	2.6
Producer price index of industrial products	3.4	8.3	-0.4	4.3	5.7	7.1	6.0	6.1	6.3

Source: CBS.

expected, or if the intensifying geopolitical tensions cause oil prices to rise. A quick growth of prices influenced by administrative decisions is also possible, due to necessary fiscal consolidation.

As for 2013, a slight increase of inflation to 2.6% is expected. The forecast consumer price inflation is higher than that for 2012, primarily due to the planned abolition of the zero VAT rate for certain products in January 2012,³ which will have the

greatest impact on food price trends and a somewhat smaller effect on the increase in prices excluding food and energy items. Furthermore, inflationary pressures resulting from domestic demand are projected to be slightly bigger in 2013. The trends of the basic import-related inflation determinants will not significantly deviate from those in 2012, assuming a drop in the prices of crude oil and other raw materials at the annual level.

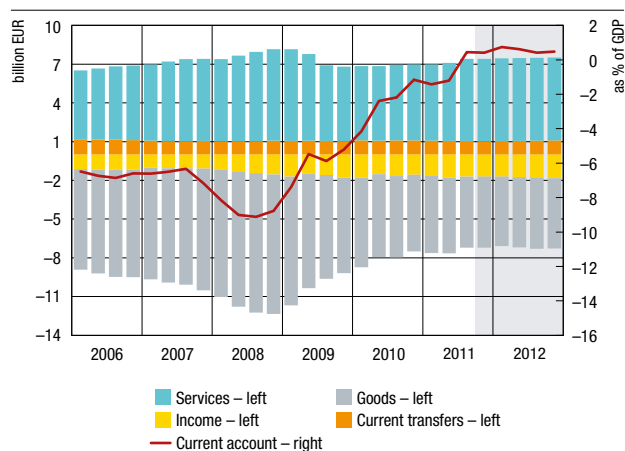
6 Foreign trade and competitiveness

The two-year decline in the current account deficit continued in the first three quarters of 2011, but at weaker intensity than before. The slowdown in the contraction was attributed mainly to slackening exports of goods, while the recovery in tourism revenues produced a favourable impact on the current account balance. In addition, the trade in goods in most of 2011 was marked by the continued stagnation of imports. Transactions in the factor income account put an upward pressure on total deficit in the first three quarters of 2011, mainly generated by the growth in interest and direct investment outlays. A worsening was also seen in the balance of current transfers.

Exports further contracted in October 2011, a significant contribution to this being low exports of ships. Other activities also witnessed an annual fall in exports, mostly the manufacture of electrical machinery, apparatus and appliances, some parts of the chemical and metal-working industry and the manufacture of tobacco products. Imports of goods, which, small changes notwithstanding, mainly stagnated since the beginning of 2010, continued to show no signs of recovery. Moreover, if price effects contributing to the increase in the value of oil imports are excluded, the annual imports of other goods even fell negligibly in the first three quarters of 2011, continuing to decrease at a similar intensity in October. Negative trends remained the most pronounced in imports of capital goods and industrial raw materials.

Owing above all to the goods deficit, the current account balance might reach 0.4% of the estimated GDP in 2011, which would be its first positive value in the last fifteen years. It is likely that even in 2012 the trade in goods will make no downward

pressure on the current account balance. Moreover, aided by limited imports and mild growth of exports, the goods deficit might continue to trend downward, this fall being expected to slow down gradually. The growth of Croatian exports will depend on the developments in the environment, the efforts to attract more export-oriented foreign direct investments (see Boxes 1 and 2) and the measures to improve cost and price

Figure 23 Current account deficit and its structure
moving average of four consecutive quarters

Note: Shaded areas denote projected values.

Source: CNB.

³ The direct effect of the repeal of the zero VAT rate on the rise of consumer prices is estimated at around 0.5 percentage points. The share of products with the zero VAT rate in the consumer price index basket is estimated at approximately 7.4% (the greatest part of which, or 5.7 percentage points, refers to food products), the zero VAT rate may be replaced with a rate of minimum 5%, and the tax rise will probably only partly transfer into an increase of prices.

competitiveness. Should these fail to materialise, it will be difficult for Croatian exports to increase their market share in the world market again, considering that this share has declined additionally in the period of crisis.

The weaknesses of Croatian exports become even more evident when Croatia is compared with other Central and Eastern European countries in which exports have been on an upward trend since mid-2009 and in most cases showed no signs of losing momentum. The lagging of Croatian exports may in part be explained by their orientation to markets in which economic circumstances have worsened the most in the last few quarters. One of them is Italy which accounts for one fifth of Croatian exports of goods. Similar consequences for export results were to some extent felt in Romania and Bulgaria which also export a significant portion of their goods to Italy. By contrast, the Baltic countries, which are largely oriented to their mutual markets, did not record a fall in exports. The same stands for the Czech Republic and Poland which are predominantly oriented to the strong German market.

The year 2011, judging by the results in the main season, might see an annual increase in tourism revenues of 6.7%, mainly as a result of political turmoils in competitor destinations. However, growth on this scale is not likely to be seen in 2012 because, apart from stronger competition, domestic tourism will feel the effects of an ever-growing insecurity in the eurozone outbound markets and the expected weakening of the average spending. Moreover, with the given domestic tourism capacities and without major investment, it can not be expected that tourism volume indicators will grow at an exceptionally strong rate.

Apart from stronger competitiveness in exports of goods and

Table 4 Current account and its components

as % of GDP

	2007	2008	2009	2010	2011	2012
Current account balance	-7.2	-8.8	-5.2	-1.2	0.4	0.5
Goods	-21.7	-22.6	-16.2	-13.0	-11.9	-11.7
Services	14.7	14.8	12.6	12.8	13.8	13.8
Income	-2.5	-3.3	-3.9	-3.4	-3.7	-3.9
Current transfers	2.4	2.2	2.3	2.4	2.2	2.3

Source: CNB.

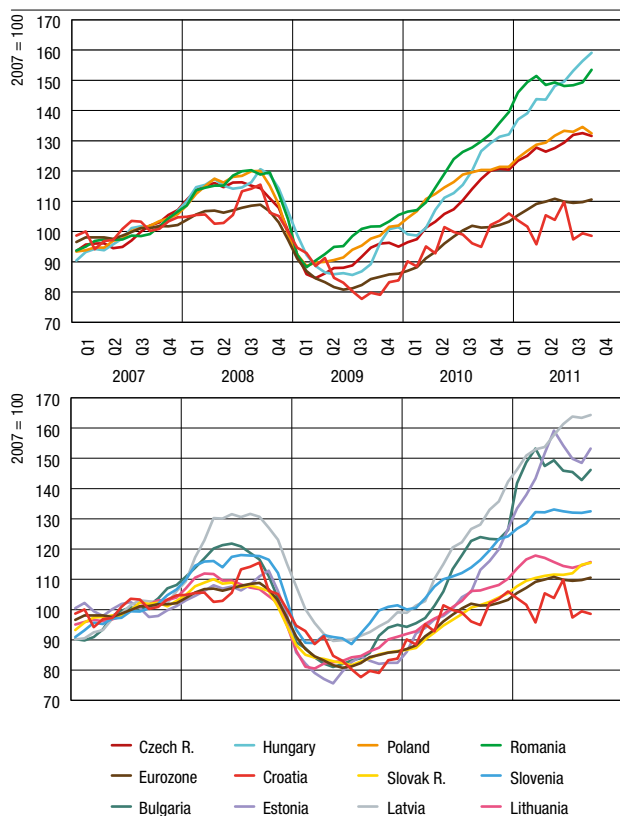
services, a key precondition for the sustainability of the current account balance in the coming period will be an only moderate growth in interest expenses. With the present high insecurity in the world financial markets, the most decisive role in the stabilisation of interest expenses will be played by the fiscal position on which the intensity of additional borrowing and, indirectly, the cost of public and private financing will depend.

Although export results for the economy as a whole do not confirm it, the development in the real effective exchange rate of the kuna deflated by consumer and producer prices in the first nine months of 2011 suggests further improvement in the price competitiveness of the Croatian economy which only in part compensated for the fall in competitiveness in previous years (see Box 3). Such developments were primarily determined by the weakening of the kuna against the basket of currencies of the major trading partners and, to some extent, more favourable movements in domestic consumer prices. Data on the real effective exchange rate of the kuna deflated by unit labour costs are available for the first quarter of 2011. They indicate an improvement in cost competitiveness, chiefly supported by a relatively more favourable development in domestic unit labour costs.

In the third quarter of 2011, most new EU member states experienced a depreciation of the real effective exchange rate deflated by consumer prices, which in part offset the effect of the loss of price competitiveness in the first half of 2011. In relative terms, the depreciation of the real effective exchange rate was the most pronounced in Poland, Hungary and Romania, which maintain flexible exchange rate regimes, and mainly the result of the nominal effective depreciation of these countries' currencies.

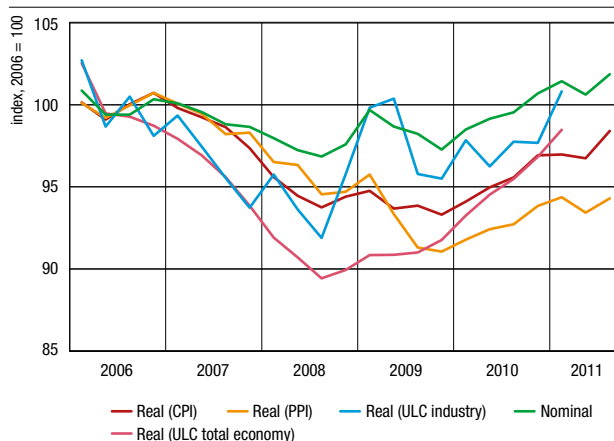
Given the outturn for the first three quarters, a mild depreciation of the average real effective exchange rate of the kuna

Figure 24 Goods exports of selected countries
quarterly moving average, seasonally adjusted data



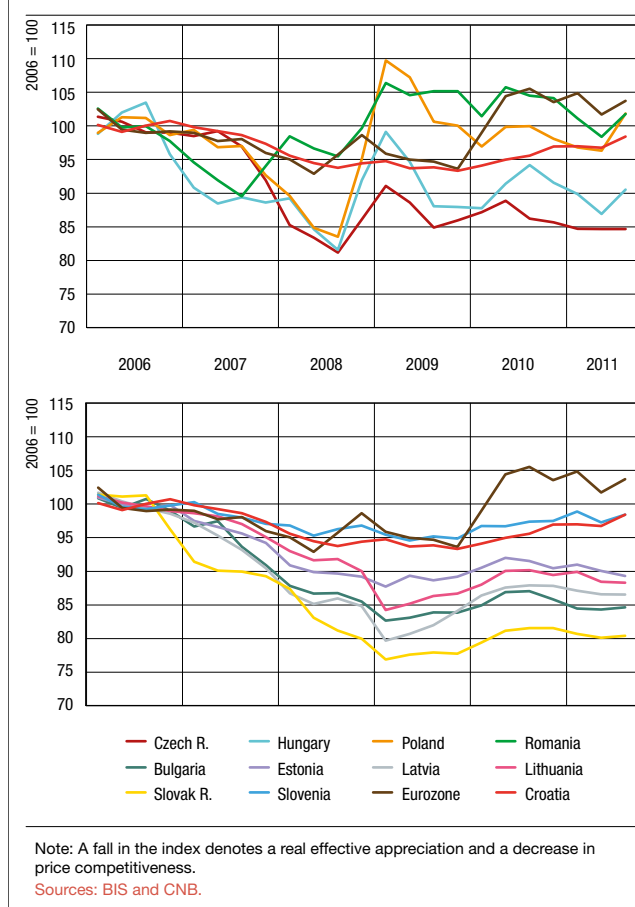
Sources: Eurostat and CBS data adjusted by the CNB.

Figure 25 Nominal and real effective exchange rates of the kuna



Note: ULC stands for unit labour costs. A fall in the index denotes an appreciation.
Source: CNB.

Figure 26 Real effective exchange rate (deflated by consumer prices) in selected countries



deflated by consumer prices could be recorded in 2011 relative to 2010, due predominantly to the nominal effective depreciation of the kuna. The trend of mild improvement in the price competitiveness of Croatian exports is expected to continue in 2012. In addition to slight nominal effective depreciation of the kuna exchange rate, this trend might be contributed to by somewhat more favourable movement in domestic consumer prices than in consumer prices in the main trading partner countries.⁴

In 2013, with the proviso that export potential strengthens and import demand increases moderately, a gradual improvement may be expected in the external sector. Accordingly, the current account balance level should remain positive, and the relative indicator of gross external indebtedness should gradually decline.

Box 1 The main determinants of foreign direct investment inflows

Foreign direct investments (FDIs) are defined as non-resident investments in enterprises (residents) in one country that exceed 10% of the total share capital of an individual enterprise. In contrast to speculative investments, FDIs are the investments of a long-term nature and are closely tied to the investor's wish to take over the management rights and exert a dominant influence on the business activity of the enterprise in which he invests. Since FDI investors predominately originate from economically more advanced and developed countries, this type of investment is marked by specific benefits, the most prominent being the transfer of advanced know-how and technology and easier access to foreign markets.

In the period from 1993 to the end of the first half of 2011, Croatia cumulatively attracted EUR 24.7bn worth of foreign capital in the form of FDIs, which, measured per capita, amounts to about EUR 5,600. Although this amount positions Croatia relatively high among FDI recipient countries, the key problem is the unfavourable structure of attracted investments. One half of total FDIs was accounted for by brownfield investment and only a small share by greenfield investment, which directly creates new jobs and contributes to the development of the domestic economy. The unfavourable structure is also suggested by the fact that most FDIs were directed to ownership take-overs in the service

sector, with financial intermediation and wholesale trade alone accounting for almost 50% of all FDIs in Croatia.

Although it was expected that shortly before the accession to the EU FDIs in Croatia would gain momentum, recent indicators do not speak in favour of such developments. In 2010 and 2011 foreign investors strongly cut their investments in Croatia. Although in 2011 FDIs might in nominal terms exceed those from the previous year, the major portion of new investments was, however, accounted for by the repayment of debt to foreign banks. If the repayment of debt and the current reinvested earnings of foreign owners are excluded, the inflow of new investments in domestic production capacities in 2011 is estimated at only EUR 0.2bn, its lowest level so far.

The above indicators should be interpreted in the light of the fact that 2010 and 2011 were years of crisis and that the European countries that are traditionally the largest direct investors in Croatia were affected by financial and economic problems. Nevertheless, at the same time the amount of FDIs received by some countries in the region exceeded FDI inflows in Croatia by a large margin. The absence of more dynamic investments leads to the conclusion that Croatia continues to be burdened by limitations that diminish the interest of foreign investors. This box therefore highlights in short the main determinants on

⁴ Exchange rate and consumer price projections in the main trading partner countries were taken from the Consensus Forecasts and the EU Commission Forecast.

which FDI inflows depend.

Numerous research papers and expert surveys underscore the size, economic strength and consumer capacity of the market as the main determinants of FDI inflows. The general implication is that recipient countries with larger markets and faster economic growth will be more convenient for market-oriented FDIs, as well as for export-oriented ones, because larger markets can provide greater economies of scale and spill-over effects (OECD, 2000).⁵

The availability and cost of natural resources and raw materials of recipient countries are also very important factors for attracting investments. Countries with abundant and high-grade natural resources are interesting to investors, and the decision of an enterprise to pursue an investment activity is guided by the difference in the price of resources in originating countries and recipient countries, as well as in countries in the wider region which are potential competitors in terms of investment location. Total production costs are, inter alia, determined by transport infrastructure, i.e. transport connections in the country, and its position vis-à-vis the main global transport routes. In addition to the physical infrastructure, other important factors in terms of communication costs, information gathering and other aspects of business activities are the degree of the development of the technological infrastructure and knowledge of globally prevalent languages.

As for production costs, labour is the key factor for attracting foreign investments in most emerging markets. Investors aim to ensure quality labour forces at the smallest cost possible, i.e. they analyse labour costs in the context of productivity and workers' skills. The trade openness of the country and its access to international markets, as well as the abolishment of customs duties and other trade barriers are also important factors for attracting foreign investors.

The scope of investments is to a large degree also determined by the economic and political risk prevailing in the country, including macroeconomic, institutional and political stability (Bevan and Estrin, 2000).⁶ Macroeconomic stability relates to the sustainability of the growth and the stability of prices and the exchange rate. Institutional stability involves the high-quality functioning of government institutions, the lifting of administrative barriers that foreign investors face and the creation of an environment with the same business principles for both foreign and domestic entrepreneurs. Among institutional factors, great importance is ascribed to the organisation of the tax system. The stability of the political party that runs the country and suggests the changes, the relationship between the ruling party and the opposition as well as other factors such as the presence and deep-rootedness of corruption determine the degree of a country's political maturity.

Box 2 The impact of FDIs on the business efficiency of non-financial enterprises and exports of goods

It is considered that FDIs improve the business efficiency and export potential of a recipient and that they are therefore one of the ways to remove the internal and external imbalances many developed countries are often exposed to. This type of investment is marked by specific benefits, the most prominent being the transfer of advanced know-how and technology and easier access to foreign markets. As a result, this box estimates the benefits from the inflow of FDIs in Croatia, notably in the sector of non-financial enterprises.

In the analysis of the narrow aggregate, we have tried answer the three key questions: 1) are FDI receiving enterprises (i.e. FDI enterprises) in general more efficient than other similar enterprises (activities), 2) are FDI enterprises more oriented to goods exports than other enterprises (activities), and 3) have FDI enterprises coped better with the global crisis (2008 – 2010) than other enterprises (activities) in Croatia. The empirical analysis is based on data from the annual financial statements of entrepreneurs (legal persons, excluding sole entrepreneurs) and data on the trade in goods and FDIs in non-financial enterprises in Croatia in the period from 2002 to 2010. Data have been filtered to exclude from the base observations on those enterprises in which one of the three key variables for determining efficiency (revenues, number of employed persons and capital) equalled zero in a calendar year.

The developments in revenues, number of employed persons and exports, obtained from the filtered data, are shown in Figures 27 to 30 separately for greenfield (G) and brownfield (B) FDI enterprises and other (O) enterprises. The data suggest that FDI

enterprises, notably brownfield enterprises, are probably more efficient and more oriented to exports of goods than other enterprises. The share of FDI enterprises is the most pronounced in net exports of goods of all enterprises,⁷ then in exports of goods and revenues and finally in the number of employed persons. It also seems that FDI enterprises, particularly greenfield enterprises, have experienced a smaller fall in revenues, including revenues from exports, and a smaller fall in employment in the period of crisis.

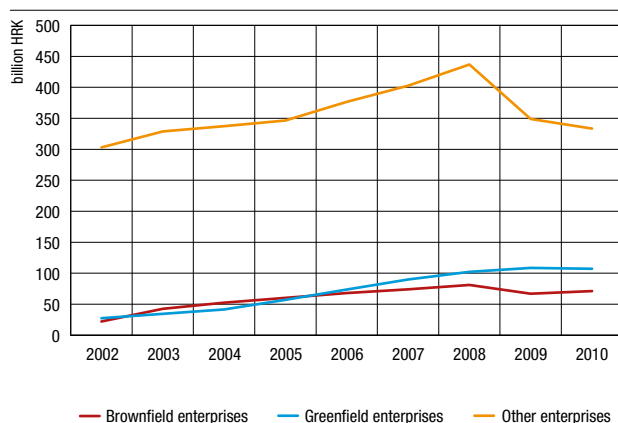
In order to analyse these questions formally, several linear regression models have been estimated using panel data on individual enterprises in Croatia in the period from 2003 to 2010. The dependent variable in each of the estimated models is the growth of revenues or the growth of goods exports. In the estimate of the efficiency of enterprises, the dependent variable is the growth of revenues due to the theoretical finding that more efficient enterprises increase their revenues more quickly. In the estimate of export-orientation, the growth of revenues has been replaced by the growth in the value of goods exports. Chosen for the independent variables are standard variables from the microeconomic theory that determine the efficiency of enterprises (the value of capital, labour force and materials used in the production in the relation to the revenues of enterprises), with the addition of the variables that measure the share of FDI enterprises in the pertaining activity, as well as indicator variables that indicate whether an enterprise is an FDI enterprise or not. In this manner the direct impact of FDI inflows in FDI enterprises and the horizontal impact of these inflows on other

5 OECD (2000): *Main Determinants and Impacts of Foreign Direct Investment on China's Economy*, Working Papers on International Investment, Directorate for Financial, Fiscal and Enterprise Affairs, December.

6 Bevan, A. A., and S. Estrin (2000): *The Determinants of Foreign Direct Investment in Transition Economies*, William Davidson Institute, Working Paper Number 342, October.

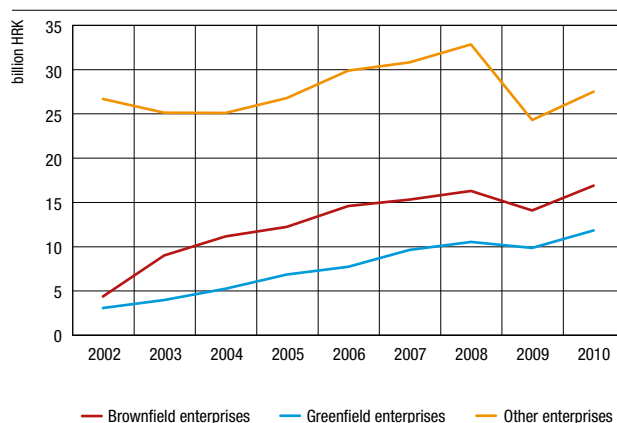
7 Exports are measured in two ways in the analysis, by using the value of exports and the value of net exports to offset the possible effect of re-exporting activities on the results.

Figure 27 Key indicators of enterprises' activity in Croatia – total revenues



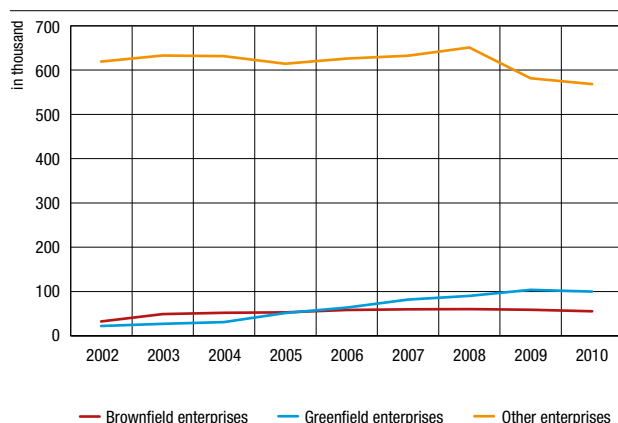
Sources: FINA and CNB calculations.

Figure 29 Key indicators of enterprises' activity in Croatia – value of goods exports



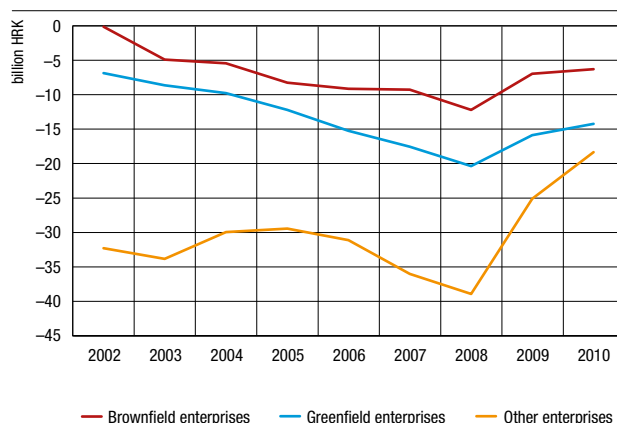
Sources: FINA and CNB calculations.

Figure 28 Key indicators of enterprises' activity in Croatia – average number of employed persons



Sources: FINA and CNB calculations.

Figure 30 Key indicators of enterprises' activity in Croatia – value of net goods exports



Sources: FINA and CNB calculations.

enterprises in the same activity are measured simultaneously. The interaction of the indicator variable for FDI enterprises (i.e. the variable measuring the share of FDI enterprise revenues in the pertaining activity) with the indicator variable for the period after 2007 was used to estimate the differential impact of the global crisis on FDI enterprises (i.e. all enterprises in activities with a similar share of FDI enterprise revenues).

The analysis also tried to answer the question whether the higher efficiency and export-orientedness of FDI enterprises, suggested by the main indicators in Figures 27 to 30, is exclusively the result of the fact that foreign investors have chosen more efficient and more export-oriented enterprises/activities. The probability of foreign direct investment in domestic enterprises has been thus included among independent variables (in both cases only for the period after 2002 due to the narrowness of the sample). This probability has been previously estimated in the independent probit model on the basis of typical features of enterprises/activities that are usually perceived attractive by foreign investors.

The results of the analysis, shown in Tables 5 and 6, indicate that FDI enterprises were more efficient than other enterprises in

Croatia in the period from 2003 to 2010. However, in contrast to the conclusion made on the basis of developments in Figures 27 to 30, the statistical analysis indicates that FDI enterprises were more affected by the global economic crisis than other enterprises in Croatia (Table 5), which should probably be attributed to the extremely negative impact of the crisis on the growth of goods exports of brownfield enterprises (Table 6).

To conclude, it seems that the growth of the Croatian potential for the exports of goods (Table 6) in the period from 2003 to 2010 did not generate the specific benefits usually ascribed to foreign investment. The exceptions are direct benefits from the growth of export capacities in cases when FDIs were made in export-oriented enterprises/activities, which, judging by aggregate and individual data, was a common occurrence in the reference period, notably in case of brownfield enterprises. Exports and revenues of greenfield enterprises also increased fast. All this might suggest that the development of a more efficient and more export-oriented economy in Croatia depends less on the amount of FDIs and more on well-designed investment (domestic or foreign) in certain types of enterprises and activities.

Table 5 Growth of enterprises' revenues in Croatia, 2003 – 2010

Dependent variable (Y): $\ln(\text{Revenue}(t)/\text{Revenue}_{(t-1)})$			
Number of periods: 7 (2004 – 2010) for models 1 and 2, and 6 (2005 – 2010) for model 3			
Independent variables ^{a, b}	Model 1 ^c	Model 2 ^d	Model 3 ^e
$Y_{(t-1)}$			0.429 (0.003)
Model constant	1.151 (0.000)	1.151 (0.000)	
FDI enterprise	0.026 (0.001)	0.026 (0.004)	
FDI enterprise during the crisis	-0.083 (0.000)	-0.083 (0.000)	
Brownfield enterprise	0.027 (0.133)	0.027 (0.224)	
Brownfield enterprise during the crisis	-0.042 (0.104)	-0.042 (0.179)	
Share of the FDI enterprise in the activity	-0.001 (0.000)	-0.001 (0.000)	0.003 (0.000)
Share of the FDI enterprise in the activity during the crisis	0.001 (0.000)	0.001 (0.000)	-0.003 (0.000)
Probability (brownfield enterprise)	-1.705 (0.000)	-1.705 (0.000)	-6.031 (0.000)
Probability (greenfield enterprise)	2.567 (0.000)	2.567 (0.000)	3.407 (0.000)
R ²	0.116	0.116	
Adjusted R ²	0.116	0.116	
SER	0.425	0.425	0.536
F	508	508	
p (F)	0.000	0.000	
Average (Y)	-0.007	-0.007	-0.005
s(Y)	0.452	0.452	0.369
J-statistics			479
Instrument rank			71
AIC	1.127	1.127	
SIC	1.130	1.130	
HQC	1.128	1.128	
DW	1.813	1.813	

^a Estimated coefficients with auxiliary variables which appear in all models have been omitted from the table. Auxiliary variables are: 1) indicators of MIGs, resident county, positive revenues, positive exports, positive net exports and positive operating result in the previous year, 2) values of the capital to revenue ratio, the employee expenses to revenue ratio, the tangible assets to revenue ratio, the natural logarithm of the number employed persons, the operating result, the percentage change in the number of employed persons in the previous year, and 3) the fixed effect for the observed year.

^b Values in the table are the estimated values of the coefficient and values in the bracket in the second row are the p-values of the estimate.

^c SUR under the assumption of heteroskedasticity and time correlation.

^d SUR under the assumption of heteroskedasticity and correlation between enterprises.

^e GMM with fixed effects for enterprises, with heteroskedasticity and time correlation.

Sources: FINA, CNB and CNB calculations.

Table 6 Growth of enterprises' goods exports in Croatia, 2003 – 2010

Dependent variable (Y): $\ln(\text{Exports}(t)/\text{Exports}_{(t-1)})$			
Number of periods: 7 (2004 – 2010) for models 1 and 2, and 6 (2005 – 2010) for model 3			
Independent variables ^{a, b}	Model 1 ^c	Model 2 ^d	Model 3 ^e
$Y_{(t-1)}$			0.960 (0.074)
Model constant	4.351 (0.000)	4.351 (0.000)	
FDI enterprise	-0.214 (0.007)	-0.214 (0.007)	
FDI enterprise during the crisis	-0.943 (0.000)	-0.943 (0.000)	
Brownfield enterprise	-0.176 (0.340)	-0.176 (0.340)	
Brownfield enterprise during the crisis	-0.616 (0.008)	-0.616 (0.008)	
Share of the FDI enterprise in the activity	-0.007 (0.000)	-0.007 (0.000)	-0.015 (0.001)
Share of the FDI enterprise in the activity during the crisis	-0.007 (0.000)	-0.007 (0.000)	0.004 (0.276)
Probability (brownfield enterprise)	-40.281 (0.000)	-40.281 (0.000)	2.602 (0.648)
Probability (greenfield enterprise)	43.370 (0.000)	43.370 (0.000)	72.656 (0.000)
R ²	0.277	0.277	
Adjusted R ²	0.277	0.277	
SER	4.040	4.040	6.655
F	1,479	1,479	
p (F)	0.000	0.000	
Average (Y)	0.035	0.035	0.005
s(Y)	4.750	4.750	4.362
J-statistics			7,798
Instrument rank			71
AIC	5.631	5.631	
SIC	5.633	5.633	
HQC	5.631	5.631	
DW	2.163	2.163	

Box 3 Real effective exchange rates of the kuna at the level of individual manufacturing activities and their impact on exports

Aggregate indices of real effective exchange rates can conceal changes in the conditions of export competitiveness due to the differences between economic activities, i.e., the structure of foreign trade, and divergent deflator trends. This box shows the calculation of real effective exchange rates of the kuna at the level of individual manufacturing divisions and an analysis of the impact of the exchange rate on each division's real goods exports.⁸

Indices of real effective exchange rates of the kuna for individual manufacturing activities are calculated by deflating

nominal bilateral kuna exchange rates by the corresponding relative producer prices in trading partners and domestic producer prices, and by aggregating the obtained indices of bilateral exchange rates based on the weights representing each country's significance in Croatia's exports.⁹ Indices at the level of individual manufacturing activities are calculated for the period from the beginning of 2000 to mid 2011 and for 21 (out of 23) manufacturing activities. Trends in real goods exports of individual activities (exports) and real effective kuna exchange rates for individual activities (IREER) are shown in Figures 31 through 51.

⁸ Real exports are obtained by deflating nominal export values in euro terms by a producer price index in a corresponding manufacturing activity.

⁹ The Croatian Bureau of Statistics does not publish data on Croatia's exports to trading partners by manufacturing activities. The source of data is therefore Eurostat. Data on EU member states' imports from Croatia are used instead of data on Croatia's exports to trading partners that are not published. Data are classified according to the Classification of Product by Activity (CPA). The CPA is a classification system where the goods are classified according to the activity where the goods are typically produced, as defined by the NKD.

Table 7 Cointegration test results, estimates of long-term elasticities and equilibrium adjustment parameters

Activity (code number)	Cointegration existence	β_{12} IREER	β_{13} Eurozone GDP	Constant	α_{11}
Manufacture of food products (10)	YES*	7.19 2.20 **	5.34 1.29 ***	-53.35	-0.38 0.20 *
Manufacture of beverages (11)	YES*	0.05 3.90	11.45 2.72 **	-48.31	-0.19 0.06 *
Manufacture of textiles (13)	YES***	11.12 1.40 ***	-2.35 0.53 ***	-35.83	-0.17 0.08 **
Manufacture of wearing apparel (14)	NO	3.34 1.21	-3.16 0.63	3.71	-0.20 0.07
Manufacture of leather and related products (15)	NO	-7.62 7.62	-9.90 9.90	85.31	-0.25 -0.08
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials (16)	YES***	-2.14 1.19 *	2.49 0.46 ***	3.02	-0.48 0.09 ***
Manufacture of paper and paper products (17)	YES**	1.67 0.43 **	1.61 0.22 ***	-10.51	-0.47 0.21 *
Manufacture of coke and refined petroleum products (19)	YES***	4.68 0.44 ***	-2.98 0.75 **	-3.59	-0.57 0.17 ***
Manufacture of chemicals and chemical products (20)	YES**	-1.51 0.78 **	3.97 0.80 ***	-6.83	-0.55 0.12 ***
Manufacture of basic pharmaceutical products and pharmaceutical preparations (21)	YES**	3.23 1.72	-2.33 0.75 **	0.50	-1.12 0.23 ***
Manufacture of rubber and plastic products (22)	YES***	4.48 0.23 ***	1.86 0.12 ***	-24.60	-0.62 0.17 ***
Manufacture of other non-metallic mineral products (23)	YES**	-1.37 0.69 *	2.64 0.63	-1.34	-0.32 0.11 *
Manufacture of basic metals (24)	YES***	2.41 0.44 ***	-1.94 1.35	2.54	-0.82 0.21 ***
Manufacture of fabricated metal products, except machinery and equipment (25)	YES**	9.24 1.30 ***	-1.61 1.75	-30.29	-0.21 0.08 **
Manufacture of computer, electronic and optical products (26)	YES***	-2.78 0.86 **	-0.27 1.84	19.25	-0.30 0.09 **
Manufacture of electrical equipment (27)	NO	6.36 2.01	18.95 4.87	-112.04	-0.08 0.12
Manufacture of machinery and equipment n.e.c. (28)	YES***	-3.02 0.57 ***	9.27 0.21 ***	-24.10	-1.49 0.40 ***
Manufacture of motor vehicles, trailers and semi-trailers (29)	YES**	0.90 1.37	6.43 2.72 *	-29.06	-0.38 0.10 ***
Manufacture of other transport equipment (30)	YES***	20.07 3.49 ***	-5.58 3.80	-61.85	-0.18 0.06 **
Manufacture of furniture (31)	YES**	-3.98 1.26 ***	2.45 0.75	11.74	-0.38 0.08 ***
Other manufacturing (32)	YES*	2.85 0.48 **	3.07 0.93 *	-22.93	-0.81 0.31 **

Note: *, ** and *** mean the rejection of the hypothesis that cointegrating parameters or adjustment parameters in the equation of exports are equal zero at the significance of 1%, 5% and 10%, i.e. the significance of the existence of the cointegrating link at 1%, 5% and 10% levels respectively. The significance level is not shown for the constant member. Red denotes the groups of products for which the cointegrating link could not be found, other colours denote the groups of products for which one cointegrating vector was found (blue denotes the groups in which all cointegrating parameters are significant and green denotes the groups in which one of the parameters is not significantly different from zero).

Source: CNB calculations.

The impact of the exchange rate on exports was examined using the vector error correction model (VECM). An analysis was made of the impact of the indices of real effective kuna exchange rates for individual activities and real GDP in the eurozone, as an indicator of foreign demand for Croatia's exports, on the real exports of individual activities. The VECM method enables the finding of long-term equilibrium links between the variables, the speed of adjustment to long-term equilibrium and the estimate of other relevant short-term parameters. Long-term equilibrium refers to the estimates of price and income elasticities of exports, that is, to the impact of the exchange rate and foreign demand on exports. Equilibrium adjustment parameters are the parameters that measure the number of periods (quarters) required to restore long-term equilibrium (once it has been departed from). All the data containing seasonal components were seasonally adjusted and used on a logarithmic scale. The results of the Dickey-Fuller test show that all series in the levels are first-order integrated, with the exception of real exports in the manufacture of electrical equipment, which is second-order integrated.

Table 7 shows the results for each of the activities analysed. The first column shows activity names and codes. The next three columns show the estimates of the normalised cointegrating parameters, interpreted as elasticities in the function of demand for Croatia's exports of an individual activity. The last column shows the results of the estimate of equilibrium adjustment parameters in the equation of exports.

A statistically significant long-term link between the variables was established for the manufacture of food products (code 10), textiles (13), wood and of products of wood and cork, except furniture (16), paper and paper products (17), coke and refined petroleum products (19), chemicals and chemical products (20), rubber and plastic products (22), machinery and equipment (28) and for other manufacturing (32), whereas adjustment parameters in all export equations have anticipated negative signs. The real effective exchange rate of the kuna parameter is statistically significant in another six activities (the manufacture of other non-metallic mineral products (23), basic metals (24), fabricated metal products (25), computer, electronic and optical products (26), other transport equipment (30) and furniture (31)), whereas the foreign income parameter is not significant. The significantly negative sign for the adjustment parameter was also estimated in that case. The long-term link between the variables could not

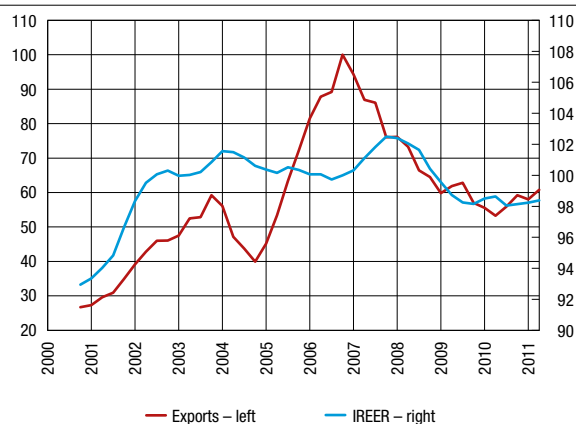
be found only for three activities (the manufacture of wearing apparel (14), leather and related products (15) and electrical equipment (27)).

Out of the fifteen significant exchange rate elasticities of exports, nine have common positive signs (the manufacture of food products (10), textiles (13), paper and paper products (17), coke and refined petroleum products (19), rubber and plastic products (22), basic metals (24), fabricated metal products (25), other transport equipment (30) and other manufacturing (32)), which means that a real effective depreciation of the kuna exchange rate (the nominal effective depreciation of the kuna exchange rate, and/or a decrease in Croatian product prices, and/or an increase in trading partners' product prices) for a specific activity results in an increase in exports of that activity. For the remaining six activities, the signs for these elasticities were negative, which means that the real effective appreciation of the kuna exchange rate leads to an increase in demand for exports of these activities. Excluding other transport equipment, because it includes ships, which is a specific category due to the high prices per unit of product and strong volatility of the export series, the highest positive elasticity (11%) was estimated for the manufacture of textiles (13). In contrast, negative elasticities are the most significant (approximately -4%) in the manufacture of furniture (31) (foreign GDP is statistically insignificant in this relationship) and the manufacture of machinery and equipment (28), amounting to -3%.

There is a statistically significant link between income elasticities in twelve activities. Nine out of these twelve elasticities have anticipated positive signs, which indicates that an increase in eurozone income leads to an increase in demand for Croatia's exports of products in the corresponding activity (the manufacture of food products (10), beverages (11), wood and of products of wood and cork, except furniture (16), paper and paper products (17), rubber and plastic products (22), chemicals and chemical products (20), machinery and equipment (28), motor vehicles, trailers and semi-trailers (29), other manufacturing (32)). The largest elasticity (11.45%) was estimated for the manufacture of beverages (11), which means that demand for these products will increase by more than 11% if eurozone GDP grows by 1%.

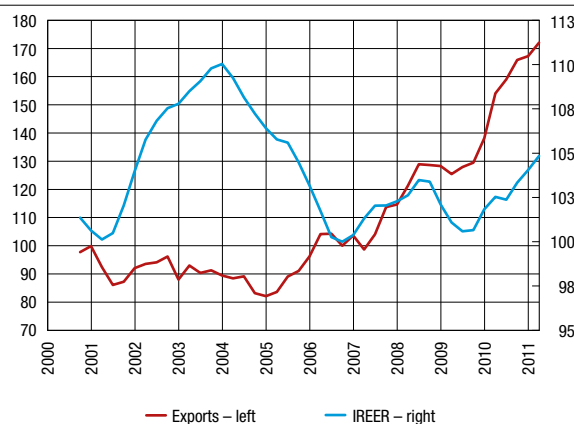
The slowest adjustment to equilibrium was observed in the manufacture of textiles (13), where the parameter is -0.17. This means that demand for exports will take on average six quarters

Figure 31 Real effective exchange rate of the kuna and exports in the manufacture of food products (10)
moving average of four consecutive quarters, 2006 = 100



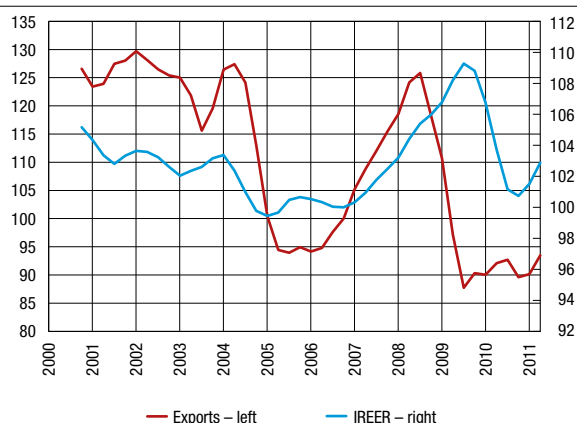
Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.
Source: CNB calculations.

Figure 32 Real effective exchange rate of the kuna and exports in the manufacture of beverages (11)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.
Source: CNB calculations.

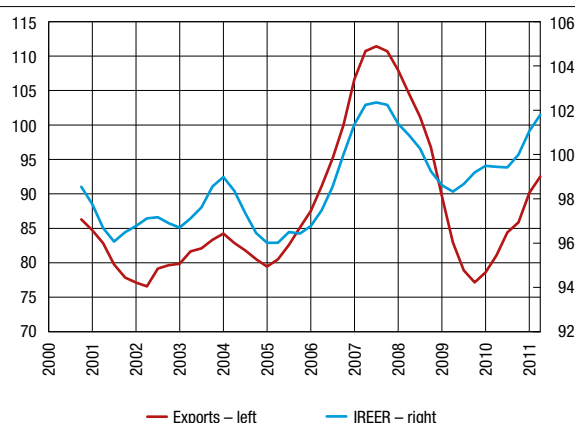
Figure 33 Real effective exchange rate of the kuna and exports in the manufacture of textiles (13)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

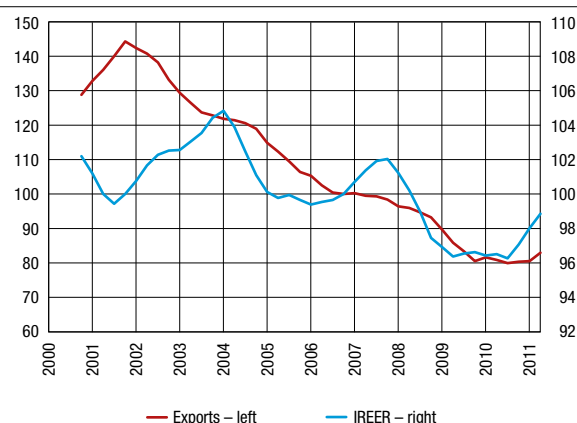
Figure 36 Real effective exchange rate of the kuna and exports in the manufacture of wood and of products of wood and cork, except furniture (16)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

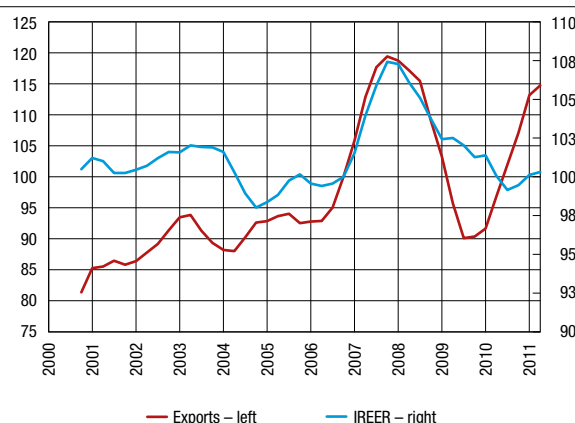
Figure 34 Real effective exchange rate of the kuna and exports in the manufacture of wearing apparel (14)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

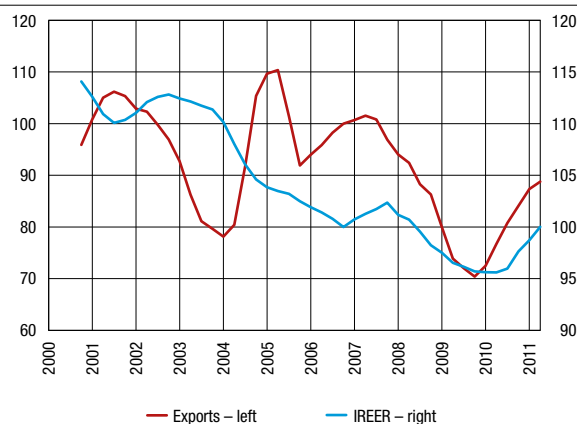
Figure 37 Real effective exchange rate of the kuna and exports in the manufacture of paper and paper products (17)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

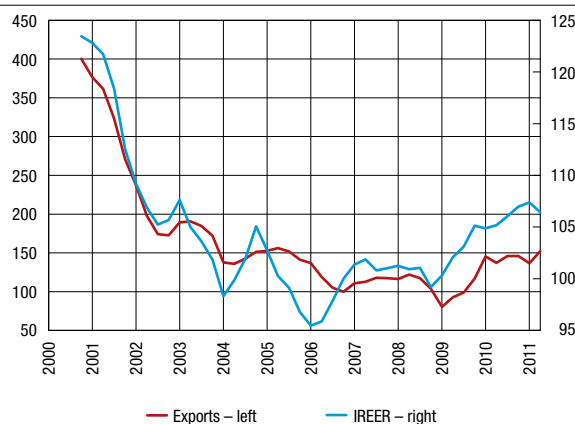
Figure 35 Real effective exchange rate of the kuna and exports in the manufacture of leather and related products (15)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

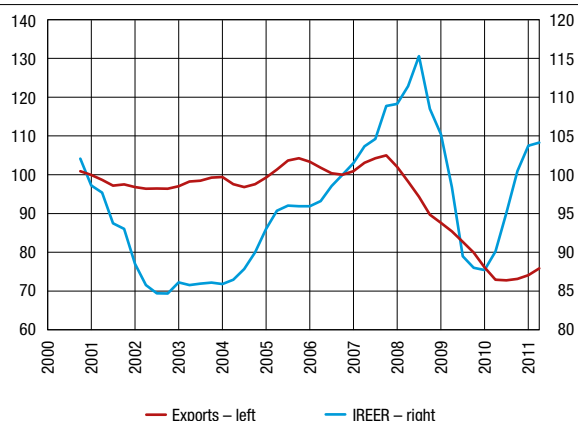
Figure 38 Real effective exchange rate of the kuna and exports in the manufacture of coke and refined petroleum products (19)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

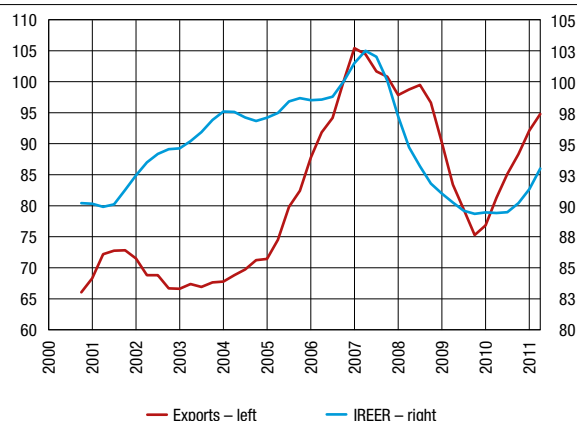
Figure 39 Real effective exchange rate of the kuna and exports in the manufacture of chemicals and chemical products (20)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

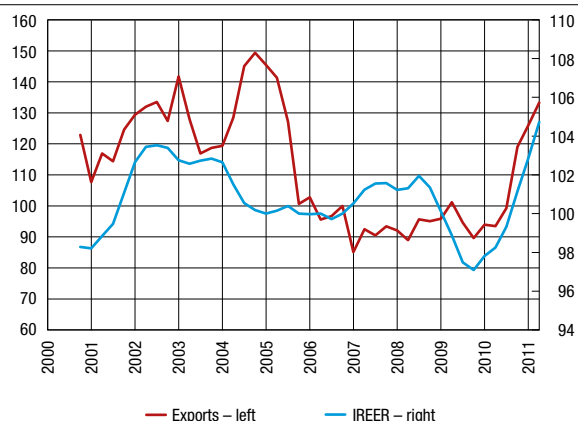
Figure 42 Real effective exchange rate of the kuna and exports in the manufacture of other non-metallic mineral products (23)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

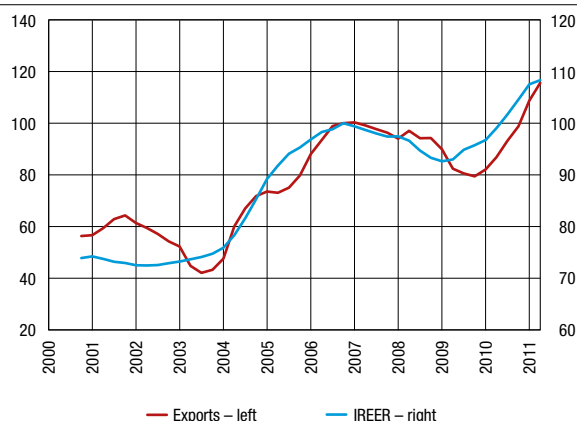
Figure 40 Real effective exchange rate of the kuna and exports in the manufacture of basic pharmaceutical products and pharmaceutical preparations (21)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

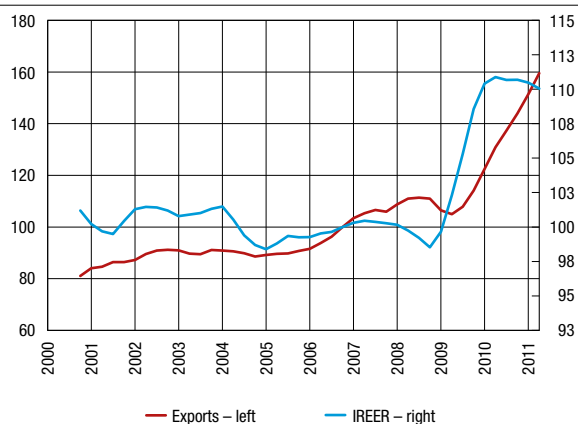
Figure 43 Real effective exchange rate of the kuna and exports in the manufacture of basic metals (24)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

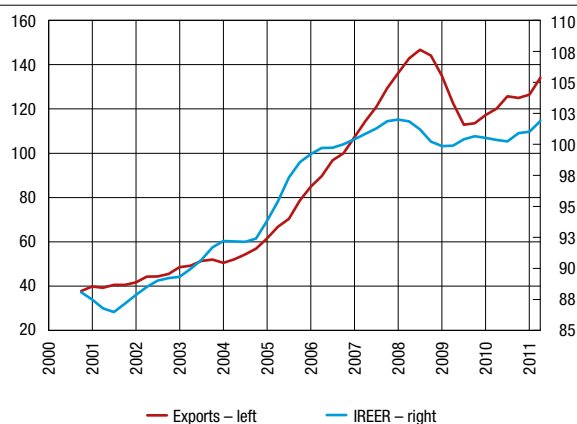
Figure 41 Real effective exchange rate of the kuna and exports in the manufacture of rubber and plastic products (22)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

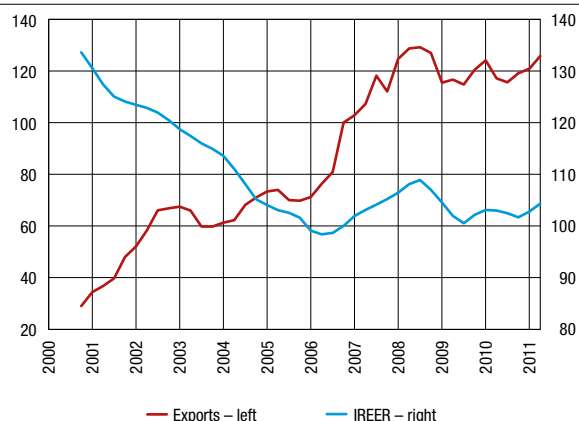
Figure 44 Real effective exchange rate of the kuna and exports in the manufacture of fabricated metal products, except machinery and equipment (25)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

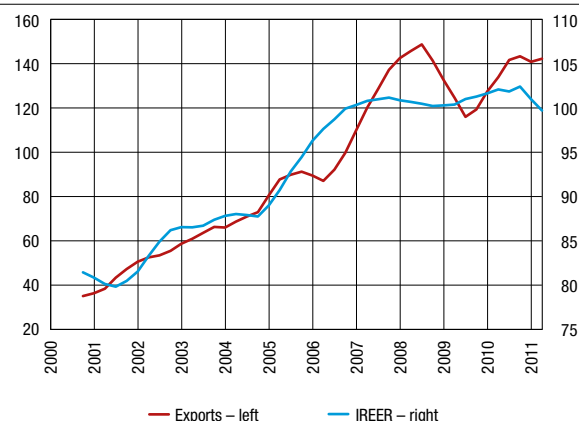
Figure 45 Real effective exchange rate of the kuna and exports in the manufacture of computer, electronic and optical products (26)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

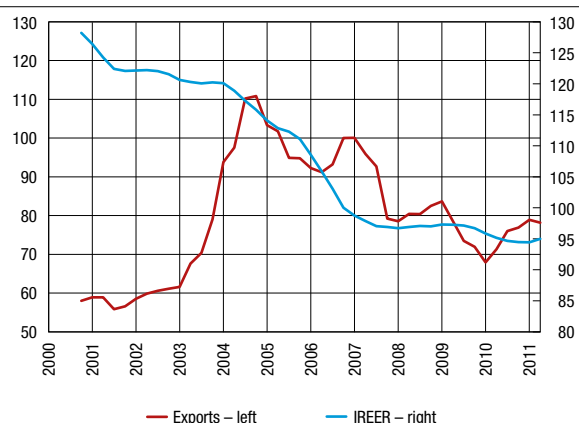
Figure 48 Real effective exchange rate of the kuna and exports in the manufacture of motor vehicles, trailers and semi-trailers (29)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

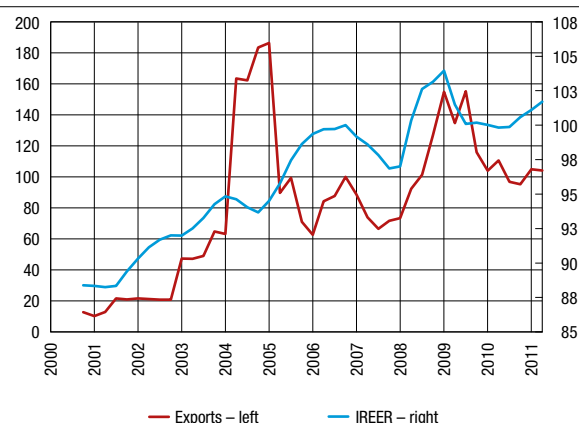
Figure 46 Real effective exchange rate of the kuna and exports in the manufacture of electrical equipment (27)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

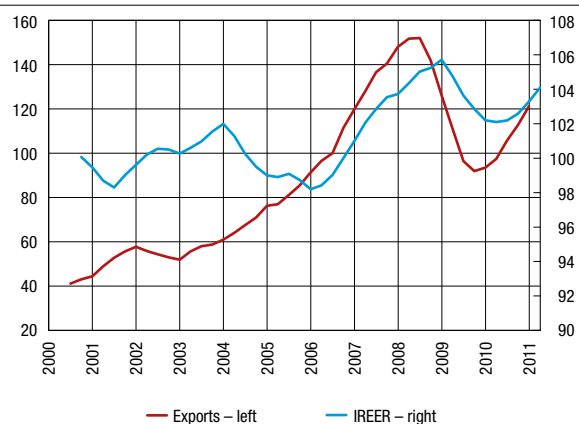
Figure 49 Real effective exchange rate of the kuna and exports in the manufacture of other transport equipment (30)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

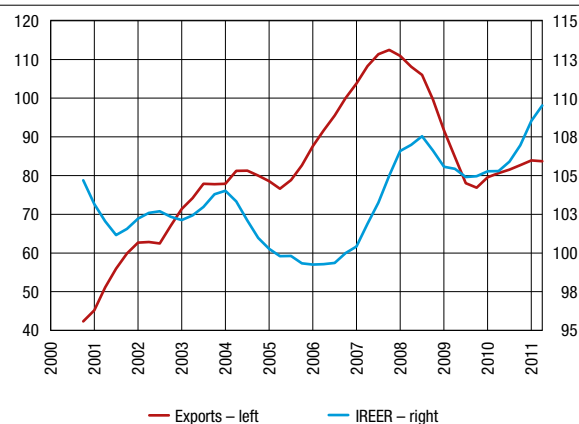
Figure 47 Real effective exchange rate of the kuna and exports in the manufacture of machinery and equipment n.e.c. (28)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

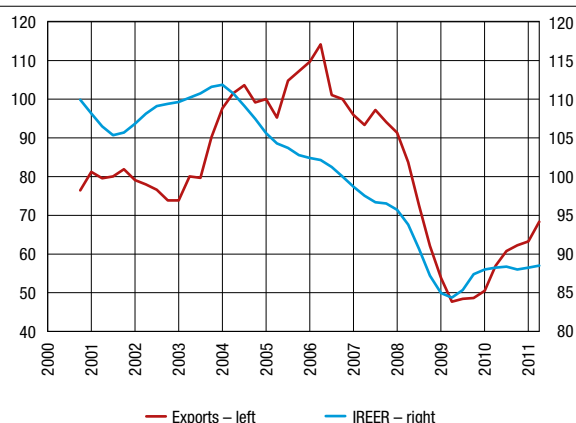
Figure 50 Real effective exchange rate of the kuna and exports in the manufacture of furniture (31)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

Figure 51 Real effective exchange rate of the kuna and exports in other manufacturing (32)
moving average of four consecutive quarters, 2006 = 100



Note: A fall in the index of the real effective exchange rate of the kuna (IREER) denotes an appreciation.

Source: CNB calculations.

($1/0.17 = 5.88$) to return to equilibrium if it is below or above long-term equilibrium. The fastest adjustment parameter was estimated for the manufacture of machinery and equipment (28), where exports take on average less than one quarter to establish equilibrium.

7 Financing conditions and capital flows

Financing conditions

Domestic sectors' financing conditions deteriorated in the second half of 2011. Particularly noteworthy was the jump in the costs of government financing in the domestic and foreign markets. Interest rates on one year T-bills nearly doubled from June to October, reflecting somewhat lower liquidity in the banking system and the spillover effect of the increased risk perception of Croatia in the international bond market. Although the government did not borrow on the international market after the July issue of bonds, the costs of long-term government borrowing abroad, measured by the EMBI index for Croatia, grew sharply from August to November.

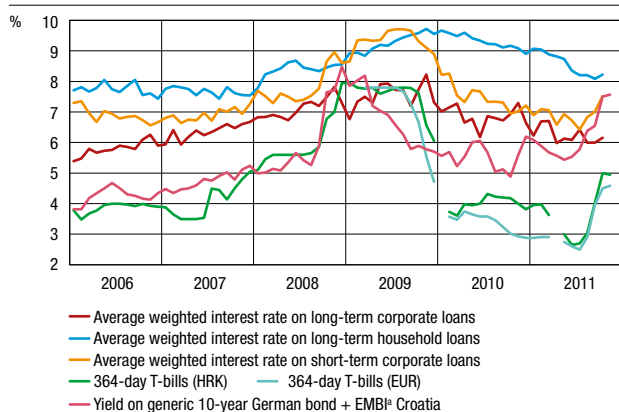
The downward trend in the costs of corporate borrowing, which persisted for almost two years, came to a halt in the third and early fourth quarters of 2011. The costs of short-term borrowing grew by almost one percentage point from end-June to

October. With a time lag, a somewhat less intense increase was recorded in the costs of long-term borrowing. Similar trends were observed in the costs of long-term household financing.

Harsher conditions in the international debt market in the second half of 2011 led to a noticeable increase in the required yields on government bonds of peripheral eurozone countries and a hike in CDS spreads on bonds issued by parent banks of the five largest domestic banks. In the long run, this could push up funding costs for their clients in the Croatian market.

Less favourable financing conditions in the second half of the year affected the trends in total placements to the corporate sector. Total corporate financing slackened considerably in mid-year and continued to grow slowly in the third quarter of 2011. This was due not only to a slowdown in the rise of domestic bank placements, from 2.6% in the second to 0.8% in the third quarter, but also to the steady decrease in foreign financing, i.e.

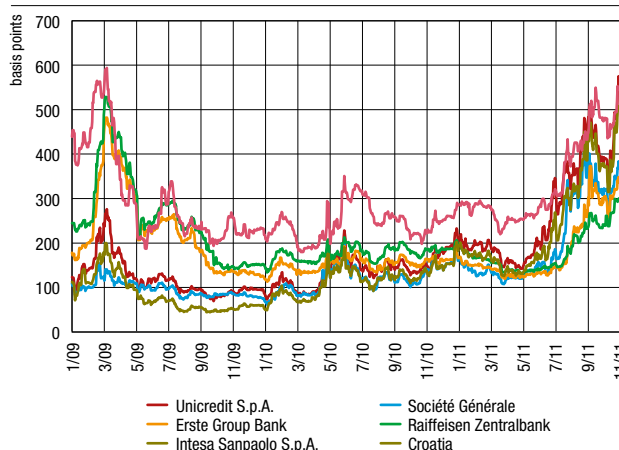
Figure 52 Costs of domestic and foreign financing



^a EMBI (Emerging Market Bond Index) is the spread between yields on government securities of emerging markets, including Croatia, and risk-free securities of developed countries.

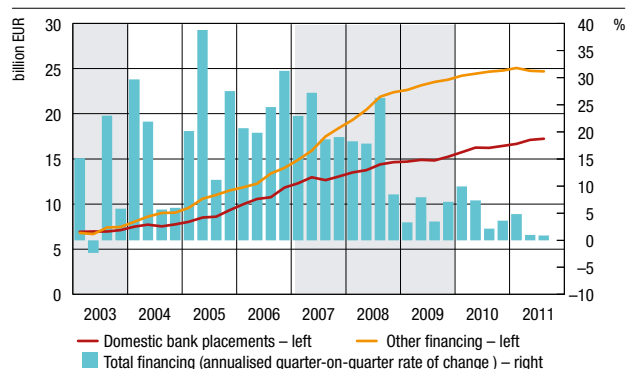
Sources: CNB, MoF and Bloomberg.

Figure 53 CDS spreads for Croatia and selected parent banks of domestic banks



Source: Bloomberg.

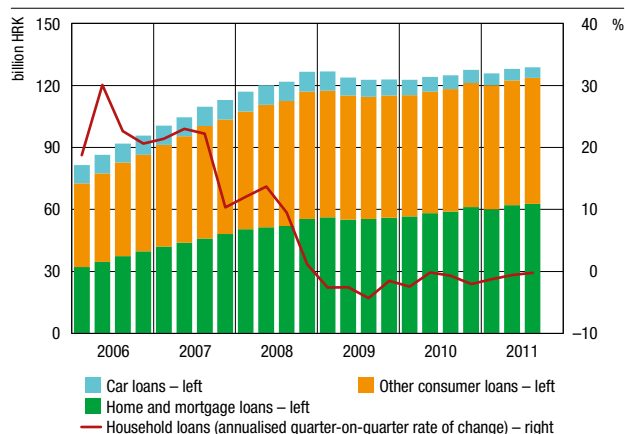
Figure 54 Corporate financing by sources



Note: Other financing includes corporate borrowing from domestic leasing companies and direct borrowing from the CBRD, as well as borrowing from foreign banks and affiliated enterprises abroad. Shaded areas denote periods when banks whose placement growth was in excess of the permissible limit were obliged to purchase compulsory CNB bills. The rate of change in total financing is calculated from seasonally adjusted values.

Sources: HANFA, CNB and CNB calculations.

Figure 55 Household loans by purpose



Note: Quarter-on-quarter rates of change in loans are calculated from values excluding the exchange rate effect.

Source: CNB.

enterprises continued their external deleveraging. Though economic activity is expected to hold steady in 2012 as a result of fiscal consolidation and lower personal consumption, investment should start to recover. Bank lending to the corporate sector is expected to record moderate growth, similar to that estimated for 2011. Corporates will probably use some of the funds borrowed in the domestic market to reduce their external debt. Assuming that fiscal consolidation is achieved, a boost to placement growth should also come from the stabilisation of financing costs at a lower and more favourable level than in the second half of 2011.

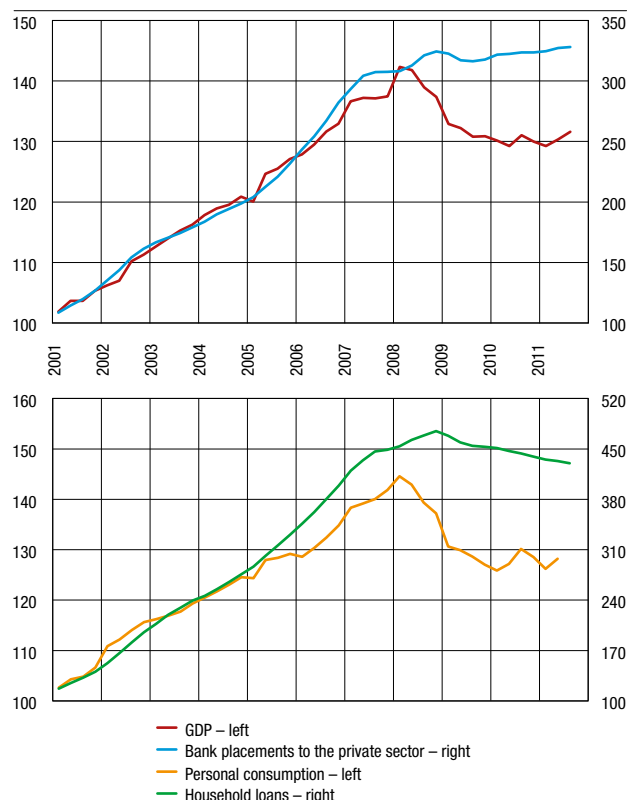
Household loans continued to stagnate at the level reached in mid-2010. This was due to unfavourable economic trends, particularly in the labour market, as well as uncertainties about future developments and high borrowing costs. No major recovery in household loans is expected in 2012 as it takes some time for increased investment and corporate activity to affect the labour market positively and increase household optimism about future income and consumption.

In line with the described movements in household and corporate financing, total bank placements to the private sector grew only moderately in the first ten months of 2011. Although monetary policy supported the high liquidity in the domestic financial system in an environment of external restrictions, lending to the private sector failed to gain considerable momentum. Croatia thus stands apart from other comparable countries, both those that recorded credit growth and economic recovery and those that recorded a slight real economic recovery despite lending contraction (a more detailed account of the importance of credit growth for economic recovery in Croatia is given in Box 4 Importance of credit growth for economic recovery in Croatia).

Downside risks prevail as regards the expected financing of domestic sectors in 2012. Negative expectations and slower economic recovery could reduce domestic demand for loans. On the supply side, the risk aversion of banks could grow due to the steady increase in the non-performing loans ratio, which may in turn adversely affect banks' financial results and loan prices. There is also an issue of funding availability for domestic banks from their foreign parent banks in view of the steep prices they have to pay in the global market. These prices will affect the price of funds placed to their Croatian subsidiaries. An additional risk lies in possible decisions of foreign banks, such as the decision of the Austrian central bank to limit the placement

Figure 56 Relation between bank lending and real sector developments

index, 2000 = 100, real seasonally adjusted values



Note: Placements to the private sector and household loans were deflated by the consumer price index.

Sources: CBS and CNB.

growth of the branches of Austrian banks in Central and Eastern Europe. Furthermore, should the government need to borrow more than expected in the domestic market, it would squeeze the private sector out of the domestic credit market.

Financing conditions for domestic sectors in 2012 and 2013 are extremely uncertain. The situation in the global financial market shows high risk aversion, primarily due to the sustainability problem of public finances in a growing number

of countries. Such trends indicate that an improvement in financing conditions for the Croatian government and the private sector may be expected only when public finances are brought within sustainable limits. The expected reduction in the budget deficit in 2012 and the creation of the preconditions for long-term economic growth should lead to a gradual slide in interest rates and consequently strengthen private sector demand for loans in 2013.

Foreign capital flows

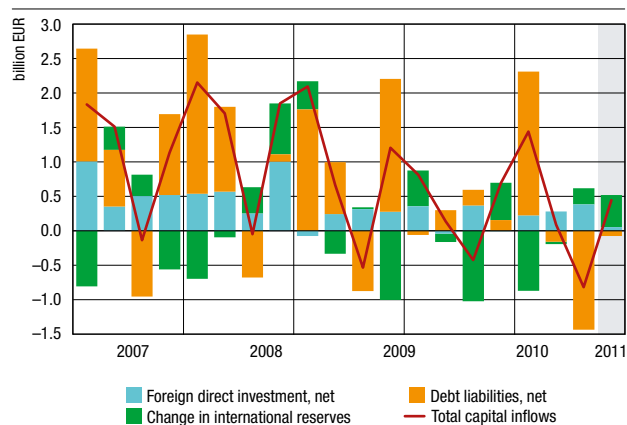
In the first nine months of 2011, the capital and financial account saw net capital inflows of EUR 1.4bn (operations in international reserves excluded). These inflows mostly reflected asset withdrawals and borrowing of banks in the first half of the year. The deterioration in the net foreign position of banks was mitigated over the summer months when banks used foreign exchange receipts from tourism to increase their foreign assets and repay debts. As a result of relatively strong borrowing, the foreign position of the central government deteriorated by EUR 0.8bn from the beginning of the year. This confirmed a continuation of the strong upward trend in government debt witnessed since 2009. By contrast, the corporate sector deleveraged and thus improved its net foreign position. The deleveraging process is no longer observed only in non-banking financial institutions, which have been deleveraging for a while, but is also noticeable in private and public enterprises. As some funds also came from direct investment, total foreign capital inflows were sufficient to cover current needs. This increased international reserves by EUR 0.7bn, as in the first three quarters of 2010.

Foreign direct investment in Croatia remained relatively

modest in 2011. Direct investment in Croatia amounted to EUR 1bn in the first three quarters of 2011, slightly more than in the same period of the previous year. However, only a small fraction of this amount was invested in new production capacities, while the bulk was used for the repayment of debt to foreign creditors. In addition, some foreign investors exchanged their debt claims for holdings in domestic enterprises, which increased equity investment and reduced external debt. Excluding such transactions, 2012 could witness growth in direct investment. The completion of Croatia's EU entry talks coupled with higher cost and price competition may raise foreign direct investment to 3% of GDP in the medium run. However, there are still serious risks that foreign owners of domestic corporates and banks withdraw a major part of current or accumulated profit.

Further growth in external debt of the central government and corporates is unlikely in the last quarter of 2011, while foreign liabilities of banks will edge up. The stock of debt to affiliated enterprises should fall after an additional portion of debt claims is exchanged for holdings. Croatia's total external debt is projected at EUR 45.8bn at end-2011, 99% of GDP and 250% of exports of goods and services. Against a backdrop of economic stagnation in 2012, one should not expect strong debt growth. The only exception is the central government whose pace of borrowing will depend on fiscal consolidation. Banks are expected merely to refinance their maturing liabilities, without increasing debt, while corporate deleveraging should continue. Coupled with a slight increase in nominal gross domestic product, relative indicators of gross and net external debt should stabilise at current levels in 2012, with similar trends expected to continue in 2013.

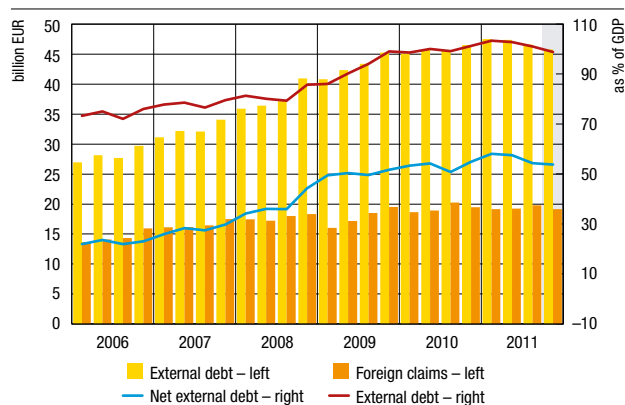
Figure 57 Foreign capital flows



Note: A negative change in international reserves denotes their growth. Shaded areas denote projected values.

Source: CNB.

Figure 58 Gross and net external debt



Note: Foreign claims include international reserves and foreign assets of banks and other domestic sectors based on debt instruments. Net external debt is calculated as the difference between external debt and bank foreign claims. Shaded areas denote projected values.

Source: CNB.

Box 4 Importance of credit growth for economic recovery in Croatia

The importance of bank credit growth for both real economic growth and faster recovery after crises is widely acknowledged in economic theory and practice. However, the recent crisis and its aftermath showed that economies sometimes recover even without credit growth (credit-less recovery). Such economies are characterised by smaller investment and slower growth in domestic product. Empirical research shows that the probability of a credit-less recovery increases if the crisis is preceded by a credit boom, if private sector indebtedness is high and the country is reliant on foreign capital inflows. As this type of recovery occurs in one out of four to five countries,¹⁰ this box aims at assessing the probability of a credit-less recovery in Croatia.

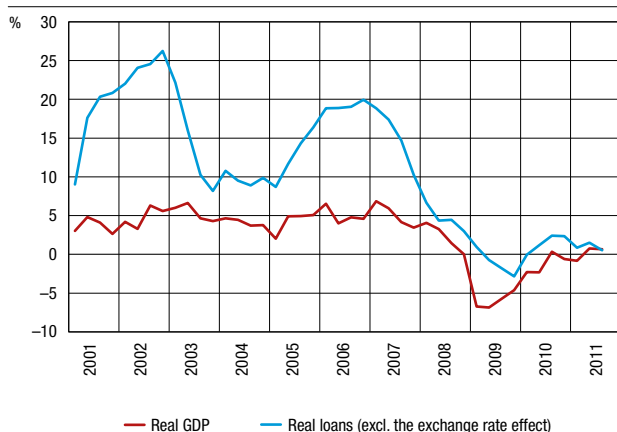
An analysis of correlations between annual rates of growth in real GDP and real bank loans to the private sector in Croatia was made to establish whether historical data indicate that credit growth lags behind GDP growth.¹¹ If the correlation for lagged loans is high and if the correlation between the same variables for loans with leads is low, this may suggest that loan

not lagged time periods. The correlation for loans with one lead is also robust, suggesting that loan growth precedes economic recovery, i.e. more dynamic real growth in Croatia.

The probability of a credit-less recovery in Croatia may be estimated by using the results from panel probit models given in the study by Bijsterbosch and Dahlhaus.¹² The estimated coefficients of the determinants of credit-less recoveries used in the study allow an assessment of the probability of a credit-less recovery in Croatia by using independent variables. The determinants of the model are the annual real GDP growth rate, credit-to-GDP ratio, current account deficit-to-GDP ratio and annual rates of growth in investment and exports. The probit model of the authors uses the value of variables from the previous year to assess the probability in a particular year. Therefore, the probability of a credit-less recovery in 2012 and 2013 may be calculated by using estimated values from the CNB monetary projection. Results of the estimation show that the probability of a credit-less recovery in Croatia in 2012 and 2013 is below 5%,

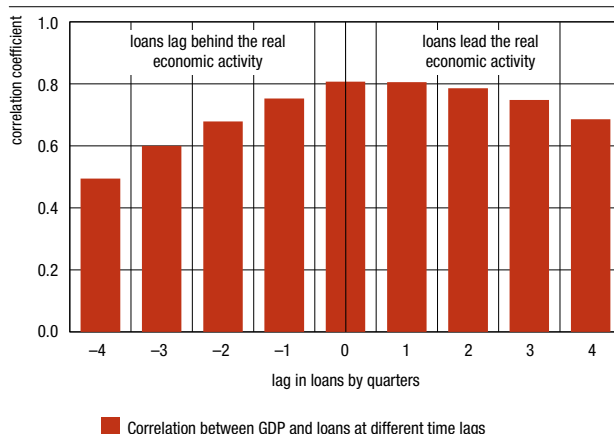
Figure 59 Developments in the year-on-year rate of change in real bank loans to the private sector and real GDP in Croatia

year-on-year rate of change



Sources: CBS, CNB and CNB calculations.

Figure 60 Correlation (at different time lags) between the year-on-year rate of change in real bank loans to the private sector and real GDP in Croatia



Sources: CBS, CNB and CNB calculations.

developments lag behind real product developments, i.e. that one may expect a period of recovery without any credit growth. However, the data indicate that the correlation between annual rates of growth in GDP and real loans in Croatia, calculated for the period from 2001 to 2011, is the strongest for the same and

which indicates the great importance of credit growth for economic recovery in Croatia. This justifies CNB efforts to spur a faster recovery of private sector credit and, as a final result, economic recovery by maintaining ample liquidity.

10 Abiad, A., B. Li, and G. Dell'Ariccia (2011): *Creditless Recoveries*, IMF Working Papers, International Monetary Fund; and Bijsterbosch, M., and T. Dahlhaus (2011): *Determinants of Credit-Less Recoveries*, ECB Working Paper Series, European Central Bank.

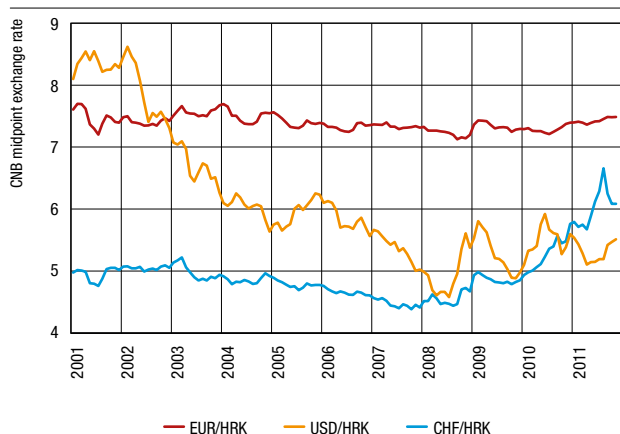
11 In the CNB Publication Financial Stability No. 6 of January 2011, Box 2 Credit dynamics and economic activity argues that in analysing credit dynamics and economic activity it is better to observe the correlation with the change in newly-granted loans. By contrast, this box focuses on developments in the level of loans, or more precisely, their growth rates. This is in line with the literature that motivated this box.

12 Bijsterbosch, M., and T. Dahlhaus (2011).

8 Monetary policy

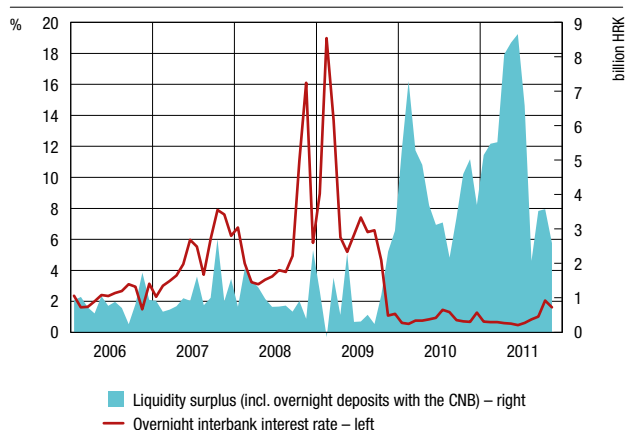
With its policy of sustaining the high liquidity of the domestic banking system, the CNB has for quite a while attempted to influence the conditions of financing on the domestic market and kick-start stronger bank lending. At the same time, the central bank kept up its policy of maintaining the stability of the exchange rate of the domestic currency. In this context, the CNB conducted foreign exchange interventions in the third quarter of 2011 and raised the reserve requirements rate in October of 2011, thus withdrawing some of the surplus kuna liquidity from the monetary system and halting further depreciation pressures on the domestic currency. Even though the central bank will continue to support good liquidity in the domestic financial market in the near future for so long as it does not pose a threat to exchange rate stability, the developments so far indicate that there are limits to the notion that expansive monetary policy alone can contribute to the rekindling of credit and, by the same vein, real activity.

Figure 61 Nominal exchange rates EUR/HRK, CHF/HRK and USD/HRK



Source: CNB.

Figure 62 Bank liquidity and overnight interbank interest rate



Source: CNB.

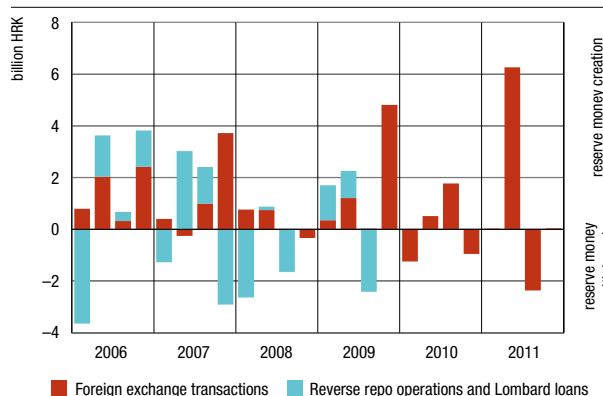
The exchange rate of the kuna against the euro did not fluctuate much during the fourth quarter and ranged around HRK 7.50/EUR. As regards the exchange rate of the kuna against other major global currencies, no big changes were reported towards the end of 2011. In 2012, we expect to see a similar development in the exchange rate of the kuna against the euro and its usual seasonal fluctuations, with the CNB standing ready to curb any excessive volatility of the exchange rate by means of foreign exchange interventions and other monetary policy instruments available to it.

The liquidity of the domestic banking system declined in the second half of 2011 compared to the first six months of the year, but it was nevertheless very good. The CNB withdrew a total of HRK 5.7bn by means of foreign exchange interventions in July and September and an increase in the reserve requirements rate in October. Nevertheless, the average surplus kuna liquidity, including overnight deposits with the central bank, was high, standing at HRK 2.6bn in November. Interest rates on the interbank market rose only slightly, with overnight trading rates rising from exceptionally low and stable levels of below 1% in the first half of the year to the average 1.6% in November 2011.

Looking at the first eleven months of 2011, foreign exchange transactions of the central bank constituted the main flows for the creation of reserve money (M0). With its foreign exchange transactions, the central bank created net HRK 4.0bn in this period. The increase in reserve money can also be attributed to a change in the reserve requirement rate and, to a lesser extent, to short-term liquidity loans that some banks resorted to in November (HRK 0.1bn). The use of liquidity loans was the result of demand for additional liquidity from a number of smaller banks facing deposit outflows, following the compulsory winding-up of Credo banka d.d. Split. In addition to making available short-term liquidity loans, the CNB made it possible for banks struggling with liquidity problems to use HRK 0.2bn in allocated reserve requirements, provided they met the set special requirements.

The expectations are that foreign exchange transactions of the central bank will again constitute the main flow of reserve money creation. Also, after an over two-year long break, in 2012

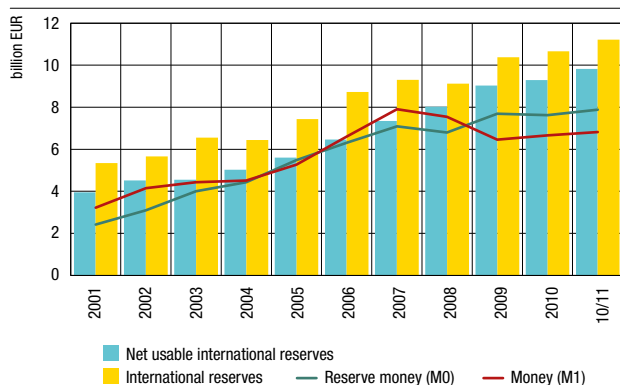
Figure 63 Flows of reserve money (M0) creation



Note: Foreign exchange transactions include the purchase of foreign exchange from and the sale of foreign exchange to banks and the MoF and foreign currency swaps with banks, where the positive values refer to the purchase of foreign exchange by the CNB. Data for the fourth quarter of 2011 refer to October and November.

Source: CNB.

Figure 64 International reserves of the CNB and monetary aggregates



Note: The most recent data available for M1 refer to the end of October 2011. Net usable international reserves are defined as international reserves net of foreign liabilities, reserve requirements in f/c, general and special SDR allocations in 2009, government foreign currency deposits and off-balance sheet liabilities (swaps).
Source: CNB.

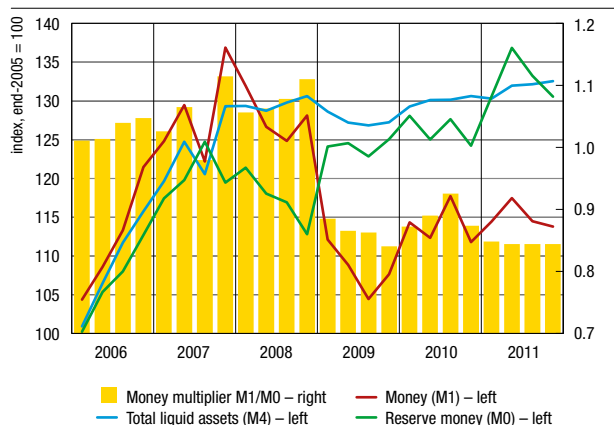
we might see a reintroduction by the CNB of regular reserve re-operations.

In the first eleven months of 2011, gross international reserves of the CNB rose by EUR 760m, reaching EUR 11.4bn at the end of November (exceeding the value of money and reserve money). Such a level of reserves is appropriate for a highly-euroised banking system and it also ensures the country's external liquidity. Gross reserves are expected to continue to increase in 2012.

The absence of recovery in the real sector of the economy and poor credit activity of banks influenced developments in the monetary aggregates in 2011. In the fourth quarter of 2011, the real seasonally adjusted value of total liquid assets continued to trend upwards slightly, while money and reserve money, with seasonal effects included, declined in real terms. Money multiplier remained stable throughout the year, showing that the system's high primary liquidity did not spill over to growth in other monetary aggregates.

No big changes are expected to take place in monetary and credit aggregates in 2012 compared to 2011. The growth in total bank placements is expected to slow down as a result of smaller financing needs of the central government due to fiscal

Figure 65 Monetary aggregates and money multiplier index of developments in seasonally adjusted real values, deflated by the consumer price index



Note: The most recent data available for monetary aggregates refer to the end of October 2011.
Source: CNB.

consolidation efforts, while the dynamics of private sector financing is expected to remain the same as in 2011. Total liquid assets are expected to grow a little faster because the outflow of corporate foreign currency deposits, particularly strong in early 2011, is not expected to take place in 2012. In terms of the structure of the broadest monetary aggregate, money (M1) and household foreign currency deposits are expected to grow the most.

The monetary policy of the CNB in 2013 will again be based on the maintenance of a stable nominal exchange rate for the domestic currency. A high level of euroisation of the domestic economy and a high level of external debt are the main features characterising the Croatian economy, which will not change over a short-term and call for exchange rate stability as a precondition for maintaining total macroeconomic stability. The conditions on the global financial market, foreign capital inflows and outflows, as well as the condition in which the domestic financial and real sector find themselves, may present obstacles to the central bank in the pursuit of such a policy, making it evident that there is no alternative to the fiscal consolidation and the necessary structural reforms that are expected to take place in 2012.

9 Public finance

Fiscal developments in the first nine months of 2011 did not depart significantly from the plans. The CNB estimates that the general government overall fiscal deficit could be about 5.7% of the estimated GDP, while public debt could be around 45% of the projected GDP at end-December 2011. This means that the deficit and public debt of the general government have been growing strongly for three consecutive years (public debt increased by 16 percentage points from end-2008), which points to the need for a reversal in public finances.

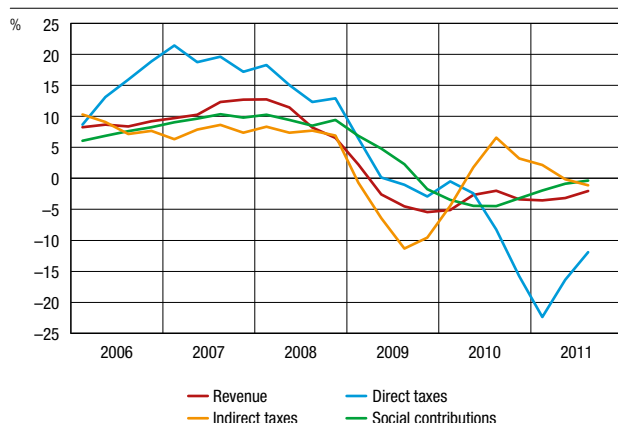
Should strong consolidation of the general government budget not occur in 2012, Croatia's credit rating could be downgraded, although it is already at the margin of investment and speculative grades. In turn, this would lead to a sharp increase in the required risk premiums on government and private sector debt. Public finance problems faced by some eurozone members and expectations of much slower economic growth in Europe

have triggered strong risk aversion in international markets and a noticeable increase in the required risk premiums on government borrowing. Hence, the CNB's public finance projections for 2012 and 2013 assume significant changes in current trends. The general government deficit is expected to drop strongly in 2012 and 2013, to around 3% of the projected GDP in 2013. This should be achieved above all by measures on the expenditure side of the budget.

Revenues, expenditures and transactions in the non-financial assets of consolidated general government

Consolidated general government revenues could be marginally lower in 2011 than in 2010. The repeal of the crisis tax and the unfavourable base effect related to excise duties on refined petroleum products were partly compensated by profit and value

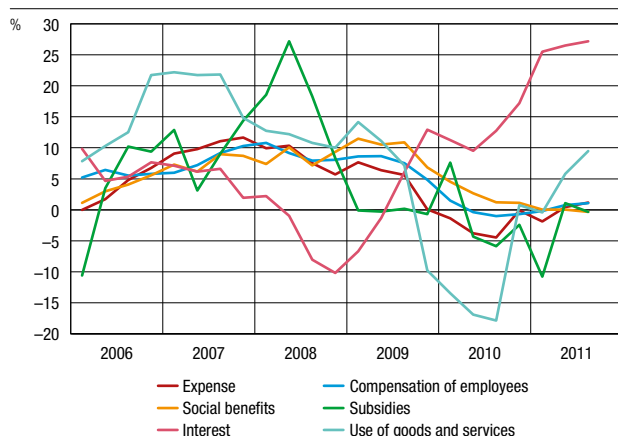
Figure 66 Consolidated general government revenue
year-on-year rate of change of four-quarter moving sums



Note: Revenues include proceeds from the disposal of non-financial assets. From 2008 on, CM is excluded from consolidated general government.

Sources: MoF and CNB calculations.

Figure 67 Consolidated general government expense
year-on-year rate of change of four-quarter moving sums



Note: Expense includes expenditures for the acquisition of non-financial assets. From 2008 on, CM is excluded from consolidated general government.

Sources: MoF and CNB calculations.

added tax revenues.

In line with projections for the main macroeconomic bases and expected legal changes, consolidated general government revenues could hold steady in 2012, as compared to 2011. Revenues are expected to grow by 3.7% from 2012 to 2013, largely as a result of economic recovery and payments from EU budget funds.¹³

The current consolidated general government expenditures in the first three quarters of 2011 equalled that in the same period of 2010. By the end of the year, they could pick up slightly and grow by 0.2% year-on-year, with a strong rise in interest expense. Capital investment, which was marginally higher than in the first nine months of 2010, should gain strong momentum in the last quarter of 2011.

Consolidated general government expenditures, including the acquisition of non-financial assets may go down by 2.7% (HRK 3.8bn) in 2012, which would lower the share of total

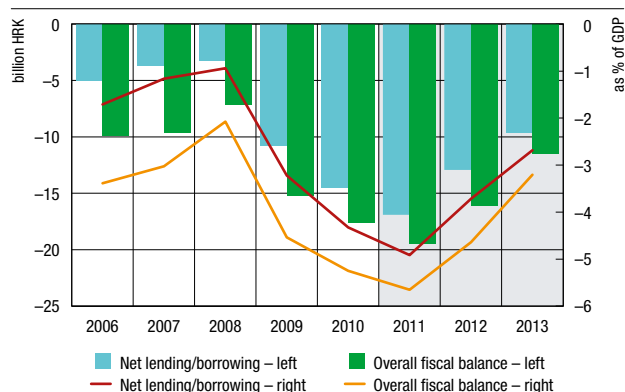
expenditures in GDP by 1.5 percentage points. To achieve this reduction, savings may be needed in all expenditure items at the discretion of fiscal authorities. Total expenditures could grow slightly in 2013 (0.9%), which would lower their share in the projected GDP by almost one percentage point.¹⁴

Consolidated general government deficit and debt

The consolidated general government overall fiscal deficit was HRK 10.6bn in the first nine months of 2011, which is an increase of HRK 0.5bn from the same period of 2010. The government met most of its financing needs in the first nine months by issuing two foreign bonds worth USD 1.5bn and EUR 750m, and two domestic bonds worth HRK 1.5bn and EUR 600m (currency clause included). Considerable amounts were also raised through loans.

In 2011, the consolidated general government overall fiscal deficit could reach HRK 19.4bn or 5.7% of the projected GDP, with 0.2% of the GDP in the annual debt repayment to pensioners included. This is HRK 1.8bn or 0.4 percentage points more than in 2010. Observing the 2011 dynamics of the cyclically adjusted budget balance, one may conclude that such trends were

Figure 68 Consolidated general government deficit



Note: From 2008 on, CM is excluded from consolidated general government. All data used in the balance calculation are shown on a cash basis, with the exception of CM and CR data. The overall fiscal balance includes repayments of debt to pensioners. Shaded areas denote projected values.

Sources: MoF and CNB calculations.

largely determined by discretionary measures of fiscal authorities (see Box 5 Cyclically adjusted budget balance of the Republic of Croatia).

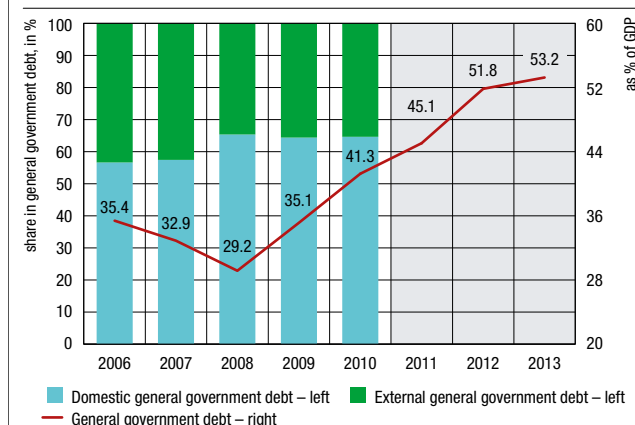
As most of the funds needed to finance the deficit and refinance the liabilities by the end of 2011 were raised in the first nine months, no significant borrowing is expected through to the end of the year. The government may transfer a share of the raised funds to 2012 in the period of provisional budget financing. In line with this and the projected overall fiscal deficit, general government debt could stand at around 45% of the estimated GDP at the end of 2011.

The projected overall fiscal deficit of consolidated general government could drop to 4.6% of the projected GDP in 2012. In the case of fiscal consolidation, the government could issue foreign bonds, but the bulk of the funds needed would be raised in the domestic market. In line with projections for the deficit and its financing, public debt could reach 51.8% of GDP at the

¹³ Projections for 2013 are based on the assumption that Croatia would become a fully-fledged EU member state on 1 July 2013.

¹⁴ This would meet the requirements of the Fiscal Responsibility Act.

Figure 69 Consolidated general government debt



Note: From 2008 on, CM is excluded from consolidated general government. Shaded areas denote projected values.

Source: CNB.

end of 2012. This also includes debts of the shipyards (of 3.3% of the projected GDP), which could, depending on the restructuring process, be assumed by the government in 2012.¹⁵ The overall fiscal balance could be HRK 11.5bn (3.2% of GDP) in 2013, HRK 4.6bn less than in 2012. It should be noted that under ESA 95, the methodology used by EU member states, the deficit (net borrowing) would be 2.9% of GDP, while the primary general government budget is assumed to be balanced. In that case, public debt would be 53.2% of GDP at end-2013. The cyclically adjusted budget deficit will also be reduced significantly as the expected fiscal consolidation in 2012 and 2013 above all depends on fiscal discretionary measures.

Box 5 Cyclically adjusted budget balance of the Republic of Croatia

Apart from discretionary fiscal measures and predetermined dynamics of expenditures (e.g. pensions), developments in the overall fiscal balance, i.e. budget deficit/surplus in a particular year, depend on cyclical movements in the economy. For example, cyclically sensitive revenues increase and expenditures decrease during the expansion phase, which, *ceteris paribus*, improves the overall fiscal balance. Divergent movements occur when the economy is in a downward phase of the business cycle. As cyclical movements in the economy are neutralised over time, in monitoring the “actual” public finance situation (which is largely under the control of the fiscal authorities), one needs to exclude the effects of cyclical trends and of automatic stabilisers. This is the reason why the so-called cyclically adjusted budget balance (CABB)¹⁶ is often calculated.

CABB is defined as a fiscal balance that would be achieved if the economy was at the potential (trend) level of aggregate production. The calculation of CABB may be used to assess indirectly how much fiscal developments in a given year are influenced by discretionary fiscal policy, even without any awareness of the exact government measures, and how much they are due to cyclical movements in the economy. In addition, CABB allows for an estimate of the character of fiscal policy; it answers the question whether fiscal policy in a certain period was expansionary or restrictive. Finally, CABB is used to assess public finance sustainability and may help fiscal authorities to avoid excessive expenditure increases during upward phases of the business cycle and assess the room for stimulating economy in periods of economic contraction.

The usefulness of this indicator has been recognised by many international institutions like the IMF, OECD and ECB, which regularly refer to it in their publications. The European Commission

(EC) has gone a step further and applies CABB (or more precisely, structural balance) to set a medium-term budget goal for each EU member state, which is supposed to ensure compliance with the provisions of the Stability and Growth Pact.

Methodology for calculating the cyclically adjusted budget balance

International financial institutions have developed various methods for calculating a cyclically adjusted budget balance. Under all these methodologies the calculation is made in three steps. As a rule, the first step determines fiscal revenues and expenditures that react to the situation in the business cycle and assesses their elasticities¹⁷ relative to GDP or another relevant macroeconomic base. The second step assesses a business cycle phase of the economy by estimating a potential or trend-level of output¹⁸ and the deviation of actual aggregate output from potential output, i.e. output gap. Finally, multiplication of estimated elasticities by the output gap in the last step provides a cyclical and cyclically adjusted budget balance.

The basic difference among the methods applied by the stated international institutions is the level of disaggregation of fiscal data used and the choice of the macroeconomic base. The method proposed by the ECB (and used in this box) is based on the fact that relevant macroeconomic bases may, in business cycle phases, be different from the phase cycle of the aggregate output.¹⁹ To obtain a more precise estimate of the total cyclical component of the budget, the deviation from trend, i.e. the gap, is calculated for each relevant macroeconomic base.

Elasticities of individual cyclically sensitive revenue and expenditure items are then estimated in relation to their relevant macroeconomic bases. Finally, the cyclical component of the

15 The assumption of debts of state-owned shipyards is governed by the Act on the Rights and Obligations of Shipyards in the Process of Restructuring (OG 61/2011).

16 Although the term structural balance is often used as a synonym for the cyclically adjusted balance, these two indicators are not the same. A structural balance is a cyclically adjusted balance corrected for the impact of one-off measures, such as the sale of non-financial assets, the sale of licenses for telecommunication services, introduction of temporary taxes, etc.

17 Elasticities are estimated econometrically (e.g. by using error correction models) and/or by use of detailed data on tax brackets and revenues generated by individual brackets (in particular for income tax and social contributions).

18 Purely statistical methods like the Hodrick-Prescott filter and/or production function based potential output estimates are used for that purpose.

19 MoF, EC and OECD determine a business cycle phase by the aggregate output gap.

budget balance is equal to the sum of multiplications of an individual revenue or expenditure category,²⁰ elasticity of revenues or expenditures relative to their macroeconomic bases and the gap of relevant macroeconomic phases:

$$B_t^C = \sum_i X_t^i \varepsilon_{x^i o^i} O_{c,t}^i$$

where X_t^i is an individual revenue or expenditure category, $\varepsilon_{x^i o^i}$ denotes elasticity of an individual budget category in relation to its relevant base, and $O_{c,t}^i$ is the gap of each individual base.

The following holds: $O_{c,t}^i = \frac{O_t^i - O_t^{i*}}{O_t^{i*}}$

where O_t^i is the relevant macroeconomic base and O_t^{i*} is its trend level.

In the third and final step, a cyclically adjusted budget balance is calculated based on the following equation:

$$B_t^{CABB} = B_t - \sum_i X_t^i \varepsilon_{x^i o^i} O_{c,t}^i$$

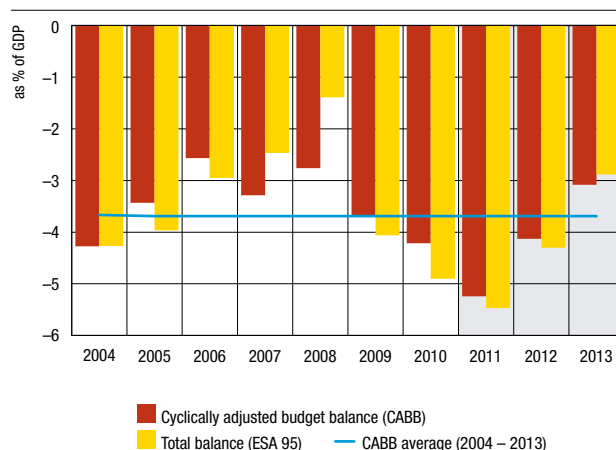
Estimation of CABB for Croatia

For the purpose of calculating a cyclically adjusted balance of the Republic of Croatia, revenues from VAT, income and profit tax, social contributions and excise duties are taken as cyclically sensitive revenue categories, while unemployment benefits are taken on the expenditure side. Personal consumption was chosen as the relevant macroeconomic base for VAT and excise revenues, gross wage bill was chosen for revenues from income tax and social contributions, gross operating surplus was taken for profit tax revenues, while the number of the unemployed was taken for unemployment benefits. All fiscal data refer to consolidated general government and the balance is expressed in accordance with the ESA 95 methodology used by the Eurostat.

The trend in macroeconomic bases was calculated by using the Hodrick-Prescott filter ($\lambda = 480$), and elasticities were estimated by a deviation correction model. Elasticities of revenues from income tax and social contributions were also estimated by a non-econometric method, based on the ratio of marginal and average tax rates calculated by use of detailed data on wage distribution in the economy. In view of availability of data and their time consistency, the period used to estimate elasticities differs for individual revenue categories.

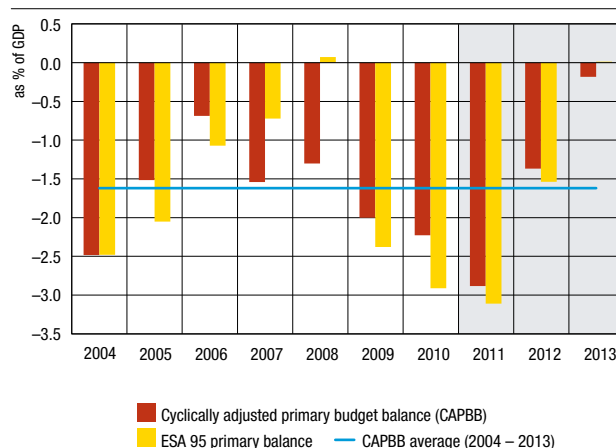
Figure 70 shows the overall and cyclically adjusted balance of the consolidated general government (ESA 95) in the period from 2004 to 2013. Data for 2011 and 2013 were taken from the most recent CNB monetary projection.²¹ In the period up to 2011, Croatia continuously generated a deficit in the consolidated general government budget, averaging 3.7% of GDP. In the period up to the beginning of the global financial crisis, including 2008, fiscal consolidation was undertaken in Croatia and the overall deficit was cut from 4.3% of GDP in 2004 to 1.4% of GDP in 2008. The CABB dynamics shows that this consolidation was equally determined by cyclical movements in the economy and discretionary fiscal measures. The consolidated general government balance deteriorated significantly at the onset of the global crisis; data suggest that this was largely due to automatic stabilisers. By contrast, fiscal consolidation in 2012 and 2013 is to be largely determined by discretionary fiscal measures.

Figure 70 Total and cyclically adjusted balance of the consolidated general government



Note: Shaded areas denote projected values.
Sources: MoF, CNB and CNB calculations.

Figure 71 Total and cyclically adjusted primary balance of the consolidated general government



Note: Shaded areas denote projected values.
Sources: MoF, CNB and CNB calculations.

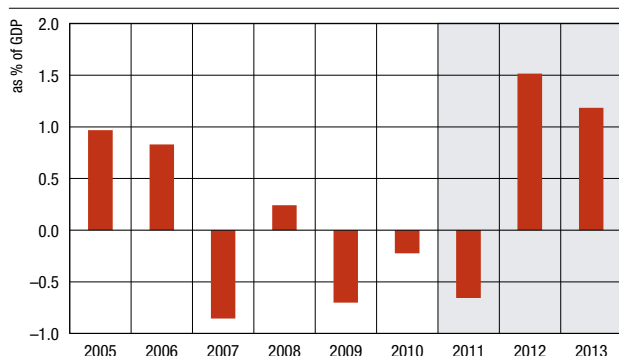
As interest expense in the current year is largely outside the control of fiscal policy makers, the cyclically adjusted primary budget balance (CAPBB), i.e. the balance reduced by interest expense, is often used to estimate the fiscal impact of discretionary measures. Figure 71 shows CAPBB for Croatia in the period from 2004 to 2013. Though at a lower (less negative) level, the dynamics of the primary balance is obviously similar to that of the overall balance, while the conclusions given above still hold.

It is possible to draw conclusions about the character of fiscal policy on the basis of changes in the cyclically adjusted (primary) balance, and thus answer the question of whether the policy in a given year was expansionary or restrictive. The annual increase (decrease) in the cyclically adjusted deficit (surplus), in other words, the increase in government resources in the economy, indicates an expansionary fiscal policy and vice versa. As

²⁰ Expenditures are taken with a negative sign.

²¹ From 2008 on, CM is excluded from consolidated general government.

Figure 72 Change in the cyclically adjusted primary budget balance



Note: Positive values refer to the restrictive fiscal policy. Shaded areas denote projected values.

Source: CNB.

Croatia ran a cyclically adjusted deficit during the entire period under review, the positive amounts in Figure 72 indicate a reduction in the deficit, i.e. restrictive fiscal policy, while negative amounts indicate deficit growth and expansionary fiscal policy. It may be concluded that fiscal policy was restrictive in 2005, 2006 and 2008, while it was expansionary in the other years under review. Fiscal policy is expected to be extremely restrictive in 2012 and 2013. The Government will need to reduce sharply the expenditure side of the budget to maintain the current investment credit rating.

10 Deviations from the previous projection

According to the previous projection for 2011, GDP growth was forecast at 1%, whereas in the current projection, it has been lowered to 0.4%. This primarily reflects deteriorating gross fixed capital formation, as well as expectations regarding the end-2011 real dynamics. The exports of goods and services are projected to go down in 2011 in real terms due to expectations of slower growth in the main trading partners in the second half of the year. This is in contrast to the previous projection that forecast mild growth. The unfavourable effects of these corrections were to a degree offset by the much lower projection of the real growth in imports. As for 2012, the previous projection forecast uninterrupted economic recovery and a growth rate of 2.2%. Nevertheless, major changes in the international scene and the forecast relatively strong fiscal consolidation in domestic public finances resulted in a substantial correction of the expected change in real GDP, the current rate being -0.2%.

The previous projection forecast a drop in average employment in the formal economy of 1.8% in 2011, while the current expectations point to a 1.5% decrease. The discrepancy may be explained by the stronger-than-expected effect of seasonal employment. As for 2012, the expected developments in employment in the formal economy were reviewed in line with the downward correction of the expected rate of change in economic activity, pointing towards a -1.3% reduction, instead a 0.7% rise in employment. In addition, the projected average registered unemployment rate was raised to 18.7%. If the assumptions of the current projection hold good, in 2013 we may expect a mild growth in employment and a decrease in the average survey unemployment, as well in the registered unemployment rate.

The estimated average annual inflation rate in 2011 is 0.5 percentage points lower than forecast in June 2011. This divergence is a result of the weaker-than-expected domestic demand, limiting the spillover of the increase in global prices of raw materials onto domestic food and industrial products. Additionally, the global price of crude oil in the second half of the year was lower than predicted in June 2011, which meant that oil products contributed more weakly to overall inflation that had been expected.

According to the latest estimates, the current account balance should end 2011 2.6 percentage points of GDP better than initially expected. The much stronger narrowing of the current account deficit is predominantly a result of the current developments in external trade, specifically the absence of any recovery in the imports of goods. On the other hand, exports of goods also grew slower than initially envisaged, which is to be attributed to the lack of foreign demand. Further, the increase in expenditures on the factor income account was more prominent, predominantly due to the rise in interest expenses arising from the deterioration of financing conditions in the international market. In line with weaker outturn for 2011, the projection for 2012 was revised downward. Thus, instead of the previously expected deficit widening to -2.8% of GDP, the expected figure stands at 0.5% of GDP. This difference predominantly reflects a much less optimistic outlook as regards economic recovery because during economic stagnation no surge in imports can be expected. Further, taking into account new unfavourable developments in major tourist outbound markets, next year's tourism expectations were substantially revised.

The gross external debt at the end of 2011, according to current estimates, should go down relative to the June 2011 forecast, by 1.7 percentage points of GDP. Broken down by sectors, the private sector borrowed less, while the central government turned more towards financing via domestic banks. In line with these new developments, the 2012 end-of-year projection was revised downward, primarily as regards developments in the corporate sector, which goes hand in hand with the expected economic activity stagnation.

The projections of major monetary and credit aggregates in 2011 and 2012 were revised downwards relative to June 2011 expectations. This is primarily due to the again delayed recovery in lending to the private sector, primarily households, pushing the results in the first eleven months of the year lower than expected. Accordingly, but also due to the overall economic activity stagnation, M4 growth was lower than expected in 2011. The expectations of slower growth in the overall bank credit activity in 2012 are based on reduced central government borrowing

Table 8 Deviations from the previous projection

	2011			2012			2013
	Previous projection (6/2011)	Current projection	Deviation	Previous projection (6/2011)	Current projection	Deviation	
National accounts (real rate of change, in %)							
GDP	1.0	0.4	-0.6	2.2	-0.2	-2.5	1.2
Personal consumption	0.6	0.2	-0.5	2.5	-0.4	-2.8	0.3
Government consumption	-1.0	-0.3	0.8	-0.8	-3.5	-2.7	-1.4
Gross fixed capital formation	2.4	-7.2	-9.6	5.8	1.6	-4.2	3.0
Exports of goods and services	3.0	-0.7	-3.7	3.9	1.6	-2.3	3.4
Imports of goods and services	3.6	-4.8	-8.4	5.0	0.9	-4.1	1.5
Labour market							
Number of employed persons (average rate of change, in %)	-1.8	-1.5	0.3	0.7	-1.3	-2.0	0.4
Registered unemployment rate	18.3	17.9	-0.4	18.1	18.7	0.6	18.5
ILO unemployment rate	12.7	13.1	0.4	12.7	13.6	0.9	13.5
Prices							
Consumer price index (average rate of change, in %)	2.8	2.3	-0.5	2.8	2.3	-0.5	2.6
Budget (as % of GDP)							
General government overall fiscal balance	-5.8	-5.7	0.2	-4.4	-4.6	-0.2	-3.2
Public debt ^a	44.1	45.1	1.0	49.1	51.8	2.7	53.2
External sector							
Current account balance (as % of GDP) ^b	-2.2	0.4	2.6	-2.8	0.5	3.3	0.9
Goods	-14.2	-11.9	2.3	-14.7	-11.7	3.0	-11.0
Services	13.4	13.8	0.4	13.2	13.8	0.6	13.6
Income	-3.7	-3.7	0.0	-3.7	-3.9	-0.3	-4.1
Current transfers	2.4	2.2	-0.1	2.3	2.3	0.0	2.3
Gross external debt (as % of GDP) ^b	100.6	98.9	-1.7	100.6	99.1	-1.5	97.0
Monetary developments (rate of change, in %)							
Total liquid assets – M4	6.3	4.7	-1.6	7.2	5.2	-2.0	6.2
Total liquid assets – M4 ^c	6.3	3.7	-2.6	7.0	5.3	-1.7	6.2
Bank placements to the private sector	6.0	5.1	-0.9	6.5	3.6	-2.9	5.0
Bank placements to the private sector ^c	6.5	3.7	-2.8	6.9	4.0	-2.9	5.3

^a Public debt in 2012 and 2013 includes a possible effect of the assumption of debts of state-owned shipyards.

^b Deviations from external sector projected values also include differences that stem from the methodological changes.

^c Excluding the exchange rate effect.

Sources: CBS, MoF and CNB.

needs, as well as lower placements to the private sector. They are also to be explained by ongoing risks relating to placements growth due to stricter financing conditions in the international, and consequently the domestic, market and expectations of a slow domestic economy recovery. Accordingly, in the structure of total liquid assets, growth of both money and savings and time deposits is expected to be slower.

The estimated consolidated general government overall fiscal deficit in 2011 was lowered by 0.2 percentage points relative to the June projection, totalling 5.7% of the estimated GDP. The mild narrowing of the deficit was a consequence of projected revenues being larger. The expected overall expenditures remained unchanged, while having an altered structure. Operating expenditures went up, due to expected higher interest expenses, while the acquisition of non-financial assets reduced by about the same amount. On the other hand, public debt, expressed as a percentage of GDP, went up by about one percentage point relative to the June projection, totalling 45.1% of GDP. This primarily reflects a higher amount of debt than previously planned,

considering that a share of funds raised in this way will be transferred to 2012 in the form of deposits with the CNB.

As for 2012, the overall fiscal balance remained almost unchanged, in absolute terms. However, due to the downward correction of the projected GDP it went up from 4.4% to 4.6% of GDP. Fiscal variables affecting the overall fiscal balance changed significantly. Revenues went down by HRK 6.0bn largely due to lower-than-expected economic growth and projected changes to tax legislation. Operating expenditures went down by HRK 6.4bn, reflecting the net effect of the HRK 1.8bn increase in interest expenses and the HRK 8.3bn decline in other expenditure categories. In addition to operating expenditures, the acquisitions of non-financial assets and shares and net acquisition of loans went down as well. Public debt, including government guarantees, rose from 49.1% to 51.8% of the projected GDP, largely in consequence of the lower projected GDP and lower revenues from capital and privatisation, which were made up for by borrowing.



Statistical survey

Classification and presentation of data on claims and liabilities

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

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

The central government and funds consists of two subsectors, the Republic of Croatia and central government funds. Until December 2003, the subsector Republic of Croatia included government authorities, comprising the Croatian Roads, the Croatian Motorways and the State Agency for Deposit Insurance and

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

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

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

Foreign sector includes foreign legal and natural persons.

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

A Monetary and credit aggregates

Table A1 Monetary and credit aggregates
end of period, in million HRK and %

Year	Month	Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth					
								Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25
1999	December ^a	10,310.0	13,858.9	13,965.7	56,659.3	40,003.8	55,875.8	4.53	5.46	5.48	2.28	0.35	-4.58
2000	December	11,717.3	18,030.3	18,256.4	73,061.1	44,043.9	60,883.8	7.32	10.04	9.89	3.66	10.46	2.66
2001	December	17,803.2	23,703.5	23,936.5	106,071.4	57,410.0	74,964.5	8.01	13.00	11.96	11.65	3.40	1.16
2002	December	23,027.9	30,869.8	31,876.7	116,141.8	83,324.4	97,463.7	10.72	6.11	6.79	1.65	7.92	2.15
2003	December	30,586.2	33,888.7	34,630.9	128,893.1	96,121.7	111,661.4	8.90	1.78	1.93	0.14	3.11	0.66
2004	December	33,924.4	34,562.1	35,186.5	139,947.7	108,205.1	127,308.6	8.69	2.86	2.68	0.23	2.15	1.99
2005	December	40,390.8	38,817.1	39,855.4	154,647.0	131,343.2	149,168.3	9.38	4.34	3.87	-0.02	1.84	1.94
2006	December	46,331.2	48,521.0	49,141.7	182,458.6	154,844.1	183,379.5	3.17	4.75	4.07	1.57	3.38	2.99
2007	December	51,923.9	57,878.3	58,663.4	215,822.1	166,375.5	210,828.4	3.73	6.71	6.62	3.95	3.54	2.65
2008	December	49,743.0	55,222.3	56,044.6	225,018.5	183,279.1	232,982.1	-9.89	8.17	8.49	3.17	5.68	1.96
2009	December	56,141.9	47,181.7	47,760.5	223,094.6	178,083.2	231,661.9	4.55	3.13	3.25	-0.23	-0.91	0.10
2010	November	54,710.8	48,343.0	49,170.1	232,467.4	182,917.1	246,240.0	-2.73	-4.64	-4.52	0.01	2.27	2.05
	December	56,249.1	49,151.7	49,748.5	232,869.6	188,845.0	247,520.2	2.81	1.67	1.18	0.17	3.24	0.52
2011	January	56,847.0	49,467.6	50,086.6	231,800.0	190,919.0	246,211.2	1.06	0.64	0.68	-0.46	1.10	-0.53
	February	57,627.2	49,436.2	50,148.0	231,562.5	192,815.1	247,554.2	1.37	-0.06	0.12	-0.10	0.99	0.55
	March	57,569.9	49,093.2	49,815.0	229,344.9	192,761.5	248,100.5	-0.10	-0.69	-0.66	-0.96	-0.03	0.22
	April	59,632.7	50,362.2	51,258.1	228,898.1	195,543.3	250,233.1	3.58	2.58	2.90	-0.19	1.44	0.86
	May	61,310.3	50,478.9	51,488.7	230,682.4	200,055.9	254,328.8	2.81	0.23	0.45	0.78	2.31	1.64
	June	62,981.2	52,756.8	53,723.4	232,457.5	200,836.6	253,514.2	2.73	4.51	4.34	0.77	0.39	-0.32
	July	57,131.7	53,931.6	54,879.6	236,860.9	198,533.6	258,375.4	-9.29	2.23	2.15	1.89	-1.15	1.92
	August	58,080.3	54,014.2	55,022.2	241,379.1	198,798.8	257,381.7	1.66	0.15	0.26	1.91	0.13	-0.38
	September	59,603.2	51,154.7	52,088.1	241,200.3	199,260.9	257,122.9	2.62	-5.29	-5.33	-0.07	0.23	-0.10
	October	58,962.5	50,998.6	51,899.1	241,353.8	201,077.8	257,229.2	-1.08	-0.31	-0.36	0.06	0.91	0.04

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

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

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

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

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

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

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

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

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

B Monetary institutions

Table B1 Monetary survey
end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
ASSETS									
1 Foreign assets (net)	27,614.5	49,446.5	41,739.4	45,011.4	44,024.6	36,583.5	31,620.9	41,939.4	40,276.0
2 Domestic credit	200,328.9	226,076.1	254,569.8	253,523.6	272,601.4	276,897.9	286,421.5	287,704.1	289,576.8
2.1 Claims on central government and funds (net)	16,949.4	15,247.7	21,587.7	21,861.7	25,081.2	28,797.5	32,907.3	30,581.2	32,347.6
2.2 Claims on other domestic sectors	181,031.9	207,398.7	231,472.7	229,870.2	244,039.2	244,097.9	249,444.7	252,888.8	253,378.0
2.3 Claims on other banking institutions	1,029.5	1,640.0	441.9	681.7	890.9	1,629.2	1,809.2	1,751.6	1,501.2
2.4 Claims on non-banking financial institutions	1,318.1	1,789.7	1,067.4	1,109.9	2,590.0	2,373.4	2,260.3	2,482.5	2,350.0
Total (1+2)	227,943.3	275,522.6	296,309.2	298,534.9	316,626.0	313,481.4	318,042.4	329,643.5	329,852.8
LIABILITIES									
1 Money	48,521.0	57,878.3	55,222.3	47,181.7	49,151.7	49,093.2	52,756.8	51,154.7	50,998.6
2 Savings and time deposits	44,836.8	53,644.9	50,070.3	39,139.4	34,823.4	36,530.2	37,812.9	40,674.1	41,176.1
3 Foreign currency deposits	88,256.7	103,090.1	117,194.8	135,410.6	147,557.1	142,502.6	140,739.0	147,324.7	147,067.3
4 Bonds and money market instruments	844.1	1,208.8	2,531.1	1,362.8	1,337.4	1,219.0	1,148.8	2,046.7	2,111.8
5 Restricted and blocked deposits	2,504.5	2,280.9	3,094.2	2,598.3	2,389.0	2,749.4	2,784.2	2,859.3	2,903.8
6 Other items (net)	42,980.2	57,419.6	68,196.5	72,842.0	81,367.5	81,387.0	82,800.7	85,583.9	85,595.3
Total (1+2+3+4+5+6)	227,943.3	275,522.6	296,309.2	298,534.9	316,626.0	313,481.4	318,042.4	329,643.5	329,852.8

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
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	December	46	4	13	7	9	8	5	10	3	5	2
2003	December	42	2	13	8	5	8	6	7	3	2	2
2004	December	39	1	12	9	6	5	6	6	3	3	–
2005	December	36	1	10	6	8	5	6	3	2	1	–
2006	December	35	2	6	5	10	4	8	3	2	1	–
2007	December	35	2	5	2	12	5	9	2	1	1	–
2008	December	36	2	7	1	11	6	9	2	1	1	–
2009	December	36	3	5	3	10	7	8	2	1	1	–
2010	November	36	3	5	2	11	7	8	2	1	1	–
	December	36	3	5	2	9	9	8	2	1	1	–
2011	January	36	3	5	2	10	8	8	2	1	1	–
	February	36	3	5	2	10	8	8	2	1	1	–
	March	36	4	4	2	10	8	8	2	1	1	–
	April	36	4	4	2	10	8	8	2	1	1	–
	May	36	4	4	2	10	8	8	2	1	1	–
	June	36	4	4	2	10	8	8	2	1	1	–
	July	36	4	4	2	10	8	8	2	1	1	–
	August	36	4	4	2	10	8	8	2	1	1	–
	September	36	4	4	2	10	8	8	2	1	1	–
	October	36	4	4	2	10	8	8	2	1	1	–

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

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

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

Table C1 Monetary authorities accounts
end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.				2011
						Mar.	Jun.	Sep.	Oct.
ASSETS									
1 Foreign assets	64,088.2	68,177.8	66,805.5	75,807.8	78,728.2	84,340.0	84,227.2	84,838.5	83,989.1
1.1 Gold	–	–	–	–	–	–	–	–	–
1.2 Holdings of SDRs	5.3	5.6	5.3	2,423.7	2,634.5	2,525.0	2,492.3	2,606.1	2,544.8
1.3 Reserve position in the IMF	1.3	1.3	1.3	1.3	1.4	1.3	1.3	1.4	1.3
1.4 Currency and demand deposits with foreign banks	7.2	7.2	1,472.7	1,763.8	1,483.0	1,699.5	1,707.4	1,801.6	1,799.6
1.5 Time deposits with foreign banks	33,243.0	33,204.4	13,189.3	17,534.5	22,702.9	28,266.3	19,553.5	21,406.4	19,406.8
1.6 Securities in f/c	30,831.2	34,959.3	52,136.9	54,084.5	51,906.5	51,847.9	60,472.6	59,023.0	60,236.6
1.7 Non-convertible foreign exchange	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Claims on central government and funds	0.9	1.0	2.2	2.9	0.3	2.4	–	–	–
2.1 Claims in kuna	0.9	1.0	2.2	2.9	0.3	2.4	–	–	–
2.2 Claims in f/c	–	–	–	–	–	–	–	–	–
3 Claims on other domestic sectors	64.0	67.9	64.2	4.2	3.8	3.7	3.6	3.6	3.6
4 Claims on banks	3,911.5	4,178.3	13.9	13.5	12.9	12.8	12.6	12.6	12.4
4.1 Credits to banks	3,911.5	4,178.3	13.9	13.5	12.9	12.8	12.6	12.6	12.4
Lombard credits	–	1,349.1	–	–	–	–	–	–	–
Short-term liquidity credits	–	–	–	–	–	–	–	–	–
Other credits	14.5	14.7	13.9	13.5	12.9	12.8	12.6	12.6	12.4
Reverse repo transactions	3,897.0	2,814.5	–	–	–	–	–	–	–
4.2 Overdue claims	–	–	–	–	–	–	–	–	–
5 Claims on other banking institutions	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	68,064.6	72,425.1	66,885.8	75,828.3	78,745.2	84,358.8	84,243.4	84,854.6	84,005.1
LIABILITIES									
1 Reserve money	46,331.2	51,923.9	49,743.0	56,141.9	56,249.1	57,569.9	62,981.2	59,603.2	58,962.5
1.1 Currency outside banks	14,609.3	16,007.5	17,051.0	15,282.1	15,262.7	14,998.2	16,781.3	17,074.3	16,471.1
1.2 Banks' cash in vaults	2,698.0	3,305.8	3,428.3	3,659.6	4,048.7	3,603.9	4,609.5	4,250.4	4,261.1
1.3 Banks' deposits	29,023.9	32,610.6	29,263.7	37,200.1	36,937.6	38,967.8	41,588.7	38,277.9	38,230.3
Settlement accounts	8,535.7	7,553.9	9,520.3	12,024.6	10,246.1	9,833.6	10,193.3	9,167.8	11,400.7
Statutory reserves	20,478.2	22,275.6	19,222.7	23,600.6	22,705.1	23,121.2	23,375.4	23,815.1	25,679.6
CNB bills on obligatory basis	–	1,991.1	460.6	–	–	–	–	–	–
Overnight deposits	10.0	790.0	60.0	1,575.0	3,986.4	6,013.0	8,020.0	5,295.0	1,150.0
1.4 Deposits of other banking institutions	–	–	–	–	–	–	–	–	–
1.5 Deposits of other domestic sectors ^a	–	–	–	–	0.0	0.0	1.6	0.7	–
2 Restricted and blocked deposits	16,633.5	14,286.0	8,064.1	5,091.6	4,833.9	4,851.6	5,046.0	5,033.0	5,288.1
2.1 Statutory reserve in f/c	16,576.7	14,257.5	8,008.3	5,041.7	4,773.2	4,787.1	4,975.4	4,980.3	5,229.2
2.2 Restricted deposits	56.9	28.6	55.8	49.9	60.7	64.4	70.5	52.7	58.9
2.3 Escrow deposits	–	–	–	–	–	–	–	–	–
3 Foreign liabilities	18.9	17.2	16.6	8.1	8.7	2.7	0.4	0.4	0.4
3.1 Use of IMF credit	–	–	–	–	–	–	–	–	–
3.2 Liabilities to international organisations	18.9	17.2	16.6	8.1	8.7	2.7	0.4	0.4	0.4
3.3 Liabilities to foreign banks ^b	–	–	–	–	–	0.0	–	–	0.0
4 Central government and funds' deposits	188.0	199.1	206.9	4,171.4	5,356.3	10,705.0	5,150.5	6,728.3	6,850.8
4.1 Demand deposits	174.5	125.8	171.1	1,839.2	2,629.9	1,436.8	2,365.5	3,468.9	4,160.8
Central government demand deposits	138.6	100.3	43.0	1,772.9	1,379.8	95.2	1,188.6	3,001.0	3,676.8
Central government funds' demand deposits	35.9	25.4	128.2	66.2	1,250.1	1,341.6	1,177.0	467.9	483.9
4.2 Central government f/c deposits	13.5	73.3	35.8	2,332.2	2,726.4	9,268.2	2,785.0	3,259.4	2,690.1
4.3 CNB bills	–	–	–	–	–	–	–	–	–
5 CNB bills	–	–	–	–	–	–	–	–	–
5.1 CNB bills in kuna	–	–	–	–	–	–	–	–	–

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
5.2 CNB bills in f/c	–	–	–	–	–	–	–	–	–
6 Capital accounts	5,408.8	6,664.5	9,562.4	11,151.3	13,090.1	12,032.9	11,894.8	14,328.1	13,741.5
7 Other items (net)	–515.8	–665.6	–707.1	–735.9	–792.9	–803.1	–829.5	–838.4	–838.2
Total (1+2+3+4+5+6+7)	68,064.6	72,425.1	66,885.8	75,828.3	78,745.2	84,358.8	84,243.4	84,854.6	84,005.1

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

Table C1 Monetary authorities accounts • The table reports data on claims and liabilities by monetary authorities.

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

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

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

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

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

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

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

Restricted and blocked deposits include required foreign currency reserves and accrued interest, restricted deposits and blocked foreign currency deposits. Banks are required to set aside the reserve requirements against certain foreign currency sources of funds and the marginal reserve requirements (from August 2004 to October 2008) in special accounts at the Croatian National Bank. Restricted deposits are kuna funds set aside on the basis of a court order or regulations, kuna funds set aside in the period between May 1999 and April 2002 and deposits of banks against which bankruptcy proceedings have been initiated. Blocked foreign currency deposits are funds that were set aside in special accounts at the Croatian National Bank for repaying unpaid amounts due to foreign creditors.

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

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

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

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

Other items (net) are unclassified liabilities decreased by unclassified assets of the Monetary authorities accounts.

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

D Banks

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

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
ASSETS									
1 Reserves with the CNB	48,384.7	50,178.9	40,705.6	45,902.1	45,759.6	47,358.7	51,176.6	47,507.7	47,722.0
1.1 In kuna	31,814.1	35,929.1	32,700.5	40,860.4	40,986.4	42,571.5	46,201.2	42,527.4	42,492.9
1.2 In t/c	16,570.6	14,249.8	8,005.1	5,041.7	4,773.2	4,787.1	4,975.4	4,980.3	5,229.2
2 Foreign assets	39,621.2	46,438.5	50,246.6	49,577.0	47,245.4	38,042.0	38,420.2	43,393.4	41,290.5
3 Claims on central government and funds	27,936.8	28,971.5	37,801.1	44,249.5	50,307.6	57,151.9	55,542.0	54,920.6	56,752.1
4 Claims on other domestic sectors	180,967.8	207,330.7	231,408.6	229,866.1	244,035.4	244,094.2	249,441.1	252,885.2	253,374.5
4.1 Claims on local government	1,892.0	2,140.8	2,077.4	2,074.2	2,412.8	2,547.0	2,411.9	2,578.8	2,567.5
4.2 Claims on enterprises	83,386.5	92,265.1	102,779.8	104,898.1	114,089.7	115,699.3	119,107.2	121,553.0	122,205.7
4.3 Claims on households	95,689.3	112,924.9	126,551.4	122,893.7	127,532.9	125,847.9	127,921.9	128,753.4	128,601.3
5 Claims on other banking institutions	1,029.5	1,640.0	441.9	681.7	890.9	1,629.2	1,809.2	1,751.6	1,501.2
6 Claims on non-banking financial institutions	1,318.1	1,789.7	1,067.4	1,109.9	2,590.0	2,373.4	2,260.3	2,482.5	2,350.0
Total (1+2+3+4+5+6)	299,258.1	336,349.4	361,671.2	371,386.3	390,829.0	390,649.4	398,649.4	402,941.0	402,990.3
LIABILITIES									
1 Demand deposits	33,911.7	41,870.8	38,171.2	31,899.6	33,888.9	34,095.0	35,973.9	34,079.7	34,527.5
2 Savings and time deposits	44,836.8	53,644.9	50,070.3	39,139.4	34,823.4	36,530.2	37,812.9	40,674.1	41,176.1
3 Foreign currency deposits	88,256.7	103,090.1	117,194.8	135,410.6	147,557.1	142,502.6	140,739.0	147,324.7	147,067.3
4 Bonds and money market instruments	844.1	1,208.8	2,531.1	1,362.8	1,337.4	1,219.0	1,148.8	2,046.7	2,111.8
5 Foreign liabilities	76,076.0	65,152.6	75,296.1	80,365.3	81,940.4	85,795.9	91,026.0	86,292.0	85,003.2
6 Central government and funds' deposits	10,800.4	13,525.8	16,007.5	18,219.3	19,870.3	17,651.8	17,484.2	17,611.1	17,553.6
7 Credit from central bank	3,911.4	4,178.3	14.0	13.5	12.9	12.8	12.6	12.6	12.4
8 Restricted and blocked deposits	2,447.6	2,252.3	3,038.4	2,548.4	2,328.3	2,685.0	2,713.7	2,806.6	2,844.8
9 Capital accounts	40,805.1	53,178.9	60,317.4	66,306.4	71,826.9	73,433.2	74,679.2	76,017.6	76,521.3
10 Other items (net)	-2,631.7	-1,753.2	-969.7	-3,879.1	-2,756.6	-3,276.0	-2,940.8	-3,924.2	-3,827.8
Total (1+2+3+4+5+6+7+8+9+10)	299,258.1	336,349.4	361,671.2	371,386.3	390,829.0	390,649.4	398,649.4	402,941.0	402,990.3

Table D1 Banks' accounts • Banks' accounts include data on banks' claims and liabilities. Banks' mutual claims and liabilities are consolidated.

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

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

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

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

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

Items Demand deposits, Savings and time deposits, Foreign currency deposits as well as Bonds and money market

instruments comprise banks' liabilities to other domestic sectors, other banking institutions and non-banking financial institutions.

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

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

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

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

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

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

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

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

Capital accounts are share capital, profit or loss for the

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

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

Tables D2 – D12 • This group of tables (with the exception of Table D5) provides a detailed analysis of the relevant asset and liability items from Table D1 (Banks' accounts).

Table D2 Banks' foreign assets
end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
1 Foreign assets in f/c	39,454.5	45,837.2	49,705.1	49,230.3	46,920.2	37,742.4	38,117.1	42,413.4	40,447.9
1.1 Claims on foreign financial institutions	30,404.1	37,824.9	38,038.3	34,186.6	32,069.1	24,866.3	23,998.3	31,727.9	29,953.9
Foreign currencies	1,232.1	1,245.5	1,973.2	1,772.6	1,628.4	1,558.7	2,105.1	1,891.8	1,621.3
Demand deposits	870.1	1,305.2	2,109.8	1,338.7	1,584.7	1,317.2	1,928.9	2,165.2	1,769.1
Time and notice deposits	23,509.4	31,726.1	31,444.5	29,254.5	26,728.1	19,814.1	17,993.1	24,448.0	23,512.6
Securities	4,441.5	3,210.4	2,307.1	1,629.0	1,896.5	2,028.4	1,823.7	3,088.6	2,924.6
Loans and advances	339.2	195.9	166.3	117.6	170.1	87.6	89.4	72.0	63.9
Shares and participations	11.8	141.9	37.4	74.2	61.3	60.4	58.0	62.3	62.4
1.2 Claims on foreign non-banks	9,050.4	8,012.3	11,666.8	15,043.7	14,851.2	12,876.1	14,118.8	10,685.5	10,494.0
Claims on foreign governments	8,217.0	6,696.1	9,976.8	13,477.2	13,047.3	10,900.6	11,650.9	8,464.8	8,394.0
Claims on other non-residents	798.1	1,295.2	1,613.5	1,534.5	1,785.9	1,932.1	2,421.3	2,169.7	2,047.0
Securities	141.5	180.9	235.1	205.4	131.0	80.9	55.1	48.7	53.3
Loans and advances	656.6	1,114.3	1,378.4	1,329.1	1,654.9	1,851.3	2,366.2	2,120.9	1,993.7
Shares and participations	35.3	20.9	76.5	32.0	17.9	43.3	46.7	51.0	53.0
2 Foreign assets in kuna	166.7	601.3	541.5	346.7	325.2	299.6	303.1	980.0	842.6
2.1 Claims on foreign financial institutions	96.9	408.1	144.1	86.3	72.4	59.6	64.0	732.7	598.3
2.2 Claims on foreign non-banks	69.8	193.3	397.4	260.3	252.8	240.0	239.1	247.3	244.3
o/w: Loans and advances	69.2	192.7	396.8	260.0	252.5	239.7	238.8	247.0	244.0
Total (1+2)	39,621.2	46,438.5	50,246.6	49,577.0	47,245.4	38,042.0	38,420.2	43,393.4	41,290.5

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

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

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

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

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
1 In kuna	22,703.0	24,081.8	24,901.6	24,461.9	28,491.6	30,471.0	29,137.3	28,221.2	29,271.5
1.1 Claims on central government	18,361.2	19,057.3	19,899.5	19,230.6	21,461.5	23,320.1	22,232.5	21,337.7	22,357.9
Securities	14,546.7	16,099.8	16,969.0	16,305.4	17,752.1	18,646.9	18,199.4	18,914.0	19,108.0
o/w: Bonds (c'part to f/c savings deposits)	8.3	6.4	6.1	5.2	6.7	6.2	5.6	5.7	6.0
Loans and advances	3,814.5	2,957.5	2,930.4	2,925.1	3,709.4	4,673.3	4,033.1	2,423.7	3,249.9
1.2 Claims on central government funds	4,341.9	5,024.5	5,002.1	5,231.3	7,030.2	7,150.8	6,904.8	6,883.5	6,913.5
Securities	–	–	6.1	–	–	–	–	–	–
Loans and advances	4,341.9	5,024.5	4,996.1	5,231.3	7,030.2	7,150.8	6,904.8	6,883.5	6,913.5
2 In f/c	5,233.8	4,889.7	12,899.5	19,787.7	21,815.9	26,680.9	26,404.7	26,699.4	27,480.6
2.1 Claims on central government	4,624.4	4,388.6	9,843.6	14,793.1	14,901.3	20,114.9	19,862.0	18,993.6	19,033.1
Securities	429.0	268.4	300.7	234.7	207.7	207.6	347.3	1,349.6	1,404.8
Loans and advances	4,195.4	4,120.1	9,542.9	14,558.4	14,693.5	19,907.3	19,514.7	17,644.0	17,628.3
2.2 Claims on central government funds	609.4	501.2	3,055.9	4,994.6	6,914.7	6,566.1	6,542.7	7,705.8	8,447.5
Securities	109.2	82.1	50.9	52.0	84.7	85.3	84.8	85.4	85.8
Loans and advances	500.2	419.1	3,005.1	4,942.6	6,830.0	6,480.8	6,457.9	7,620.4	8,361.7
Total (1+2)	27,936.8	28,971.5	37,801.1	44,249.5	50,307.6	57,151.9	55,542.0	54,920.6	56,752.1

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

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

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

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
1 Claims in kuna	166,755.1	194,476.7	216,530.8	211,273.4	221,988.6	221,959.2	227,301.0	230,287.6	230,643.2
1.1 Money market instruments	1,980.7	2,147.4	2,674.5	2,040.2	1,873.2	1,934.5	2,008.9	2,012.8	2,067.4
1.2 Bonds	1,088.8	1,366.0	1,341.4	1,691.0	1,702.7	1,655.0	1,684.3	1,680.7	1,675.7
1.3 Loans and advances	161,694.2	188,462.5	210,424.0	205,279.3	215,923.2	215,898.3	220,037.3	223,036.1	223,365.2
1.4 Shares and participations	1,991.4	2,500.8	2,090.8	2,262.9	2,489.5	2,471.4	3,570.5	3,557.9	3,534.9
2 Claims in f/c	14,212.8	12,854.0	14,877.8	18,592.7	22,046.8	22,134.9	22,140.1	22,597.6	22,731.2
2.1 Securities	221.1	249.2	109.3	441.1	105.7	144.2	180.6	214.6	191.0
2.2 Loans and advances	13,991.6	12,604.9	14,768.5	18,151.7	21,941.1	21,990.7	21,959.5	22,383.0	22,540.3
Total (1+2)	180,967.8	207,330.7	231,408.6	229,866.1	244,035.4	244,094.2	249,441.1	252,885.2	253,374.5

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

Table D5 Distribution of banks' loans by domestic institutional sectors
end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
	Mar.	Jun.	Sep.	Oct.					
LOANS IN KUNA									
1 Loans to central government and funds	8,156.4	7,982.0	7,926.5	8,156.4	10,739.6	11,824.1	10,937.9	9,307.2	10,163.5
1.1 Loans to central government	3,814.5	2,957.5	2,930.4	2,925.1	3,709.4	4,673.3	4,033.1	2,423.7	3,249.9
1.2 Loans to central government funds	4,341.9	5,024.5	4,996.1	5,231.3	7,030.2	7,150.8	6,904.8	6,883.5	6,913.5
2 Loans to local government	1,720.3	1,867.5	1,786.9	1,795.4	2,168.1	2,305.1	2,145.6	2,383.9	2,376.4
3 Loans to enterprises	64,666.3	74,001.7	82,431.7	80,913.1	86,564.6	88,097.7	90,321.6	92,231.7	92,717.8
4 Loans to households	95,307.6	112,593.3	126,205.3	122,570.8	127,190.5	125,495.5	127,570.1	128,420.5	128,270.9
o/w: Housing loans	36,927.3	45,218.6	52,305.5	52,949.4	57,984.0	56,863.4	58,853.7	59,405.9	59,310.1
5 Loans to other banking institutions	304.4	213.6	36.1	236.5	293.2	735.2	556.4	630.3	612.2
6 Loans to non-banking financial institutions	854.4	947.6	741.4	689.0	2,063.0	1,938.4	1,770.6	1,914.3	1,749.2
A Total (1+2+3+4+5+6)	171,009.4	197,605.7	219,128.0	214,361.3	229,018.9	230,396.1	233,302.1	234,887.9	235,890.1
LOANS IN F/C									
1 Loans to central government and funds	4,695.6	4,539.2	12,548.0	19,501.0	21,523.5	26,388.1	25,972.6	25,264.5	25,990.0
1.1 Loans to central government	4,195.4	4,120.1	9,542.9	14,558.4	14,693.5	19,907.3	19,514.7	17,644.0	17,628.3
1.2 Loans to central government funds	500.2	419.1	3,005.1	4,942.6	6,830.0	6,480.8	6,457.9	7,620.4	8,361.7
2 Loans to local government	11.3	8.7	5.5	3.0	0.5	0.4	0.4	0.4	0.3
3 Loans to enterprises	13,598.5	12,264.5	14,416.8	17,825.7	21,598.3	21,637.9	21,607.3	22,049.7	22,209.5
4 Loans to households	381.8	331.6	346.1	323.0	342.4	352.4	351.8	332.9	330.4
5 Loans to other banking institutions	68.1	74.0	1.2	31.0	0.6	83.2	62.6	29.9	72.9
6 Loans to non-banking financial institutions	360.5	668.0	143.5	269.4	341.3	242.2	297.1	393.8	426.1
B Total (1+2+3+4+5+6)	19,115.9	17,886.0	27,461.1	37,953.0	43,806.5	48,704.2	48,291.8	48,071.1	49,029.1
TOTAL (A+B)	190,125.3	215,491.7	246,589.1	252,314.3	272,825.4	279,100.3	281,593.9	282,959.1	284,919.3

Table D5 Distribution of banks' loans by domestic institutional sectors • The table shows data on kuna and foreign currency loans granted by banks to domestic sectors, including

acceptances, financial leases, payments made on the basis of guarantees and similar instruments, purchased claims, and until December 2003 factoring and forfeiting.

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

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
1 Local government	1,803.8	2,689.4	2,441.1	1,377.7	1,303.3	1,206.2	1,151.0	1,425.8	1,489.1
2 Enterprises	16,668.6	19,599.3	16,896.1	14,893.1	15,860.4	15,959.6	16,129.8	15,445.3	15,779.6
3 Households	14,257.8	17,896.7	17,620.1	14,218.6	15,581.9	15,220.4	16,004.5	16,341.1	16,305.2
4 Other banking institutions	485.1	481.1	293.6	517.1	347.5	633.0	1,439.1	188.8	244.4
5 Non-banking financial institutions	697.6	1,205.2	921.1	893.4	796.0	1,075.8	1,249.6	678.8	709.3
6 Less: Checks of other banks and checks in collection	-1.2	-0.9	-0.7	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1
Total (1+2+3+4+5+6)	33,911.7	41,870.8	38,171.2	31,899.6	33,888.9	34,095.0	35,973.9	34,079.7	34,527.5

Table D6 Demand deposits with banks • The table shows demand deposits with banks, classified by domestic institutional sectors.

Demand deposits are the sum of other domestic sectors', other banking institutions' and non-banking financial

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

Table D7 Time and savings deposits with banks
end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
1 Savings deposits	2,905.6	3,086.1	2,770.3	2,523.1	2,503.2	2,418.4	2,459.0	2,510.0	2,448.8
1.1 Local government	2.8	2.5	0.0	0.0	0.1	5.9	5.7	1.5	1.2
1.2 Enterprises	110.3	154.7	108.8	203.7	318.9	299.6	351.1	423.0	365.4
1.3 Households	2,792.4	2,929.0	2,657.7	2,268.9	2,167.4	2,101.6	2,083.2	2,062.1	2,066.1
1.4 Other banking institutions	–	–	–	5.0	–	–	–	–	–
1.5 Non-banking financial institutions	0.0	–	3.7	45.5	16.9	11.3	19.0	23.3	16.2
2 Time and notice deposits	41,931.3	50,558.8	47,300.1	36,616.3	32,320.2	34,111.8	35,353.9	38,164.2	38,727.3
2.1 Local government	491.8	549.5	726.0	498.8	355.2	691.5	686.8	753.3	812.9
2.2 Enterprises	14,715.4	18,414.8	16,268.0	11,559.0	8,933.3	9,153.9	9,117.2	11,560.1	11,994.3
2.3 Households	20,755.0	20,479.1	22,721.6	16,910.7	17,188.1	17,840.3	17,810.6	18,191.8	18,371.9
2.4 Other banking institutions	2,697.9	6,386.5	2,563.4	3,039.8	2,448.8	3,166.0	4,433.4	4,384.7	4,233.8
2.5 Non-banking financial institutions	3,271.3	4,728.9	5,021.1	4,608.1	3,394.8	3,260.1	3,305.9	3,274.2	3,314.4
Total (1+2)	44,836.8	53,644.9	50,070.3	39,139.4	34,823.4	36,530.2	37,812.9	40,674.1	41,176.1

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

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

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
1 Savings deposits	22,698.6	22,845.0	21,262.2	20,781.0	22,906.1	21,589.9	23,008.1	23,457.5	23,321.8
1.1 Local government	30.8	27.5	22.1	25.5	15.8	16.3	15.5	16.7	17.3
1.2 Enterprises	4,589.7	5,543.6	5,132.0	5,053.6	5,738.5	5,445.5	6,419.9	5,687.4	5,873.4
1.3 Households	17,609.9	16,720.8	15,682.8	15,148.7	16,313.0	15,712.9	16,008.6	17,145.6	16,907.8
1.4 Other banking institutions	276.7	251.7	121.4	150.4	268.5	196.7	229.1	131.2	85.8
1.5 Non-banking financial institutions	191.4	301.5	303.9	402.9	570.2	218.5	335.0	476.6	437.4
2 Time deposits	65,558.1	80,245.1	95,932.6	114,629.6	124,651.0	120,912.7	117,730.9	123,867.3	123,745.5
2.1 Local government	1.9	2.1	2.3	2.5	2.3	2.2	2.9	9.1	9.0
2.2 Enterprises	7,086.2	10,391.9	11,215.5	13,516.9	15,097.8	11,854.3	9,683.9	11,706.4	11,189.9
2.3 Households	57,210.8	66,465.7	80,419.6	95,598.0	104,621.4	105,146.9	105,083.1	108,844.1	108,759.5
2.4 Other banking institutions	366.2	1,038.6	808.2	663.0	1,384.1	952.6	809.2	911.6	1,005.0
2.5 Non-banking financial institutions	892.9	2,346.8	3,487.0	4,849.1	3,545.4	2,956.7	2,151.8	2,396.1	2,782.1
Total (1+2)	88,256.7	103,090.1	117,194.8	135,410.6	147,557.1	142,502.6	140,739.0	147,324.7	147,067.3

Table D8 Foreign currency deposits with banks • The table shows foreign currency savings and time deposits by other domestic sectors, other banking institutions and non-banking financial institutions with banks. Foreign currency savings deposits are all foreign currency sight deposits and foreign currency payment instruments issued, while foreign currency time deposits also include foreign currency notice deposits.

Table D9 Bonds and money market instruments

end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
1 Money market instruments (net)	0.8	0.8	0.8	0.8	–	–	–	–	–
2 Bonds (net)	340.9	632.0	609.5	765.3	1,016.7	921.8	959.8	1,705.6	1,701.9
3 Other domestic borrowing	502.5	576.0	1,920.8	596.7	320.7	297.1	189.0	341.0	410.0
3.1 Local government	–	–	–	–	–	–	–	–	–
3.2 Enterprises	0.0	152.9	3.5	4.6	2.4	1.8	1.5	1.7	1.7
3.3 Other banking institutions	492.8	266.4	1,719.2	551.8	318.1	295.3	187.5	339.3	408.3
3.4 Non-banking financial institutions	9.6	156.6	198.0	40.4	0.1	–	–	–	–
Total (1+2+3)	844.1	1,208.8	2,531.1	1,362.8	1,337.4	1,219.0	1,148.8	2,046.7	2,111.8

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, which are reported in the total amount and classified by institutional sectors.

Table D10 Banks' foreign liabilities

end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
1 Foreign liabilities in f/c	55,114.3	48,461.3	54,726.8	60,046.7	58,715.8	63,439.7	67,454.4	63,748.6	63,699.3
1.1 Liabilities to foreign financial institutions	48,561.3	41,483.1	47,878.5	51,702.3	48,789.0	53,551.7	57,414.1	53,655.9	53,616.0
Demand deposits	195.0	258.8	176.6	221.0	208.3	197.0	175.1	253.9	286.9
Time and notice deposits	12,174.1	10,562.9	14,016.4	21,945.8	20,188.9	24,198.9	25,111.8	23,929.7	23,519.0
Loans and advances	32,903.9	27,373.0	30,408.3	29,535.4	28,391.9	29,155.8	32,127.2	29,472.2	29,810.1
o/w: Subordinated and hybrid instruments	820.7	405.9	1,585.1	2,000.7	2,079.8	2,013.7	2,229.9	2,254.8	2,251.7
Bonds	3,288.3	3,288.4	3,277.1	–	–	–	–	–	–
1.2 Liabilities to foreign non-banks	6,553.0	6,978.2	6,848.4	8,344.4	9,926.7	9,887.9	10,040.4	10,092.7	10,083.4
Savings and time deposits	6,192.4	6,729.9	6,719.0	8,336.3	9,909.3	9,871.1	10,023.9	10,076.6	10,067.3
Sight deposits	1,635.8	1,537.2	1,374.5	1,267.8	1,434.3	1,357.9	1,571.9	1,450.8	1,482.4
Time and notice deposits	4,556.7	5,192.7	5,344.6	7,068.6	8,475.0	8,513.2	8,452.0	8,625.7	8,584.8
Loans and advances	360.5	248.3	129.3	8.0	17.5	16.8	16.5	16.1	16.1
o/w: Subordinated and hybrid instruments	–	–	–	–	11.1	11.1	11.1	11.2	11.2
2 Foreign liabilities in kuna	20,961.8	16,691.3	20,569.2	20,318.6	23,224.6	22,356.2	23,571.6	22,543.5	21,303.9
2.1 Liabilities to foreign financial institutions	20,087.0	16,093.8	20,061.0	19,943.0	22,817.7	21,887.3	23,113.6	22,050.0	20,840.4
Demand deposits	1,438.1	519.0	898.1	359.1	696.3	614.2	947.3	938.1	535.8
Time and notice deposits	11,198.8	11,423.7	15,014.2	14,654.3	15,963.5	15,344.9	17,486.8	16,358.0	15,647.4
Loans and advances	7,450.2	4,151.2	4,148.8	4,929.6	6,158.0	5,928.2	4,679.4	4,753.8	4,657.2
o/w: Subordinated and hybrid instruments	404.0	0.4	–	749.2	899.0	862.4	943.1	940.9	937.7
2.2 Liabilities to foreign non-banks	874.8	597.5	508.2	375.7	406.8	468.9	458.0	493.5	463.5
Demand deposits	170.1	253.2	257.0	222.8	250.3	304.4	298.2	326.9	299.2
Time and notice deposits	703.3	340.6	245.7	144.4	148.0	150.0	151.3	153.5	150.4
Loans and advances	1.4	3.7	5.5	8.5	8.5	14.5	8.5	13.2	13.9
o/w: Subordinated and hybrid instruments	1.4	3.7	5.5	8.5	8.5	14.5	8.5	13.2	13.9
Total (1+2)	76,076.0	65,152.6	75,296.1	80,365.3	81,940.4	85,795.9	91,026.0	86,292.0	85,003.2

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

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

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

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

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
1 In kuna	9,030.0	11,535.0	14,185.1	15,124.1	16,089.9	15,701.7	15,512.8	15,462.3	15,476.6
1.1 Central government deposits	497.5	666.4	429.5	356.6	806.8	734.9	674.1	730.5	684.8
Demand deposits	366.2	454.9	176.7	189.3	306.0	411.2	470.6	491.3	434.3
Savings deposits	2.1	1.2	1.1	0.6	0.5	0.6	0.5	0.5	0.5
Time and notice deposits	128.1	209.3	251.6	166.7	485.3	308.1	187.9	238.7	249.9
Loans and advances	1.0	1.0	–	–	15.0	15.0	15.0	–	–
1.2 Central government funds' deposits	8,532.6	10,868.6	13,755.5	14,767.5	15,283.1	14,966.8	14,838.7	14,731.8	14,791.9
Demand deposits	254.6	330.1	645.6	389.5	290.9	310.6	497.6	442.9	466.2
Savings deposits	14.6	2.4	0.0	0.3	0.0	0.0	–	–	–
Time and notice deposits	496.7	413.6	385.8	410.8	329.0	511.4	562.3	523.3	625.2
Loans and advances	7,766.7	10,122.4	12,724.1	13,966.9	14,663.3	14,144.7	13,778.9	13,765.6	13,700.4
2 In f/c	1,770.4	1,990.8	1,822.5	3,095.2	3,780.4	1,950.1	1,971.4	2,148.8	2,077.0
2.1 Central government deposits	811.7	759.4	1,122.5	1,088.3	1,656.1	1,631.6	1,645.2	1,551.0	1,626.8
Savings deposits	264.8	527.4	666.8	716.8	993.9	875.5	852.9	404.6	529.8
Time and notice deposits	275.0	49.7	330.0	309.4	662.0	755.9	792.1	1,146.2	1,096.8
Refinanced loans and advances	271.9	182.3	125.7	62.2	0.2	0.2	0.2	0.2	0.2
2.2 Central government funds' deposits	958.6	1,231.4	699.9	2,006.9	2,124.3	318.6	326.2	597.8	450.2
Savings deposits	93.4	85.7	107.1	106.6	90.2	183.5	171.4	185.7	128.3
Time and notice deposits	356.2	153.8	519.6	256.4	601.3	135.1	154.9	374.6	209.6
Loans and advances	509.0	991.8	73.2	1,643.9	1,432.7	–	–	37.5	112.3
Total (1+2)	10,800.4	13,525.8	16,007.5	18,219.3	19,870.3	17,651.8	17,484.2	17,611.1	17,553.6

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

Table D12 Restricted and blocked deposits with banks
end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
1 Restricted deposits	2,447.6	2,252.3	3,038.4	2,548.4	2,328.3	2,685.0	2,713.7	2,806.6	2,844.8
1.1 In kuna	1,427.0	1,322.8	1,478.8	1,366.0	1,428.9	1,448.6	1,583.1	1,630.1	1,676.5
1.2 In f/c	1,020.5	929.5	1,559.6	1,182.5	899.4	1,236.4	1,130.6	1,176.5	1,168.4
2 Blocked f/c deposits of households	–	–	–	–	–	–	–	–	–
Total (1+2)	2,447.6	2,252.3	3,038.4	2,548.4	2,328.3	2,685.0	2,713.7	2,806.6	2,844.8

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

Blocked foreign currency deposits include households'

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

Figure D1

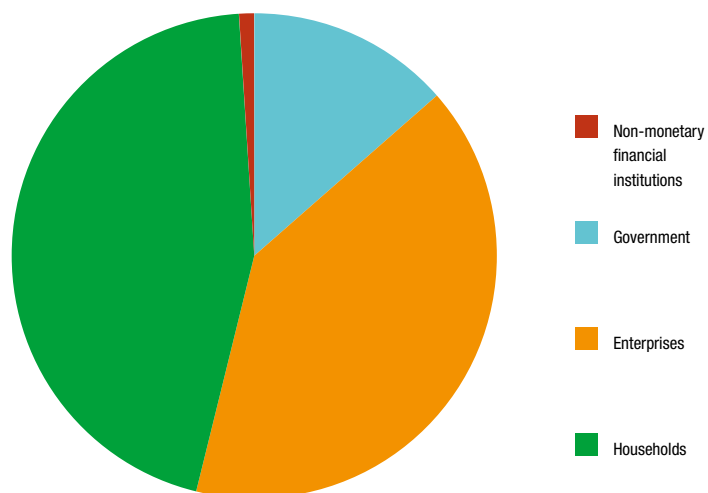
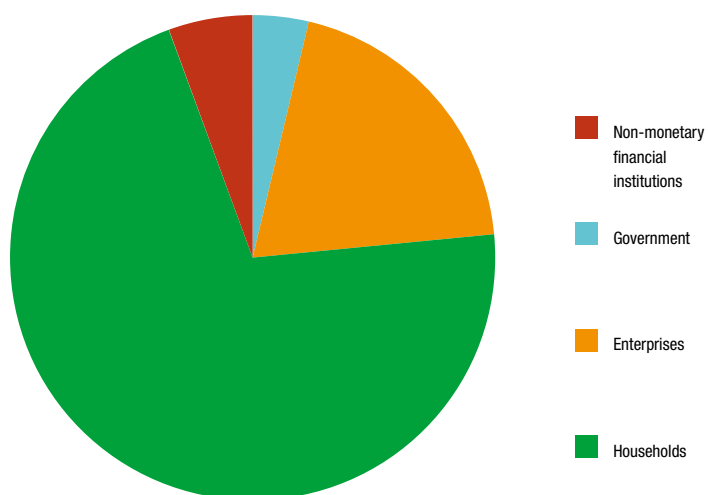
**Distribution of banks' loans by
domestic institutional sectors****October 2011**

Figure D2

**Distribution of banks' deposits
by domestic institutional sectors****October 2011**

Note:

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

E Housing savings banks

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

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
ASSETS									
1 Reserves with the CNB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Claims on central government and funds	4,674.8	4,036.5	3,395.5	3,137.9	3,315.9	3,457.4	3,406.0	3,344.5	3,324.1
3 Claims on other domestic sectors	1,296.0	2,220.4	2,857.9	2,979.1	2,987.3	2,983.0	3,130.0	3,369.7	3,360.5
o/w: Claims on households	1,296.0	2,220.4	2,857.9	2,979.1	2,987.3	2,983.0	3,130.0	3,369.7	3,360.5
4 Claims on banks	181.4	133.6	533.7	294.8	258.5	621.4	701.4	687.8	652.1
5 Claims on other banking institutions	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	6,152.3	6,390.5	6,787.1	6,411.7	6,561.8	7,061.8	7,237.5	7,402.1	7,336.6
LIABILITIES									
1 Time deposits	5,803.6	6,037.9	6,297.6	5,711.8	5,791.5	5,814.4	5,778.5	5,883.8	5,867.5
2 Bonds and money market instruments	61.7	40.1	91.5	230.8	279.7	727.3	673.8	716.2	672.5
3 Capital accounts	244.7	303.0	390.6	478.1	512.1	533.8	544.5	538.0	541.3
4 Other items (net)	42.2	9.6	7.4	–8.9	–21.5	–13.6	240.7	264.2	255.2
Total (1+2+3+4)	6,152.3	6,390.5	6,787.1	6,411.7	6,561.8	7,061.8	7,237.5	7,402.1	7,336.6

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

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

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

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

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

Claims on other banking institutions include investments in investment funds.

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

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

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

F Monetary policy instruments and liquidity

Table F1 Credit rates of the Croatian National Bank
in percentage, on annual basis

Year	Month	CNB discount rate	CNB repo rate ^a	Credit rates					
				On Lombard credits ^b	On intervention credits	On intra-day refinance facility ^b	On short-term liquidity credits	On inaccurately calculated statutory reserves ^b	On arrears ^c
1	2	3	4	5	6	7	8	9	10
1998	December	5.90	–	12.00	19.00	7.00	14.00	19.00	18.00
1999	December	7.90	–	13.00	19.00	–	14.00	19.00	18.00
2000	December	5.90	–	12.00	18.00	–	13.00	18.00	18.00
2001	December	5.90	–	10.00	–	–	11.00	15.00	18.00
2002	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2003	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2004	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	December	4.50	3.50	7.50 ^c	–	–	8.50 ^c	15.00	15.00
2006	December	4.50	3.50	7.50	–	–	8.50	15.00	15.00
2007	December	9.00 ^d	4.06	7.50	–	–	8.50	15.00	15.00
2008	December	9.00	6.00	9.00	–	–	10.00	15.00	14.00
2009	December	9.00	–	9.00	–	–	10.00	15.00	14.00
2010	November	9.00	–	9.00	–	–	10.00	15.00	14.00
	December	9.00	–	9.00	–	–	10.00	15.00	14.00
2011	January	9.00	–	9.00	–	–	10.00	15.00	14.00
	February	9.00	–	9.00	–	–	10.00	15.00	14.00
	March	9.00	–	9.00	–	–	10.00	15.00	14.00
	April	9.00	–	9.00	–	–	10.00	15.00	14.00
	May	9.00	–	9.00	–	–	10.00	15.00	14.00
	June	7.00 ^e	–	9.00	–	–	10.00	15.00	12.00
	July	7.00	–	9.00	–	–	10.00	15.00	12.00
	August	7.00	–	9.00	–	–	10.00	15.00	12.00
	September	7.00	–	9.00	–	–	10.00	15.00	12.00
	October	7.00	–	9.00	–	–	10.00	15.00	12.00

^a Weighted averages of weighted repo rates achieved at regular reverse repo auctions of the CNB in the reporting month. ^b Breaks in the series of data are explained in notes on methodology. ^c Since 14 December 2005. ^d Since 31 December 2007. ^e Since 23 June 2011.

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

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

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

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

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

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

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

Table F2 Deposit rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis ^a				Interest rates on f/c CNB bills on a voluntary basis					Interest rates on overnight deposits
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–	–
2002	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–	–
2003	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–	–
2004	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2006	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2007	December	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
2008	December	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
2009	December	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
2010	November	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2011	January	0.25 ^b	–	–	–	–	–	–	–	–	–	–	0.50
	February	0.25	–	–	–	–	–	–	–	–	–	–	0.50
	March	– ^c	–	–	–	–	–	–	–	–	–	–	0.25 ^c
	April	–	–	–	–	–	–	–	–	–	–	–	0.25
	May	–	–	–	–	–	–	–	–	–	–	–	0.25
	June	–	–	–	–	–	–	–	–	–	–	–	0.25
	July	–	–	–	–	–	–	–	–	–	–	–	0.25
	August	–	–	–	–	–	–	–	–	–	–	–	0.25
	September	–	–	–	–	–	–	–	–	–	–	–	0.25
	October	–	–	–	–	–	–	–	–	–	–	–	0.25

^a Breaks in the series of data are explained in notes on methodology. ^b Since 6 January 2011. ^c Since 19 March 2011.

Table F2 Deposit rates of the Croatian National Bank • The table shows interest rates used by the CNB to calculate and pay interest on funds deposited with the CNB and on issued securities.

Interest rates paid by the CNB for appropriated statutory reserve funds are set by a decision of the Council of the Croatian National Bank. Until April 2005, the appropriated statutory reserve funds included the calculated statutory reserve funds that were deposit in a special statutory reserve account with the CNB, or maintained (in average) in banks' settlement accounts, or deposited in a special account with the CNB for the settlement of net positions in the National Clearing System (NCS). From April 2005, they include the calculated statutory reserve funds allocated to a special statutory reserve account with the CNB. From March 2011 on, the CNB pays no remuneration on the reserve requirement funds (column 3).

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

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

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

subscribed amounts in those two currencies.

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

Table F3 Banks' reserve requirements • This table shows data on monthly averages of day-to-day balances of banks' kuna and foreign currency reserve requirements with the CNB. Savings banks are included beginning in July 1999.

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

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

Column 5 shows the amount of kuna reserve requirements. Between January 1995 and December 2000, this amount corresponded with the statutory reserve requirement instrument, while until December 1994 it comprised two instruments: statutory reserves and liquid assets requirement – LAR (except for the part in which banks were conforming to this requirement by registering CNB bills on a voluntary basis). In December 2000, reserve requirements in kuna and in foreign currency were unified, i.e. reserve requirements rate, periods for calculating, allocating

Table F3 Banks' reserve requirements

daily averages and percentages, in million HRK and %

Year	Month	Weighted average res. requirement in % on res. base	Reserve requirement (RR)			Other obligatory deposits with the CNB	Statutory reserves deposited with the CNB		Weighted avg. remuneration rate on immobilised funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.05	....
2001	December	19.67	21,187.1	8,691.5	12,495.5	–	6,287.8	5,950.0	1.97	2.73
2002	December	19.00	25,985.1	11,447.1	14,538.0	–	8,156.7	7,139.9	1.72	2.16
2003	December	19.00	31,009.4	18,023.8	12,985.6	109.4	12,459.8	6,850.2	1.17	1.47
2004	December	18.00	33,615.7	20,040.9	13,574.8	430.1	14,664.1	10,171.3	1.22	1.36
2005	December	18.00	37,424.5	24,997.9	12,426.6	3,940.2	17,497.7	9,271.4	0.52	0.92
2006	December	17.00	40,736.4	28,966.1	11,770.4	7,332.5	20,257.0	8,780.9	0.52	1.06
2007	December	17.00	44,465.9	31,809.1	12,656.8	6,641.1	22,266.4	9,203.5	0.53	1.29
2008	December	14.87	41,474.4	29,179.7	12,294.7	461.9	20,425.8	8,807.0	0.52	0.81
2009	December	14.00	40,423.5	33,693.7	6,729.8	30.9	23,585.6	4,898.0	0.52	–
2010	November	13.00	38,746.3	32,180.9	6,565.4	–	22,526.6	4,710.0	0.52	–
	December	13.00	38,990.6	32,374.8	6,615.8	–	22,662.4	4,736.7	0.52	–
2011	January	13.00	39,248.7	32,581.8	6,666.9	–	22,807.2	4,776.8	0.23	–
	February	13.00	39,528.1	32,839.2	6,688.9	–	22,987.4	4,798.1	0.17	–
	March	13.00	39,709.3	32,999.3	6,710.0	–	23,099.5	4,819.4	0.10	–
	April	13.00	39,924.9	33,156.8	6,768.1	–	23,209.8	4,887.7	–	–
	May	13.00	39,921.5	33,162.8	6,758.8	–	23,213.9	4,910.2	–	–
	June	13.00	40,123.9	33,330.9	6,793.0	–	23,331.6	4,956.0	–	–
	July	13.00	40,592.5	33,739.3	6,853.2	–	23,617.5	5,010.0	–	–
	August	13.00	40,803.2	33,963.0	6,840.2	–	23,774.1	4,991.0	–	–
	September	13.00	40,848.2	33,997.1	6,851.0	–	23,798.0	4,979.0	–	–
	October	13.65	42,957.3	35,740.0	7,217.4	–	25,018.0	5,217.5	–	–

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

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

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

requirement (from August 2004 to October 2008).

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

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

Column 10 shows the weighted average remuneration rate on all forms of immobilised kuna funds which include reserve requirements and other obligatory deposits with the CNB. From March 2011 on, the CNB pays no remuneration on the reserve requirement funds.

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

Table F4 Banks' liquidity indicators

daily averages and percentages, in million HRK and %

Year	Month	Free reserves		Primary liquidity ratio	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna MoF treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
1998	December	221.9	....	1.65	445.5	850.4	1,377.4	141.3
1999	December	179.6	....	1.30	1,183.6	1,311.1	1,507.6	373.9
2000	December	638.8	10,721.4	3.32	80.1	2,485.3	1,692.7	2,006.5
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,360.9
2002	December	1,225.0	10,398.0	3.53	0.6	4,965.5	1,273.9	4,279.5
2003	December	451.6	20,561.4	0.98	501.6	–	4,316.0	3,073.2
2004	December	1,495.5	26,126.1	2.64	0.0	–	–	4,581.7
2005	December	672.5	20,493.4	0.96	0.2	–	–	4,163.3
2006	December	840.8	20,239.1	0.83	–	–	–	5,993.7
2007	December	1,161.5	30,412.6	1.03	330.4	–	–	4,449.4
2008	December	1,168.7	28,101.4	1.03	289.1	–	–	6,171.2
2009	December	880.0	24,885.6	0.91	–	–	–	4,776.6
2010	November	357.1	30,479.7	0.37	–	–	–	6,598.1
	December	407.1	30,511.9	0.42	–	–	–	5,705.9
2011	January	318.5	28,629.6	0.33	–	–	–	5,797.1
	February	218.7	26,853.3	0.22	–	–	–	6,567.5
	March	374.9	21,478.6	0.38	–	–	–	7,940.8
	April	412.1	19,231.5	0.42	–	–	–	7,649.0
	May	397.7	18,519.1	0.40	–	–	–	7,266.7
	June	367.6	18,533.1	0.37	–	–	–	7,798.3
	July	448.1	19,926.2	0.44	–	–	–	7,701.8
	August	405.5	22,503.3	0.39	–	–	–	7,497.8
	September	521.2	22,902.5	0.50	–	–	–	7,160.3
	October	490.5	21,069.3	0.48	–	–	–	7,099.3

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

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

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

Column 5 shows the primary liquidity ratio as a percentage

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

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

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

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

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

G Financial markets

Table G1 Banks' interest rates on kuna credits not indexed to foreign currency
weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on interbank demand deposit trading		Interest rates on kuna credits not indexed to foreign currency								
		On overnight credits	On other credits	Total average	On short-term credits					On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households
1	2	3	4	5	6	7	Total average	Credit lines	Other	11	12	13
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97
2001	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14
2002	December	1.03	1.59	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88
2003	December	6.54	6.36	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69
2004	December	4.87	4.74	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16
2005	December	3.08	3.91	9.91	9.99	7.71	11.26	13.18	5.35	8.75	6.48	10.35
2006	December	3.14	2.52	9.07	9.37	6.75	11.84	13.21	4.67	7.53	5.86	9.44
2007	December	6.23	7.33	9.32	9.74	7.39	12.34	13.19	4.95	7.50	6.66	8.01
2008	December	5.77	6.77	10.71	10.89	8.98	12.33	12.97	4.96	9.05	8.10	10.35
2009	December	1.20	1.50	11.12	11.22	9.29	12.68	13.24	4.89	9.77	8.27	11.33
2010	November	0.68	1.21	10.28	10.29	6.99	12.70	13.18	4.28	10.13	6.36	11.24
	December	1.28	1.70	9.90	10.05	6.98	12.64	13.17	4.66	8.38	6.45	11.29
2011	January	0.69	1.34	10.29	10.39	7.08	12.73	13.17	4.25	8.76	5.58	11.55
	February	0.66	0.83	10.21	10.30	7.01	12.73	13.17	4.14	8.96	5.70	11.31
	March	0.65	0.83	9.86	9.99	6.88	12.66	13.16	4.34	8.39	5.90	10.94
	April	0.59	0.98	9.72	9.82	6.49	12.66	13.15	4.59	8.45	5.70	11.16
	May	0.57	0.74	10.23	10.43	6.85	12.68	13.15	4.22	8.07	5.32	11.21
	June	0.47	0.75	9.82	10.03	6.60	12.56	13.03	3.99	7.70	5.21	10.34
	July	0.61	0.95	8.93	9.04	6.37	11.20	11.62	3.94	7.90	5.62	9.92
	August	0.83	1.40	9.17	9.36	6.62	11.24	11.62	3.76	7.42	5.26	9.87
	September	1.02	1.91	9.17	9.36	6.89	11.23	11.61	3.84	7.58	5.72	9.51
	October	2.05	2.58	9.77	9.92	7.60	11.22	11.61	3.90	8.40	6.35	9.53
Relative significance ^a		–	–	70.52	63.61	22.75	40.87	38.80	2.06	6.90	2.46	4.45

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

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

Table G1 Banks' interest rates on kuna credits not indexed to foreign currency • The table contains the weighted averages of banks' monthly interest rates on kuna credits not indexed to f/c, reported on a yearly basis.

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

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

Up to February 1996, columns 3 and 4 show interest rates

on the interbank money market, according to information published by the Zagreb Money Market (ZMM). From March 1996 to August 2002, interest rates on the money market were calculated as the weighted monthly averages of the weighted daily interest rates and shown separately for trading in overnight credits and trading in other credits on the ZMM. In the period between May 1998 and January 2001, the repayment of credits granted on the interbank overnight market was guaranteed by banks' required reserves with the CNB.

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

Table G2 Banks' interest rates on kuna credits indexed to foreign currency and on credits in euros
weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros		
		Total average	On short-term credits			On long-term credits					Total average	On short-term credits	On long-term credits
			Total average	Enter-prises	House-holds	Total average	Enterprises	Households					
								Total average	Housing credits	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18
2004	December	6.89	7.25	7.09	8.47	6.77	5.55	7.73	5.71	8.79	5.34	5.92	4.83
2005	December	6.18	6.52	6.34	7.91	6.07	5.18	6.98	4.95	8.10	5.29	5.28	5.30
2006	December	6.30	6.56	6.29	8.33	6.22	6.21	6.22	4.75	7.57	5.65	6.19	5.34
2007	December	6.73	6.86	6.86	6.84	6.66	6.51	6.80	5.12	8.24	6.79	6.59	7.10
2008	December	7.73	8.20	8.18	8.65	7.43	6.92	7.89	6.08	9.02	7.08	7.17	6.83
2009	December	8.28	8.48	8.41	10.23	8.11	7.31	9.02	6.45	9.96	6.98	7.35	6.49
2010	November	8.07	8.07	7.99	8.93	8.07	7.49	8.37	6.16	9.05	6.93	6.48	7.28
	December	7.78	7.95	7.91	8.86	7.67	7.19	8.16	6.02	8.94	6.38	7.12	6.06
2011	January	7.50	7.41	7.28	9.37	7.54	7.00	8.06	6.02	8.85	5.55	6.05	5.10
	February	7.70	7.61	7.52	9.13	7.75	7.04	8.23	6.01	9.00	6.93	6.90	6.98
	March	7.84	7.95	7.89	8.58	7.79	7.20	8.18	5.93	8.95	6.56	6.73	6.42
	April	7.37	7.99	7.85	9.92	7.12	6.22	7.98	5.77	8.72	6.04	6.65	5.61
	May	7.35	7.30	7.25	8.09	7.37	6.74	7.92	5.60	8.72	6.16	6.90	5.52
	June	7.34	7.92	7.92	7.96	7.05	6.46	7.60	5.25	8.67	6.45	6.78	6.11
	July	7.26	7.49	7.40	8.31	7.18	6.68	7.57	5.19	8.64	6.43	6.21	6.74
	August	7.24	7.80	7.78	8.05	6.97	6.39	7.43	5.10	8.68	6.70	6.82	6.49
	September	7.04	8.17	8.20	7.84	6.70	5.93	7.42	5.15	8.60	6.65	6.81	6.41
	October	7.13	7.70	7.69	7.86	6.91	6.41	7.47	5.15	8.61	6.07	6.71	5.32
Relative significance ^a		22.66	6.26	5.92	0.33	16.40	8.66	7.74	2.55	5.19	6.83	3.70	3.13

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

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

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

Table G2 Banks' interest rates on kuna credits indexed to foreign currency and on credits in euros • The table contains the weighted averages of banks' monthly interest rates on kuna credits indexed to f/c and on credits in euros, reported on a yearly basis.

Up to December 2001, data refer to the weighted averages of banks' monthly interest rates on kuna credits indexed to f/c and on credits in euros (or German marks) granted to legal persons (which included enterprises, the public sector, financial

institutions, non-profit institutions and non-residents) and households, reported on a yearly basis. Savings banks are not covered.

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

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

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

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

Table G3 Banks' interest rates on kuna deposits not indexed to foreign currency
weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	On time deposits						
				Total average	On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	December	1.58	0.61	3.36	3.34	3.89	3.23	4.12	5.04	3.49
2006	December	1.91	0.56	2.98	2.94	4.10	2.69	4.32	4.98	3.11
2007	December	2.67	0.49	5.42	5.34	4.47	5.48	6.28	5.45	6.45
2008	December	2.92	0.43	5.65	5.60	5.34	5.64	6.58	5.88	6.85
2009	December	2.22	0.43	2.52	2.49	4.89	2.04	2.76	6.12	2.07
2010	November	1.65	0.38	1.91	1.87	3.75	1.16	2.04	4.66	1.68
	December	1.61	0.34	1.93	1.85	3.66	1.41	4.26	4.76	3.03
2011	January	1.61	0.35	1.90	1.83	3.60	1.14	2.14	4.69	1.73
	February	1.59	0.34	1.47	1.42	3.42	0.98	1.68	4.61	1.32
	March	1.60	0.33	1.66	1.70	3.48	1.16	1.51	4.58	1.13
	April	1.60	0.34	1.37	1.36	3.44	0.90	1.40	4.60	1.17
	May	1.63	0.34	1.31	1.33	3.50	0.88	1.22	4.50	0.91
	June	1.58	0.35	1.60	1.74	3.49	1.06	1.21	4.70	0.87
	July	1.58	0.35	1.67	1.59	3.49	0.98	1.96	4.59	1.67
	August	1.65	0.35	2.07	1.91	3.45	1.45	2.59	4.76	2.39
	September	1.81	0.36	2.20	1.83	3.50	1.40	3.69	4.58	3.61
	October	1.91	0.35	2.82	2.42	3.41	2.17	4.43	4.32	4.44
Relative significance ^a		53.32	34.06	16.58	13.29	2.68	10.61	3.29	0.30	2.99

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

Table G3 Banks' interest rates on kuna deposits not indexed to foreign currency • The table contains the weighted averages of banks' monthly interest rates on kuna deposits not indexed to f/c, reported on a yearly basis.

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

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

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

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

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

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

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

Table G4a Banks' interest rates on kuna deposits indexed to foreign currency and on foreign currency deposits
weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on savings and time deposits indexed to f/c			Interest rates on foreign currency deposits					
					Total average	Savings deposits				
		Total average	Households			Enterprises				
			EUR	USD		EUR	USD			
1	2	3	4	5	6	7	8	9	10	11
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21
2005	December	3.99	3.63	4.77	2.61	0.27	0.27	0.17	0.27	0.76
2006	December	3.67	3.30	4.07	2.94	0.25	0.23	0.17	0.32	0.44
2007	December	3.98	3.76	4.35	3.44	0.25	0.22	0.15	0.36	0.43
2008	December	4.09	4.05	4.42	3.97	0.21	0.20	0.15	0.26	0.13
2009	December	3.01	3.12	3.31	3.98	0.18	0.22	0.16	0.10	0.07
2010	November	3.01	2.57	4.36	3.08	0.23	0.24	0.17	0.22	0.07
	December	2.91	2.75	3.46	3.09	0.19	0.21	0.14	0.18	0.07
2011	January	2.85	2.51	1.29	2.97	0.18	0.21	0.14	0.13	0.06
	February	2.81	2.84	2.75	2.97	0.18	0.21	0.14	0.12	0.09
	March	3.03	2.86	3.53	2.90	0.18	0.21	0.14	0.13	0.07
	April	2.81	2.61	3.04	2.90	0.19	0.21	0.15	0.16	0.07
	May	3.11	3.00	3.47	2.90	0.19	0.21	0.15	0.16	0.06
	June	2.91	3.08	3.72	2.86	0.20	0.22	0.15	0.16	0.06
	July	3.00	2.67	2.98	2.88	0.19	0.21	0.14	0.16	0.05
	August	2.85	2.81	3.15	2.89	0.19	0.21	0.14	0.15	0.06
	September	3.20	3.25	3.77	2.90	0.19	0.21	0.14	0.14	0.06
	October	3.08 ^b	2.52	5.59	2.86	0.19	0.21	0.14	0.15	0.07
Relative significance ^a		0.25	0.18	0.07	46.43	22.99	15.63	1.82	5.08	0.46

^a Relative significance is calculated as a percentage of corresponding deposit category in total deposits received in the reporting month (according to data for the last period included in the table). ^b Of the total amount of deposits to which this interest rate refers, 44.54% refers to enterprises.

Tables G4a – G4b Banks' interest rates on kuna deposits indexed to foreign currency and on foreign currency deposits • The table contains the weighted averages of banks' monthly interest rates on kuna deposits indexed to f/c and on foreign currency deposits, reported on a yearly basis.

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

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

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

Column 3 reports the weighted averages of monthly interest rates on total kuna savings and time deposits indexed to f/c received from enterprises (until December 2001, all legal persons) and households, whereas the weighted averages of monthly

interest rates on time deposits are shown in column 4 (short-term deposits) and column 5 (long-term deposits) respectively.

Up to December 2001, interest rates on foreign currency deposits refer to deposits received in German marks or US dollars, and starting from January 2002, they refer to deposits received in euros and US dollars, while the weighted averages are calculated based on their kuna equivalent using the current exchange rate. Deposits received in other currencies are not included in this table.

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

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

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

Year	Month	Interest rates on foreign currency deposits										
		On time deposits										
		Total average	On short-term deposits					On long-term deposits				
			Total average	Households		Enterprises		Total average	Households		Enterprises	
				EUR	USD	EUR	USD		EUR	USD	EUR	USD
1	2	12	13	14	15	16	17	18	19	20	21	22
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65
2005	December	3.07	2.94	2.99	1.76	2.63	4.34	3.69	4.25	0.48	4.39	-
2006	December	3.82	3.76	3.16	2.05	4.24	5.84	4.25	4.47	2.26	4.79	4.61
2007	December	4.32	4.25	3.47	2.60	5.10	5.33	4.80	4.83	3.84	5.13	2.19
2008	December	4.15	3.95	4.33	2.69	4.13	1.84	5.51	5.57	3.58	5.52	2.38
2009	December	3.58	3.40	4.33	2.73	2.64	1.77	5.13	5.43	3.86	2.85	0.13
2010	November	2.20	1.99	3.24	2.49	1.28	0.77	4.24	4.29	3.43	3.92	4.00
	December	2.69	2.15	3.13	2.45	1.63	0.76	5.36	4.28	3.20	6.91	3.80
2011	January	2.57	2.31	3.00	2.43	1.71	0.90	4.24	4.29	3.22	3.77	0.85
	February	2.47	2.19	3.00	2.37	1.69	0.69	4.26	4.30	3.43	3.46	1.10
	March	2.36	2.15	2.97	2.37	1.66	0.73	3.97	4.01	3.21	3.64	2.60
	April	2.45	2.22	2.88	2.38	1.84	0.83	4.03	4.12	3.16	2.46	2.01
	May	2.40	2.20	2.87	2.39	1.90	0.71	3.89	3.96	3.54	3.67	2.42
	June	2.46	2.24	2.85	2.39	1.87	0.79	3.94	4.03	3.34	3.04	2.40
	July	2.51	2.27	2.86	2.45	1.88	0.65	3.88	3.95	3.84	3.52	3.10
	August	2.48	2.23	2.97	2.38	1.69	0.71	4.00	4.04	3.40	3.22	0.00
	September	2.49	2.26	2.96	2.40	1.63	0.84	3.97	4.00	3.30	4.17	3.80
	October	2.54	2.87	2.87	2.35	1.78	1.27	3.83	3.85	3.38	3.31	0.72
Relative significance ^a		23.44	20.40	10.79	0.69	7.94	0.98	3.03	2.87	0.15	0.02	0.00

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

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

The basis for the calculation of the weighted averages of monthly interest rates on total foreign currency time deposits

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

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

	2006	2007	2008	2009	2010	2011			
						Mar.	Jun.	Sep.	Oct.
A Purchase of foreign exchange									
1 Legal persons	14,442.7	26,365.0	33,058.3	19,939.9	21,453.6	1,704.5	1,760.8	1,712.8	1,737.0
2 Natural persons	6,262.7	6,151.3	4,755.3	4,920.3	4,878.0	388.2	466.9	434.5	375.3
2.1 Residents	5,909.4	3,184.0	4,252.9	4,389.6	4,251.3	380.6	415.2	391.1	359.8
2.2 Non-residents	353.2	326.3	502.4	530.7	626.7	7.6	51.7	43.4	15.5
3 Domestic banks	14,380.1	20,141.3	20,017.6	10,964.5	11,171.3	1,091.5	1,306.8	868.6	748.2
4 Foreign banks	5,056.8	5,194.1	7,342.5	5,681.9	5,548.6	527.6	521.5	353.3	380.7
5 Croatian National Bank	125.5	0.0	420.6	1,899.4	350.1	–	–	357.8	–
Total (1+2+3+4)	40,439.5	57,851.7	65,594.2	43,405.9	43,401.6	3,711.9	4,056.0	3,727.0	3,241.2
B Sale of foreign exchange									
1 Legal persons	17,515.0	28,564.1	35,448.8	21,707.2	21,930.5	1,930.4	1,730.3	1,859.2	1,560.4
2 Natural persons	4,109.1	3,712.5	4,366.4	3,205.5	1,815.9	115.6	101.0	140.9	119.9
2.1 Residents	4,056.4	2,071.3	4,335.2	3,186.0	1,800.5	115.1	97.3	139.2	119.1
2.2 Non-residents	52.6	40.0	31.2	19.5	15.4	0.5	3.8	1.7	0.8
3 Domestic banks	14,380.1	20,141.3	20,017.6	10,964.5	11,171.3	1,091.5	1,306.8	868.6	748.2
4 Foreign banks	3,526.1	4,072.6	6,615.7	5,281.5	5,455.0	520.6	638.5	572.2	362.7
5 Croatian National Bank	1,329.5	839.0	409.1	2,224.2	363.7	–	–	–	–
Total (1+2+3+4)	40,859.7	57,329.5	66,857.5	43,382.7	40,736.5	3,658.1	3,776.6	3,440.9	2,791.3
C Net purchase (A-B)									
1 Legal persons	–3,072.3	–2,199.1	–2,390.5	–1,767.3	–476.9	–225.9	30.5	–146.4	176.6
2 Natural persons	2,153.6	2,438.9	388.9	1,714.8	3,062.1	272.6	365.9	293.6	255.3
2.1 Residents	1,853.0	1,112.7	–82.2	1,203.6	2,450.8	265.5	317.9	251.9	240.6
2.2 Non-residents	300.6	286.3	471.1	511.2	611.2	7.1	48.0	41.7	14.7
3 Foreign banks	1,530.7	1,121.4	726.8	400.4	93.6	7.0	–116.9	–218.8	18.0
4 Croatian National Bank	–1,204.0	–839.0	11.5	–324.8	–13.6	–	–	357.8	–
Total (1+2+3)	–592.1	522.2	–1,263.3	23.2	2,665.2	53.7	279.4	286.1	449.9
Memo items: Other Croatian National Bank transactions									
Purchase of foreign exchange	3.1	5.1	265.4	664.6	238.5	2.4	0.6	0.2	4.3
Sale of foreign exchange	441.3	176.7	83.7	98.3	233.1	–	–	–	–

Table G5 Banks' trade with foreign exchange • Data on trade with foreign exchange between banks comprise the spot purchase and sale of foreign exchange in domestic foreign exchange market. Spot transactions are contracted obligations to buy/sell foreign currency within maximally 48 hours.

The transactions are classified by category of participants (legal and natural persons, domestic and foreign banks and the

CNB). Sources of data are banks' reports on trading with foreign exchange, including data on exchange transactions with natural persons conducted by authorised currency exchange offices.

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

H International economic relations

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

	2006	2007	2008	2009 ^c	2010 ^c	2011		
						Q1 ^c	Q2 ^c	Q3 ^d
A CURRENT ACCOUNT (1+6)	-2,623.9	-3,114.6	-4,196.7	-2,379.7	-535.0	-1,458.7	14.6	2,601.0
1 Goods, services, and income (2+5)	-3,731.3	-4,157.6	-5,267.1	-3,416.0	-1,622.9	-1,694.8	-251.5	2,332.1
1.1 Credit	17,914.1	19,650.4	21,298.5	16,956.4	18,487.3	3,009.4	4,945.9	7,400.2
1.2 Debit	-21,645.4	-23,808.0	-26,565.7	-20,372.4	-20,110.3	-4,704.3	-5,197.4	-5,068.1
2 Goods and services (3+4)	-2,568.0	-3,067.4	-3,719.2	-1,617.0	-65.5	-1,194.3	245.9	2,738.0
2.1 Credit	16,990.4	18,307.2	19,904.6	16,157.1	17,591.8	2,807.8	4,675.3	7,126.9
2.2 Debit	-19,558.4	-21,374.6	-23,623.8	-17,774.1	-17,657.4	-4,002.2	-4,429.4	-4,388.9
3 Goods	-8,344.2	-9,434.0	-10,793.8	-7,386.9	-5,952.0	-1,352.6	-1,334.7	-1,433.8
3.1 Credit	8,463.6	9,192.5	9,814.0	7,703.2	9,102.3	2,074.4	2,499.3	2,311.9
3.2 Debit	-16,807.8	-18,626.5	-20,607.8	-15,090.1	-15,054.3	-3,426.9	-3,834.1	-3,745.7
4 Services	5,776.2	6,366.6	7,074.6	5,769.9	5,886.5	158.2	1,580.7	4,171.8
4.1 Credit	8,526.8	9,114.7	10,090.6	8,453.9	8,489.5	733.5	2,176.0	4,815.1
4.2 Debit	-2,750.6	-2,748.1	-3,016.0	-2,684.1	-2,603.0	-575.2	-595.3	-643.2
5 Income	-1,163.3	-1,090.2	-1,548.0	-1,798.9	-1,557.4	-500.5	-497.5	-405.9
5.1 Credit	923.8	1,343.2	1,393.9	799.4	895.5	201.6	270.6	273.3
5.2 Debit	-2,087.0	-2,433.5	-2,941.9	-2,598.3	-2,452.9	-702.1	-768.0	-679.2
6 Current transfers	1,107.4	1,043.0	1,070.5	1,036.3	1,088.0	236.1	266.1	268.9
6.1 Credit	1,639.5	1,576.1	1,684.4	1,607.8	1,684.6	374.6	395.7	399.9
6.2 Debit	-532.1	-533.1	-613.9	-571.5	-596.6	-138.5	-129.6	-131.0
B CAPITAL AND FINANCIAL ACCOUNT	4,001.7	4,437.6	5,772.4	3,431.0	1,264.2	1,441.4	89.2	-815.4
B1 Capital account	-134.0	28.5	14.9	43.1	34.5	-1.7	-4.5	-1.7
B2 Financial account, excl. reserves	5,547.9	5,130.8	5,427.1	4,284.3	1,313.5	2,311.9	125.3	-1,047.8
1 Direct investment	2,556.6	3,435.2	3,246.0	1,491.7	393.1	37.6	365.1	626.6
1.1 Abroad	-208.2	-216.1	-972.7	-888.2	112.3	-298.3	25.8	253.3
1.2 In Croatia	2,764.8	3,651.3	4,218.6	2,379.8	280.9	335.9	339.3	373.3
2 Portfolio investment	-223.0	335.9	-810.1	420.9	397.1	413.8	-732.4	626.4
2.1 Assets	-475.2	-421.6	-380.8	-558.1	-368.3	79.9	-301.3	345.8
2.2 Liabilities	252.2	757.5	-429.2	979.1	765.4	333.9	-431.1	280.6
3 Financial derivatives	0.0	0.0	0.0	0.0	-252.7	-6.9	-45.8	-84.4
4 Other investment	3,214.3	1,359.7	2,991.2	2,371.7	776.0	1,867.6	538.4	-2,216.3
4.1 Assets	-692.3	-1,653.3	-1,621.6	748.0	697.5	754.2	33.8	-798.6
4.2 Liabilities	3,906.6	3,012.9	4,612.8	1,623.8	78.5	1,113.4	504.6	-1,417.8
B3 Reserve assets	-1,412.2	-721.6	330.4	-896.4	-83.8	-868.8	-31.7	234.1
C NET ERRORS AND OMISSIONS	-1,377.8	-1,323.0	-1,575.7	-1,051.3	-729.3	17.3	-103.8	-1,785.7

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

^c Revised data. ^d Preliminary data.

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

Tables H1 – H6 Balance of payments • The balance of payments of the Republic of Croatia represents a systematic overview of the value of economic transactions performed by the Croatian residents with foreign countries within a particular period. It is compiled in accordance with the recommendations of the International Monetary Fund (Balance of Payments Manual, Fifth Edition, 1993). Data sources include: 1) reports of the government institutions (Central Bureau of Statistics and Croatian Institute for Health Insurance), 2) special reports of the Croatian National Bank (International Transaction Reporting System (ITRS), external debt relations, monetary statistics and reserve

assets) and 3) estimates and statistical research carried out by the Croatian National Bank.

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

Table H2 Balance of payments – goods and services
in million EUR

	2006	2007	2008	2009	2010	2011		
						Q1	Q2	Q3 ^a
Goods	-8,344.2	-9,434.0	-10,793.8	-7,386.9	-5,952.0	-1,352.6	-1,334.7	-1,433.8
1 Credit	8,463.6	9,192.5	9,814.0	7,703.2	9,102.3	2,074.4	2,499.3	2,311.9
1.1 Exports (f.o.b.) in trade statistics	8,251.6	9,001.6	9,585.1	7,529.4	8,905.2	2,029.3	2,455.1	2,259.8
1.2 Adjustments for coverage	212.0	191.0	228.9	173.8	197.1	45.1	44.2	52.1
2 Debit	-16,807.8	-18,626.5	-20,607.8	-15,090.1	-15,054.3	-3,426.9	-3,834.1	-3,745.7
2.1 Imports (c.i.f.) in trade statistics	-17,104.7	-18,826.6	-20,817.1	-15,220.1	-15,137.0	-3,457.4	-3,867.1	-3,777.8
2.2 Adjustments for coverage	-341.1	-370.4	-421.4	-331.1	-376.0	-74.3	-84.1	-82.4
2.3 Adjustments for classification	638.0	570.4	630.8	461.2	458.7	104.8	117.2	114.5
Services	5,776.2	6,366.6	7,074.6	5,769.9	5,886.5	158.2	1,580.7	4,171.8
1 Transportation	547.8	641.3	625.3	349.2	399.5	70.1	106.0	134.8
1.1 Credit	1,037.5	1,165.4	1,209.4	752.0	813.3	164.0	213.5	239.5
1.2 Debit	-489.7	-524.0	-584.1	-402.8	-413.7	-93.9	-107.5	-104.7
2 Travel	5,708.7	6,035.2	6,694.0	5,655.8	5,600.8	143.5	1,457.5	3,991.0
2.1 Credit	6,293.3	6,752.6	7,459.4	6,379.7	6,230.0	274.5	1,611.0	4,169.8
2.1.1 Business	388.4	389.2	386.4	255.7	236.3	29.7	78.1	54.0
2.1.2 Personal	5,904.9	6,363.4	7,073.1	6,124.0	5,993.6	244.8	1,532.9	4,115.8
2.2 Debit	-584.6	-717.3	-765.5	-724.0	-629.2	-131.0	-153.4	-178.8
2.2.1 Business	-229.5	-266.9	-261.3	-240.8	-180.6	-45.9	-42.2	-41.9
2.2.2 Personal	-355.1	-450.4	-504.2	-483.1	-448.6	-85.1	-111.2	-137.0
3 Other services	-480.3	-310.0	-244.6	-235.1	-113.9	-55.5	17.1	46.1
3.1 Credit	1,196.0	1,196.8	1,421.8	1,322.2	1,446.3	294.9	351.5	405.7
3.2 Debit	-1,676.3	-1,506.7	-1,666.4	-1,557.3	-1,560.1	-350.3	-334.4	-359.7

^a Preliminary data.

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

The Report of the Central Bureau of Statistics on foreign trade in goods of the Republic of Croatia represents the basic data source for the balance of payments items related to exports and imports. These data are adjusted, in accordance with the recommended compilation method, for coverage and classification. Accordingly, goods exports and imports in the balance of payments are reported at f.o.b. parity. The value of exports at this parity is already contained in the previously mentioned CBS Report, whereas the value of imports f.o.b. is estimated on the basis of research studies of the CNB on the stratified sample of importers. The resulting value serves as a basis for the estimate of the share of transportation and insurance services by which the original value of imports c.i.f., stated in the CBS Report, is reduced. In the 1993-2001 period, this share stood at 7.10% (estimated only on the basis of the largest and large importers), while from 2002 on it has amounted to 3.73%. The same research study, conducted by the CNB at the end of 2006 (comprising the imports in the previous year), showed that the share of transportation and insurance costs, after continuing to decrease, has reached 3.03%. This share was first applied in the calculations for the first quarter of 2007. In the period from 1993 to

1996, the value of imports was modified by estimates of imports in duty free zones, which have been included in the merchandise trade statistics since 1997. From 1996 on, goods exports and imports are modified by the data on repairs on goods and goods procured in ports by carriers. In addition, since 1999, based on the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travellers Abroad, the item of goods exports has been modified by the estimated value of goods sold to foreign travellers and tourists and taken out of the Republic of Croatia. The item of goods imports is adjusted for the estimated value of goods imported personally by the Croatian citizens from the neighbouring countries (shopping expenditures).

Transportation, travel and other services are reported separately under service account. Revenues and expenditures on the basis of transportation, in the 1993-1998 period, were adopted from the ITRS. From 1999 on, revenues and expenditures arising from transportation of goods and passengers, as well as the value of accompanying services, which together constitute the total value of these services, are compiled on the basis of the results of the Research on transactions related to international transportation services, carried out by the CNB. Owing to an exceptionally large population of road carriers, revenues and expenditures on the basis of road freight transportation are not adopted from that research. They are compiled by using ITRS data. Starting from January 2011, as the ITRS was abolished, the position of revenues from road freight transportation is compiled on the basis of the econometric model having the volume of trade in goods as a dependent variable. Expenditures on the basis of road freight transportation equal transportation and insurance costs related to imports of goods which belong to non-residents and which are estimated by adjusting the value of imports at c.i.f. parity to the value of imports f.o.b.

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

	2006	2007	2008	2009 ^a	2010 ^a	2011		
						Q1 ^a	Q2 ^a	Q3 ^b
Income	-1,163.3	-1,090.2	-1,548.0	-1,798.9	-1,557.4	-500.5	-497.5	-405.9
1 Compensation of employees	373.2	494.2	564.1	586.5	620.8	154.8	180.9	177.8
1.1 Credit	404.3	527.8	599.7	624.2	657.1	162.6	188.4	186.1
1.2 Debit	-31.1	-33.6	-35.5	-37.6	-36.3	-7.8	-7.5	-8.4
2 Direct investment income	-1,002.0	-920.6	-1,137.1	-1,172.9	-1,091.4	-361.7	-367.1	-290.2
2.1 Credit	80.7	174.5	194.6	-62.6	87.6	4.3	34.4	25.3
o/w: Reinvested earnings	64.0	123.3	118.6	-114.9	8.5	-9.7	2.6	18.9
2.2 Debit	-1,082.7	-1,095.1	-1,331.7	-1,110.3	-1,179.0	-366.1	-401.5	-315.5
o/w: Reinvested earnings	-717.5	-483.3	-508.5	-314.1	-486.6	-207.4	60.8	-214.7
3 Portfolio investment income	-182.8	-176.5	-158.0	-173.4	-304.1	-79.2	-88.0	-81.2
3.1 Credit	61.8	89.9	82.3	73.5	41.0	11.1	14.5	13.3
3.2 Debit	-244.6	-266.4	-240.3	-246.9	-345.1	-90.2	-102.4	-94.6
4 Other investment income	-351.6	-487.3	-817.0	-1,039.2	-782.7	-214.4	-223.3	-212.2
4.1 Credit	377.0	551.0	517.4	164.3	109.7	23.6	33.3	48.6
4.2 Debit	-728.6	-1,038.4	-1,334.3	-1,203.5	-892.5	-238.0	-256.7	-260.8
Current transfers	1,107.4	1,043.0	1,070.5	1,036.3	1,088.0	236.1	266.1	268.9
1 General government	-8.6	-16.7	-20.0	-30.0	-39.8	-27.3	-31.9	-19.9
1.1 Credit	255.7	260.2	342.6	309.0	304.6	44.4	40.7	52.5
1.2 Debit	-264.4	-276.8	-362.7	-339.0	-344.4	-71.7	-72.6	-72.5
2 Other sectors	1,116.0	1,059.6	1,090.5	1,066.3	1,127.8	263.4	298.0	288.8
2.1 Credit	1,383.8	1,316.0	1,341.7	1,298.8	1,379.9	330.2	355.0	347.3
2.2 Debit	-267.7	-256.3	-251.2	-232.5	-252.2	-66.8	-57.0	-58.5

^a Revised data. ^b Preliminary data.

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

Other services position is compiled by using different data sources: apart from revenues and expenditures related to communication and construction services, which have been determined by the CNB special statistical research since 2001, the values of all other services were adopted from the ITRS until the end of 2010, when it was abolished. As of 2011, the uniform statistical survey is used for estimating the position of Other services, which encompasses 30 different types of services, the classification of which is prescribed by the IMF's Balance of Payments Manual, 6th edition. That survey also includes communication services, as a result of which a special survey on communication services was abolished, while insurance and construction services continued to be monitored through separate surveys.

Transactions in the income account are classified into four

main groups. Compensation of employees item was compiled on the basis of the ITRS until the end of 2010, when it was abolished. As of 2011, this position on the revenues side is estimated by a model based on the aggregate data of banks on inflows of resident natural persons from non-residents. On the expenditures side, the existing surveys on services are used, containing a part which relates to compensation of employees paid to non-residents. Income from direct investment, portfolio investment and other investment are reported separately. Data on reinvested earnings are reported separately, under direct investment income, calculated on the basis of the CNB Research on direct and other equity investment. In contrast to data on dividends, these data are not available for the 1993-1996 period, since at that time they were not reported separately. From the first quarter of 2009 on, international standards are applied in the statistical monitoring of reinvested earnings, meaning that reinvested earnings are reported on a quarterly basis, i.e. in the period in which the profit is actually earned. Previously, reinvested earnings were reported in the month in which the decision on the distribution of the previous year's profit was adopted, meaning that they were based on the profit earned in the preceding year. On the basis of statistical data on external debt relations, starting from 1997, income from direct investment includes data on interest arising from credit relations between residents and non-residents directly related through ownership. Income from equity portfolio investment is compiled on the basis of the same survey, whereas data on debt portfolio investment income have been compiled since 1999, based on statistics on foreign credit relations, which also encompasses income related to debt securities owned by non-residents. Income from other investments includes the calculation of interest in accordance with the foreign credit relations statistics. The

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

	2006	2007	2008	2009 ^c	2010 ^c	2011		
						Q1 ^c	Q2 ^c	Q3 ^d
Direct investment	2,556.6	3,435.2	3,246.0	1,491.7	393.1	37.6	365.1	626.6
1 Abroad	-208.2	-216.1	-972.7	-888.2	112.3	-298.3	25.8	253.3
1.1 Equity capital and reinvested earnings	-211.9	-270.2	-1,078.4	-894.4	253.1	-84.5	-52.1	-33.9
1.1.1 Claims	-211.9	-273.3	-1,078.4	-1,009.3	236.8	-94.2	-52.1	-33.9
1.1.2 Liabilities	0.0	3.1	0.0	114.9	16.3	9.7	0.0	0.0
1.2 Other capital	3.7	54.1	105.7	6.2	-140.9	-213.9	77.9	287.2
1.2.1 Claims	-13.9	20.3	106.8	-30.1	-371.5	-30.0	77.9	280.9
1.2.2 Liabilities	17.6	33.9	-1.1	36.3	230.6	-183.8	0.0	6.3
2 In Croatia	2,764.8	3,651.3	4,218.6	2,379.8	280.9	335.9	339.3	373.3
2.1 Equity capital and reinvested earnings	2,460.9	2,688.1	2,708.0	983.9	863.0	307.8	670.2	418.2
2.1.1 Claims	-0.1	0.0	-6.9	-106.8	-84.7	0.0	-60.8	0.0
2.1.2 Liabilities	2,461.0	2,688.1	2,714.9	1,090.8	947.7	307.8	731.0	418.2
2.2 Other capital	303.8	963.2	1,510.6	1,395.9	-582.1	28.1	-330.9	-45.0
2.2.1 Claims	16.6	-4.5	-26.4	-29.1	-21.5	25.1	-3.6	-5.4
2.2.2 Liabilities	287.3	967.7	1,537.0	1,425.0	-560.6	3.0	-327.3	-39.6
Portfolio investment	-223.0	335.9	-810.1	420.9	397.1	413.8	-732.4	626.4
1 Assets	-475.2	-421.6	-380.8	-558.1	-368.3	79.9	-301.3	345.8
1.1 Equity securities	-320.5	-842.6	148.9	-111.4	-474.3	-176.5	-189.3	26.8
1.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1 Banks	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2 Other sectors	-323.1	-842.6	148.9	-111.4	-474.3	-176.5	-189.3	26.8
1.2 Debt securities	-154.7	421.0	-529.7	-446.7	105.9	256.3	-112.0	319.0
1.2.1 Bonds	102.7	315.6	-431.4	-86.2	263.9	11.8	-80.5	416.6
1.2.1.1 General government	0.1	0.1	0.0	0.0	-1.5	0.0	0.0	0.0
1.2.1.2 Banks	161.9	267.8	-226.5	-52.5	167.3	20.3	-55.1	373.7
1.2.1.3 Other sectors	-59.2	47.7	-204.9	-33.7	98.1	-8.5	-25.4	42.8
1.2.2 Money market instruments	-257.4	105.4	-98.3	-360.5	-157.9	244.5	-31.5	-97.6
1.2.2.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2.2 Banks	-257.4	109.7	-100.9	-341.4	-124.3	265.0	-26.0	-76.7
1.2.2.3 Other sectors	0.0	-4.3	2.5	-19.0	-33.6	-20.5	-5.5	-20.9
2 Liabilities	252.2	757.5	-429.2	979.1	765.4	333.9	-431.1	280.6
2.1 Equity securities	325.7	315.9	-85.1	16.4	88.1	140.6	-76.5	-15.1
2.1.1 Banks	41.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	284.0	315.9	-85.1	16.4	88.1	140.6	-76.5	-15.1
2.2 Debt securities	-73.5	441.6	-344.2	962.7	677.3	193.3	-354.6	295.8
2.2.1 Bonds	-187.8	519.1	-329.9	817.3	380.8	113.4	-128.3	447.5
2.2.1.1 General government	-278.1	83.0	-245.0	862.9	389.0	277.7	-108.9	467.4
2.2.1.2 Banks	14.6	0.1	-4.7	-447.2	-0.2	-8.9	0.0	2.7
2.2.1.3 Other sectors	75.7	436.0	-80.1	401.7	-8.1	-155.4	-19.4	-22.6
2.2.2 Money market instruments	114.3	-77.5	-14.3	145.3	296.5	79.9	-226.2	-151.8
2.2.2.1 General government	114.3	-77.5	-14.4	145.4	296.5	79.9	-226.2	-151.8
2.2.2.2 Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.3 Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from January 1999 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Data also include the round tripping which increases direct investment in Croatia and direct investment abroad by the same amount. This type of direct investment was recorded in December 2008 (EUR 825.7m), August 2009 (EUR 666.5m) and December 2010 (EUR 618.6m, investment withdrawal). ^c Revised data. ^d Preliminary data.

methodology for compiling the statistics on debt investment income was changed in 2007 to include the reporting of income on an accrual basis. This basically means that income from debt investment and interest are reported at the point in time when they accrue and not at the point in time when they mature or when they are paid. As a result, the historical data for the

1999–2006 period have been revised.

Current transfers are reported separately for the general government sector and other sectors. The ITRS was used as the main data source on current transfers for both sectors until the end of 2010, when it was abolished. As of 2011, transfers of the general government sector are recorded on the basis of the

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

	2006	2007	2008	2009 ^b	2010 ^b	2010		
						Q1 ^b	Q2 ^b	Q3 ^c
Other investment (net)	3,214.3	1,359.7	2,991.2	2,371.7	776.0	1,867.6	538.4	-2,216.3
1 Assets	-692.3	-1,653.3	-1,621.6	748.0	697.5	754.2	33.8	-798.6
1.1 Trade credits	-33.3	-99.4	-126.5	138.4	130.1	-148.5	26.4	-19.0
1.1.1 General government	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
1.1.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2 Other sectors	-33.3	-99.4	-126.5	138.4	130.1	-148.5	26.4	-19.0
1.1.2.1 Long-term	-4.9	-63.5	26.7	58.0	22.2	-2.6	1.8	-0.4
1.1.2.2 Short-term	-28.4	-35.9	-153.2	80.5	107.9	-145.9	24.6	-18.5
1.2 Loans	-153.1	-4.5	-107.5	41.5	-75.1	-11.1	-61.9	37.3
1.2.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.1 Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2 Banks	-80.4	-32.6	-66.7	20.5	-55.4	-30.1	-73.2	56.6
1.2.2.1 Long-term	-58.9	-25.4	-26.8	-28.7	-46.9	-27.8	-63.2	36.7
1.2.2.2 Short-term	-21.5	-7.3	-39.9	49.2	-8.5	-2.3	-10.0	19.9
1.2.3 Other sectors	-72.7	28.1	-40.8	21.0	-19.7	19.0	11.3	-19.3
1.2.3.1 Long-term	-73.0	28.1	-37.6	20.9	17.4	4.7	11.5	-29.0
1.2.3.2 Short-term	0.3	0.0	-3.2	0.1	-37.1	14.3	-0.2	9.7
1.3 Currency and deposits	-505.9	-1,549.4	-1,387.5	568.0	642.4	913.7	69.3	-816.9
1.3.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2 Banks	-462.1	-1,317.1	-136.4	423.7	417.0	925.8	77.1	-828.5
1.3.3 Other sectors	-43.8	-232.3	-1,251.2	144.3	225.5	-12.1	-7.8	11.6
1.4 Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Liabilities	3,906.6	3,012.9	4,612.8	1,623.8	78.5	1,113.4	504.6	-1,417.8
2.1 Trade credits	18.5	313.5	32.0	-143.7	60.2	-268.0	9.5	-110.7
2.1.1 General government	-0.7	-0.6	-0.5	0.0	0.0	0.0	0.0	0.0
2.1.1.1 Long-term	-0.7	-0.6	-0.5	0.0	0.0	0.0	0.0	0.0
2.1.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	19.2	314.2	32.5	-143.7	60.2	-268.0	9.5	-110.7
2.1.2.1 Long-term	-3.7	165.0	34.9	-58.0	-25.4	3.1	-42.2	-55.2
2.1.2.2 Short-term	22.9	149.2	-2.4	-85.7	85.6	-271.1	51.7	-55.5
2.2 Loans	3,059.2	2,890.3	3,703.9	590.5	36.3	862.4	83.6	-932.3
2.2.1 Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1 o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.1 Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.2 Repayments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 General government	165.0	161.0	96.7	-7.4	134.4	162.8	156.6	-197.4
2.2.2.1 Long-term	165.0	161.0	65.0	24.3	134.4	-12.2	156.6	-22.4
2.2.2.1.1 Drawings	477.8	523.5	330.1	306.0	368.9	22.9	234.8	36.3
2.2.2.1.2 Repayments	-312.8	-362.5	-265.2	-281.7	-234.5	-35.1	-78.2	-58.7
2.2.2.2 Short-term	0.0	0.0	31.7	-31.7	0.0	175.0	0.0	-175.0
2.2.3 Banks	541.2	-1,065.0	115.2	-166.5	-192.7	116.0	148.8	-407.3
2.2.3.1 Long-term	419.5	-630.8	-276.1	158.1	-322.9	304.4	15.6	13.2
2.2.3.1.1 Drawings	2,833.6	1,216.2	609.4	1,219.2	849.3	360.9	306.1	101.9
2.2.3.1.2 Repayments	-2,414.1	-1,847.0	-885.4	-1,061.1	-1,172.2	-56.5	-290.5	-88.7
2.2.3.2 Short-term	121.7	-434.2	391.3	-324.6	130.2	-188.4	133.3	-420.5
2.2.4 Other sectors	2,353.0	3,794.4	3,492.0	764.4	94.5	583.6	-221.8	-327.5
2.2.4.1 Long-term	2,264.1	3,184.9	3,175.7	488.1	-96.7	155.0	-78.3	-290.1
2.2.4.1.1 Drawings	4,266.4	5,960.8	6,700.9	4,403.7	4,336.5	844.5	800.2	559.7
2.2.4.1.2 Repayments	-2,002.3	-2,775.9	-3,525.2	-3,915.5	-4,433.2	-689.5	-878.5	-849.8
2.2.4.2 Short-term	88.9	609.5	316.2	276.2	191.2	428.6	-143.6	-37.4

	2006	2007	2008	2009 ^b	2010 ^b	2010		
						Q1 ^b	Q2 ^b	Q3 ^c
2.3 Currency and deposits	826.2	-193.6	875.7	1,175.0	-19.0	518.8	411.3	-374.9
2.3.1 General government	0.1	-0.1	-0.1	-1.2	0.0	0.5	-1.6	0.0
2.3.2 Banks	826.0	-193.6	867.1	1,197.2	-19.0	518.2	412.9	-374.9
2.3.3 Other sectors	0.1	0.1	8.7	-21.1	0.0	0.0	0.0	0.0
2.4 Other liabilities	2.7	2.7	1.3	2.0	1.1	0.2	0.2	0.2

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

data of the Ministry of Finance and the Croatian Pension Insurance Administration in the case of pensions paid out to non-residents. In addition to taxes and excise duties, pensions, gifts and donations, which are included in current transfers of both sectors, the central government sector also encompasses data on multilateral cooperation, whereas other sectors include data on workers' remittances. As of 2011, the position of workers' remittances and gifts and donations for other sectors is estimated through a model based on aggregate data of banks on inflows of resident natural persons from abroad and outflows of resident natural persons abroad. Pensions from abroad are estimated on the basis of the available data of the Croatian Pension Insurance Administration. Furthermore, other sector transfers are supplemented by the data from the survey on trade in international services, containing a special part for possible transfers from and to foreign countries. Current transfers of the general government sector also include data on exports and imports of goods without a payment obligation, provided by the CBS. In the 1993-1998 period, current transfers of other sectors also encompassed an estimate of unregistered foreign currency remittances, which accounted for 15% of the positive difference between unclassified inflows and outflows of the household sector. From 1993 to the second quarter of 1996, the CNB also assessed a portion of the outflow based on current transfers. From 2002 on, inflows and outflows based on current transfers of other sectors are supplemented by the data of the CNB special statistical research on international transactions related to insurance services.

Until the end of 2010, capital account in the part relating to capital transfers was compiled on the basis of the ITRS. As of the beginning of 2011, data of the Ministry of Finance and data from the survey on trade in international services, containing a special part for possible transfers from and to foreign countries, are used for compiling the capital transfers account. Data on possible debt forgiveness also constitute a part of the capital account.

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 had been launched. Since 1999, data on debt relations within direct investments have been collected on the basis of external debt relations statistics. From 2007 on, the CNB Statistics Department conducts the

research on the purchase and sale of the real estate by non-residents on the territory of the Republic of Croatia. Persons obliged to submit reports are the public notaries who learn about these transactions in the course of their business. Data on the purchase and sale of the real estate by Croatian residents abroad were compiled on the basis of the ITRS until the end of 2010, whereas in 2011, monitoring through the obligatory reporting to the CNB's Statistics Department was introduced. These purchase and sale transactions are also a constituent part of direct investments.

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

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

Table H6 Balance of payments – summary^a

in million HRK

	2006	2007	2008	2009 ^b	2010 ^b	2011		
						Q1 ^b	Q2 ^b	Q3 ^c
A CURRENT ACCOUNT (1+6)	-19,336.4	-22,879.8	-30,351.3	-17,458.1	-3,908.9	-10,727.7	161.5	19,583.5
1 Goods, services, and income (2+5)	-27,445.5	-30,530.8	-38,080.1	-25,062.9	-11,808.1	-12,474.8	-1,796.6	17,562.0
1.1 Credit	131,029.4	144,113.0	153,786.1	124,491.1	134,679.0	22,327.1	36,600.5	55,319.1
1.2 Debit	-158,474.9	-174,643.8	-191,866.2	-149,554.1	-146,487.1	-34,801.9	-38,397.1	-37,757.1
2 Goods and services (3+4)	-18,996.5	-22,614.7	-26,928.9	-11,960.4	-654.7	-8,830.9	1,827.6	20,531.1
2.1 Credit	124,216.9	134,156.6	143,655.7	118,500.3	127,970.8	20,776.0	34,549.2	53,224.9
2.2 Debit	-143,213.4	-156,771.3	-170,584.7	-130,460.7	-128,625.4	-29,606.9	-32,721.6	-32,693.8
3 Goods	-61,083.9	-69,218.6	-77,984.3	-54,248.2	-43,366.5	-10,008.5	-9,868.8	-10,688.7
3.1 Credit	61,988.6	67,424.8	70,856.8	56,546.0	66,326.2	15,349.7	18,459.6	17,236.8
3.2 Debit	-123,072.5	-136,643.4	-148,841.1	-110,794.2	-109,692.7	-25,358.2	-28,328.5	-27,925.5
4 Services	42,087.4	46,603.9	51,055.4	42,287.8	42,711.8	1,177.6	11,696.4	31,219.8
4.1 Credit	62,228.3	66,731.8	72,798.9	61,954.3	61,644.5	5,426.3	16,089.5	35,988.2
4.2 Debit	-20,140.9	-20,127.8	-21,743.5	-19,666.5	-18,932.7	-4,248.7	-4,393.2	-4,768.4
5 Income	-8,448.9	-7,916.1	-11,151.2	-13,102.5	-11,153.4	-3,643.9	-3,624.1	-2,969.1
5.1 Credit	6,812.5	9,956.4	10,130.4	5,990.9	6,708.3	1,551.1	2,051.3	2,094.1
5.2 Debit	-15,261.5	-17,872.5	-21,281.5	-19,093.4	-17,861.7	-5,195.0	-5,675.4	-5,063.2
6 Current transfers	8,109.0	7,650.9	7,728.8	7,604.9	7,899.1	1,747.1	1,958.1	2,021.5
6.1 Credit	12,005.6	11,562.1	12,159.5	11,797.8	12,254.8	2,772.3	2,920.8	2,998.2
6.2 Debit	-3,896.5	-3,911.1	-4,430.6	-4,192.9	-4,355.7	-1,025.3	-962.8	-976.6
B CAPITAL AND FINANCIAL ACCOUNT	29,335.4	32,478.5	41,401.2	25,289.9	9,313.3	10,661.6	637.4	-6,068.6
B1 Capital account	-981.8	209.1	108.2	314.1	252.6	-12.5	-33.3	-12.9
B2 Financial account, excl. reserves	40,630.6	37,584.4	38,984.7	31,487.0	9,522.6	17,098.0	904.7	-7,795.1
1 Direct investment	18,726.0	25,241.5	23,037.8	11,001.7	2,837.2	277.8	2,691.0	4,666.7
1.1 Abroad	-1,525.6	-1,588.3	-6,999.5	-6,505.5	873.5	-2,206.4	189.7	1,885.9
1.2 In Croatia	20,251.6	26,829.8	30,037.3	17,507.2	1,963.7	2,484.2	2,501.3	2,780.7
2 Portfolio investment	-1,680.5	2,495.2	-5,711.7	2,991.6	2,765.3	3,057.6	-5,415.2	4,642.5
2.1 Assets	-3,502.7	-3,107.9	-2,678.2	-4,042.4	-2,700.4	591.9	-2,224.1	2,574.1
2.2 Liabilities	1,822.2	5,603.1	-3,033.5	7,034.0	5,465.6	2,465.7	-3,191.1	2,068.4
3 Financial derivatives	0.0	0.0	0.0	0.0	-1,838.9	-51.3	-338.5	-629.3
4 Other investment	23,585.1	9,847.7	21,658.6	17,493.7	5,759.1	13,813.9	3,967.4	-16,475.0
4.1 Assets	-5,121.6	-12,078.3	-11,592.5	5,591.2	5,129.2	5,576.0	240.6	-5,941.8
4.2 Liabilities	28,706.7	21,926.0	33,251.1	11,902.5	629.9	8,237.9	3,726.9	-10,533.2
B3 Reserve assets (CNB)	-10,313.4	-5,315.0	2,308.3	-6,511.2	-462.0	-6,423.9	-234.1	1,739.4
C NET ERRORS AND OMISSIONS	-9,999.0	-9,598.7	-11,049.9	-7,831.9	-5,404.3	66.2	-798.9	-13,514.9

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

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

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

data in the fourth quarter of 2001 and in the first two quarters of 2002 also relate to the effect of the EMU countries' currencies changeover to the euro. Data for the fourth quarter of 2008 were modified by estimates of currency and deposit withdrawals from the financial system driven by fears of the effects of the global financial crisis.

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

Table H7 International reserves and banks' foreign currency reserves^a

end of period, in million EUR

Year	Month	International reserves of the Croatian National Bank							Banks' foreign currency reserves
		Total	Special drawing rights	Reserve position in the Fund	Gold	Foreign currency			
						Total	Currency and deposits	Bonds and notes	
1998	December	2,400.2	197.1	0.1	–	2,203.0	1,642.6	560.4	1,607.0
1999	December	3,012.7	188.7	0.2	–	2,823.7	2,449.8	373.9	1,344.7
2000	December	3,783.2	158.5	0.2	–	3,624.5	2,763.0	861.5	2,310.7
2001	December	5,333.6	122.9	0.2	–	5,210.5	3,469.7	1,740.7	4,056.0
2002	December	5,651.3	2.3	0.2	–	5,648.8	3,787.8	1,861.0	2,581.6
2003	December	6,554.1	0.7	0.2	–	6,553.2	3,346.0	3,207.2	3,927.1
2004	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	December	7,438.4	0.9	0.2	–	7,437.3	3,834.5	3,602.8	2,938.4
2006	December	8,725.3	0.7	0.2	–	8,724.4	4,526.9	4,197.5	3,315.0
2007	December	9,307.4	0.8	0.2	–	9,306.5	4,533.9	4,772.5	4,388.9
2008	December	9,120.9	0.7	0.2	–	9,120.0	2,001.8	7,118.2	4,644.5
2009	December	10,375.8	331.7	0.2	–	10,043.9	2,641.4	7,402.6	4,293.9
2010	December	10,660.3	356.7	0.2	–	10,303.4	3,274.9	7,028.5	3,828.9
2011	January	10,456.2	345.4	0.2	–	10,110.6	3,141.2	6,969.4	3,596.5
	February	10,464.0	346.4	0.2	–	10,117.4	2,871.5	7,245.9	3,662.9
	March	11,423.8	342.0	0.2	–	11,081.6	4,058.9	7,022.8	2,926.6
	April	11,336.3	331.5	0.2	–	11,004.6	4,007.4	6,997.1	2,748.5
	May	11,394.4	340.4	0.2	–	11,053.8	2,992.3	8,061.6	2,714.7
	June	11,422.3	338.0	0.2	–	11,084.1	2,883.2	8,200.8	2,836.0
	July	11,232.9	338.7	0.2	–	10,894.0	3,154.1	7,739.9	3,442.2
	August	11,217.3	339.2	0.2	–	10,877.9	3,055.6	7,822.3	3,560.6
	September	11,323.8	347.8	0.2	–	10,975.8	3,097.7	7,878.1	3,670.2
	October	11,220.5	340.0	0.2	–	10,880.3	2,833.1	8,047.3	3,446.1
	November ^b	11,420.4	351.2	0.2	–	11,069.0	2,922.6	8,146.4	3,545.3

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

Table H7 International reserves and banks' foreign currency reserves • Data on the international reserves of the Croatian National Bank are compiled in accordance with the methodology set out in the Balance of Payments Manual (International Monetary Fund, 1993), and include those foreign claims of the Croatian National Bank that can be used to bridge imbalances in international payments. International reserves include special

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

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

Table H8 International reserves and foreign currency liquidity
end of period, in million EUR

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
						Mar.	Jun.	Sep.	Oct.
I Official reserve assets and other f/c assets (approximate market value)									
A Official reserve assets	8,725.3	9,307.4	9,120.9	10,375.8	10,660.3	11,423.8	11,422.3	11,323.8	11,220.5
(1) Foreign currency reserves (in convertible f/c)	8,162.8	8,911.0	8,625.0	9,243.3	8,794.8	9,435.8	10,444.1	10,619.7	10,220.3
(a) Securities	4,197.5	4,772.5	7,118.2	7,402.6	7,028.5	7,022.8	8,200.8	7,878.1	8,047.3
o/w: Issuer headquartered in reporting country but located abroad	–	–	–	–	–	–	–	–	–
(b) Total currency and deposits with:	3,965.3	4,138.4	1,506.7	1,840.8	1,766.3	2,413.0	2,243.2	2,741.6	2,173.0
(i) Other national central banks, BIS and IMF	198.7	190.7	1,397.3	1,698.9	1,576.4	2,306.2	975.2	1,177.3	2,031.1
(ii) Banks headquartered in the reporting country	–	–	–	–	–	–	–	–	–
o/w: Located abroad	–	–	–	–	–	–	–	–	–
(iii) Banks headquartered outside the reporting country	3,766.6	3,947.7	109.5	141.8	189.9	106.8	1,268.1	1,564.3	141.8
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	0.7	0.8	0.7	331.7	356.7	342.0	338.0	347.8	340.0
(4) Gold	–	–	–	–	–	–	–	–	–
(5) Other reserve assets	561.6	395.5	495.0	800.6	1,508.6	1,645.9	640.0	356.1	660.1
– Reverse repo	561.6	395.5	495.0	800.6	1,508.6	1,645.9	640.0	356.1	660.1
B Other foreign currency assets (specify)									
– Time deposits	–	–	–	–	–	–	–	–	–
C Total (A+B)	8,725.3	9,307.4	9,120.9	10,375.8	10,660.3	11,423.8	11,422.3	11,323.8	11,220.5
II Predetermined short-term net drains on f/c assets (nominal value)									
1 F/c loans, securities, and deposits (total net drains up to one year)	–650.5	–521.1	–1,084.1	–989.3	–1,234.9	–685.3	–673.8	–515.4	–519.5
(a) Croatian National Bank	–1.6	–2.0	–0.9	–	–	–	–	–	–
Up to 1 month	Principal	–	–	–	–	–	–	–	–
Interest	–1.6	–2.0	–0.9	–	–	–	–	–	–
More than 1 and up to 3 months	Principal	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–
(b) Central government (excl. central government funds)	–648.9	–519.1	–1,083.2	–989.3	–1,234.9	–685.3	–673.8	–515.4	–519.5
Up to 1 month	Principal	–48.3	–47.6	–50.8	–39.9	–15.4	–14.8	–14.9	–12.5
Interest	–	–	–	–	–8.1	–1.3	–5.0	–1.0	–6.8
More than 1 and up to 3 months	Principal	–138.4	–133.2	–616.8	–625.3	–125.4	–285.7	–151.0	–170.9
Interest	–	–	–	–	–15.1	–18.3	–24.2	–16.9	–22.7
More than 3 months and up to 1 year	Principal	–399.8	–284.5	–348.3	–207.1	–298.3	–134.3	–99.3	–109.8
Interest	–62.3	–53.8	–67.4	–117.0	–142.5	–226.6	–209.8	–232.3	–196.8
2 Aggregate short and long positions in forwards and futures in f/c vis-a-vis the domestic currency (including the forward leg of currency swaps)	–	–	–	–	–	–	–	–	–
(a) Short positions (–)	–	–	–	–	–	–	–	–	–
Up to 1 month	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–
(b) Long positions (+)	–	–	–	–	–	–	–	–	–
Up to 1 month	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–
3 Other	–	–	–	–	–	–	–	–	–
– Outflows related to repos (–)	–	–	–	–	–	–	–	–	–
Up to 1 month	Principal	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	Principal	–	–	–	–	–	–	–	–

		2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011			
							Mar.	Jun.	Sep.	Oct.
	Interest	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–	–	–	–	–	–	–	–	–
	Interest	–	–	–	–	–	–	–	–	–
4 Total predetermined short-term net drains on f/c assets (1+2+3)		–650.5	–521.1	–1,084.1	–989.3	–1,234.9	–685.3	–673.8	–515.4	–519.5
III Contingent short-term net drains on f/c assets (nominal value)										
1 Contingent liabilities in foreign currency		–2,734.9	–2,607.4	–1,896.1	–1,351.6	–1,734.2	–1,495.2	–1,579.8	–2,088.6	–1,972.6
(a) Collateral guarantees on debt falling due within 1 year		–478.9	–662.1	–803.2	–661.5	–1,087.9	–846.8	–905.0	–1,423.8	–1,274.0
– Croatian National Bank		–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)		–478.9	–662.1	–803.2	–661.5	–1,087.9	–846.8	–905.0	–1,423.8	–1,274.0
Up to 1 month		–71.9	–54.3	–91.8	–30.3	–0.2	–27.0	–8.4	–35.6	–236.1
More than 1 and up to 3 months		–84.8	–42.4	–58.4	–101.3	–438.5	–143.6	–139.4	–503.2	–258.2
More than 3 months and up to 1 year		–322.2	–565.3	–652.9	–529.8	–649.2	–676.2	–757.2	–885.0	–779.7
(b) Other contingent liabilities		–2,256.0	–1,945.3	–1,092.9	–690.1	–646.3	–648.4	–674.7	–664.7	–698.6
– Croatian National Bank		–2,256.0	–1,945.3	–1,092.9	–690.1	–646.3	–648.4	–674.7	–664.7	–698.6
Up to 1 month		–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months		–2,256.0	–1,945.3	–1,092.9	–690.1	–646.3	–648.4	–674.7	–664.7	–698.6
More than 3 months and up to 1 year		–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)		–	–	–	–	–	–	–	–	–
2 Foreign currency securities issued with embedded options (puttable bonds)		–	–	–	–	–	–	–	–	–
3 Undrawn, unconditional credit lines provided by:		–	–	–	–	–	–	–	–	–
– BIS (+)		–	–	–	–	–	–	–	–	–
– IMF (+)		–	–	–	–	–	–	–	–	–
4 Aggregate short and long positions of options in f/c vis-a-vis the domestic currency		–	–	–	–	–	–	–	–	–
5 Total contingent short-term net drains on f/c assets (1+2+3+4)		–2,734.9	–2,607.4	–1,896.1	–1,351.6	–1,734.2	–1,495.2	–1,579.8	–2,088.6	–1,972.6
IV Memo items										
(a) Short-term domestic currency debt indexed to the exchange rate		–	–	–	–	–	–	–	–	–
o/w: Central government (excl. central government funds)		–	–	–	–	–	–	–	–	–
(b) Financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)		–	–	–	–	–	–	–	–	–
(c) Pledged assets		–	–	–	–	–	–	–	–	–
(d) Securities lent and on repo		–	–	–	–	–	–	–	–	–
– Lent or repoed and included in Section I		–	–	–6.1	–	–	–9.5	–	–	–0.2
– Lent or repoed but not included in Section I		–	–	–	–	–	–	–	–	–
– Borrowed or acquired and included in Section I		–	–	–	–	–	–	–	–	–
– Borrowed or acquired but not included in Section I		559.5	389.7	478.6	766.5	1,458.5	1,631.9	664.7	342.8	661.9
(e) Financial derivative assets (net, marked to market)		–	–	–	–	–	–	–	–	–
(f) Currency composition of official reserves assets										
– Currencies in SDR basket		8,725.0	9,307.1	9,120.8	10,375.7	10,660.0	11,423.8	11,422.2	11,323.7	11,220.4
– Currencies not in SDR basket		0.3	0.3	0.1	0.1	0.3	0.1	0.1	0.1	0.1
– By individual currencies										
USD		1,266.0	1,357.2	2,064.6	2,461.8	2,451.0	2,200.9	2,346.3	2,392.7	2,287.6
EUR		7,458.0	7,944.2	7,054.9	7,581.5	7,851.8	8,880.5	8,737.4	8,582.7	8,592.4
Other		1.3	6.0	1.5	332.5	357.5	342.5	338.5	348.4	340.5

Table H8 International reserves and foreign currency liquidity • International reserves and foreign currency liquidity are shown in accordance with a Template on international reserves and foreign currency liquidity, drawn up by the IMF. A detailed explanation of the Template is given in “International Reserves and Foreign Currency Liquidity – Guidelines for a Data Template, 2001”.

The first part of the Template shows total assets of the Croatian National Bank in convertible foreign currency. Official

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

Table H9 Midpoint exchange rates of the Croatian National Bank (period average)

Year	Month	EUR/HRK	ATS/HRK	FRF/HRK	100 ITL/HRK	CHF/HRK	GBP/HRK	USD/HRK	DEM/HRK
1998		7.139159	0.514631	1.080018	0.366853	4.396452	10.537622	6.362284	3.620795
1999		7.581823	0.550993	1.155840	0.391568	4.739965	11.514804	7.122027	3.876528
2000		7.633852	0.554774	1.163773	0.394256	4.903244	12.530514	8.287369	3.903127
2001		7.471006	0.542939	1.138947	0.385845	4.946810	12.010936	8.339153	3.819865
2002		7.406976				5.049125	11.793108	7.872490	
2003		7.564248				4.978864	10.943126	6.704449	
2004		7.495680				4.854986	11.048755	6.031216	
2005		7.400047				4.780586	10.821781	5.949959	
2006		7.322849				4.656710	10.740292	5.839170	
2007		7.336019				4.468302	10.731537	5.365993	
2008		7.223178				4.553618	9.101622	4.934417	
2009		7.339554				4.861337	8.233112	5.280370	
2010		7.286230				5.285859	8.494572	5.500015	
2010	December	7.392766				5.761629	8.730161	5.594845	
2011	January	7.396420				5.794304	8.724773	5.537878	
	February	7.410873				5.710786	8.753128	5.431365	
	March	7.393749				5.746383	8.546276	5.285354	
	April	7.362212				5.671406	8.340644	5.105235	
	May	7.391226				5.882541	8.407499	5.142271	
	June	7.412196				6.121611	8.368008	5.148899	
	July	7.419738				6.288996	8.367082	5.193281	
	August	7.454965				6.657745	8.505480	5.192441	
	September	7.486844				6.250744	8.578141	5.420572	
	October	7.483324				6.085039	8.602293	5.467645	
	November	7.487735				6.082743	8.721751	5.512767	

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 (II1) include future interest payments on banks' foreign currency reserve requirements with the CNB (only interest payments for the next month are included), payments of future maturities of foreign currency CNB bills, future principal and interest payments on loans from the IMF, and future principal and interest payments on the central government's foreign currency debts (excluding central government funds). Aggregate short and long positions in forwards and futures in foreign currencies (II2) include future collections (+) or payments (–) arising from currency swaps between the CNB and domestic banks (temporary sale or purchase of foreign currency). Item Other (II3) includes future payments arising from repo transactions with foreign negotiable debt securities.

The third part of the Template shows predetermined contingent foreign currency net liabilities of the Croatian National Bank and the central government (excluding central government funds), which fall due in the following 12 months. Contingent liabilities in foreign currency (III1) include future principal and interest payments on foreign loans guaranteed by the central government, and banks' foreign currency reserve requirements with the CNB. (The inclusion of reserve requirements in foreign currency is based on the assumption that there will be no changes in ratios or in the base of foreign currency reserve requirements, which comprises foreign currency sources of funds, including ordinary foreign currency accounts, special foreign currency accounts, foreign currency accounts and foreign currency sight deposits, received foreign currency deposits and received foreign currency loans, as well as obligations arising from

securities issued in foreign currency (excluding banks' equity securities) and hybrid and subordinated instruments). Undrawn credit lines show potential inflows (+) or outflows (–) which would arise from drawdowns under these credits.

The fourth part of the Template lists memo items. Short-term, domestic currency debt indexed to foreign currency (IV(a)) shows obligations arising from the Act on Converting Households' Foreign Currency Deposits into the Public Debt of the Republic of Croatia, which fall due in the next 12 months. Pledged assets (IV(c)) show time deposits in foreign currency with a maturity over 3 months listed in item IB which are also used as collateral. Repo transactions with securities show the value of collateral that is subject to repo and reverse repo transactions with securities as well as how these transactions are registered in the Template.

Table H9 Midpoint exchange rates of the Croatian National Bank (period average) • The annual averages of CNB midpoint exchange rates are calculated based on the midpoint exchange rates effective on the working days in a year, using CNB exchange rate lists whose application dates pertain to the calculation period.

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

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

Table H10 Midpoint exchange rates of the Croatian National Bank (end of period)

Year	Month	EUR/HRK	ATS/HRK	FRF/HRK	100 ITL/HRK	CHF/HRK	GBP/HRK	USD/HRK	DEM/HRK
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2003		7.646909				4.901551	10.860544	6.118506	
2004		7.671234				4.971314	10.824374	5.636883	
2005		7.375626				4.744388	10.753209	6.233626	
2006		7.345081				4.571248	10.943208	5.578401	
2007		7.325131				4.412464	9.963453	4.985456	
2008		7.324425				4.911107	7.484595	5.155504	
2009		7.306199				4.909420	8.074040	5.089300	
2010		7.385173				5.929961	8.608431	5.568252	
2010	December	7.385173				5.929961	8.608431	5.568252	
2011	January	7.407203				5.709707	8.566211	5.393333	
	February	7.414820				5.786951	8.648029	5.376954	
	March	7.382807				5.688709	8.424015	5.244216	
	April	7.354349				5.706354	8.245710	4.947426	
	May	7.431895				6.123338	8.573944	5.203315	
	June	7.373946				6.163961	8.205125	5.127205	
	July	7.452071				6.512340	8.488519	5.215980	
	August	7.470858				6.333383	8.463643	5.183776	
	September	7.492023				6.137481	8.611521	5.493894	
	October	7.485329				6.116464	8.509924	5.282519	
	November	7.498586				6.101372	8.740629	5.588869	

denominated by dividing their values by one thousand (1,000).

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

Table H10 Midpoint exchange rates of the Croatian National Bank (end of period) • The table shows CNB midpoint exchange rates applied on the last day of the observed period.

The data show CNB midpoint exchange rates for selected

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

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

Table H11 Indices of the effective exchange rate of the kuna

indices 2005 = 100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator		Real effective exchange rate of the kuna ^a ; deflator	
			Consumer price index	Producer price index	Unit labour costs in industry	Unit labour costs in the total economy
1998	December	100.05	104.33	106.43		
1999	December	107.42	110.58	110.78		
2000	December	107.39	108.02	104.30	116.93	107.77
2001	December	104.41	104.92	103.86	111.82	107.92
2002	December	102.98	103.92	101.67	112.01	105.94
2003	December	103.17	104.36	102.21	105.27	105.14
2004	December	101.23	102.11	99.97	102.86	101.47
2005	December	100.26	99.62	100.99	100.34	100.14
2006	December	98.76	98.03	101.09	91.37	94.07
2007	December	97.20	94.18	98.64	87.28	89.44
2008	December	96.12	92.10	94.82	89.19	85.70
2009	December	96.36	91.83	92.00	88.93	87.44
2010	December	100.14	95.58	95.15	90.96	92.27
2011	January	100.31	94.78	95.65		
	February	100.30	94.72	94.81		
	March	99.66	94.46	94.28	93.88 ^b	93.84 ^b
	April	98.78	93.92	93.80		
	May	99.41	94.33	93.77		
	June	99.72	95.02	94.34		
	July	99.97	95.26	94.78		
	August	100.55	96.11	94.48		
	September	101.05	96.81	95.26		
	October	100.91	96.42 ^b	94.56 ^b		
	November	100.83				

^a The values shown are quarterly data. ^b Preliminary data.

Note: Historical data may be revised when the series are updated.

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 selected currencies of the main trading partners. The currencies of the main trading partners and their weights are determined based on the structure of imports and exports of manufactured goods, where the weights used reflect direct import competition, direct export competition and export competition in third markets (see Box 2 in CNB Bulletin No. 165, 2011). The group of countries included in the formation of the index of the effective exchange rate of the kuna comprises the following 16 partner countries: a) eight eurozone countries: Austria (a 6.9% weight), Belgium (2.8%), France (6.4%), Germany (22.5%), Italy (21.4%), the Netherlands (3.2%), Slovenia (6.5%) and Spain (2.6%); b) five EU countries outside the eurozone: the Czech Republic (2.8%), Hungary (2.6%), Poland (2.8%), Sweden (1.9%) and the United Kingdom (3.9%); and c) three non-EU countries: the United States (7.6%), Japan (4.0%) and Switzerland (2.2%). The reference period for the calculation of the weights is the average for the 2007-2009 period. The time series of basic indices were recalculated on the basis of 2005.

The index of the nominal effective exchange rate is an aggregate indicator of the average value of the domestic currency

against a basket of currencies. An increase in the index of the nominal effective exchange rate of the kuna in a certain period indicates that the kuna has depreciated against the basket of currencies and vice versa. The index of the real effective exchange rate is a weighted geometric average of the index of bilateral exchange rates of the kuna adjusted for the corresponding indices of relative prices or costs (the ratio of price indices or costs in partner countries to domestic prices). Producer price indices, consumer price indices and the harmonised consumer price indices for EU member states, unit labour costs in the total economy and in industry are used as deflators. The time series for consumer prices in Croatia is constructed in the following manner: retail price indices are used for the period until and including December 1997 and consumer price indices for the period as of January 1998. Unit labour costs in Croatia are calculated as the ratio of compensation per employee at current prices to labour productivity at constant prices (for more details on the calculation of unit labour costs, see Box 1 in CNB Bulletin No. 141, 2008). Data on the real effective exchange rate for the last month are preliminary. The historical data may be corrected for the subsequent changes in the data on deflators used in the calculation of the index of the real effective exchange rate of the kuna.

in million EUR

	2006 Dec.	2007 Dec. ^b	2008 Dec. ^{c,d}	2009 Dec. ^{e,f}	2010 Dec. [*]	2011				
						Mar. [*]	Jun. [*]	Jul. [*]	Aug. [*]	Sep.
1 Government	6,087.1	6,064.8	4,762.0	5,739.4	6,602.7	6,989.5	6,767.1	7,143.7	7,080.6	6,968.3
Short-term	125.1	49.0	60.3	170.4	469.2	722.9	496.4	323.2	275.7	171.7
Money market instruments	123.9	43.7	24.6	170.3	468.3	547.9	321.4	323.2	275.7	171.7
Credits	0.0	0.0	31.7	0.0	0.0	175.0	175.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1.3	5.3	4.0	0.1	0.9	0.0	0.0	0.0	0.0	0.1
Principal arrears	0.0	1.1	3.9	0.1	0.8	0.0	0.0	0.0	0.0	0.0
Interest arrears	1.2	4.2	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,962.0	6,015.8	4,701.7	5,569.0	6,133.5	6,266.6	6,270.7	6,820.5	6,804.9	6,796.6
Bonds	3,402.3	3,406.2	3,162.1	3,976.4	4,313.1	4,467.9	4,318.0	4,865.4	4,863.3	4,859.8
Credits	2,557.8	2,608.4	1,538.9	1,592.6	1,820.4	1,798.6	1,952.7	1,955.1	1,941.6	1,936.8
Trade credits	1.9	1.2	0.7	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
2 Croatian National Bank	2.6	2.3	2.3	1.1	1.2	0.4	0.1	0.1	0.1	0.1
Short-term	2.6	2.3	2.3	1.1	1.2	0.4	0.1	0.1	0.1	0.1
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	2.6	2.3	2.3	1.1	1.2	0.4	0.1	0.1	0.1	0.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3 Banks	10,237.1	8,892.6	10,088.9	10,688.7	10,753.0	11,289.8	11,996.3	11,264.6	10,828.1	11,156.0
Short-term	3,362.7	2,361.2	3,793.3	3,091.8	3,005.5	2,929.7	3,452.2	2,995.2	2,719.2	3,266.3
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,150.4	710.8	1,121.1	806.8	932.1	742.4	879.9	614.1	393.1	469.5
Currency and deposits	2,211.1	1,648.8	2,670.3	2,283.9	2,073.0	2,187.1	2,572.1	2,381.0	2,325.9	2,796.7
Other debt liabilities	1.2	1.7	2.0	1.2	0.4	0.3	0.2	0.2	0.1	0.1
Principal arrears	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	1.2	1.5	2.0	1.2	0.4	0.3	0.2	0.2	0.1	0.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,874.4	6,531.4	6,295.6	7,596.9	7,747.5	8,360.0	8,544.1	8,269.4	8,108.9	7,889.6
Bonds	472.4	472.5	466.6	9.0	8.9	0.0	0.0	0.4	0.6	2.7
Credits	4,217.3	3,565.1	3,373.9	3,545.3	3,353.7	3,626.0	3,703.8	3,788.4	3,731.3	3,691.8
Currency and deposits	2,184.7	2,493.9	2,455.0	4,042.7	4,384.9	4,734.0	4,840.3	4,480.6	4,377.0	4,195.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 Other sectors	10,519.8	14,828.3	19,901.0	20,993.8	20,940.0	21,340.4	21,113.7	21,159.1	20,951.3	20,749.1
Short-term	700.9	1,478.2	925.3	1,346.7	1,621.6	1,765.9	1,621.6	1,624.8	1,625.3	1,620.7
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	155.0	681.0	652.9	677.7	523.9	840.4	653.6	650.3	630.3	587.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	35.9	31.1	39.5	28.2	30.9	33.0	31.1	31.1	30.7	31.0
Other debt liabilities	510.0	766.0	232.9	640.9	1,066.8	892.4	936.9	943.4	964.4	1,002.0
Principal arrears	460.6	683.4	170.4	523.6	895.8	749.7	785.3	789.0	807.7	837.5
Interest arrears	49.4	82.6	62.5	117.2	170.9	142.8	151.7	154.3	156.7	164.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	2006 Dec.	2007 Dec. ^b	2008 Dec. ^{c,d}	2009 Dec. ^{e,f}	2010 Dec. ^g	2011				
						Mar. [*]	Jun. [*]	Jul. [*]	Aug. [*]	Sep.
Long-term	9,818.9	13,350.1	18,975.7	19,647.1	19,318.5	19,574.5	19,492.1	19,534.4	19,325.9	19,128.4
Bonds	857.4	1,293.4	1,251.6	1,665.8	1,590.1	1,437.5	1,413.0	1,399.4	1,401.0	1,392.0
Credits	8,816.1	11,766.9	17,391.3	17,688.7	17,439.9	17,846.6	17,831.3	17,866.9	17,656.9	17,543.1
Currency and deposits	0.0	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	145.4	289.8	322.2	292.6	288.5	290.4	247.8	268.1	268.0	193.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5 Direct investment	2,878.4	3,932.8	5,835.9	7,821.2	8,217.6	7,893.3	7,483.7	7,502.9	7,703.8	7,736.8
Short-term	233.9	540.4	1,415.7	446.8	930.3	959.5	1,018.9	1,017.3	1,121.5	1,159.4
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	51.2	216.8	1,314.0	343.2	765.2	770.8	818.6	810.9	881.4	916.8
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	182.7	323.6	101.6	103.6	165.1	188.7	200.3	206.4	240.2	242.6
Principal arrears	158.2	293.9	85.8	73.5	127.2	149.8	160.3	163.3	196.6	198.5
Interest arrears	24.5	29.7	15.8	30.1	37.9	38.9	40.0	43.1	43.6	44.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,644.5	3,392.5	4,420.2	7,374.4	7,287.3	6,933.8	6,464.8	6,485.6	6,582.3	6,577.4
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	2,618.1	3,374.5	4,414.7	7,373.4	7,284.3	6,930.8	6,461.8	6,482.6	6,577.9	6,573.7
Trade credits	26.4	18.0	5.5	1.0	3.0	3.0	3.0	3.0	4.4	3.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	29,725.0	33,720.8	40,590.0	45,244.3	46,514.5	47,513.3	47,360.9	47,070.4	46,563.9	46,610.3
o/w: Round tripping ^a	-	-	825.6	1,499.0	-	-	-	-	-	-

^a The rise in the external debt of the Republic of Croatia is attributed to the direct investment-related debt which comprises round-tripping transactions. A significant transaction, contributing to the removal of a round tripping component of direct investment, was recorded in December 2010. Nevertheless, the debt is presented in this table under heading 5 Direct investment. ^b The relevant comparable data as at 31 December 2007, published in Bulletin No. 146, should be used for the calculation of the external debt growth rate in 2008. ^c From January 2008 on, the data of non-financial enterprises are estimated on the basis of the data collected from the sample. ^d The relevant comparable data as at 31 December 2008, published in Bulletin No. 161, should be used for the calculation of the external debt growth rate in 2009. ^e From January 2009 on, the data of non-banking financial institutions and non-financial enterprises are processed with the help of the new reporting system (INOK) which uses market interest rates to calculate the balance and the schedule of interest payments. The comparable balance as at 31 December 2008 has been calculated by applying the same methodology (published in Bulletin No. 161). ^f Due to a subsequent correction of data by one reporting unit, one credit included in the external debt has been reclassified from Other sectors to Direct investment in column April 2009 and onwards. In April 2009, the reclassification amounted to EUR 333.4m. The reclassification had no impact on total external debt of the Republic of Croatia.

Table H12 Gross external debt by domestic sectors • External debt is defined as the external debt liabilities of residents on the basis of debt securities issued in the foreign markets (at face value), credits (repo agreements included) regardless of their contractual maturity, deposits of non-residents, and trade credits granted by non-residents with contractual maturity of more than 180 days (90 days up to 11 July 2001 and 150 days up to 31 December 2002) and, from December 2005 on, non-resident investment in debt securities issued in the domestic market.

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

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

maturity. Data for the previous periods are reported only on a long-term basis.

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

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

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

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

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

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

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

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

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

	2006 Dec.	2007 Dec. ^b	2008 Dec. ^{c,d}	2009 Dec. ^e	2010 Dec. ^f	2011				
						Mar.*	Jun.*	Jul.*	Aug.*	Sep.
1 Public sector	8,673.8	9,986.7	10,852.7	12,820.6	14,364.8	14,683.9	14,308.1	14,706.9	14,553.3	14,384.6
Short-term	165.5	116.2	209.2	429.9	651.1	1,149.9	780.7	619.1	573.0	418.4
Money market instruments	123.9	43.7	24.6	170.3	468.3	547.9	321.4	323.2	275.7	171.7
Credits	15.2	35.4	164.1	215.6	108.6	529.9	385.3	221.1	222.6	170.3
Currency and deposits	2.6	2.3	2.3	1.1	1.2	0.4	0.1	0.1	0.1	0.1
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	23.9	34.7	18.2	42.9	73.1	71.7	73.9	74.7	74.6	76.4
Principal arrears	20.6	29.9	17.1	39.4	69.3	68.0	69.8	70.6	70.4	72.0
Interest arrears	3.3	4.8	1.1	3.6	3.8	3.8	4.1	4.2	4.2	4.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	8,506.8	9,868.8	10,641.8	12,207.3	13,346.9	13,305.7	13,441.2	14,000.6	13,828.1	13,783.4
Bonds	3,933.7	4,543.3	4,294.8	5,326.8	5,579.9	5,440.7	5,297.2	5,825.2	5,828.0	5,819.0
Credits	4,485.2	5,120.3	6,068.5	6,608.2	7,495.6	7,593.8	7,913.9	7,924.8	7,749.4	7,788.3
Currency and deposits	0.0	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	87.9	205.2	267.9	272.3	271.4	271.2	230.1	250.6	250.7	176.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	1.5	1.8	1.7	183.4	366.8	228.2	86.2	87.2	152.2	182.9
2 Publicly guaranteed private sector	204.2	139.9	80.3	9.2	5.4	3.9	3.9	3.8	3.8	2.7
Short-term	17.2	11.3	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	17.2	11.3	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	14.4	9.4	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	2.8	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	187.0	128.6	73.2	9.2	5.4	3.9	3.9	3.8	3.8	2.7
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	187.0	128.6	73.2	9.2	5.4	3.9	3.9	3.8	3.8	2.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	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
Direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3 Non-publicly guaranteed private sector	20,847.0	23,594.3	29,657.1	32,414.6	32,144.2	32,825.6	33,048.9	32,359.7	32,006.8	32,222.9
Short-term	4,008.7	3,763.3	4,564.9	4,180.2	4,446.3	4,269.0	4,789.5	4,324.1	4,047.4	4,640.5
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,290.2	1,356.4	1,641.6	1,268.9	1,347.4	1,227.9	1,323.2	1,043.3	800.8	886.9
Currency and deposits	2,211.1	1,648.8	2,670.3	2,283.9	2,073.0	2,187.1	2,572.1	2,381.0	2,325.9	2,796.7
Trade credits	35.9	31.1	39.5	28.2	30.9	33.0	31.1	31.1	30.7	31.0
Other debt liabilities	471.5	727.0	213.5	599.2	995.0	821.0	863.2	868.8	889.9	925.8
Principal arrears	425.6	645.4	150.2	484.4	827.3	681.7	715.4	718.5	737.3	765.5
Interest arrears	45.8	81.7	63.3	114.9	167.7	139.3	147.7	150.3	152.6	160.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	13,961.4	15,899.9	19,258.0	20,977.5	19,847.1	20,891.6	20,861.8	20,619.9	20,407.9	20,028.6
Bonds	798.4	628.8	585.5	324.4	332.2	464.7	433.9	440.0	436.9	435.5
Credits	10,919.0	12,691.4	16,162.4	16,590.1	15,105.7	15,643.5	15,539.9	15,651.7	15,546.4	15,350.7
Currency and deposits	2,184.7	2,493.9	2,455.0	4,042.7	4,384.9	4,734.0	4,840.3	4,480.6	4,377.0	4,195.1
Trade credits	59.4	85.8	55.0	20.3	24.3	49.3	47.8	47.6	47.6	47.2

	2006 Dec.	2007 Dec. ^b	2008 Dec. ^{c,d}	2009 Dec. ^e	2010 Dec. ^f	2011				
						Mar. [*]	Jun. [*]	Jul. [*]	Aug. [*]	Sep.
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	2,876.9	3,931.1	5,834.2	7,256.9	7,850.8	7,665.1	7,397.6	7,415.7	7,551.6	7,553.9
Total (1+2+3)	29,725.0	33,720.8	40,590.0	45,244.3	46,514.5	47,513.3	47,360.9	47,070.4	46,563.9	46,610.3
o/w: Round tripping ^a	-	-	825.6	1,499.0	-	-	-	-	-	-

^a The rise in the external debt of the Republic of Croatia is attributed to the direct investment-related debt which comprises round-tripping transactions. A significant transaction, contributing to the removal of a round tripping component of direct investment, was recorded in December 2010. Nevertheless, the debt is presented in this table under heading 5 Direct investment. ^b The relevant comparable data as at 31 December 2007, published in Bulletin No. 146, should be used for the calculation of the external debt growth rate in 2008. ^c From January 2008 on, the data of non-financial enterprises are estimated on the basis of the data collected from the sample. ^d The relevant comparable data as at 31 December 2008, published in Bulletin No. 161, should be used for the calculation of the external debt growth rate in 2009. ^e From January 2009 on, the data of non-banking financial institutions and non-financial enterprises are processed with the help of the new reporting system (INOK) which uses market interest rates to calculate the balance and the schedule of interest payments. The comparable balance as at 31 December 2008 has been calculated by applying the same methodology (published in Bulletin No. 161).

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

in million EUR

	Gross external debt 30/9/2011	Imme- diate	Projected future principal payments												
			Q4/11	Q1/12	Q2/12	Q3/12	2011	2012	2013	2014	2015	2016	2017	2018	Other
1 Government	6,968.3	0.1	271.4	65.0	98.0	35.7	271.4	253.9	291.1	653.5	971.9	129.3	109.3	505.2	3,782.7
Short-term	171.7	0.1	110.7	44.4	13.6	2.9	110.7	60.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	171.7	0.0	110.7	44.4	13.6	2.9	110.7	60.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.1	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	6,796.6	0.0	160.6	20.6	84.4	32.8	160.6	193.0	291.1	653.5	971.9	129.3	109.3	505.2	3,782.7
Bonds	4,859.8	0.0	79.8	0.2	31.3	0.2	79.8	31.7	119.5	488.4	694.9	6.6	17.2	429.0	2,992.6
Credits	1,936.8	0.0	80.8	20.4	53.1	32.6	80.8	161.2	171.6	165.1	277.0	122.7	92.1	76.3	790.1
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Croatian National Bank	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3 Banks	11,156.0	0.1	2,966.3	921.7	739.8	692.2	2,966.3	2,826.2	1,557.0	747.1	386.7	733.5	1,115.7	701.7	121.7
Short-term	3,266.3	0.1	2,185.1	356.3	371.3	353.5	2,185.1	1,081.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	469.5	0.0	454.5	0.0	15.0	0.0	454.5	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	2,796.7	0.0	1,730.6	356.3	356.3	353.5	1,730.6	1,066.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.1	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	7,889.6	0.0	781.2	565.4	368.5	338.7	781.2	1,745.0	1,557.0	747.1	386.7	733.5	1,115.7	701.7	121.7
Bonds	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.6	0.0	0.0

	Gross external debt 30/9/2011	Imme- diate	Projected future principal payments												
			Q4/11	Q1/12	Q2/12	Q3/12	2011	2012	2013	2014	2015	2016	2017	2018	Other
Credits	3,691.8	0.0	272.8	277.9	80.9	49.8	272.8	637.2	774.9	571.8	114.6	344.6	915.8	21.0	39.2
Currency and deposits	4,195.1	0.0	508.4	287.5	287.5	288.9	508.4	1,107.8	782.1	175.3	272.1	388.9	197.3	680.7	82.5
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	20,749.1	1,002.0	2,703.8	761.2	1,372.6	1,029.7	2,703.8	3,974.3	2,745.1	1,645.9	1,343.3	1,443.9	1,516.5	758.5	3,615.9
Short-term	1,620.7	1,002.0	427.9	115.1	56.0	19.7	427.9	190.8	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	587.7	0.0	427.9	115.1	25.0	19.7	427.9	159.8	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	31.0	0.0	0.0	0.0	31.0	0.0	0.0	31.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1,002.0	1,002.0	0.0	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	837.5	837.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	164.4	164.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	19,128.4	0.0	2,275.9	646.1	1,316.6	1,010.0	2,275.9	3,783.5	2,745.1	1,645.9	1,343.3	1,443.9	1,516.5	758.5	3,615.9
Bonds	1,392.0	0.0	38.8	0.0	0.5	265.5	38.8	281.6	42.6	30.4	30.4	446.8	517.6	0.0	3.8
Credits	17,543.1	0.0	2,148.2	643.0	1,314.7	735.2	2,148.2	3,450.0	2,654.1	1,614.3	1,311.8	996.1	998.1	758.5	3,612.0
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	193.3	0.0	88.9	3.1	1.4	9.3	88.9	51.9	48.4	1.2	1.1	1.0	0.9	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5 Direct investment	7,736.8	242.6	2,216.2	283.2	576.0	402.4	2,216.2	1,551.5	524.5	534.8	289.7	275.0	227.9	111.4	1,763.2
Short-term	1,159.4	242.6	505.2	121.5	265.9	24.2	505.2	411.6	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	916.8	0.0	505.2	121.5	265.9	24.2	505.2	411.6	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	242.6	242.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	198.5	198.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	44.1	44.1	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	6,577.4	0.0	1,711.0	161.7	310.1	378.3	1,711.0	1,139.9	524.5	534.8	289.7	275.0	227.9	111.4	1,763.2
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	6,573.7	0.0	1,710.5	161.6	309.4	377.6	1,710.5	1,137.7	523.8	534.4	289.7	275.0	227.9	111.4	1,763.2
Trade credits	3.7	0.0	0.4	0.1	0.6	0.7	0.4	2.2	0.7	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
Total (1+2+3+4+5)	46,610.3	1,244.8	8,157.7	2,031.2	2,786.3	2,160.1	8,157.7	8,605.8	5,117.7	3,581.3	2,991.5	2,581.7	2,969.4	2,076.8	9,283.5
Supplement: Projected interest payments			239.1	262.6	299.4	313.9	239.1	1,176.2	1,096.4	943.2	815.0	718.8	598.1	490.5	1,842.9

^a As from Bulletin No. 170 the stock and the planned repayments of gross external debt include data on non-resident investment in debt securities issued by Croatian issuers in the Croatian market.

Table H14 Gross external debt by domestic sectors and projected future payments • The table shows outstanding gross external debt, projected principal payments and estimated interest payments according to the CNB's midpoint exchange rate at the end of the period. Projected principal payments and estimated interest payments on currency and deposits of non-residents under item Banks are reported in accordance with the available monetary statistics data on original and remaining maturity.

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

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

Table H15 Gross external debt by other sectors
in million EUR

	2006 Dec.	2007 Dec. ^a	2008 Dec. ^{b,c}	2009 Dec. ^{d,e}	2010 Dec. [*]	2011				
						Mar. [*]	Jun. [*]	Jul. [*]	Aug. [*]	Sep.
1 Other sectors	10,519.7	14,828.3	19,901.0	20,993.8	20,940.0	21,340.4	21,113.7	21,159.1	20,951.3	20,749.1
Short-term	700.9	1,478.2	925.3	1,346.7	1,621.6	1,765.9	1,621.6	1,624.8	1,625.3	1,620.7
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	155.0	681.0	652.9	677.7	523.9	840.4	653.6	650.3	630.3	587.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	35.9	31.1	39.5	28.2	30.9	33.0	31.1	31.1	30.7	31.0
Other debt liabilities	510.0	766.0	232.9	640.9	1,066.8	892.4	936.9	943.4	964.4	1,002.0
Principal arrears	460.6	683.4	170.4	523.6	895.8	749.7	785.3	789.0	807.7	837.5
Interest arrears	49.4	82.6	62.5	117.2	170.9	142.8	151.7	154.3	156.7	164.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	9,818.9	13,350.1	18,975.7	19,647.1	19,318.5	19,574.5	19,492.1	19,534.4	19,325.9	19,128.4
Bonds	857.4	1,293.4	1,251.6	1,665.8	1,590.1	1,437.5	1,413.0	1,399.4	1,401.0	1,392.0
Credits	8,816.1	11,766.9	17,401.9	17,688.7	17,439.9	17,846.6	17,831.3	17,866.9	17,656.9	17,543.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	145.4	289.8	322.2	292.6	288.5	290.4	247.8	268.1	268.0	193.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1 Other banking institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2 Non-banking financial institutions	2,871.4	3,922.0	4,949.7	5,396.1	4,645.6	4,332.2	4,140.8	4,155.2	4,133.7	4,049.9
Short-term	60.1	201.6	155.4	436.3	109.1	161.9	165.5	171.7	168.0	165.2
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	46.5	184.5	144.5	431.8	94.1	156.2	150.9	157.0	153.2	150.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	13.6	17.1	10.9	4.5	15.0	5.8	14.6	14.7	14.8	15.2
Principal arrears	6.4	2.9	4.2	1.3	11.6	2.2	9.2	9.2	9.2	9.5
Interest arrears	7.2	14.2	6.7	3.2	3.4	3.6	5.4	5.5	5.5	5.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,811.3	3,720.4	4,794.3	4,959.8	4,536.6	4,170.3	3,975.3	3,983.5	3,965.7	3,884.7
Bonds	531.4	806.7	791.5	1,014.7	936.4	647.0	650.6	647.3	650.8	643.9
Credits	2,279.9	2,913.7	3,992.3	3,945.1	3,600.2	3,523.3	3,324.7	3,336.2	3,314.9	3,240.8
Currency and deposits	0.0	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3 Public enterprises	1,168.5	2,031.6	3,985.5	5,214.0	5,778.3	6,087.7	6,065.0	6,088.7	5,915.3	5,842.9
Short-term	31.6	48.3	145.1	77.7	180.8	426.7	284.1	295.7	297.0	246.6
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	15.2	35.4	132.4	34.8	108.6	354.9	210.3	221.1	222.6	170.3
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	16.4	12.9	12.7	42.8	72.2	71.7	73.7	74.6	74.4	76.3

	2006 Dec.	2007 Dec. ^a	2008 Dec. ^{b,c}	2009 Dec. ^{d,e}	2010 Dec. ^f	2011				
						Mar.*	Jun.*	Jul.*	Aug.*	Sep.
Principal arrears	14.5	12.5	11.8	39.3	68.6	68.0	69.8	70.6	70.4	72.0
Interest arrears	1.9	0.5	0.9	3.6	3.7	3.8	3.9	4.0	4.0	4.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,136.9	1,983.3	3,840.5	5,136.4	5,597.5	5,661.0	5,780.9	5,793.0	5,618.3	5,596.3
Bonds	0.0	330.4	341.3	335.6	330.4	325.8	328.6	312.5	313.9	315.3
Credits	1,066.8	1,470.2	3,254.7	4,528.5	4,995.7	5,064.0	5,222.3	5,230.0	5,053.7	5,104.9
Trade credits	70.1	182.7	244.5	272.3	271.4	271.2	230.1	250.6	250.7	176.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.4 Mixed enterprises	416.5	594.9	741.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	6.3	16.5	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	6.3	16.5	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	6.1	16.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.2	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	410.2	578.4	740.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	394.3	557.1	717.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	15.9	21.3	22.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.5 Other enterprises	5,948.7	8,113.0	9,958.6	10,103.8	10,301.6	10,712.7	10,678.4	10,685.2	10,673.2	10,630.6
Short-term	578.8	1,174.3	619.2	800.4	1,324.7	1,172.4	1,168.0	1,153.2	1,156.2	1,205.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	86.9	451.2	373.8	178.7	314.3	324.4	288.3	268.0	250.3	263.5
Trade credits	35.9	31.1	39.5	28.2	30.9	33.0	31.1	31.1	30.7	31.0
Other debt liabilities	456.0	692.0	205.9	593.5	979.6	814.9	848.6	854.1	875.2	910.5
Principal arrears	420.3	630.2	151.2	483.0	815.7	679.5	706.2	709.3	728.1	756.0
Interest arrears	35.7	61.8	54.7	110.5	163.9	135.4	142.4	144.8	147.2	154.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,369.9	6,938.8	9,339.3	9,303.5	8,976.8	9,540.3	9,510.4	9,532.0	9,516.9	9,425.6
Bonds	326.0	156.3	118.9	315.5	323.4	464.7	433.8	439.6	436.2	432.8
Credits	4,989.1	6,701.7	9,168.7	8,968.0	8,636.5	9,056.4	9,058.8	9,074.9	9,063.4	8,975.6
Trade credits	54.8	80.8	51.7	20.0	16.9	19.2	17.7	17.5	17.3	17.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.6 Non-profit institutions	5.3	5.4	3.8	3.6	2.6	2.2	2.2	3.9	3.9	3.9
1.7 Craftsmen and sole traders	26.8	24.1	17.1	11.5	7.2	6.5	5.9	5.8	5.7	5.5
1.8 Households	82.7	137.2	244.7	264.8	204.7	199.1	221.4	220.2	219.6	216.3

^a The relevant comparable data as at 31 December 2007, published in Bulletin No. 146, should be used for the calculation of the external debt growth rate in 2008. ^b From January 2008 on, the data of non-financial enterprises are estimated on the basis of the data collected from the sample. ^c The relevant comparable data as at 31 December 2008, published in Bulletin No. 161, should be used for the calculation of the external debt growth rate in 2009. ^d From January 2009 on, the data of non-banking financial institutions and non-financial enterprises are processed with the help of the new reporting system (INOK) which uses market interest rates to calculate the balance and the schedule of interest payments. The comparable balance as at 31 December 2008 has been calculated by applying the same methodology (published in Bulletin No. 161). ^e Due to a subsequent correction of data by one reporting unit, one credit included in the external debt has been reclassified from Other sectors to Direct investment in column April 2009 and onwards. In April 2009, the reclassification amounted to EUR 333.4m. The reclassification contributed to a decrease in the external debt of Other sectors.

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

	2006	2007	2008	2009 ^c	2010 ^c	2011		
						Q1 ^c	Q2 ^c	Q3 ^d
1 International investment position (net)	-30,451.9	-40,180.2	-34,976.1	-39,038.0	-42,400.2	-44,475.6	-44,345.0	-41,881.2
2 Assets	18,155.3	21,642.8	22,507.7	24,433.9	23,147.0	23,523.5	23,474.6	23,658.1
2.1 Direct investment abroad	1,833.3	2,580.3	3,750.4	4,556.6	3,105.4	3,665.2	3,543.7	3,478.3
2.2 Portfolio investment	2,488.2	3,250.9	2,646.0	3,214.9	3,562.6	3,552.5	3,655.3	3,089.4
2.2.1 Equity securities	559.3	1,745.5	656.7	800.3	1,255.6	1,501.6	1,492.7	1,245.8
2.2.2 Debt securities	1,928.9	1,505.4	1,989.3	2,414.5	2,307.0	2,050.9	2,162.5	1,843.6
Bonds	1,537.5	1,225.0	1,606.9	1,685.8	1,420.4	1,408.8	1,489.0	1,072.4
Money market instruments	391.4	280.4	382.4	728.7	886.6	642.1	673.6	771.2
2.3 Financial derivatives	0.0	0.0	0.0	24.1	16.5	38.5	26.3	106.2
2.4 Other investment	5,108.5	6,504.2	6,990.5	6,262.5	5,802.3	4,843.4	4,827.1	5,660.3
2.4.1 Trade credits	230.5	248.9	224.7	123.3	80.5	87.0	85.2	85.8
2.4.2 Loans	239.5	296.4	435.9	384.5	470.1	474.9	537.7	504.6
2.4.3 Currency and deposits	4,638.3	5,958.9	6,329.8	5,754.6	5,251.7	4,281.5	4,204.3	5,069.9
2.4.4 Other assets	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5 Reserve assets (CNB)	8,725.3	9,307.4	9,120.9	10,375.8	10,660.2	11,423.9	11,422.3	11,323.8
3 Liabilities	48,607.2	61,823.1	57,483.8	63,471.9	65,547.2	67,999.1	67,819.6	65,539.3
3.1 Direct investment in Croatia	20,782.0	30,611.5	22,190.9	25,339.1	26,314.8	27,444.5	26,999.2	25,824.7
3.2 Portfolio investment	5,834.6	6,639.5	5,443.7	6,479.1	7,118.5	7,289.8	6,793.4	7,095.9
3.2.1 Equity securities	1,012.8	1,522.3	613.8	657.6	738.0	836.4	740.9	669.7
3.2.2 Debt securities	4,821.8	5,117.1	4,829.9	5,821.5	6,380.5	6,453.4	6,052.5	6,426.1
Bonds	4,698.0	5,073.5	4,805.3	5,651.2	5,912.1	5,905.5	5,731.0	6,254.5
Money market instruments	123.9	43.7	24.6	170.3	468.3	547.9	321.4	171.7
3.3 Financial derivatives	–	–	–	–	197.5	98.2	202.3	171.3
3.4 Other investment	21,990.6	24,572.1	29,849.2	31,601.6	31,916.4	33,166.6	33,824.7	32,447.3
3.4.1 Trade credits	244.9	337.8	367.5	344.4	370.2	373.1	328.1	274.6
3.4.2 Loans	17,347.4	20,088.8	24,343.4	24,929.1	25,086.7	25,871.7	26,083.9	25,180.7
3.4.3 Currency and deposits	4,398.4	4,145.5	5,138.3	6,328.1	6,459.5	6,921.8	7,412.7	6,992.1
3.4.4 Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

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

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

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

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

funds at book value method).

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

Item Portfolio debt investment – Assets and liabilities comprises data on investments of residents into debt securities issued by non-residents (assets) and investments of non-residents into debt securities issued by residents (liabilities). The source of data is the register of foreign credit relations kept by the Croatian National Bank and monetary statistics data.

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

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

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

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

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

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

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

	2006	2007	2008	2009 ^b	2010 ^b	2011		
						Q1 ^b	Q2 ^b	Q3 ^c
Direct investment (net)	-18,948.7	-28,031.2	-18,440.6	-20,782.5	-23,209.5	-23,779.3	-23,455.5	-22,346.4
1 Abroad	1,833.3	2,580.3	3,750.4	4,556.6	3,105.4	3,665.2	3,543.7	3,478.3
1.1 Equity capital and reinvested earnings	1,725.2	2,479.3	3,560.6	4,463.4	2,865.8	3,170.0	3,020.5	3,021.2
1.1.1 Claims	1,725.2	2,479.3	3,560.6	4,463.4	2,865.8	3,170.0	3,020.5	3,021.2
1.1.2 Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2 Other capital	108.2	101.0	189.7	93.2	239.6	495.2	523.2	457.1
1.1.1 Claims	144.8	175.4	220.2	217.0	606.3	667.0	696.5	636.2
1.2.2 Liabilities	36.6	74.4	30.5	123.8	366.6	171.8	173.3	179.0
1.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 In Croatia	20,782.0	30,611.5	22,190.9	25,339.1	26,314.8	27,444.5	26,999.2	25,824.7
2.1 Equity capital and reinvested earnings	17,961.2	26,777.2	16,409.8	17,694.6	18,532.2	19,764.1	19,733.5	18,317.5
2.1.1 Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Liabilities	17,961.2	26,777.2	16,409.8	17,694.6	18,532.2	19,764.1	19,733.5	18,317.5
2.2 Other capital	2,820.7	3,834.3	5,781.1	7,644.5	7,782.7	7,680.4	7,265.7	7,507.2
2.2.1 Claims	21.1	24.2	24.3	52.9	68.3	41.1	44.7	50.5
2.2.2 Liabilities	2,841.8	3,858.5	5,805.4	7,697.4	7,851.0	7,721.5	7,310.4	7,557.7
2.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

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

	2006	2007	2008	2009 ^b	2010 ^b	2011		
						Q1 ^b	Q2 ^b	Q3 ^c
Portfolio investment (net)	-3,346.4	-3,388.6	-2,797.7	-3,264.2	-3,555.9	-3,737.4	-3,138.1	-4,006.5
1 Assets	2,488.2	3,250.9	2,646.0	3,214.9	3,562.6	3,552.5	3,655.3	3,089.4
1.1 Equity securities	559.3	1,745.5	656.7	800.3	1,255.6	1,501.6	1,492.7	1,245.8
1.1.1 Banks	6.7	8.3	11.6	12.8	11.1	14.7	15.3	15.8
1.1.2 Other sectors	552.6	1,737.2	645.1	787.5	1,244.5	1,486.9	1,477.5	1,230.0
1.2 Debt securities	1,928.9	1,505.4	1,989.3	2,414.5	2,307.0	2,050.9	2,162.5	1,843.6
2 Liabilities	5,834.6	6,639.5	5,443.7	6,479.1	7,118.5	7,289.8	6,793.4	7,095.9
2.1 Equity securities	1,012.8	1,522.3	613.8	657.6	738.0	836.4	740.9	669.7
2.1.1 Banks	143.2	164.7	66.5	62.4	56.8	57.8	61.4	55.7
2.1.2 Other sectors	869.5	1,357.6	547.3	595.2	681.2	778.6	679.6	614.0
2.2 Debt securities	4,821.8	5,117.1	4,829.9	5,821.5	6,380.5	6,453.4	6,052.5	6,426.1
2.2.1 Bonds	4,698.0	5,073.5	4,805.3	5,651.2	5,912.1	5,905.5	5,731.0	6,254.5
2.2.1.1 General government	3,402.3	3,406.2	3,162.1	3,976.4	4,313.1	4,467.9	4,318.0	4,859.8
2.2.1.2 Banks	457.9	459.0	456.8	9.0	8.9	0.0	0.0	2.7
2.2.1.3 Other sectors	837.8	1,208.3	1,186.4	1,665.8	1,590.1	1,437.5	1,413.0	1,392.0
2.2.2 Money market instruments	123.9	43.7	24.6	170.3	468.3	547.9	321.4	171.7
2.2.2.1 General government	123.9	43.7	24.6	170.3	468.3	547.9	321.4	171.7
2.2.2.2 Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

Table H19 International investment position – other investment^a
in million EUR

	2006	2007	2008	2009 ^b	2010 ^b	2011		
						Q1 ^b	Q2 ^b	Q3 ^c
Other investment (net)	-16,882.1	-18,067.8	-22,858.7	-25,339.1	-26,114.1	-28,323.2	-28,997.6	-26,786.3
1 Assets	5,108.5	6,504.2	6,990.5	6,262.5	5,802.3	4,843.4	4,827.1	5,661.0
1.1 Trade credits	230.5	248.9	224.7	123.3	80.5	87.0	85.2	85.8
1.1.1 General government	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
1.1.2 Other sectors	230.5	248.9	224.7	123.3	80.5	87.0	85.2	85.8
Long-term	177.5	228.8	202.6	96.3	61.4	62.9	60.7	61.9
Short-term	53.0	20.1	22.1	27.0	19.2	24.1	24.4	24.0
1.2 Loans	239.5	296.4	435.9	384.5	470.1	474.9	537.7	504.6
1.2.1 Croatian National Bank	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Long-term	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
1.2.2 General government	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
1.2.3 Banks	188.5	214.8	285.3	270.1	330.5	356.8	431.6	377.3
Long-term	140.0	160.0	193.6	233.7	285.4	309.9	374.9	340.2
Short-term	48.5	54.8	91.7	36.5	45.1	46.8	56.7	37.1
1.2.4 Other sectors	50.4	81.1	150.0	113.8	139.0	117.6	105.5	126.7
Long-term	50.2	81.0	146.8	113.6	101.3	96.4	84.3	115.0
Short-term	0.2	0.1	3.3	0.2	37.7	21.2	21.2	11.7
1.3 Currency and deposits	4,638.3	5,958.9	6,329.8	5,754.6	5,251.7	4,281.5	4,204.3	5,070.6
1.3.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7
1.3.2 Banks	3,499.9	4,715.1	4,863.6	4,442.9	4,060.1	3,081.9	2,993.3	3,870.3
1.3.3 Other sectors	1,138.3	1,243.8	1,466.2	1,311.7	1,191.6	1,199.6	1,210.9	1,199.6
1.4 Other assets	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Liabilities	21,990.6	24,572.1	29,849.2	31,601.6	31,916.4	33,166.6	33,824.7	32,447.3
2.1 Trade credits	244.9	337.8	367.5	344.4	370.2	373.1	328.1	274.6
2.1.1 General government	1.9	1.2	0.7	0.0	0.0	0.0	0.0	0.0
Long-term	1.9	1.2	0.7	0.0	0.0	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	243.0	336.6	366.7	344.4	370.2	373.1	328.1	274.6
Long-term	207.0	305.5	327.2	316.2	339.3	340.1	297.1	243.6
Short-term	35.9	31.1	39.5	28.2	30.9	33.0	31.1	31.0
2.2 Loans	17,347.4	20,088.8	24,343.4	24,929.1	25,086.7	25,871.7	26,083.9	25,180.7
2.2.1 Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 General government	2,559.0	2,613.7	1,574.6	1,592.7	1,821.2	1,973.6	2,127.7	1,936.9
Long-term	2,559.0	2,613.7	1,542.9	1,592.7	1,821.2	1,798.6	1,952.7	1,936.9
Short-term	0.0	0.0	31.7	0.0	0.0	175.0	175.0	0.0
2.2.3 Banks	5,368.9	4,276.8	4,496.7	4,352.8	4,285.8	4,368.4	4,583.7	4,161.3
Long-term	4,217.4	3,565.2	3,374.7	3,545.3	3,353.7	3,626.0	3,703.8	3,691.8
Short-term	1,151.6	711.7	1,122.0	807.5	932.1	742.4	879.9	469.5
2.2.4 Other sectors	9,419.4	13,198.2	18,272.0	18,983.6	18,979.7	19,529.7	19,372.5	19,082.5
Long-term	9,187.2	12,371.2	17,589.5	18,244.9	18,363.1	18,573.2	18,622.7	18,391.9
Short-term	232.2	827.1	682.5	738.7	616.6	956.5	749.9	690.6
2.3 Currency and deposits	4,398.4	4,145.5	5,138.3	6,328.1	6,459.5	6,921.8	7,412.7	6,992.1
2.3.1 Croatian National Bank	2.6	2.3	2.3	1.1	1.2	0.4	0.1	0.1
2.3.2 Banks	4,395.8	4,143.2	5,125.5	6,327.0	6,458.4	6,921.4	7,412.6	6,992.0
2.3.3 Other sectors	0.0	0.0	10.6	0.0	0.0	0.0	0.0	0.0
2.4 Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

Table I1 Consolidated central government according to the government level^a
in million HRK

	2005	2006	2007	2008	2009	2010				
						Mar.	Jun.	Sep.	Oct.	Nov.
1 REVENUE (A+B)	92,642.5	100,392.6	113,386.2	120,036.7	114,086.9	9,476.6	8,659.4	9,563.3	10,048.1	8,977.8
A) Budgetary central government	85,653.0	95,234.1	108,297.0	115,766.5	110,251.2	9,216.1	8,445.0	9,298.4	9,681.2	8,747.3
B) Extrabudgetary users	6,989.5	5,158.5	5,089.2	4,270.2	3,835.7	260.5	214.4	264.9	366.9	230.5
1 Croatian Pension Insurance Administration	38.0	293.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Croatian Institute for Health Insurance	863.9	848.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3 Croatian Employment Service	18.9	18.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 Croatian Waters	1,227.8	1,526.9	2,041.2	2,105.0	1,954.3	157.9	134.1	140.7	171.0	123.3
5 Fund for Environmental Protection and Energy Efficiency	214.7	659.8	1,102.9	1,221.2	1,168.6	69.8	63.3	93.4	85.8	93.6
6 Croatian Motorways Ltd.	2,547.0	1,271.1	1,375.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 Croatian Roads Ltd.	1,474.7	64.7	119.9	81.0	112.8	12.2	2.6	6.8	4.7	3.2
8 State Agency for Deposit Insurance and Bank Rehabilitation	367.4	409.6	391.4	808.3	566.5	19.9	10.4	22.9	105.1	9.3
9 Croatian Privatisation Fund	237.0	65.9	58.3	54.7	33.5	0.7	4.0	1.1	0.4	1.1
2 EXPENSE (A+B)	92,332.1	98,751.4	109,075.0	118,686.0	120,553.9	11,130.9	9,282.5	10,390.8	9,516.5	10,286.1
A) Budgetary central government	86,715.6	91,979.7	103,004.9	113,309.5	116,255.2	10,822.8	9,009.0	10,089.7	9,096.5	9,851.7
B) Extrabudgetary users	5,616.5	6,771.7	6,070.1	5,376.5	4,298.7	308.1	273.6	301.1	420.0	434.4
1 Croatian Pension Insurance Administration	382.2	565.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Croatian Institute for Health Insurance	914.3	931.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3 Croatian Employment Service	145.9	155.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 Croatian Waters	1,489.5	1,779.1	2,099.0	2,335.4	1,742.1	59.5	152.8	96.7	240.1	275.6
5 Fund for Environmental Protection and Energy Efficiency	172.0	734.8	1,083.3	1,106.7	1,159.1	59.4	54.6	69.9	110.6	90.1
6 Croatian Motorways Ltd.	1,085.1	1,272.7	1,509.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 Croatian Roads Ltd.	1,062.4	1,226.9	1,241.9	1,592.6	1,048.5	181.0	57.4	125.9	62.5	62.8
8 State Agency for Deposit Insurance and Bank Rehabilitation	183.0	27.4	47.8	254.7	267.2	1.2	2.9	2.4	1.5	1.3
9 Croatian Privatisation Fund	182.1	78.4	88.2	87.0	81.8	7.0	5.9	6.2	5.3	4.6
NET/GROSS OPERATING BALANCE (1–2)	310.3	1,641.2	4,311.2	1,350.7	–6,467.0	–1,654.3	–623.1	–827.5	531.6	–1,308.3
3 CHANGE IN NET WORTH: TRANSACTIONS (3.1+3.2–3.3)	310.3	1,641.2	4,311.2	1,350.7	–6,467.0	–1,654.3	–623.1	–827.5	531.6	–1,308.3
3.1 CHANGE IN NET ACQUISITION OF NON-FINANCIAL ASSETS	6,699.4	6,108.6	7,811.0	4,228.2	3,601.1	174.1	94.5	222.0	198.6	261.3
Acquisition	7,024.2	6,836.4	8,378.6	4,713.2	3,926.8	195.6	115.6	249.7	228.3	285.2
A) Budgetary central government	1,828.8	1,908.5	3,043.9	3,291.5	2,267.4	80.5	59.7	91.2	153.7	155.5
B) Extrabudgetary users	5,195.4	4,927.9	5,334.7	1,421.7	1,659.4	115.0	55.9	158.5	74.6	129.8
Disposals	324.8	727.7	567.7	485.0	325.7	21.4	21.1	27.7	29.7	23.9
A) Budgetary central government	275.1	352.7	498.7	303.4	304.0	21.3	21.1	27.6	29.3	23.8
B) Extrabudgetary users	49.6	375.1	69.0	181.6	21.7	0.1	0.1	0.1	0.4	0.1
NET LENDING/BORROWING (1–2–3.1)	–6,389.1	–4,467.4	–3,499.8	–2,877.5	–10,068.2	–1,828.4	–717.6	–1,049.5	333.0	–1,569.6
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING) (3.3–3.2)	6,389.1	4,467.4	3,499.8	2,877.5	10,068.2	1,828.4	717.6	1,049.5	–333.0	1,569.6
3.2 CHANGE IN NET ACQUISITION OF FINANCIAL ASSETS	1,609.8	–2,576.7	–2,939.2	2,776.6	7,363.9	684.0	–12.0	–1,103.9	–348.3	141.1
3.2.1 Domestic	1,614.6	–2,593.4	–2,957.2	2,764.1	7,361.5	684.0	–12.8	–1,104.3	–349.3	141.1
A) Budgetary central government	1,747.7	–3,063.9	–3,752.8	1,690.5	6,823.2	523.3	–2.7	–1,069.8	–421.6	271.1
B) Extrabudgetary users	–133.1	470.5	795.6	1,073.6	538.3	160.7	–10.1	–34.5	72.3	–130.0
3.2.2 Foreign	–4.9	16.7	18.0	12.4	0.0	0.0	0.0	0.0	0.0	0.0
A) Budgetary central government	–4.9	16.7	18.0	12.4	2.3	0.0	0.8	0.4	1.0	0.0
B) Extrabudgetary users	0.0	0.0	0.0	0.0	2.3	0.0	0.8	0.4	1.0	0.0
3.2.3 Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	2005	2006	2007	2008	2009	2010				
						Mar.	Jun.	Sep.	Oct.	Nov.
3.3 CHANGE IN NET INCURRENCE OF LIABILITIES	7,998.8	1,890.7	560.6	5,654.1	17,432.0	2,512.4	705.6	-54.4	-681.2	1,710.7
3.3.1 Domestic	12,041.7	5,282.8	2,017.1	6,795.7	10,130.2	2,465.6	968.8	-77.8	-619.3	1,789.8
A) Budgetary central government	10,591.6	3,166.3	1,477.6	5,656.6	9,576.6	2,376.3	969.4	-39.4	-651.1	1,746.9
B) Extrabudgetary users	1,450.1	2,116.5	539.5	1,139.1	553.6	89.3	-0.6	-38.3	31.8	42.9
3.3.2 Foreign	-4,042.8	-3,392.1	-1,456.5	-1,141.7	7,301.8	46.9	-263.2	23.3	-62.0	-79.1
A) Budgetary central government	-5,080.6	-3,943.2	-2,980.2	-1,445.8	6,878.4	52.5	-230.5	33.1	-62.7	-78.9
B) Extrabudgetary users	1,037.8	551.2	1,523.7	304.1	423.4	-5.7	-32.7	-9.7	0.7	-0.3

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

Source: MoF.

Table I2 Budgetary central government operations^a
in million HRK

	2005	2006	2007	2008	2009	2010				
						Mar.	Jun.	Sep.	Oct.	Nov.
1 REVENUE	85,653.0	95,235.6	108,320.6	115,772.7	110,257.9	9,216.1	8,445.5	9,298.4	9,681.2	8,747.3
1.1 Taxes	50,687.6	58,469.1	64,234.5	69,572.7	63,678.9	5,551.9	4,889.3	5,632.1	6,003.3	5,082.7
1.2 Social contributions	31,301.3	33,877.1	37,203.5	40,703.5	39,994.7	3,185.5	3,172.5	3,269.5	3,224.2	3,227.6
1.3 Grants	27.5	196.0	428.0	468.6	616.3	54.1	32.2	16.4	28.0	43.3
1.4 Other revenue	3,636.6	2,693.3	6,454.5	5,027.8	5,968.0	424.5	351.5	380.4	425.6	393.8
2 EXPENSE	87,857.5	95,950.0	108,007.6	115,292.4	117,924.0	11,043.2	9,146.6	10,290.5	9,248.5	10,009.0
2.1 Compensation of employees	23,182.6	24,313.9	27,545.1	29,948.5	31,289.3	2,613.4	2,554.1	2,632.5	2,569.3	2,560.5
2.2 Use of goods and services	4,951.9	6,069.1	7,162.4	8,113.7	7,363.8	675.2	517.4	539.6	549.3	636.6
2.3 Consumption of fixed capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4 Interest	4,387.0	4,713.6	4,535.0	4,683.2	5,225.2	967.9	355.6	942.1	98.4	948.1
2.5 Subsidies	5,248.7	5,670.8	6,492.0	6,859.5	6,710.0	881.7	418.4	500.9	510.0	367.3
2.6 Grants	3,796.8	6,653.0	8,363.2	5,783.1	5,559.6	494.9	349.5	491.3	441.4	309.5
2.7 Social benefits	41,358.5	43,444.6	48,176.0	52,593.2	56,148.5	4,843.2	4,638.9	4,774.3	4,695.2	4,777.3
2.8 Other expense	4,931.9	5,085.0	5,733.9	7,311.2	5,627.6	567.0	312.6	409.7	384.8	409.7
3 CHANGE IN NET WORTH: TRANSACTIONS	-2,204.5	-714.4	313.0	480.2	-7,666.0	-1,827.1	-701.1	-992.1	432.7	-1,261.7
3.1 Change in net acquisition of non-financial assets	1,553.7	1,555.8	2,545.2	2,988.1	1,963.4	59.2	38.6	63.7	124.5	131.7
3.1.1 Fixed assets	1,517.0	1,595.1	2,625.7	2,719.5	1,839.7	56.6	37.5	65.2	125.9	132.4
3.1.2 Inventories	0.0	-80.2	-161.4	79.4	35.4	-0.1	-0.5	-0.8	-0.6	-0.5
3.1.3 Valuables	7.2	7.8	9.6	10.1	8.9	0.9	0.0	0.5	0.4	0.4
3.1.4 Non-produced assets	29.5	33.1	71.3	179.1	79.3	1.7	1.6	-1.3	-1.2	-0.8
3.2 Change in net acquisition of financial assets	1,752.8	-3,047.2	-3,734.8	1,702.9	6,825.5	542.6	-0.8	-1,062.1	-405.5	274.7
3.2.1 Domestic	1,757.7	-3,063.9	-3,752.8	1,690.5	6,823.2	542.6	-1.6	-1,062.5	-406.5	274.7
3.2.2 Foreign	-4.9	16.7	18.0	12.4	2.3	0.0	0.8	0.4	1.0	0.0
3.2.3 Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3 Change in net incurrence of liabilities	5,510.9	-777.0	-1,502.6	4,210.8	16,455.0	2,428.8	738.9	-6.3	-713.8	1,668.1
3.3.1 Domestic	10,591.6	3,166.3	1,477.6	5,656.6	9,576.6	2,376.3	969.4	-39.4	-651.1	1,746.9
3.3.2 Foreign	-5,080.6	-3,943.2	-2,980.2	-1,445.8	6,878.4	52.5	-230.5	33.1	-62.7	-78.9

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

Source: MoF.

Table I3 Central government debt^a

end of period, in million HRK

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.*	2011				
						Mar.*	Jun.*	Jul.*	Aug.*	Sep.
1 Domestic debt of central government	56,672.8	58,271.5	64,029.1	74,241.4	87,556.8	94,996.4	94,604.9	98,310.6	99,095.9	98,794.2
1.1 Domestic debt of the Republic of Croatia	51,474.8	51,913.7	60,994.0	70,447.0	82,952.1	90,579.7	90,075.8	93,728.3	94,149.8	93,637.4
Treasury bills	11,503.1	11,420.6	14,260.3	17,558.3	16,886.5	18,882.5	18,280.7	17,797.4	18,049.8	17,833.0
Money market instruments	–	–	10.7	19.3	20.5	20.5	20.6	20.6	20.6	20.6
Bonds	33,143.8	34,624.1	35,519.3	36,586.8	48,862.5	48,456.5	49,507.4	57,420.0	57,471.0	55,497.2
Credits from the CNB	0.9	1.0	2.2	2.9	0.3	2.4	–	–	–	–
Credits from banks	6,827.0	5,867.9	11,201.5	16,279.8	17,182.3	23,217.8	22,267.2	18,490.4	18,608.4	20,286.7
1.2 Domestic debt of central government funds	5,198.0	6,357.8	3,035.0	3,794.4	4,604.7	4,416.7	4,529.0	4,582.3	4,946.1	5,156.8
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	–	–	–	–	–	–	–	–	–	–
Credits from banks	5,198.0	6,357.8	3,035.0	3,794.4	4,604.7	4,416.7	4,529.0	4,582.3	4,946.1	5,156.8
2 External debt of central government	44,510.6	44,191.3	34,445.5	41,527.8	48,436.0	51,312.0	49,640.1	53,006.6	52,668.2	51,980.4
2.1 External debt of the Republic of Croatia	35,572.4	34,190.6	32,619.4	39,812.5	46,447.8	49,333.9	47,697.2	51,043.9	50,693.2	50,002.1
Money market instruments	909.8	320.0	180.3	1,244.3	3,458.6	4,045.2	2,370.3	2,408.6	2,060.0	1,286.0
Bonds	24,942.2	25,046.1	22,991.6	28,884.2	31,684.5	32,818.8	31,702.9	36,120.3	36,195.0	36,274.7
Credits	9,720.4	8,824.5	9,447.4	9,684.1	11,304.7	12,470.0	13,624.1	12,515.0	12,438.2	12,441.4
2.2 External debt of central government funds	8,938.2	10,000.7	1,826.1	1,715.3	1,988.2	1,978.1	1,942.8	1,962.7	1,975.0	1,978.3
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	–	–	–	–	–	–	–	–	–	–
Credits	8,938.2	10,000.7	1,826.1	1,715.3	1,988.2	1,978.1	1,942.8	1,962.7	1,975.0	1,978.3
3 Total (1+2)	101,183.4	102,462.8	98,474.5	115,769.2	135,992.8	146,308.4	144,244.9	151,317.2	151,764.1	150,774.6
Supplement: Central government guaranteed debt										
– guarantees for domestic debt	7,660.3	8,110.6	13,299.2	15,692.5	20,052.8	19,571.1	19,634.7	19,649.1	20,135.5	20,735.1
– guarantees for external debt	14,303.7	18,925.2	31,371.9	35,275.2	39,333.9	37,583.2	38,360.9	38,955.0	39,207.6	39,403.4

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

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

The central government debt comprises the domestic and external debt.

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

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

The stock of bonds includes central government bonds issued in the domestic market, MoF T-bills with a maturity of over one year and a share of total central government bonds issued in the foreign market which is held by resident institutional units at the end of the reporting period. From December 2005 on, central government bonds and MoF T-bills issued in the domestic market and held by non-resident institutional units have

been included in the external debt of the central government. The difference between the nominal value and the issue value of T-bills with a maturity of over one year is the accrued interest which is distributed over the life of instruments using the compound interest calculation method. The stock of central government bonds includes accrued interest.

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

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

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

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

J Non-financial statistics – selected data

Table J1 Consumer price and producer price indices

Year	Month	Basic indices, 2005 = 100			Chain indices				Monthly year-on-year indices			
		Consumer price indices			Consumer price indices ^a			Producer prices ^b	Consumer price indices ^c			Producer prices ^b
		Total	Goods	Services	Total	Goods	Services		Total	Goods	Services	
1998	December	82.1	84.6	73.7	100.3	100.4	100.0	100.0	105.4	104.3	109.2	97.9
1999	December	85.3	87.2	78.5	100.6	100.8	100.0	100.3	103.9	103.1	106.5	105.9
2000	December	90.0	92.0	82.8	100.4	100.4	100.1	100.2	105.5	105.5	105.5	111.2
2001	December	92.1	93.2	88.5	100.4	100.4	100.5	99.0	102.4	101.3	106.8	96.9
2002	December	93.8	94.2	92.6	100.4	100.6	99.6	99.9	101.8	101.1	104.6	102.3
2003	December	95.4	95.7	94.6	100.3	100.2	100.5	100.0	101.7	101.6	102.2	101.0
2004	December	98.0	98.0	98.0	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	December	101.6	101.4	102.0	100.5	100.5	100.5	99.7	103.6	103.5	104.1	102.7
2006	December	103.7	102.8	106.4	100.0	100.0	100.2	100.0	102.0	101.4	104.2	101.9
2007	December	109.7	109.5	110.0	101.2	101.2	101.3	100.4	105.8	106.6	103.4	105.9
2008	December	112.8	112.2	114.7	99.4	99.1	100.5	98.7	102.9	102.4	104.3	104.3
2009	December	114.9	114.5	117.3	99.4	99.3	100.2	100.0	101.9	101.3	103.9	101.6
2010	December	117.1	117.1	117.6	100.0	100.1	99.9	101.0	101.8	102.2	100.3	105.7
2011	January	117.7	117.9	117.8	100.6	100.7	100.1	100.8	101.9	102.4	100.1	105.1
	February	118.3	118.6	118.0	100.5	100.6	100.2	101.6	102.2	102.8	100.1	106.9
	March	119.2	119.7	118.0	100.8	101.0	99.9	100.8	102.6	103.2	100.2	106.7
	April	119.5	120.0	118.2	100.2	100.3	100.2	100.6	102.4	102.8	100.9	106.7
	May	119.9	120.6	117.9	100.3	100.5	99.8	100.6	102.5	103.1	100.1	106.7
	June	119.3	119.6	118.7	99.5	99.2	100.7	99.7	102.0	102.7	99.7	106.0
	July	118.7	118.6	119.8	99.5	99.1	100.9	100.1	101.9	102.7	99.2	106.1
	August	118.6	118.6	119.4	99.9	100.0	99.7	100.7	102.0	102.9	98.7	106.6
	September	119.1	119.8	117.4	100.4	101.0	98.3	100.0	102.2	103.0	99.0	106.1
	October	119.8	120.7	117.0	100.6	100.8	99.7	100.6	102.6	103.6	99.2	106.3
	November	120.0	121.1	116.9	100.2	100.3	99.9	100.5	102.6	103.5	99.3	107.0

^a Data from January 1992 to December 1997 relate to the retail price index. ^b Data have been revised from January 2005 onwards due to changes in the methodology used by the CBS.
^c Data from January 1992 to December 1998 relate to the retail price index.

Source: CBS.

Table J1 Consumer price and producer price indices • The Central Bureau of Statistics (CBS) introduced the consumer price index (CPI) in early 2004. This indicator of price movements was compiled in accordance with the methodological principles laid down by the ILO and Eurostat. In its First Release, issued on 17 February 2004, the CBS published the data on movements in the CPI in January 2004 and the time series for the CPI as of January 2001. The CBS subsequently constructed the time series for the consumer price index encompassing the period from January 1998 to December 2000. As expected following the introduction of the new index, the CBS ceased to publish the retail price index (RPI) and the cost of living index, whose calculation methodologies have not been adequately harmonised with internationally accepted standards. The main features of the CPI are

described in the CNB Bulletin No. 91 (see Box 1). The data on the average year-on-year consumer price inflation rate are shown in the Bulletin table on Economic indicators.

Table J2 Core consumer price indices • The core consumer price index is calculated by the Central Bureau of Statistics (CBS) in the manner that agricultural products prices and administrative prices (which among others include the prices of electricity and refined petroleum products) are excluded from the basket of goods and services used in the calculation of the total index. These two groups of products account for a total of 29.3% in the basket in 2011 (agricultural products 6.1 percentage points, and administrative products 23.2 percentage points) and are assigned a zero weight.

Table J2 Core consumer price indices

Year	Month	Basic indices, 2005 = 100 ^a			Chain indices			Year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1998	December	87.3	88.6	80.0	99.9	99.9	100.0	....	....	....
1999	December	89.8	91.1	82.3	100.1	100.1	100.1	102.9	102.9	103.0
2000	December	92.8	93.9	86.5	100.4	100.4	100.2	103.3	103.0	105.0
2001	December	93.9	94.6	89.8	99.8	99.7	100.3	101.2	100.8	103.8
2002	December	95.0	95.6	91.9	100.0	100.1	99.4	101.2	101.0	102.4
2003	December	96.2	96.4	94.7	100.2	100.1	101.0	101.2	100.9	103.0
2004	December	98.4	98.5	97.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	December	101.3	101.4	101.0	100.1	100.0	100.5	103.0	102.9	103.7
2006	December	103.6	103.6	103.6	99.8	99.7	100.3	102.3	102.2	102.5
2007	December	108.8	109.1	107.2	100.8	100.8	100.4	105.0	105.3	103.5
2008	December	113.3	113.5	112.5	99.4	99.3	100.2	104.2	104.0	105.0
2009	December	113.6	113.3	115.2	98.8	98.6	100.2	100.2	99.8	102.4
2010	December	113.7	113.4	114.9	99.1	99.0	99.7	100.1	100.1	99.8
2011	January	113.6	113.3	115.2	99.9	99.9	100.2	100.7	100.8	99.8
	February	114.1	113.8	115.5	100.4	100.4	100.3	101.1	101.4	99.6
	March	115.0	115.0	115.4	100.8	101.0	99.9	101.7	102.1	99.9
	April	115.4	115.4	115.5	100.3	100.4	100.1	101.5	101.7	100.5
	May	116.2	116.2	116.3	100.7	100.7	100.6	101.8	102.1	100.5
	June	116.2	115.9	117.8	100.0	99.7	101.3	101.8	102.1	100.1
	July	115.8	115.0	119.8	99.6	99.2	101.7	101.7	102.2	99.3
	August	115.6	114.8	120.1	99.9	99.8	100.3	101.7	102.2	99.2
	September	116.3	116.2	117.0	100.6	101.2	97.4	102.0	102.3	100.4
	October	117.3	117.5	116.2	100.8	101.1	99.4	102.6	103.0	100.7
	November	117.6	117.9	116.1	100.3	100.4	99.9	102.5	102.9	100.7

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

Source: CBS.

Table J3 Average monthly net wages

in current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	December	3,839.0	98.0	107.2	105.0
2003	December	4,045.0	99.8	105.4	105.9
2004	December	4,312.0	99.1	106.6	105.9
2005	December	4,473.0	97.3	103.7	104.9
2006	December	4,735.0	97.0	105.9	105.2
2007	December	4,958.0	96.6	104.7	105.2
2008	December	5,410.0	100.3	109.1	107.0
2009	December	5,362.0	99.6	99.1	102.6
2010	December	5,450.0	97.6	101.7	100.6
2011	January	5,342.0	98.0	101.6	101.6
	February	5,242.0	98.1	101.7	101.6
	March	5,480.0	104.5	102.3	101.8
	April	5,396.0	98.5	102.9	102.1
	May	5,425.0	100.5	102.8	102.2
	June	5,498.0	101.4	101.5	102.1
	July	5,365.0	97.6	100.8	101.9
	August	5,514.0	102.8	102.3	102.0
	September	5,397.0	97.9	102.0	102.0

Source: CBS.

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

Year	Month	Composite indices			Response indices (I)						
		Consumer confidence index	Consumer expectations index	Consumer sentiment index	I1	I2	I3	I4	I7	I8	I11
1999	October	-33.7	-14.9	-46.3	-38.4	-12.1	-49.9	-17.6	35.5	-50.7	-69.7
2000	October	-20.9	3.5	-32.2	-26.2	1.2	-22.0	5.7	26.9	-48.3	-63.6
2001	October	-27.0	-11.4	-35.6	-29.6	-10.0	-35.9	-12.7	22.9	-41.3	-62.3
2002	October	-25.2	-8.3	-29.3	-22.6	-5.1	-31.2	-11.5	20.1	-34.1	-64.0
2003	October	-22.2	-4.5	-25.0	-21.5	-2.6	-26.5	-6.4	14.7	-27.1	-65.2
2004	October	-23.9	-7.9	-22.0	-19.1	-4.1	-30.5	-11.6	22.5	-16.5	-57.3
2005	December	-26.4	-13.7	-25.6	-16.4	-5.9	-34.4	-21.5	27.6	-25.9	-50.6
2006	December	-18.9	-4.7	-15.4	-10.9	1.1	-22.4	-10.5	16.9	-12.9	-49.4
2007	December	-24.7	-15.5	-24.5	-16.8	-9.8	-31.8	-21.2	12.8	-25.0	-54.8
2008	December	-42.0	-33.3	-40.9	-30.7	-25.9	-51.8	-40.6	43.4	-40.3	-57.9
2009	December	-46.8	-32.7	-47.6	-35.7	-22.6	-64.5	-42.8	63.9	-42.5	-58.0
2010	November	-44.7	-31.4	-48.9	-36.9	-21.0	-68.2	-41.8	60.8	-41.5	-55.1
	December	-42.9	-30.6	-48.7	-40.7	-21.7	-65.9	-39.4	55.7	-39.4	-54.8
2011	January	-40.0	-26.4	-47.8	-37.7	-16.2	-67.3	-36.6	48.4	-38.5	-58.6
	February	-41.2	-27.8	-50.5	-37.2	-18.4	-70.3	-37.2	48.0	-44.1	-61.0
	March	-47.6	-37.2	-58.6	-46.4	-27.0	-79.4	-47.3	53.9	-50.1	-62.0
	April	-37.8	-27.9	-49.0	-37.9	-16.9	-69.7	-38.9	34.2	-39.5	-61.0
	May	-38.2	-28.4	-49.8	-38.5	-19.2	-70.5	-37.6	33.8	-40.4	-62.2
	June	-36.0	-24.7	-45.3	-34.2	-15.5	-64.4	-33.8	36.7	-37.2	-57.8
	July	-33.6	-20.8	-42.1	-32.1	-13.4	-55.8	-28.1	35.3	-38.4	-57.5
	August	-38.0	-27.3	-45.2	-36.5	-20.1	-61.3	-34.5	43.6	-37.7	-53.9
	September	-35.9	-25.2	-43.6	-32.4	-16.7	-60.1	-33.6	39.6	-38.3	-53.8
	October	-38.1	-23.8	-45.6	-32.7	-16.6	-59.9	-30.9	46.2	-44.2	-58.7

Table J4 Consumer confidence index, consumer expectations index and consumer sentiment index • The CNB Consumer Confidence Survey has been carried out regularly since April 1999 in accordance with the methodology of the European Commission, the Joint Harmonised EU Programme of Business and Consumer Surveys. Until April 2005, the CNB conducted the survey once a quarter (in January, April, July and October). As of May 2005, the CNB carries out the survey in monthly frequency in cooperation with the European Commission, using its technical and financial assistance. The Croatian National Bank bears sole responsibility for the creation and conduct of the survey.

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

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

where: r is the value of the response, w is the share of respondents

opting for a particular response (weight), i question from the questionnaire, z is the offered/chosen response, k is the number of offered responses to a particular question.

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

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

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

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

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

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

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

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

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

The components of composite indices are as follows:

CCI: I2, I4, I7 $\times (-1)$, I11

CEI: I2, I4

CSI: I1, I3, I8.

List of banks and savings banks

1 December 2011

Authorised banks

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

Authorised savings banks

- 1 Tesla štedna banka d.d., Zagreb

Authorised housing savings banks

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

Other institutions

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

Representative offices of foreign banks

- 1 BKS Bank AG, Zagreb
- 2 Commerzbank Aktiengesellschaft, Zagreb
- 3 Deutsche Bank AG, Zagreb
- 4 LHB Internationale Handelsbank AG, Zagreb

Banks and savings banks undergoing bankruptcy proceedings

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

Banks and savings banks undergoing winding-up proceedings

Name of bank/savings bank	Date of winding-up proceedings initiation
1 Credo banka d.d., Split	22/11/2011
2 Investicijsko-komercijalna štedionica d.d., Zagreb	31/5/2000
3 Križevačka banka d.d., Križevci	3/1/2005
4 Obrtnička štedna banka d.d., Zagreb	22/12/2010
5 Primus banka d.d., Zagreb	23/12/2004
6 Štedionica Dora d.d., Zagreb	1/1/2002
7 Štedionica Zlatni vrutak d.d., Zagreb	28/12/2001

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

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

Management of the Croatian National Bank

1 December 2011

Members of the Council of the Croatian National Bank

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

Management of the CNB

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

Executive directors

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

Abbreviations and symbols

Abbreviations

BIS	– Bank for International Settlements
bn	– billion
b.p.	– basis points
BOP	– balance of payments
c.i.f.	– cost, insurance and freight
CBRD	– Croatian Bank for Reconstruction and Development
CBS	– Central Bureau of Statistics
CCI	– consumer confidence index
CDCC	– Central Depository and Clearing Company Inc.
CDS	– credit default swap
CEE	– Central and Eastern European
CEFTA	– Central European Free Trade Agreement
CEI	– consumer expectations index
CES	– Croatian Employment Service
CM	– Croatian Motorways
CIHI	– Croatian Institute for Health Insurance
CLVPS	– Croatian Large Value Payment System
CNB	– Croatian National Bank
CPF	– Croatian Privatisation Fund
CPI	– consumer price index
CPIA	– Croatian Pension Insurance Administration
CR	– Croatian Roads
CSI	– consumer sentiment index
DAB	– State Agency for Deposit Insurance and Bank Rehabilitation
dep.	– deposit
DVP	– delivery versus payment
EC	– European Commission
ECB	– European Central Bank
EFTA	– European Free Trade Association
EMU	– Economic and Monetary Union
ESI	– economic sentiment index
EU	– European Union
excl.	– excluding
f/c	– foreign currency
FDI	– foreign direct investment
Fed	– Federal Reserve System
FINA	– Financial Agency
f.o.b.	– free on board
GDP	– gross domestic product
GVA	– gross value added
HANFA	– Croatian Financial Services Supervisory Agency
HEP	– Hrvatska elektroprivreda d.d.
HICP	– harmonised index of consumer prices
HŽ	– Hrvatske željeznice
ILO	– International Labour Organization
IMF	– International Monetary Fund
incl.	– including
IPO	– initial public offering
m	– million
MIGs	– main industrial groupings

MM	– monthly maturity
MoF	– Ministry of Finance
NCS	– National Clearing System
n.e.c.	– not elsewhere classified
NKD	– National Classification of Activities
OECD	– Organisation for Economic Co-Operation and Development
OG	– Official Gazette
R	– Republic
o/w	– of which
PPI	– producer price index
RTGS	– Real-Time Gross Settlement
Q	– quarterly
RR	– reserve requirement
SDR	– special drawing rights
SITC	– Standard International Trade Classification
VAT	– value added tax
WTO	– World Trade Organization
ZMM	– Zagreb Money Market
ZSE	– Zagreb Stock Exchange

Three-letter currency codes

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

Two-letter country codes

AT	– Austria
BE	– Belgium
DK	– Denmark
ES	– Spain
FI	– Finland
FR	– France
IE	– Ireland
IT	– Italy
NL	– Netherlands
PT	– Portugal
SE	– Sweden

Symbols

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



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