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BULLETIN

Zagreb, 2005

General Information on Croatia

Economic Indicators

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538
Population (million)	4.494	4.572	4.501	4.554	4.381	4.437	4.443	4.442	4.439
GDP (million HRK, current prices)	107,981	123,811	137,604	141,579	152,519	165,639	179,390	193,067	207,082
GDP (million EUR, current prices) ^a	15,869	17,790	19,281	18,679	19,976	22,177	24,220	25,526	27,629
GDP per capita (in EUR)	3,531	3,891	4,284	4,102	4,560	4,998	5,451	5,747	6,224
GDP – year-on-year rate of growth (in %, constant prices)	5.9	6.8	2.5	-0.9	2.9	4.4	5.2	4.3	3.8
Average year-on-year inflation rate ^b	3.5	3.6	5.7	4.0	4.6	3.8	1.7	1.8	2.1
Current account balance (million EUR) ^c	-755	-2,192	-1,305	-1,313	-490	-818	-2,097	-1,866	-1,447
Current account balance (as % of GDP)	-4.8	-12.3	-6.8	-7.0	-2.5	-3.7	-8.7	-7.3	-5.2
Exports of goods and services (as % of GDP) ^c	38.7	40.3	39.8	40.9	47.1	48.7	45.9	51.5	51.5
Imports of goods and services (as % of GDP) ^c	48.0	56.8	49.1	49.3	52.3	54.6	57.0	59.5	58.8
Outstanding external debt (million EUR, end of year) ^d	4,284	6,761	9,173	10,101	12,109	13,458	15,055	19,811	22,675
Outstanding external debt (as % of GDP)	27.0	38.0	47.6	54.1	60.6	60.7	62.2	77.6	82.1
Outstanding external debt (as % of exports of goods and services)	69.8	94.4	119.4	132.2	128.7	124.6	135.3	150.8	159.2
External debt service (as % of exports of goods and services) ^{d,e}	9.0	9.8	12.3	21.1	23.6	26.2	27.4	20.1	20.6
Gross international reserves (million EUR, end of year)	1,868	2,304	2,400	3,013	3,783	5,334	5,651	6,554	6,436
Gross international reserves (in terms of months of imports of goods and services, end of year)	2.9	2.7	3.0	3.9	4.3	5.3	4.9	5.2	4.8
National currency: Croatian kuna (HRK)									
Exchange rate on 31 December (HRK : 1 EUR)	6.8636	6.9472	7.3291	7.6790	7.5983	7.3700	7.4423	7.6469	7.6712
Exchange rate on 31 December (HRK : 1 USD)	5.5396	6.3031	6.2475	7.6477	8.1553	8.3560	7.1457	6.1185	5.6369
Average exchange rate (HRK : 1 EUR)	6.8047	6.9597	7.1366	7.5796	7.6350	7.4690	7.4068	7.5634	7.4952
Average exchange rate (HRK : 1 USD)	5.4338	6.1571	6.3623	7.1124	8.2768	8.3391	7.8637	6.7014	6.0355
Consolidated central government deficit (as % of GDP) ^f	....	....	....	-6.5	-7.1	-5.4	-5.0	-4.9	-4.7
Unemployment rate (ILO, persons above 15 years of age) ^g	10.0	9.9	11.4	13.6	16.1	15.8	14.8	14.3	13.8
Employment rate (ILO, persons above 15 years of age) ^g	50.6	49.3	47.0	44.8	42.6	41.8	43.3	43.1	43.5

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

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

^c Preliminary data.

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

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

^f On a cash basis.

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

Sources: CBS, MoF and CNB.

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Quarterly Report

Introduction

Economic growth accelerated substantially to a rate of 5.1% year-on-year in the second quarter of 2005, after growing a modest 1.8% in the first quarter. An acceleration in growth had been expected after the unusually poor showing in the first quarter. It is now apparent that growth slowed not only in Croatia, but in many transition countries and in the eurozone as a whole in the first quarter. This temporary slowdown should not greatly affect the year as a whole.

Among the components of demand, investment made a notably strong positive contribution to GDP growth, increasing 3.2% in the second quarter after three consecutive quarters of slow growth. While data provided by the Ministry of Finance indicate that real capital outlays of the consolidated general government fell in the second quarter of 2005 compared to the same period of last year, private investment activity seems to have filled the gap. Increased construction work on buildings, including both new structures and work on existing buildings, played the key role here.

Exports of goods and services grew substantially in the second quarter. The pick-up in growth in Croatia's main markets certainly was helpful in this regard. Import growth slowed down in this period. Still, due to its high base-period weight, net exports made a negative contribution to economic growth in the second quarter.

Consumption continued to be the main driver of growth, rising some 4.4% in the second quarter of 2005. Consumption financing conditions clearly strengthened in the second quarter. Retail sales also grew strongly, spurred by increases in motor vehicle sales in the second quarter. However, data on the growth of motor vehicle sales is in contradiction to both data on motor vehicle imports and data on new motor vehicles licensed, both of which grew slowly.

Evidence of stronger employment growth in the second quarter can be seen in increased employment of those registered in the unemployment register, and also in decreases in new unemployment registration. The number of the insured with the CPII also grew in the second quarter, with an especially large increase coming in June. Registered unemployment continued on a downward trend in the second quarter, and in fact fell further in July and August, reaching 16.9%.

Growing employment was accompanied by slightly accelerated growth of the average real gross wage from 1.4% in the first quarter to 1.8% in the second quarter, stimulating consumption. In addition, the growth rate of bank lending to households (excluding housing loans) rose from 13.3% year-on-year at the end of 2004 to 15.5% at the end of the first quarter and 17.3% at the end of the second quarter of 2005, creating further means for consumption growth.

These relatively benign developments on the labour market have supported consumption, but have not significantly increased inflationary pressures. Instead, inflation has been mainly determined by the behaviour of energy prices, and by some unfavourable developments in food prices. Consumer price inflation, which had been 2.7% at the end of December 2004, rose to 3.9% at the end of the first quarter of 2005, fell to 2.9% in June, and reached 3.1% in August. Crude oil

prices on the world market rose some 58% in US dollar terms between December 2004 and August 2005, and they rose even more, 67.8%, in kuna terms due to the depreciation of the kuna against the US dollar in this period. However, the growth rate of petrol prices on the Croatian market has been more moderate, 13.8% year-on-year in August. This resulted in a direct contribution of oil prices to CPI inflation of 0.7 percentage points in that month.

Food prices also contributed significantly to inflation. The growth of meat prices rose from 3.5% in December 2004 to 8.3% in August 2005, occasioned by continued repercussions of the 2003 drought on livestock herds. The growth of agricultural products prices accelerated from -0.2% to 5.5% in the same period. An unusually rainy summer coming after an unusually cold winter seems to have been the culprit for increases in agricultural products prices. Both of these price effects will continue to be felt in the coming months. Thus, even if oil prices stabilise, and other macroeconomic factors such as exchange rate stability and moderate wage growth remain in place, inflation may remain at or near current levels in the near future.

Regarding the exchange rate, the usual seasonal appreciation in the second quarter resulted in a fall in the exchange rate from HRK 7.44/EUR at the end of March to HRK 7.31/EUR at the end of June. The exchange rate was then quite stable in July, but depreciated fairly steadily in August, reaching HRK 7.40/EUR at the end of the month. September, a month in which strong depreciation often occurs as tourism inflows dry up, registered some fluctuations but only a mild depreciation to HRK 7.44/EUR as of September 29.

During 2005, the kuna has not only been fairly stable on a nominal basis, but also in real terms. The real effective exchange rate, deflated by consumer prices, appreciated only 0.2% in the first seven months of the year. Deflated by producer prices, the real effective exchange rate depreciated 1.2% in the first seven months.

The summer months saw an important innovation in monetary policy – the first widespread use of the central bank's reverse repurchase agreement (repo) facility. Starting with the auction held on June 8, the central bank has accepted banks' bids at a marginal interest rate of 3.5%. The quantity auctioned rose to a maximum of HRK 4.8bn on 24 August, and the average amount of money created through the reverse repo facility was HRK 3.4bn in the third quarter.

The reverse repo facility provides a flexible means for banks to access liquidity. It also gives the central bank a means to manage banking system liquidity as a whole without intervening on the foreign exchange market. Thus, the widespread adoption of the reverse repo facility has provided the central bank with a new, interest-rate based instrument that can complement the exchange-rate based instruments emphasised in the past. Of course, exchange rate stability remains a key objective of the central bank, since a stable exchange rate helps dampen inflationary expectations and prevents shocks to the highly dollarised financial system. But the addition of the reverse repo instrument allows for temporary creation of liquidity within the framework of exchange rate stability, and provides some room for interest rate management.

In addition to the reverse repo facility, the Croatian National Bank also offers an overnight deposit facility. This is another interest-rate based instrument. It allows banks to deposit excess funds with the central bank, and implicitly puts a floor on interest rates. While the “corridor” between the overnight deposit rate of 0.5% and the reverse repo rate of 3.5% is wide, it does provide some guidance for interest rates and should help the central bank manage the monetary system more efficiently in the future.

Use of the overnight deposit facility was limited during the summer months. With large inflows of foreign exchange and strong demand for kuna, banks did not have excess kuna to place in the deposit facility. Strong foreign exchange liquidity also allowed banks to somewhat reduce their marginal reserve requirements in the summer months, since there was no need for increased foreign borrowing.

Money (M1) grew strongly in the summer months, with year-on-year growth reaching 11.2% at the end of August. Currency in circulation reaches its peak during the tourist season; by the end of August it had fallen somewhat, to HRK 12.7bn, and was some 10.4% greater than in the same period last year. Demand deposits, the other component of M1, grew in both the second quarter and the first two months of the third quarter, with an annual growth rate of 6.2% as of end-August.

Looking at the broader monetary aggregate (M4), kuna quasi-money grew rapidly in the second quarter and the first two months of the third quarter. These deposits have grown rapidly in recent years, in part due to regulations that make them more favourable for banks than foreign currency deposits. However, kuna quasi-money represents only a small fraction of total quasi-money.

Foreign currency deposits of households, the largest item in M4, tend to grow fastest in the summer. At the end of August, household foreign currency deposits were 7.9% larger than in August 2004, indicating solid growth during the main tourist season. Corporate foreign currency deposits are much smaller and more volatile; they are often built up in anticipation of foreign obligations such as loan repayments or import bills. Usually, enterprises use excess kuna liquidity to purchase foreign exchange in the summer months when the kuna is the strongest, and thus it is no surprise that corporate foreign currency deposits grew quite strongly in August. Overall, M4 growth stood at 10.4% year-on-year at end-August.

Central bank interventions in April helped maintain strong banking sector liquidity in the second quarter. Consequently, interest rates were low; rates on overnight loans on the Zagreb Money Market fell from 2.04% in March to only 0.73% in May. However, the summer months brought increasing demand for kuna, and even with the reverse repo facility starting to function, overnight interest rates rose to 1.96% at the end of June, and reached 5.55% at the end of August. The volume of transactions among banks and at CNB auctions rose correspondingly.

Interest rates on Ministry of Finance T-bills also fell in the second quarter, and rose slightly in the summer months. Still, T-bill rates are much less volatile than overnight rates; rates on the 364-day T-bills fell from 5.54% in March to

5.19% in June, and then rose to 5.25% in August. Similarly, lending rates did not change too much; the average interest rates on short-term loans fell from 8.37% in March to 8.19% in June and 7.85% in August. Interest rates on long-term corporate loans with a currency clause rose from 4.97% in March to 5.47% in June, and ended at 5.40% in August, while interest rates on long-term loans to households fell from 8.31% in March to 7.22% in June, where they remained in August.

Another important characteristic of the second quarter was an increase in the current account deficit. The deficit was EUR 1.1bn in the second quarter, 65.8% more than in the second quarter of last year. The increased current account deficit was due to three elements, each of which has somewhat different economic implications. One element was an increase in factor income outflows, which resulted from substantial increases in retained earnings and dividend payments by foreign direct enterprises active in Croatia. Since retained earnings by definition do not create actual outflows of money from the country, but instead represent further investment, they are not at all detrimental to the economy, despite their negative sign in the current account.

Some of the year-on-year increase in retained earnings in the second quarter was due to the fact that almost all FDI companies announced their distribution of previous year profits during the second quarter this year, while last year many waited until the third quarter. Still, a significant increase in retained earnings is expected for the year as a whole, even if the growth rate of this item for the second and third quarters together will not be as high as the rate of growth for the second quarter only.

The second element in the increased current account deficit stems from increased goods imports. The main cause of this increase is rising energy prices. Croatia, like all energy importing countries, felt the effect of higher world oil prices. If oil imports are excluded, we find that the growth rate of imports, at constant exchange rates, actually fell from 12.3% in the second quarter of 2004 to 7.4% in the second quarter of 2005.

Finally, tourism revenues fell slightly in the second quarter of 2005 relative to the same period the year before. Methodological changes introduced by the central bank to increase the coverage of the survey on foreign tourists led to revisions of data for 2003 and 2004, leading to reductions in the estimates for the previous years. Tourism revenues for the second quarter of 2005 were lower, despite mild growth in the number of tourist nights, due to increases in the share of guests in non-paying accommodations and decreases in average tourist consumption.

In contrast to these negative developments, goods export growth (ships excluded) was strong in the first seven months of the year. Goods exports grew by 15.9% at constant exchange rates in the first seven months, a 3.3 percentage point increase on the same period last year. However, some of this is due to increased prices for Croatia’s exports of refined petroleum products. If refined petroleum products and ships, which display very volatile inter-year dynamics, are excluded, goods exports grew 14.6%, a 5.1 percentage point increase on the same period last year.

On the capital account, net foreign direct investment amounted to some EUR 600m in the second quarter, almost twice as much as in the same period last year. Retained earnings explain part of this, as do capital increases in some foreign-owned banks, and investments in extraction of crude oil and natural gas, retail trade, and manufacture of agricultural and forestry machinery. Portfolio investment, by contrast, fell by EUR –200m after registering inflows of EUR 400m in the second quarter of 2004.

Croatia's external debt continued to rise in the first seven months of 2005, but at a slower rate than in preceding years. As of end-July, the gross external debt stood at EUR 24.2bn, 6.5% more than at the end of 2004. Foreign borrowing by banks and other domestic sectors was the main contributor to the external debt growth, while the government decreased its external debt stock by EUR 325m.

The index of exchange market pressure, a useful indicator of foreign exchange liquidity and a predictor of possible foreign exchange market disturbances, remained near its historical average levels in the first half of the year. These values are far removed from danger levels.

Reflecting in part developments in GDP growth, government financial indicators improved in the second quarter after a weak showing in the first quarter. Total revenues of the consolidated general government were up by 7.4% year-on-year in the first half of 2005, although revenues of the consolidated central government grew slower than local government revenues. Tax revenues grew 6.4% in the same period. Value-added tax revenues, the single largest item, grew somewhat slower, by 4.8%, but profit tax revenues grew some 33.6%.

Expenditures of the consolidated general government rose 8.1% year-on-year in the first half of 2005. Social benefits made the largest absolute contribution to this increase. However, their 5.2% growth rate was outpaced by the 13.5% increase in expenditures on goods and services. Interest expenditures grew even faster, by 16.5%, and subsidies grew 14.9%. Compensation of employees grew much slower, only 2.9%.

The net operating balance, which represents the difference between revenues and expenditures of the consolidated general government, deteriorated by 26.6% year-on-year in the first half of the year. However, the change in net non-financial assets of the consolidated general government, which includes government expenditures on such items as buildings and roads, fell, so that financing requirements decreased from HRK 6.37bn (3.08% of GDP) in the first half of 2004 to HRK 6.26bn (2.83% of GDP) in the first half of 2005.

This small improvement in financing requirements was not deemed adequate to meet the government's initial target for 2005 of a 3.7% deficit of the consolidated general government (GFS 1986). In order to set a new target, and to redistribute both revenues and expenditures in light of slower growth of revenues and changes in expenditure needs, the Government proposed amendments to the Budget Act in July. This budget revision raised the 2005 consolidated general government deficit target to 4.2%, reflecting a 2.2% decrease in planned tax revenues for the year. This decrease in-

cludes decreases in both VAT and excise revenues, partly offset by increases in profit taxes.

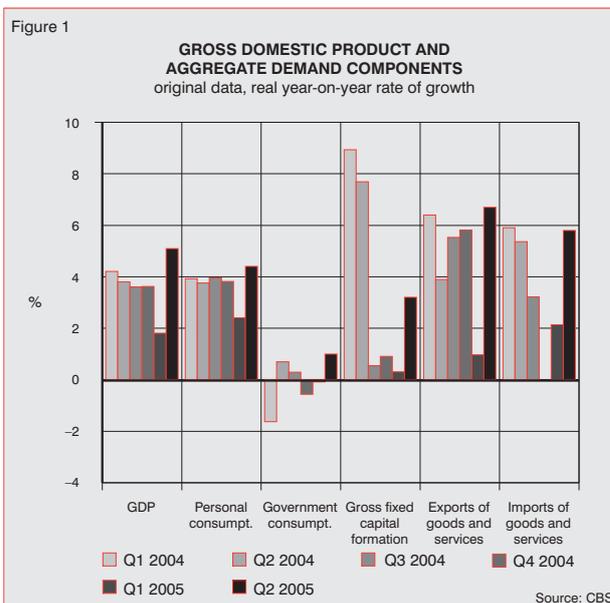
At the same time, the revised budget increased expenditures on a set of items by a total of HRK 1bn. The major increases were allocated to pensions (HRK 469m) and public sector wages (HRK 346m). Funds for additional maternity leave were also increased. At the same time, the amendments call for corrective measures to achieve savings in individual expenditure items, so that total expenditures are to increase by only HRK 311m or 0.4%.

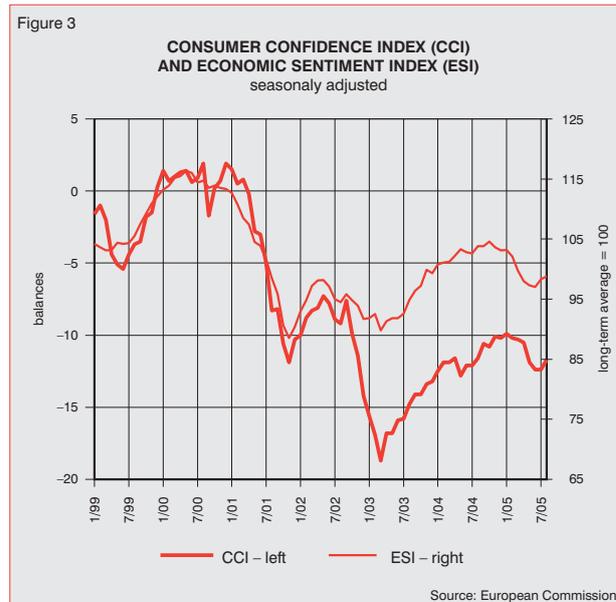
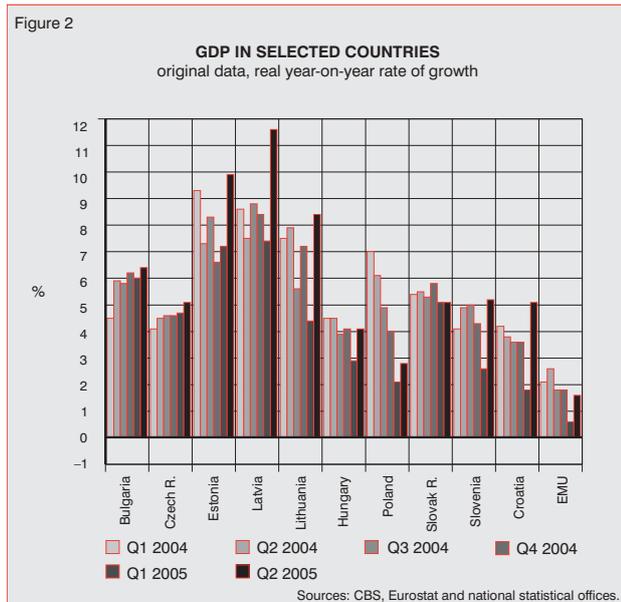
Demand

During the second quarter of 2005, overall economic activity grew strongly compared with the beginning of the year, when it had slowed down owing to the weakening of domestic and foreign demand. According to the quarterly GDP estimate for the second quarter of 2005, a recovery of aggregate demand resulted in an exceptionally sharp real rise in GDP by 5.1%. Such economic growth over the observed period is mainly attributable to a sizeable increase in the exports of goods and services (6.7%) and personal consumption (4.4%). The only negative contribution to GDP growth in the second quarter was made by the imports of goods and services (–3.6 percentage points), having grown at an annual rate of 5.8%, which outdid the positive contribution of exports and personal consumption of 3.0 and 2.8 percentage points respectively. Strengthening domestic demand, which gave an impetus to the growth in overall imports in the observed period, resulted in a moderate rise in investment consumption and a slight increase in government consumption.

Gross domestic product grew at a rate of 1.8% in the first quarter and increased by 3.5% over the first half of 2005 compared with the same period in 2004. In the first half of 2004, overall economy grew at a rate of 4.0%.

The first quarter of 2005 saw a marked economic slowdown. The year-on-year GDP growth declined from 3.8% in the last quarter of 2004 to 1.8% in the first quarter of 2005.





The economic slowdown was mostly the result of a decline in personal consumption, stagnant gross fixed capital formation and weakening net foreign demand. However, despite the slowdown in personal consumption, it remained the most significant contributor to GDP growth over the first quarter of 2005. At the same time, the influence of government consumption on gross domestic product formation was not strong, and the change in inventories was the sharpest in the last two years (15.6%), thus mitigating the negative effects of a decline in other aggregate demand components.

Monthly economic indicators for the third quarter of 2005 point to a continuation of the dynamic real sector growth that began in the second quarter, particularly in industry and tourism. Thus, in July, industrial production grew at a rate of 7.2% year-on-year, excluding seasonal factors and the difference in the number of working days, whereas in August, it reached a high growth rate of 5.0%. According to the original data, the number of tourist nights rose by 13.0% and 6.5% in July and August respectively.

Owing to economic slowdown in the countries in the environment and the eurozone,¹ being the most significant Croatia's trading partners, foreign demand for domestic products declined, thus reducing significantly the exports of goods and services in that period. In the first quarter of 2005, real annual GDP growth slowed down markedly in Poland (to 2.1%), Slovenia (to 2.6%), Hungary (to 2.9%) and in Lithuania and Latvia (where it recorded high year-on-year rates of change, 5.7% and 7.4% respectively). Similar trends were perceived in the eurozone during the observed period, where GDP rose by 0.6% compared with the same period last year. This represents a decline in economic activity of 1.2 percentage points from the previous quarter. At the same time, stable economic growth continued in Bulgaria, Czech Republic, Estonia and Slovakia.

According to the available data provided by national sta-

tistical offices and Eurostat for the second quarter of 2005, economic recovery was also observed in the countries in the environment, driven by the growth of foreign demand in that period. According to these sources, in the second quarter of the year, economic growth accelerated in Czech Republic, (5.1%), Estonia (9.9%), Latvia (11.6%), Lithuania (8.4%), Hungary (4.1%) and Slovenia (5.2%), whereas the growth in Slovakia stagnated at the level of the first quarter (5.1%). The eurozone also recorded a higher economic growth rate of 1.6%. Eurostat's forecasts for the eurozone economic growth, suggesting three-month real GDP growth in this group of countries at the rates ranging from 0.2% to 0.6% and from 0.4% to 0.8% in the third and fourth quarters respectively, point to a continuation of favourable trends in the countries in the environment during the second half of 2005. Consequently, they are expected to have a positive impact on the Croatian foreign trade.

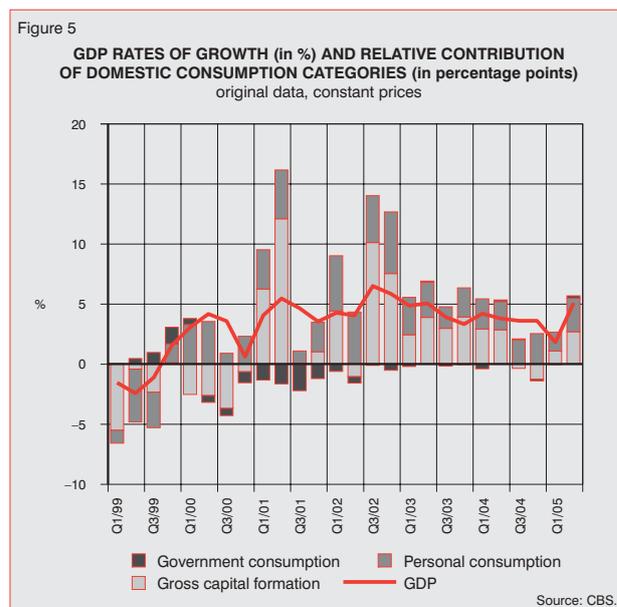
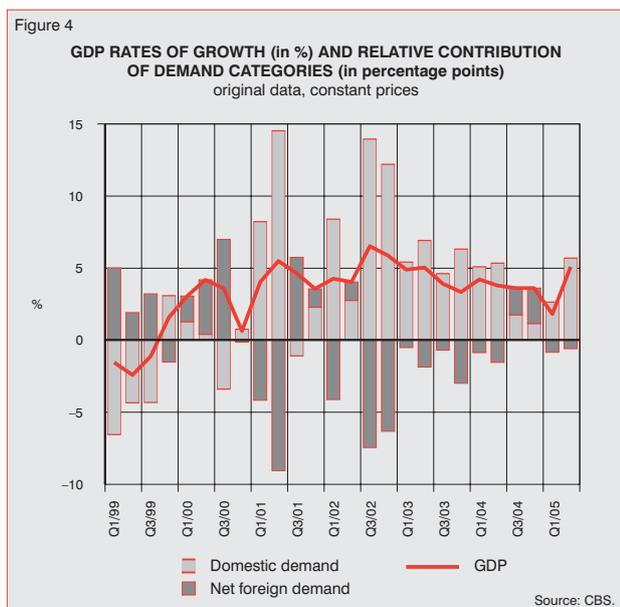
These expectations are also reflected in the latest results of Consumer and Business Confidence Surveys carried out in the European Union. The fall in the Economic Sentiment Indicator in the first half of the current year was followed by its recovery during July and August 2005, as a result of oil price stabilisation, strengthening of the euro and expectations for a recovery of the world economic growth dynamics.² An increase in optimism during the observed period was recorded in the biggest and most developed countries of the European Union – Italy, Germany and Great Britain.

Foreign Demand

In the second quarter of 2005, exports of goods and services grew at a faster pace compared with other demand components, excluding the increase in the change in inventories. Total exports rose by 6.7% in real terms, thus contributing 3.0 percentage points to GDP growth. This was paral-

¹ Data on economic developments abroad are subject to revision; therefore, real changes shown in quarterly CNB Bulletins do not always have to agree.

² The IFO Institute's World Economic Survey results also point to the beginning of a world economic recovery, primarily as the result of improved business climates in North America and Asia.



led by somewhat slower growth in imports (5.8%), but, given a high base-period weight, the contribution of imports to GDP growth was 3.6 percentage points. As a result, net foreign demand had an adverse impact on GDP growth during the second quarter.

In the first quarter of 2005, net foreign demand made a negative contribution to overall growth (-0.8 percentage points), after having been a large generator of growth in the second half of 2004. Strong growth of goods and services exports from the second half of 2004, slowed down to 1%, the lowest growth rate since end-2002. At the same time, a 2.1% year-on-year increase in the goods and services imports in early 2005 stopped their downward trend observed throughout 2004.

In the first half of the year, exports of goods and services grew at a rate of 4.2% and the rate of imports of goods and services growth was somewhat slower, 4.1%.

Concerning the estimated foreign trade dynamics in the second quarter of 2005, suggested by both GDP calculation and the balance of payments data, there were no major deviations on the imports side compared with the previous years, when the imports growth rate stabilized at the levels which were higher according to the national accounts than according to the balance of payments data. However, deviations were sharper on the exports side during the observed period, due to much faster nominal growth of exports according to the national accounts, as a result of differences in tourism revenue assessment.

Domestic Demand

Developments in personal consumption were the main determinants of domestic demand during the second quarter. Given its 4.4% growth rate and its large share in GDP, the contribution of personal consumption to growth was 2.8 percentage points. Accelerated personal consumption in the second quarter of 2005 was paralleled with a mild recovery of investment and government consumption. Due to a large increase in inventories in the second quarter (38.5%), they

were the second largest contributors to GDP growth before investment and government consumption. Domestic demand contributed 5.7 percentage points to GDP growth in the second quarter compared with its 2.6 percentage points contribution in the first quarter. Over the whole semi-annual period, domestic demand participated with 4.2 percentage points in the 3.5% growth of GDP.

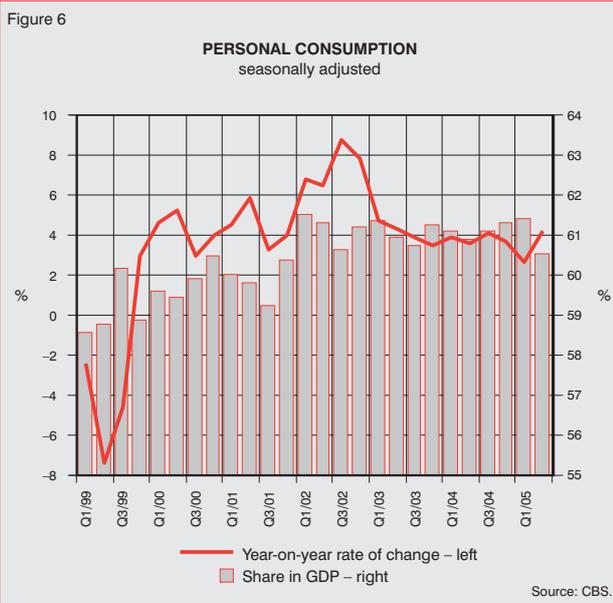
A slowdown in personal consumption, as the most significant component of domestic demand, in the first quarter of the year was alleviated by a boost in total gross capital formation caused by a large inventory accumulation. The available monthly indicators of aggregate inventory dynamics in the economy clearly point to inventory accumulation at end-2004 and in early 2005, as the result of diminishing aggregate demand. This shows that the actual growth in inventories according to GDP calculation in the first quarter of 2005 was not due to inherent statistical discrepancy associated with inventories.

The results of the CNB's Consumer Confidence Survey for the second quarter of 2005 showed moderate growth in personal consumption in the second half of the year, while the results of business surveys conducted by *Privredni vjesnik* suggest the possibility of a slight recovery of investment activity.

Personal Consumption

In the first half of 2005, personal consumption was up 3.4% from the same period in 2004 when it stood at 3.8%. The 4.4% growth in personal consumption and its contribution of 2.8 percentage points to GDP growth in the second quarter of 2005 were the highest in the last seven quarters.

The CNB's Consumer Confidence Survey provides additional information about consumer intentions in the second half of 2005. The results of the July 2005 survey suggest a slight downward trend in consumer optimism, which could pose a risk to the further growth of personal consumption toward the end of the year. Based on these assessments and given a slightly higher consumers' probability rating of the increase in their savings over the next twelve months,



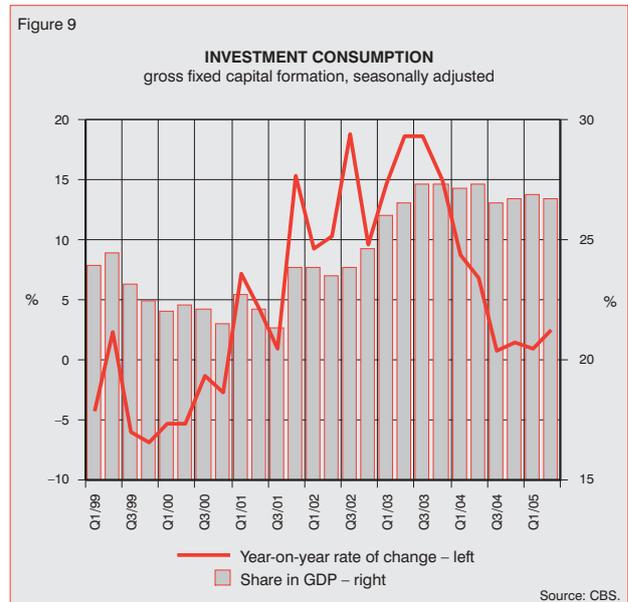
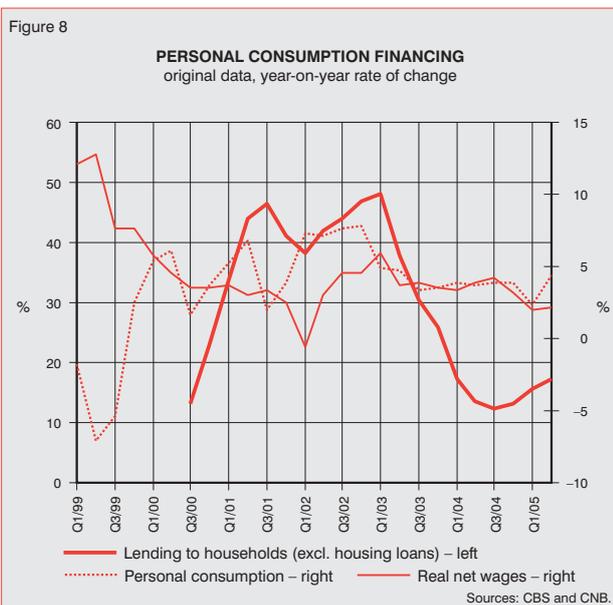
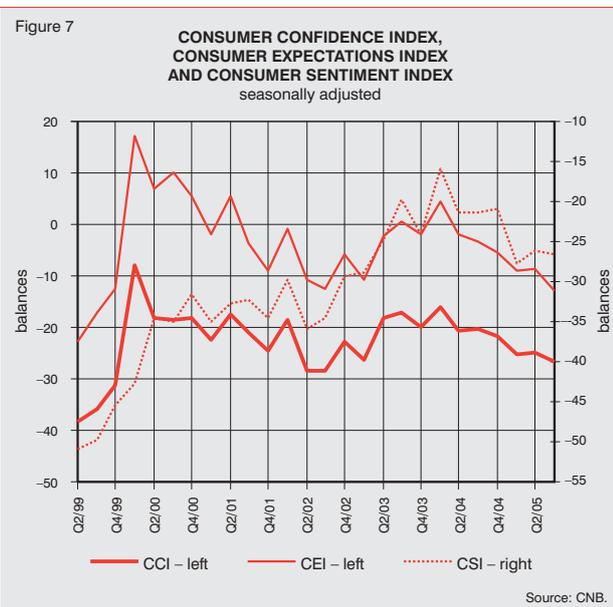
personal consumption is likely to increase moderately in the second half of 2005.

Changes in regular and irregular sources of personal consumption financing also point to a possibility of slightly more favourable developments in this aggregate demand category toward the end of 2005. Bank placements to households, which grew in the first half of the year, accelerated during July and August, resulting in their cumulative increase of almost 23.0% during these two months compared with the same period in 2004. The semi-annual pension indexing to the nominal semi-annual gross wage increase,³ which is scheduled for September (for July pensions), will partly offset the negative effects of reduced government transfers to households in the second quarter. This indexing will result in a one-time increase in pension benefits by over 2.0%. Consumption could also increase on account of a slight upward trend in employment paralleled with a rise in real net wages during July and August.

Investment Consumption

Exceptionally dynamic growth of capital investment, recorded in the last two years, slowed down in the first half of 2004. Its upward trend turned abruptly to stagnation at end-2004 and at the beginning of 2005 as a result of the completion of a road construction investment cycle. A recovery of investment consumption in the second quarter of 2005 resulted in its increase by 3.2%, and its contribution to the 5.1% growth of GDP was one percentage point. The semi-annual growth of capital investment was as low as 1.9%, due to strong investment activity in the base period.

A slowdown in gross fixed capital formation during the first quarter of 2005 was the consequence of a real decline in



³ Pension indexing has been carried out since 2004, pursuant to the Act on the Amendments to the Pension Insurance Act (official gazette *Narodne novine*, No. 30/2004). Pursuant to the new act on the amendments to the Pension Insurance Act (official gazette *Narodne novine*, No.92/2005), which is to become effective on 31 December 2005, the semi-annual pension indexing will be carried out on the basis of average semi-annual rate of change in consumer price index and in average gross wage.

private investment, which could not even be offset by the growth of government investment recorded in that period.

According to the planned consolidated central government expenditures for 2005, included in the July budget revision, a mild annual decline in capital expenditures of the government is expected to continue in the second half of the year. However, the anticipated capital expenditures of the government in the second half of 2005 are much larger than those in the first half of the year, which can be attributed to an increase in construction works during the warmer months of the year. Expectations of stronger investment growth and its larger contribution to real growth in the second half of this year are substantiated by the indicators of exceptionally strong growth in home loans to households and an acceleration of bank placements to companies at mid-year, which were supplemented by other external sources of financing (e.g. leasing and direct borrowing abroad).

Government Consumption

In the first half of the year, government consumption, comprising unemployment benefits to public service employees and expenditures for the use of goods and services, almost stagnated at the level of the same period of 2004 (growing at a rate of 0.5%), so that its contribution to the 3.5% growth of GDP was negligible (0.1 percentage point). These developments arose from an insignificant decrease in government consumption (0.1%) in the first quarter and its mild increase (1.0%) in the second quarter.

According to the revised budget for 2005, government consumption is expected to grow considerably in nominal terms in the second half of the year, and positive contributions to this growth will be made by unemployment benefits and expenditures for the use of goods and services. The stated growth is partly attributable to the obligation to pay outstanding benefits in public administration (holiday cash grants, Christmas bonuses and compensations for shift work), and its impact on the dynamics of the nominal government consumption is likely to be stronger than on its real growth.

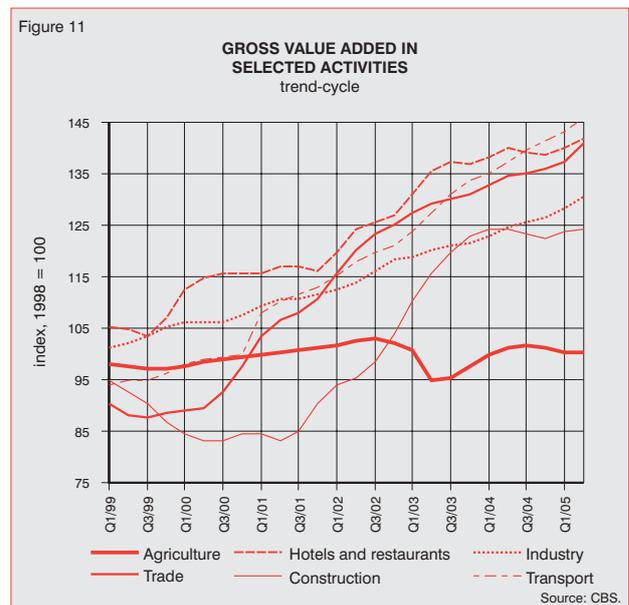
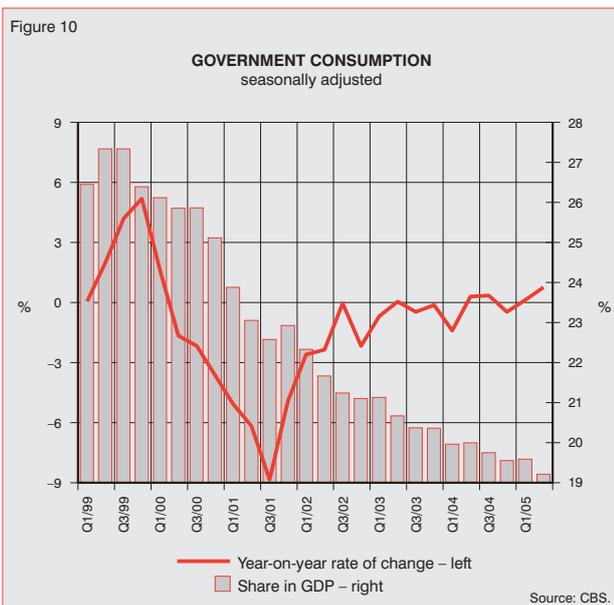
Output

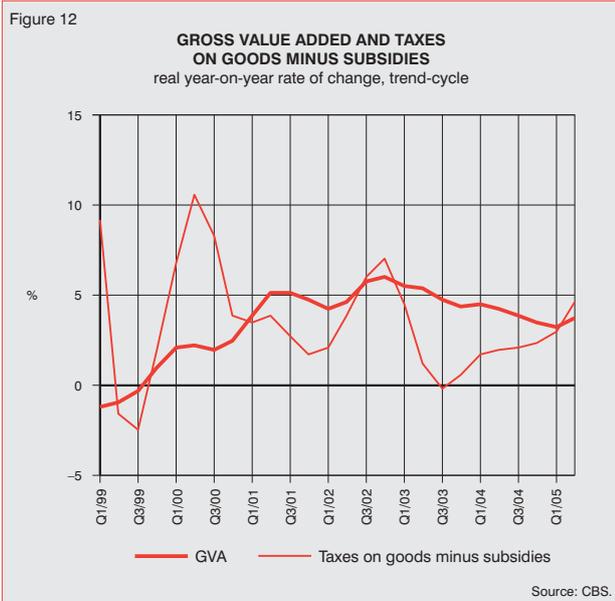
In the second quarter of 2005, the growth rate of gross value added reached a one-and-a-half year high of 5.0%. Particularly, physical indicators of economic developments not only point to its stronger growth relative to the first quarter (when GVA rose 1.9%), but also relative to its generally high growth rates recorded in 2002 and 2003.

The growth of overall gross value added in the second quarter was predominantly influenced by trends in industry, which contributed 2.4 percentage points (47.4%) to overall growth. The contributions of industry, financial intermediation (1.0 percentage point), trade (0.8 percentage points) and transport (0.7 percentage points) accounted for 97.7% of total growth, while the influence of other activities was more or less neutral.

Mild growth in trade turnover and a slower decline in construction activity in July, paralleled with a still dynamic industrial production and a sharp rise in tourist nights during July and August, suggest that the slowdown observed in early 2005 was short-lived and that by the end of the year economy will return to more robust growth rates recorded in recent years.

In the first quarter, the growth dynamics of total real GVA were similar to those of GDP, i.e. GVA rose at an only slightly higher annual rate. Stronger growth of GVA compared to that of GDP was being recorded over the last year, when it grew at a much faster pace than indirect taxes minus subsidies. Such indirect taxes/subsidies dynamics in early 2005 were the result of a decline in indirect tax revenues due to an economic slowdown paralleled with a sharp rise in subsidies provided to private and public sector companies. According to nominal data of the Ministry of Finance, a change in these dynamics was recorded in the second quarter of the year indicating an exceptionally large annual increase in indirect tax revenues and a sharp annual contraction in expenditures for subsidies (measured on a cash GFS 2001 basis). In mid-2000, when such dynamics of taxes on goods minus



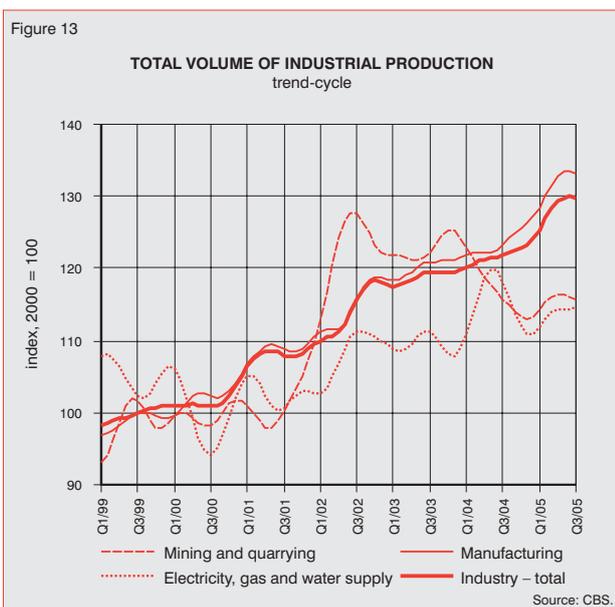


subsidies was last recorded, it resulted in much faster growth of GDP than that of GVA, so that similar developments were also expected in 2005. These expectations proved justified in the second quarter when GDP grew somewhat faster than GVA.

Industry

Due to a marked increase in GVA in industry of 8.6% in the second quarter, following its mild growth of 1.6% in the second quarter, the contribution of industry to total GVA growth in the first half of 2005 was stronger than in the last few years. Total GVA rose 3.5% and GVA in industry by 5.1%, contributing 1.4 percentage points to total GVA growth.

Total volume of industrial production, according to seasonally and calendar adjusted data, continued to grow at the rates of 7.2% and 5.0% in July and August respectively, compared with the same months last year. Therefore, industry is



expected to make a strong contribution to accelerated growth of GVA and GDP over the second half of the year.

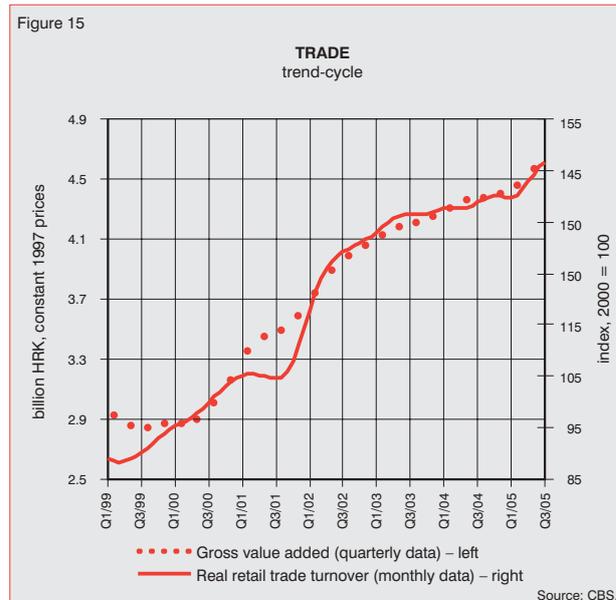
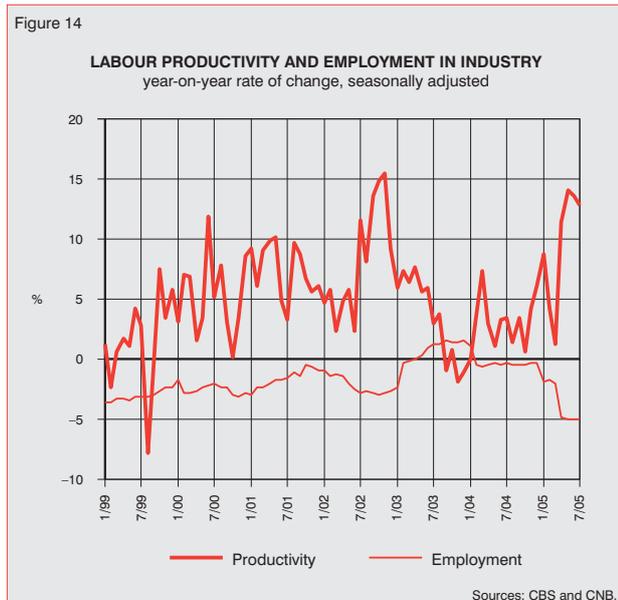
The growth in overall industrial production in the April-August period was primarily influenced by developments in manufacturing whose total volume rose 9.2% at the annual level in the second quarter, reaching a cumulative growth rate of 7.0% in the first eight months of 2005.

High growth rates of production in manufacturing resulted from a boost in domestic and particularly foreign demand. The largest contribution to industrial production growth in the second quarter came from publishing and printing, manufacture of food products and beverages and manufacture of chemicals and chemical products. Apart from publishing and printing and manufacture of food products and beverages, in July and August, marked positive contributions were also made by manufacture of machinery and equipment, manufacture of office machinery and manufacture of fabricated metal products.

In the second quarter, overall Croatian merchandise exports, measured in kuna, rose 14.5% (from a high base period level). Manufacturing exports grew at a rate of 12.3% and its contribution to overall merchandise exports was 11.6 percentage points. The exports in manufacturing accounted for 94% of total merchandise exports in the first seven months, slightly below the last four-year average. Manufacturing contributed 4.5 percentage points to the overall exports growth rate of 6.0%. Manufacturing imports grew at a slower pace than its exports, at an annual rate of 7.0%, but in the first seven months the two rates were equalized and stood at 4.7%.

The growth in manufacturing exports over the second quarter of 2005 was primarily the result of a boost in the exports of machinery and equipment (49.2%) and of food products and beverages (42.6%). Manufacture of machinery and equipment has been the fourth largest exporter among manufacturing divisions in 2005, following a continuous increase in the sale of machinery and equipment in foreign markets over the last few years. A marked positive contribution came from the manufacture of refined petroleum products, extraction of crude oil and natural gas and manufacture of chemical products. The same sequence applies to the first seven months of the current year, with the manufacture of food products and beverages being the largest contributor to overall exports growth. The contribution of ship-building to overall exports growth in the second quarter was as low as 0.2 percentage points, after having been negative during the first seven months. The cumulative annual decline in ship-building exports stood at 25.6% in July and was the result of a plunge in exports during the first quarter, their stagnancy in the second quarter and a renewed fall in July. Manufacture of furniture, manufacture of electrical machinery and apparatus, manufacture of basic metals, manufacture of non-metallic mineral products and manufacture of fabricated metal products maintained their large and stable shares in the exports, while manufacture of wearing apparel recorded a fall in exports.

Manufacture of coke, refined petroleum products and nuclear fuel, the second largest exporting division, recorded an only slight decline in exports in 2005 compared with last



year, but it was still above the previous three-year average. The share of extraction of crude oil and natural gas in total exports increased markedly in 2005, but this had no significant impact on total exports given the relatively small share of this manufacturing division in total exports. In contrast, it was the second largest importing division accounting for 9.1% of total imports during the first seven months of the year. As a result of the oil price increase, this was 0.6 percentage points above the previous four-year average.

Concerning the destination of exports, the exports to EU Member States accounted for 61.5% of total exports from Croatia in the first seven months, which approximates their share in 2004. However, exports to the countries that had joined the EU in 2004 were slightly stronger compared to the exports to other countries. Among the European countries, the greatest impact to exports growth in the second quarter was made by the exports to Greece, Serbia and Montenegro, Bosnia and Herzegovina, Italy, Spain and France. Looking at the first seven months of the year, Greece remained the top destination of Croatian exports.

In the period from January to July 2005, labour productivity grew at an average rate of 3.3% relative to the same period last year. Such labour productivity dynamics was primarily the result of the expansion of the total volume of industrial production during the second half of 2005, so they are not likely to be changed significantly by subsequent revisions of employment in industry data.

Trade

A revival in domestic demand, particularly personal consumption, in the second quarter was reflected in rising gross value added in trade. More specifically, wholesale and retail trade and maintenance and repair of motor vehicles and motorcycles, as well as of personal and household goods increased by 5.7% in real terms, with the contribution of GVA in trade to a 5.0% rise in overall gross value added being 0.8 percentage points. A decline in domestic and foreign demand in early 2005 slowed the growth of GVA in trade to

merely 2.1% in the first quarter. Excluding the second quarter, a slowdown in trade has been recorded for two years, and its contribution to the growth of total GVA has been diminishing.

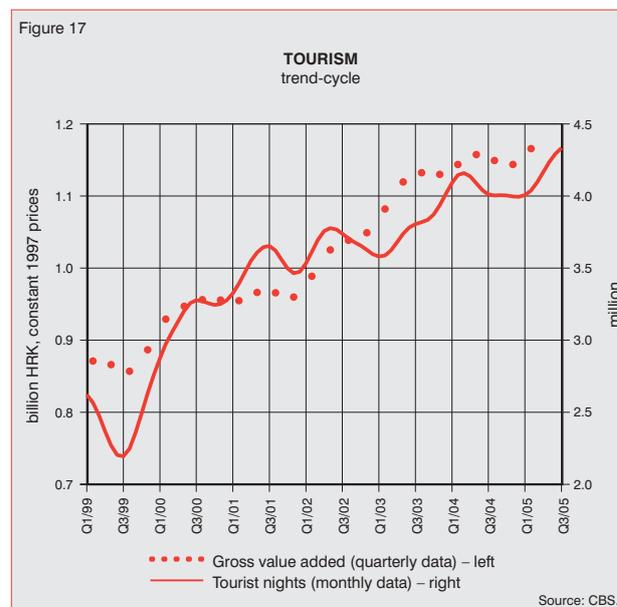
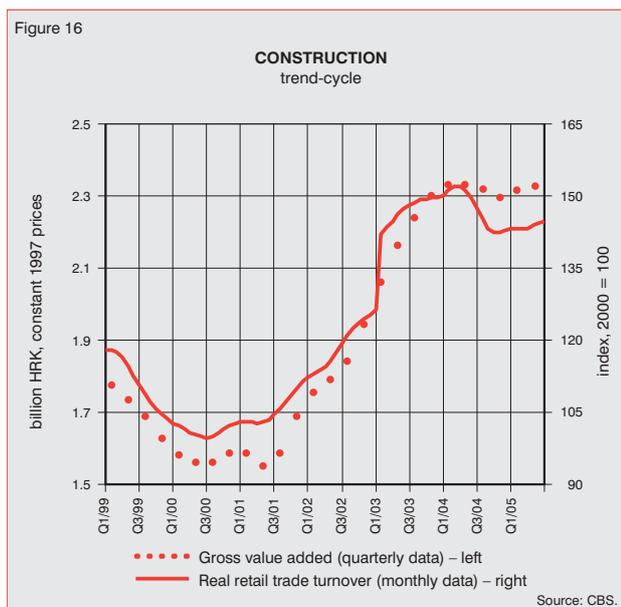
Relatively weak growth of real turnover in retail trade of 2.5% was again recorded in July, partly owing to the influence of the base period when the sale of motor vehicles boomed before the introduction of excise taxes. An encouraging sign for consumption in July and August was the increase in short-term loans to households, i.e. current account overdraft facility and other general-purpose loans, which grew at an annual rate of 17.5% and 19.0% respectively.

In 2005, the sale of motor vehicles grew at a faster pace than the rest of retail trade turnover, thus contributing significantly to the annual growth of real retail trade turnover, particularly in the second quarter. However, other indicators of the sale of motor vehicles, e.g. the imports and number of newly registered passenger cars, having a somewhat different scope than the retail trade indicator, do not corroborate such a large increase in the sales of motor vehicles. Given the annual adjustment of the CBS's retail trade survey sample, the index of the real retail trade turnover may suggest somewhat stronger growth of retail trade than the actual one.

Construction

The second quarter saw the end of a decline in gross value added in construction that started in the last quarter of 2004. The GVA growth rate in this activity was as low as 0.7% and its contribution to a 5.0% increase in overall GVA was 0.1 percentage point. The contribution of construction to overall gross value added was neutral in the first six months, as the second quarter's growth was offset by a drop in activity over the first quarter.

Owing to a contraction in capital expenditure of the government in mid-2004, which had been largely diverted to road construction till then, construction activity weakened



in this period, reducing the total volume of construction projects to the early-2003 level. However, a mild recovery in construction started as early as end-2004, despite the adverse effects of the said contraction on its annual dynamics. As a result, this activity made slightly negative contributions to the annual real GDP growth in the last quarter of 2004 and the first quarter of the current year.

According to seasonally adjusted data, a mild recovery in construction activity that was interrupted in February by bad weather conditions is likely to continue in 2005. The favourable movements in construction are due to accelerated growth in construction of buildings and a mild recovery in the volume of other completed construction projects during the first half of the year. Leading construction activity indicators, i.e. building permits issued and the value of net construction project orders grew strongly over the second quarter of 2005, suggesting the possibility of somewhat faster growth in construction works over the next period, mainly on account of other construction projects. This will probably be facilitated by a warmer season.

By contrast, mining and quarrying, being closely connected with construction activity, recorded a fall in production during the period from May to August 2005. However, given the high volatility in the mining and quarrying time series data, this fall does not necessarily indicate a reversal of its recovery trend observed this year, following a contraction of production in this industrial section during 2004. Moreover, it is not necessarily in contrast to higher expectations concerning construction works dynamics in the second half of 2005, as the concurrent nominal growth in the imports of intermediate goods and energy, comprising mining and quarrying products, does not corroborate the weakening of domestic demand for these products during the observed period.

Tourism

A sharp slowdown in hotels and restaurants has been recorded since the second half of 2004, particularly when

compared with their respective performances in 2002 and 2003. Mild increases in GVA in this activity, 1.1% and 1.5% in the first and second quarters respectively, had no influence on the growth of total GVA in the first half of the year, given the small share of this activity in total GVA formation.

Volume indices, made available prior to the results of GVA calculation for the second quarter, suggested a similar trend. According to original data, total number of tourist nights rose 0.5% in the second quarter of 2005 compared with the same period last year.

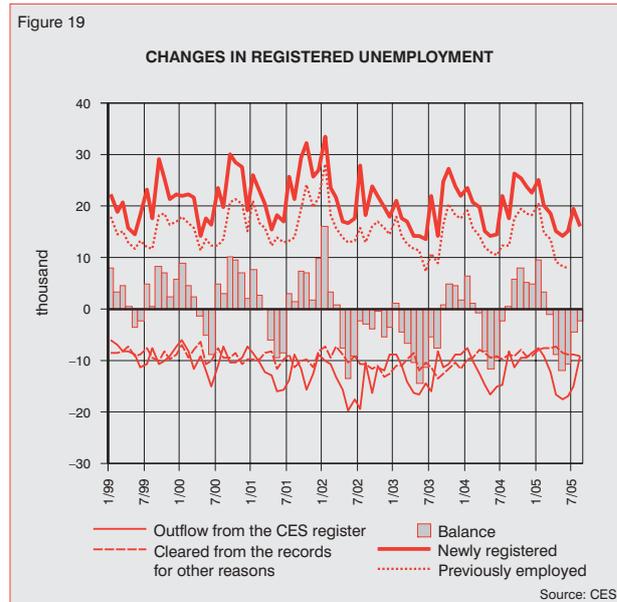
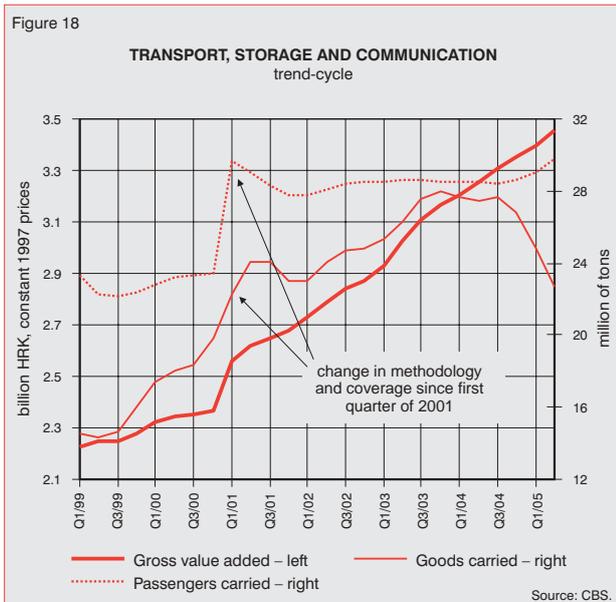
Financial effects of foreign tourist nights on balance of payments during the first half of the year were consistent with the volume indices. Thus, in the first quarter travel revenues rose 28.2% (expressed in euros), partly due to the Easter holidays which fell in this quarter. Foreign tourist nights went up 16.8% from the last year. In the second quarter, travel revenues stagnated at the level of the same quarter of 2004. Foreign tourist nights also held steady in the second quarter.

Favourable expectations regarding GVA growth in the third quarter and an increase in foreign tourist travel revenues are based on the growth in overnight stays of 13.0% and 6.5% in July and August respectively. The number of foreign tourist nights was up 13.2% and 7.1% respectively.

Transport and Communications

Transport and communications accelerated in the second quarter of 2005 compared with the first quarter, but also the previous two quarters. The gross value added data for the second quarter confirmed its dynamics suggested by volume indices. Gross value added in this activity grew 7.0%, making it the second fastest growing activity after industry, and made the fourth largest contribution of 0.7 percentage points to overall GVA growth. In the first half of the year, transport and communications contributed 0.6 percentage points to overall GVA growth which equalled this activity's average contribution in 2004.

According to available CBS volume indices on transport,



storage and communications for the second quarter of 2005 (seasonally adjusted), favourable trends were observed in almost all segments of this activity. In the observed period, particularly strong growth was recorded in passenger transport, primarily railroad transport, which accounts for about 1/3 of total passenger transport, and transport of goods, mainly road transport, accounting for over a half of total goods transport. Postal and telecommunications services also recorded mainly favourable results in the observed period.

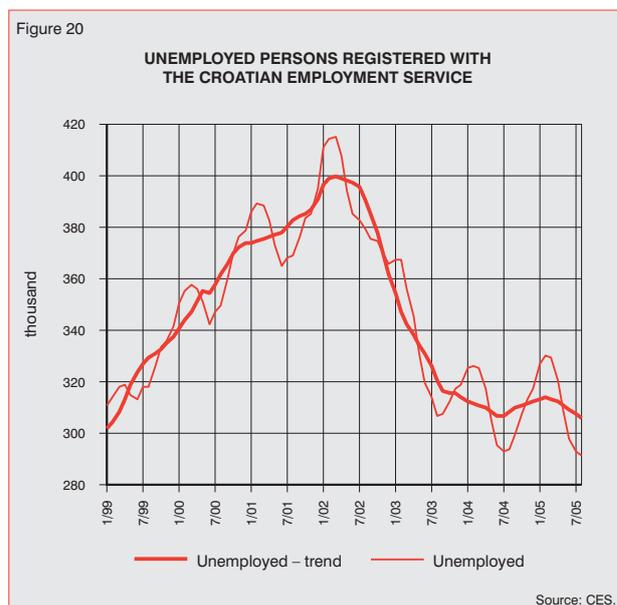
Labour Market

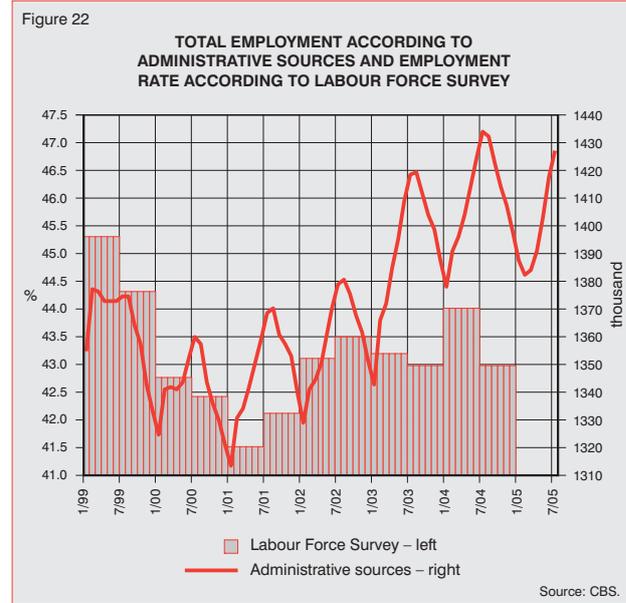
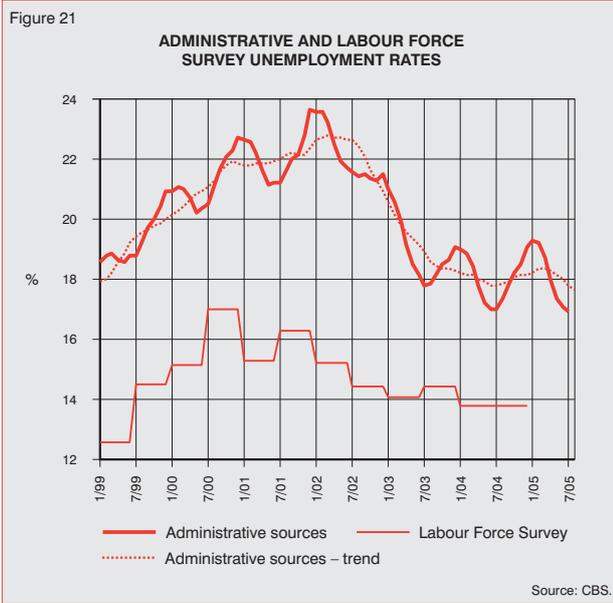
The influence of the strong economic expansion on the labour market during the second quarter of 2005, reflected in accelerated decline in registered unemployment, an increase in employment from the CES register, faster employment growth and renewed growth of wages, waned slightly over the first two months of the third quarter. Due to a fall in new employment from the CES register in July and August, the downward trend in registered unemployment slowed slightly in this period. At the same time, the upward trend in employment from the first quarter of the year, i.e. before the leap in employment in June, continued, while the annual growth rates of average real wage fell to exceptionally low levels. However, the Labour Force Survey data for the first half of 2005, which could provide a clearer picture of the labour market developments in this period marked by fluctuations in the real sector than the administrative data, will not be available before November.

Unemployment and Employment

The labour market trends in mid-2005 were similar to those at the beginning of the year. Thus, total outflows from the CES register continued to stagnate, despite a slight increase in employment from the register during the second quarter. As a downward trend in the number of clearings

from the records for reasons other than employment was stopped at a low level in early 2005, the dynamics of clearings from the records did not contribute to the decline in registered unemployment. However, a fall in clearings from the records at the annual level (in the period from the beginning of the year to August, clearings from the CES records decreased cumulatively by 9.6% (6,000) compared with the same period in 2004), prevented the annual decline in registered unemployment. Inflows into the CES register continued their downward trend, and their level, which was higher than usual throughout 2004, most probably due to the re-inclusion of a part of persons cleared from the records during 2003, decreased continually since the beginning of 2005. This was mainly the result of reduced inflows of persons with work experience. The decline in inflows into the register continued throughout the second quarter and into the first two months of the third quarter, and was the main cause of the downward trend in registered unemployment since the beginning of the year. The stated increase in em-





ployment from the CES register during the second quarter of 2005, which was in keeping with the strong economic activity recorded in this period, also contributed to the downward trend in registered unemployment. However, employment from the register resumed its seasonally common level as early as July, which it maintained in August, thus losing its significant impact on the registered unemployment dynamics.

It should be noted that the strengthening of economic activity in the second quarter provided an impetus to employment from the register, thus accelerating the fall in registered unemployment during the observed period. However, employment from the register and the downward trend in registered unemployment slowed again in July and August, suggesting the weakening of favourable developments in the labour market at the beginning of the third quarter of 2005. Such dynamics of labour market indicators was inconsistent with the continuing favourable developments observed in the real sector during the period. However, given the last year's growth of registered unemployment, a cumulative decrease in registered unemployment in August (8.4% or almost 27,000) outperformed its decrease from the same period last year for the first time, by almost 2,000. As a result, registered unemployment was 1% lower in August compared with the same month last year.

It is likely that the registered unemployment dynamics will continue to depend on the developments in inflows of the new unemployed into the CES register. A further decline in inflows into the register could accelerate the downward trend in registered unemployment, which could continue at a somewhat slower pace should the inflows stabilise at the current level. However, as the downward trend in registered unemployment in 2005 was mainly attributable to the change in the level of the newly registered with the CES, which had deteriorated prior to the economic recovery, it is difficult to establish a direct correlation between the movements in registered unemployment and economic activity dynamics. The registered unemployment rate closely followed the economic activity dynamics, falling to 16.9% in

August, 0.1 percentage point below its level in the same period last year. The data on the Labour Force Survey unemployment rate for the first half of 2005, which could throw more light on the labour market developments in this period, will not be available before November.

Employment indicators show that the strong economic activity contributed to the improvement in the labour market situation in the second quarter of the year. Thus, seasonally adjusted data on the insured with the CPII in April and May, serving as a good short-term indicator of employment dynamics, point to continued growth in the number of the insured at a pace similar to that in the previous period. However, in June when the year-on-year growth rate of the insured with the CPII reached 2.0%, employment leapt (by almost 1%) compared with its trend. July and August saw a continuation of the usual growth dynamics of the number of the insured, but starting from a higher level, so the annual rates of its growth also went up considerably relative to the previous period. The stated unexpected increase in the number of the insured in June mainly related to legal entities, but was observable in many divisions. Therefore, the dynamics of the number of the insured cannot be accounted for by increased employment in the divisions strongly influenced by seasonal factors (e.g. hotels and restaurants, trade and construction).

Preliminary CES employment indicators do not confirm the marked increase in employment in mid-2005, suggested by the data on the number of the insured. They rather show an only slight acceleration of its growth in the middle of the year. However, owing to a break in the CES employment data series in early 2005, when preliminary data first become available, but they are expected to be revised upward significantly, it is impossible to make an accurate assessment of the intensity of the annual employment growth. In the previous years, the dynamics of the data on the number of the insured with the CPII was mainly consistent with the movements of the CES employment indicator, so it is for the first time that serious discrepancies between them could be perceived since June this year.

The main generator of total employment growth was again the growth of employment in crafts and trades and free-lances, 2.3% (6,000) in July compared with the same period in 2004. In contrast to this, the number of private farmers actively insured with the CPII continued its strong downward trend, almost offsetting the positive contribution of employment growth in crafts and trades and free-lances to total employment. However, as the number of private farmers fell to a low level of 49,000, after several years of its decline, its negative contribution to total employment, which was largely caused by statistical reasons, is likely to decrease soon.

In July, the number of the employed in legal entities, which is subject to subsequent revisions, declined slightly at the annual level, by 0.4% (5,000). The intensity of the revision of employment in legal entities, which usually results in its considerable increase, is going to determine the annual total employment dynamics.

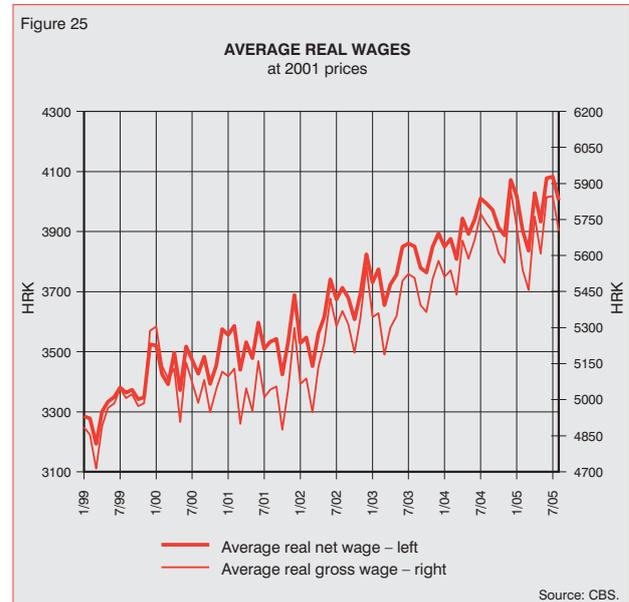
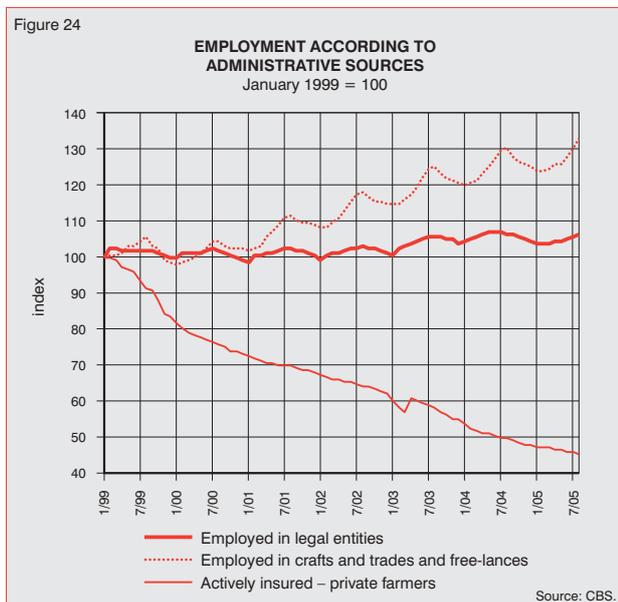
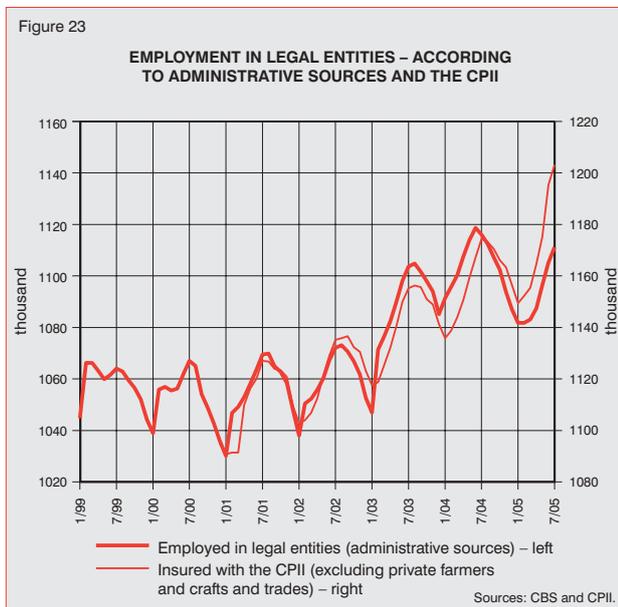
The largest contribution to the year-on-year fall in em-

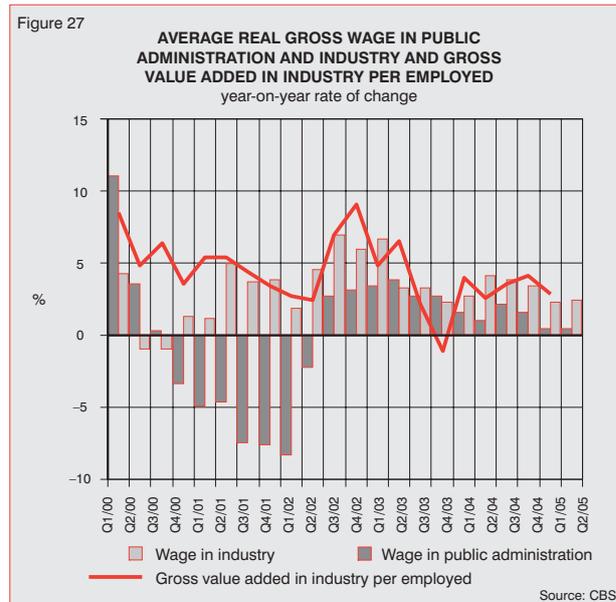
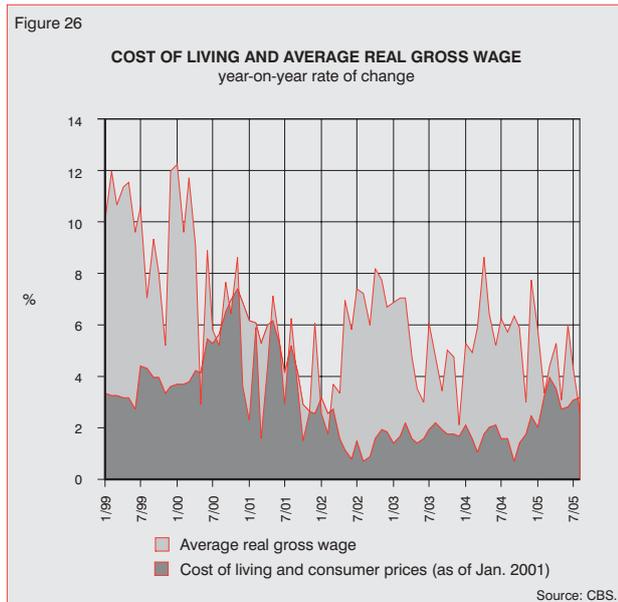
ployment in legal entities recorded in July was made by a decrease in employment in manufacturing (2.4% or 5,900), transport and communications (2.7% or 2,200) and in construction (2.7% or 2,300), where the stronger employment in crafts and trades fully offset the reduced employment in legal entities. It should be noted, however, that these are preliminary data, which are likely to be revised upward. Due to a rise in employment in education and health care, which offset its decline in public administration in narrow terms, the annual fall in employment in overall public administration stopped in the middle of 2005.

Wages and Labour Costs

Economic expansion in the second quarter of the year also influenced the wage dynamics in this period. Real wages decreased during the first quarter but resumed their growth in the second quarter. However, owing to the base effects of their stagnancy at end-2004 and a fall in early 2005, the annual rates of real wage growth remained relatively low. Thus, the average real gross wage paid in the second quarter of 2005 rose at an annual rate of 1.8%, up 0.4 percentage points from the first quarter. Due to the increase in personal allowances in early 2005, the average real net wage continued to grow faster than the gross wage, but the growth in nominal wages due to the tax progression effects reduced this difference in the second quarter. Average real net wages grew at an annual rate of 2.2% in the second quarter, 0.2 percentage points faster than in the first quarter. However, at the beginning of the third quarter, as employment from the CES register declined, real wages decreased, resulting in their annual stagnation in July and August (i.e. in an annual increase in average real gross wage of 0.3% during these months). As a result, the cumulative growth rate of average real gross wage came down to 1.3% in August. The average real gross wage recorded a negative year-on-year rate of change in (-0.5%) in this month, for the first time after the beginning of 2002.

Despite the dominant influence of the nominal wage





trends on the real wage dynamics in the second quarter and the first two months of the third quarter, the cost of living trends were opposite to the developments in nominal wages, strengthening their influence on real wages. Thus, stronger nominal growth of wages in the second quarter was paralleled with a slowdown in the cost of living, which accelerated the growth of real wages. However, their trend reversed in July and August and real wages went down. The annual growth rate of average nominal gross wage decreased from 4.8% in the second quarter to 3.5% on average in July and August 2005, only slightly above the annual growth rate of consumer prices that stood at about 3.0% throughout the year.

Relatively balanced wage dynamics continued in all divisions, with the exception of financial intermediation, transport and mining and quarrying, which recorded somewhat stronger annual growth of real wages in the middle of 2005. The wage dynamics in construction, the fastest-growing activity by mid-2004, again started to contribute negatively to the annual growth of average real gross wage in the middle of the year. The annual growth of real gross wage in overall public administration continued to be exceptionally low, primarily as the result of average wage contraction in public administration in narrow terms and education, while health care remained the only public activity recording substantial real growth of wages which generated their growth in overall public administration.

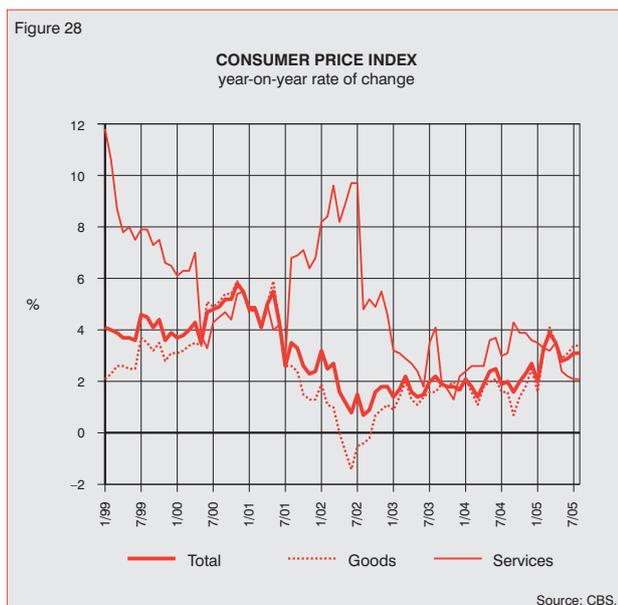
The average real gross wage in industry rose at an annual rate of 2.4% in the second quarter of 2005, slightly faster than in the first quarter. Labour productivity in industry, measured by the dynamics of gross value added in industry at constant prices per employee, grew 2.9% in the first quarter, considerably exceeding the growth of real gross wages in the same period. As indicated by the stated real wage and productivity dynamics, price pressures coming from the labour market were not particularly strong, even at the beginning of 2005 when economic activity slowed down, and it is not likely that the revision of employment in legal entities would significantly change this situation. The strengthening

of economic activity in mid-2005 certainly contributed to relieving price pressures from the labour market, despite the slight acceleration of wage growth during the period.

Prices

Although accelerating from 2.7% in December 2004 to 3.1% in August 2005, consumer price inflation remained low. The strongest impact on inflation growth came from the year-on-year rate of change of meat prices and agricultural products, rising from 3.5% to 8.3% and from -2.2% to 5.5% respectively from December 2004 to August 2005. The increase in meat prices was a consequence of the decrease in stockbreeding, caused by the rise in feed prices resulting from the drought of 2003, which was followed by the Ministry of Agriculture decision not to allow meat imports to exceed the pre-set quotas. The rise in agricultural products prices was brought about by adverse weather conditions in the summer months. The inflation increase in the domestic economy was alleviated due to several factors. First, a relatively stable kuna/euro exchange rate appreciated by 3.8% in the first eight months of 2005, producing a stabilising effect on eurozone import price trends. Second, the continuing growth of labour productivity and a small nominal rise in net wages (5.0% compared to the same eight-month period in the previous year) significantly contributed to price stability. Third, the year-on-year growth rate of domestic producer prices of industrial products slowed down considerably, from 4.8% in December 2004 to 1.5% in August 2005. This year, however, saw strong import pressures that spurred domestic inflation, above all related to surging world market crude oil prices, which in particular drove up refined petroleum products prices⁴ and transport services prices. The 58.5% increase in the average price of crude oil in the world market (from USD 39.0 p/b in December 2004 to USD

⁴ The impact of the world market crude oil price growth on domestic inflation is covered in more detail in Box 1.



61.9 in August 2005) was even more pronounced in kuna terms, 67.8%, due to the depreciation of the kuna exchange rate against the US dollar. With the year-on-year rate of change up from 12.3% in December 2004 to 13.8% in August 2005, refined petroleum products prices added 0.7 percentage points to the overall inflation rate in August this year; a marked contribution, although not much higher compared with 0.6 percentage points contributed in December 2004.

Having accelerated in the first quarter of 2005, the year-on-year consumer price inflation rate dropped considerably in the second quarter, from 3.9% in March to 2.9% in June. The sharp April fall in agricultural products prices played a decisive role in the 0.2% CPI decline from the previous month, while the year-on-year inflation rate went down to 3.5% due to a favourable base period effect. The decrease in the year-on-year rate of change of car prices, facilitated by the kuna appreciation against the euro, also contributed significantly to the April fall in consumer price inflation. Although going up 1.9% in April compared with March, domestic market refined petroleum products prices rose faster for the month in April 2004, which is why their year-on-year rate of change fell from 16.9% in March to 14.0% in April this year. Even with the overall CPI index holding steady in May from the previous month, base period effects (the steep monthly rise in consumer prices in May 2004) led to a further slowdown in inflation, reducing its year-on-year rate by 0.7 percentage points, to 2.8%. The overall CPI was down by 0.1% in June from May 2005, while the year-on-year consumer price inflation rate rose to 2.9%.

Consumer price inflation rebounded to 3.1% in July and held steady in August. Standing at -0.1%, -0.2% and 0.1% in June, July and August respectively, CPI monthly rates of change were low throughout that whole period, usually marked by a strong seasonal price drop,⁵ but still higher than expected. This was due to pronounced price shocks coming

from the supply side in that period. Owing to the agricultural crop failure, for example, caused by excess rainfall, vegetable prices recorded no seasonal decrease and in August had the first positive rate of change from the previous month (1.1%) since 1994. Consequently, the overall year-on-year consumer price inflation went up from 2.9% in June to 3.1% in August, primarily due to the year-on-year rate of change of agricultural products prices, which rose from -4.1% to 5.5% in August, increasing its contribution to inflation by 0.7 percentage points (from -0.3 percentage points in June to 0.4 in August). Also on the supply side was the shock caused by the average daily price of a crude oil barrel in the world market, expressed in US dollars, rising by 12.7%, 4.6% and further by 9.8% in June, July and August respectively. Due to the depreciation of the kuna exchange rate against the US dollar, this increase was even steeper in kuna terms in June and July, 17.4% and 5.7% respectively. Reflecting these world market developments, the year-on-year rate of change of refined petroleum products prices in the domestic market advanced from 9.6% in June to 13.8% in August, increasing its contribution to the overall year-on-year inflation rate by 0.2 percentage points (from 0.5 percentage points in June to 0.7 in August).

The year-on-year rate of change of education prices lifted from 1.7% in June to 6.2% in August (due to the 10% increase in the price of university education⁶ in July). However, as education accounts only for 0.9% of the overall CPI basket, its contribution to the overall year-on-year inflation rate increased by a minor 0.04 percentage points.

Intense pressures driving up the year-on-year inflation rate in July and August were considerably relieved by the steep fall in the year-on-year rate of change in prices of tobacco products, down from 12.7% in June to 0.0% in August. This decline was due to the base period effect related to the growth of excises offsetting the impact of the price rise of tobacco products in the calculation in August 2004. In consequence, the contribution of that product group, account-

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

	Weight 2005	12/04	3/05	6/05	7/05	8/05
Total	100.0	2.7	3.9	2.9	3.1	3.1
Food and non-alcoholic beverages	32.9	2.4	5.5	4.2	4.5	5.4
Alcoholic drinks and tobacco	5.8	10.2	10.6	10.2	9.8	0.9
Clothing and footwear	8.0	-1.7	-1.2	0.4	-0.6	1.1
Housing, water, energy, gas and other fuels	14.8	6.0	6.0	3.1	2.7	2.4
Furniture, equipment and maintenance	4.7	0.2	1.6	2.6	2.6	2.8
Health	2.8	1.0	0.8	2.0	2.1	2.5
Transport	11.2	2.6	3.3	-0.3	1.3	1.8
Communication	4.3	-0.5	-0.4	-0.4	-0.3	-0.4
Recreation and culture	5.6	2.5	1.8	2.8	3.3	3.8
Education	0.9	1.1	1.4	1.7	6.2	6.2
Catering services	3.2	2.8	2.1	1.6	1.8	1.6
Miscellaneous goods and services	5.9	1.9	1.8	2.4	2.0	1.8
Goods	77.1	2.5	4.1	3.1	3.4	3.4
Services	22.9	3.6	3.2	2.2	2.1	2.1

Source: CBS.

⁵ This primarily refers to the prices of clothing and footwear and agricultural products.

⁶ Fees for self-financed students increased.

Figure 29

CONSUMER PRICE INDEX AND CORE INFLATION^a
year-on-year rate of change



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

Figure 31

AVERAGE CRUDE OIL PRICES^a
ON THE WORLD MARKET



^a They are calculated as an average of the following oil prices (prompt delivery): Dubai Fateh, UK Brent and West Texas Intermediate. Source: Bloomberg.

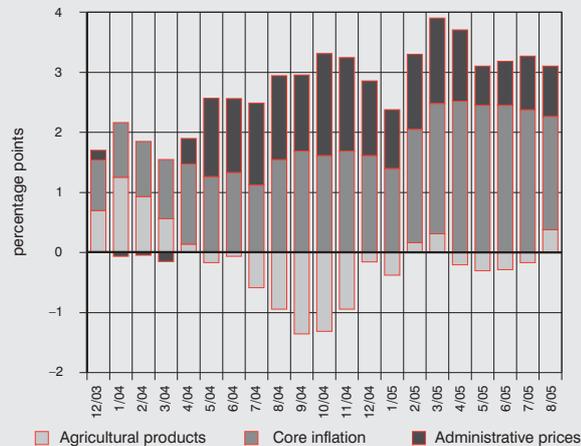
ing for a significant 4.1% of the CPI basket, reduced from 0.5 percentage points in June to 0.0 percentage points in August. Inflation pressures were also somewhat alleviated by the year-on-year rate of change in meat prices coming down from 10.3% to 8.3% in August and consequently lowering its contribution to the overall year-on-year inflation rate by 0.2 percentage points (from 1.0 to 0.8 percentage points in August). The year-on-year rate of change of meat prices was down due to the fall in meat prices in August from July and the base period effect, i.e. the accelerated meat price growth in July and August 2004. However, with its sizeable share in the CPI (10.0%), meat remains in the group of products with the largest contribution to the year-on-year inflation rate, exceeding that of refined petroleum products.

Standing at 2.7% in August, the year-on-year core inflation rate decreased by a marked 0.8 percentage points compared with 3.5% in June. In consequence, its contribution to overall consumer price inflation declined from 2.5 percent-

age points in June to 1.9 percentage points in August. The same factors that contained the overall CPI growth also influenced this decrease, only more strongly, given the larger share of tobacco products and meat in the core inflation basket. The contribution of tobacco products and meat to core inflation thus reduced in August compared with July, by 0.7 and 0.3 percentage points respectively. Factors acting in the opposite direction, i.e. towards core inflation growth, had a moderate influence: the contribution of the price rise of clothing and education to the year-on-year core inflation rate went up 0.1 percentage points in August compared with June. The year-on-year rate of change of administrative prices (including energy products prices) increased from 3.2% in June to 3.6% in August in consequence of the mentioned acceleration of the year-on-year rate of change of

Figure 30

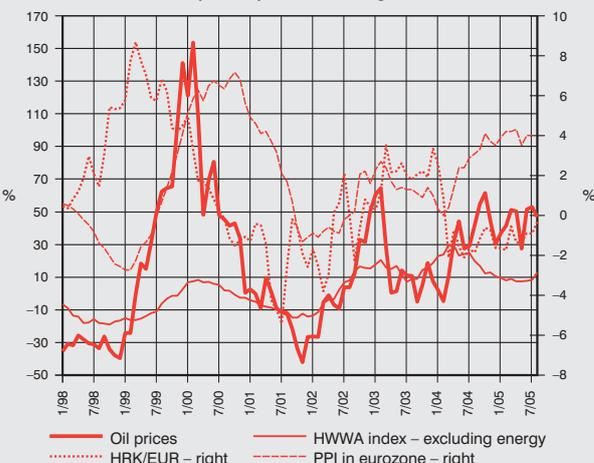
CONTRIBUTION^a OF CPI COMPONENTS TO YEAR-ON-YEAR INFLATION RATE



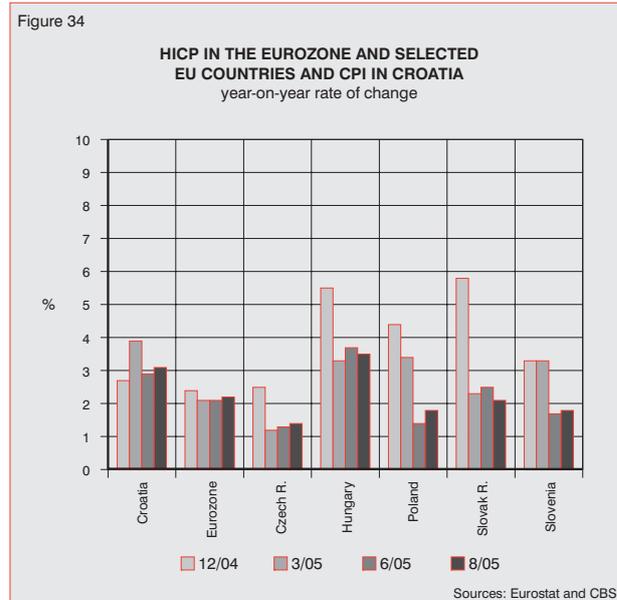
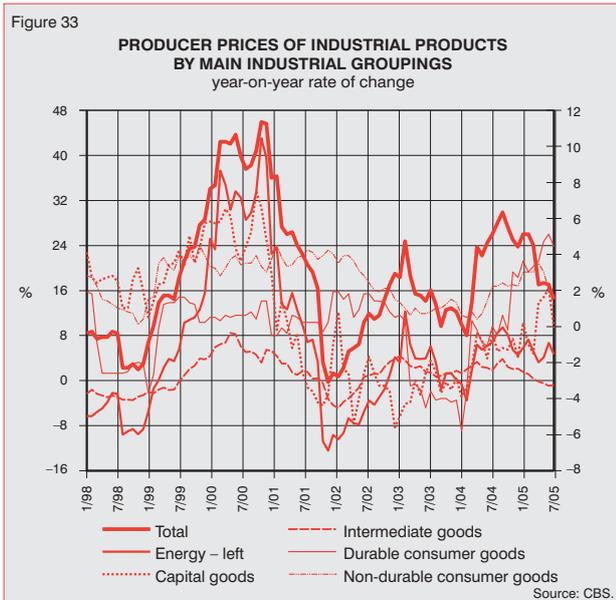
^a The contribution is defined as the relative importance of a certain component of the consumer price index in total inflation. The sum of contributions of all components expressed in percentage points in a relevant month is the amount of the year-on-year consumer price inflation rate. Sources: CBS and CNB calculations.

Figure 32

IMPORTED INFLATION: OIL PRICES, THE HWWA RAW MATERIALS PRICES INDEX^a, THE AVERAGE KUNA/EURO EXCHANGE RATE AND PRODUCER PRICES IN THE EUROZONE
year-on-year rate of change



^a The Hamburg Institute of International Economics (HWWA) constructed the aggregate index of raw materials prices in the world market, the so-called HWWA index. The HWWA index is the indicator of movements in costs for imported raw materials (it includes a total of 29 raw materials or 27 excluding energy) and it is used in analysing the influence of changes in the prices of raw materials in the world market on the changes in prices in industrial countries. The index is calculated on the basis of raw materials prices expressed in US dollars. Sources: Bloomberg, HWWA, Eurostat and CNB.



refined petroleum products.

In addition to the mentioned crude oil price increase and the strong depreciation of the kuna/US dollar exchange rate, imported inflation pressures pushing up domestic prices in the first eight months of 2005 also came from the

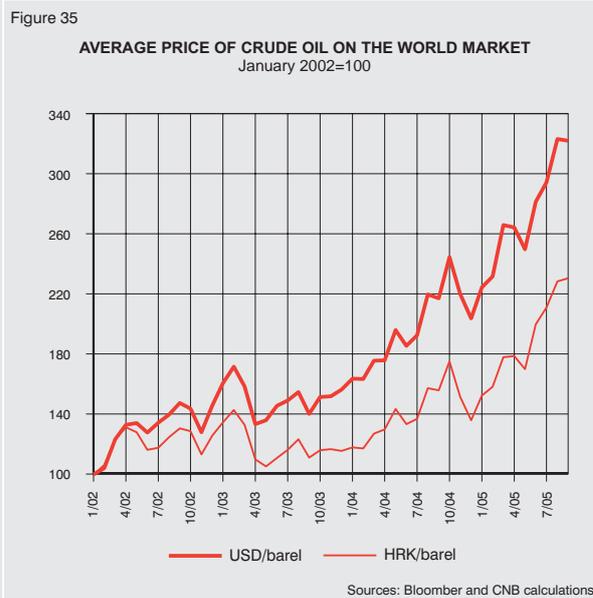
world market price increase in some other raw materials (primarily food raw materials and metals). The year-on-year rate of change in the aggregate HWWA index, which comprises raw materials prices, excluding those of energy, advanced from 10.6% in December 2004 to 12.9% in August

Box 1: Impact of the Crude Oil and Refined Petroleum Products Price Increase on the World Market on Inflation and the Balance of Payments Current Account in the Republic of Croatia

World Market Crude Oil Price Developments

Having soared at an average rate of 30.4% and 17.6% (expressed in American dollars and kuna respectively) in 2004, world market crude oil prices continued to grow in the first eight months of 2005, averaging USD 61.9 p/b in August, up 58.5% from December 2004. Moderate in 2004 due to the kuna appreciation against the US dollar, crude oil price growth, expressed in kuna, was more pronounced in 2005, as the kuna depreciated against the US dollar, with the price of an oil barrel, expressed in kuna, rising by 67.8% in August over December 2004.

Factors adding to the oil price increase were related to both demand and supply. The 1.6% increase in global crude oil demand (1.3 million bpd) in the first half of 2005, although lower than the 4.0% increase in the same period last year and in line with expectations, was nevertheless strong relative to available surplus capacity.⁷ On the other hand, this year's price increase was also partly caused by a slower than expected rise in crude oil supply from non-OPEC countries,⁸ attributable to their old oil fields and insufficient infrastructure investments. The world market crude oil price increase is increasingly dependent upon the expected imbalances between supply and demand⁹ in the crude oil market, due to forecasts of the continuing strong global economic upturn, OPEC's limited available surplus capacity and the feared long-term slowdown in non-OPEC countries. In addition, as in the



previous years, market participants are worried about the safety of crude oil deliveries from the countries in political turmoil (Iraq, Nigeria and Venezuela).

The crude oil price increase, especially pronounced in the summer months of this year, was also due to some brief disturbances, as were those caused by a fire at a large Texas refinery, the death of the Saudi Arabian king Fahd, Iran's announcement that it would resume its nuclear activities

7 The OPEC's spare capacity is currently estimated at 1.4 million bpd.

8 Russia, Mexico, Norway, Great Britain and Canada

9 Due mainly to the strong increase in crude oil demand from China, India and the USA.

and, finally, the damage inflicted by the hurricane Katrina upon the Mexican Gulf oil production and refining facilities late in August this year. After rising temporarily and hitting a high 66.7 USD per a barrel of Brent crude on 31 August, crude oil prices started stabilising as the American authorities and the IEA decided to release strategic oil reserves. The price of Brent crude drifted lower in September, falling to USD 62.9 p/b late in that month (27 September). However, refined petroleum products' prices grew at an even stronger pace, remaining high even after the crude oil price decrease, owing to the time-consuming restoration of the damaged refinery facilities and the operational oil refineries working to almost full capacity. All this has raised concerns among market participants, fearing that the rising winter demand for refined petroleum products in the north hemisphere will not be met. In September, in line with price developments on forward crude oil markets, the IMF revised downwards its projection of world market crude oil price trends, from USD 46.5¹⁰ to USD 54.2 p/b¹¹ in 2005, and from USD 43.75 to USD 61.75 p/b in 2006.

Impact of the World Market Crude Oil Price Increase on the CPI Inflation in Croatia

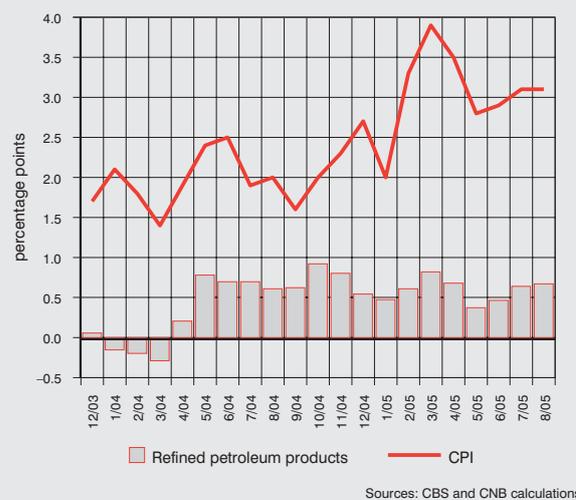
The impacts of the world market crude oil price increase on CPI movements are usually divided into direct, indirect and second round impacts. Specifically, the oil price increase has a direct impact on the rise in prices of refined petroleum products included in the CPI basket. Refined petroleum products' prices on the domestic market are set in keeping with trends in these products' prices on the Mediterranean market and exchange rate developments between the kuna and the US dollar in the previous two weeks, as provided by the Rulebook on Determining Refined Petroleum Products' Prices, which came into effect in January 2001 and was last amended in May 2005. Direct impacts of the oil price increase on the world market thus very quickly translate into the country's CPI growth (either in the same or in the next month). Refined petroleum products make up 4.9% of the domestic CPI basket, with fuels and car lubricants accounting for 4.3% and heating oil for 0.6% of that share. In consequence of the rise in crude oil prices on the world market, and in refined petroleum products on the Mediterranean market, the price of heating oil and the price of fuels and lubricants went up 30.3% and 11.6% respectively in August this year compared with the same period last year. The percentage of this increase was much higher for heating oil than for fuels and lubricants because the heating oil price comprises a lower fixed excise amount and because it is not subject to road tax. Refined petroleum products contributed a significant 0.7 percentage points to the 3.1% year-on-year inflation rate in August this year (with heating oil accounting for 0.2 percentage points, and fuels and lubricants for 0.5 percentage points). Indirect impacts of the oil price rise on the CPI are gener-

¹⁰ World Economic Outlook (April 2005).

¹¹ World Economic Outlook (September 2005).

Figure 36

DIRECT CONTRIBUTION OF THE CHANGE IN REFINED PETROLEUM PRODUCTS PRICES TO THE YEAR-ON-YEAR CPI INFLATION RATE



ated by growing production costs, which in turn can, within a time gap, push up prices of other products and services. These impacts are more difficult to quantify, being dependent on the share of energy costs within production costs of specific goods and the situation on the relevant market, which determines whether, and to what extent, producers and retailers will be able to transfer the increased costs to consumers, that is, to reduce their profit margins. The rise in transport services' prices is one of the most important indirect impacts of the oil price increase. In Croatia, these prices were up 6.2% in August 2005 compared with the same period in 2004. Because of their small share in the CPI basket (1.2%), however, they contributed a mere 0.1 percentage point to the year-on-year CPI inflation rate in August this year. Due to the so-called wage and price spiral, second round impacts of the oil price increase can produce a lasting effect on CPI movements and increase the country's inflation rate in the medium term. In the first eight months of 2005, wages in the government and private sectors grew moderately. Given that the government made a commitment under the current stand-by arrangement with the IMF not to raise the real wage bill, expectations are that the wage stability in the government sector will alleviate demands for wage growth in the private sector. The still high unemployment rate on the domestic labour market should also have a stabilising effect on wage trends in Croatia. Increasing the risk of second round impacts of the oil price increase leading to the inflation increase, through their embedding in demands for wage rises, is the fact that market participants, in contrast with the previous years, increasingly consider the oil shock as permanent, rather than a temporary disturbance.

Impact of Growing Oil Prices on Croatia's Balance of Payments Current Account

High oil prices significantly affect Croatia's foreign trade. According to CBS data, imports of oil and refined petroleum products rose annually by 57% in the first seven months of

Figure 37

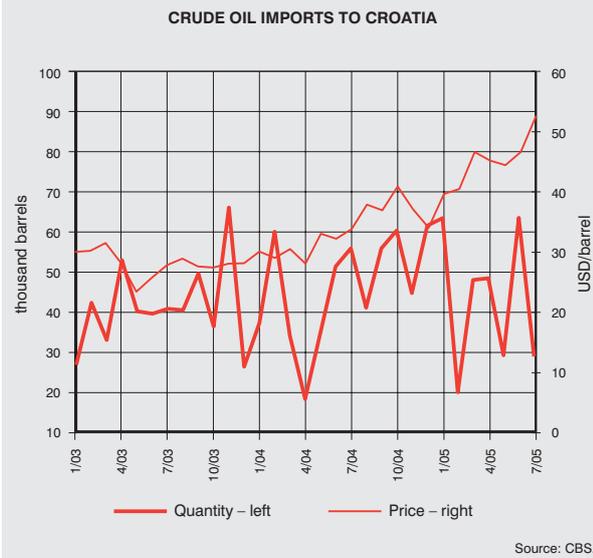
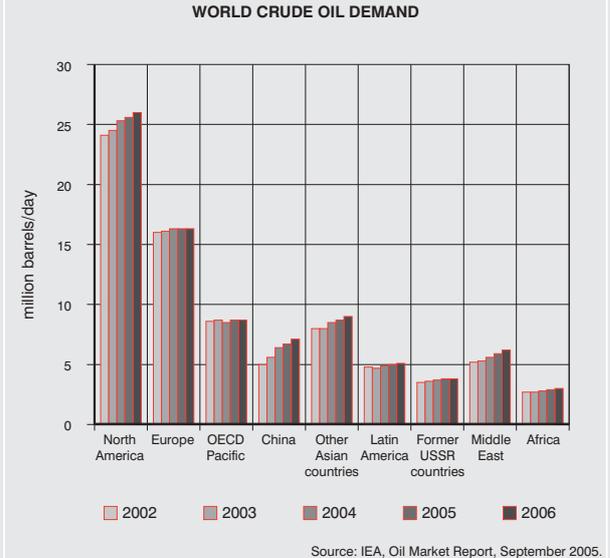


Figure 38



2005, mostly due to the rise in prices on the world market and only to a small extent to the growth of import volume. Accounting for an average two thirds of total imports of oil and refined petroleum products, crude oil imports increased their volume by 3.4% at an annual level from January to July 2005, while their value went up 48.5% in the same period. The crude oil import volume to an extent also rose on account of Croatia's declining oil extraction.

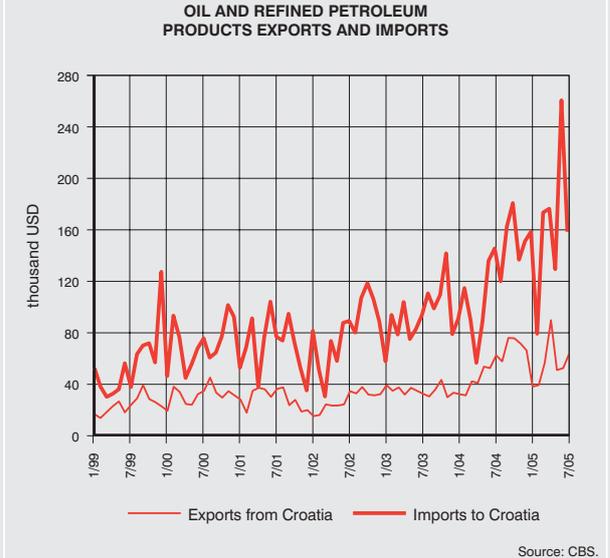
Croatian crude oil imports reached USD 0.8bn, or 2.1% of the estimated GDP, expressed in American dollars, in the first seven months of 2005. Assuming that import prices held at their last year's levels, one can estimate to what extent the crude oil price increase by itself exacerbated Croatia's foreign trade deficit. Such a calculation shows that, at last year's prices, crude oil imports would have stood at a considerably lower USD 0.5bn, 1.4% of the GDP estimate, from January to July 2005. Accordingly, the rise in crude oil import prices by itself worsened Croatia's foreign trade deficit by 0.7 percentage points in the first seven months of 2005.

Although it is yet premature to project a decrease in consumption originating from the oil price increase, as this usually occurs within a sizeable time gap, the available data for the first seven months of 2005 do point to a somewhat slower growth of the crude oil import quantity (3.4%) compared with last year (5.8%). If this were not the case, the steep increase in crude oil prices in the current year would make an even stronger impact on the foreign trade deficit.

It seems that high oil prices have neither made a significant impact on world demand yet. According to IEA estimates, world crude oil demand is expected to diminish to some extent (with the annual rate anticipated at 1.6%, compared with 3.7% in 2004, or 2.0% in 2003), although it has as yet remained at over 80 million bpd.

Crude oil price growth also increases the prices of both Croatia's imports and exports of refined petroleum products. The benchmark price for refined petroleum products in Croatia is the price of refined petroleum products on the

Figure 39



Mediterranean market. The latest international developments in refined petroleum products' prices signify a somewhat faster increase in these prices as compared to changes in crude oil prices, owing mostly to the strong hurricanes (Katrina and Rita) causing a temporary closure of some Mexican Gulf oil refineries. Benchmark refined petroleum products' prices on the Mediterranean market were 40-56% higher in August than in January 2005.

As shown by CBC data, imports of oil and refined petroleum products totalled USD 1.1bn from January to July 2005, compared to USD 0.7bn in the same period last year, while their exports amounted to USD 0.4bn, compared with USD 0.3bn in the first seven months in 2004. Imports of oil and refined petroleum products grew twice faster than exports in the observed period, worsening the balance of trade in this product category, which almost doubled at the annual level, standing at USD 0.7bn.

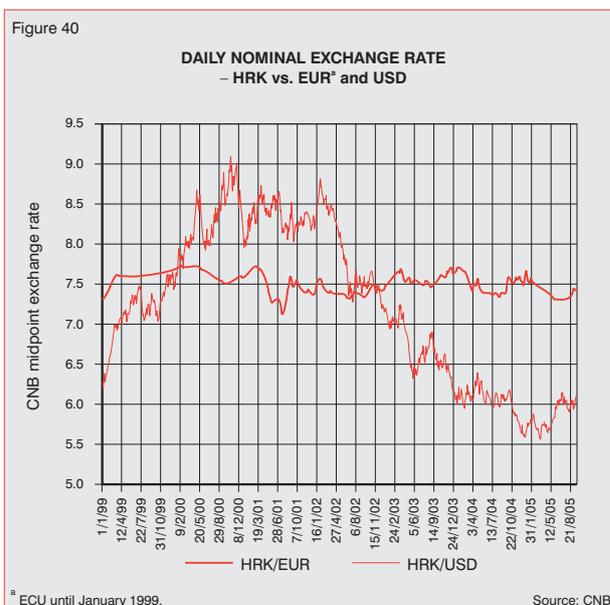
2005. The year-on-year rate of change in eurozone producer prices also drifted upwards, from 3.5% in December 2004 to 4.0% in July 2005. ECB analysts see this increase as coming from the price growth in the energy sector and perceive no signs of the rise in refined petroleum products prices spilling over into final products prices in a large degree. This leads them to conclude that producers have compensated for rising energy costs by cutting their profit margins. According to the latest available data for July 2005, the year-on-year rate of change in eurozone producer prices of energy, intermediate goods and capital and durable consumer goods was 14.7%, 2.0% and 1.2% respectively, while that of non-durable consumer goods stood at a low 0.6%.

Domestic producer prices of industrial products suffered a considerable slowdown over the second quarter and early in the third quarter of this year. The year-on-year rate of change in producer prices thus dropped from 5.1% in March to 2.4% in June, and to as low as 2.4% and 1.5% in July and August respectively. Growing at a slower pace than in the same period last year, energy prices reduced their year-on-year rate of change from 7.2% in March to 4.6% in August. The year-on-year rate of change in producer prices of intermediate goods also dropped, from 1.1% in March to -0.8% in August. The year-on-year rate of change in capital goods prices rose from -0.1% in August to -1.0% in March, but remained negative. Accordingly, the only marked inflationary pressures coming from the rise in domestic input prices were those created by the rise in energy prices, whereas domestic intermediate and capital goods prices were trending downwards. With the year-on-year rate of change in the prices of non-durable consumer goods also down, from 3.0% in March to a low 1.2% in August, this sector saw no significant spillover of the energy price increase into final products prices. Slightly more pronounced pressures on domestic inflation were generated only by durable consumer goods, whose year-on-year rate of change in prices lifted from 3.0% in March to 4.4% in August.

The difference between the domestic and the eurozone consumer price inflation rate increased from a mere 0.3 percentage points in late 2004 to 0.9 percentage points in August 2005, with Croatia's rate standing at 3.1% and the eurozone rate at 2.2% in that month. This was mainly because, in the absence of disturbances in the eurozone food products market, the eurozone year-on-year rate of change in food prices stood at a low 0.7% in August, compared with Croatia's considerably higher rate of 5.5%. Additionally, food prices account for a much higher share in the CPI basket in Croatia (32.9%) than in the eurozone (15.5%).

Exchange Rate

The nominal kuna/euro exchange rate continued to appreciate in the second quarter, strengthening by 1.8% or from HRK 7.44/EUR on 31 March to HRK 7.31/EUR on 30 June. In this period, the kuna appreciated in April (1.0%) and May (0.8%) and remained almost unchanged in June. The central bank intervened three times in the second quarter, mainly aiming to ease the strengthening of the kuna



against the euro. It purchased a total of EUR 176.2m from banks (EUR 90.8m on 15 April, EUR 56.6m on 6 June and EUR 28.8m on 17 June), and created 1,296.7m in kuna liquidity. In the second quarter, the central bank sold foreign exchange totalling EUR 32.4m (net) to the MoF and thus withdrew HRK 240.0m from circulation.

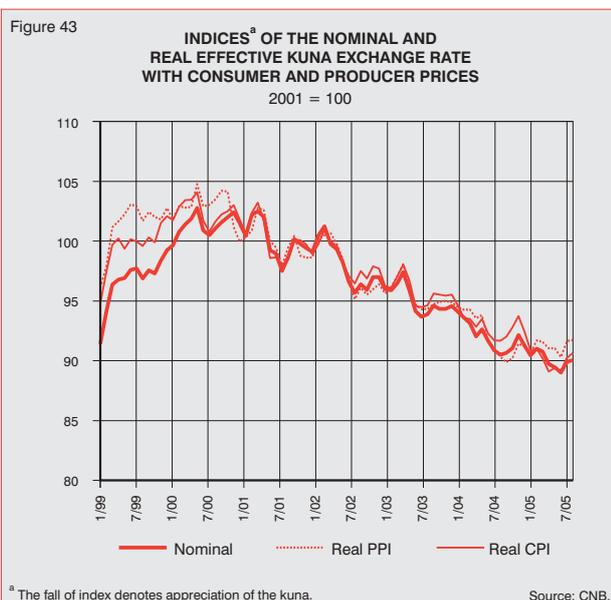
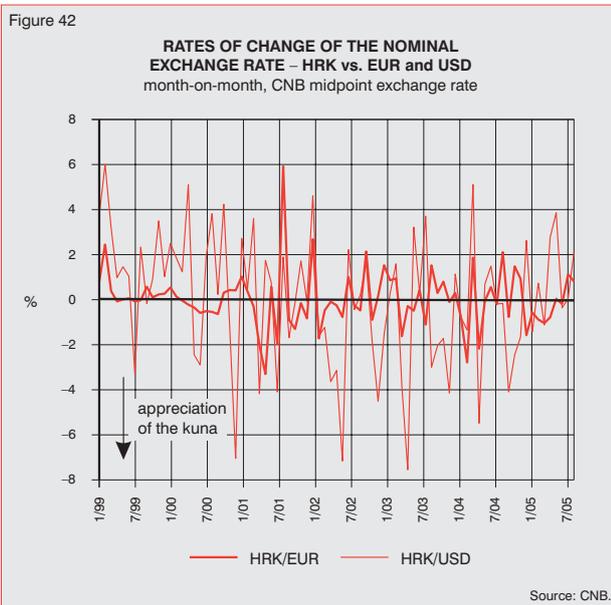
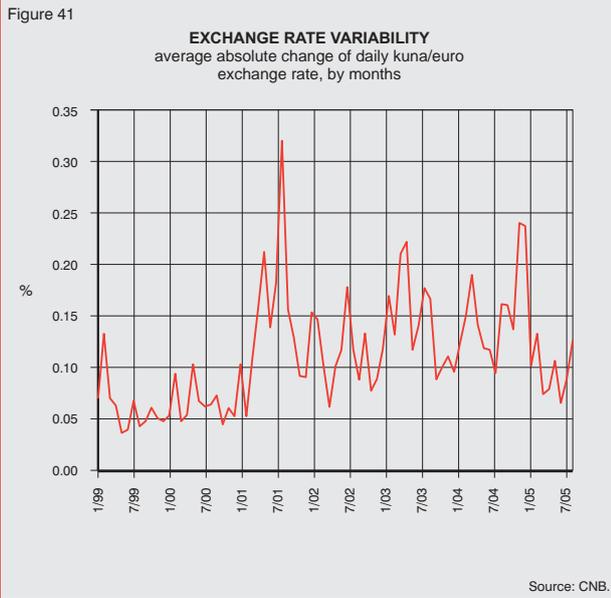
The kuna/euro exchange rate appreciated by a moderate 0.2% in July, from HRK 7.31/EUR on 30 June to HRK 7.30/EUR on 31 July. However, with the reversal in the exchange rate trend, the kuna depreciated against the euro by 1.1% in August, reaching HRK 7.38/EUR at the end of that month. As the depreciation continued in September¹² (0.7%), the exchange rate weakened to HRK 7.43/EUR. Overall, the kuna depreciated against the euro by 1.6% in the third quarter.

As banks chose to meet their increased demand for liquidity through regular reverse repo operations of the CNB, the usual seasonal increase in demand for kuna during the tourist season did not lead to stronger appreciation pressures on the exchange rate. As a result, no CNB foreign exchange auction was held in July and August. This is also supported by the reduced variability of the kuna/euro exchange rate, that reached its lowest levels in July and August since the beginning of the year. The average absolute change of the daily kuna/euro exchange rate¹³ (one of the exchange rate variability measures) stood at 0.07% and 0.09% in July and August respectively, and increased to 0.13% in September. However, even at this level, it remained below last year's average of 0.15%. The only CNB foreign exchange transaction in July involved the sale of EUR 61.6m (net) to the MoF and the withdrawal of HRK 454.8m from circulation.

During the first quarter, the US dollar gained 4.8% against the euro. This stopped its weakening trend that started at the beginning of 2002. The appreciation trend

¹² The analysis of the exchange rate trends in September includes the rates till 22 September inclusive.

¹³ The CNB midpoint exchange rates valid on the days of the compilation of the exchange rate list (Sunday and Monday excluded) were used in the calculation of the exchange rate variability.



maintained in the second quarter with the US dollar strengthening by 6.9% in the international foreign exchange market, from USD 1.30/EUR on 31 March to USD 1.21/EUR on 30 June. The appreciation pressures were the strongest in May (3.5%) and in June (3.7%). The reason for this, according to ECB analysts, was the May publication of US data showing the satisfactory level of economic activity in the country. In contrast, data on economic developments in the eurozone were ambiguous. The French and Dutch “no” to the EU constitution were also noted as additional reasons for the euro weakening. The appreciation trend came to a halt at the beginning of the third quarter. The dollar/euro exchange rate depreciated by a slight 1.2% in the third quarter of 2005, standing at USD 1.22/EUR on 22 September. ECB analysts attribute this to the improvement in the industrial confidence index in the eurozone. In line with the movements in the kuna/euro exchange rate and the euro/dollar exchange rate, the kuna/US dollar exchange rate depreciated by 5.5% in the second quarter, from HRK 5.74/USD on 31 March to HRK 6.06/USD on 30 June. During the third quarter, the kuna/US dollar exchange rate weakened by a modest 0.4%, reaching HRK 6.09/USD on 22 September.

According to the last available data, the index of the real effective exchange rate depreciated by 1.2% (deflated by producer prices) and appreciated by 0.2% (deflated by consumer prices) in the first seven months of 2005 (July 2005 to December 2004). In this period, the average monthly index of the nominal effective exchange rate appreciated by 0.4%. The difference between the real effective kuna depreciation rate and the real effective kuna appreciation rate stemmed from slower growth in domestic prices than in prices abroad, which was especially pronounced in the movement of producer prices.

Monetary Policy and Instruments

Monetary Environment

Monetary policy in the second and third quarters of 2005 was marked by extensive use of new monetary instruments introduced in April. From early June, the main instrument for creating liquidity were the newly introduced reverse repo operations with T-bills. Banks’ liquidity needs were fuelled by the June increase from 42% to 50% in the part of reserve requirements against foreign liabilities that are met in kuna and an increase in the marginal reserve requirements from 30% to 40%, as well as the seasonal increase in demand for money. The banks offered large amounts of T-bills at the regular weekly reverse repo auctions and the CNB accepted all the offers received at the marginal repo rate of 3.5%.

The period surrounding the tourist season implies a significant increase in the domestic sources of funds and an inflow of foreign currency into banks. In the past years, the banks usually sold a part of their foreign currency inflows to the CNB to ensure the needed kuna liquidity. This year,

however, the banks were primarily interested in improving their net foreign assets, ensuring their kuna liquidity by borrowing from the CNB via regular reverse repo auctions. The growth of domestic sources of funds during the tourist season contributed to accelerated placements growth, primarily those to households.

Use of Instruments of Monetary Policy

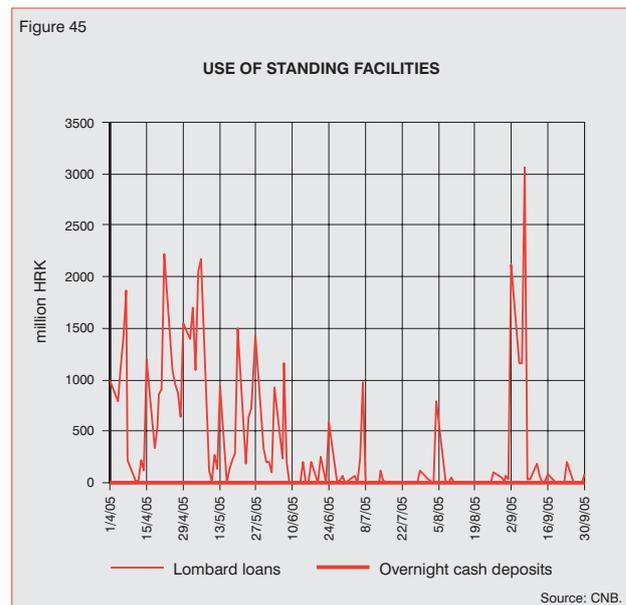
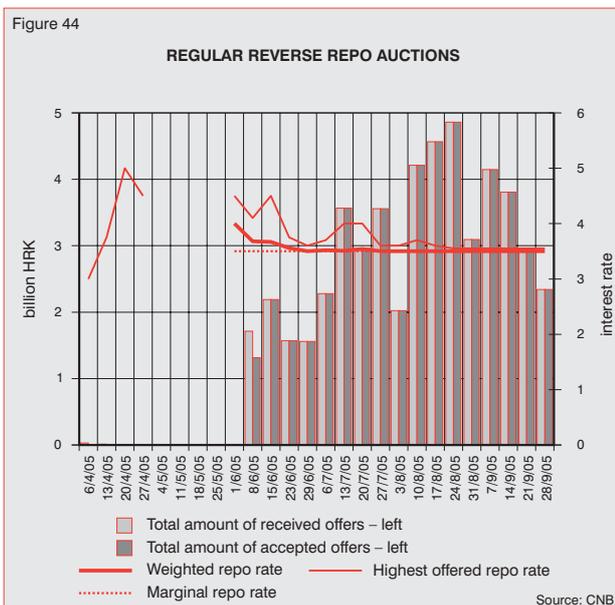
Regular reverse repo operations were the main instrument for creating kuna liquidity throughout the entire third quarter of 2005. While their introduction in April did not generate much interest among banks, due mainly to high liquidity in that month, the decision of the central bank to raise the part of reserve requirements against foreign liabilities that are met in kuna from 42% to 50% in May together with the larger seasonal demand for kuna early in the summer turned banks increasingly to this instrument. The use of the instrument to create liquidity was most pronounced immediately before and after the day of reserve requirements allocation and the beginning of the reserve requirements maintenance period (eight day of the month) as the banks tend to maintain the needed level of reserve requirements as early as possible in the maintenance period. Increased demand for kuna early in the maintenance period reflected on the money market which recorded increased turnover and higher interest rates. The nature of reverse repo operations normally provides an additional boost to demand as, after expiry of any such transaction, the bank must purchase again from the CNB T-bills of the Ministry of Finance sold to the central bank a week earlier with the obligation to repurchase them. The banks thus need free reserves before engaging in a new repo auction with the CNB. To ensure execution of such transactions, there must be a system in place which ensures and controls prompt transaction settlement (DVP – delivery versus payment), i.e. a simultaneous delivery of a security and execution of the relevant payment, in real time and on a gross principle (RTGS – Real-Time Gross Settlement). Since 1 July this year, the Central Depository Agency

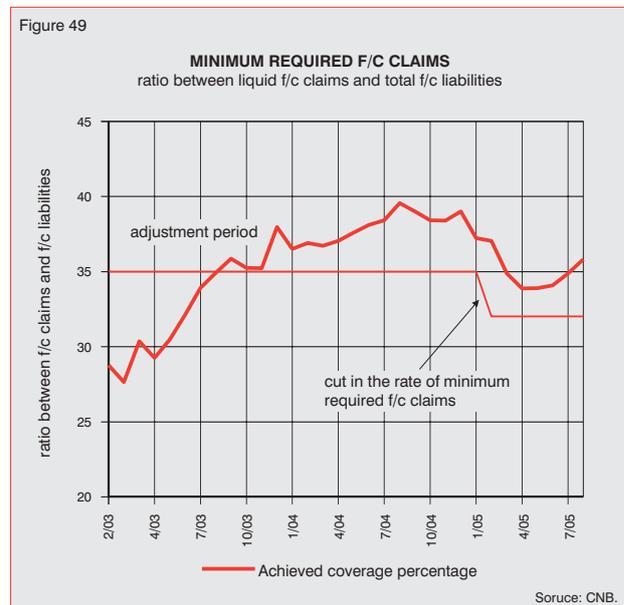
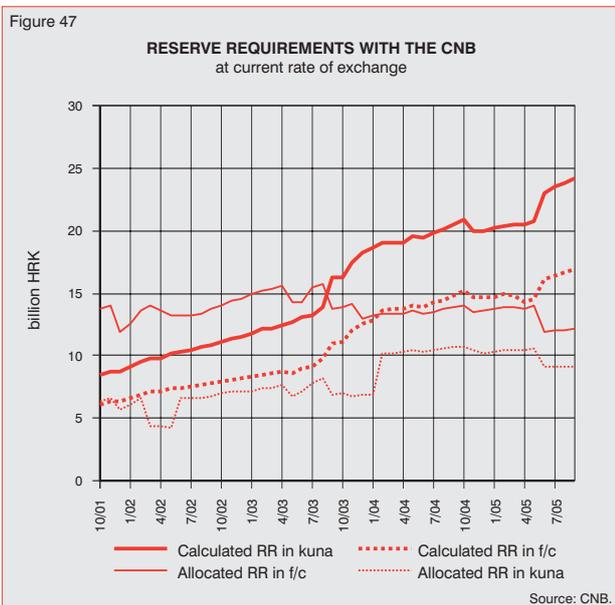
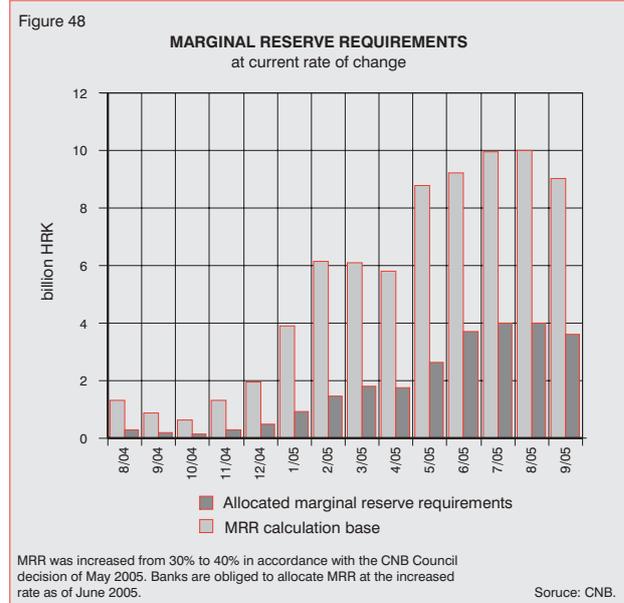
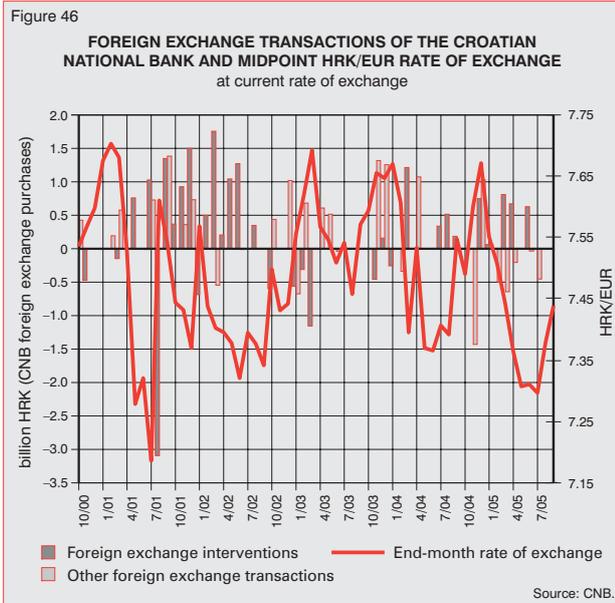
has provided such settlement via the Croatian Large Value Payment System (CLVPS) operated by the CNB. The introduced changes are based on the CNB decision on the CLVPS and settlement on banks' accounts in the CNB.

Appreciating the increased demand for kuna, the CNB accepted all the offers received at reverse repo auctions at an equal marginal repo rate of 3.5%. The highest repo rate offered by banks at an individual auction during the third quarter reached 4.0%. The average daily balance of funds created by reverse repo operations during the third quarter was HRK 3.4bn, while the amount of funds placed at individual auctions ranged between HRK 2.0bn and a high HRK 4.9bn.

Reverse repo auctions recorded historically large amounts in August, after banks entered a new reserve requirements maintenance period with temporary liquidity deficit. At the last auction in the July maintenance period (3 August), banks' demand for kuna declined significantly (net decrease of HRK 1.5bn compared with the previous auction) as they had already met their maintenance obligation for that period. The banks entered the new maintenance period that followed on 8 August (two days before the next auction) with HRK 1.2bn in liquidity deficit. As a result, their demand at the auction held on 10 August amounted to a high HRK 4.2bn, while their demand at the auctions that followed rose even more.

After intensive use of the standing facility for overnight depositing of surplus free reserves with the CNB during the second quarter, the use of the facility declined significantly in the following months as the liquidity of banks diminished. As a result, the average amount of overnight deposits with the CNB fell from HRK 597m in the second quarter to HRK 170m in the third quarter. In line with their usual practice, the banks continued to increase their overnight deposits at the end of the maintenance period, once they had met their reserve requirements, creating as a consequence surplus liquidity for the entry in the new maintenance period. Thus, one day before the beginning of the maintenance period in September (8 September), the banks had transferred a high





HRK 3.0bn in their surplus liquidity, created partly at reverse repo auctions of the CNB, to the overnight deposit facility with the CNB and withdrew the full amount of the deposit on the following day.

The third quarter of the year was marked by the absence of foreign exchange interventions of the CNB, an instrument commonly used to create liquidity in the conditions of seasonal increase in foreign currency inflows and demand for kuna. As mentioned previously, the main reason for the absence of foreign exchange auctions was the fact that liquidity was created through reverse repo auctions but it was also due to kuna exchange rate developments. Appreciation pressures came to a halt in July, with the kuna exchange rate ranging around HRK 7.3/EUR while the beginning of August saw the expected seasonal depreciation of the exchange rate, an earlier beginning of the weakening of the exchange rate of the kuna, compared with the previous year. Given the circumstances, there was no need for foreign currency purchases, so foreign currency transactions of the central

bank in the third quarter consisted of only one foreign currency sale to the central government for the settlement of its foreign currency obligations under the Paris Club, with the central bank withdrawing net HRK 455m.

The June changes in the reserve requirements instrument, involving an increase from 42% to 50% in reserve requirements that is allocated in kuna, led to an increase in that month in the calculated reserve requirements in kuna and a decrease in the calculated reserve requirements in foreign currency. Total foreign currency reserve requirements in kuna rose by HRK 2.2bn in June, while total foreign currency reserve requirements declined by (in kuna equivalent) HRK 2.0bn.

The calculated reserve requirements in kuna rose throughout the third quarter, mainly due to a rapid increase in the kuna base, which rose by HRK 5.4bn in September allocation compared with the allocation in June. Such an increase in the base is due to the seasonal growth of (domestic) sources of funds, particularly kuna, but also foreign cur-

rency deposits, and has a significant impact on kuna reserve requirements as 50% of the calculated foreign currency reserve requirements are met in kuna. The calculated kuna reserve requirements stood at HRK 24.2bn in September, which is an increase of HRK 1.2bn compared with June. At the same time, foreign currency reserve requirements rose (in kuna equivalent) by HRK 0.2bn and stood at HRK 12.2bn in September. Weaker growth in foreign currency reserve requirements is due to a decline in foreign sources of funds of banks in July and August (a decrease of HRK 2.7bn in foreign liabilities of banks) despite rapid growth in foreign currency deposits (HRK 5.3bn).

The summer decline in foreign liabilities of banks influenced, in particular, the calculation of marginal reserve requirements. Nevertheless, marginal reserve requirements rose significantly in early third quarter due to banks' foreign borrowing before the June increase from 30% to 40% in the marginal reserve requirements rate, while the effects of the summer decline in foreign liabilities was not felt until the September calculation. This was possible due to foreign currency inflows which enable banks to reduce their foreign liabilities and reduce their marginal reserve requirements calculation base. As a result, marginal reserve requirements fell by HRK 83m in the third quarter of the year.

Foreign currency inflows and improved net foreign assets of banks, mainly due to increased placements abroad and to a lesser extent to decreased foreign liabilities, led to an increased coverage of foreign currency liabilities by liquid foreign currency claims of banks in the third quarter, from average 34.0% in June to 35.8% in August.

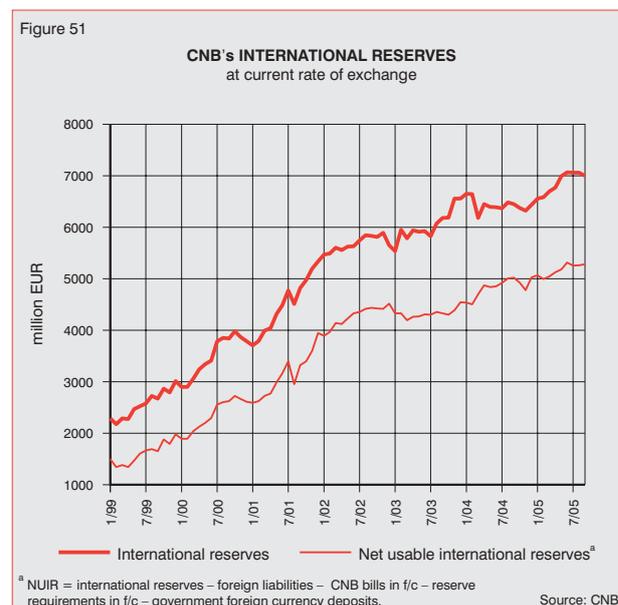
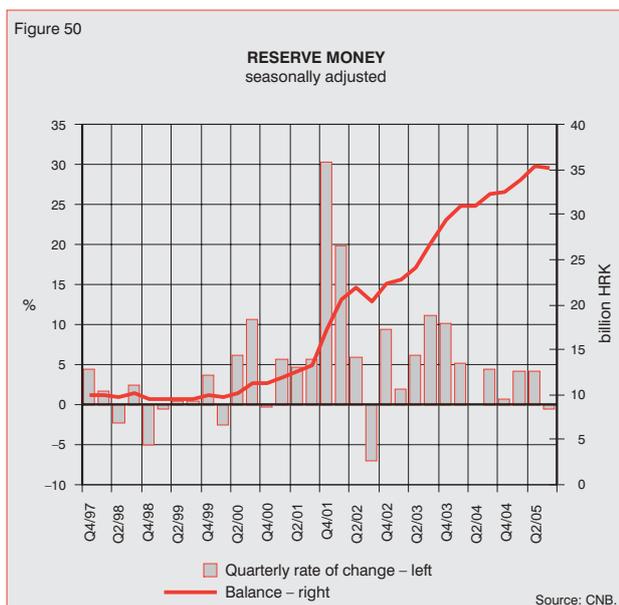
Reserve Money and International Reserves

A steady growth of reserve money (M0) from the second quarter continued in the summer months. While its growth towards the end of the second quarter reflected structural changes in central bank balance sheet attributable to changes in the reserve requirements instrument (an increase from 42% to 50% in the calculated share of foreign currency

reserve requirements that is allocated in kuna), the third quarter saw a seasonal increase in reserve money creation due to summer demand for cash. Thus, the average balance of reserve money in the third quarter 2005 rose by 9.4% and 10.1%, compared with the second quarter and the same period previous year, respectively. At end-September, reserve money stood at HRK 35.7bn, growing annually by 8.5%, compared with its 20.4% growth in the same month 2004.

As regards the structure of reserve money in the third quarter, bank deposits with the CNB fluctuated the most, but on average they rose 9.1% compared with the previous quarter. However, at the end of the third quarter they returned to their end-June level (HRK 23.4bn). The third quarter growth in the level of bank deposits with the CNB was caused by an increase in kuna reserve requirements (HRK 0.8bn), while its decrease can be attributed to a HRK 0.9bn fall in the settlement accounts and bank vaults. The effects of currency in circulation on reserve money developments waned towards the end of the third quarter. This is a usual seasonal development for currency, which, after reaching maximum values with peak tourist season in August and in the context of a common intra-month seasonality, starts falling and is withdrawn from circulation. Consequently, at end-September, currency stood at HRK 12.3bn, which is an increase of HRK 0.2bn compared with the end of the second quarter. In the first nine months of this year, reserve money rose by HRK 1.4bn, with 80% of this increase being attributable to an increase in currency in circulation, and the remaining share (20%) being attributable to an increase in bank deposits with the CNB.

Central government deposits with the CNB did not undergo any significant changes in the third quarter, while their average growth benefited from the July 15 sale of foreign currency to the government (HRK 455m). The government deposited the foreign currency purchased from the CNB to use it a week later to settle its obligations abroad. In addition, a part of the funds raised through a government bond issue (14 August) was channelled into government's kuna deposit, to be used later to purchase the foreign ex-



change from the CNB. As a result, the average balance of central government deposits in the third quarter of 2005 was HRK 589m, which is an increase of 5.2% compared with the same period previous year.

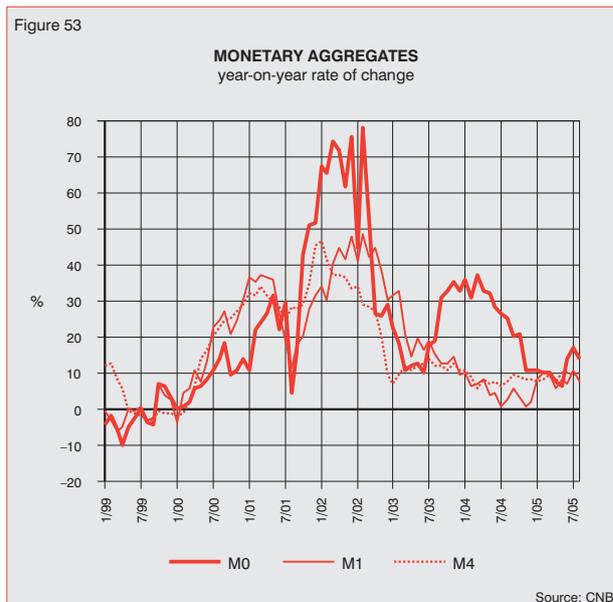
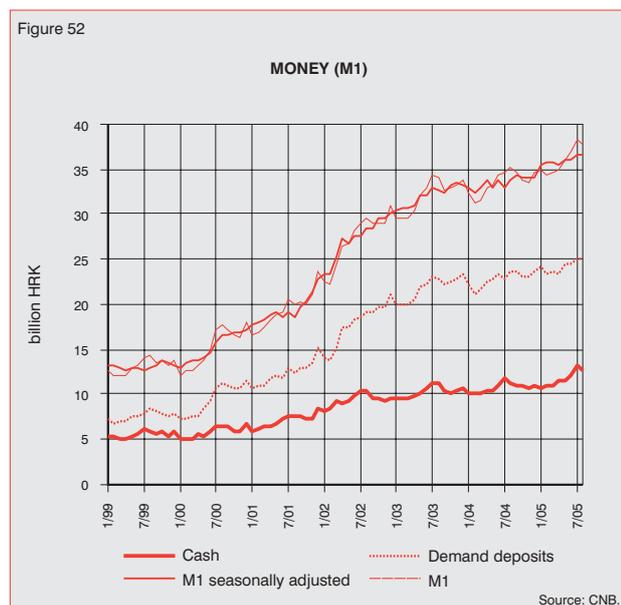
After growing persistently in the first half of the year, international reserves of the CNB held steady in the third quarter. In the past, the main contribution to their growth during the summer was provided by foreign exchange interventions of the CNB, which were used to purchase foreign currency from the banks. However, this contribution did not materialize in 2005, so changes in international reserves were mainly due to changes in foreign currency reserve requirements of banks and developments in the exchange rate of the kuna against the euro and the dollar. Towards the end of September, total international reserves were EUR 6,997m, which is an increase of EUR 560m compared with the beginning of the year. In the same period, net usable international reserves rose by EUR 257m, and stood at EUR 5,283m at end-September.

Monetary Developments

Monetary developments in the second and the third quarters were marked by rapid seasonal growth of domestic sources of funds. In the second quarter money rose the most, while quasi-money, particularly foreign currency deposits, rose the most during the summer. Credit activities of banks continued to target primarily the household sector. Bank placements to the household sector accelerated after the first quarter, with a simultaneous deceleration in the growth of placements to the central government. The banks used the increase in the domestic sources of funds early in the third quarter, not only to finance placements, but also to improve their net foreign assets.

Money (M1)

Following stagnation in the first three months, money (M1) increased seasonally in the second and in early third quarters at a rate which was much faster compared with the



same period previous year. This can also be seen in the growth of seasonally adjusted value of money. Both components of M1 rose. At end-August, money stood at HRK 37.8bn, which is an increase of 7.8% compared with August previous year.

Currency in circulation grew faster than other components of money, contributing, despite its share of less than one third, to a half of the total increase in M1 during the observed period. The annual growth rate of currency grew steadily since the beginning of this year, rising from 3.6% at end-December 2004 to 11.2% at end-August 2005. Currency in circulation reached its maximum by mid-August, at the peak of the tourist season. The average level of currency in August rose by 10.4% compared with the same month previous year. At end-August, currency stood at HRK 12.7bn.

Following stagnation in the first quarter, demand deposits rose significantly in the second quarter. Total change in the second quarter took place in May (HRK 1.1bn). Following their steady growth into the third quarter, demand deposits were HRK 25.1bn at end-August, growing annually by 6.2%.

Of the total increase in demand deposits in the second and in the first two months of the third quarter (HRK 1.6bn), a little over one half can be attributed to an increase in household demand deposits (HRK 0.9bn). Steady growth of demand deposits in this sector since early this year, came to a halt in August when it held steady at the level of HRK 10.4bn. Nevertheless, the annual growth rate of household demand deposits at end-August stood at 21.3%. Demand deposits of the corporate sector, following large fluctuations throughout the second and early third quarter, rose to their beginning of year level, thus offsetting their decline in the first quarter. At end-August, demand deposits of the corporate sector were HRK 12.1bn, their annual growth rate in that month standing at -0.6%.

Total Liquid Assets

Following stagnation in the first quarter, the growth of kuna non-monetary deposits accelerated in the second and

early third quarters, with their annual growth rate coming close to the high growth rate (22.4%) achieved in the previous year. Total kuna non-monetary deposits rose to HRK 27.3bn at end-August, which is an increase of 20.2% compared with the same month last year. As regards the sharp rise in kuna non-monetary deposits, particularly prominent was the rise in kuna deposits with a currency clause, indicating that this type of household savings was gaining on significance.

As regards the structure of kuna non-monetary deposits, the second and the third quarters saw a steady growth in deposits of the household sector. Total kuna savings of this sector stood at HRK 14.1bn at end-August, growing annually by a high 42.6%. Household term kuna deposits with a currency clause rose particularly, becoming an interesting alternative to foreign currency savings. Banks encouraged kuna savings with a currency clause by offering more favourable interest rates, compared with interest rates on kuna deposits without a currency clause. As a result, household term kuna deposits with a currency clause rose from HRK 3.4bn at end-June last year to HRK 6.1bn at end-June this year, up 79.2% year-on-year. Corporate kuna savings also rose, particularly in early third quarter. However, this increase was not sufficient to offset their decline in the first quarter, so overall, the annual growth rate of corporate kuna deposits at the end of August was -4.0%. Kuna deposits of other banking and non-banking financial institutions (such as housing savings banks, savings and loan associations and investment funds) rose by a total of HRK 1.2bn. Their share in total kuna deposits reached 10.0% at end-August.

The growth of foreign currency deposits is a sign of good economic performance of companies but it is also attributable to their usual increase in the summer when the exchange rate of the kuna is most favourable for foreign currency purchases. By contrast, steady strengthening of the exchange rate of the kuna from the first quarter led to a mild nominal decline in foreign currency deposits in the second quarter. The exchange rate effects excluded, foreign currency deposits rose in the second quarter, growing annually by 7.7% at the end of June. Summer inflows of foreign cur-

rency led to a rapid increase in foreign currency deposits during the third quarter, particularly in August which was marked by a particularly large increase in corporate foreign currency deposits. Thus, at end-August, total foreign currency deposits in kuna counter value amounted to HRK 85.0bn, which is an increase of 8.4%, compared with the same month previous year.

Household foreign currency savings rose throughout the second and the third quarters, reaching HRK 70.9bn at end-August and growing annually by 7.9%. Following their small decline in the second and early third quarter, foreign currency deposits of the corporate sector rose sharply in August. However, these developments did not cause a significant change in the structure of foreign currency deposits so at end-August, the corporate sector accounted for 15.2% of total foreign currency deposits while the household sector, which accounted for 83.4% of total foreign currency deposits, continued to be a major source of foreign currency funds on the domestic market.

Seasonal increase in currency and foreign currency deposits during the tourist season influenced developments in total liquid assets (M4) in the second and early third quarter. Following the absence of seasonal decline in the first quarter, M4 rose 3.4% in the second and 6.0% in the first two months of the third quarter. At end-August, total liquid assets stood at HRK 151.1bn, growing annually by 10.4%.

Placements

Total placements to the non-banking sector at end-August were HRK 138.2bn, growing annually by 16.2%, while their annual growth in December 2004 amounted to 14.0%. After growing by 0.6% in the first quarter of 2005, placements grew 4.4% and 3.4% in the second and in the first two months of the third quarter, respectively. Rapid growth in domestic sources of funds during the summer led to increased domestic placements of banks.

As regards the structure of bank placements to the non-banking sector, placements to the household sector continued to grow the most, in line with their accelerating trend

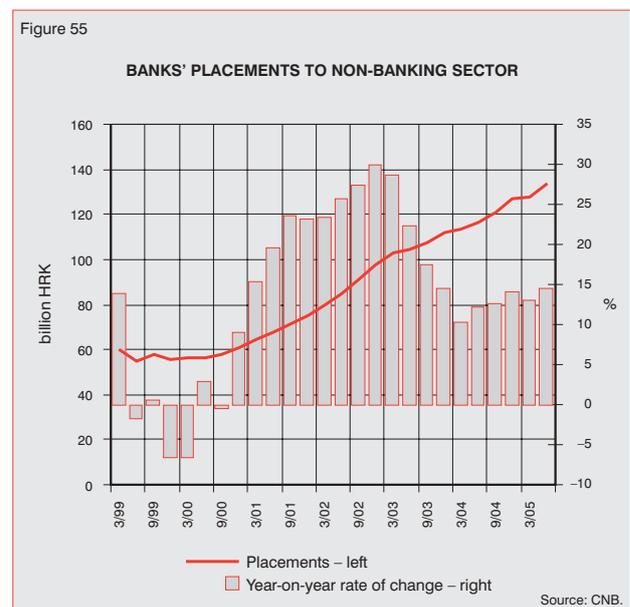
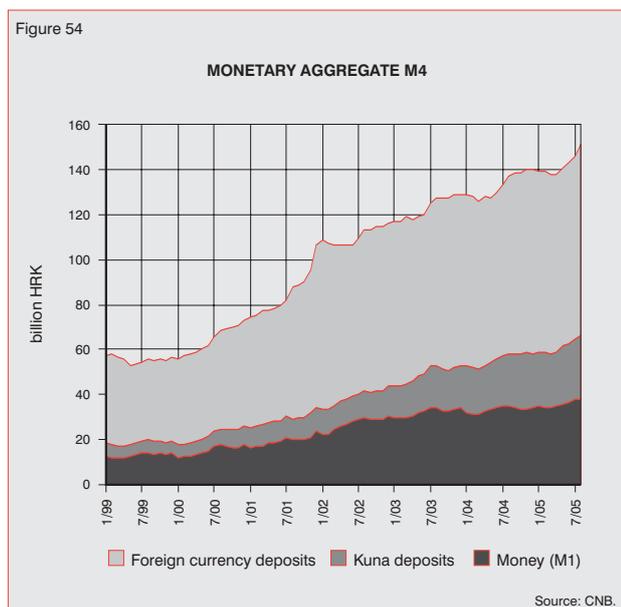
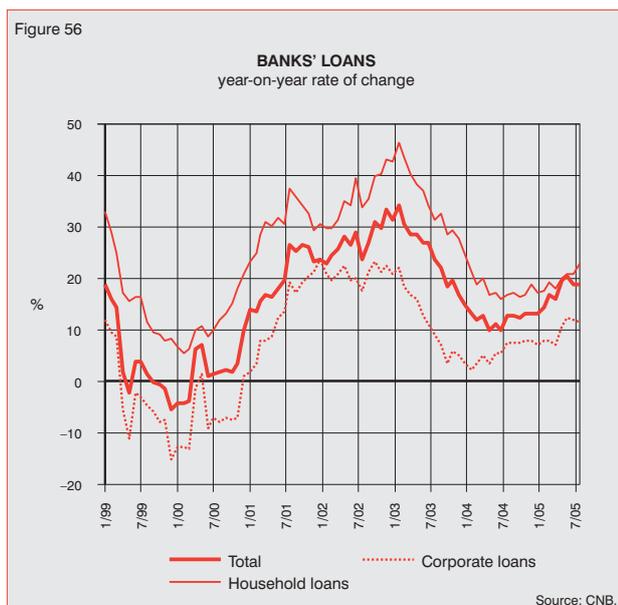


Table 2: Private Sector Financing, end of period, in million HRK

	Balance								Annual rates of growth				Absolute change			
	2003		2004				2005		2003	2004		2005		2003	2005	
	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Dec.	Dec.	Mar.	Jun.	2003	2004	Jan.-Mar.	Jan.-Jun.	
1. Households	56,072.9	56,775.9	59,114.2	62,737.1	67,026.2	68,160.7	71,747.4	28.1	19.5	20.1	21.4	12,307.7	10,953.3	1,134.5	4,721.3	
1.1. Banks	55,001.4	55,537.0	57,753.6	61,276.7	65,276.7	66,327.7	69,761.9	27.7	18.7	19.4	20.8	11,928.8	10,275.3	1,051.0	4,485.2	
1.2. Leasing companies ^a	903.4	1,059.9	1,157.0	1,243.6	1,439.0	1,475.4	1,650.1	71.7	59.3	39.2	42.6	377.3	535.7	36.4	211.1	
1.3. Foreign financing ^b	168.2	179.1	203.7	216.8	310.5	357.6	335.4	1.0	84.6	99.7	64.7	1.7	142.3	47.1	25.0	
2. Enterprises	90,737.9	92,851.6	96,698.0	99,015.6	104,889.4	105,467.6	110,621.2	11.6	15.6	13.6	14.4	9,421.1	14,151.5	578.2	5,731.8	
2.1. Banks	53,809.8	54,823.5	56,083.0	56,310.7	58,643.3	58,215.3	60,490.6	4.0	9.0	6.2	7.9	2,086.4	4,833.5	-428.0	1,847.3	
2.2. Leasing companies ^a	5,372.8	6,621.8	7,183.1	7,756.3	9,122.5	9,439.8	10,568.2	82.1	69.8	42.6	47.1	2,422.4	3,749.7	317.3	1,445.7	
2.3. Foreign financing ^b	31,555.3	31,406.3	33,431.9	34,948.7	37,123.6	37,812.5	39,562.3	18.4	17.6	20.4	18.3	4,912.3	5,568.2	688.9	2,438.8	

^a Assets leased under operating leases and financial leases claims.

^b CNB midpoint exchange rate at end-period.



from end-2004. At end-August, total bank placements to the households stood at HRK 73.0bn, growing annually by 23.0%. Of total loans to the households, housing and other kuna loans grew the most; at end-August, housing loans accounted for 34.4% and other loans accounted for 45.8% of total household loans. The annual growth rate of housing loans at end-August stood at 29.9%, while other loans grew at 19.0%. In terms of their share in total loans, car loans came third, accounting for 11.8% of the total and growing annually by 23.4%.

Total bank placements to companies at end-August stood at HRK 61.3bn, growing annually by 8.2% while bank loans to companies grew somewhat faster (11.5%) during the same period and accounted for 93.1% of total placements at end-August. Of all corporate loans, loans to other companies grew the most. The structure of total loans by sectors did not undergo any significant changes and at-end August two major sectors, the households and the companies, accounted for 50.4% and 39.4% respectively, of total loans. It should be noted, however, that unlike households, companies may use other sources of financing. These include, in addition to own sources and bank loans, leasing and direct borrowing from abroad.

Placements to the Central Government

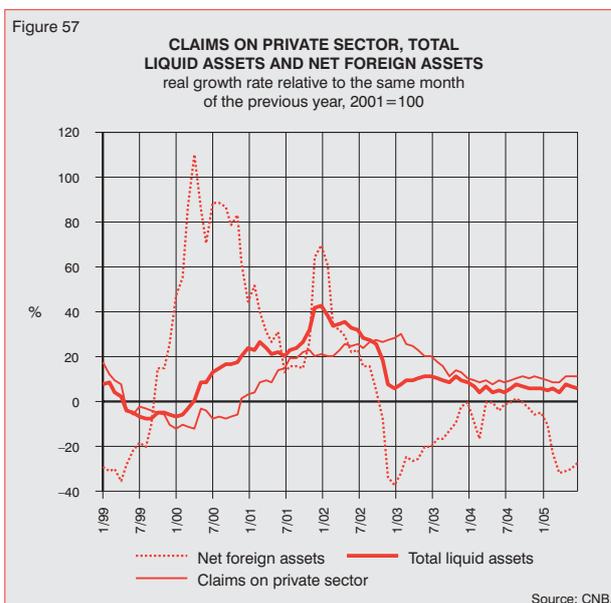
Extensive financing of the government from the first quarter slowed down later on in the year. Bank placements

to the central government, after rising HRK 7.7bn in the first quarter, rose HRK 1.2bn in the second quarter, with the largest share of the increase being attributable to loans to central government funds (HRK 1.0bn). Following their rapid growth in March, banks' subscriptions of T-bills (used by banks as collateral for reverse repo operations of the CNB) rose HRK 0.9bn until end-August. The banks thus used their surplus liquidity to satisfy government financing needs on the domestic market. At end-August, total bank placements to the central government stood at HRK 29.4bn, and their annual growth rate was 35.4%.

Central government deposits with the banks and the CNB rose moderately and steadily throughout the first half of the year. With stagnation in the first two months of the third quarter, central government deposits were HRK 8.4bn at end-August. In line with the described developments, banks' net placements to the central government were largely influenced by the change in placements themselves. After their rapid growth in the first quarter and a significantly slower growth in the second quarter, net placements of banks to the central government fell by HRK 0.5bn in July and August. At end-August, they were HRK 21.0bn, growing annually by 47.5%.

Foreign Assets and Liabilities

After continuing to finance their needs abroad (the increase in marginal reserve requirements from 30% to 40% in



June notwithstanding), the banks used the large inflow of domestic deposits during the summer to reduce their foreign liabilities. In the first two months of the third quarter, the banks cut their foreign liabilities by HRK 2.8bn so total foreign liabilities of banks at end-August amounted to HRK 60.8bn (annual growth rate 14.6%). Following their decrease in the second quarter, foreign liabilities of the banks rose by HRK 2.4bn in the first two months of the third quarter, amounting to HRK 35.7bn at end-August, which is a decline of 11.0% annually.

Following slight worsening in the second quarter, the said developments led to an improved net foreign assets of banks in the third quarter. By increasing foreign assets and decreasing foreign liabilities the banks increased their net foreign assets by HRK 5.3bn in July and August, which stood at HRK 25.1bn at end-August.

Money Market

The relatively high banking system liquidity marking the first quarter of 2005 continued into the second quarter, reducing money market interest rates and turnover. Money market rates also decreased due to the HRK 670.0m placed in the market by the CNB's foreign exchange intervention in April. April also saw the CNB's launch of open market operations, which initially drew slack interest from banks because of favourable money market liquidity. However, as demand for kuna rose in June, due to the tourist season and the CNB Council decision on increasing the kuna allocated portion of reserve requirements against foreign exchange sources of funds, banks showed more interest in regular reverse repo operations. In addition, although increased by EUR 85.4m purchased from banks at two foreign exchange interventions in June, banking system liquidity dropped already in July owing to a seasonally induced rise in kuna demand, additionally spurred by an EUR 350m government bond issue.

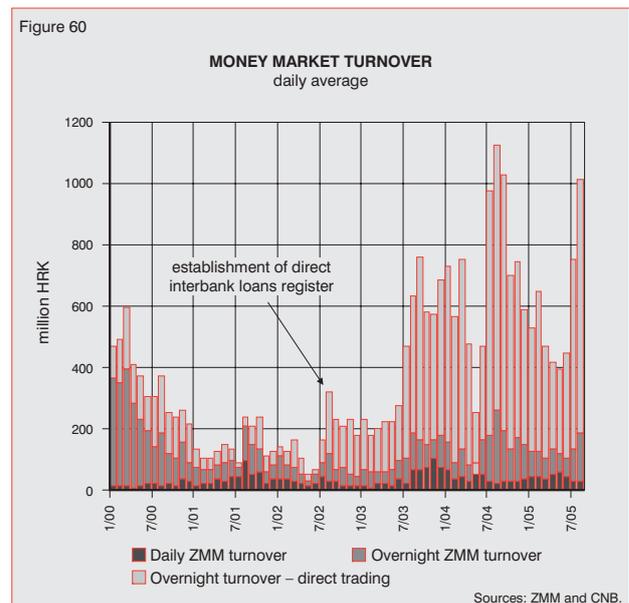
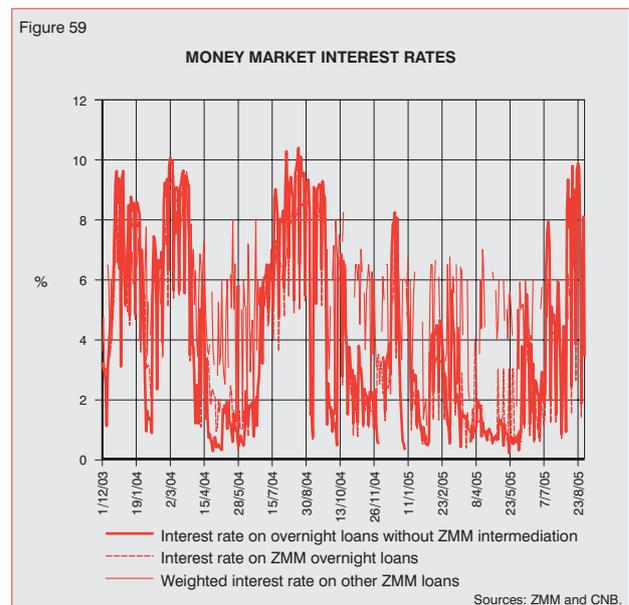
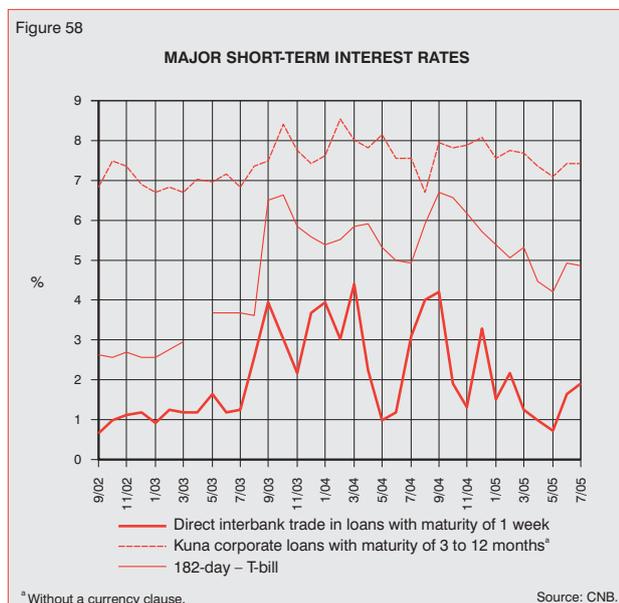
Investor interest in MoF T-bills picked up in the second

quarter of 2005 compared with the first quarter. As a result, interest rates on T-bills fell, which is common for periods of high banking system liquidity. Investor interest in these short-term securities began to wane in July and continued so in the next two months.

Banks' lending interest rates on short-term loans eased in the second quarter of 2005, with relatively high T-bills' interest rates still implicitly preventing their sharper fall. Lending interest rates on long-term corporate loans rose, while those on long-term household loans decreased considerably. Interest rates on foreign currency deposits mostly stagnated, whereas those charged on kuna deposits declined at the same time as money market interest rates.

Money Market Interest Rates

As shown by ZMM data, reported loan demand decreased in the second quarter 2005 from the first quarter, reducing money market interest rates.



The weighted interest rate on overnight loans intermediated by the ZMM dropped from 2.04% in March to 0.73% in May, rebounding to 1.96% in June and further to 5.55% at end-August. The weighted interest rate on other loans intermediated by the ZMM reduced from 5.60% at the end of the last quarter to 5.01% in June. Dropping further in July, this rate rose again in August, standing at 5.19%.

Total ZMM turnover dipped from HRK 7.5bn in the first quarter to HRK 7.3bn in the second quarter 2005. The average daily turnover in overnight loans was HRK 65.3bn in the second quarter and HRK 155.8m in August. Having risen from HRK 42.3m in the first quarter to HRK 51.3m in the second quarter, the average daily turnover in other loans plunged in July and August, amounting to HRK 28m at end-August.

In the second quarter 2005, overnight loans continued to dominate among loans intermediated by the ZMM, although their share reduced from 65% in the previous quarter to 56%, which is typical of periods with increased kuna liquidity of the banking sector. Loans with one-month maturity accounted for about 80% of other loans, an increase from the previous quarter when their share was about two thirds.

Direct interbank overnight lending slackened in the second quarter 2005 compared with the previous quarter. The average daily turnover was HRK 300m, compared with HRK 426.9m in the first quarter. This lending strongly accelerated in July and August, generating an average daily turnover of HRK 827.8m in August. Standing at 2.15% in March, the weighted interest rate on direct interbank overnight loans rose to 2.77% in June and reached its year-on-year high of 6.75% at end-August.

Interest Rates in the Short-Term Securities Market

In the second quarter of 2005, investor interest in MoF T-bills remained relatively strong thanks to their good liquidity. As a result, the stock of subscribed T-bills rose continuously, reaching HRK 12.85bn at end-June 2005. As investor interest waned in July, and interest rates decreased

further, the stock of subscribed T-bills stood at HRK 11.96bn at end-August.

With interest rates on T-bills with all maturities trending downwards in the second quarter of 2005, the weighted interest rates on 91, 182 and 364-day T-bills fell from 4.71%, 5.32% and 5.54% respectively in March to 4.04%, 4.92% and 5.19% in June 2005. Having risen in July, they started falling already in August, standing at 3.99%, 4.58% and 5.25% respectively at end August.

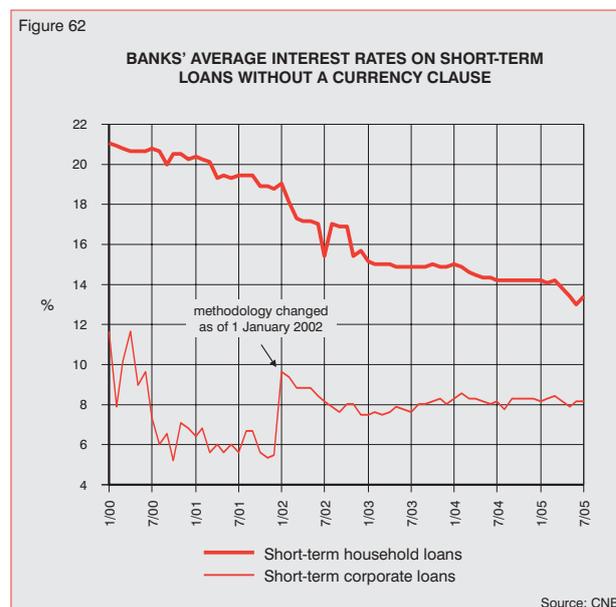
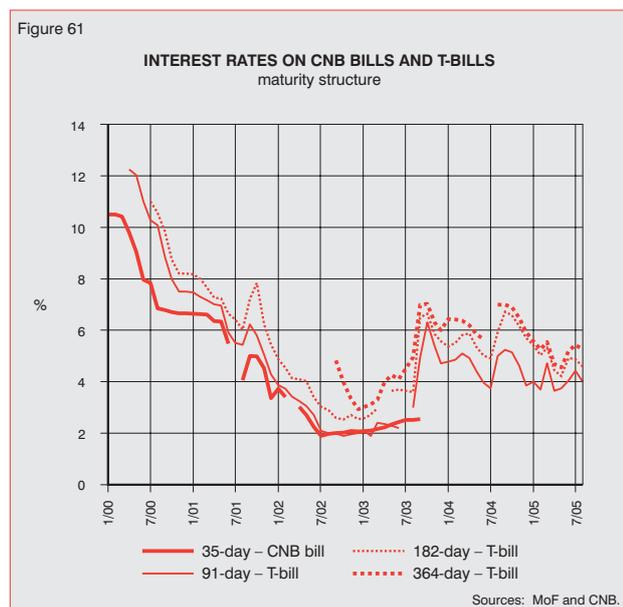
At the end of the second quarter 2005, T-bills with the longest maturity accounted for the largest share in total subscribed T-bills (53%). The second largest share, an approximate 41%, was that of 182-day T-bills, while the share of the shortest maturity T-bills went up to around 6%. With T-bills with the longest maturity rising further in July and August, the share of subscribed 91, 182 and 364-day T-bills in total subscribed bills amounted an approximate 2%, 28% and 69% respectively at end-August.

The MoF also issued EUR denominated T-bills at the end of June and August 2005, amounting to EUR 26.1m and EUR 84.1m respectively, which generated a total balance of EUR 110.6m at end-August.

Banks' Interest Rates

Interest rates on short-term loans drifted lower in the second quarter of 2005. Having hit its 18-month high of 8.37% in March, the weighted interest rate on short-term kuna corporate loans not indexed to foreign currency declined to 8.19% in June and further to 7.85% at end-August. The weighted interest rate on short-term household loans not indexed to foreign currency, standing at 14.16% in March, reduced to 13.00% until June and stood at 13.32% in August.

Standing at its record low of 4.97% at the end of the first quarter 2005, the weighted interest rate on long-term corporate loans drifted upwards to 5.47% in June, declined in July and rebounded to 5.04% in August. The weighted interest rate on long-term household loans suffered a strong drop, falling from 8.31% in March to 7.22% in June, declin-



ing further in July and coming back to its June level at the end of August. This was mainly due to a significantly reduced share of car purchase loans in total long-term loans and a strong decline in the weighted interest rate charged on these loans, from 8.45% in March to 6.08% in June.

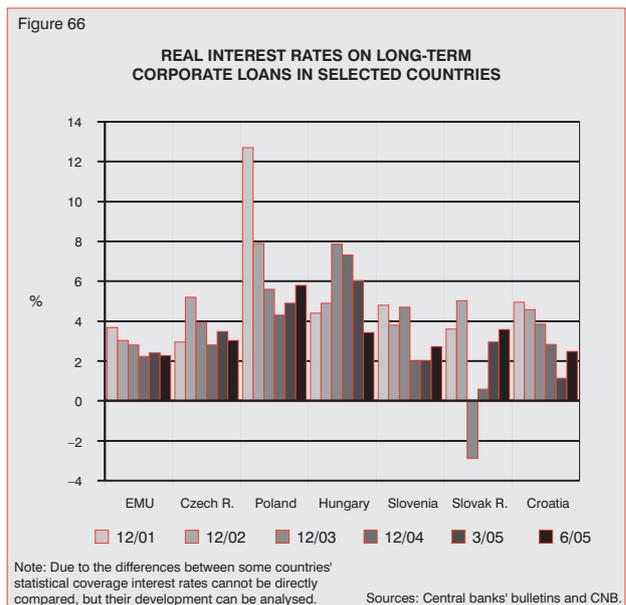
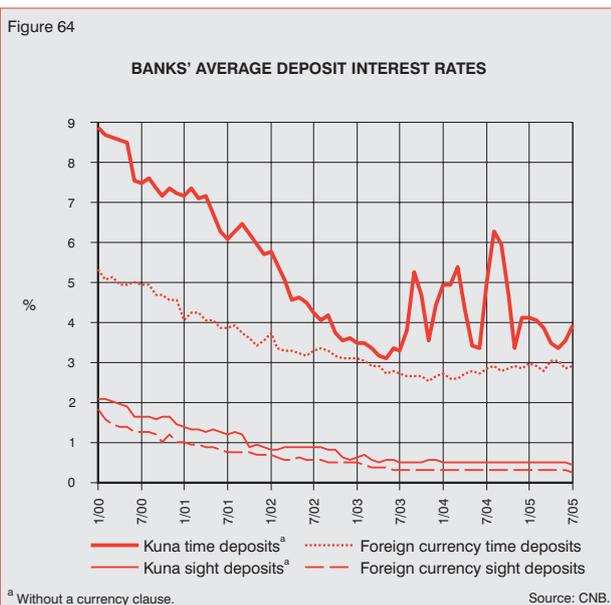
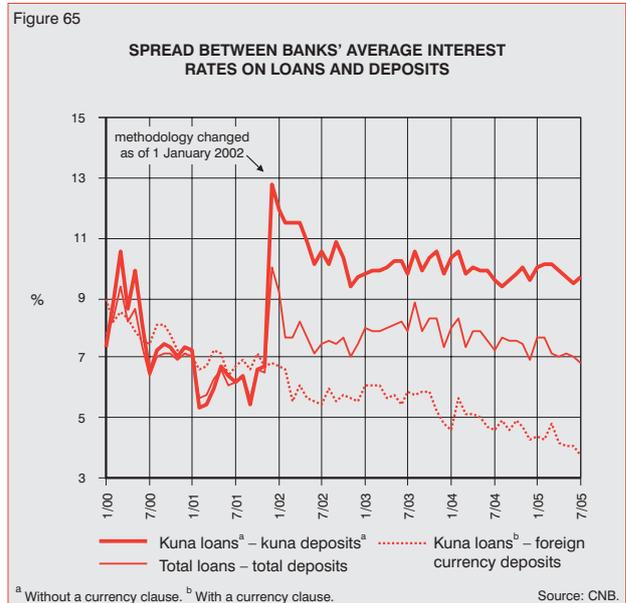
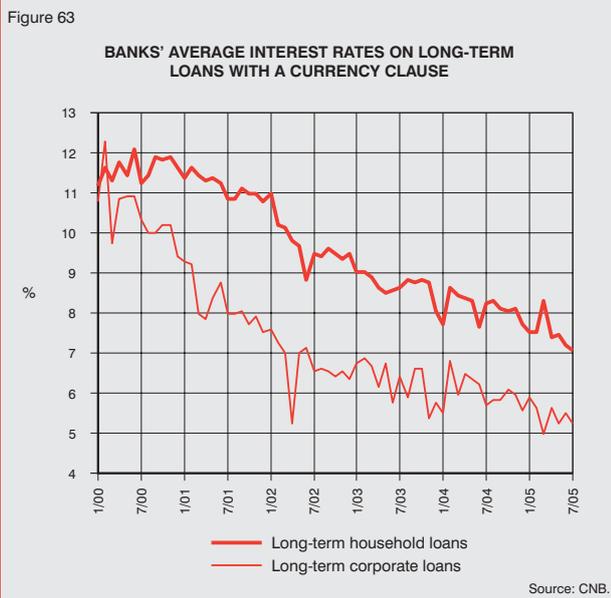
The weighted interest rate on time kuna deposits not indexed to foreign currency declined from 3.88% in March to 3.55% in June. Up in July and August, this rate advanced to 4.79% at end-August. The weighted interest rate on time foreign currency deposits drifted upwards in the second quarter, to 2.86% and 2.99% in June and August respectively. In contrast, the weighted interest rate on sight foreign currency deposits stagnated around 0.35% in the second quarter, standing at 0.28% at end-August.

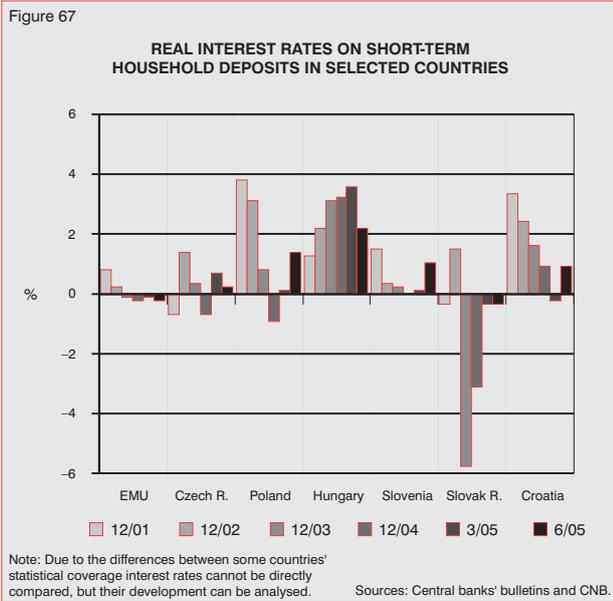
Having widened somewhat in the first quarter 2005, the spread between banks' lending and deposit rates narrowed in the second quarter. The spread between interest rates on total loans and those on total deposits, standing at 7.18 percentage points in March, dropped to 7.01 percentage points

in June. Dropping further in July, it was up to 7.12 percentage points in August. The spread between interest rates on kuna loans indexed to foreign currency and interest rates on foreign currency deposits narrowed from 4.77 to 4.05 percentage points in the second quarter. It continued narrowing in July, amounting to 4.14 percentage points at end-August. The spread between interest rates on kuna loans not indexed to foreign currency and those on kuna deposits also narrowed, from 10.07 percentage points in March to 9.49 percentage points in June. Although it increased in July, this spread went down to 9.34 percentage points at end-August.

While remaining almost unaltered from the previous quarter in the EMU, nominal interest rates on long-term corporate loans mostly declined in selected CEE countries, rising in Croatia and Slovakia. Nominal interest rates on short-term household deposits largely held steady, both in selected CEE countries and in the EMU, falling only in Poland and Hungary.

With inflation and nominal interest rates close to stag-





nant, real interest rates on long-term corporate loans in the EMU kept at their last quarter's levels. Real interest rates on corporate loans in Hungary and the Czech Republic reduced due to the drop in nominal rates and inflation increase. In contrast, these rates grew in other selected CEE countries due to the inflation fall and an increase in nominal interest rates on long-term corporate loans.

Real interest rates on household deposits have been negative for a long period in Slovakia and positive in other transition countries. In Croatia, the inflation drop and a slight increase in nominal deposit interest rates in the second quarter pushed up real interest rates on household deposits.

Capital Market

Extremely dynamic in the first quarter of 2005, capital market trends subsided in the second quarter of 2005. The April decrease in turnover, prices and stock exchange indices set off a downward trend, which continued until July, with a decline in share turnover strongly marking the second quarter. July 2005 saw a new corporate bond issue and a new euro government bond issue. Bond turnover in the domestic market was somewhat lower in the second quarter than in the first quarter of 2005. Croatian eurobond yields increased in the second quarter, widening the spread with benchmark German bonds, and started to decline in July.

Equities Market

ZSE share turnover stood at HRK 824.7m in the second quarter 2005, a 55% decrease from the first quarter and a 67% increase from the same period last year. The year-long domination of Adris grupa share in the quarterly turnover was interrupted in the second quarter by Pliva share, accounting for 11% of total share turnover. Adris grupa share came second, accounting for 10% of the total, and was followed by Podravka share, which accounted for 4%. ZSE share turnover dropped to HRK 173.1m in July 2005, the

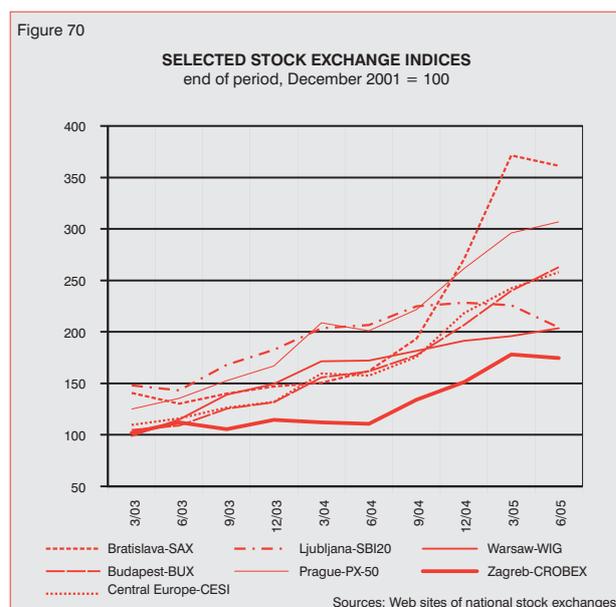
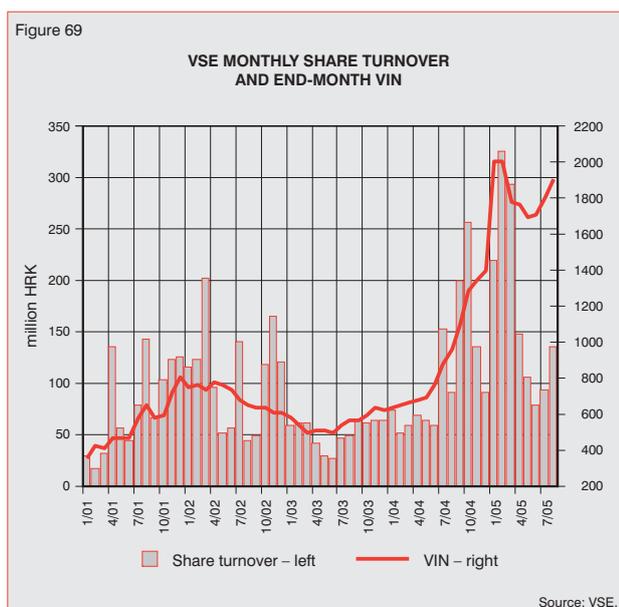
lowest monthly level recorded since July last year, and rebounded to HRK 325.5m in August.

Having reached its all-time high of 2085 points in the first quarter 2005, the CROBEX decreased in the second quarter, standing at 1807.5 points at end-June. It held steady at that level compared to the first quarter due to the rise of Pliva and Podravka share prices and stagnating prices of all other constituent shares. Amounting to 1736 points in May, its record low in 2005, the CROBEX reached 1934 points by the end of August.

Having decreased in the second quarter 2005, market capitalisation on the ZSE stood at HRK 68,776m at end-June (31.1% of estimated GDP for 2005), dropping by HRK 775m (1.1%) from the first quarter end. This drop resulted from the reduction in both share liquidity and share prices in April and May. Specifically, overall ZSE market capitalisation is calculated by including total market capitalisation of shares traded regularly in the previous three months, half of market capitalisation of shares not traded in the previous month and a quarter of market capitalisation of shares not traded in the previous three months. Spurred by the rise in most share prices in August 2005, share market capitalisation on the ZSE reached HRK 73,391m at the end of that month.

Market capitalisation of active shares on the VSE totalled HRK 55,011m, rising by HRK 4.0m from the end of the first quarter 2005 and by 116% from end-June last year. Share trading at the VSE also declined in the second quarter of 2005, generating a total turnover of HRK 333.4m, a 60% decrease from the first quarter 2005, and a 73% increase from the same period in 2004. This decrease was primarily due to the downturn in regular trading. Public companies' shares made up about 38% of total turnover and Free Market 54%. With only one share listed, the Second Quotation has had a negligible turnover for quite some time, while the Quotation of Rights, comprising trading in the rights of the former Ministry of Public Works, Reconstruction and Development and the Ministry of Finance, generated a turnover of HRK 13.7m in the second quarter 2005, which accounted





for 4% of total VSE turnover. In June 2005, total turnover at the VSE dropped to its record monthly low since June 2004 (HRK 86.3m), rising to HRK 135.7m in August.

Having reduced in February, the VIN continued the downward trend, standing at 1706.9 points at the end of the second quarter 2005, a drop of 4% from the first quarter end. This drop was due to the decrease in the prices of its constituents, especially Ericsson Nikola Tesla share, which accounted for most of the regular turnover in the first eight months of 2005. The downward trend recorded both in April and May reversed in June, when the VIN started to recover, to stand at 1902.4 points at end-August.

Central and East European stock exchange indices moved up strongly in the first quarter and slowed in the second quarter of 2005. However, the composite Central European Stock Exchange Index, CESI, grew to 2669 points in the second quarter, up 6.5% from the end of the previous quarter. The CESI comprises share prices of selected blue chip companies listed on the Budapest, Bratislava, Ljubljana, Prague and Warsaw Stock Exchange, with those listed on the Warsaw and Prague Stock Exchanges carrying the largest weight. The Budapest, Warsaw and Prague Stock Exchange indices rose by 9.5%, 3.9% and 3.6% respectively in the second quarter 2005, whereas Ljubljana, Bratislava and Zagreb Stock Exchange indices dropped by 9.5%, 2.8% and 1.9%.

With the exception of the Budapest and Ljubljana Stock Exchange, market capitalisation of both shares and bonds in the observed CEE countries mostly continued the upward trend started already in early 2003. All stock exchanges, except the one in Bratislava, saw a decline in share turnover, with bond turnover rising on the Bratislava, Ljubljana and Warsaw Stock Exchange. As is customary, the Bratislava Stock Exchange was the only one that registered a weaker share turnover than the Zagreb Stock Exchange.

Debt Securities Market

The Croatian bond market saw neither any new bond issues nor maturing old issues in the second quarter 2005. At mid-July, Medika d.d. issued a three-year corporate bond worth EUR 16.5m in kuna equivalent, with a coupon rate of 4.5%. The bond issue price was 99.778. Also in July, the Republic of Croatia issued in the domestic market a EUR 350m bond, due 2015, with a coupon rate of 4.25%. The issue price was 98.845 and the spread at issue relative to the benchmark German government bond 104 base points.

Eight government bonds were listed on domestic stock exchanges at end-August 2005: two municipal bonds, two government agencies' bonds (the DAB and CBRD), and eight corporate bonds.

Market capitalisation of government bonds, municipal

Table 3: Comparison of Capital Market Indicators

June 2005	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million EUR)	0.5	69.6	2.0	99.4	153.9	1.8
Average daily turnover, bonds (million EUR)	121.1	3.3	7.1	58.8	4.1	10.9
Turnover ^a /GDP ^c , annual level (%)	0.4	22.9	2.1	30.4	20.8	1.7
Turnover ^a /GDP ^c , annual level (%)	96.6	1.1	7.2	18.0	0.6	10.4
Turnover velocity ^d	2.8	69.5	8.6	63.4	70.7	5.1
Market capitalisation ^a (million EUR), end month	4,359	26,440	6,214	41,415	57,457	9,411
Market capitalisation ^b (million EUR), end month	10,377	37,510	5,449	20,929	n.a.	3,535
Market capitalisation ^a /GDP ^c , end month (%)	13.2	32.9	24.0	48.0	29.5	34.1
Market capitalisation ^b /GDP ^c , end month (%)	31.4	46.7	21.0	24.3	n.a.	12.8
Index movement from the beginning of the year (%)	33.5	27.1	-10.4	17.3	6.4	15.5
Index movement from the beginning of the month (%)	1.2	10.9	-4.9	4.7	5.3	4.1

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

Table 4: Bond Issues in the Domestic Market

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price ^a	Current yield 31/8/2005
DAB-O-05CA	DAB	19/12/2000	19/12/2005	EUR	225,000,000	8.375%	103.60	8.084%
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	110.65	6.213%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	116.00	5.927%
RHMF-O-085A	Republic of Croatia	28/5/2003	28/5/2008	HRK	1,000,000,000	6.125%	102.20	5.993%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	108.00	5.093%
RHMF-O-077A	Republic of Croatia	7/7/2004	7/7/2007	EUR	400,000,000	3.875%	101.55	3.816%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	200,000,000	5.375%	105.00	5.119%
RHMF-O-103A	Republic of Croatia	8/3/2005	8/3/2010	HRK	3,000,000,000	6.750%	104.35	6.469%
RHMF-O-157A	Republic of Croatia	14/7/2005	14/7/2015	EUR	350,000,000	4.250%	100.90	4.212%
GDKC-O-116A	City of Koprivnica	29/6/2004	29/6/2011	HRK	60,000,000	6.500%	100.15	6.490%
GDZD-O-119A	City of Zadar	1/9/2004	1/9/2011	EUR	18,500,000	5.500%	-	-
HBOR-O-112A	CBRD	11/2/2004	11/2/2011	EUR	300,000,000	4.875%	-	-
BLSC-O-051A	Belišće d.d.	14/1/2005	14/1/2009	EUR	8,000,000	5.500%	-	-
HYBA-O-086A	Hypo-Alpe-Adria Bank d.d.	6/6/2003	6/6/2008	HRK	150,000,000	6.500%	101.50	6.404%
BNAI-O-22CA	Bina Istra d.d.	15/12/2002	15/12/2022	EUR	210,000,000	8.000%	-	-
PODR-O-072A	Podravka d.d.	20/2/2004	20/2/2007	EUR	27,000,000	5.000%	101.40	4.931%
AGRK-O-074A	Agrokor d.d.	3/4/2002	3/4/2007	EUR	230,000,000	11.000%	107.15	10.266%
PLVA-O-115A	Pliva d.d.	12/5/2004	12/5/2011	EUR	75,000,000	5.750%	103.50	5.556%
ATGR-O-077A	Atlantic Grupa d.o.o.	15/7/2004	15/7/2007	EUR	15,000,000	5.750%	100.70	5.710%
MDKA-O-087A	Medika d.d.	11/7/2005	11/7/2008	EUR	16,500,000	4.500%	-	-

^a Regularly traded shares. Source: ZSE, monthly report, August 2005.

bonds and government agencies' bonds stood at EUR 3.1bn (HRK 22.4bn) at the end of the second quarter 2005, making up 10.1% of estimated GDP for 2005. Market capitalisation of corporate bonds was EUR 612m (HRK 4.4bn) or 2% of the GDP estimate for 2005. At end-August, market capitalisation of government bonds, municipal bonds and government agencies' bonds totalled 11.4% of estimated GDP for 2005, 1.2 percentage points less than at end-2004. Market capitalisation of corporate bonds held at 2.1% of the GDP estimate for 2005 until end-August, a decrease of 0.2 percentage points from end-December 2004.

Bond trading on the ZSE slowed somewhat in the second quarter compared with the previous quarter, with the turnover totalling HRK 5.4bn, down by HRK 0.6bn from the first quarter. Bond turnover started trending higher in July and reached HRK 2.7bn in August, its monthly high in 2005. Republic of Croatia bonds due 2014, 2012 and 2019 were most traded, representing 62% of total quarterly bond turnover. The new government bond maturing in 2015 started trading

in July, already in August generating the strongest monthly turnover compared with all other bonds.

Having drifted lower over the first quarter of 2005, the ZSE bond index, CROBIS, started to increase in the second quarter, reaching 104.1 points at end-June. Growing further through July and August, the CROBIS stood at 104.7 points at end-August.

In an effort to achieve the planned reduction in foreign borrowing and intensify borrowing in the domestic capital market, the Republic of Croatia issued no bonds in foreign markets in the second quarter 2005. There were 11 Croatian bond issues listed in foreign markets in late June: two USD nominated issues (government bonds substituted for the debt of RC business entities to the London Club) five EUR and four YEN denominated issues. Total nominal value of the 11 Croatian eurobond issues was HRK 33.9bn (EUR 4.6bn) at end-August.

The spreads between Croatian eurobonds and benchmark German bonds widened late in March, owing to inse-

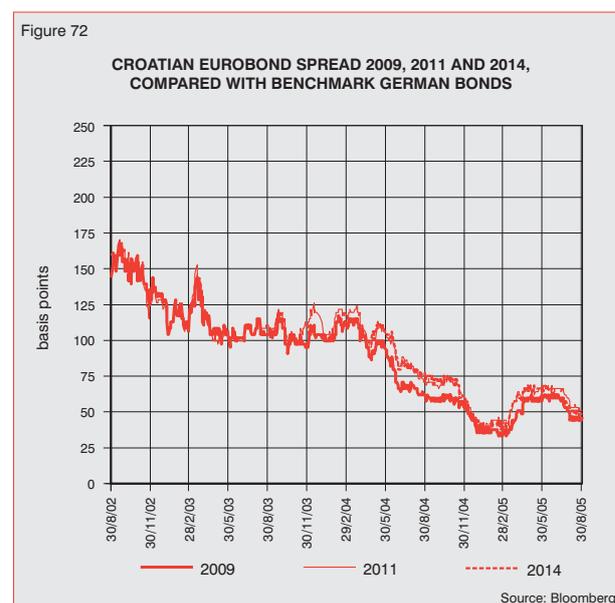
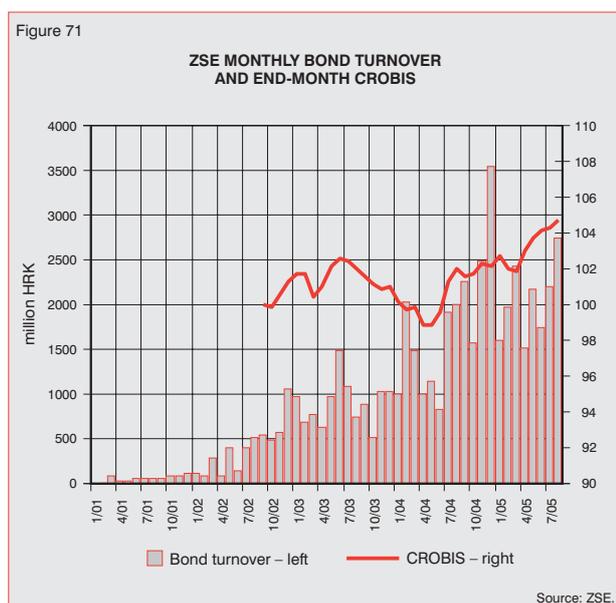
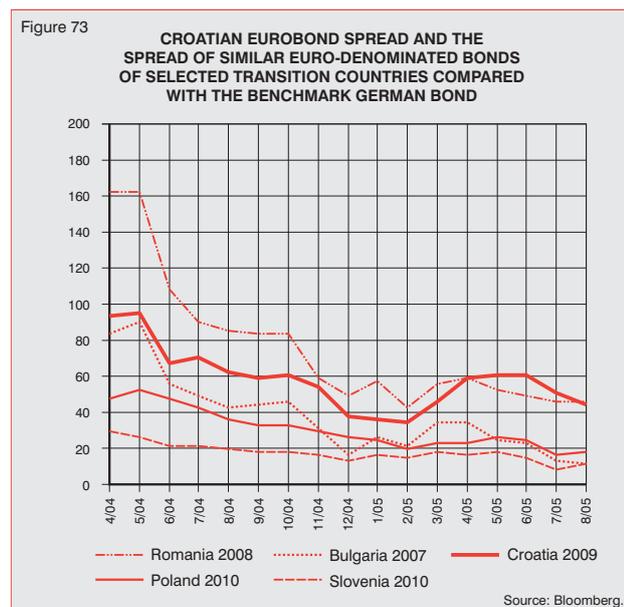


Table 5: Republic of Croatia International Bond Issues

Bond	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread ^a 30/9/2004	Spread ^a 31/12/2004	Spread ^a 31/3/2005	Spread ^a 30/6/2005
London Club A, 2006	31/7/1996	USD	604,426,000	6-month LIBOR + 81.25 b.p.			93	87	91	79
London Club B, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.			117	116	117	111
Eurobonds, 2006	10/3/1999	EUR	300,000,000	7.375%	7.45%	375	32	15	30	17
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.750%	6.90%	215	69	42	59	67
Eurobonds, 2009	11/2/2002	EUR	500,000,000	6.250%	6.45%	158	60	38	46	61
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	4.65%	102	64	41	53	62
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	72	42	59	61
Samurai bonds, 2007	11/7/2000	JPY	40,000,000,000	3.000%	3.00%	135	62	39	29	33
Samurai bonds, 2006	23/2/2001	JPY	25,000,000,000	2.500%	2.50%	152	41	34	25	25
Samurai bonds, 2008	26/6/2002	JPY	25,000,000,000	2.150%	2.15%	144	67	44	43	42
Samurai bonds, 2009	26/6/2003	JPY	25,000,000,000	1.230%	1.23%	99	69	62	46	49

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



curity as regards the starting date of negotiations with the EU and the rise in developing countries' bond yields. They widened further in the second quarter, standing at 61 and 67 base points respectively for bonds maturing in 2011 and 2014 at end-June, an increase of 15 and 8 base points from end-March. With the regained optimism regarding EU accession negotiations, the spreads narrowed back in June, to 45 and 51 base points respectively for bonds due 2009 and 2011.

While eurobond spreads of EU candidate countries widened in the first quarter 2005, eurobond spreads of new EU

member countries started to decline in the second quarter, continuing the trend in July and August, with the Croatian eurobond spread widening until the end of the second quarter and narrowing in July and August. The spread between the Croatian eurobond and the benchmark German bond was lower than the Romanian eurobond spread for the first time since March. Despite weaker economic indicators, the spread between the Bulgarian eurobond due 2007 and the benchmark German bond is still much narrower than the spread of the Croatian eurobond maturing in 2009.

International Transactions

The second quarter of 2005 saw an increase in the current account deficit. It should be emphasised that the widening of external imbalance was not due worsened economic fundamentals and that it largely reflected the impact of external shocks. Expressed in absolute amounts, Croatia's external debt continued to rise, but at a slower rate than in the previous year. IEMP movements remained favourable, showing that Croatia's ability to meet its foreign liabilities has not altered.

Current Account

According to the balance of payments data, the current account ran a deficit of EUR 1.1bn in the second quarter, up EUR 0.4bn or 65.8% over the same period last year. The increased current account deficit was due an increase in factor income outflows (they were concentrated in the second

Table 6: Balance of Payments, preliminary data, in million EUR

	Jan.–Mar. 2004	Apr.–Jun. 2004	1st half of 2004	Jan.–Mar. 2005	Apr.–Jun. 2005	Indices	
						Jan.–Mar. 05/ /Jan.–Mar. 04	Apr.–Jun. 05/ /Apr.–Jun. 04
A. Current account	-1,426	-683	-2,109	-1,543	-1,132	108.2	165.8
1. Goods	-1,436	-1,950	-3,387	-1,569	-2,046	109.2	104.9
2. Services	-17	1,211	1,195	3	1,127	-	93.0
3. Income	-242	-249	-491	-276	-537	114.3	215.7
4. Current transfers	269	305	575	300	324	111.3	106.2
B. Capital and financial account	880	910	1,790	1,238	1,350	140.7	148.4
1. Capital account	7	7	14	2	2	33.4	26.8
2. Direct investment	233	230	463	168	650	72.0	282.1
3. Portfolio investment	-68	410	342	-375	-156	550.1	-
4. Financial derivatives	0	0	0	-88	0	-	-
5. Other investment	286	464	751	1,719	1,137	600.4	244.8
6. Reserve assets (CNB)	422	-203	219	-188	-283	-	139.6
C. Net errors and omissions	546	-227	319	305	-217	55.9	95.8

Source: CNB.

quarter), an increase in goods imports (due to higher world oil prices) and a slight fall in revenues from tourism services.

The attribution of retained earnings to foreign investors in the second quarter of 2005 resulted in increased factor income outflows. Standing at EUR 0.4bn, they were more than twice as large as those registered in the same period last year. What is retained earnings and why has it grown at such high rate? The retained earnings (undistributed part of profits) constitute a part of total profits from the previous financial year that was not paid to a company's equity owners as dividends (distributed part of profits). As only the transactions between residents and non-residents are shown in the balance of payments, the retained earnings recorded in the balance of payments relate to that part of undistributed profits that were attributed to foreign owners of a company (non-residents). The retained earnings may be used by equity owners for further development of a company (acquisition of land and buildings, modernisation of technology) or to increase the disposable financial assets of a company. Since retained earnings by definition do not create actual outflows of money from the country, they contribute to an increase in physical or financial capital of companies.

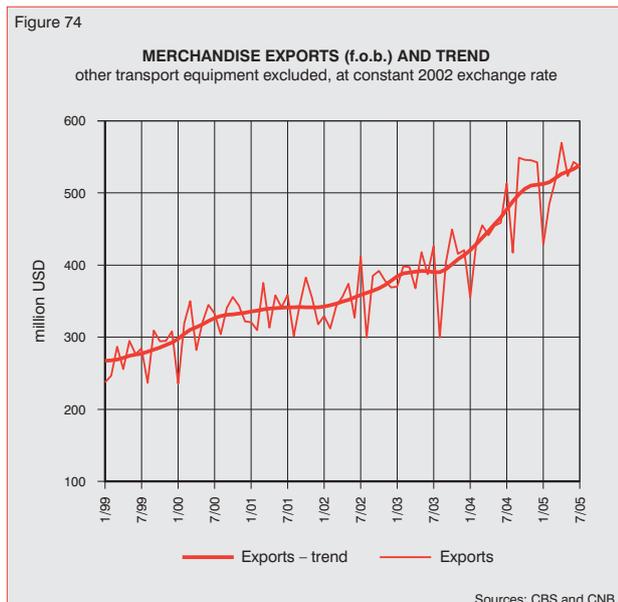
The pronounced year-on-year growth of retained earnings may to a large extent be attributed to the fact that companies, in which foreign investors have significant equity shares, are allowed to report and record the profits from the previous financial year in their balance sheets in different time periods and to a small extent to the increase in profits reported by these companies. In 2004, the largest part of retained earnings was reported in the second and third quarter. The balance of payments data for the second quarter of 2005 show that almost all FDI companies reported and announced their distribution of previous year profits during the second quarter this year (distributed/undistributed part). The coverage of data on FDI in the second quarter is quite comprehensive at this moment and, in addition to all banks and companies involved in the provision of telecommunication mediation services, includes the majority of large companies in which foreign equity owners predominate, exclusive of Ina.

As opposed to expectations, imports of goods grew at an accelerated rate in the second quarter. The analysis of trends shows that this was largely due to the rise in crude oil prices (see Box: 1). If imports of oil and refined petroleum products are excluded from the data series on total goods imports, we find that the growth rate of imports actually fell by 4.7 percentage points in the second quarter of 2005, from 12.3% in the second quarter of 2004, expressed at constant exchange rates, to 7.6% in the second quarter of 2005. The analysis of total exports of goods, from which are excluded volatile components such as changes in prices (exports of refined petroleum products) or changes in time dynamics of deliveries (exports of ships), suggests that a significant progress was achieved in this area as well. Exports of goods (refined petroleum products and ships excluded) rose by 19.4% year-on-year in the second quarter of 2005 or by 7.4 percentage points over the same period last year. The general conclusion is that the developments in Croatia's foreign trade, once the external shocks on which it has no direct

control are excluded, are favourable.

Tourism revenues fell slightly in the second quarter of 2005 relative to the same period the year before. Before elaborating this issue, it is necessary to note that as of the second quarter of 2005 tourism revenues are estimated in accordance with the new methodology. The most important changes introduced by the new methodology are wider coverage of foreign guests included in the survey, broader statistical strata and a new method for estimating the population of foreign travellers. Following the guidelines provided in the methodology, the series of data on tourism revenues covering the period of 2003 and 2004 were also revised. This resulted in significant changes relative to previously recorded quarterly results on tourism revenues, whereas on a calendar year basis, there was a fall in total tourism revenues in both 2003 and 2004.

Notwithstanding the growth in physical indicators, tourism revenues fell by 3.9% year-on-year in the second quarter of 2005, due to decrease in the share of foreign tourist in paid accommodation and decrease in average consumption per a foreign traveller. The CBS's physical indicators on tourism, which only cover the commercial accommodation facilities, show the year-on-year growth in the number of foreign tourist arrivals (3.5%) and nights stayed in the second quarter of 2005. However, it should be kept in mind that the coverage of CBS data on foreign tourist arrivals is narrower than that applied by the internationally recognised methodology for compiling the balance of payments. Therefore, the calculation of the estimated tourism revenues includes foreign travellers that have stayed at least one night in paid accommodation (largely registered by the CBS) as well as foreign tourists in non-paid accommodation and one-day visitors (excursions and transit). The survey results, on the basis of which total tourism revenues are partly determined, indicate that the structure of foreign guests by type of accommodation has changed, and show that these changes are more unfavourable than those registered in the previous period. Hence, in the April-June period, the survey sample was marked by a fall in the share of foreign guests in paid accommodation (in June especially) and by a concurrent increase in the share of one-day visitors. It should be noted that guests in paid accommodation are those who contribute the most to tourism revenues, while the contributions of excursionists and foreign guests in transit through Croatia are much smaller. Moreover, guests in paid accommodation as well as other groups of guests slightly reduced their average consumption. Although it is difficult to provide a thorough answer to the question "what has contributed to the fall of average consumption per traveller?", it is beyond dispute that the data on unfavourable economic developments and unemployment in Italy and Germany, the most important markets to which Croatia's tourism services are exported, should be taken into account. It is to conclude that the change in the structure of foreign guests and the slight fall in average consumption were the reasons behind the recorded decrease in tourism revenues.



Merchandise Trade

In the first seven months of 2005, according to the preliminary CBS data, total exports of goods amounted to USD 5bn (f.o.b.), while total imports of good stood at USD 10.7bn (c.i.f.). Accordingly, Croatia's negative foreign trade balance totalled USD 5.7bn, which was an increase of 15% year-on-year. The imports/exports coverage rate also deteriorated slightly in the reference period. Standing at 46.8%, its value went down by 0.8 percentage points compared with the average coverage rate recorded in the January-July period of 2004.

Measured at constant exchange rates (cross-currency movements excluded), goods trade developments show that total exports of goods rose by 9.3% year-on-year in the first seven months of 2005, almost twice as less as in the same period last year. As mentioned earlier, the pronounced slowdown of total exports of goods was largely the result of weaker exports of ships, which fell by 24.5% year-on-year in the first seven months of 2005. Since, according to data stated in the order books of Croatian shipyards, ship exports in 2005 are expected to exceed the exports from 2004, we find that is more correct to base the analysis of goods exports on those values that exclude ship exports.

Total exports of goods (ships excluded) grew by 15.9% year-on-year in the first seven months of 2005, 3.4 percentage points more than in the same period of 2004. Among SITC divisions, the main contributor to this was the export of oil and refined petroleum products. Its year-on-year growth rate of 24% (expressed at current exchange rates) is largely attributed to the rise in prices of refined petroleum products. If, in addition to ships, refined petroleum products are excluded from total exports of goods, the fact that Croatian exports of goods have accelerated becomes even more obvious. Thus, exports of goods (ships and refined petroleum products excluded) went up 14.6% year-on-year in the first seven months of 2005 (expressed at constant exchange rates), 5.1 percentage points more than in the same period last year.

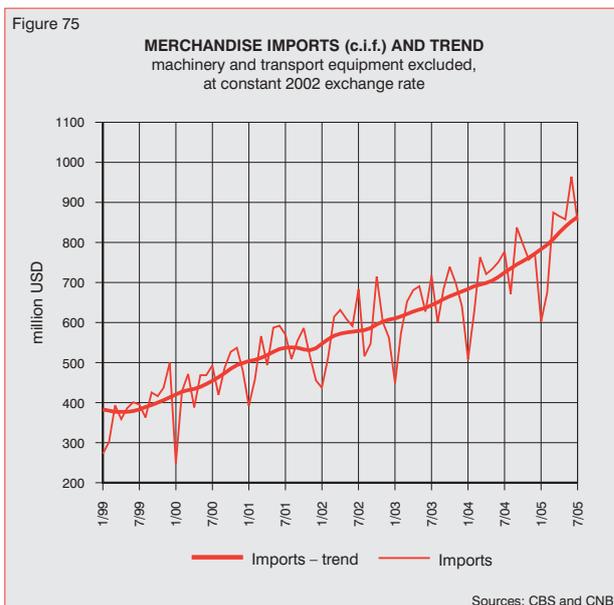
Table 7: Structure of Exports of Goods According to SITC Divisions, in %

SITC division	Exports			
	2003	2004 ^a	Jan.-Jul. 2004 ^a	Jan.-Jul. 2005 ^a
Other transport equipment	12.5	13.6	16.2	11.2
Oil and refined petroleum products	6.8	8.2	7.1	7.9
Electrical machinery, apparatus and appliances	7.5	8.3	8.9	7.5
Wearing apparel	9.6	7.9	8.4	7.3
Miscellaneous manufactured goods, n.e.c.	2.9	3.4	3.4	4.0
Non-metallic mineral manufactures	3.8	3.3	3.2	3.5
Medical and pharmaceutical products	3.3	3.1	3.2	3.2
Machinery specialised for particular industries	1.9	2.5	2.2	3.2
Cork and wood	3.3	2.9	3.2	3.1
Manufactures of metals, n.e.c.	2.7	2.8	2.7	3.1
Other	45.8	44.1	41.7	46.2

^a Preliminary data. Source: CBS.

In the first seven months of 2005, apart from refined petroleum products, total exports of goods grew also on account of increased exports of sugar, sugar products and honey (354.7% year-on-year, according to CBS data), machinery specialised for particular industries (63.2% year-on-year on average; within this division, the highest rates of exports were registered with respect to machinery and equipment for civil engineering works and construction works, rubber and plastic processing machinery and agricultural machinery excluding tractors), various finished products (32.2% year-on-year; including jewellery and jewellery parts made of precious metals, newspapers and magazines, revolvers and hand guns, products made of plastic used for transportation or packing) and plastics in primary forms (55.4% year-on-year; largely including ethylene and polystyrol).

The structure of total exports of goods shows that exports of ships (the official title of this division is other transport equipment) have remained the largest (11.2%) despite a significant negative year-on-year rate of change. The next largest were oil and refined petroleum products, electrical machinery, apparatus and equipment (especially ceramic condensators, constant resistors, electric conductors for voltage exceeding 80 V, transformers with liquid insulation) and

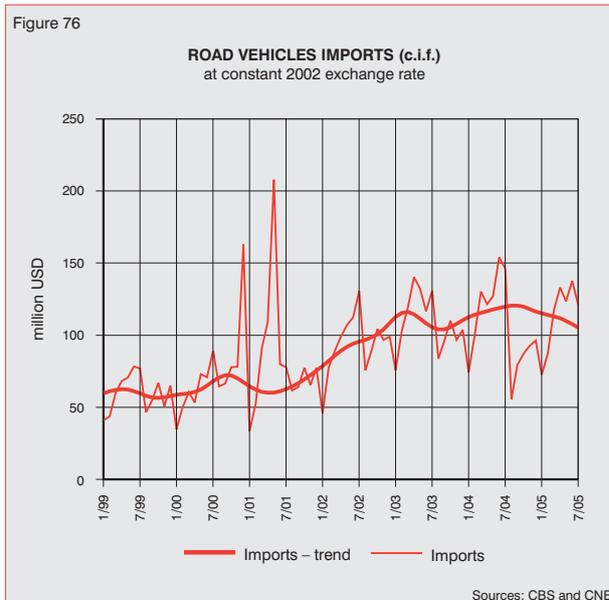


wearing apparel (wool athletic shirts, pullovers, knitted waistcoats; shirts, wool and other undershirts; male and female short coats).

Expressed at constant exchange rates, total imports of goods rose by 10.9% year-on-year in the first seven months of 2005. Although this was a slight increase compared to the one registered in 2004, one should have in mind the strong impact of the growth in prices of key raw materials (crude oil, iron and steel) in the world market on the growth of the value of goods imported to Croatia. In line with this, it should be said that only the increase in the value of imports of oil and refined petroleum products has accounted for one third of the total increase in the value of imports of goods. In addition, due to a noticeable growth of global demand, in China especially, the prices of iron and steel continued to trend upwards, and iron and steel are those raw materials that account for a significant share in Croatia's total imports of goods. The average price of iron and steel, according to HWWA data,¹⁴ rose by 38.5% year-on-year in the first seven months of 2005.

Other major contributors to the growth of total imports of goods were electrical energy (76.4% year-on-year, expressed at current exchange rates), various finished products (12.7% year-on-year on average, within this division the highest rates of imports were registered with respect to jewellery and jewellery parts made of precious metals, and products made of plastic used for transportation or packing) and natural and industrial gas (32.4% year-on-year). After the oil and refined petroleum products, the next largest shares in the structure of total imports of goods were those of road vehicles, electrical machinery, apparatus and equipment (within this the strongest were the imports of ceramic condensators, constant resistors, electric conductors, fridges, ovens and cookers), industrial machinery for general purpose (taps, switches, valves and similar equipment; other machinery for packing or wrapping; air conditioners) and iron and steel.

Although still accounting for a high share in the structure of total imports of goods, the absolute value of imported road vehicles continued to decrease and stood at 7.1% year-on-year in the first seven months of 2005 (expressed at



constant exchange rates). In the same period last year, imports of road vehicles grew on a year-on-year level due to, among other things, the introduction of excise taxes on imports and sale of automobiles. This is further confirmed by the data on the newly-licensed cars; in the January-July period of 2005, their number fell by 4.2% compared with the same period last year. In addition, imports of feedstock, cereals and fruit and vegetables also decreased in absolute values.

The geographic structure of exports of goods in the period from January to July 2005 shows a slight fall in Croatia's

Table 8: Structure of Imports of Goods According to SITC Divisions, in %

SITC division	Imports			
	2003	2004 ^a	Jan.–Jul. 2004 ^a	Jan.–Jul. 2005 ^a
Oil and refined petroleum products	7.9	8.9	7.7	10.7
Road vehicles	11.1	10.0	11.8	10.0
Electrical machinery, apparatus and appliances	5.9	6.1	5.8	5.1
General industrial machinery and equipment	5.2	4.7	5.1	4.8
Iron and steel	3.7	4.5	4.2	4.5
Miscellaneous manufactured goods, n.e.c.	3.4	4.0	3.9	3.9
Manufactures of metals, n.e.c.	3.7	3.7	3.8	3.6
Other transport equipment	3.7	3.5	3.6	3.3
Machinery specialised for particular industries	4.0	3.4	3.5	3.2
Medical and pharmaceutical products	2.8	3.0	3.0	3.0
Other	48.7	48.2	47.6	47.8

^a Preliminary data. Source: CBS.

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

Export	2003	2004 ^a	Jan.–Jul. 2004 ^a	Jan.–Jul. 2005 ^a
Developed countries	74.6	71.7	73.1	69.3
EU-25	67.6	64.6	65.7	63.7
Slovenia	8.3	7.5	7.3	8.0
Hungary	1.3	1.3	1.2	1.5
EU-15	54.7	51.4	53.2	50.2
Austria	7.7	9.4	9.7	7.8
Italy	26.7	22.9	23.7	22.0
Germany	11.9	11.2	11.3	10.8
EFTA	0.8	1.0	1.0	1.0
Developing countries	25.4	28.3	26.9	30.7
CEFTA	0.7	1.2	0.8	1.4
Bosnia and Herzegovina	14.4	14.4	13.2	12.9
Serbia and Montenegro	3.1	3.7	3.0	4.1
Russia	1.2	1.4	1.3	1.3
Import	2003	2004 ^a	Jan.–Jul. 2004 ^a	Jan.–Jul. 2005 ^a
Developed countries	80.8	77.4	79.2	74.8
EU-25	72.0	69.5	71.1	66.4
Slovenia	7.4	7.1	7.3	7.0
Hungary	3.0	3.1	2.9	3.1
EU-15	56.6	54.2	55.6	51.3
Austria	6.6	6.8	6.8	5.9
Italy	18.2	17.0	17.4	15.9
Germany	15.6	15.5	15.7	14.9
EFTA	1.8	1.6	1.5	1.6
Developing countries	19.2	22.6	20.8	25.2
CEFTA	1.2	1.5	1.2	2.3
Bosnia and Herzegovina	1.6	2.1	2.1	2.4
Serbia and Montenegro	0.5	0.8	0.7	0.8
Russia	4.8	7.3	6.4	8.3

^a Preliminary data. Source: CBS.

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shares of exports to EU countries, mostly due to reduced shares of exports to EU-15 “old” Member States. However, exports to Germany and Italy (Croatia’s most important trading partners in EU) grew in absolute terms, with the growth in exports to Greece being the most pronounced (ship exports). On the other hand, there was a fall in exports to Austria. Among the “new” Member States, most was exported to Slovenia, Malta and Hungary. The increase in export shares to developing countries in the structure of total exports of goods was the result of the pronounced growth of exports to Serbia and Montenegro (refined petroleum products, cigarettes, ethylene polymers and products for transportation and packing of goods), Nigeria (refined petroleum products) and Bosnia and Herzegovina (refined petroleum products, cigarettes, and electrical energy and cement).

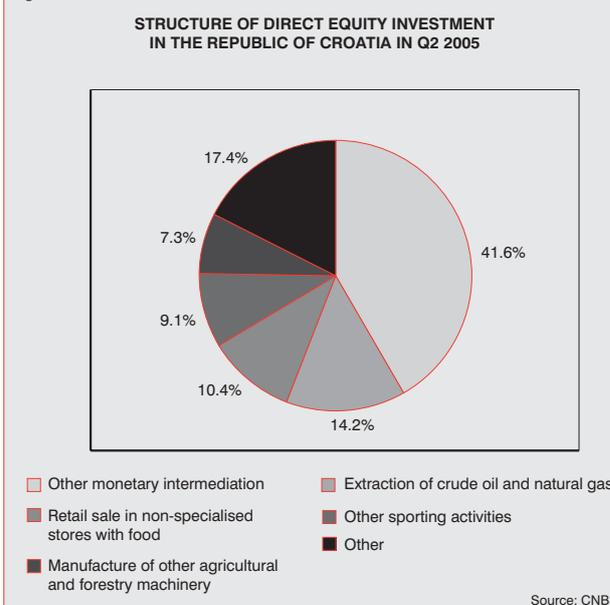
Although EU countries account for about two thirds of total imports of goods, one can notice a fall in their shares in the structure of total Croatian imports of goods. This is mostly attributed to the reduced shares of Italy, Austria and Germany, whereas expressed in absolute terms the fall in the value of imports was registered only with respect to Austria. A noticeable growth of imports was registered with respect to Slovenia (medicines, electrical energy and furniture), Hungary (refined petroleum products, paper, cardboard, rolled-iron products, live cattle and pork meat) and Poland (personal automobiles and other motor vehicles, furniture, baby diapers, motor vehicles for transportation of goods and live cattle). The reduction of EU countries’ shares in total imports of goods was mostly due to increased imports from developing countries. This relates especially to increased imports from Russia (oil and oil gases), China (various textile products, computers, radio telephone transmitter) and Romania (refined petroleum products, live cattle, personal automobiles and other motor vehicles).

Capital and Financial Transactions

Net FDI to Croatia totalled EUR 0.6bn in the second quarter of 2005, which was almost three times more than in the same period last year. More than a half of the registered year-on-year growth of FDI to Croatia was due to the strong growth of retained earnings. As described above, almost all FDI companies announced their distribution of previous year profits during the second quarter this year. The same quarter was also marked by a strong growth of equity investment and other direct investment. Within the latter, investment in other monetary intermediation were the largest, including the recapitalisation of some foreign-owned banks. Moreover, investments were made in the extraction of crude petroleum and gas, retail sale in non-specialised stores with food, other sporting activities, and manufacture of agricultural and forestry machinery.

Portfolio investment, by contrast, fell by EUR 0.2bn after registering inflows of EUR 0.4bn in the second quarter of 2004. On the annual level, portfolio investment saw no significant changes, which in particular relates to an increase in bank funds from investment in foreign bonds. However, liabilities from portfolio investment in the second quarter of 2005 differed substantially from those recorded in the sec-

Figure 77



ond quarter of 2004. This was due to the fact that no significant issue of foreign bonds was registered in the first six months of 2005, while in the same period of 2004, the government issued EUR 0.5bn worth of bonds in the foreign market and Agrokor issued EUR 0.1bn worth of bonds.

Net inflows to the account of other investment (trade credits, credits, and currency and deposits) totalled EUR 1.1bn in the second quarter of 2005. This was substantially more than in the same period last year (EUR 0.5bn) and can be attributed to a fall in bank foreign assets, i.e. to the withdrawal of deposits worth of EUR 0.3bn. In the same period last year, bank foreign assets grew by EUR 0.2bn. Net liabilities from other investment also grew in the second quarter (EUR 0.8bn), and were mostly accounted for by net drawings of loans. Net drawings of long-term loans predominated, with banks and other domestic sectors accounting for the largest shares. A considerably smaller amount registered by the government in the current year reflects its efforts to switch from foreign to domestic financing. These results were reflected in external debt developments and in the growth of the absolute amount of the external debt.

External Debt

Croatia’s external debt continued to rise in the first seven months of 2005. As of end-July, the gross external debt stood at EUR 24.2bn, EUR 1.5bn or 6.5% more than at the end of 2004. Foreign borrowings by other domestic sectors and banks, to a large extent, and direct investment in companies (investment in bank and enterprises included), to a lesser extent, were the main contributors to the absolute growth in the external debt in the first seven months of 2005. However, the repayment of a significant portion of due foreign liabilities, together with a smaller amount of newly created liabilities, resulted in the absolute decrease of the government external debt.

Bank accounted for the largest share in total external debt, amounting to EUR 8.4bn or 34.8%. If direct invest-

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

	2004	Mar. 2005	Jun. 2005	Jul. 2005	Structure		Indices	
					2004	Jul. 2005	2004/03	Jul. 2005/04
1. Government	7,236	6,741	7,010	6,911	31.9	28.6	109.6	95.5
2. Central bank (CNB)	2	2	3	2	0.0	0.0	0.6	102.3
3. Banks	7,652	8,184	8,498	8,402	33.7	34.8	125.0	109.8
4. Other sectors	5,798	6,084	6,433	6,546	25.6	27.1	118.9	112.9
5. Direct investment	1,986	2,102	2,271	2,299	8.8	9.5	107.7	115.8
Total (1+2+3+4+5)	22,675	23,112	24,215	24,160	100.0	100.0	114.5	106.5

Source: CNB.

Table 11: Gross External Debt by Other Domestic Sectors, end of period, in million EUR and %

	2004	Mar. 2005	Jun. 2005	Jul. 2005	Structure		Indices	
					2004	Jul. 2005	2004/03	Jul. 2005/04
1. Other banking institutions	25	25	25	25	0.4	0.4	97.9	99.4
2. Non-banking financial institutions	851	873	902	921	14.7	14.1	130.6	108.3
3. Public enterprises	946	972	986	1,062	16.3	16.2	95.5	112.3
4. Mixed-ownership enterprises	337	339	344	326	5.8	5.0	89.3	96.9
5. Other enterprises	3,557	3,780	4,086	4,121	61.3	63.0	128.9	115.9
6. Non-profit institutions	1	5	5	5	0.0	0.1	53.8	329.9
7. Craftsmen and traders	41	42	39	38	0.7	0.6	82.0	92.8
8. Households	40	49	47	47	0.7	0.7	184.0	116.0
Total (1+2+3+4+5+6+7+8)	5,798	6,084	6,433	6,546	100.0	100.0	118.9	112.9

Source: CNB.

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

	Outstanding debt 31/7/2005	Immediate	Projected future principal payments							
			Q3/05	Q4/05	2005	2006	2007	2008	2009	Other
1. Government	6,911	2	135	59	195	845	675	684	1,030	3,504
2. Central bank (CNB)	2	0	0	0	0	0	0	0	0	2
3. Banks	8,402	14	1,153	163	1,316	1,119	536	508	830	3,859
4. Other sectors	6,546	518	274	400	674	1,095	1,066	794	644	1,941
5. Direct investment	2,299	153	71	122	193	350	236	246	200	965
Total (1+2+3+4+5)	24,160	687	1,633	745	2,378	3,408	2,514	2,231	2,704	10,271
Supplement:										
Projected interest payments	–	0	31	161	192	672	560	474	401	1,119
Total principal and interest	–	687	1,664	906	2,570	4,080	3,074	2,705	3,105	11,390

Source: CNB.

ments in banks (hybrid and subordinated instruments) are added to this amount, the external debt of banks stood at EUR 8.7bn, accounting for as much as 35.9% of total external debt of the Republic of Croatia. Data presented in Table 10 show an increase in banks' share of external debt in total external debt in the first seven months of 2005. In addition, observed at monthly levels, this share grew the most in March 2005 (EUR 0.8bn), which is to be attributed to the borrowings in the international financial market for the purpose of granting a syndicated loan to the government (EUR 0.5bn) and to the subscription of the new government bond (EUR 3bn).

In addition to banks, other domestic sectors also increased their share in total external debt of the Republic of Croatia. As of end-July, the share of other domestic sectors amounted to EUR 6.5bn, accounting for 27.1% of total external debt, or to EUR 8.6bn (35.5%) of the gross external debt of the Republic of Croatia if direct investments in other domestic sectors are included. The growth of the share of other domestic sectors in total external debt was more pronounced than the relative growth of the share that relates to banks.

The structure of the external debt by other domestic sectors shows that the debt of other enterprises grew the most in the first seven months of 2005, by a total of EUR 0.6bn. This was due to increased foreign borrowings of leasing companies (EUR 0.3bn in the first seven months of 2005). During

the reference period, the debt of public enterprises grew by EUR 0.1bn, while the debt of enterprises in mixed ownership¹⁵ fell negligibly. Standing at 0.4% of total gross external debt, the external debt of craftsmen and traders, and households did not change significantly in the first seven months of 2005.

In contrast to the developments in the gross external debt of banks and enterprises, the external debt of the government sector fell by EUR 0.3bn in the January-July period of 2005, accounting for 28.6% of the total. This was the result of the government's strategy to shift to domestic sources in budget financing, aimed at stabilising the ratio of external debt at around 4/5 of GDP. In line with this, the government opted not to issue new debt instruments in the foreign market, and repaid a significant amount of matured liabilities. In March, the government repaid eurobonds issued in 2000 (EUR 0.5bn), and made two London Club payments in January and July. The complete switch from foreign to domestic sources for the purpose of budget financing can not be achieved in the medium term due to insufficient domestic savings.

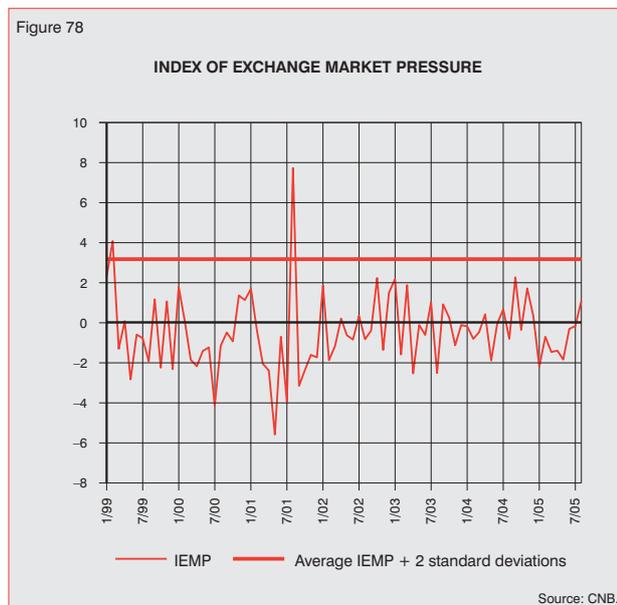
EUR 2.4bn in principal and EUR 0.2bn in interest will become due by the end of 2005. More than a half of the above amount is accounted for by banks. They will have to settle

¹⁵ Public enterprises are defined as enterprises in 100% ownership of the government. Mixed-ownership enterprises are defined as enterprises in which the government holds a share of 50% or more.

EUR 1.1bn in principal on short-term loans and EUR 0.2bn in principal on long-term loans by the end of the year. Other domestic sectors (direct investment in enterprises included) will have to settle of total of EUR 0.9bn by the end of the current year, of which EUR 0.6bn are accounted for by long-term liabilities. The government settled the majority of its liabilities as early as in the first seven months of 2005 (a total of EUR 1.1bn in principal and interest). By the end of the year, the government will have to settle another EUR 0.2bn, the majority of which relates to matured long-term loans, while only smaller amount relates to bonds issued in the foreign market.

International Liquidity

In the first seven months of 2005, the IEMP¹⁶ value remained below the level that indicates potential difficulties in the international payments.¹⁷ This was due to the appreciation pressures on the kuna exchange rate (EUR 0.3bn were purchased from banks). The appreciation pressures can in part be explained by banks continuing to finance their lending activities from funds borrowed abroad, the subscription of the new bond issued by the MoF in the domestic market, and the increase in foreign exchange inflows at the beginning of the tourist season. International reserves continued to grow, with high growth rates being recorded in January and May. An unusual seasonal depreciation of the kuna/euro exchange rate in August and stagnant international reserves contributed to the increase in the IEMP value. However, the index value remained significantly below the level that would indicate potential difficulties in country's ability to finance its external liabilities.



¹⁶ IEMP is calculated as a weighted average of the appreciation rate of the kuna exchange rate against the euro (at period end) and a monthly growth rate of gross international reserves expressed in euro, using standard deviations as weights.

¹⁷ The critical level is set as the average value of the IEMP increased by two standard deviations. The value of the index above the critical level indicates potential difficulties in the settlement of international payments.

Government Finance

Budget Highlights in the First Half of 2005

After the consolidated general government revenues grew much slower than the consolidated general government expenditures in the first quarter of the year, things improved in the second quarter, with the deficit reaching HRK 7.1bn in the first six months of this year, down 3.5% from the same time a year ago. In line with the government's commitment to rely predominantly on the domestic market in financing the deficit and its other financial needs, the consolidated general government domestic debt continued growing, while external debt reduced by HRK 4.2bn.

The budget was revised at the beginning of the second half of 2005 pursuant to the Act on the Amendments to the Act on the Execution of the State Budget of the Republic of Croatia for 2005, thus revising the revenue plan for 2005 and reallocating and slightly increasing expenditures (by HRK 310.6m or 0.4%). A temporary slowdown in the growth of economic activity in the first quarter of the year had a negative influence on budget revenues, so the new rebalanced budget for 2005, among other things, envisages lower revenues from VAT, excises and social contributions. Due to clear signs of possible substantial expenditure overruns in individual items compared with the levels envisaged in the initial 2005 budget, the planned expenditures on pensions, salaries and capital grants for housing savings are increased. The new budget plan also envisages corrective measures, i.e. savings on the expenditure side. As a result, material expenditures, expenditures on services and expenditures on acquisitions of non-financial assets were significantly reduced, in order to minimise the effect on budgetary targets set in the Memorandum on Economic and Financial policies of July 2004 (see Box 2).

Budget Revenues

According to the MoF data, the consolidated general government revenues totalled HRK 47.5bn in the first six months of 2005, up 7.4% on the same period a year ago. The consolidated central government revenues, which account for nearly 90% of total consolidated general government revenues, grew much slower than local government revenues. The greatest contribution to the rise of total consolidated general government revenues came from revenues from social contributions, administrative fees, profit and VAT tax.

Tax revenues, which make up the most important source of consolidated general government revenues, reached HRK 28.1bn in the first half of the year, up 6.4% on the same period a year ago. This is to the greatest extent a result of the rise in VAT and profit tax revenues, which account for nearly 60% of total tax revenues at this level of the government. VAT revenues reached HRK 14.5bn in the first six months of 2005, growing by 4.8% year-on-year. Although the first quarter saw a decline in VAT revenues, the recovery in retail sales, especially the nominal growth of retail trade turnover in motor fuels and lubricants,¹⁸ in the second quarter pushed

VAT revenues to the said level. Profit tax accounted for HRK 3.2bn or 33.6% more than in the same period a year ago. Profit tax revenues grew as a result of the rise in companies' profits, i.e. good business results, in 2004¹⁹ as well as the payment of tax on retained earnings which have been paid out to a foreign owner of one of Croatian companies. Income tax revenues went up 1.7% on the first half of 2004, thus reaching HRK 3.6bn. This increase was substantially milder than the increase in the wage bill, that is, the basis for tax calculation, which equals the number of employees (tax-payers) multiplied by the average gross wage. The average gross monthly wage that went up by 4.7% year-on-year in the first six months and the number of persons insured with the Croatian Institute for Health Insurance, which are a good short-term indicator of the employment dynamics, by 1.2%. This divergence between the dynamics of income tax revenues and the growth of its tax basis is primarily a consequence of the new Income Tax Act that entered into force in January this year, increasing, among other things, the basic personal allowance, while decreasing the cumulative amount of tax allowances.²⁰ Negative fiscal effects, arising primarily from the said increase in the basic personal allowance and personal allowance for supported family members, have been affecting income tax revenues this year, while positive effects, such as the reduction in the cumulative amount of tax allowances, will come to light next year when annual income tax statements are filed.

Excise revenues, which make up the third most important source of budget revenues²¹ as well as the most important source of CH's and CR's revenues, went up by HRK 4.9bn at general government level. Although they stagnated in the first quarter of the year, in the second quarter they slightly recovered, thus rising by 2.1% year-on-year in the first half of the year. Excises on cars contributed the most to the total growth of excise revenues by increasing HRK 87.2m or a healthy 19.6%. Since the number of newly registered cars reduced by 1.9% in the first half of 2005 compared with the same period the year before, the said revenue increase is a consequence of the last year's amendments to the law, by which excises on cars were raised by 25% on average.²² Excises on tobacco products reached HRK 1.1bn in the first six months of 2005, up 3.4% on the previous year. The said revenue increase largely reflected the amendments to the Act on the Special Tax on Tobacco Products²³ that raised excises on cigarettes in the range from 10% to 22.5%. Revenues from excises on refined petroleum products, which account for over 50% of total excise revenues, reached HRK 2.7bn in the

observed period, down 0.8% on the same period in 2004. Since excises on refined petroleum products are charged by the litre or kilogramme, the above mentioned nominal growth of retail trade turnover in motor fuels and lubricants resulted from the increase in their price²⁴ and therefore did not affect revenues in this segment. Of other excises, revenues from excises on coffee and excises on non-alcoholic beverages increased by 17.8% and 12.3% respectively, while at the same time revenues from excises on beer, alcohol and excises on luxury products decreased, by 3.4%, 4.1% and 6% respectively.

Accounting for almost one third of total consolidated general government revenues, social security contributions totalled HRK 15.2bn in the period in question, up 6.4% on the same time a year ago. This is a result of the above-mentioned growth of the average gross wage on annual level and the increase in the number of persons insured with the CPII in the first half of 2005.

Other revenues, accounting for 9% of total consolidated general government, went up by 18% during the period in question as a result of the increase in revenues from administrative fees and revenues from rents, i.e. concessions. Strong growth of revenues from concessions is a consequence of the entry of the third GSM operator into the Croatian market which paid a fee of HRK 200m for the first year of providing telecommunications services and using the radio frequency spectrum.

Budget Expenditures

The consolidated general government expenditures in the first half of this year totalled HRK 49.8bn, up 3.7bn or 8.1% on the year before. Broken down by government level, the consolidated general government expenditures dynamics largely coincided with the revenue dynamics. Thus, consolidated central government expenditures (that make up 92.3% of total expenditures) grew twice as slow as local government expenditures.

The greatest contribution to the growth of total consolidated general government expenditures in the period from January to June 2005 came from expenditures on social benefits,²⁵ which went up by 5.2% year-on-year as a result of the mild rise in the number of pension beneficiaries (1.2%) combined with the rise of the average pension paid (5.8%). Social security benefits (including the lion's share of pensions, maternity allowance, sickness and unemployment benefits) went up by 5.2% year-on-year, while social assistance benefits (including child allowance, disability pensions and permanent rights of war veterans) grew at a faster rate of 7.1%.

In addition to social benefits, expenditures for the use of goods and services, interest expenses, expenditures for subsidies and unemployment benefits all contributed to the increase in total consolidated general government expendi-

18 Retail trade turnover in motor fuels and lubricants in the first six months of 2005 rose by 11.8% year-on-year, reflecting the steep growth of refined petroleum products prices.

19 According to FINA's data, the total profit of Croatian business entities increased by 18.1% in 2004 compared to 2003. The data cover 68,981 business entities which submitted their financial reports for 2004.

20 See Box 1 in Bulletin 105.

21 Following revenues from social contributions and VAT revenues.

22 Act on Special Taxes on Cars, Other Motor Vehicles, Boats and Planes entered into force on 15 July 2004, official gazette *Narodne novine*, No. 95/2004.

23 The Act on the Amendments to the Act on Special Tax on Tobacco Products entered into force on 15 July 2004, official gazette *Narodne novine*, No. 95/2004.

24 The prices of car fuels and lubricants increased by 9.3% year-on-year in the first six months of the year.

25 The strong contribution of social benefits to total expenditures growth is largely a result of their considerable share in total consolidated general government expenditures.

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

	Consolidated general government		
	Jan.–Jun. 2004	Jan.–Jun. 2005	Jan.–Jun. 2005 / Jan.–Jun. 2004
Transactions affecting net worth			
1. Change in net worth (net operating balance)	-1,804	-2,283	
1.1. Revenue	44,265	47,532	107.4
1.2. Expense	46,069	49,815	108.1
Transactions in non-financial assets			
2. Change in net non-financial assets	4,566	3,981	
2.1. Acquisition of non-financial assets	4,901	4,412	90.0
2.2. Disposal of non-financial assets	335	431	128.6
1–2 3. Net lending (+) / borrowing (-) (1–2)	-6,370	-6,264	
5–4 3. Financing (5–4) Transactions in financial assets and liabilities (as % of GDP)	6,370 (3.08)	6,264 (2.82)	
Transactions in financial assets			
4. Change in financial assets	846	939	
4.1. Domestic	840	944	
4.2. Foreign	6	-5	
Transactions in liabilities			
5. Change in liabilities	7,215	7,203	
5.1. Domestic	2,740	11,151	
5.2. Foreign	4,475	-3,948	

Source: MoF.

tures in the first six months of this year.

According to the MoF data, expenditures for the use of goods and services (which include telephone, postal and transport services, energy, intellectual and personal services) reached HRK 5.2bn in the first six months of this year, up 13.5% on the same period in 2004. This is primarily due to the strong growth of expenditures for the use of goods and services in the first quarter of the year, when they grew at the rate of 25% year-on-year, while the share accounted for by the second quarter is negligible.

Interest expenditure totalled HRK 3.1bn in the period in question, up 16.5% year-on year. Domestic interest rates, which make up 40% of total interest payable, grew twice as fast as foreign interest rates, reflecting, among other things, more intensive government borrowing in the domestic market.

Expenditures for subsidies reached HRK 3.1bn, up 14.9% on the first half of 2004. Subsidies to companies in the public sector (including, among others, subsidies to the Croatian Railways) almost twice exceeded the share of total subsidies paid out to companies outside the public sector (which include subsidies to farmers).

Expenditures for compensation of employees reached HRK 13bn in the first six months of the year, which is a 2.9% more than in the first half of 2004. Expenditures for salaries and wages totalled HRK 11bn, rising by 3.2% year-on-year as a consequence of the growth in average gross monthly salary (3.5%) combined with the reduction in the number of employees in government administration (0.3%).²⁶

²⁶ This includes the segments of public administration and defence, where employment was significantly reduced during the period in question (-3.5% adjusted by the change in methodology of collecting data on employment in the police and the military) as well as the segments of education and health care and social insurance where employment went up by 2.1% and 0.8% respectively.

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

According to the MoF data, the net operating balance (revenues minus expenses at consolidated general government level) totalled HRK -2.3bn in the first six months of the year, that is, went up by 26.6% year-on year. During the same period, net non-financial assets went up by HRK 4bn, thus raising net borrowing to the level of HRK 6.3bn, which was financed fully by an HRK 7.2bn increase in liabilities. Financial assets went up by HRK 0.9bn.

As mentioned earlier, the non-financial assets of the consolidated central government increased by HRK 4bn in the first six months of the year. This was a result of the HRK 2.6bn increase in non-financial assets of central government funds,²⁷ the HRK 0.9bn rise at local and state government level and the HRK 0.5bn rise at budgetary central government level. Acquisition of buildings and structures accounted for 86.6% of the acquisition of non-financial assets, thus reflecting the continuation of road and highway construction. Still, compared with the same period a year ago, acquisition of fixed assets went down by 12%, which is partly attributable to the completion of works at individual road segments. At the same time, disposals of non-financial assets totalled HRK 431m, of which disposals of buildings and structures accounted for the largest share (HRK 263.4m), while disposal of land accounted for the remaining share.

According to MoF data, financial assets of the consolidated general government increased by HRK 939m in the first six months of 2005 as a result of the HRK 944m increase in domestic financial assets and the parallel HRK 5m decrease in foreign financial assets. The growth of domestic financial assets resulted from the HRK 649.2m increase in currency and deposits and a HRK 294.4m rise in loans, shares and other account receivables. Similar movements were seen during the corresponding period in 2004, when domestic financial assets went up by HRK 839.9m and for-

²⁷ CH, CR, DAB, CPF, EEEF and Croatian Waters, the water utility.

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

	Jan.–Jun. 2005				
	Government budget	Extra-budgetary users	Consolidated central government	Units of local and regional self-government	Consolidated general government
Revenue	39,607	3,345	42,467	5,815	47,532
Total expenditure and net lending	44,969	5,083	49,559	5,848	54,657
Expense ^a	43,970	2,475	45,961	4,604	49,815
Acquisition of non-financial assets ^a	631	2,590	3,221	1,191	4,412
Net acquisition of financial assets – loans ^a	264	–8	248	31	278
Acquisition	352	99	443	54	497
Disposal	88	107	195	23	219
Acquisition of shares and other equity ^a	103	27	130	10	140
Acquisition of other accounts receivable ^a	0	0	0	12	12
GFS 1986 balance	–5,362	–1,739	–7,092	–34	–7,125

^a GFS 2001. Source: MoF.

eign financial assets by HRK 5.8m.

Although the net operating balance of the consolidated general government decreased in the first six months of the year, reduced acquisition of non-financial assets resulted in decreased demand for financial assets so liabilities went up by HRK 7.2bn, down 0.2% from the same period a year ago. In line with the government's commitment to turn to the domestic financial market for financing, domestic liabilities went up by HRK 11.2bn. This was a result of bond issuance and T-bill subscription (HRK 6.6bn increase) as well as net loan incurrence (HRK 4.5bn). The said increase in domestic liabilities was partly used for repayment of matured foreign liabilities, which reduced by HRK 3.9bn during the period.

Consolidated General Government Balance on Cash Basis

Consolidated general government deficit on cash basis (GFS 1986) totalled HRK 7.1bn in the first six months of 2005. Broken down by the level of government, budgetary central government accounted for the lion's share of the deficit (HRK 5.4bn), followed by extra-budgetary beneficiaries²⁸ (HRK 1.7bn), while local and regional government accounted for the remaining share (HRK 34m). As compared with the same period a year ago, the deficit contracted by HRK 0.3bn or 3.5%, primarily due to the reduction in the acquisition of financial assets by central government funds, primarily CH and CR, which resulted from reduced capital investments in road construction.

Consolidated general government deficit reduced despite more intensive expenditure than revenue growth because the category of acquisition of non-financial assets (which reduced substantially over the period) is not considered as expenditure under GFS 2001 but is included in deficit calculation under GFS 1986.

Government Debt

According to the CNB data, general government debt, inclusive of CBRD debt, expanded by HRK 6.7bn or 6.8% compared with the first half of 2004. For comparison, during the same period a year ago government debt increased by HRK 8.2bn or 9.5% year-on-year compared with the end of 2003. At the end of June, government debt stood at HRK

105.3bn or 47.4% of the expected value of nominal GDP for 2005. At the same time, issued government guarantees reached HRK 12.4bn or 5.6% of the expected GDP. Inclusive of the potential debt arising from issued government guarantees, total government debt at the end of the second quarter reached HRK 117.7bn or 53% of the expected nominal value of GDP for 2005.

Borrowing in the domestic market, which grew by HRK 10.84bn, accounted for the total debt increase in the first half of 2005, while external debt narrowed by HRK 4.16bn. This reflects the government's commitment to rely more on domestic sources of financing and has affected the debt structure so the share of domestic debt in general government debt (inclusive of CBRD debt) went up by 7.5 percentage points (from 43.7% at end-December 2004 to 51.2% at end-June 2005), while external debt decreased correspondingly.

Since CBRD domestic debt declined by HRK 62.5m in the first six months of this year, the HRK 10.84bn increase in domestic debt is primarily a result of the growth in general government debt. The lion's share of this amount was incurred at the Republic of Croatia level (HRK 9.3bn) and was effected primarily through T-bill issues (net increase of HRK 4.4bn), followed by bank (HRK 3.9bn) and bond issues (HRK 1bn). At the end-June 2005 domestic debt of central government funds stood at HRK 5.6bn, increasing by HRK 1.7bn on the end of 2004. The increase in domestic debt of central government funds was accounted for by bank loans (net increase of HRK 1.8bn), while debt arising from issued bonds declined by HRK 0.1bn. Domestic debt of the local government reduced by HRK 0.04bn to HRK 1.5bn in the first half of the year compared with end-December 2004.

General government external debt, including the CBRD debt, reduced by HRK 4.2 bn, reflecting the HRK 4.7bn decline in general government external debt and a HRK 0.5 increase in CBRD external debt. As for general government debt, the external debt of the Republic of Croatia declined by HRK 5.1bn, the external debt of central government funds reduced by HRK 0.5bn, while the external debt of the local government went down by HRK 0.05bn.

Since in addition to the external debt a significant part of the domestic debt is denominated in foreign currency, cross-currency developments affect the total debt stock expressed in domestic currency. The 4.7% appreciation of the kuna exchange rate against the euro over the observed period resulted in a statistical debt reduction, so the realised

²⁸ Central government funds and social security funds (CPII, CIHI, CES).

debt increase (HRK 6.7bn) was smaller than the budget deficit recorded during the same period (HRK 7.1bn).

According to the CNB data, issued government guarantees totalled HRK 12.4bn in June, up 0.2bn over the end of last year. This was a result of the HRK 0.6bn increase in domestic guarantees, while foreign guarantees decreased by HRK 0.4bn.

Total general government debt continued growing in July, increasing by HRK 0.5bn on the end of June, with the domestic debt continuing to rise and external debt continuing to decline. Domestic general government debt went up by HRK 1.3bn in July as a result of the new government bond issue in the domestic market (worth HRK 350m) and a decline in debt arising from loans received from domestic banks (HRK 0.7bn). General government external debt continued declining primarily as a result of the repayment of the second semi-annual tranche to the London Club as well as repayments of due long-term loans.

Total public debt, which in addition to general government domestic and external debt includes domestic and foreign issued guarantees, reached HRK 111.2bn at the end of or 50% of the expected nominal GDP for 2005.

Central Government Domestic Debt

According to the CNB data, the central government domestic debt stood at HRK 52.4bn at the end of June, growing by HRK 10.9bn or 26.2% compared with end-2004. Of this amount, the increase in the domestic debt of central government funds (including CBRD debt) accounted for HRK 1.7bn, with CH and CR's new borrowings from domestic banks making up the largest share. The Republic of Croatia accounted for the remaining share of the increase in central government domestic debt by borrowing through T-bills (HRK 4.4bn), loans received from domestic banks (HRK

3.9bn) and issued bonds, which rose by HRK 1bn.

In March 2005, the Government of the Republic of Croatia decided to issue a five-year bond in the domestic market, worth HRK 3bn. The lion's share of the funds collected by this issue is to be used for debt repayments due in 2005 and purchase of foreign exchange, while only a small share is earmarked for financing the current budget deficit.

Late in March, the Ministry of Finance signed the Agreement on the syndicated foreign exchange loan, worth EUR 500m, with a syndicate of seven Croatian banks. The funds are earmarked for repayment of a five-year eurobond issued in March 2000. The first tranche, worth HRK 250m, is due in January and the second (in the equal amount) a year later.

Central Government External Debt

According to the CNB data, central government external debt reached HRK 51.1bn at the end of the first half of the year, down HRK 4.1bn or 7.4% on the end-2004. The Republic of Croatia external debt declined by HRK 5.1bn, while the external debt of central government funds (inclusive of CBRD debt) went up by HRK 1bn. External debt reduction at the Republic of Croatia level is largely a result of the repayment of a five-year eurobond issued in 2000, worth EUR 500m, and the repayment of the first semi-annual tranche, worth EUR 62m, to the London Club. At the same time, external debt of central government funds rose by HRK 1bn, primarily as a result of new CH and CR borrowings (HRK 618.4m) and new borrowing by the CBRD, which signed an Agreement on the syndicated loan worth EUR 160m with a syndicate of foreign banks in April 2005. The loan maturity is in three years with a possibility of extending the loan period by two more years, while the funds are earmarked for financing the CBRD's lending programme.

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

	Stock				Change	
	Dec. 2003	Dec. 2004	Jun. 2005*	Jul. 2005	Jan.-Jun. 2004	Jan.-Jun. 2005
1. Domestic debt of central government	34,736	41,517	52,400	53,688	2,905	10,883
1.1. Domestic debt of the Republic of Croatia	28,161	37,224	46,496	47,676	2,686	9,272
Treasury bills	6,548	9,022	13,442	12,977	1,715	4,420
Money market instruments	0	-	-	1	54	-
Bonds	17,422	23,080	24,072	26,492	889	992
Credits from banks	4,190	5,121	8,981	8,206	28	3,860
1.2. Domestic debt of central government funds	6,576	4,293	5,904	6,012	219	1,611
Money market instruments	-	-	-	-	-	-
Bonds	3,616	2,040	1,853	1,829	-58	-187
Credits from banks	2,959	2,253	4,051	4,183	277	1,798
Note: Issued guarantees	6,895	4,632	5,177	4,711	-1,048	545

Source: CNB.

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

	Stock				Change	
	Dec. 2003	Dec. 2004	Jun. 2005*	Jul. 2005	Jan.-Jun. 2004	Jan.-Jun. 2005
1. External debt of central government	50,138	55,248	51,038	50,245	5,011	-4,210
1.1. External debt of the Republic of Croatia	41,049	41,952	36,730	36,023	2,421	-5,222
Money market instruments	-	-	-	-	-	-
Bonds	32,145	32,793	27,652	27,069	2,234	-5,141
Credits	8,904	9,159	9,077	8,954	188	-81
1.2. External debt of central government funds	9,089	13,296	14,309	14,222	2,590	1,012
Money market instruments	-	-	-	-	-	-
Bonds	821	2,765	2,781	2,810	1,884	17
Credits	8,269	10,532	11,527	11,413	705	996
Note: Issued guarantees	8,619	7,810	7,400	7,074	-257	-410

Source: CNB.

Box 2: The July Budget Revision

Pursuant to Article 2, paragraph 4 of the Constitution of the Republic of Croatia, early in July this year the Croatian Parliament adopted the proposal by the Government of the Republic of Croatia on amendments to the Act on the Execution of the State Budget for 2005. The Budget Act stipulates that budget funds may be reallocated only in line with the conditions and in the manner stipulated in the Budget Act and the Act on the Execution of the State Budget. The reallocation of funds among individual budget items of budget beneficiaries or among budget beneficiaries may be carried out up to 5% of the amount of expenditures and costs under the item to be reduced. There is no possibility of reallocation between the Revenue and Expenditure Account and the Financing Account. Budget revision covers the changes in the amounts under individual items that exceed this limit, that is, the changes which reduce or increase total budget revenues and/or expenditures compared with the plan adopted at the beginning of the fiscal year. Over the last ten years, there was a mid-year budget revision almost every year,²⁹ thus making amendments to the budget an integral part of the budget policy.

The main reason for the amendments to the state budget of the Republic of Croatia for 2005 is to be seen in the temporary, but significant, slowdown in economic activity in the first quarter of the year compared with expectations (GDP growth rate totalled 1.8% year-on-year in the first quarter of the year)³⁰ as well as in the risk of exceeding the planned limits of individual budget expenditures, primarily under the following expenditure items: social benefits (old-age pensions and pensions of war veterans, unemployment and maternity benefits), salaries (due to court rulings) and capital expenditures for housing savings. Possible revenue shortfalls and expenditure overruns as compared with this year's expenditure plan would make it difficult to meet budget targets set by the Memorandum on Economic and Financial Policies of July 2004. As a result, the revised budget contains corrective measures aimed at limiting departures from the deficit target of 3.7% of GDP.

The initial need for the 2005 budget revision arose from the ambitious revenue plan for 2005 that was created on the basis of overestimated revenues for 2004 as well as the fact that the implementation of the Swiss formula for pension indexation was delayed by six months, from the beginning of the first half to the beginning of the second half of this year.

Slower-than-expected economic growth in the first quarter of this year underlined the gap between expected budget revenues and their outturn during the period, so as part of the budget revision expected revenues were adjusted to new circumstances. The changes to the 2005 budget of the Republic of Croatia do not introduce any addi-

tional measures at the revenue side. The plan was reduced, primarily due to the weak revenue outturn in the first quarter of the year, by 0.9% or HRK 0.8bn at the budgetary central government level, which make up 0.35% of the expected GDP for 2005.

Tax revenues, which reduced by 2.2% of HRK 1.1bn compared with the initial plan, largely accounted for the reduction in planned revenues of central budgetary government. Under the new budget, tax revenues are planned to grow by 7.1% on the year earlier. The main reason for this is the decline of expected VAT revenues (by 3.3% or HRK 1.07bn) compared with the initial plan for 2005. A revision of expected VAT revenues is primarily a result of a slowdown in retail sales, i.e. personal consumption over the first quarter. However, revenues from this source are still expected to grow at a significant rate of 6.2% year-on-year, spurred primarily by the accelerated growth of consumer prices (especially the prices of motor fuels and lubricants). A substantial contribution to the decrease in expected tax revenues is also to be seen under the excises item, with excises coming in 7.6% or HRK 0.68bn below the initial plan. Broken down by individual components of excise revenues, revenues from excises on oil derivatives (at budgetary central government level) are expected to be reduced by 9.5%, while the planned revenues from excises on beer and excises on tobacco products are expected to go down by 22.7% and 6.8% respectively. In addition, the Ministry of Finance visibly reduced its initial growth projections of social contribution revenues (by 2.6% or HRK 0.83bn) which may be linked with the parallel slowdown in average salary growth at the beginning of this year.

A substantial reduction of expected revenues under the above-mentioned items should be partially replaced by profit tax revenues, which increased by 16.7% or HRK 0.58bn compared with the initial plan. These expectations are based on good financial results that companies achieved in 2004 and make up an increase of 30% in profit tax revenues compared with the previous year. The budget revision also envisages exceptional annual growth of property income (up 82.9% or HRK 0.98bn on the previous year), primarily income from dividends (totalling HRK 1.54bn, that is, HRK 0.85bn more than in the previous budget), with the dividend of HT, Croatian Telecommunications, accounting for the largest share.

In the new budget plan for 2005 some expenditure items were increased by altogether HRK 1bn, which makes up 0.46% of the expected GDP for 2005. On the expenditure side, budget revision envisaged the greatest, HRK 469.4m increase, for expenditures on pensions, of which the additional HRK 340m are earmarked for old-age pensions and HRK 129.4m for pensions of war veterans. This should increase expenditures by 3.2% year-on-year.³¹ Further, expenditures on salaries were increased by HRK 346.4m, as a consequence of repayment of debts arising from unpaid holiday allowance (debt incurred pursuant to the Annex to the Collective Agreement for Civil Servants and Civil Service Employees signed in 2001, totalling HRK 210m), as well as debts arising from unpaid shift work (some HRK

²⁹ In the period since Croatia gained its independence, the budget was not revised only two times, in 1996 and 1997.

³⁰ Since GDP growth in the first quarter was below expectations, the Ministry of Finance revised its expected nominal GDP growth rate, to 7.2%, and real GDP growth rate, to 3.7% year-on-year.

Table 17: Budgetary Central Government Revenues, in thousand HRK and %

Revenue item	Revenues in 2004	Initial revenue plan for 2005	Revised revenue plan for 2005	Index 4/2	Index 4/3
1	2	3	4	5	6
Taxes	47,149,862	51,621,141	50,497,917	107.1	97.8
Taxes on income, profits and capital gains	6,259,713	6,813,536	7,299,917	116.6	107.1
Taxes on property	355,823	387,152	377,173	106.0	97.4
Taxes on goods and services	38,602,221	42,503,153	40,844,907	105.8	96.1
Taxes on international trade and transactions	1,590,727	1,527,469	1,563,913	98.3	102.4
Other taxes	341,377	389,831	412,008	120.7	105.7
Social contributions	29,477,597	32,318,444	31,485,291	106.8	97.4
Grants	10,122	48,413	80,424	794.6	166.1
Other revenues	3,825,938	2,369,028	3,507,151	91.7	148.0

Source: MoF.

90m, pursuant to the Collective Agreement for Secondary School Employees) and repayment of debts arising from unpaid Christmas bonuses and long-service awards (HRK 50m for 2000 and 2001, pursuant to the Collective Agreement for Science and Higher Education). As a result, the forecasted annual 4.4% growth of compensation of employees does not fully reflect the expected dynamics of employment and average salaries in the public sectors during this year. Expenditures on incentives for housing savings are revised upwards due to exceptional growth of housing savings at the end of 2004, i.e. after this year's budget was prepared. The budget revision envisaged a 38.1% rise of incentive funds over 2004. The funds earmarked for unemployment benefits are increased due to this year's rise in the number of beneficiaries of employment benefits, which was caused by the increase in the amount of the largest payment (from HRK 900 to HRK 1000). The benefit duration was also extended from 13 to maximally 15 months early in

Table 18: Adjustment of Budgetary Central Government Expenditures, in million HRK

Expenditure item	Increase/Decrease
Increase	1,019.5
Salaries	346.4
Pensions – old age	340.0
Pensions – war veterans	129.4
Housing savings	70.0
Unemployment benefits	60.0
Additional maternal leave	38.7
Permanent rights of war veterans	35.0
Decrease	1,006.4
Material expenditures	223.0
Grants to foreign countries and to other general government units	149.8
Benefits payable to households	111.0
Subsidies	84.5
Financial expenditures	74.0
Other expenditures	59.1
Donations and capital grants	9.1
Acquisitions of non-financial assets ^a	295.9

^a Not treated as expenditures in the GFS 2001 system.
Source: Official gazette *Narodne novine*, No. 89/2005.

Table 19: Budgetary Central Government Expenditures, in thousand HRK and %

Expenditure item	Expenditures in 2004	Initial expenditure plan for 2005	Revised expenditure plan for 2005	Index 4/2	Index 4/3
1	2	3	4	5	6
Compensation of employees	22,268,287	22,878,611	23,240,776	104.4	101.6
Use of goods and services	4,358,721	5,288,551	5,003,119	114.8	94.6
Interest	3,972,466	4,017,344	3,995,124	100.6	99.4
Subsidies	4,968,069	5,337,399	5,250,879	105.7	98.4
Grants	3,420,327	3,818,647	3,668,927	107.3	96.1
Social benefits	39,730,887	40,938,015	41,440,984	104.3	101.2
Other expenditures	4,412,359	5,044,267	5,033,599	114.1	99.8

Source: MoF.

Table 20: GFS 1986 Budgetary Central Government Balance Computation (capital revenues excluded), in million HRK

	Budgetary central government for 2004	Budgetary central government for 2005 – initial plan	Budgetary central government for 2005 – revised plan
Revenues ^a	80,467	86,357	85,571
Total expenditures and net lending	86,205	90,741	90,897
Expense ^a	83,145	87,323	87,633
Acquisition of non-financial assets ^a	1,664	2,486	2,188
Net acquisition of financial assets – loans ^a	938	668	814
Acquisition	1,264	1,068	1,064
Disposal	326	400	250
Acquisition of shares and other equity ^a	458	264	261
Acquisition of other accounts receivable ^a	0	0	0
GFS 1986 balance (capital revenues excluded)	-5,738	-4,384	-5,327
As % of GDP	-2.8%	-2.0%	-2.4%

^a GFS 2001. Source: MoF.

31 It was not known early in July that the semi-annual nominal growth of the gross wage in the first half of this year, which is used for pension adjustment in the second half of the year, would total 2.2%. However, the new projection of total expenditures on pensions is in line with such average pension dynamics.

Table 21: GFS 1986 Consolidated General Government Balance Computation (capital revenues excluded), in million HRK

	General government budget for 2004	General government budget for 2005 – initial plan	General government budget for 2005 – revised plan
Revenues ^a	96,345	103,490	102,729
Total expenditures and net lending	106,407	111,878	112,060
Expense ^a	94,520	99,709	100,045
Acquisition of non-financial assets ^a	10,537	11,292	10,994
Net acquisition of financial assets – loans ^a	812	588	734
Acquisition	1,485	1,095	1,092
Disposal	673	507	357
Acquisition of shares and other equity ^a	527	289	286
Acquisition of other accounts receivable ^a	11	0	0
GFS 1986 balance (capital revenues excluded)	-10,062	-8,389	-9,331
As % of GDP	-4.9%	-3.8%	-4.2%

^a GFS 2001. Source: MoF.

2004. Finally, payments for additional maternal leave³² commenced in April of the previous year thus increasing the amount of funds being earmarked for this purpose in the budget revision by 73.7% on the previous year.

The revised budget envisaged savings in individual expenditure items, that is, corrective measures aimed at minimising the influence of revenue reduction and expenditure increase under individual budget items on the budget deficit. Thanks to these measures the total budget expenditures envisaged by the budget revision went up by only 0.4% (HRK 310.6m), thus significantly reducing the upward pressure on budget expenditures. The budget revision, by examining the overall effect, led to a significant increase in expenditures for social benefits and compensation of employees, while savings are to be achieved on expenditures for the use of goods and services, subsidies and grants.

As a result of the total decrease in revenues and increase

in expenditures the amendments to the budget also changed the Financing Account. The new budget for 2005 envisages budgetary central government revenues of HRK 85.6bn, while expenditures are planned at HRK 90.9bn (GFS 1986), so the expected budgetary central government deficit currently amounts to HRK 5.3bn or 2.4% of the expected GDP for 2005. The general government deficit target for 2005 is set at 4.2% of the expected GDP for 2005, which is 0.42 basis points above the target envisaged by the initial budget and the Memorandum of Economic and Financial Policies of 2004. If savings attempts on the expenditure side were to fail, the total consolidated general government deficit would probably be much higher and reach 4.7% of the expected GDP. Therefore, despite the reduction in expected revenues and the increase in revenues, budget revision was an important step in fiscal adjustment.

³² Additional maternal leave is regulated by the Labour Act, the Act on Maternity Leave for Self-Employed and Unemployed mothers and the Health Insurance Act.

Statistical Survey

Classification and Presentation of Data on Claims and Liabilities

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

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

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

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

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

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

Foreign sector includes foreign legal and natural persons.

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

Table A1: Monetary and Credit Aggregates

end of period, million kuna and %

Year	Month	Reserve money	Money M1	Money M1	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth					
								Reserve money	Money M1	Money M1	Broadest money M4	Net domestic assets	Domestic credit
1994	December	4,714.2	6,642.6	6,996.7	17,679.9	16,540.1	27,661.5	11.73	2.20	3.83	2.26	11.84	3.45
1995	December	6,744.1	8,234.9	8,503.2	24,623.0	21,576.3	32,819.5	2.97	0.89	1.54	3.41	1.00	1.88
1996	December	8,770.4	11,368.9	11,494.9	36,701.1	24,960.4	33,831.2	11.35	7.83	7.67	4.88	-5.41	-11.61
1997	December	10,346.1	13,731.4	13,848.8	50,742.0	33,829.0	48,863.4	7.86	3.93	3.85	2.16	4.98	4.96
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25
1999	December ^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	August	32,327.9	35,024.3	35,818.7	136,825.8	101,771.0	118,889.6	2.14	1.16	1.75	2.87	-0.09	0.86
	September	32,851.8	34,492.3	35,234.5	138,742.8	103,362.9	120,614.7	1.62	-1.52	-1.63	1.40	1.56	1.45
	October	32,654.4	33,852.4	34,478.5	138,356.9	104,170.9	121,318.6	-0.60	-1.86	-2.15	-0.28	0.78	0.58
	November	31,211.5	33,600.7	34,268.9	139,632.6	105,932.6	124,824.3	-4.42	-0.74	-0.61	0.92	1.69	2.89
	December	33,924.4	34,562.1	35,186.5	139,947.7	108,205.1	127,308.6	8.69	2.86	2.68	0.23	2.15	1.99
2005	January	32,618.7	34,908.8	35,381.4	138,919.6	109,215.0	127,047.2	-3.85	1.00	0.55	-0.73	0.93	-0.21
	February	32,483.7	34,386.9	34,957.3	138,850.4	111,148.3	128,084.1	-0.41	-1.49	-1.20	-0.05	1.77	0.82
	March	33,070.9	34,547.4	35,149.4	137,974.5	115,802.7	128,059.8	1.81	0.47	0.55	-0.63	4.19	-0.02
	April	33,358.8	34,819.1	35,450.3	137,879.2	116,714.0	129,723.4	0.87	0.79	0.86	-0.07	0.79	1.30
	May	33,230.9	36,034.9	36,681.9	140,608.0	119,838.9	131,713.7	-0.38	3.49	3.47	1.98	2.68	1.53
	June	35,529.7	36,735.0	37,395.6	142,609.9	121,230.6	133,670.3	6.92	1.94	1.95	1.42	1.16	1.49
	July	37,057.8	38,304.6	39,027.4	145,578.3	122,331.7	134,993.7	4.30	4.27	4.36	2.08	0.91	0.99
	August	36,828.9	37,768.4	38,601.7	151,113.8	124,090.7	138,196.0	-0.62	-1.40	-1.09	3.80	1.44	2.37

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

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

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

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

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

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

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

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

Table B1: Monetary Survey

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec. ^a	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
ASSETS											
1. Foreign assets (net)	29,017.2	48,661.3	32,817.4	32,771.4	31,742.6	22,171.9	21,165.1	20,769.0	21,379.3	23,246.6	27,023.0
2. Domestic credit	72,051.4	87,637.6	112,518.9	126,371.6	141,278.1	149,340.5	150,347.2	153,543.9	155,203.9	156,555.7	159,194.6
2.1. Claims on central government and funds (net)	11,167.6	12,673.1	15,055.2	14,710.1	13,969.6	21,280.7	20,623.8	21,830.3	21,533.6	21,561.9	20,998.6
2.2. Claims on other domestic sectors	60,653.4	74,513.0	96,329.0	110,467.8	125,790.7	126,371.2	127,949.0	130,054.5	132,088.1	133,449.2	136,102.0
2.3. Claims on other banking institutions	68.7	170.2	219.5	431.8	624.0	537.2	541.9	565.6	588.3	639.6	1,247.6
2.4. Claims on non-banking financial institutions	161.7	281.4	915.3	761.8	893.9	1,151.4	1,232.5	1,093.6	993.9	904.9	846.5
Total (1+2)	101,068.7	136,298.9	145,336.3	159,143.0	173,020.7	171,512.3	171,512.4	174,313.0	176,583.2	179,802.3	186,217.6
LIABILITIES											
1. Money	18,030.3	23,703.5	30,869.8	33,888.7	34,562.1	34,547.4	34,819.1	36,034.9	36,735.0	38,304.6	37,768.4
2. Savings and time deposits	7,651.1	10,213.1	13,001.1	18,370.7	22,479.2	22,531.9	23,268.6	24,426.2	24,957.6	25,748.8	27,264.2
3. Foreign currency deposits	46,901.6	71,836.9	72,054.6	76,035.3	81,742.9	79,977.3	78,744.7	78,903.1	79,752.8	80,974.4	85,025.4
4. Bonds and money market instruments	478.2	317.8	216.3	598.4	1,163.5	918.0	1,046.8	1,243.8	1,164.5	550.4	1,055.7
5. Restricted and blocked deposits	2,864.5	1,926.2	1,729.5	1,721.6	2,067.0	2,408.0	2,341.9	2,333.3	2,023.2	2,148.5	2,121.6
o/w: Households' blocked f/c deposits	1,695.1	770.2	319.3	167.8	40.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Other items (net)	25,143.1	28,301.4	27,465.1	28,528.2	31,006.1	31,129.7	31,291.3	31,371.7	31,950.1	32,075.5	32,982.3
Total (1+2+3+4+5+6)	101,068.7	136,298.9	145,336.3	159,143.0	173,020.7	171,512.3	171,512.4	174,313.0	176,583.2	179,802.3	186,217.6

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

Table B1: Monetary Survey

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

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

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

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

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

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

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

Year	Month	Total number of reporting banks	Reporting banks classified according to their total assets						Total number of reporting savings banks	Savings banks classified according to their total assets		
			Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over		Less than 10 million kuna	10 million kuna to less than 100 million kuna	100 million kuna and over
1	2	3	4	5	6	7	8	9	10	11	12	13
1994	December	50	13	21	6	6	2	2	33	22	9	2
1995	December	53	15	20	7	7	2	2	21	7	13	1
1996	December	57	10	26	6	9	4	2	22	10	11	1
1997	December	60	4	28	9	8	9	2	33	12	18	3
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	December	46	4	13	7	9	8	5	10	3	5	2
2003	December	42	2	13	8	5	8	6	7	3	2	2
2004	August	40	2	11	10	5	6	6	6	3	3	–
	September	40	2	12	9	5	6	6	6	3	3	–
	October	40	2	12	9	5	6	6	6	3	3	–
	November	39	2	12	8	6	5	6	6	3	3	–
	December	39	1	12	9	6	5	6	6	3	3	–
2005	January	38	1	12	8	6	5	6	6	3	3	–
	February	38	1	12	8	6	5	6	6	3	3	–
	March	38	2	11	8	6	5	6	3	2	1	–
	April	37	1	11	9	5	5	6	3	2	1	–
	May	37	1	11	9	5	5	6	3	2	1	–
	June	36	1	10	8	6	5	6	3	2	1	–
	July	36	–	11	9	5	5	6	3	2	1	–
	August	36	1	10	9	5	5	6	3	2	1	–

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

The table shows the total number of banks and savings banks during the transition period which report monthly to the CNB. Their operations are shown in the Banks' Accounts. Monetary statistics includes reporting institutions under liquidation and, until February 2005, institutions whose operating licences have been revoked, but which have not initiated liquidation proceedings.

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

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

Table C1: Monetary Authorities Accounts

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
ASSETS											
1. Foreign assets	28,747.4	39,308.9	42,058.8	50,118.6	49,373.4	49,863.2	49,871.8	51,082.1	51,653.6	51,526.6	52,122.6
1.1. Gold	–	–	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	1,204.2	905.8	17.4	5.0	4.8	5.3	7.0	4.7	4.8	10.1	6.2
1.3. Reserve position in the IMF	1.8	1.8	1.6	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4
1.4. Currency and demand deposits with foreign banks	7.4	6.1	6.4	5.8	5.7	5.5	5.9	5.4	5.4	5.3	5.5
1.5. Time deposits with foreign banks	20,986.9	25,565.9	28,183.2	25,580.7	24,337.7	25,410.2	25,795.7	26,594.8	26,710.8	26,924.7	27,192.5
1.6. Securities in f/c	6,545.7	12,829.3	13,850.0	24,525.5	25,023.7	24,440.9	24,061.8	24,475.8	24,931.1	24,585.1	24,916.9
1.7. Non-convertible foreign exchange	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	0.0	–	0.5	1.4	3.3	1.7	2.2	0.7	–	1.2	0.6
2.1. Claims in kuna	0.0	–	0.5	1.4	3.3	1.7	2.2	0.7	–	1.2	0.6
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	289.5	229.2	110.6	93.6	82.9	77.5	77.5	77.5	77.5	77.5	77.5
4. Claims on banks	329.9	18.5	17.9	972.0	408.9	14.6	15.9	14.4	1,574.1	3,572.7	3,107.4
4.1. Credits to banks	313.6	–	–	954.4	394.0	–	–	–	1,559.6	3,558.2	3,092.7
Lombard credits	–	–	–	954.4	–	–	–	–	–	–	–
Short-term liquidity credits	–	–	–	–	–	–	–	–	–	–	–
Other credits	14.0	–	–	–	–	–	–	–	–	–	–
Reverse repo transactions	299.6	–	–	–	394.0	–	–	–	–	–	–
4.2. CNB deposits with banks	15.2	16.6	17.6	14.5	15.0	14.6	14.5	14.4	14.5	14.5	14.7
4.3. Overdue claims	1.1	1.9	0.3	3.1	–	–	1.4	–	–	–	–
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	29,366.8	39,556.6	42,187.7	51,185.6	49,868.5	49,957.1	49,967.4	51,174.7	53,305.2	55,178.0	55,308.1
LIABILITIES											
1. Reserve money	11,717.3	17,803.2	23,027.9	30,586.2	33,924.4	33,070.9	33,358.8	33,230.9	35,529.7	37,057.8	36,828.9
1.1. Currency outside banks	6,636.7	8,507.4	9,680.9	10,573.1	10,955.6	11,061.7	11,408.0	11,535.9	12,161.5	13,142.6	12,659.9
1.2. Banks' cash in vaults	532.3	538.8	1,214.8	1,683.2	1,871.0	1,665.0	1,805.6	1,908.6	1,855.9	2,063.8	1,975.1
1.3. Banks' deposits	4,540.7	8,741.5	12,109.4	18,329.3	21,082.6	20,344.0	20,124.1	19,767.5	21,503.1	21,851.4	22,193.9
Settlement accounts	459.5	2,450.1	3,923.4	5,616.0	6,408.2	5,582.3	4,265.0	5,008.6	5,388.5	5,319.3	5,488.7
Statutory reserves	4,081.2	6,291.4	8,186.0	12,603.9	14,674.4	14,761.7	14,317.7	14,558.1	16,114.6	16,422.1	16,645.2
CNB bills on obligatory basis	–	–	–	109.4	–	–	–	–	–	–	–
Overnight deposits	–	–	–	–	–	–	1,541.4	200.8	–	110.0	60.0
1.4. Deposits of other banking institutions	7.5	15.5	19.1	–	–	–	–	–	–	–	–
1.5. Deposits of other domestic sectors ^b	0.0	0.1	3.5	0.6	15.1	0.3	21.1	18.9	9.2	–	–
2. Restricted and blocked deposits	5,805.5	6,030.5	7,091.2	6,699.2	10,777.1	12,301.7	12,094.6	13,219.2	12,770.8	13,149.1	13,291.2
2.1. Statutory reserve in f/c	5,490.5	5,705.1	7,042.3	6,686.6	10,764.7	12,289.7	12,082.6	13,207.4	12,762.1	13,140.6	13,274.7
2.2. Restricted deposits	315.0	325.4	49.0	12.6	12.4	12.0	12.0	11.8	8.6	8.5	16.4
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,630.8	1,597.5	195.7	2,798.0	18.1	15.2	13.9	19.4	18.7	17.7	16.2
3.1. Use of IMF credit	1,290.3	1,025.5	2.8	0.0	–	–	–	–	–	–	–
3.2. Liabilities to international organisations	9.5	12.2	12.6	19.6	18.1	15.2	13.9	19.4	18.7	17.7	16.2
3.3. Liabilities to foreign banks ^a	331.0	559.8	180.2	2,778.5	–	–	–	–	–	–	–
4. Central government and funds' deposits	1,157.4	1,752.1	768.1	1,551.1	263.2	590.7	807.8	983.6	872.5	913.3	678.7
4.1. Demand deposits	1,008.5	1,752.1	608.3	600.2	228.0	590.7	807.8	983.6	872.5	913.3	678.6
Central government demand deposits	980.8	1,564.8	569.5	548.5	123.0	186.0	578.8	580.8	552.4	646.4	468.7
Central government funds' demand deposits	27.7	187.3	38.7	51.7	105.0	404.7	229.0	402.8	320.1	266.9	210.0
4.2. Central government f/c deposits	–	–	–	950.9	35.2	0.1	0.1	0.1	0.1	0.1	0.1
4.3. CNB bills	148.8	–	159.9	–	–	–	–	–	–	–	–
5. CNB bills	4,207.3	6,372.3	6,212.4	4,920.2	–	–	–	–	–	–	–
5.1. CNB bills in kuna	2,394.6	3,458.9	4,986.2	–	–	–	–	–	–	–	–
5.2. CNB bills in f/c	1,812.7	2,913.4	1,226.3	4,920.2	–	–	–	–	–	–	–
6. Capital accounts	5,216.6	6,425.2	5,353.5	5,039.0	5,096.5	4,426.6	4,134.9	4,181.9	4,580.5	4,511.3	4,959.5
7. Other items (net)	–368.1	–424.2	–461.1	–408.1	–210.8	–448.0	–442.7	–460.3	–467.0	–471.1	–466.4
Total (1+2+3+4+5+6+7)	29,366.8	39,556.6	42,187.7	51,185.6	49,868.5	49,957.1	49,967.4	51,174.7	53,305.2	55,178.0	55,308.1

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

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

Table C1: Monetary Authorities Accounts

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

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

Claims on central government and funds are loans and overdue claims on the budget of the Republic of Croatia. In accordance with the Croatian National Bank Act that entered into force in April 2001, the Croatian National Bank may not extend credit to the Republic of Croatia. Hence, this item comprises only overdue claims on the budget of the Republic of Croatia based on the payment system operations and the liabilities to the IMF and foreign banks. Until April 2001, Claims in kuna were short-term loans granted for the purpose of overcoming timing differences between incoming revenues and execution of budgetary expenditures, long-term loans granted by special decrees 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, deposits by the CNB with 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) and due but unpaid credits. 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

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

Reserve money consists of currency outside banks, cash in banks' vaults, banks' deposits with the CNB, other banking institutions' deposits and other domestic sectors' deposits with the CNB. Banks' deposits are: settlement account balances, statutory reserves deposited on a special account with the CNB, 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, on the basis of legal acts are deposited with the Croatian National Bank.

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

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

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

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

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

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

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

Table D1: Banks' Accounts

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
ASSETS											
1. Reserves with the CNB	10,588.9	15,002.7	20,373.5	26,783.7	33,718.2	34,295.8	34,013.4	34,886.7	36,163.5	37,069.9	37,461.9
1.1. In kuna	5,098.4	9,306.2	13,340.0	20,103.4	22,962.9	22,016.4	21,939.1	21,688.8	23,406.7	23,934.6	24,192.9
1.2. In f/c	5,490.5	5,696.5	7,033.5	6,680.2	10,755.3	12,279.5	12,074.2	13,197.9	12,756.8	13,135.4	13,269.0
2. Foreign assets	19,710.4	32,807.6	25,977.8	35,382.9	43,551.0	34,971.7	33,298.1	32,136.8	33,246.2	34,420.9	35,716.1
3. Claims on central government and funds	19,055.5	20,059.9	21,917.7	21,543.6	21,051.3	28,786.7	28,458.0	29,863.6	29,975.8	29,845.0	29,415.7
3.1. Bonds arising from blocked f/c deposits	4,484.4	3,420.1	2,473.5	1,531.9	532.0	22.3	21.9	21.7	21.7	21.6	21.5
3.2. Other claims	14,571.0	16,639.7	19,444.3	20,011.7	20,519.3	28,764.4	28,436.1	29,841.8	29,954.0	29,823.5	29,394.1
4. Claims on other domestic sectors	60,363.9	74,283.8	96,218.4	110,374.3	125,707.9	126,293.7	127,871.5	129,977.0	132,010.6	133,371.8	136,024.5
4.1. Claims on local government	1,174.9	1,280.0	1,422.4	1,563.1	1,787.9	1,750.7	1,729.8	1,733.0	1,758.2	1,678.1	1,682.5
4.2. Claims on enterprises	35,890.7	42,882.0	51,723.4	53,809.8	58,643.3	58,215.3	58,946.0	60,035.7	60,490.6	60,577.9	61,333.5
4.3. Claims on households	23,298.3	30,121.9	43,072.6	55,001.4	65,276.7	66,327.7	67,195.6	68,208.3	69,761.9	71,115.8	73,008.4
5. Claims on other banking institutions	68.7	170.2	219.5	431.8	624.0	537.2	541.9	565.6	588.3	639.6	1,247.6
6. Claims on non-banking financial institutions	161.7	281.4	915.3	761.8	893.9	1,151.4	1,232.5	1,093.6	993.9	904.9	846.5
Total (1+2+3+4+5+6)	109,949.1	142,605.6	165,622.2	195,278.0	225,546.2	226,036.5	225,415.3	228,523.2	232,978.3	236,252.1	240,712.2
LIABILITIES											
1. Demand deposits	11,386.0	15,180.6	21,166.2	23,315.0	23,591.3	23,485.4	23,390.0	24,480.0	24,564.3	25,162.0	25,108.5
2. Savings and time deposits	7,651.1	10,213.1	13,001.1	18,370.7	22,479.2	22,531.9	23,268.6	24,426.2	24,957.6	25,748.8	27,264.2
3. Foreign currency deposits	46,901.6	71,836.9	72,054.6	76,035.3	81,742.9	79,977.3	78,744.7	78,903.1	79,752.8	80,974.4	85,025.4
4. Bonds and money market instruments	478.2	317.8	216.3	598.4	1,163.5	918.0	1,046.8	1,243.8	1,164.5	550.4	1,055.7
5. Foreign liabilities	17,809.7	21,857.8	35,023.5	49,932.0	61,163.7	62,647.9	61,990.9	62,430.5	63,501.8	62,683.2	60,799.5
6. Central government and funds' deposits	6,730.5	5,634.7	6,094.9	5,283.3	6,821.8	6,917.0	7,028.6	7,050.4	7,569.7	7,371.0	7,739.0
7. Credit from central bank	328.8	16.6	17.6	968.9	408.9	14.6	14.5	14.4	1,574.1	3,572.7	3,107.4
8. Restricted and blocked deposits	2,549.6	1,600.8	1,680.5	1,709.0	2,054.6	2,396.1	2,329.9	2,321.5	2,014.5	2,140.0	2,105.2
o/w: Households' blocked f/c deposits	1,695.1	770.2	319.3	167.8	40.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Capital accounts	24,953.1	25,455.1	26,323.2	27,389.5	28,666.4	29,301.6	29,519.8	29,727.5	29,758.0	30,010.2	30,448.4
10. Other items (net)	-8,839.4	-9,507.8	-9,955.6	-8,324.2	-2,546.3	-2,153.3	-1,918.3	-2,074.1	-1,879.0	-1,960.7	-1,941.1
Total (1+2+3+4+5+6+7+8+9+10)	109,949.1	142,605.6	165,622.2	195,278.0	225,546.2	226,036.5	225,415.3	228,523.2	232,978.3	236,252.1	240,712.2

Table D1: Banks' Accounts

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

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

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

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

bonds on which interest is paid.

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

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

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

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

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

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

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

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

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

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

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

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

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

Table D2: Banks' Foreign Assets

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Foreign assets in f/c	19,619.2	32,763.6	25,924.4	35,261.9	43,428.1	34,892.1	33,194.3	32,010.5	33,071.4	34,129.2	35,511.8
1.1. Claims on foreign banks	19,154.9	31,660.3	21,333.5	31,877.6	35,911.0	27,732.8	25,909.2	24,949.0	25,440.3	26,023.3	27,147.6
Foreign currencies	1,002.8	7,324.7	1,019.8	1,268.6	1,190.0	1,069.4	979.5	1,054.2	1,206.8	1,416.6	1,287.4
Demand deposits	995.0	1,231.9	757.7	1,057.0	906.2	862.9	1,284.8	956.6	972.1	1,000.3	824.7
Time and notice deposits	16,286.7	21,765.2	17,569.8	27,969.4	30,943.7	22,843.4	20,882.9	19,821.0	19,982.1	20,211.7	20,873.2
Securities	454.9	1,008.5	1,690.2	1,364.2	2,674.1	2,763.5	2,549.4	2,920.0	3,080.4	3,194.9	3,960.4
Loans and advances	370.9	290.3	278.7	203.1	189.0	185.7	204.7	189.4	191.2	192.1	194.1
Shares and participations	44.6	39.7	17.2	15.4	8.1	7.8	7.7	7.7	7.7	7.7	7.8
1.2. Claims on foreign non-banks	464.3	1,103.3	4,590.8	3,384.4	7,517.1	7,159.3	7,285.1	7,061.5	7,631.1	8,105.9	8,364.3
Claims on foreign governments	137.8	596.2	3,855.5	2,905.0	7,066.6	6,805.0	6,936.1	6,685.6	7,220.4	7,701.1	7,869.2
Claims on other non-residents	322.4	505.5	733.7	478.9	450.2	353.9	348.6	375.6	410.2	404.3	494.6
Securities	–	72.1	191.3	32.1	77.4	0.0	–	–	–	–	36.8
Loans and advances	322.4	433.4	542.4	446.8	372.8	353.9	348.6	375.6	410.2	404.3	457.8
Shares and participations	4.1	1.6	1.6	0.4	0.3	0.4	0.4	0.4	0.5	0.5	0.5
2. Foreign assets in kuna	91.2	44.1	53.4	120.9	122.9	79.6	103.7	126.3	174.8	291.6	204.2
2.1. Claims on foreign banks	66.1	29.2	19.6	99.1	77.8	33.9	58.6	81.9	133.6	248.4	160.5
2.2. Claims on foreign non-banks	25.1	14.8	33.8	21.9	45.1	45.6	45.1	44.4	41.2	43.2	43.7
o/w: Loans and advances	23.3	13.9	33.0	21.0	44.3	44.8	44.3	43.6	40.4	42.3	42.9
Total (1+2)	19,710.4	32,807.6	25,977.8	35,382.9	43,551.0	34,971.7	33,298.1	32,136.8	33,246.2	34,420.9	35,716.1

Tables: D2 – D12

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

Table D2: Banks' Foreign Assets

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

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

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

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

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Bonds (c'part to blocked f/c savings deposits)	4,484.4	3,420.1	2,473.5	1,531.9	532.0	22.3	21.9	21.7	21.7	21.6	21.5
2. Other claims	14,571.0	16,639.7	19,444.3	20,011.7	20,519.3	28,764.4	28,436.1	29,841.8	29,954.0	29,823.5	29,394.1
2.1. In kuna	12,887.7	14,358.6	15,970.9	16,475.2	15,738.1	20,390.7	20,052.4	21,562.9	21,695.4	21,804.5	21,234.8
2.1.1. Claims on central government	11,288.4	12,810.0	13,969.9	14,500.7	13,933.5	17,651.6	17,368.3	18,273.8	17,992.6	18,018.5	17,470.5
Securities	10,063.5	11,983.1	11,515.6	10,238.1	11,247.1	14,947.8	15,222.8	15,379.9	15,035.2	15,803.0	16,006.4
Loans and advances	1,224.9	826.9	2,454.3	4,262.6	2,686.5	2,703.8	2,145.5	2,893.9	2,957.4	2,215.5	1,464.2
2.1.2. Claims on central government funds	1,599.4	1,548.5	2,001.0	1,974.5	1,804.6	2,739.1	2,684.1	3,289.1	3,702.8	3,786.0	3,764.3
Securities	627.3	560.1	560.7	723.6	621.1	652.2	687.4	690.4	710.9	579.8	596.8
Loans and advances	972.1	988.4	1,440.3	1,250.9	1,183.5	2,086.9	1,996.7	2,598.7	2,991.9	3,206.2	3,167.5
2.2. In f/c	1,683.3	2,281.2	3,473.3	3,536.4	4,781.1	8,373.7	8,383.7	8,278.9	8,258.6	8,019.0	8,159.3
2.2.1. Claims on central government	1,492.7	1,390.9	2,359.1	3,196.9	3,548.4	7,137.3	7,127.9	7,032.4	7,021.4	6,885.0	7,004.4
Securities	869.2	1,065.5	1,733.4	1,805.4	1,117.0	1,058.9	1,107.3	1,085.1	997.3	896.0	952.6
Loans and advances	623.5	325.5	625.7	1,391.5	2,431.3	6,078.4	6,020.6	5,947.3	6,024.0	5,989.0	6,051.8
2.2.2. Claims on central government funds	190.6	890.3	1,114.2	339.5	1,232.8	1,236.4	1,255.8	1,246.5	1,237.3	1,134.0	1,155.0
Securities	35.0	75.4	195.0	96.4	163.1	209.4	203.9	198.8	178.0	157.0	159.9
Loans and advances	155.5	814.8	919.2	243.1	1,069.7	1,026.9	1,051.9	1,047.7	1,059.3	977.1	995.1
Total (1+2)	19,055.5	20,059.9	21,917.7	21,543.6	21,051.3	28,786.7	28,458.0	29,863.6	29,975.8	29,845.0	29,415.7

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

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

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

Other claims are all other banks' kuna and foreign currency claims

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

Table D4: Banks' Claims on Other Domestic Sectors

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Claims in kuna	53,739.5	66,626.8	85,418.7	100,365.0	114,635.7	115,132.8	116,435.4	118,038.7	119,920.6	121,376.3	123,860.0
1.1. Money market instruments	231.9	544.7	1,394.7	1,314.1	2,510.0	1,600.3	1,630.6	1,696.3	1,635.3	1,567.0	1,639.5
1.2. Bonds	1.0	7.7	72.4	56.2	559.8	554.1	523.1	501.1	457.0	337.3	312.7
1.3. Loans and advances	49,566.8	62,180.6	80,887.6	96,081.7	109,523.9	110,959.3	112,288.0	113,846.3	115,787.9	117,436.4	119,869.3
1.4. Shares and participations	3,939.8	3,893.8	3,064.0	2,912.9	2,042.0	2,019.1	1,993.7	1,995.0	2,040.4	2,035.5	2,038.5
2. Claims in f/c	6,624.3	7,657.0	10,799.8	10,009.3	11,072.2	11,160.9	11,436.1	11,938.3	12,090.0	11,995.5	12,164.4
2.1. Securities	112.4	126.6	243.2	130.6	213.5	265.5	253.8	268.8	295.8	314.5	311.0
2.2. Loans and advances	6,512.0	7,530.5	10,556.6	9,878.7	10,858.6	10,895.4	11,182.4	11,669.5	11,794.1	11,681.0	11,853.5
Total (1+2)	60,363.9	74,283.8	96,218.4	110,374.3	125,707.9	126,293.7	127,871.5	129,977.0	132,010.6	133,371.8	136,024.5

Table D4: Banks' Claims on Other Domestic Sectors

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

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

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

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

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
LOANS IN KUNA											
1. Loans to central government and funds	2,196.9	1,815.4	3,894.6	5,513.5	3,870.0	4,790.7	4,142.1	5,492.7	5,949.4	5,421.6	4,631.6
1.1. Loans to central government	1,224.9	826.9	2,454.3	4,262.6	2,686.5	2,703.8	2,145.5	2,893.9	2,957.4	2,215.5	1,464.2
1.2. Loans to central government funds	972.1	988.4	1,440.3	1,250.9	1,183.5	2,086.9	1,996.7	2,598.7	2,991.9	3,206.2	3,167.5
2. Loans to local government	996.8	1,069.1	1,202.9	1,485.1	1,701.9	1,666.1	1,647.7	1,646.1	1,673.0	1,616.7	1,621.7
3. Loans to enterprises	25,328.0	31,049.4	36,708.1	39,777.4	42,844.7	43,266.9	43,750.1	44,303.5	44,704.2	45,048.1	45,595.9
4. Loans to households	23,242.1	30,062.1	42,976.6	54,819.3	64,977.2	66,026.2	66,890.2	67,896.7	69,410.7	70,771.6	72,651.7
o/w: Housing loans	8,257.8	9,450.0	12,363.4	16,896.2	21,397.9	21,865.2	22,161.1	22,535.3	23,239.5	23,931.4	24,898.0
5. Loans to other banking institutions	33.5	34.7	17.6	82.3	154.5	51.8	86.6	42.0	53.8	77.9	684.3
6. Loans to non-banking financial institutions	105.5	240.9	521.3	427.9	558.0	525.3	562.0	567.2	517.1	626.8	502.8
A. Total (1+2+3+4+5+6)	51,902.8	64,271.6	85,321.1	102,105.4	114,106.4	116,327.2	117,078.6	119,948.2	122,308.1	123,562.7	125,688.0
LOANS IN F/C											
1. Loans to central government and funds	779.1	1,140.3	1,544.9	1,634.7	3,501.0	7,105.4	7,072.5	6,995.1	7,083.4	6,966.1	7,046.8
1.1. Loans to central government	623.5	325.5	625.7	1,391.5	2,431.3	6,078.4	6,020.6	5,947.3	6,024.0	5,989.0	6,051.8
1.2. Loans to central government funds	155.5	814.8	919.2	243.1	1,069.7	1,026.9	1,051.9	1,047.7	1,059.3	977.1	995.1
2. Loans to local government	171.6	179.1	152.3	47.1	31.9	23.5	23.2	23.0	23.1	15.7	15.9
3. Loans to enterprises	6,284.0	7,291.7	10,308.3	9,649.4	10,527.3	10,570.4	10,853.7	11,334.9	11,419.9	11,321.1	11,480.9
4. Loans to households	56.3	59.7	96.0	182.1	299.5	301.5	305.4	311.6	351.2	344.1	356.7
5. Loans to other banking institutions	–	–	1.2	174.3	52.9	6.0	–	8.1	–	55.5	51.9
6. Loans to non-banking financial institutions	–	–	28.3	58.8	255.3	567.8	613.5	470.0	421.7	222.0	287.2
B. Total (1+2+3+4+5+6)	7,291.0	8,670.7	12,131.0	11,746.4	14,667.8	18,574.6	18,868.4	19,142.7	19,299.2	18,924.6	19,239.4
TOTAL (A+B)	59,193.9	72,942.3	97,452.1	113,851.8	128,774.2	134,901.8	135,947.1	139,090.9	141,607.3	142,487.2	144,927.4

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

The table shows data on kuna and foreign currency loans

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

Table D6: Demand Deposits with Banks

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Local government	573.6	907.0	1,910.4	2,006.2	2,020.7	1,878.0	2,069.1	2,070.8	1,913.7	1,739.7	1,812.1
2. Enterprises	7,087.1	8,981.6	12,344.5	12,872.9	12,036.9	11,455.3	10,984.7	11,759.1	11,728.9	12,201.4	12,240.0
3. Households	3,499.7	4,872.0	6,307.4	7,873.1	8,773.0	9,476.7	9,612.9	9,835.3	10,092.5	10,403.4	10,365.6
4. Other banking institutions	11.6	17.0	42.1	98.9	245.4	139.4	256.0	286.0	265.6	351.1	152.7
5. Non-banking financial institutions	221.7	407.1	568.1	468.1	517.5	537.7	469.3	530.8	565.3	468.2	539.8
6. Less: Checks of other banks and checks in collection	-7.6	-4.2	-6.4	-4.2	-2.2	-1.8	-2.0	-1.9	-1.8	-1.8	-1.7
Total (1+2+3+4+5+6)	11,386.0	15,180.6	21,166.2	23,315.0	23,591.3	23,485.4	23,390.0	24,480.0	24,564.3	25,162.0	25,108.5

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. amount of checks in banks' vaults and checks in collection). Banks' obligations arising from kuna payment instruments issued are included in the household sector.

Table D7: Time and Savings Deposits with Banks

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Savings deposits	1,676.1	2,006.8	2,236.2	2,527.9	2,233.9	2,327.6	2,341.6	2,321.5	2,335.8	2,390.6	2,417.4
1.1. Local government	137.6	118.3	14.8	14.4	4.6	4.7	4.8	4.7	4.8	4.7	4.9
1.2. Enterprises	142.4	88.0	213.3	190.5	38.8	45.5	44.2	61.4	62.0	78.0	96.9
1.3. Households	1,348.3	1,712.2	1,996.3	2,288.8	2,190.5	2,277.4	2,292.6	2,255.4	2,269.1	2,307.9	2,315.5
1.4. Other banking institutions	0.6	20.8	0.0	–	–	–	–	–	–	–	–
1.5. Non-banking financial institutions	47.2	67.5	11.8	34.2	0.0	0.0	–	0.0	0.0	0.0	–
2. Time and notice deposits	5,975.0	8,206.3	10,764.9	15,842.9	20,245.4	20,204.3	20,927.0	22,104.7	22,621.8	23,358.2	24,846.8
2.1. Local government	230.7	340.7	482.8	551.6	550.8	695.6	693.0	676.7	675.8	702.1	749.1
2.2. Enterprises	2,871.4	3,618.3	4,633.6	7,165.3	8,698.5	7,522.2	7,712.5	8,320.8	8,346.1	8,601.9	9,557.0
2.3. Households	1,789.8	2,554.1	3,793.8	6,194.5	9,321.4	10,455.7	10,660.4	10,884.8	11,190.4	11,508.8	11,822.7
2.4. Other banking institutions	20.8	24.7	58.4	129.3	215.9	143.7	283.0	571.6	532.4	898.8	906.2
2.5. Non-banking financial institutions	1,062.2	1,668.5	1,796.3	1,802.2	1,458.8	1,387.1	1,578.2	1,650.7	1,877.1	1,646.5	1,811.8
Total (1+2)	7,651.1	10,213.1	13,001.1	18,370.7	22,479.2	22,531.9	23,268.6	24,426.2	24,957.6	25,748.8	27,264.2

Table D7: Time and Savings Deposits with Banks

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

Table D8: Foreign Currency Deposits with Banks

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Savings deposits	14,566.3	23,748.8	21,074.4	21,547.0	22,144.6	21,005.7	20,716.7	21,238.6	21,410.7	21,865.7	23,475.5
1.1. Local government	16.8	13.2	12.2	14.7	15.6	14.6	14.5	14.5	14.8	13.3	13.6
1.2. Enterprises	2,408.0	2,884.2	3,346.7	3,620.2	4,273.2	3,948.4	3,889.6	4,277.4	4,230.0	4,182.2	4,984.3
1.3. Households	12,041.5	20,688.3	17,537.3	17,690.2	17,708.9	16,864.1	16,675.2	16,834.7	17,069.2	17,407.5	18,226.2
1.4. Other banking institutions	10.3	23.9	34.7	9.0	15.4	16.2	15.7	11.9	11.1	25.8	37.1
1.5. Non-banking financial institutions	89.8	139.2	143.5	212.9	131.6	162.3	121.7	100.2	85.6	236.9	214.4
2. Time deposits	32,335.3	48,088.1	50,980.3	54,488.4	59,598.3	58,971.7	58,028.0	57,664.5	58,342.1	59,108.7	61,549.9
2.1. Local government	8.2	1.7	9.5	3.8	0.3	0.3	0.3	0.3	31.8	31.7	32.8
2.2. Enterprises	2,753.1	4,619.1	6,009.6	7,154.0	8,518.6	8,267.1	7,698.6	7,206.2	7,125.9	6,953.1	7,954.2
2.3. Households	29,097.2	42,705.4	44,159.2	46,805.1	50,636.0	50,298.2	49,936.5	49,977.4	50,617.7	51,304.2	52,703.1
2.4. Other banking institutions	4.2	11.5	41.5	21.7	20.7	81.8	66.0	94.0	120.2	122.8	159.4
2.5. Non-banking financial institutions	472.7	750.3	760.5	503.7	422.7	324.3	326.6	386.7	446.5	696.9	700.3
Total (1+2)	46,901.6	71,836.9	72,054.6	76,035.3	81,742.9	79,977.3	78,744.7	78,903.1	79,752.8	80,974.4	85,025.4

Table D8: Foreign Currency Deposits with Banks

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

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

Table D9: Bonds and Money Market Instruments

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Money market instruments (net)	–	–	5.1	–	–	–	–	–	–	–	–
2. Bonds (net)	353.5	104.4	92.8	151.9	170.5	170.3	166.7	167.1	159.6	161.4	160.1
3. Other domestic borrowing	124.7	213.4	118.4	446.5	993.0	747.6	880.2	1,076.7	1,005.0	389.0	895.6
3.1. Local government	–	–	–	0.9	–	–	–	–	–	–	0.0
3.2. Enterprises	15.2	158.1	46.3	92.7	40.3	49.3	49.3	81.3	80.3	91.8	74.8
3.3. Other banking institutions	1.3	4.6	10.0	222.1	842.8	494.2	515.4	565.1	623.4	226.6	772.1
3.4. Non-banking financial institutions	108.2	50.7	62.0	130.9	109.9	204.2	315.5	430.3	301.2	70.7	48.6
Total (1+2+3)	478.2	317.8	216.3	598.4	1,163.5	918.0	1,046.8	1,243.8	1,164.5	550.4	1,055.7

Table D9: Bonds and Money Market Instruments

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

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

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

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

Table D10: Banks' Foreign Liabilities

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Foreign liabilities in f/c	17,669.8	21,692.7	34,198.5	44,574.3	54,536.7	53,735.4	52,424.1	52,238.8	52,808.8	51,219.1	49,711.8
1.1. Liabilities to foreign banks	11,957.6	16,407.4	28,662.3	38,623.1	48,894.3	47,865.2	46,573.9	46,376.0	46,704.8	45,034.1	43,447.0
Demand deposits	176.3	147.1	130.9	266.6	127.6	96.2	118.6	95.7	106.6	112.6	96.8
Time and notice deposits	345.9	1,208.3	9,002.9	14,875.4	16,056.8	14,254.3	13,426.6	13,647.9	13,554.8	12,410.9	10,261.5
Loans and advances	11,435.4	15,052.1	19,528.5	23,481.2	29,296.3	30,198.7	29,734.3	29,363.0	29,772.0	29,245.1	29,786.5
o/w: Subordinated and hybrid instruments	194.2	2,558.3	2,801.4	2,949.2	2,326.3	2,017.4	1,846.7	1,832.4	1,833.2	1,829.8	1,850.2
Bonds	–	–	–	–	3,413.6	3,315.9	3,294.5	3,269.4	3,271.4	3,265.5	3,302.2
1.2. Liabilities to foreign non-banks	5,712.2	5,285.2	5,536.2	5,951.2	5,642.4	5,870.2	5,850.2	5,862.8	6,104.0	6,185.0	6,264.8
Savings and time deposits	2,868.1	3,777.8	4,160.2	4,753.2	5,002.2	5,280.5	5,264.5	5,280.9	5,516.2	5,641.5	5,714.6
Sight deposits	745.5	873.7	875.6	898.6	1,052.5	1,073.3	1,064.6	1,131.1	1,156.6	1,197.8	1,275.0
Time and notice deposits	2,122.6	2,904.1	3,284.6	3,854.6	3,949.6	4,207.1	4,199.9	4,149.8	4,359.7	4,443.7	4,439.5
Loans and advances	2,844.1	1,507.4	1,376.0	1,198.0	640.2	589.8	585.7	581.9	587.8	543.5	550.2
o/w: Subordinated and hybrid instruments	66.0	39.3	39.7	39.1	73.4	71.1	70.4	69.8	69.8	69.6	70.4
2. Foreign liabilities in kuna	140.0	165.1	825.0	5,357.7	6,627.0	8,912.5	9,566.8	10,191.7	10,693.0	11,464.1	11,087.6
2.1. Liabilities to foreign banks	37.0	46.9	690.9	5,087.8	6,103.9	8,293.2	8,931.3	9,524.8	9,992.7	10,755.2	10,363.8
Demand deposits	14.4	38.2	53.6	86.4	145.1	199.8	248.0	162.0	223.4	159.0	176.8
Time and notice deposits	22.0	4.2	635.8	2,664.1	2,846.9	4,471.8	4,225.7	4,097.8	4,136.9	4,978.4	5,098.7
Loans and advances	0.7	4.5	1.5	2,337.3	3,111.9	3,621.6	4,457.6	5,265.0	5,632.3	5,617.9	5,088.2
2.2. Liabilities to foreign non-banks	103.0	118.2	134.1	269.9	523.1	619.3	635.5	666.9	700.4	708.9	723.9
Demand deposits	50.8	60.1	56.2	76.8	95.9	108.3	111.6	119.8	121.6	113.2	103.2
Time and notice deposits	52.2	58.1	77.9	191.4	419.2	503.2	519.9	543.1	574.8	591.7	616.7
Loans and advances	–	–	–	1.7	8.0	7.7	4.0	3.9	3.9	3.9	4.0
o/w: Subordinated and hybrid instruments	....	....	....	1.7	8.0	7.7	4.0	3.9	3.9	3.9	4.0
Total (1+2)	17,809.7	21,857.8	35,023.5	49,932.0	61,163.7	62,647.9	61,990.9	62,430.5	63,501.8	62,683.2	60,799.5

Table D10: Banks' Foreign Liabilities

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

Banks' foreign liabilities comprise foreign currency liabilities and

foreign kuna liabilities.

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

Table D11: Central Government and Funds' Deposits with Banks

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. In kuna	3,073.3	3,335.1	4,036.8	4,104.4	5,627.2	5,961.7	5,897.0	5,864.9	6,105.4	6,205.3	6,633.0
1.1. Central government deposits	430.0	295.9	634.3	506.4	445.1	426.4	454.3	512.0	554.8	502.2	529.3
Demand deposits	116.7	33.9	476.4	448.0	373.3	330.4	372.8	390.4	428.4	376.9	397.2
Savings deposits	26.1	41.6	3.3	3.0	4.2	3.3	3.2	2.9	2.1	2.0	2.1
Time and notice deposits	259.5	217.6	153.6	54.2	66.5	91.7	77.3	117.7	123.2	122.2	129.1
Loans and advances	27.7	2.8	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0
1.2. Central government funds' deposits	2,643.3	3,039.2	3,402.5	3,598.0	5,182.2	5,535.4	5,442.7	5,352.9	5,550.6	5,703.1	6,103.6
Demand deposits	116.9	214.6	553.2	294.8	266.3	271.9	279.7	275.6	241.5	345.9	436.1
Savings deposits	15.2	10.8	0.0	0.3	3.5	1.9	1.9	1.9	1.9	1.9	1.9
Time and notice deposits	32.6	195.2	144.3	156.2	262.3	638.9	428.7	176.9	251.0	143.0	270.1
Loans and advances	2,478.6	2,618.6	2,705.0	3,146.7	4,650.0	4,622.7	4,732.5	4,898.6	5,056.2	5,212.4	5,395.6
2. In f/c	3,657.1	2,299.6	2,058.1	1,178.9	1,194.6	955.3	1,131.6	1,185.5	1,464.3	1,165.6	1,106.0
2.1. Central government deposits	3,622.6	2,275.0	1,938.9	1,158.2	891.0	818.6	787.3	816.9	887.7	761.5	732.0
Savings deposits	1,256.1	329.8	263.0	198.5	189.7	206.5	188.5	189.0	236.6	224.2	193.8
Time and notice deposits	27.0	55.8	293.1	–	23.2	23.7	17.1	30.1	30.1	26.6	27.4
Refinanced loans and advances	2,339.4	1,889.5	1,382.8	959.6	678.1	588.3	581.7	597.8	620.9	510.6	510.8
2.2. Central government funds' deposits	34.6	24.5	119.2	20.8	303.6	136.7	344.3	368.5	576.6	404.2	374.0
Savings deposits	25.0	22.9	114.1	20.8	156.5	136.7	148.9	138.4	172.1	205.7	189.5
Time and notice deposits	9.5	1.6	5.0	–	147.1	–	195.4	120.6	240.8	–	73.8
Loans	–	–	–	–	–	–	–	109.6	163.8	198.5	110.7
Total (1+2)	6,730.5	5,634.7	6,094.9	5,283.3	6,821.8	6,917.0	7,028.6	7,050.4	7,569.7	7,371.0	7,739.0

Table D11: Central Government and Funds' Deposits with Banks

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

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

Table D12: Restricted and Blocked Deposits with Banks

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Restricted deposits	854.4	830.6	1,361.2	1,541.2	2,014.6	2,396.0	2,329.9	2,321.4	2,014.5	2,140.0	2,105.2
1.1. In kuna	131.6	100.3	789.6	730.1	1,267.4	1,473.5	1,515.3	1,344.4	1,221.6	1,190.1	1,179.0
1.2. In f/c	722.8	730.3	571.6	811.1	747.2	922.5	814.6	977.0	792.9	949.9	926.2
2. Blocked f/c deposits of households	1,695.1	770.2	319.3	167.8	40.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2)	2,549.6	1,600.8	1,680.5	1,709.0	2,054.6	2,396.1	2,329.9	2,321.5	2,014.5	2,140.0	2,105.2

Table D12: Restricted and Blocked Deposits with Banks

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

Restricted and blocked deposits include two categories of deposits: restricted (kuna and foreign currency) deposits and blocked for-

foreign currency deposits.

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

Figure D1

DISTRIBUTION OF BANKS' LOANS BY DOMESTIC INSTITUTIONAL SECTORS

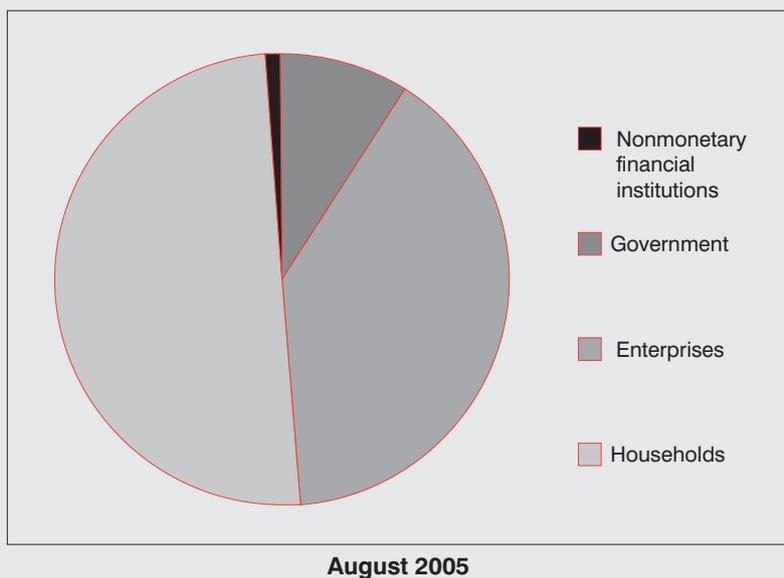
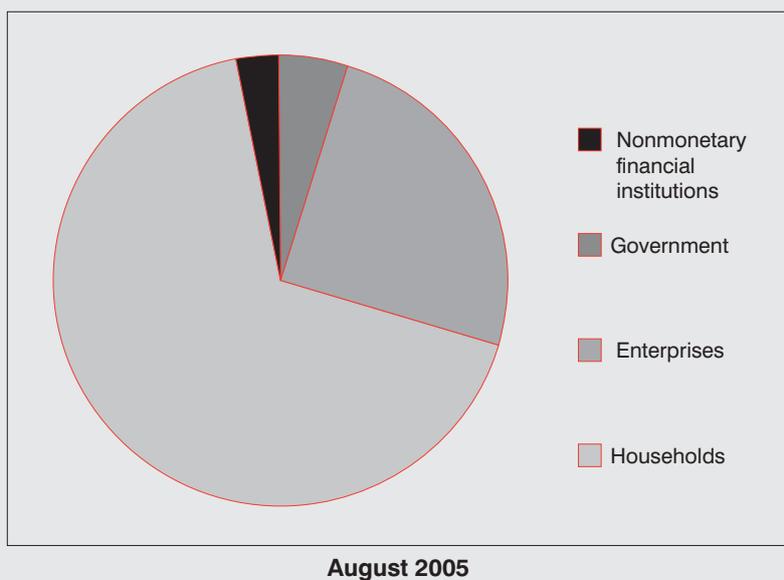


Figure D2

DISTRIBUTION OF BANKS' DEPOSITS BY DOMESTIC INSTITUTIONAL SECTORS



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

Table E1: Housing Savings Banks' Accounts

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
ASSETS											
1. Reserves with the CNB	7.6	15.5	19.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	497.6	1,208.8	1,983.9	3,033.5	3,779.1	3,660.1	3,644.2	3,646.5	3,666.1	3,676.3	3,759.5
3. Claims on other domestic sectors	1.1	11.6	93.3	187.9	373.2	557.4	571.1	588.6	610.9	627.8	653.0
o/w: Claims on households	0.6	11.6	91.3	187.9	373.2	403.0	418.2	436.5	458.9	476.6	499.0
4. Claims on banks	7.6	18.1	37.2	247.2	824.2	666.0	663.7	659.1	693.0	684.6	716.0
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	513.8	1,254.0	2,133.6	3,468.6	4,976.6	4,883.5	4,879.0	4,894.3	4,970.1	4,988.7	5,128.6
LIABILITIES											
1. Time deposits	437.8	1,137.5	2,012.9	3,265.2	4,728.2	4,686.9	4,663.4	4,647.9	4,678.9	4,696.9	4,793.0
2. Bonds and money market instruments	10.0	10.0	–	11.1	10.7	10.4	10.3	10.2	10.2	10.2	10.3
3. Capital accounts	112.5	124.0	141.1	159.7	206.7	172.4	206.3	228.5	238.1	243.3	262.0
4. Other items (net)	–46.5	–17.5	–20.4	32.6	30.8	13.8	–1.0	7.7	42.9	38.3	63.3
Total (1+2+3+4)	513.8	1,254.0	2,133.6	3,468.6	4,976.6	4,883.5	4,879.0	4,894.3	4,970.1	4,988.7	5,128.6

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

lar operations with banks.

Claims on other banking institutions include investments in investment funds.

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

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

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

Table F1: Credit Rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	CNB discount rate	CNB repo rate ^a	Credit rates					
				On lombard credits ^a	On intervention credits	On intra-day refinancing facility ^b	On short-term liquidity credits	On inaccurately calculated statutory reserves ^a	On arrears
1	2	3	4	5	6	7	8	9	10
1994	December	8.50	–	18.00	19.00	17.00	14.00	19.00	22.00
1995	December	8.50	–	25.49	19.00	17.00	–	19.00	22.00
1996	December	6.50	–	11.00	19.00	17.00	–	19.00	18.00
1997	December	5.90	–	9.50	19.00	17.00	–	19.00	18.00
1998	December	5.90	–	12.00	19.00	7.00	14.00	19.00	18.00
1999	December	7.90	–	13.00	19.00	–	14.00	19.00	18.00
2000	December	5.90	–	12.00	18.00	–	13.00	18.00	18.00
2001	December	5.90	–	10.00	–	–	11.00	15.00	18.00
2002	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2003	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2004	August	4.50	–	9.50	–	–	10.50	15.00	15.00
	September	4.50	–	9.50	–	–	10.50	15.00	15.00
	October	4.50	–	9.50	–	–	10.50	15.00	15.00
	November	4.50	–	9.50	–	–	10.50	15.00	15.00
	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	January	4.50	–	9.50	–	–	10.50	15.00	15.00
	February	4.50	–	9.50	–	–	10.50	15.00	15.00
	March	4.50	–	9.50	–	–	10.50	15.00	15.00
	April	4.50	4.75	9.50	–	–	10.50	15.00	15.00
	May	4.50	–	9.50	–	–	10.50	15.00	15.00
	June	4.50	3.61	9.50	–	–	10.50	15.00	15.00
	July	4.50	3.52	9.50	–	–	10.50	15.00	15.00
	August	4.50	3.50	9.50	–	–	10.50	15.00	15.00

^a Weighted averages of weighted repo rates achieved at regular reverse repo auctions of the CNB in the reporting month.

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

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 annual basis. Exceptionally, from June 1995 interest rate charged by the CNB on Lombard credits was 1.5 percentage point higher than the weighted average interest rate on CNB bills on a voluntary basis (which serve as collateral for Lombard credits) in cases when the weighted average interest rate was higher than 16.5%. Congruently, from June 1995 to August 1996 the table reports the weighted average interest rate on Lombard credits.

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

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

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

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

Data shown in column 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. Since December 1999, data show interest rates on short-term liquidity credit with a maturity over 3 months which is 1 percentage point higher than interest rate on Lombard credits. Interest rate on short-term liquidity credit up to 3 months is 0.5 percentage point higher than interest rate on Lombard credits.

Table F2: Deposit Rates of the Croatian National Bank

in percentage, on annual basis

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

^a Breaks in the series of data are explained in notes on methodology. ^b Since 8 June 2005.

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 CNB. 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 bank's settlement accounts, or deposited in a special account with the CNB for the settlement of net positions in the NCS. From April 2005, they include the calculated statutory reserve funds allocated to a special statutory reserve account with the CNB (column 3).

Interest rates on CNB bills on an obligatory basis are set by a decision of the Council of the CNB. Interest rates on CNB bills on a voluntary basis are set at CNB bills' auction sales. Congruently, columns 5, 6 and 7 report 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.

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

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

Table F3: Banks' Reserve Requirements

daily averages and percentages, million kuna and %

Year	Month	Weighted average res. requirement in % on res. base	Reserve requirement (RR)			Other obligatory deposits with the CNB	Statutory reserves deposited with the CNB		Weighted avg. remuneration rate on immobilized funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
1994	December	26.20	1,826.0	1,826.0	–	188.3	1,779.2	–	5.63	–
1995	December	30.90	2,431.8	2,431.8	–	826.5	2,215.9	–	7.93	–
1996	December	35.91	3,652.9	3,652.9	–	–	3,312.0	–	4.99	–
1997	December	32.02	4,348.8	4,348.8	–	–	3,914.2	–	4.05	–
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.06	....
2001	December	19.67	21,187.1	8,691.5	12,495.5	–	6,287.8	5,950.0	1.97	2.73
2002	December	19.00	25,985.1	11,447.1	14,538.0	–	8,156.7	7,139.9	1.72	2.16
2003	December	19.00	31,009.4	18,023.8	12,985.6	109.4	12,459.8	6,850.2	1.17	1.47
2004	August	19.00	33,748.9	20,036.4	13,712.5	253.9	14,327.8	10,477.5	1.17	1.10
	September	19.00	34,298.8	20,440.5	13,858.3	232.0	14,672.2	10,469.5	1.20	1.16
	October	19.00	34,720.2	20,731.8	13,988.4	163.8	15,024.9	10,503.0	1.20	1.40
	November	18.23	33,750.6	20,128.7	13,621.9	279.3	14,749.5	10,196.5	1.22	2.71
	December	18.00	33,615.7	20,040.9	13,574.8	430.1	14,664.1	10,171.3	1.22	1.36
2005	January	18.00	33,813.7	20,138.1	13,675.7	844.2	14,702.2	10,263.1	1.22	1.49
	February	18.00	34,231.3	20,353.1	13,878.2	1,341.2	14,844.8	10,444.8	1.21	1.41
	March	18.00	34,369.6	20,506.3	13,863.3	1,752.0	14,790.3	10,436.4	1.21	1.30
	April	18.00	34,273.3	20,475.9	13,797.4	1,769.2	14,421.3	10,403.7	0.95	1.41
	May	18.00	34,619.1	20,713.2	13,905.9	2,426.0	14,496.1	10,542.8	0.87	1.24
	June	18.00	34,918.4	22,506.3	12,412.1	3,447.3	15,751.4	9,427.2	0.61	0.86
	July	18.00	35,414.2	23,365.0	12,049.2	3,921.7	16,352.7	9,151.9	0.52	0.74
	August	18.00	35,792.5	23,710.5	12,082.0	4,024.6	16,594.8	9,150.1	0.52	0.68

Table F3: Banks' Reserve Requirements

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

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

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

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

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

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

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

Column 8 shows the portion of the kuna reserve requirement which banks deposit in a 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 exchange accounts. The percentage for allocating the foreign currency component of reserve requirements calculated on the basis of foreign exchange funds of non-residents and foreign exchange funds received from legal persons in a special relationship with a bank amounts to 100%, while the percentage for allocating the remaining portion of

Table F4: Banks' Liquidity Indicators

daily averages and percentages, million kuna and %

Year	Month	Free reserves		Primary liquidity ratio (in %)	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna MoF treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
1994	December	119.5	....	1.72	393.7	210.2	–	–
1995	December	49.4	....	0.63	199.4	218.7	–	–
1996	December	267.9	....	2.63	98.5	780.9	–	183.8
1997	December	396.3	....	2.92	32.7	728.9	–	260.7
1998	December	221.9	....	1.65	445.5	850.4	1,377.4	141.3
1999	December	179.6	....	1.30	1,183.6	1,311.1	1,507.6	373.9
2000	December	638.8	10,721.4	3.32	80.1	2,485.3	1,692.7	2,006.5
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,360.9
2002	December	1,225.0	10,398.0	3.53	0.6	4,965.5	1,273.9	4,279.5
2003	December	451.6	20,561.4	0.98	501.6	0.0	4,316.0	3,073.2
2004	August	672.0	26,737.0	1.26	153.8	0.0	0.0	3,950.8
	September	978.6	26,988.7	1.79	0.0	0.0	0.0	3,633.8
	October	1,119.7	27,157.8	2.01	0.0	0.0	0.0	4,029.1
	November	1,580.1	26,854.9	2.81	0.0	0.0	0.0	4,417.6
	December	1,495.5	26,126.1	2.64	0.0	0.0	0.0	4,581.7
2005	January	1,592.1	24,923.7	2.80	0.0	0.0	0.0	4,859.1
	February	1,472.0	23,212.0	2.57	0.0	0.0	0.0	5,266.7
	March	1,132.5	21,380.6	1.95	0.0	0.0	0.0	6,050.3
	April	683.1	19,812.8	1.17	1.1	0.0	0.0	7,164.1
	May	542.2	18,697.5	0.92	0.0	0.0	0.0	7,253.5
	June	577.5	19,221.1	0.95	0.0	0.0	0.0	5,476.5
	July	504.7	20,669.4	0.80	0.0	0.0	0.0	4,370.8
	August	605.3	21,540.2	0.94	0.0	0.0	0.0	3,639.2

the foreign currency component of reserve requirements amounts to 60%.

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

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

Table F4: Banks' Liquidity Indicators

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

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

Column 4 shows free reserves in foreign currency, defined as

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

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

Column 6 shows the monthly average of day-to-day balances of secondary liquidity sources used. Secondary liquidity sources comprise: 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 (EUR and USD).

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

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

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

Year	Month	Money market interest rates			Interest rates on kuna credits not indexed to foreign currency								
		On overnight credits	On other credits	Total average	On short-term credits						On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households	
							Total average	Credit lines	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	
1994	December	8.50	17.76	15.39	15.43	....	....	....	....	13.82	....	....
1995	December	27.26	27.15	22.32	22.56	22.23	23.81	23.75	25.58	13.48	13.39	14.38	
1996	December	9.66	10.72	18.46	19.35	19.18	20.18	19.90	23.12	11.51	11.29	14.28	
1997	December	8.46	9.49	14.06	14.12	13.17	19.26	19.34	18.11	13.24	12.98	13.75	
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16	
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16	
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97	
2001	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14	
2002	December	1.58	1.89	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88	
2003	December	5.47	7.02	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69	
2004	August	7.69	6.99	11.44	11.58	7.72	14.22	14.29	12.80	9.96	6.88	11.50	
	September	6.67	7.50	11.80	12.06	8.24	14.21	14.28	12.60	9.76	6.21	11.43	
	October	3.77	6.71	11.84	12.00	8.32	14.23	14.31	12.51	10.35	7.64	10.87	
	November	1.81	6.27	11.74	11.96	8.28	14.25	14.31	12.45	9.38	6.87	10.80	
	December	3.55	6.02	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16	
2005	January	2.26	4.21	11.80	11.95	8.21	14.16	14.26	12.09	10.39	6.63	11.15	
	February	2.55	4.94	11.88	12.03	8.31	14.05	14.27	9.81	9.97	6.68	10.88	
	March	2.04	5.60	11.82	12.08	8.37	14.16	14.25	11.93	9.24	6.42	11.33	
	April	0.89	5.14	11.57	11.79	8.21	13.74	14.02	9.50	10.07	6.30	11.62	
	May	0.77	4.50	11.38	11.44	7.95	13.43	14.15	6.96	10.66	6.13	11.63	
	June	1.96	5.01	11.21	11.26	8.19	13.00	13.86	6.59	10.71	6.75	11.74	
	July	3.38	4.50	11.42	11.52	8.16	13.39	13.89	7.51	10.21	7.43	11.25	
	August	5.55	5.19	11.17	11.32	7.85	13.32	13.88	7.26	9.38	5.38	11.34	
Relative significance ^a		–	–	64.98	59.95	21.89	38.06	34.81	3.25	5.04	1.66	3.38	

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros			
		On short-term credits						On long-term credits			Total average	On short-term credits	On long-term credits	
		Total average	Enterprises		Households		Total average	Households						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1994	December	11.99	12.38	11.65
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44	
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18	
2004	August	7.49	7.47	7.21	8.80	7.50	5.82	8.28	5.79	9.83	5.43	6.21	4.96	
	September	7.16	6.78	6.55	8.57	7.32	5.82	8.08	5.73	9.57	4.99	5.77	4.26	
	October	7.51	7.47	7.31	8.32	7.52	6.06	8.06	6.74	9.29	5.08	5.69	4.42	
	November	7.26	7.03	6.77	8.64	7.33	5.94	8.11	5.87	9.06	5.65	5.90	5.32	
	December	6.89	7.25	7.09	8.47	6.77	5.55	7.73	5.71	8.79	5.34	5.92	4.83	
2005	January	6.97	7.03	6.86	8.13	6.95	5.91	7.52	5.71	8.51	5.45	5.63	5.29	
	February	6.89	6.95	6.80	7.92	6.87	5.66	7.52	5.52	8.42	5.46	6.22	4.65	
	March	7.44	6.86	6.72	7.65	7.55	4.97	8.31	5.44	8.79	5.47	5.80	5.03	
	April	6.92	7.11	7.04	7.50	6.89	5.64	7.38	6.33	8.41	5.53	5.85	5.21	
	May	6.71	6.73	6.62	7.54	6.70	5.24	7.43	5.30	8.34	5.31	5.33	5.25	
	June	6.60	6.56	6.49	6.94	6.62	5.47	7.22	5.14	8.21	5.20	5.62	4.64	
	July	6.29	6.09	5.96	7.16	6.36	5.22	7.06	5.02	8.05	5.13	5.14	5.09	
	August	6.67	6.78	6.77	6.84	6.63	5.40	7.22	5.03	8.51	4.71	6.10	4.15	
Relative significance ^a		28.98	7.31	6.49	0.82	21.67	7.03	14.64	5.40	9.24	6.04	1.73	4.31	

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	On time deposits						
				Total average	On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
1994	December	5.03	3.55	9.65	....	....	....	....	....	....
1995	December	6.10	3.88	13.65	13.80	10.56	14.28	9.88	10.67	9.62
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	August	2.11	0.75	6.25	6.28	3.80	6.57	3.68	4.90	2.10
	September	2.17	0.74	5.93	5.95	3.87	6.16	3.56	4.69	2.20
	October	2.06	0.74	4.67	4.68	3.92	4.76	3.80	4.76	3.05
	November	1.76	0.75	3.36	3.34	4.01	3.26	4.53	4.67	4.45
	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	January	1.79	0.74	4.13	4.13	4.06	4.14	3.87	4.28	3.17
	February	1.73	0.74	4.05	4.06	4.04	4.06	3.73	4.39	2.74
	March	1.75	0.74	3.87	3.87	3.90	3.86	4.03	4.93	2.99
	April	1.70	0.73	3.46	3.44	3.98	3.32	4.09	4.97	2.78
	May	1.66	0.72	3.34	3.31	3.94	3.17	4.53	5.17	4.01
	June	1.72	0.70	3.55	3.54	4.01	3.45	4.04	4.88	3.34
	July	1.68	0.62	3.92	3.91	4.00	3.90	4.18	5.29	2.93
	August	1.83	0.63	4.78	4.79	3.99	4.90	4.09	4.97	2.95
Relative significance ^a		46.60	30.95	12.40	12.22	1.46	10.76	0.19	0.11	0.08

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

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on savings and time deposits indexed to f/c				Interest rates on foreign currency deposits					
		Total average	On short-term deposits	On long-term deposits	Total average	Total average	Savings deposits				
							Households		Enterprises		
							EUR	USD	EUR	USD	
1	2	3	4	5	6	7	8	9	10	11	
1994	December	6.95
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53	
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39	
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40	
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74	
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30	
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29	
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40	
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38	
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15	
2004	August	3.89	3.63	4.96	2.54	0.31	0.34	0.22	0.28	0.31	
	September	3.89	3.40	4.69	2.56	0.31	0.34	0.22	0.25	0.22	
	October	3.94	3.58	4.59	2.64	0.32	0.35	0.22	0.26	0.20	
	November	3.94	3.65	5.06	2.57	0.31	0.34	0.22	0.26	0.23	
	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21	
2005	January	4.27	3.65	5.02	2.59	0.29	0.32	0.21	0.24	0.30	
	February	4.24	3.74	4.98	2.65	0.29	0.32	0.21	0.24	0.27	
	March	4.31	3.69	5.27	2.67	0.29	0.31	0.21	0.24	0.31	
	April	4.19	3.61	4.80	2.70	0.29	0.31	0.21	0.24	0.40	
	May	4.13	3.66	4.64	2.67	0.29	0.30	0.21	0.27	0.41	
	June	3.86	3.54	3.82	2.55	0.30	0.30	0.21	0.31	0.47	
	July	4.00	3.41	4.53	2.53	0.27	0.27	0.18	0.31	0.47	
	August	4.05 ^b	3.59	4.83	2.53	0.28	0.27	0.18	0.33	0.50	
Relative significance ^a		2.33	1.90	0.42	51.07	28.88	19.80	3.23	5.18	0.67	

^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, 18.12 percent refers to enterprises.

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

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

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

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

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

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

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

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

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

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

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

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

Relative significance of particular interest rates (reported in the

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

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

Year	Month	Interest rates on foreign currency deposits										
		On time deposits										
		Total average	On short-term deposits				Total average	On long-term deposits				
			Households		Enterprises			Households		Enterprises		
		EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	
1	2	12	13	14	15	16	17	18	19	20	21	22
1994	December	....	....	....	....	....	....	....	....	....	....	....
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64
2004	August	2.90	2.70	3.10	1.72	2.38	1.56	4.62	4.95	2.88	3.23	1.30
	September	2.82	2.63	3.05	1.70	2.35	1.72	4.70	4.96	3.20	3.25	2.09
	October	2.85	2.64	3.05	1.89	2.32	1.76	3.92	4.94	3.30	3.26	3.07
	November	2.79	2.61	3.00	1.69	2.36	1.94	4.77	4.98	3.08	3.05	3.20
	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65
2005	January	2.97	2.71	3.03	1.72	2.48	2.26	4.16	4.82	2.93	3.74	2.33
	February	2.89	2.72	3.05	1.76	2.47	2.50	4.60	4.84	3.23	3.39	1.57
	March	2.82	2.67	3.03	1.73	2.37	2.73	4.47	4.79	2.92	2.95	3.47
	April	3.05	2.83	3.02	1.75	2.45	3.30	4.18	4.81	2.83	3.77	4.69
	May	3.02	2.87	3.05	1.70	2.69	3.04	4.60	4.78	3.00	3.71	5.95
	June	2.86	2.79	3.02	1.74	2.42	3.12	3.61	3.91	1.62	3.65	2.20
	July	2.93	2.79	3.04	1.75	2.40	3.32	3.63	4.05	1.54	3.47	3.20
	August	2.99	2.91	3.11	1.73	2.44	3.60	3.71	4.01	1.52	3.40	0.79
Relative significance ^a		22.18	19.99	8.97	0.95	6.52	3.55	2.19	1.80	0.23	0.16	0.00

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

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

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

Table G5: Banks' Trade with Foreign Exchange

million euros, current exchange rate

	2000	2001	2002	2003	2004	2005						
						Mar.	Apr.	May	Jun.	Jul. ^b	Aug. ^b	Sep. ^a
A. Purchase of foreign exchange												
1. Legal persons	3,316.4	5,012.4	4,727.8	6,433.1	7,465.3	705.1	650.8	655.8	762.0	685.6	626.3	723.4
2. Natural persons	2,549.2	3,339.9	3,342.6	3,571.6	3,934.4	298.0	326.9	375.6	436.3	456.0	494.4	486.8
2.1. Residents	2,021.1	2,684.5	2,842.0	3,103.3	3,586.1	289.5	316.6	356.2	407.8	399.8	–	–
2.2. Non-residents	528.0	655.4	500.7	468.2	348.3	8.5	10.2	19.4	28.5	56.2	–	–
3. Domestic banks	2,441.4	3,985.8	4,104.5	6,324.4	10,799.3	724.4	560.8	630.5	546.6	724.3	902.0	695.6
4. Foreign banks	–	–	697.9	1,430.6	1,426.2	421.8	218.3	126.3	146.5	386.0	153.8	173.9
5. Croatian National Bank	168.2	481.7	294.3	438.3	33.0	–	–	–	–	–	–	–
Total (1+2+3+4)	8,475.2	12,819.8	13,167.1	18,197.9	24,110.1	2,149.2	1,756.7	1,788.2	1,891.4	2,251.9	2,251.9	2,079.7
B. Sale of foreign exchange												
1. Legal persons	5,414.8	8,534.2	9,029.3	10,852.4	11,280.3	1,230.7	885.3	959.3	1,188.6	1,292.1	1,300.4	1,283.0
2. Natural persons	963.6	1,253.5	1,333.6	1,403.1	1,671.1	153.7	147.4	209.4	232.5	208.9	218.2	309.3
2.1. Residents	962.8	1,252.3	1,329.7	1,393.1	1,654.5	152.9	145.2	207.2	231.0	205.1	–	–
2.2. Non-residents	0.6	1.2	3.9	10.0	16.6	0.8	2.1	2.2	1.5	3.7	–	–
3. Domestic banks	2,441.4	3,985.8	4,104.5	6,324.4	10,799.3	724.4	560.8	630.5	546.6	724.3	902.0	695.6
4. Foreign banks	–	–	334.3	765.3	1,001.1	122.4	80.6	74.7	74.9	76.5	163.6	55.6
5. Croatian National Bank	284.2	915.7	745.3	84.5	543.2	108.5	90.8	–	85.4	–	–	–
Total (1+2+3+4)	9,104.0	14,689.2	15,547.0	19,429.7	25,295.0	2,339.6	1,764.9	1,873.9	2,127.9	2,301.8	2,584.2	2,343.6
C. Net purchase (A-B)												
1. Legal persons	-2,098.4	-3,521.8	-4,301.5	-4,419.4	-3,815.1	-525.5	-234.6	-303.5	-426.5	-606.5	-674.0	-559.6
2. Natural persons	1,585.6	2,086.4	2,009.0	2,168.4	2,263.3	144.2	179.5	166.3	203.8	247.1	276.2	177.5
2.1. Residents	1,058.3	1,432.2	1,512.3	1,710.2	1,931.6	136.6	171.4	149.1	176.8	194.7	–	–
2.2. Non-residents	527.4	654.2	496.7	458.2	331.7	7.7	8.1	17.2	27.0	52.5	–	–
3. Foreign banks	–	–	363.6	665.3	425.1	299.4	137.7	51.6	71.6	309.5	-9.8	118.3
4. Croatian National Bank	-116.0	-434.0	-451.0	353.8	-510.2	-108.5	-90.8	–	-85.4	–	–	–
Total (1+2+3)	-628.8	-1,869.4	-2,379.9	-1,231.8	-1,636.9	-190.4	-8.2	-85.7	-236.5	-49.9	-332.3	-263.9
Memo items: Other Croatian National Bank transactions												
Purchase of foreign exchange	405.8	536.8	197.5	570.9	145.1	–	–	0.0	0.0	–	–	–
Sale of foreign exchange	86.9	2.6	3.4	94.9	239.3	13.3	0.7	–	4.8	61.4	–	–

^a Preliminary data. ^b Revised data.

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

Table G5: Banks' Trade with Foreign Exchange

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

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

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

Table H1: Balance of Payments – Summary

million euros

	2000	2001	2002	2003	2004	2004				2005	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
A. CURRENT ACCOUNT (1+6)	-489.9	-817.7	-2,097.2	-1,866.2	-1,446.7	-1,425.5	-683.1	1,989.1	-1,327.1	-1,542.7	-1,132.5
1. Goods, services, and income (2+5)	-1,448.7	-1,917.2	-3,249.4	-3,110.7	-2,638.5	-1,694.8	-988.4	1,693.5	-1,648.8	-1,842.4	-1,456.6
1.1. Credit	9,788.6	11,272.5	11,583.7	13,587.1	14,891.1	2,226.9	3,623.5	6,251.5	2,789.2	2,309.1	3,827.4
1.2. Debit	-11,237.3	-13,189.7	-14,833.1	-16,697.8	-17,529.6	-3,921.7	-4,611.9	-4,558.0	-4,438.0	-4,151.4	-5,284.1
2. Goods and services (3+4)	-1,028.9	-1,301.0	-2,675.6	-2,041.2	-2,012.8	-1,452.9	-739.3	1,770.8	-1,591.4	-1,566.0	-919.1
2.1. Credit	9,411.3	10,800.1	11,125.4	13,137.6	14,239.8	2,102.6	3,483.6	5,988.4	2,665.2	2,176.1	3,666.6
2.2. Debit	-10,440.2	-12,101.1	-13,801.0	-15,178.7	-16,252.6	-3,555.5	-4,222.8	-4,217.6	-4,256.6	-3,742.2	-4,585.7
3. Goods	-3,499.4	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-1,436.4	-1,950.3	-1,627.1	-1,714.0	-1,569.1	-2,045.7
3.1. Credit	4,969.3	5,318.8	5,293.1	5,571.7	6,603.1	1,483.3	1,622.6	1,729.7	1,767.4	1,523.6	1,877.6
3.2. Debit	-8,468.6	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-2,919.7	-3,573.0	-3,356.8	-3,481.5	-3,092.6	-3,923.4
4. Services	2,470.5	3,302.8	3,284.8	4,933.0	4,715.0	-16.6	1,211.1	3,397.9	122.6	3.0	1,126.6
4.1. Credit	4,442.0	5,481.3	5,832.3	7,565.9	7,636.7	619.2	1,860.9	4,258.7	897.8	652.6	1,789.0
4.2. Debit	-1,971.5	-2,178.5	-2,547.5	-2,632.8	-2,921.7	-635.8	-649.9	-860.9	-775.1	-649.5	-662.4
5. Income	-419.8	-616.2	-573.8	-1,069.5	-625.7	-241.8	-249.1	-77.4	-57.4	-276.3	-537.5
5.1. Credit	377.3	472.4	458.3	449.6	651.3	124.3	139.9	263.0	124.0	132.9	160.9
5.2. Debit	-797.2	-1,088.6	-1,032.1	-1,519.1	-1,277.0	-366.2	-389.1	-340.4	-181.4	-409.3	-698.3
6. Current transfers	958.9	1,099.5	1,152.2	1,244.5	1,191.8	269.2	305.3	295.6	321.7	299.6	324.2
6.1. Credit	1,195.5	1,333.3	1,453.2	1,538.7	1,584.6	367.3	401.9	387.9	427.6	401.1	427.7
6.2. Debit	-236.6	-233.8	-301.1	-294.2	-392.8	-98.1	-96.6	-92.2	-105.9	-101.5	-103.6
B. CAPITAL AND FINANCIAL ACCOUNT	1,244.5	1,050.9	2,731.9	2,996.5	2,269.0	879.8	909.8	-233.3	712.8	1,237.8	1,349.8
B1. Capital account	22.2	154.1	501.2	72.4	23.1	7.0	7.4	6.4	2.3	2.3	2.0
B2. Financial account, excl. reserves	1,899.5	2,445.8	2,972.6	4,159.5	2,289.0	451.1	1,105.1	-151.1	883.8	1,423.6	1,630.7
1. Direct investment	1,140.6	1,326.9	597.2	1,695.4	698.0	232.9	230.2	130.6	104.3	167.8	649.5
1.1. Abroad	-1.5	-175.6	-597.8	-93.0	-280.9	-41.1	-18.9	-168.6	-52.3	-29.0	-48.9
1.2. In Croatia	1,142.1	1,502.5	1,195.1	1,788.4	979.0	274.1	249.1	299.2	156.6	196.8	698.4
2. Portfolio investment	728.0	666.0	-440.2	868.8	244.2	-68.2	410.5	214.0	-312.2	-375.0	-155.6
2.1. Assets	-25.0	-143.2	-650.6	121.3	-752.5	-362.9	-184.2	10.5	-215.9	24.6	-174.5
2.2. Liabilities	753.0	809.2	210.4	747.5	996.7	294.8	594.7	203.6	-96.3	-399.6	18.9
3. Financial derivatives				0.0	0.0	0.0	0.0	0.0	0.0	-88.4	0.0
4. Other investment	30.9	453.0	2,815.5	1,595.3	1,346.8	286.3	464.4	-495.7	1,091.7	1,719.1	1,136.8
4.1. Assets	-1,040.4	394.3	451.9	-2,151.8	-454.7	87.7	-159.6	-227.5	-155.3	1,005.8	344.3
4.2. Liabilities	1,071.3	58.7	2,363.6	3,747.1	1,801.5	198.6	624.0	-268.2	1,247.1	713.3	792.5
B3. Reserve assets (CNB)	-677.3	-1,549.0	-741.9	-1,235.5	-43.0	421.7	-202.7	-88.6	-173.4	-188.1	-282.9
C. NET ERRORS AND OMISSIONS	-754.6	-233.3	-634.7	-1,130.3	-822.4	545.8	-226.7	-1,755.8	614.4	304.9	-217.3

^a Preliminary data.

Table H1-H6: Balance of Payments

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

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

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

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

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

Table H2: Balance of Payments – Goods and Services

million euros

	2000	2001	2002	2003	2004	2004				2005	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
Goods	-3,499.4	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-1,436.4	-1,950.3	-1,627.1	-1,714.0	-1,569.1	-2,045.7
1. Credit	4,969.3	5,318.8	5,293.1	5,571.7	6,603.1	1,483.3	1,622.6	1,729.7	1,767.4	1,523.6	1,877.6
1.1. Exports (f.o.b.) in trade statistics	4,821.6	5,214.1	5,188.2	5,464.4	6,453.8	1,453.7	1,590.3	1,684.3	1,725.5	1,492.9	1,832.0
1.2. Adjustments for coverage	147.7	104.7	105.0	107.3	149.3	29.6	32.4	45.4	41.9	30.7	45.6
2. Debit	-8,468.6	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-2,919.7	-3,573.0	-3,356.8	-3,481.5	-3,092.6	-3,923.4
2.1. Imports (c.i.f.) in trade statistics	-8,597.5	-10,244.8	-11,327.0	-12,538.0	-13,354.4	-2,922.2	-3,572.9	-3,372.4	-3,486.9	-3,097.1	-3,999.4
2.2. Adjustments for coverage	-481.5	-405.3	-348.9	-475.6	-474.7	-106.5	-133.4	-110.2	-124.6	-111.1	-73.1
2.3. Adjustments for classification	610.4	727.4	422.5	467.7	498.1	109.0	133.3	125.8	130.1	115.5	149.2
Services	2,470.5	3,302.8	3,284.8	4,933.0	4,715.0	-16.6	1,211.1	3,397.9	122.6	3.0	1,126.6
1. Transportation	195.2	186.1	172.0	252.2	245.5	59.4	69.5	87.5	29.0	71.1	108.6
1.1. Credit	606.3	658.6	622.8	696.3	791.3	160.2	201.0	226.9	203.2	172.6	237.7
1.2. Debit	-411.1	-472.5	-450.8	-444.1	-545.8	-100.8	-131.5	-139.4	-174.2	-101.6	-129.1
2. Travel	2,399.5	3,072.9	3,138.6	4,976.6	4,822.3	14.4	1,161.3	3,422.9	223.7	53.4	1,128.3
2.1. Credit	3,011.8	3,749.3	3,960.8	5,572.7	5,505.6	176.6	1,326.0	3,628.3	374.7	214.4	1,274.3
2.1.1. Business	288.1	305.8	341.2	260.9	328.2	36.9	139.4	90.8	61.1	43.5	157.7
2.1.2. Personal	2,723.7	3,443.6	3,619.7	5,311.8	5,177.4	139.7	1,186.5	3,537.4	313.7	170.9	1,116.6
2.2. Debit	-612.3	-676.5	-822.2	-596.1	-683.3	-162.2	-164.7	-205.3	-151.1	-161.0	-146.0
2.2.1. Business	-281.2	-322.7	-482.6	-292.3	-297.3	-66.7	-75.9	-66.5	-88.1	-66.2	-72.7
2.2.2. Personal	-331.1	-353.8	-339.6	-303.8	-386.0	-95.5	-88.8	-138.9	-62.9	-94.8	-73.3
3. Other services	-124.2	43.9	-25.9	-295.8	-352.7	-90.3	-19.7	-112.6	-130.0	-121.4	-110.3
3.1. Credit	824.0	1,073.4	1,248.6	1,296.9	1,339.8	282.4	334.0	403.6	319.9	265.6	277.0
3.2. Debit	-948.1	-1,029.5	-1,274.5	-1,592.7	-1,692.5	-372.7	-353.7	-516.2	-449.9	-386.9	-387.2

^a Preliminary data.

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

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

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

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

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

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

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

Table H3: Balance of Payments – Income and Current Transfers

million euros

	2000	2001	2002	2003	2004	2004				2005	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
Income	-419.8	-616.2	-573.8	-1,074.1	-625.7	-241.8	-249.1	-77.4	-57.4	-276.3	-537.5
1. Compensation of employees	76.0	143.1	167.6	183.9	233.9	54.9	62.2	55.9	60.9	61.1	68.5
1.1. Credit	90.2	157.4	187.2	217.3	268.3	62.7	70.6	67.4	67.6	66.1	74.0
1.2. Debit	-14.2	-14.3	-19.5	-33.4	-34.4	-7.8	-8.4	-11.5	-6.7	-5.0	-5.5
2. Direct investment income	-154.1	-357.8	-353.4	-844.5	-431.7	-86.9	-245.2	-70.8	-28.8	-109.4	-484.8
2.1. Credit	10.4	22.8	23.6	33.4	174.5	4.2	17.1	147.4	5.8	9.8	29.0
o/w: Reinvested earnings	7.7	17.1	7.4	30.3	165.8	3.3	12.7	144.6	5.3	9.1	26.9
2.2. Debit	-164.5	-380.6	-377.1	-877.8	-606.2	-91.1	-262.3	-218.1	-34.6	-119.2	-513.8
o/w: Reinvested earnings	-87.3	-188.4	-161.8	-588.9	-292.8	-78.0	-170.8	-66.2	22.2	-86.1	-415.0
3. Portfolio investment income	-188.1	-241.8	-214.8	-239.6	-256.6	-178.9	-22.6	-25.6	-29.5	-190.4	-53.8
3.1. Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2. Debit	-188.1	-241.9	-214.9	-239.6	-256.6	-178.9	-22.6	-25.6	-29.5	-190.4	-53.8
4. Other investment income	-153.6	-159.6	-173.2	-173.9	-171.4	-30.9	-43.5	-36.9	-60.0	-37.6	-67.4
4.1. Credit	276.7	292.2	247.4	194.4	208.4	57.4	52.2	48.3	50.5	57.0	57.8
4.2. Debit	-430.3	-451.8	-420.6	-368.3	-379.8	-88.3	-95.8	-85.2	-110.5	-94.6	-125.3
Current transfers	958.9	1,099.5	1,152.2	1,244.5	1,191.8	269.2	305.3	295.6	321.7	299.6	324.2
1. General government	24.6	65.3	32.2	70.5	2.6	-7.1	10.1	2.2	-2.6	35.8	0.6
1.1. Credit	129.4	142.7	143.4	213.1	180.1	40.9	56.0	43.1	40.1	80.3	49.9
1.2. Debit	-104.8	-77.4	-111.2	-142.6	-177.5	-48.0	-45.9	-40.9	-42.8	-44.5	-49.3
2. Other sectors	934.3	1,034.2	1,120.0	1,174.0	1,189.2	276.3	295.2	293.4	324.3	263.9	323.6
2.1. Credit	1,066.1	1,190.6	1,309.8	1,325.6	1,404.5	326.4	345.9	344.8	387.4	320.8	377.8
2.2. Debit	-131.8	-156.4	-189.8	-151.6	-215.3	-50.1	-50.7	-51.3	-63.1	-56.9	-54.3

^a Preliminary data.

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

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

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

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

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

Other investment encompasses all other debt investments that have not been mentioned, apart from investment constituting reserve assets. Other investments are classified by instruments, maturity and sectors. Trade credits, in the 1996–2002 period, included the CNB estimates of advance payment and deferred payments, made on the basis of the sample of the largest and large importers and exporters. Data on advance payments have been estimated since 1996, while data on short-term deferred payments (first up to 90 days, then up to 150 days, and today from 8 days to 1 year) have been collected since 1999. In 2003 this research was replaced by a new one, where the selected companies, regardless of their size (stratified sample), are obliged to submit data. Data on deferred payments with the original maturity of more than one year are adopted from the CNB foreign credit relations statistics. Credits granted by residents to non-residents, i.e. foreign loans utilised by residents and granted by non-residents, which cannot be classified into direct investments or trade credits, are classified by the institutional sector and maturity under the corresponding positions of other investment. The CNB foreign credit relations statistics represent the data source for these positions. Currency and deposit position shows residents' claims on foreign countries for foreign cash and deposits with foreign banks, as well as obligations of the Croatian banks for deposits owned by non-residents. Monetary statistics represent a data source for the general government sector and banks sector. Data on balance and currency structure of foreign assets and liabilities, contained in monetary statistics, are used to assess transactions from which the exchange rate effect was eliminated. In the 1993-1998 period, data on other sectors' claims under this position were compiled on the basis of the

Table H4: Balance of Payments – Direct and Portfolio Investments

million euros

	2000	2001	2002	2003	2004	2004				2005	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
Direct investment	1,140.6	1,326.9	597.2	1,695.4	698.0	232.9	230.2	130.6	104.3	167.8	649.5
1. Abroad	-1.5	-175.6	-597.8	-93.0	-280.9	-41.1	-18.9	-168.6	-52.3	-29.0	-48.9
1.1. Equity capital and reinvested earnings	-38.1	-139.4	-594.1	-101.9	-254.8	-44.8	-21.8	-158.8	-29.4	-18.3	-35.2
1.1.1. Claims	-38.6	-139.4	-597.0	-101.9	-255.4	-44.8	-21.8	-159.2	-29.6	-18.3	-35.2
1.1.2. Liabilities	0.5	0.0	2.9	0.0	0.5	0.0	0.0	0.4	0.2	0.0	0.0
1.2. Other capital	36.6	-36.2	-3.7	8.9	-26.1	3.6	3.0	-9.8	-22.9	-10.7	-13.7
1.2.1. Claims	-11.0	5.5	-6.4	-12.8	-28.6	-4.3	3.0	-9.0	-18.2	-1.8	-13.6
1.2.2. Liabilities	47.6	-41.7	2.7	21.7	2.5	8.0	0.0	-0.8	-4.7	-8.9	-0.1
2. In Croatia	1,142.1	1,502.5	1,195.1	1,788.4	979.0	274.1	249.1	299.2	156.6	196.8	698.4
2.1. Equity capital and reinvested earnings	835.6	1,087.8	873.8	1,345.1	604.0	238.3	205.2	238.9	-78.4	380.7	538.8
2.1.1. Claims	-26.4	-8.0	0.0	-1.2	-25.0	0.0	0.0	-2.8	-22.2	0.0	0.0
2.1.2. Liabilities	862.0	1,095.8	873.8	1,346.4	629.0	238.3	205.2	241.6	-56.1	380.7	538.8
2.2. Other capital	306.5	414.7	321.2	443.3	375.0	35.8	43.9	60.4	235.0	-183.9	159.6
2.2.1. Claims	0.0	0.1	-0.3	-1.5	-12.2	-0.1	-11.9	0.0	-0.2	-34.5	0.0
2.2.2. Liabilities	306.5	414.5	321.6	444.8	387.1	35.9	55.8	60.4	235.1	-149.4	159.6
Portfolio investment	728.0	666.0	-440.2	868.8	244.2	-68.2	410.5	214.0	-312.2	-375.0	-155.6
1. Assets	-25.0	-143.2	-650.6	121.3	-752.5	-362.9	-184.2	10.5	-215.9	24.6	-174.5
1.1. Equity securities	-0.2	0.3	-78.4	-58.0	-32.9	-3.7	-18.6	-7.8	-2.8	-13.8	-60.8
1.1.1. General government	0.0	0.0	-2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1. Banks	-0.1	0.4	-2.8	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.2. Other sectors	-0.1	-0.1	-72.7	-58.3	-32.9	-3.7	-18.6	-7.8	-2.8	-13.8	-60.8
1.1.2. Other sectors	-0.1	-0.1	-72.7	-58.3	-32.9	-3.7	-18.6	-7.8	-2.8	-13.8	-60.8
1.2. Debt securities	-24.8	-143.5	-572.2	179.4	-719.6	-359.2	-165.6	18.2	-213.1	38.4	-113.8
1.2.1. Bonds	-19.7	-128.8	-586.9	165.9	-585.0	-277.8	-136.1	35.1	-206.2	30.9	-127.4
1.2.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2. Banks	-19.7	-128.8	-566.6	180.1	-592.9	-270.9	-134.9	22.1	-209.1	25.6	-113.7
1.2.1.3. Other sectors	0.0	0.0	-20.3	-14.1	7.9	-6.8	-1.2	13.0	2.9	5.3	-13.6
1.2.2. Money market instruments	-5.1	-14.8	14.7	13.5	-134.6	-81.4	-29.5	-16.8	-6.9	7.5	13.6
1.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2.2. Banks	-5.1	-14.8	20.9	7.3	-134.7	-81.0	-29.9	-16.8	-6.9	7.5	13.6
1.2.2.3. Other sectors	0.0	0.0	-6.2	6.2	0.0	-0.5	0.5	0.0	0.0	0.0	0.0
2. Liabilities	753.0	809.2	210.4	747.5	996.7	294.8	594.7	203.6	-96.3	-399.6	18.9
2.1. Equity securities	-0.1	15.1	44.2	13.5	141.2	8.9	47.1	26.4	58.8	45.1	5.3
2.1.1. Banks	0.5	-5.2	4.7	-2.1	-0.8	0.7	-0.1	0.7	-2.0	-10.3	-11.5
2.1.2. Other sectors	-0.6	20.3	39.5	15.6	142.0	8.2	47.3	25.8	60.8	55.4	16.7
2.2. Debt securities	753.1	794.1	166.2	734.0	855.5	285.9	547.5	177.2	-155.1	-444.6	13.7
2.2.1. Bonds	762.1	774.2	197.2	700.0	889.3	283.2	577.3	183.9	-155.1	-444.6	13.7
2.2.1.1. General government	762.1	774.2	67.2	527.3	417.8	272.6	482.1	-183.4	-153.5	-504.4	12.0
2.2.1.2. Banks	0.0	0.0	0.0	0.0	444.4	0.0	0.0	443.1	1.3	2.5	1.7
2.2.1.3. Other sectors	0.0	0.0	130.0	172.6	27.2	10.6	95.2	-75.8	-2.8	57.2	0.0
2.2.2. Money market instruments	-9.0	19.9	-30.9	34.0	-33.8	2.7	-29.7	-6.8	0.0	0.0	0.0
2.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.3. Other sectors	-9.0	19.9	-30.9	34.0	-33.8	2.7	-29.7	-6.8	0.0	0.0	0.0

^a Preliminary data.

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

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

Table H5: Balance of Payments – Other Investment

million euros

	2000	2001	2002	2003	2004	2004				2005	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
Other investment (net)	30.9	453.0	2,815.5	1,595.2	1,346.7	286.3	464.4	-495.7	1,091.7	1,719.2	1,136.8
1. Assets	-1,040.4	394.3	451.9	-2,151.8	-454.7	87.7	-159.6	-227.5	-155.3	1,005.8	344.3
1.1. Trade credits	100.1	57.9	-88.4	-167.2	-189.7	-157.0	-16.0	19.2	-35.9	37.6	-32.3
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1. Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	100.1	57.9	-88.4	-167.2	-189.7	-157.0	-16.0	19.2	-35.9	37.6	-32.3
1.1.2.1. Long-term	2.8	9.2	-16.3	-23.0	16.4	-14.0	14.8	11.9	3.8	13.2	3.7
1.1.2.2. Short-term	97.3	48.7	-72.1	-144.1	-206.1	-142.9	-30.8	7.3	-39.7	24.3	-36.0
1.2. Loans	-107.9	39.2	-54.7	-22.5	11.1	1.7	11.6	-5.6	3.5	3.9	-15.8
1.2.1. General government	0.0	-3.4	0.6	-1.0	-0.3	0.3	0.0	0.3	-0.9	0.1	0.0
1.2.1.1. Long-term	0.0	-3.4	0.6	-1.0	-0.3	0.3	0.0	0.3	-0.9	0.1	0.0
1.2.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2. Banks	1.7	-10.0	-22.0	4.3	6.1	-0.3	10.8	-7.3	2.9	1.3	-7.8
1.2.2.1. Long-term	1.9	-3.4	-16.5	5.0	7.0	-2.1	8.3	2.0	-1.3	1.2	-6.7
1.2.2.2. Short-term	-0.2	-6.6	-5.5	-0.6	-0.9	1.7	2.5	-9.3	4.2	0.0	-1.1
1.2.3. Other sectors	-109.6	52.6	-33.3	-25.9	5.3	1.7	0.8	1.3	1.5	2.5	-8.0
1.2.3.1. Long-term	-109.6	52.6	-33.2	-26.0	5.6	1.7	0.8	1.6	1.5	2.2	-8.4
1.2.3.2. Short-term	0.0	0.0	-0.1	0.1	-0.4	0.0	-0.1	-0.3	0.0	0.3	0.3
1.3. Currency and deposits	-1,032.6	297.3	594.9	-1,962.1	-276.1	243.1	-155.3	-241.1	-122.8	964.4	392.4
1.3.2. General government	-26.5	-18.1	-24.2	30.3	72.7	-83.0	-44.8	63.6	137.0	-68.6	53.3
1.3.3. Banks	-964.2	-1,790.9	1,516.5	-1,964.5	-368.7	289.2	-162.7	-270.3	-225.0	1,019.2	339.2
1.3.4. Other sectors	-41.9	2,106.3	-897.4	-27.9	19.8	36.8	52.3	-34.4	-34.8	13.7	0.0
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	1,071.3	58.7	2,363.6	3,747.0	1,801.5	198.6	624.0	-268.2	1,247.1	713.3	792.5
2.1. Trade credits	318.2	96.3	501.3	-226.9	-68.8	10.1	-6.7	-82.4	10.1	11.2	117.7
2.1.1. General government	-3.5	1.2	-0.1	1.5	-0.3	-0.1	0.3	-0.4	-0.1	-0.2	-0.1
2.1.1.1. Long-term	-0.5	1.2	-0.1	1.5	-0.3	-0.1	0.3	-0.4	-0.1	-0.2	-0.1
2.1.1.2. Short-term	-3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	321.7	95.1	501.4	-228.4	-68.6	10.2	-7.1	-82.0	10.3	11.4	117.8
2.1.2.1. Long-term	-13.8	-22.1	-1.2	-47.4	-31.1	-12.4	-13.6	0.0	-5.1	7.1	0.1
2.1.2.2. Short-term	335.5	117.2	502.6	-181.0	-37.5	22.6	6.5	-82.0	15.4	4.3	117.7
2.2. Loans	873.0	-260.5	653.8	2,833.9	1,622.8	409.1	679.6	-10.1	544.2	529.4	772.9
2.2.1. Croatian National Bank	-16.9	-4.1	-177.2	354.2	-369.6	-240.8	-128.8	0.0	0.0	0.0	0.0
2.2.1.1. o/w: IMF	-31.5	-34.3	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.1. Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.2. Repayments	-31.5	-34.3	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2. Short-term	14.7	30.3	-47.6	354.2	-369.6	-240.8	-128.8	0.0	0.0	0.0	0.0
2.2.2. General government	345.2	-212.2	433.9	502.9	406.5	42.9	132.4	214.0	17.2	-1.4	116.7
2.2.2.1. Long-term	5.7	185.4	433.9	502.9	406.5	42.9	132.4	214.0	17.2	-1.4	116.7
2.2.2.1.1. Drawings	286.4	363.2	598.2	697.8	700.7	131.0	183.8	271.3	114.6	58.1	177.7
2.2.2.1.2. Repayments	-280.6	-177.8	-164.3	-194.9	-294.2	-88.1	-51.4	-57.3	-97.4	-59.5	-61.1
2.2.2.2. Short-term	339.4	-397.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	117.0	87.2	79.3	1,005.7	625.1	447.0	346.5	-459.9	291.5	327.1	321.6
2.2.3.1. Long-term	122.8	93.0	81.6	927.2	568.5	233.5	274.7	-11.4	71.7	8.8	124.3
2.2.3.1.1. Drawings	722.7	829.3	656.9	1,644.7	993.1	415.1	395.2	49.7	133.2	251.0	407.4
2.2.3.1.2. Repayments	-599.8	-736.3	-575.3	-717.5	-424.5	-181.5	-120.5	-61.0	-61.5	-242.2	-283.1
2.2.3.2. Short-term	-5.8	-5.8	-2.3	78.5	56.6	213.5	71.8	-448.5	219.9	318.3	197.3
2.2.4. Other sectors	427.6	-131.5	317.8	971.2	960.7	160.0	329.6	235.7	235.5	203.7	334.7
2.2.4.1. Long-term	534.2	-133.6	335.4	920.7	890.4	127.8	291.2	227.2	244.1	142.9	293.8
2.2.4.1.1. Drawings	1,107.1	818.1	1,326.0	1,898.1	1,943.5	394.1	515.9	545.1	488.5	305.6	521.9
2.2.4.1.2. Repayments	-572.9	-951.7	-990.7	-977.3	-1,053.1	-266.3	-224.7	-317.8	-244.3	-162.7	-228.1
2.2.4.2. Short-term	-106.6	2.1	-17.6	50.4	70.3	32.2	38.4	8.5	-8.7	60.8	40.9
2.3. Currency and deposits	-119.8	223.0	1,209.4	1,140.7	244.5	-221.4	-49.6	-176.5	692.0	172.0	-98.8
2.3.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	-50.0
2.3.2. Banks	-119.8	223.0	1,209.4	1,140.7	244.5	-221.4	-49.6	-176.5	692.0	122.0	-48.8
2.4. Other liabilities	0.0	-0.1	-0.9	-0.7	3.0	0.7	0.8	0.7	0.8	0.7	0.6

^a Preliminary data.

Table H6: Balance of Payments – Summary

million kuna

	2000	2001	2002	2003	2004	2004				2005	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
A. CURRENT ACCOUNT (1+6)	-3,978.1	-6,083.1	-15,509.0	-14,210.5	-10,935.7	-10,747.7	-5,011.3	14,748.6	-9,925.2	-11,477.2	-8,252.7
1. Goods, services, and income (2+5)	-11,291.6	-14,276.1	-24,285.8	-23,915.9	-20,221.2	-12,873.0	-7,372.0	12,484.0	-12,460.2	-13,821.0	-10,711.3
1.1. Credit	74,468.0	84,083.8	85,563.6	102,461.4	111,062.5	16,940.3	26,928.0	46,148.6	21,045.6	17,337.2	28,099.8
1.2. Debit	-85,759.5	-98,359.9	-109,849.4	-126,377.3	-131,283.8	-29,813.3	-34,300.0	-33,664.6	-33,505.8	-31,158.2	-38,811.1
2. Goods and services (3+4)	-8,043.7	-9,950.0	-20,004.4	-15,694.7	-15,516.8	-11,053.4	-5,507.2	13,056.1	-12,012.3	-11,748.3	-6,762.9
2.1. Credit	71,592.3	80,321.0	82,188.2	99,169.2	106,198.2	15,994.0	25,886.7	44,207.5	20,110.1	16,338.3	26,917.5
2.2. Debit	-79,636.0	-90,270.9	-102,192.6	-114,863.9	-121,715.0	-27,047.3	-31,393.9	-31,151.4	-32,122.4	-28,086.6	-33,680.4
3. Goods	-26,681.2	-34,323.1	-44,135.8	-52,782.7	-50,354.9	-10,921.9	-14,489.8	-12,005.9	-12,937.2	-11,767.3	-15,021.5
3.1. Credit	37,909.7	39,695.8	39,198.3	42,167.2	49,480.4	11,283.3	12,073.8	12,787.5	13,335.8	11,439.7	13,794.8
3.2. Debit	-64,591.0	-74,018.9	-83,334.1	-94,949.9	-99,835.3	-22,205.2	-26,563.6	-24,793.5	-26,273.0	-23,207.0	-28,816.3
4. Services	18,637.5	24,373.1	24,131.4	37,088.0	34,838.1	-131.4	8,982.6	25,062.0	924.9	19.0	8,258.6
4.1. Credit	33,682.6	40,625.2	42,989.9	57,002.0	56,717.8	4,710.6	13,812.9	31,419.9	6,774.3	4,898.5	13,122.7
4.2. Debit	-15,045.0	-16,252.1	-18,858.5	-19,914.0	-21,879.7	-4,842.1	-4,830.3	-6,357.9	-5,849.4	-4,879.6	-4,864.1
5. Income	-3,247.9	-4,326.1	-4,281.4	-8,221.2	-4,704.5	-1,819.7	-1,864.8	-572.1	-447.9	-2,072.7	-3,948.4
5.1. Credit	2,875.7	3,762.9	3,375.4	3,292.2	4,864.3	946.4	1,041.4	1,941.1	935.5	998.9	1,182.3
5.2. Debit	-6,123.5	-8,089.0	-7,656.8	-11,513.4	-9,568.8	-2,766.0	-2,906.2	-2,513.2	-1,383.4	-3,071.6	-5,130.7
6. Current transfers	7,313.5	8,192.9	8,776.7	9,705.4	9,285.6	2,125.3	2,360.6	2,264.6	2,535.0	2,343.8	2,458.6
6.1. Credit	9,118.6	9,934.0	10,761.2	11,639.9	11,872.9	2,794.0	2,989.1	2,865.1	3,224.8	3,010.9	3,141.0
6.2. Debit	-1,805.1	-1,741.1	-1,984.4	-1,934.6	-2,587.4	-668.7	-628.4	-600.5	-689.8	-667.1	-682.4
B. CAPITAL AND FINANCIAL ACCOUNT	9,598.4	7,343.6	20,661.6	23,316.6	17,384.1	6,615.0	6,685.0	-1,619.8	5,703.9	9,223.6	9,784.1
B1. Capital account	170.1	1,145.1	3,695.6	546.9	172.8	53.2	55.4	47.0	17.2	17.5	14.7
B2. Financial account, excl. reserves	14,614.7	17,695.5	22,454.5	32,122.1	17,547.8	3,413.5	8,152.5	-1,013.2	6,995.0	10,616.9	11,846.8
1. Direct investment	8,738.8	9,839.3	4,888.5	13,293.9	5,465.0	1,706.0	1,707.8	998.8	1,052.5	1,123.8	4,641.4
1.1. Abroad	-22.1	-1,278.4	-4,419.4	-713.8	-2,091.6	-312.9	-141.0	-1,243.7	-394.0	-217.6	-356.1
1.2. In Croatia	8,761.0	11,117.7	9,307.9	14,007.7	7,556.7	2,019.0	1,848.8	2,242.5	1,446.5	1,341.4	4,997.5
2. Portfolio investment	5,658.7	4,978.9	-3,227.3	6,669.8	1,744.6	-485.5	2,995.9	1,625.9	-2,391.8	-2,758.2	-1,147.3
2.1. Assets	-189.8	-1,081.7	-4,839.8	936.8	-5,688.0	-2,770.2	-1,364.5	76.4	-1,629.7	185.8	-1,277.3
2.2. Liabilities	5,848.4	6,060.6	1,612.6	5,733.0	7,432.5	2,284.7	4,360.4	1,549.5	-762.1	-2,944.0	130.1
3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-659.4	0.0
4. Other investment	217.2	2,877.2	20,793.3	12,158.4	10,338.1	2,193.0	3,448.8	-3,637.9	8,334.3	12,910.7	8,352.7
4.1. Assets	-7,942.6	2,569.6	3,261.5	-16,361.3	-3,343.3	691.1	-1,187.0	-1,674.7	-1,172.7	7,587.0	2,535.1
4.2. Liabilities	8,159.8	307.6	17,531.8	28,519.7	13,681.4	1,501.8	4,635.8	-1,963.2	9,506.9	5,323.6	5,817.7
B3. Reserve assets (CNB)	-5,186.4	-11,497.0	-5,488.5	-9,352.4	-336.5	3,148.3	-1,522.9	-653.5	-1,308.3	-1,410.8	-2,077.5
C. NET ERRORS AND OMISSIONS	-5,620.3	-1,260.4	-5,152.6	-9,106.1	-6,448.4	4,132.7	-1,673.7	-13,128.9	4,221.4	2,253.6	-1,531.4

^a Preliminary data.

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

Table H7: International Reserves and Banks' Foreign Exchange Reserves

end of period, million euros

Year	Month	International reserves of the Croatian National Bank							Banks' foreign exchange reserves
		Total	Special drawing rights	Reserve position in the Fund	Gold	Foreign exchange			
						Total	Currency and deposits	Bonds and notes	
1994	December	1,145.7	3.7	–	–	1,142.0	1,142.0	–	716.6
1995	December	1,479.0	109.1	–	–	1,369.9	1,288.4	81.4	1,038.1
1996	December	1,867.7	101.3	0.0	–	1,766.3	1,627.6	138.7	1,549.2
1997	December	2,303.7	133.4	0.1	–	2,170.2	1,825.2	345.0	2,078.9
1998	December	2,400.2	197.1	0.1	–	2,203.0	1,642.6	560.4	1,607.0
1999	December	3,012.7	188.7	0.2	–	2,823.7	2,449.8	373.9	1,344.7
2000	December	3,783.2	158.5	0.2	–	3,624.5	2,763.0	861.5	2,310.7
2001	December	5,333.6	122.9	0.2	–	5,210.5	3,469.7	1,740.7	4,056.0
2002	December	5,651.3	2.3	0.2	–	5,648.8	3,787.8	1,861.0	2,581.6
2003	December	6,554.1	0.7	0.2	–	6,553.2	3,346.0	3,207.2	3,927.1
2004	August	6,482.2	0.7	0.2	–	6,481.4	2,864.6	3,616.7	4,175.2
	September	6,451.8	0.7	0.2	–	6,450.9	2,831.4	3,619.5	4,073.4
	October	6,372.6	0.9	0.2	–	6,371.5	3,150.8	3,220.6	3,995.0
	November	6,324.5	0.6	0.2	–	6,323.7	3,129.2	3,194.5	4,016.7
	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	January	6,556.4	1.0	0.2	–	6,555.3	3,220.6	3,334.6	3,718.0
	February	6,582.1	0.7	0.2	–	6,581.3	3,254.4	3,326.8	3,235.6
	March	6,700.5	0.7	0.2	–	6,699.6	3,415.3	3,284.3	3,298.1
	April	6,772.0	0.9	0.2	–	6,770.8	3,503.5	3,267.3	3,021.9
	May	6,990.6	0.6	0.2	–	6,989.8	3,640.3	3,349.5	2,937.7
	June	7,065.7	0.7	0.2	–	7,064.8	3,654.5	3,410.3	2,974.7
	July	7,061.6	1.4	0.2	–	7,060.0	3,690.7	3,369.3	3,051.0
	August	7,064.3	0.8	0.2	–	7,063.2	3,686.2	3,377.0	3,084.6
	September ^a	6,998.7	0.8	0.2	–	6,997.7	3,607.6	3,390.0	3,064.9

^a Preliminary data.

Table H7: International Reserves and Banks' Foreign Exchange Reserves

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

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

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

Table H8: International Reserves and Foreign Currency Liquidity

end of period, million euros

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec. ^b	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
I. Official reserve assets and other f/c assets (approximate market value)											
A. Official reserve assets	3,683.9	5,333.6	5,651.3	6,554.1	6,436.2	6,700.5	6,772.0	6,990.6	7,065.7	7,061.6	7,064.3
(1) Foreign currency reserves (in convertible f/c)	2,755.6	3,877.9	4,246.9	5,740.1	6,235.4	6,449.8	6,570.8	6,703.3	6,744.8	6,760.0	6,863.2
(a) Securities	861.5	1,740.7	1,861.0	3,207.2	3,262.0	3,284.3	3,267.3	3,349.5	3,410.3	3,369.3	3,377.0
o/w: Issuer headquartered in reporting country but located abroad	-	-	-	-	-	-	-	-	-	-	-
(b) Total currency and deposits with:	1,894.2	2,137.2	2,385.9	2,532.9	2,973.3	3,165.5	3,303.5	3,353.7	3,334.5	3,390.7	3,486.2
(i) other national central banks, BIS and IMF	585.8	461.3	325.1	271.1	233.1	199.8	200.0	202.5	205.8	205.5	205.2
(ii) banks headquartered in the reporting country	-	-	-	-	-	-	-	-	-	-	-
o/w: Located abroad	-	-	-	-	-	-	-	-	-	-	-
(iii) banks headquartered outside the reporting country	1,308.4	1,675.9	2,060.8	2,261.8	2,740.3	2,965.7	3,103.5	3,151.2	3,128.7	3,185.2	3,281.0
o/w: Located in the reporting country	-	-	-	-	-	-	-	-	-	-	-
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	158.5	122.9	2.3	0.7	0.6	0.7	0.9	0.6	0.7	1.4	0.8
(4) gold	-	-	-	-	-	-	-	-	-	-	-
(5) other reserve assets	769.6	1,332.6	1,401.9	813.1	200.0	249.8	200.0	286.5	320.0	300.0	200.0
– reverse repo	769.6	1,332.6	1,401.9	813.1	200.0	249.8	200.0	286.5	320.0	300.0	200.0
B. Other foreign currency assets (specify)	99.3	-	-	-	-	-	-	-	-	-	-
– time deposits	99.3	-	-	-	-	-	-	-	-	-	-
C. Total (A+B)	3,783.2	5,333.6	5,651.3	6,554.1	6,436.2	6,700.5	6,772.0	6,990.6	7,065.7	7,061.6	7,064.3
II. Predetermined short-term net drains on f/c assets (nominal value)											
1. F/c loans, securities, and deposits (total net drains up to one year)	-1,299.6	-1,350.7	-740.9	-1,538.0	-988.6	-917.9	-923.0	-929.9	-942.8	-941.7	-931.3
(a) Croatian National Bank	-284.4	-443.4	-167.4	-646.9	-1.8	-2.1	-1.7	-1.1	-1.1	-1.0	-1.2
Up to 1 month	Principal	-115.5	-196.1	-136.9	-355.9	-	-	-	-	-	-
Interest	-4.6	-3.2	-2.2	-1.9	-1.8	-2.1	-1.7	-1.1	-1.1	-1.0	-1.2
More than 1 and up to 3 months	Principal	-125.0	-203.7	-26.5	-288.3	-	-	-	-	-	-
Interest	-3.1	-2.1	-0.1	-0.7	-	-	-	-	-	-	-
More than 3 months and up to 1 year	Principal	-31.1	-34.5	-1.6	-	-	-	-	-	-	-
Interest	-5.0	-3.8	-0.1	-	-	-	-	-	-	-	-
(b) Central government (excl. central government funds)	-1,015.2	-907.4	-573.5	-891.1	-986.8	-915.8	-921.3	-928.8	-941.7	-940.7	-930.2
Up to 1 month	Principal	-95.9	-101.7	-98.1	-85.9	-76.5	-2.7	-2.7	-28.3	-78.8	-0.1
Interest	-74.0	-55.6	-42.8	-34.4	-13.8	-27.1	-	-11.3	-	-	-
More than 1 and up to 3 months	Principal	-100.7	-351.6	-8.6	-9.3	-510.1	-61.4	-148.3	-144.4	-86.0	-85.1
Interest	-82.7	-125.7	-148.1	-168.3	-169.0	-	-	-	-	-	-
More than 3 months and up to 1 year	Principal	-533.5	-170.8	-176.2	-495.2	-143.7	-648.9	-601.5	-607.8	-635.6	-709.7
Interest	-128.4	-102.0	-99.7	-98.0	-73.8	-175.8	-168.8	-137.0	-141.3	-145.7	-123.0
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	-43.7	-75.2	-21.5	-363.5	-	-	-	-	-	-	-
– outflows related to repos (-)	-43.7	-75.2	-21.5	-363.5	-	-	-	-	-	-	-
Up to 1 month	Principal	-43.6	-75.1	-21.5	-363.1	-	-	-	-	-	-
Interest	-0.1	-0.1	0.0	-0.4	-	-	-	-	-	-	-
More than 1 and up to 3 months	Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
More than 3 months and up to 1 year	Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
4. Total predetermined short-term net drains on foreign currency assets (1+2+3)	-1,343.3	-1,426.0	-762.4	-1,901.5	-988.6	-917.9	-923.0	-929.9	-942.8	-941.7	-931.3
III. Contingent short-term net drains on f/c assets (nominal value)											
1. Contingent liabilities in foreign currency	-1,040.3	-1,088.8	-1,631.0	-1,300.4	-1,772.9	-2,091.4	-2,050.4	-2,164.0	-2,201.0	-2,214.3	-2,225.9
(a) Collateral guarantees on debt falling due within 1 year	-317.7	-315.9	-685.9	-426.8	-370.9	-441.3	-410.9	-420.0	-456.0	-414.1	-427.6
– Croatian National Bank	-	-	-	-	-	-	-	-	-	-	-
– Central government (excl. central government funds)	-317.7	-315.9	-685.9	-426.8	-370.9	-441.3	-410.9	-420.0	-456.0	-414.1	-427.6
Up to 1 month	-52.0	-49.4	-52.3	-55.8	-62.7	-65.6	-19.5	-46.7	-92.7	-18.6	-66.5

More than 1 and up to 3 months	-12.3	-24.7	-35.2	-94.9	-33.9	-57.7	-95.5	-89.8	-105.7	-102.6	-60.5
More than 3 months and up to 1 year	-253.5	-241.7	-598.3	-276.1	-274.4	-318.0	-295.9	-283.6	-257.5	-292.9	-300.5
(b) Other contingent liabilities	-722.6	-772.9	-945.1	-873.6	-1,402.0	-1,650.1	-1,639.5	-1,743.9	-1,745.0	-1,800.2	-1,798.4
– Croatian National Bank	-722.6	-772.9	-945.1	-873.6	-1,402.0	-1,650.1	-1,639.5	-1,743.9	-1,745.0	-1,800.2	-1,798.4
Up to 1 month	-	-	-	-	-	-	-	-	-	-	-
More than 1 and up to 3 months	-722.6	-772.9	-945.1	-873.6	-1,402.0	-1,650.1	-1,639.5	-1,743.9	-1,745.0	-1,800.2	-1,798.4
More than 3 months and up to 1 year	-	-	-	-	-	-	-	-	-	-	-
– Central government (excl. central government funds)	-	-	-	-	-	-	-	-	-	-	-
2. F/c sec. issued with embedded options (puttable bonds)	-	-	-	-	-	-	-	-	-	-	-
3. Undrawn, unconditional credit lines provided by	85.9	170.8	-	-	-	-	-	-	-	-	-
– BIS (+)	85.9	-	-	-	-	-	-	-	-	-	-
– IMF (+)	-	170.8	-	-	-	-	-	-	-	-	-
4. Aggregate short and long positions of options in foreign currencies vis-a-vis the domestic currency	-	-	-	-	-	-	-	-	-	-	-
5. Total contingent short-term net drains on f/c assets (1+2+3+4)	-954.5	-918.0	-1,631.0	-1,300.4	-1,772.9	-2,091.4	-2,050.4	-2,164.0	-2,201.0	-2,214.3	-2,225.9
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 repored and included in Section I	-42.9	-70.0	-20.0	-351.0	-	-	-	-	-	-	-
– lent or repored but not included in Section I	-	-	-	-	-	-	-	-	-	-	-
– borrowed or acquired and included in Section I	-	-	-	-	-	-	-	-	-	-	-
– borrowed or acquired but not included in Section I	735.9	1,235.1	1,330.3	785.1	180.7	244.2	185.5	279.4	310.3	276.0	180.5
(e) financial derivative assets (net, marked to market)	-	-	-	-	-	-	-	-	-	-	-
(f) currency composition of official reserves assets ^a	-	-	-	-	-	-	-	-	-	-	-
– currencies in SDR basket	3,783.2	5,333.6	5,651.3	6,554.1	6,436.2	6,700.4	6,772.0	6,990.6	7,065.7	7,061.6	7,064.2
– currencies not in SDR basket	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
– by individual currencies											
USD	990.2	1,738.4	1,600.8	1,937.6	1,609.1	1,379.1	1,117.9	1,146.6	1,104.1	1,089.3	1,079.8
EUR	2,633.8	3,471.6	4,047.9	4,615.6	4,826.3	5,320.4	5,652.9	5,843.2	5,960.7	5,970.7	5,983.4
Other	159.2	123.6	2.6	0.9	0.8	0.9	1.2	0.9	0.9	1.6	1.0

Table H8: International Reserves and Foreign Currency Liquidity

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

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

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

with foreign negotiable debt securities.

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

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

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		7.087400	0.524804	1.079560	0.371475	4.381763	9.166192	5.995300	3.692018
1995		6.757758	0.518734	1.047969	0.321342	4.425311	8.252950	5.229967	3.649342
1996		6.804708	0.513722	1.062735	0.352150	4.404976	8.479850	5.433800	3.614536
1997		6.959708	0.505322	1.056355	0.361942	4.246962	10.081567	6.157050	3.555932
1998		7.136608	0.514421	1.079581	0.366683	4.395149	10.539883	6.362292	3.619321
1999		7.579622	0.550834	1.155501	0.391455	4.738375	11.504100	7.112441	3.875409
2000		7.634973	0.554855	1.163944	0.394313	4.901679	12.529639	8.276819	3.903700
2001		7.468966	0.542791	1.138637	0.385740	4.946376	12.010492	8.339074	3.818822
2002		7.406773				5.050089	11.788895	7.863712	
2003		7.563414				4.977823	10.945665	6.701390	
2004		7.495169				4.855608	11.048232	6.035494	
2004	August	7.369254				4.791269	11.021240	6.055250	
	September	7.410331				4.805074	10.886861	6.069909	
	October	7.544859				4.888467	10.917838	6.049878	
	November	7.554380				4.963436	10.813955	5.824814	
	December	7.544991				4.916727	10.873149	5.643633	
2005	January	7.563796				4.891373	10.811869	5.741322	
	February	7.516931				4.849005	10.904242	5.780433	
	March	7.459512				4.814920	10.770658	5.653121	
	April	7.395276				4.778072	10.818158	5.716584	
	May	7.327121				4.743797	10.714655	5.758623	
	June	7.313364				4.755423	10.937565	6.006567	
	July	7.304871				4.690760	10.635671	6.062091	
	August	7.348095				4.732522	10.723305	5.975191	
	September	7.431614				4.799039	10.960855	6.051621	

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		6.902400	0.516285	1.052510	0.346500	4.288893	8.784200	5.628700	3.632100
1995		6.812200	0.526742	1.085365	0.335800	4.618693	8.234500	5.316100	3.705900
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.511000
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2003		7.646909				4.901551	10.860544	6.118506	
2004		7.671234				4.971314	10.824374	5.636883	
2004	August	7.391677				4.797921	10.979912	6.136718	
	September	7.547840				4.862672	11.088350	6.125996	
	October	7.490452				4.893801	10.760598	5.874864	
	November	7.600835				5.012090	10.825858	5.731289	
	December	7.671234				4.971314	10.824374	5.636883	
2005	January	7.551070				4.882683	10.924580	5.784488	
	February	7.507513				4.873743	10.888344	5.702630	
	March	7.441756				4.794019	10.808651	5.744312	
	April	7.364438				4.792060	10.870019	5.679807	
	May	7.307220				4.728980	10.648820	5.837370	
	June	7.310503				4.728045	11.003165	6.062782	
	July	7.296747				4.679202	10.588807	6.040353	
	August	7.378355				4.762380	10.804444	6.042879	
	September	7.438696				4.773291	10.897592	6.170631	

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

indices 2001 = 100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator	
			Indices of producers' prices	Retail price index
1997	December	87.73	93.01	98.79
1998	December	91.08	95.99	95.39
1999	December	99.23	102.76	102.08
2000	December	101.51	99.96	101.79
2001	December	99.07	98.63	98.89
2002	December	95.97	95.63	96.24
2003	December	94.09	94.46	94.62
2004	August	90.64	89.87	92.00
	September	91.05	90.19	92.78
	October	92.15	91.44	93.71
	November	91.29	91.17	92.43
	December	90.43	90.61	90.85
2005	January	91.00	91.70	91.00
	February	90.76	91.56	90.21
	March	89.73	91.04	89.10
	April	89.44	91.03	89.40
	May	89.01	90.27	89.13
	June	89.91	91.63	90.22
	July	90.06	91.73 ^a	90.66 ^a
	August	90.08	92.10 ^a	90.97 ^a
	September	91.16		

^a Preliminary data.

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

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

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

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

Table H12: Gross External Debt by Domestic Sectors

million euros

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.*	Apr.*	May*	Jun.*	Jul.*	Aug.
1. Government	5,276.6	5,942.4	5,900.3	6,600.6	7,236.1	6,740.8	6,794.2	6,888.4	7,010.4	6,911.2	6,927.0
Short-term	388.7	0.3	0.9	0.9	3.4	1.5	2.2	1.7	1.7	2.0	2.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	388.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.6	0.3	0.9	0.9	3.4	1.5	2.2	1.7	1.7	2.0	2.0
Principal arrears	0.6	0.3	0.9	0.9	2.9	1.2	1.9	1.3	1.3	1.5	1.5
Interest arrears	0.0	0.0	0.0	0.1	0.6	0.4	0.4	0.4	0.4	0.4	0.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	4,887.9	5,942.1	5,899.5	6,599.6	7,232.6	6,739.3	6,792.0	6,886.8	7,008.7	6,909.2	6,925.0
Bonds	3,443.2	4,268.2	3,947.6	4,310.9	4,635.2	4,036.2	4,063.3	4,107.8	4,163.0	4,094.8	4,100.9
Credits	1,444.6	1,672.7	1,950.8	2,286.4	2,595.3	2,701.0	2,726.7	2,776.9	2,843.7	2,812.7	2,822.3
Trade credits	0.1	1.3	1.1	2.3	2.1	2.0	2.0	2.0	1.9	1.8	1.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	215.4	215.5	23.2	365.7	2.4	2.0	1.9	2.7	2.5	2.4	2.2
Short-term	43.6	75.1	21.5	363.1	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	0.0
Credits	43.6	75.1	21.5	363.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	171.9	140.3	1.7	2.6	2.4	2.0	1.9	2.7	2.5	2.4	2.2
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	170.6	138.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1.3	1.7	1.7	2.6	2.4	2.0	1.9	2.7	2.5	2.4	2.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	2,195.7	2,547.1	3,789.6	6,121.1	7,652.4	8,184.0	8,213.0	8,360.3	8,497.7	8,401.6	8,048.3
Short-term	23.2	18.0	14.3	617.1	673.3	2,412.7	2,405.4	2,440.3	2,411.9	2,333.5	2,296.1
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	7.8	2.6	0.3	604.2	660.8	956.7	993.2	1,015.1	1,155.1	1,085.5	1,160.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	1,442.9	1,399.6	1,412.5	1,243.6	1,234.3	1,122.0
Other debt liabilities	15.4	15.4	14.0	12.9	12.5	13.1	12.6	12.7	13.2	13.7	13.4
Principal arrears	15.4	15.4	14.0	12.9	12.4	13.1	12.6	12.7	13.0	13.5	13.1
Interest arrears	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.2	0.2	0.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,172.6	2,529.1	3,775.3	5,503.9	6,979.2	5,771.2	5,807.6	5,920.0	6,085.8	6,068.1	5,752.2
Bonds	0.0	0.0	0.0	0.0	444.5	446.9	448.5	448.5	448.8	449.8	451.5
Credits	1,708.0	1,810.8	1,878.4	2,767.7	3,315.7	3,419.4	3,511.3	3,606.7	3,565.5	3,562.4	3,431.8
Currency and deposits	464.5	718.3	1,896.9	2,736.2	3,219.0	1,904.9	1,847.7	1,864.7	2,071.4	2,055.9	1,868.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other sectors	3,708.9	3,661.8	3,934.7	4,878.4	5,798.1	6,083.5	6,137.1	6,312.1	6,432.9	6,545.5	6,708.7
Short-term	425.8	434.9	460.7	523.2	664.2	651.6	670.4	703.2	745.8	793.1	832.8
Money market instruments	10.2	31.1	0.0	33.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	46.2	53.9	27.2	70.1	125.4	174.4	171.6	191.1	205.1	245.5	249.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	44.5	40.4	47.5	22.2	24.9	29.7	28.0	29.1	29.7	29.7	29.4
Other debt liabilities	324.9	309.6	386.0	397.4	513.9	447.5	470.8	483.0	511.0	517.9	553.8
Principal arrears	310.2	293.0	365.4	369.9	462.7	409.0	431.4	442.5	466.2	470.9	506.4
Interest arrears	14.8	16.6	20.7	27.6	51.2	38.5	39.4	40.4	44.9	47.0	47.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,283.1	3,226.9	3,474.0	4,355.3	5,133.9	5,431.9	5,466.7	5,609.0	5,687.1	5,752.4	5,875.9
Bonds	31.2	31.2	161.2	345.3	384.3	398.5	375.7	378.8	371.3	374.7	378.8
Credits	3,003.5	2,969.0	3,103.0	3,858.3	4,637.3	4,897.3	4,952.5	5,098.8	5,179.0	5,239.9	5,358.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	248.5	226.7	209.9	151.7	112.3	136.0	138.5	131.4	136.8	137.8	138.5
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

5. Direct investment	712.6	1,091.4	1,407.0	1,844.8	1,986.5	2,102.2	2,147.7	2,232.2	2,271.3	2,299.4	2,328.0
Short-term	81.9	49.0	73.2	124.0	247.9	163.6	177.4	202.0	217.7	222.7	226.5
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	23.1	4.4	30.0	43.9	61.9	55.6	57.6	69.4	73.0	69.5	64.2
Trade credits	43.9	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	15.0	43.0	43.1	80.1	186.0	108.0	119.8	132.6	144.7	153.2	162.3
Principal arrears	14.7	41.7	41.0	75.9	166.3	98.8	110.3	123.0	134.3	142.3	149.9
Interest arrears	0.3	1.3	2.1	4.2	19.7	9.3	9.6	9.6	10.4	10.9	12.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	630.7	1,042.4	1,333.8	1,720.8	1,738.6	1,938.6	1,970.3	2,030.2	2,053.6	2,076.7	2,101.5
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	602.6	1,020.9	1,300.0	1,689.7	1,714.8	1,910.8	1,942.4	2,001.4	2,026.1	2,049.1	2,074.4
Trade credits	28.1	21.5	33.8	31.1	23.8	27.8	27.9	28.8	27.5	27.6	27.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	12,109.3	13,458.3	15,054.8	19,810.6	22,675.4	23,112.5	23,293.9	23,795.7	24,214.9	24,160.1	24,014.2

Table H12: Gross External Debt by Domestic Sectors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

million euros

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.*	Apr.*	May*	Jun.*	Jul.*	Aug.
1. Public sector	6,949.7	7,486.1	7,215.3	8,334.0	8,521.2	8,053.8	8,108.6	8,227.6	8,343.3	8,302.1	8,316.2
Short-term	539.5	170.3	54.8	409.5	34.9	28.6	29.7	36.7	39.4	52.2	52.5
Money market instruments	0.0	25.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	461.1	98.3	21.9	390.9	9.2	13.1	13.2	20.7	22.0	35.0	34.8
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	18.9	25.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	59.5	20.5	32.9	18.6	25.6	15.5	16.5	16.0	17.4	17.2	17.7
Principal arrears	59.5	20.5	32.9	18.6	24.5	15.1	16.1	15.6	16.8	16.6	17.0
Interest arrears	0.0	0.0	0.0	0.1	1.2	0.4	0.4	0.4	0.6	0.7	0.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,368.4	7,315.2	7,160.0	7,924.2	8,486.1	8,025.0	8,078.7	8,190.7	8,303.7	8,249.6	8,263.5
Bonds	3,443.2	4,268.2	3,947.6	4,310.9	4,635.2	4,036.2	4,063.3	4,107.8	4,163.0	4,094.8	4,100.9
Credits	2,828.2	2,954.4	3,130.2	3,560.7	3,806.9	3,869.6	3,941.6	4,012.2	4,063.2	4,074.1	4,079.5
Currency and deposits	1.3	1.7	1.7	2.6	2.4	52.0	1.9	2.7	2.5	2.4	2.2
Trade credits	95.7	91.0	80.5	50.0	41.6	67.1	71.9	68.0	74.9	78.3	80.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	41.7	0.6	0.5	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
2. Publicly guaranteed private sector	597.4	565.8	500.1	428.6	343.3	310.8	312.0	315.5	317.5	293.2	293.7
Short-term	2.2	9.1	22.3	32.0	42.4	34.1	35.2	35.7	37.4	37.4	37.1
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	2.2	9.1	22.3	32.0	42.4	34.1	35.2	35.7	37.4	37.4	37.1
Principal arrears	1.3	7.0	16.7	23.3	30.8	25.6	26.5	27.0	28.6	28.1	27.9
Interest arrears	0.8	2.1	5.6	8.7	11.5	8.4	8.6	8.7	8.9	9.3	9.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	595.2	556.8	477.8	396.6	300.9	276.7	276.9	279.8	280.0	255.8	256.6
Bonds	31.2	31.2	31.2	31.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	564.0	519.7	442.6	362.9	299.4	275.4	275.7	278.6	277.8	253.7	254.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.1	5.9	4.0	2.5	1.5	1.3	1.2	1.2	2.2	2.1	2.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Non-publicly guaranteed private sector	4,562.2	5,406.4	7,339.4	11,048.1	13,810.9	14,747.9	14,873.2	15,252.6	15,554.1	15,564.8	15,404.3
Short-term	339.4	348.9	420.3	1,062.9	1,263.6	3,003.2	3,013.1	3,072.7	3,082.5	3,039.0	3,041.3
Money market instruments	10.2	5.6	0.0	33.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	24.5	33.3	27.1	646.6	777.0	1,118.0	1,151.6	1,185.5	1,338.2	1,296.0	1,375.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	1,442.9	1,399.6	1,412.5	1,243.6	1,234.3	1,122.0
Trade credits	25.6	14.5	47.5	22.2	24.9	29.7	28.0	29.1	29.7	29.7	29.4
Other debt liabilities	279.2	295.5	345.7	360.7	461.8	412.5	433.9	445.7	471.1	479.0	514.4
Principal arrears	265.4	281.1	330.6	341.8	422.6	382.5	403.2	413.9	435.0	441.3	476.1
Interest arrears	13.8	14.4	15.1	18.9	39.2	30.0	30.8	31.7	36.0	37.7	38.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,551.9	3,966.7	5,512.6	8,140.6	10,561.0	9,642.8	9,712.6	9,947.9	10,200.5	10,226.7	10,035.1
Bonds	0.0	0.0	130.0	314.1	828.8	845.4	824.3	827.3	820.2	824.5	830.3
Credits	2,934.6	3,117.0	3,359.3	4,988.8	6,441.9	6,822.8	6,973.2	7,191.6	7,247.2	7,287.2	7,278.5
Currency and deposits	464.5	718.3	1,896.9	2,736.2	3,219.0	1,904.9	1,847.7	1,864.7	2,071.4	2,055.9	1,868.9
Trade credits	152.8	131.4	126.4	101.5	71.2	69.6	67.4	64.2	61.7	59.1	57.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	670.9	1,090.9	1,406.5	1,844.6	1,986.3	2,102.0	2,147.5	2,232.0	2,271.1	2,299.1	2,327.8
Total (1+2+3)	12,109.2	13,458.3	15,054.8	19,810.6	22,675.4	23,112.5	23,293.9	23,795.7	24,214.9	24,160.1	24,014.2

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

million euros

	Outstanding debt 31/8/2005	Immediate	Projected future principal payments												
			Q3/05	Q4/05	Q1/06	Q2/06	2005	2006	2007	2008	2009	2010	2011	2012	Other
1. Government	6,927.0	2.0	127.9	59.5	589.4	62.8	187.3	844.8	675.3	684.1	1,029.8	806.6	1,406.4	205.7	1,085.0
Short-term	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,925.0	0.0	127.9	59.5	589.4	62.8	187.3	844.8	675.3	684.1	1,029.8	806.6	1,406.4	205.7	1,085.0
Bonds	4,100.9	0.0	90.7	0.0	528.0	0.0	90.7	585.5	351.9	254.8	732.4	560.8	1,031.8	16.0	477.0
Credits	2,822.3	0.0	37.2	59.4	61.2	62.7	96.5	258.7	322.7	428.8	297.4	245.8	374.6	189.8	608.0
Trade credits	1.8	0.0	0.0	0.1	0.2	0.1	0.1	0.6	0.6	0.4	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.2
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.2
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	8,048.3	13.4	1,019.4	163.2	80.7	695.8	1,182.6	1,118.7	536.4	507.6	830.3	439.3	64.4	123.5	3,232.2
Short-term	2,296.1	13.4	942.9	124.7	2.6	80.6	1,067.5	93.2	0.0	0.0	0.0	0.0	0.0	0.0	1,122.0
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	1,160.7	0.0	942.9	124.7	2.6	80.6	1,067.5	93.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1,122.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,122.0
Other debt liabilities	13.4	13.4	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
Principal arrears	13.1	13.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,752.2	0.0	76.5	38.5	78.2	615.1	115.0	1,025.5	536.4	507.6	830.3	439.3	64.4	123.5	2,110.1
Bonds	451.5	0.0	2.6	0.0	0.0	0.0	2.6	0.0	0.0	0.0	448.9	0.0	0.0	0.0	0.0
Credits	3,431.8	0.0	73.9	38.5	78.2	615.1	112.4	1,025.5	536.4	507.6	381.4	439.3	64.4	123.5	241.2
Currency and deposits	1,868.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,868.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other sectors	6,708.7	553.8	215.4	400.0	250.6	295.3	615.4	1,094.7	1,066.3	793.6	643.8	440.3	280.8	195.3	1,024.7
Short-term	832.8	553.8	25.5	136.0	78.0	21.0	161.5	117.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	249.6	0.0	25.5	136.0	48.6	21.0	161.5	88.1	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	29.4	0.0	0.0	0.0	29.4	0.0	0.0	29.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	553.8	553.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	506.4	506.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	47.4	47.4	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	5,875.9	0.0	189.9	264.0	172.6	274.2	453.9	977.3	1,066.3	793.6	643.8	440.3	280.8	195.3	1,024.7
Bonds	378.8	0.0	21.4	0.0	0.0	0.0	21.4	0.0	193.8	5.7	5.7	6.5	6.5	8.2	131.0
Credits	5,358.5	0.0	157.9	248.7	163.9	242.9	406.6	911.4	849.1	774.4	630.2	432.3	274.1	187.0	893.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	138.5	0.0	10.6	15.3	8.7	31.3	25.9	65.8	23.4	13.5	7.9	1.5	0.2	0.1	0.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

5. Direct investment	2,328.0	162.3	47.2	122.1	58.6	69.9	169.3	349.6	235.8	246.0	200.5	241.5	54.8	35.8	632.4
Short-term	226.5	162.3	15.3	29.7	10.7	6.5	45.0	18.2	0.0	0.0	0.0	0.0	0.0	0.0	1.0
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	64.2	0.0	15.3	29.7	10.7	6.5	45.0	18.2	0.0	0.0	0.0	0.0	0.0	0.0	1.0
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	162.3	162.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	149.9	149.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	12.4	12.4	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	2,101.5	0.0	31.9	92.4	47.9	63.4	124.3	331.4	235.8	246.0	200.5	241.5	54.8	35.8	631.4
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	2,074.4	0.0	31.2	90.6	46.8	62.3	121.8	326.9	231.0	242.0	196.8	237.5	53.5	34.8	630.0
Trade credits	27.1	0.0	0.7	1.8	1.1	1.0	2.5	4.5	4.7	4.0	3.7	4.0	1.3	1.0	1.5
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
Total (1+2+3+4+5)	24,014.2	731.5	1,409.9	744.8	979.4	1,123.8	2,154.6	3,407.7	2,513.8	2,231.3	2,704.4	1,927.7	1,806.4	560.3	5,976.4
Supplement: Projected interest payments			0.8	160.9	241.4	170.7	161.7	671.9	559.9	474.0	400.7	286.7	220.7	123.7	488.4

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

The Table shows outstanding gross external debt, projected principal payments and estimated interest payments according to the CNB's midpoint exchange rate at the end of the period.

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

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

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

Table H15: International Investment Position – Summary

million euros

	2000	2001	2002	2003	2004 ^b	2004				2005	
						Q1	Q2	Q3	Q4 ^b	Q1 ^b	Q2 ^a
1. International investment position (net)	-6,298.9	-4,544.7	-7,905.4	-11,731.6	-15,465.9	-13,720.4	-13,750.0	-15,276.8	-15,465.9	-17,156.7	-18,668.9
2. Assets	9,044.3	12,793.2	12,550.4	14,804.8	14,939.7	14,181.1	14,990.9	15,147.5	14,939.7	14,457.7	14,683.3
2.1. Direct investment abroad	939.2	1,095.9	1,753.2	1,646.4	1,633.7	1,771.0	2,055.2	1,960.8	1,633.7	1,786.7	1,780.1
2.2. Portfolio investment	93.3	253.0	810.1	603.1	1,317.5	987.5	1,163.1	1,128.5	1,317.5	1,324.6	1,447.2
2.2.1. Equity securities	15.3	25.5	39.3	40.6	39.8	42.6	48.8	46.0	39.8	41.1	40.6
2.2.2. Debt securities	78.0	227.5	770.9	562.5	1,277.7	944.8	1,114.3	1,082.5	1,277.7	1,283.5	1,406.6
Bonds	63.1	196.4	761.0	560.0	1,142.5	858.4	997.6	952.0	1,142.5	1,151.8	1,286.2
Money market instruments	14.9	31.1	9.9	2.4	135.1	86.4	116.8	130.4	135.1	131.7	120.4
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	4,231.3	6,110.7	4,335.8	6,001.2	5,552.4	5,244.2	5,383.2	5,606.5	5,552.4	4,645.9	4,390.3
2.4.1. Trade credits	200.0	206.1	181.0	178.1	151.9	195.6	181.4	168.0	151.9	158.6	164.9
2.4.2. Loans	166.1	121.6	128.7	113.9	114.9	121.4	111.2	118.5	114.9	118.5	122.6
2.4.3. Currency and deposits	3,865.2	5,782.9	4,026.0	5,709.2	5,285.6	4,927.1	5,090.6	5,320.0	5,285.6	4,368.7	4,102.8
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5. Reserve assets (CNB)	3,780.4	5,333.6	5,651.3	6,554.1	6,436.1	6,178.5	6,389.4	6,451.8	6,436.1	6,700.5	7,065.7
3. Liabilities	15,343.1	17,337.8	20,455.8	26,536.3	30,405.7	27,901.5	28,741.0	30,424.3	30,405.7	31,614.3	33,352.2
3.1. Direct investment in Croatia	3,829.6	4,806.1	6,634.4	8,398.2	9,433.3	9,021.0	8,627.0	10,274.5	9,433.3	10,303.9	11,080.9
3.2. Portfolio investment	3,601.4	4,495.2	4,282.3	4,862.0	5,747.4	5,087.8	5,676.4	5,925.9	5,747.4	5,192.1	5,316.8
3.2.1. Equity securities	116.8	164.8	173.6	172.3	283.4	171.4	181.1	263.3	283.4	310.5	333.6
3.2.2. Debt securities	3,484.6	4,330.4	4,108.7	4,689.7	5,464.0	4,916.4	5,495.3	5,662.5	5,464.0	4,881.6	4,983.2
Bonds	3,474.4	4,299.3	4,108.7	4,656.2	5,464.0	4,879.9	5,488.5	5,662.5	5,464.0	4,881.6	4,983.2
Money market instruments	10.2	31.1	0.0	33.5	0.0	36.5	6.8	0.0	0.0	0.0	0.0
3.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.4. Other investment	7,912.1	8,036.5	9,539.1	13,276.1	15,224.9	13,792.8	14,437.6	14,223.9	15,224.9	16,118.3	16,954.5
3.4.1. Trade credits	293.1	268.4	258.4	176.1	139.3	165.5	155.5	162.0	139.3	167.5	167.7
3.4.2. Loans	6,812.4	6,722.9	6,981.2	9,949.9	11,334.5	10,401.4	11,092.0	11,031.8	11,334.5	12,135.5	12,930.5
3.4.3. Currency and deposits	465.8	719.9	1,898.6	2,738.7	3,221.4	2,783.4	2,737.6	2,554.9	3,221.4	3,349.9	3,317.6
3.4.4. Other liabilities	341.0	325.3	400.9	411.3	529.8	442.4	452.4	475.2	529.8	465.4	538.8

^a Preliminary data. ^b Revised data.

Table H15: International Investment Position – Summary

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

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

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

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

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

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

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

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

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

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

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

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

Table H16: International Investment Position – Direct Investment

million euros

	2000	2001	2002	2003	2004 ^b	2004				2005	
						Q1	Q2	Q3	Q4 ^b	Q1 ^b	Q2 ^a
Direct investment (net)	-2,890.4	-3,710.2	-4,881.2	-6,751.8	-7,799.6	-7,249.9	-6,571.8	-8,313.8	-7,799.6	-8,517.2	-9,300.8
1. Abroad	939.2	1,095.9	1,753.2	1,646.4	1,633.7	1,771.0	2,055.2	1,960.8	1,633.7	1,786.7	1,780.1
1.1. Equity capital and reinvested earnings	884.5	1,050.2	1,712.8	1,583.2	1,526.9	1,704.5	1,979.7	1,876.7	1,526.9	1,636.8	1,610.1
Claims	884.5	1,050.2	1,712.8	1,583.2	1,526.9	1,704.5	1,979.7	1,876.7	1,526.9	1,636.8	1,610.1
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	54.7	45.6	40.4	63.2	106.9	66.5	75.5	84.1	106.9	149.9	170.0
Claims	....	....	....	....	0.0	....	....	....	0.0	0.0	0.0
Liabilities	....	....	....	....	0.0	....	....	....	0.0	0.0	0.0
1.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	3,829.6	4,806.1	6,634.4	8,398.2	9,433.3	9,021.0	8,627.0	10,274.5	9,433.3	10,303.9	11,080.9
2.1. Equity capital and reinvested earnings	3,117.0	3,714.7	5,227.4	6,553.4	7,446.8	7,126.0	6,670.6	8,257.8	7,446.8	8,201.6	8,811.7
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	3,117.0	3,714.7	5,227.4	6,553.4	7,446.8	7,126.0	6,670.6	8,257.8	7,446.8	8,201.6	8,811.7
2.2. Other capital	712.6	1,091.4	1,407.0	1,844.8	1,986.5	1,895.0	1,956.4	2,016.8	1,986.5	2,102.3	2,269.2
Claims	....	....	....	....	....	....	....	....	....	....	....
Liabilities	....	....	....	....	....	....	....	....	....	....	....
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data. ^b Revised data.

Table H17: International Investment Position – Portfolio Investment

million euros

	2000	2001	2002	2003	2004 ^b	2004				2005	
						Q1	Q2	Q3	Q4 ^b	Q1 ^b	Q2 ^a
Portfolio investment (net)	-3,508.1	-4,242.2	-3,472.2	-4,258.9	-4,430.0	-4,100.3	-4,513.2	-4,797.4	-4,430.0	-3,867.5	-3,869.6
1. Assets	93.3	253.0	810.1	603.1	1,317.5	987.5	1,163.1	1,128.5	1,317.5	1,324.6	1,447.2
1.1. Equity securities	15.3	25.5	39.3	40.6	39.8	42.6	48.8	46.0	39.8	41.1	40.6
Banks	7.7	8.0	8.1	4.2	4.5	4.5	5.1	4.8	4.5	4.6	4.5
Other sectors	7.6	17.5	31.1	36.4	35.3	38.2	43.7	41.2	35.3	36.6	36.1
1.2. Debt securities	78.0	227.5	770.9	562.5	1,277.7	944.8	1,114.3	1,082.5	1,277.7	1,283.5	1,406.6
2. Liabilities	3,601.4	4,495.2	4,282.3	4,862.0	5,747.4	5,087.8	5,676.4	5,925.9	5,747.4	5,192.1	5,316.8
2.1. Equity securities	116.8	164.8	173.6	172.3	283.4	171.4	181.1	263.3	283.4	310.5	333.6
Banks	39.2	41.1	36.2	40.4	44.4	45.4	37.3	46.5	44.4	45.1	48.4
Other sectors	77.6	123.8	137.3	132.0	239.1	126.0	143.8	216.8	239.1	265.4	285.1
2.2. Debt securities	3,484.6	4,330.4	4,108.7	4,689.7	5,464.0	4,916.4	5,495.3	5,662.5	5,464.0	4,881.6	4,983.2
Bonds	3,474.4	4,299.3	4,108.7	4,656.2	5,464.0	4,879.9	5,488.5	5,662.5	5,464.0	4,881.6	4,983.2
General government	3,443.2	4,268.2	3,947.6	4,310.9	4,635.2	4,516.7	5,034.5	4,831.1	4,635.2	4,036.2	4,163.0
Banks	0.0	0.0	0.0	0.0	444.5	0.0	0.0	443.1	444.5	446.9	448.8
Other sectors	31.2	31.2	161.2	345.3	384.3	363.3	454.0	388.4	384.3	398.5	371.3
Money market instruments	10.2	31.1	0.0	33.5	0.0	36.5	6.8	0.0	0.0	0.0	0.0
Other sectors	10.2	31.1	0.0	33.5	0.0	36.5	6.8	0.0	0.0	0.0	0.0

^a Preliminary data. ^b Revised data.

Table H18: International Investment Position – Other Investment

million euros

	2000	2001	2002	2003	2004 ^b	2004				2005	
						Q1	Q2	Q3	Q4 ^b	Q1 ^b	Q2 ^a
Other investment (net)	-3,636.0	-1,849.1	-5,180.2	-6,909.9	-9,670.8	-8,418.8	-9,052.6	-8,615.7	-9,670.8	-11,471.0	-12,562.3
1. Assets	4,231.3	6,110.7	4,335.8	6,000.5	5,551.8	5,243.5	5,382.6	5,605.8	5,551.8	4,645.3	4,389.7
1.1. Trade credits	200.0	206.1	181.0	178.1	151.9	195.6	181.4	168.0	151.9	158.6	164.9
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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
1.1.2. Other sectors	200.0	206.1	181.0	178.1	151.8	195.6	181.3	167.9	151.8	158.6	164.9
Long-term	165.7	180.2	169.6	173.5	147.5	191.0	176.8	163.3	147.5	154.0	160.1
Short-term	34.3	25.9	11.4	4.6	4.4	4.6	4.6	4.6	4.4	4.6	4.8
1.2. Loans	166.1	121.6	128.7	113.3	114.3	120.8	110.6	117.9	114.3	117.9	122.0
1.2.1. General government	3.7	6.1	5.6	5.2	5.3	5.0	5.0	4.7	5.3	6.8	7.0
Long-term	3.7	6.1	5.6	5.2	5.3	5.0	5.0	4.7	5.3	6.8	7.0
1.2.2. Banks	130.6	82.7	93.6	79.9	79.9	87.2	76.7	83.6	79.9	79.7	81.5
Long-term	89.7	46.9	60.2	57.5	56.2	64.8	56.8	54.6	56.2	55.9	56.0
Short-term	40.9	35.8	33.4	22.4	23.7	22.4	19.9	29.0	23.7	23.9	25.4
1.2.3. Other sectors	31.7	32.8	29.5	28.2	29.1	28.5	28.8	29.6	29.1	31.4	33.5
Long-term	31.7	32.8	29.4	28.2	28.7	28.5	28.8	29.2	28.7	30.1	32.5
Short-term	0.0	0.0	0.1	0.0	0.4	0.0	0.1	0.4	0.4	1.3	1.0
1.3. Currency and deposits	3,865.2	5,782.9	4,026.0	5,709.2	5,285.6	4,927.1	5,090.6	5,320.0	5,285.6	4,368.7	4,102.8
1.3.2. General government	74.1	94.7	115.7	81.9	8.9	166.0	211.1	147.0	8.9	77.8	25.0
1.3.3. Banks	2,564.3	4,438.8	2,754.3	4,551.9	4,317.0	3,722.8	3,892.6	4,151.2	4,317.0	3,333.8	3,049.4
1.3.4. Other sectors	1,226.8	1,249.4	1,156.0	1,075.4	959.7	1,038.3	986.9	1,021.8	959.7	957.2	1,028.4
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	7,867.3	7,959.7	9,515.9	12,910.4	15,222.5	13,662.3	14,435.2	14,221.6	15,222.5	16,116.3	16,952.0
2.1. Trade credits	293.1	268.4	258.4	176.1	139.3	165.5	155.5	162.0	139.3	167.5	167.7
2.1.1. General government	0.1	1.3	1.1	2.3	2.1	2.4	2.6	2.3	2.1	2.0	1.9
Long-term	0.1	1.3	1.1	2.3	2.1	2.4	2.6	2.3	2.1	2.0	1.9
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	293.0	267.1	257.4	173.8	137.2	163.1	153.0	159.7	137.2	165.5	165.8
Long-term	248.5	226.7	209.9	151.7	112.3	135.8	124.2	123.0	112.3	135.8	136.2
Short-term	44.5	40.4	47.5	22.2	24.9	27.3	28.8	36.7	24.9	29.7	29.5
2.2. Loans	6,768.8	6,647.8	6,959.7	9,586.8	11,334.5	10,273.2	11,092.0	11,031.8	11,334.5	12,135.5	12,930.5
2.2.1. Croatian National Bank o/w: IMF	170.6	138.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	1,832.6	1,672.7	1,950.8	2,286.4	2,595.3	2,352.6	2,487.1	2,691.6	2,595.3	2,701.0	2,843.7
Long-term	1,444.6	1,672.7	1,950.8	2,286.4	2,595.3	2,352.6	2,487.1	2,691.6	2,595.3	2,701.0	2,843.7
Short-term	388.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,715.8	1,813.5	1,878.7	3,372.0	3,976.4	3,838.7	4,190.1	3,715.0	3,976.4	4,376.2	4,720.6
Long-term	1,708.0	1,810.8	1,878.4	2,767.7	3,315.7	3,021.0	3,300.6	3,273.9	3,315.7	3,419.5	3,565.6
Short-term	7.8	2.6	0.3	604.2	660.8	817.7	889.6	441.0	660.8	956.7	1,155.1
2.2.4. Other sectors	3,049.7	3,022.9	3,130.1	3,928.5	4,762.8	4,081.9	4,414.8	4,625.2	4,762.8	5,058.3	5,366.1
Long-term	3,003.5	2,969.0	3,103.0	3,858.3	4,637.3	3,980.9	4,278.8	4,487.8	4,637.3	4,877.4	5,160.9
Short-term	46.2	53.9	27.2	70.1	125.4	101.0	136.1	137.5	125.4	180.8	205.2
2.3. Currency and deposits	464.5	718.3	1,896.9	2,736.2	3,219.0	2,781.1	2,735.2	2,552.6	3,219.0	3,347.9	3,315.0
2.3.1. Banks	464.5	718.3	1,896.9	2,736.2	3,219.0	2,781.1	2,735.2	2,552.6	3,219.0	3,347.9	3,315.0
2.4. Other liabilities	341.0	325.3	400.9	411.3	529.8	442.4	452.4	475.2	529.8	465.4	538.8

^a Preliminary data. ^b Revised data.

Table I1: Consolidated Central Government

million kuna

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

^a Preliminary data. Source: Ministry of Finance.

Table I2: Budgetary Central Government Operations

million kuna

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

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

Table I3: Central Government Debt

end of period, million kuna

	2000	2001	2002	2003	2004	2005					
	Dec.	Dec.	Dec. ^a	Dec.	Dec.	Mar.*	Apr.*	May*	Jun.*	Jul.*	Aug.
1. Domestic debt of central government	21,324.2	24,907.3	31,421.5	34,736.4	41,517.0	51,391.3	51,180.4	51,926.2	52,400.1	53,688.1	52,971.3
1.1. Domestic debt of the Republic of Croatia	18,509.7	21,467.9	23,320.0	28,160.8	37,223.7	46,375.7	46,253.1	46,419.0	46,495.7	47,675.8	46,958.4
Treasury bills	2,564.6	4,892.3	5,632.7	6,548.1	9,022.5	13,021.3	13,648.4	13,449.1	13,442.1	12,977.0	12,780.0
Money market instruments	14.2	7.4	0.1	0.3	–	–	–	–	–	0.7	0.7
Bonds	14,082.5	15,415.8	15,887.9	17,422.0	23,080.1	24,570.5	24,436.4	24,127.9	24,072.1	26,492.4	26,661.2
Credits from the CNB	0.0	–	0.5	1.4	3.3	1.7	2.2	0.7	0.0	1.2	0.6
Credits from banks	1,848.4	1,152.4	1,798.8	4,189.1	5,117.8	8,782.3	8,166.1	8,841.3	8,981.5	8,204.5	7,515.9
1.2. Domestic debt of central government funds	2,814.4	3,439.4	8,101.5	6,575.5	4,293.3	5,015.5	4,927.3	5,507.2	5,904.4	6,012.3	6,012.9
Money market instruments	–	–	–	–	–	–	–	–	–	–	–
Bonds	1,686.8	1,636.1	4,460.7	3,616.4	2,040.1	1,901.7	1,878.7	1,860.7	1,853.2	1,829.1	1,850.4
Credits from banks	1,127.6	1,803.3	3,640.7	2,959.1	2,253.2	3,113.9	3,048.6	3,646.5	4,051.3	4,183.2	4,162.5
2. External debt of central government	39,638.8	43,319.1	43,517.5	50,137.9	55,248.4	49,943.3	49,818.7	50,119.5	51,038.5	50,245.4	50,924.4
2.1. External debt of the Republic of Croatia	36,453.4	39,487.3	37,388.3	41,048.8	41,951.9	36,698.3	36,142.1	36,335.6	36,729.6	36,023.0	36,516.2
Money market instruments	–	–	–	–	–	–	–	–	–	–	–
Bonds	25,762.8	30,746.7	28,694.2	32,144.8	32,793.2	27,258.8	27,159.2	27,257.4	27,652.2	27,069.1	27,405.0
Credits	10,690.6	8,740.6	8,694.1	8,904.1	9,158.7	9,439.4	8,982.9	9,078.2	9,077.4	8,953.9	9,111.1
2.2. External debt of central government funds	3,185.4	3,831.8	6,129.2	9,089.1	13,296.4	13,245.1	13,676.5	13,783.9	14,308.8	14,222.4	14,408.2
Money market instruments	–	–	–	–	–	–	–	–	–	–	–
Bonds	400.0	709.7	684.6	820.6	2,764.8	2,777.9	2,764.7	2,759.4	2,781.5	2,809.6	2,853.2
Credits	2,785.4	3,122.1	5,444.6	8,268.6	10,531.6	10,467.2	10,911.8	11,024.5	11,527.4	11,412.7	11,555.0
3. Total (1+2)	60,963.0	68,226.4	74,939.0	84,874.3	96,765.4	101,334.6	100,999.1	102,045.7	103,438.5	103,933.5	103,895.7
Supplement: Central government guaranteed debt											
– guarantees for domestic debt	3,412.3	6,025.6	7,528.1	6,895.4	4,632.4	4,823.6	5,245.0	5,340.9	5,177.4	4,711.0	5,118.4
– guarantees for external debt	9,850.7	8,813.6	8,261.9	8,618.5	7,809.8	7,413.7	7,377.7	7,453.5	7,400.1	7,048.5	7,138.2

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

Table I3: Central Government Debt

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

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

Table J1: Consumer Price and Producer Price Indices

Year	Month	Basic indices, 2001 = 100			Chain indices				Monthly year-on-year indices			
		Consumer price indices			Consumer price indices ^a			Producer prices	Consumer price indices ^a			Producer prices
		Total	Goods	Services	Total	Goods	Services		Total	Goods	Services	
1994	December	....	....	....	100.2	100.1	100.8	100.2	97.0	95.0	108.1	94.5
1995	December	....	....	....	100.2	100.2	99.8	100.5	103.7	102.4	109.3	101.6
1996	December	....	....	....	100.0	100.2	99.5	100.3	103.4	102.3	108.7	101.5
1997	December	....	....	....	100.7	100.3	102.3	99.9	103.8	102.7	108.2	101.6
1998	December	89.6	90.6	86.2	100.3	100.4	100.0	100.0	105.4	104.3	109.2	97.9
1999	December	93.1	93.4	91.8	100.6	100.8	100.0	100.3	103.9	103.1	106.5	105.9
2000	December	98.2	98.5	96.9	100.4	100.4	100.1	100.2	105.5	105.5	105.5	111.2
2001	December	100.5	99.8	103.5	100.4	100.4	100.5	99.0	102.4	101.3	106.8	96.9
2002	December	102.4	100.9	108.3	100.4	100.6	99.6	99.9	101.8	101.1	104.6	102.3
2003	December	104.1	102.5	110.6	100.3	100.2	100.5	100.0	101.7	101.6	102.2	101.0
2004	August	105.4	102.7	115.8	100.1	100.1	100.2	101.0	102.0	101.6	103.1	105.1
	September	105.2	102.7	115.0	99.8	100.0	99.3	100.2	101.6	100.7	104.3	105.7
	October	105.7	103.5	114.3	100.4	100.7	99.4	100.8	102.0	101.4	103.9	106.3
	November	106.2	104.1	114.4	100.5	100.6	100.0	99.5	102.3	101.8	103.9	105.5
	December	106.9	105.0	114.6	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	January	107.3	105.3	114.8	100.3	100.3	100.2	100.0	102.0	101.6	103.5	104.4
	February	108.5	106.8	115.2	101.1	101.4	100.3	100.3	103.3	103.2	103.3	105.1
	March	109.3	107.8	115.3	100.7	100.9	100.1	100.3	103.9	104.1	103.2	105.1
	April	109.0	107.3	115.8	99.8	99.6	100.3	100.3	103.5	103.5	103.5	104.5
	May	109.0	107.2	116.2	100.0	99.9	100.4	100.1	102.8	102.9	102.4	102.3
	June	108.8	106.8	116.8	99.9	99.7	100.5	99.8	102.9	103.1	102.2	102.4
	July	108.6	106.1	118.1	99.8	99.4	101.1	100.8	103.1	103.4	102.1	102.3
	August	108.7	106.2	118.2	100.1	100.1	100.1	100.1	103.1	103.4	102.1	101.5
	September	109.2	107.3	117.0	100.5	101.0	99.0	100.8	103.8	104.5	101.8	102.1

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

Table J1: Consumer Price and Producer Price Indices

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

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

Table J2: Core Consumer Price Indices

Year	Month	Basic indices, 2001 = 100			Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1998	December	93.2	93.7	90.6	99.9	99.9	100.0	....	....	....
1999	December	95.9	96.4	93.3	100.1	100.1	100.1	102.9	102.9	103.0
2000	December	99.1	99.3	98.0	100.4	100.4	100.2	103.3	103.0	105.0
2001	December	100.3	100.1	101.8	99.8	99.7	100.3	101.2	100.8	103.8
2002	December	101.5	101.1	104.2	100.0	100.1	99.4	101.2	101.0	102.4
2003	December	102.7	102.0	107.3	100.2	100.1	101.0	101.2	100.9	103.0
2004	August	104.3	102.9	112.9	100.6	100.6	100.1	102.2	102.2	101.9
	September	104.2	103.0	111.2	99.9	100.1	98.5	102.4	102.0	104.2
	October	104.7	103.8	109.9	100.5	100.8	98.8	102.3	102.1	103.5
	November	105.0	104.2	110.0	100.3	100.4	100.1	102.4	102.2	103.5
	December	105.1	104.2	110.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	January	104.7	103.8	110.7	99.6	99.5	100.2	102.0	101.9	102.4
	February	105.2	104.2	111.2	100.5	100.5	100.5	102.7	102.7	102.5
	March	105.7	104.9	110.8	100.5	100.6	99.6	103.1	103.3	102.0
	April	106.4	105.5	111.6	100.7	100.6	100.8	103.6	103.7	102.9
	May	106.8	105.9	112.6	100.4	100.3	100.9	103.5	103.6	103.0
	June	107.2	106.1	113.7	100.4	100.2	101.0	103.5	103.7	102.6
	July	107.3	105.8	116.4	100.1	99.7	102.3	103.4	103.5	103.1
	August	107.1	105.6	116.7	99.9	99.8	100.3	102.7	102.6	103.3
	September	107.3	106.2	114.1	100.2	100.6	97.7	103.0	103.1	102.6

Source: Central Bureau of Statistics.

Table J2: Core Consumer Price Indices

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

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

Table J3: Average Monthly Net Wages

in current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1994	December	1,646.0	119.0	153.4	233.2
1995	December	1,883.0	99.4	114.4	145.7
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	December	3,839.0	98.0	107.2	105.0
2003	December	4,045.0	99.8	105.4	105.9
2004	August	4,178.0	99.3	106.7	106.0
	September	4,132.0	98.9	106.0	106.0
	October	4,128.0	99.9	103.3	105.7
	November	4,352.0	105.4	107.4	105.8
	December	4,312.0	99.1	106.6	105.9
2005	January	4,236.0	98.2	104.1	104.1
	February	4,193.0	99.0	104.8	104.4
	March	4,390.0	104.7	105.7	104.9
	April	4,287.0	97.7	103.8	104.6
	May	4,436.0	103.5	106.4	105.0
	June	4,432.0	99.9	104.9	104.9
	July	4,352.0	98.2	103.4	104.7

Source: Central Bureau of Statistics.

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

index points, original data

Year	Month	Composite indices			Response indices (I)						
		Consumer confidence index	Consumer expectations index	Consumer sentiment index	I1	I2	I3	I4	I7	I8	I11
1999	October	-16.0	-14.8	-46.5	-39.0	-12.1	-49.9	-17.6	35.5	-50.7	-69.7
2000	January	-4.4	24.0	-39.4	-26.2	22.5	-39.5	25.5	-4.5	-52.4	-61.2
	April	-8.5	4.8	-35.8	-29.0	4.0	-29.5	5.5	24.0	-49.0	-67.5
	July	-6.0	7.5	-36.2	-30.5	6.5	-30.0	8.5	27.5	-48.0	-66.5
	October	-7.6	3.3	-32.5	-26.5	0.5	-22.0	6.0	26.0	-49.0	-63.0
2001	January	-10.4	5.0	-31.5	-21.5	4.1	-28.6	5.9	12.3	-44.4	-63.7
	April	-8.1	3.5	-34.0	-25.9	1.7	-30.1	5.3	22.9	-46.1	-62.1
	July	-14.0	-6.2	-33.3	-24.1	-5.0	-31.4	-7.4	16.3	-44.3	-60.0
	October	-15.5	-11.4	-35.6	-29.6	-10.0	-35.9	-12.7	22.9	-41.3	-62.3
2002	January	-11.0	6.2	-24.4	-14.7	3.7	-21.4	8.6	3.9	-37.1	-60.1
	April	-16.7	-12.8	-39.1	-31.2	-9.7	-42.7	-15.9	28.1	-43.4	-69.3
	July	-19.0	-15.1	-35.7	-29.1	-12.1	-38.3	-18.1	21.4	-39.7	-67.2
	October	-15.1	-8.3	-30.4	-22.6	-5.1	-31.2	-11.5	20.1	-37.4	-64.0
2003	January	-13.2	-4.0	-25.4	-23.1	-2.8	-26.5	-5.1	14.7	-26.7	-59.6
	April	-15.4	-4.3	-26.1	-23.1	-3.0	-27.9	-5.6	9.9	-27.3	-63.0
	July	-12.3	-1.8	-20.8	-20.0	-1.1	-22.0	-2.5	12.6	-20.4	-58.0
	October	-14.9	-4.5	-25.0	-21.5	-2.6	-26.5	-6.4	14.7	-27.1	-65.2
2004	January	-7.7	11.4	-12.5	-12.3	11.2	-12.1	11.6	5.5	-13.0	-59.2
	April	-12.8	-3.9	-22.8	-20.6	-3.0	-20.2	-4.9	20.4	-27.6	-63.6
	July	-13.5	-5.8	-22.4	-19.6	-2.8	-23.4	-8.8	16.4	-24.2	-58.8
	October	-12.6	-7.9	-22.0	-19.1	-4.1	-30.5	-11.6	22.5	-16.5	-57.3
2005	January	-11.6	-1.9	-22.4	-17.9	0.2	-27.1	-4.0	15.6	-22.3	-58.2
	April	-14.6	-10.7	-29.3	-26.6	-6.0	-36.1	-15.3	25.1	-25.3	-62.3
	May	-13.9	-13.1	-28.6	-20.8	-7.1	-37.8	-19.1	25.0	-27.1	-54.4
	June	-14.3	-11.6	-29.1	-23.8	-7.2	-36.7	-16.1	23.9	-26.8	-57.6
	July	-28.1	-15.4	-27.7	-20.3	-7.3	-38.7	-23.5	25.6	-24.2	-56.1
	August	-27.4	-13.6	-27.0	-19.3	-7.9	-35.2	-19.2	26.7	-26.5	-55.8
	September	-29.4	-14.7	-28.7	-19.9	-7.8	-38.8	-21.6	34.3	-27.4	-54.0
	October	-22.9	-9.1	-24.7	-19.1	-4.3	-29.2	-13.9	23.6	-25.8	-49.8

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The components of composite indices are as follows:

CCI: I2, I4, I7×(-1), I11

CEI: I2, I4

CSI: I1, I3, I8

List of Banks & Savings Banks

1 October 2005

Licensed Banks

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

Licensed Housing Savings Banks

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

Other Licensed Institutions with Full Authorization

1. Hrvatska banka za obnovu i razvitak, Zagreb

Representative Offices of Foreign Banks

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

Banks and Savings Banks under Bankruptcy Proceedings

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

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

Banks and Savings Banks under Liquidation Proceedings

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

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

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

Name of bank/savings bank	Date of revoking operating license
1. Hibis štedionica d.d., Zagreb	07/03/2001
2. Marvil štedionica d.d., Zagreb	08/06/2001
3. Zagrebačka štedionica d.d., Zagreb	22/03/2000

Management of the Croatian National Bank

1 October 2005

Members of the Council of the Croatian National Bank

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

Management of the CNB

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

Executive Directors

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

