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BULLETIN

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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	-1,445
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	22,781
Outstanding external debt (as % of GDP)	27.0	38.0	47.6	54.1	60.6	60.7	62.2	77.6	82.5
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	160.0
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

Real GDP grew 5.2% in the third quarter of 2005, after growth of 5.1 in the second quarter and 1.8% in the first quarter. For the first nine months of the year, real GDP was 4.1% higher than in the same period last year.

Available monthly data for the fourth quarter, while providing some mixed signals, seem to point to somewhat faster growth than cumulative in the first nine months. Total volume of industrial production was slightly higher in the fourth quarter than in the third, suggesting stronger demand for investment goods. At the same time, slower growth of real retail trade turnover suggests a mild slowdown in consumption growth in the fourth quarter.

Looking at the demand side, growth in the economies of several of Croatia's main trade partners, including the eurozone as a whole and Slovenia, was a bit lower in the third quarter than in the second. Nonetheless, the gradual upswing in the eurozone, and continued strong growth among neighbouring transition countries, appears to have stimulated foreign demand for Croatian goods and services in the fourth quarter. Nominal export growth rose slightly in the fourth quarter to 9.6%, driven by capital goods and energy exports. Nominal import growth rose even faster to 12.4%, with capital goods imports a key element.

Turning to domestic demand, its contribution to real GDP growth fell from 5.7% in the second quarter to only 3.2% in the third quarter. Retail trade turnover growth decelerated in the fourth quarter, although motor vehicles sales accelerated, in part due to the base effects of low sales numbers in the second half of 2004 following excise tax increases. In addition, finished goods inventories grew in the fourth quarter, suggesting some weakness in consumption demand.

At the same time, both increased capital goods imports, and strong growth in indicators of construction activity suggest an upturn in investment in the fourth quarter. The value of net construction project orders, for example, grew at an 11.7% annual rate in October, after growing at only 3.2% in the third quarter. Growth was strongest in residential construction, but the category "other construction activity" also showed growth.

During the fourth quarter, unemployment usually rises due to the ending of seasonal jobs in tourism and construction. This year was no exception, with registered unemployment reaching almost 308,000 at year-end. This was 3.1% less than at the end of 2004. Increased unemployment was mainly due to large inflows to the register. The registered unemployment rate stood at 18% at end-2005. The labour force survey data for the second half of 2005, compiled according to ILO methodology, will be available only in May. The ILO unemployment rate stood at 13.1% in the first half of 2005, a fall of 0.7 percentage points on the year before.

By contrast, the trend of seasonally-adjusted employment actually rose in the fourth quarter. However, the data from the Croatian Pension Insurance Administration (CPIA) and the Central Bureau of Statistics (CBS) differ sharply, with the CPIA data showing much stronger growth. The CBS

data are preliminary and will be updated at the end of April, at which time it will be easier to judge the dynamics and accuracy of the two series.

Real gross wage growth slowed sharply in late 2004 and early 2005. After some recovery in the second and third quarters, real gross wages almost ground to a halt in the fourth quarter, with the annual growth in real gross wages amounting to only 0.9%. Real net wages grew slightly faster in the fourth quarter, 1.5%. But this was still far below the much stronger growth seen in the same period of previous years.

Low wage growth was one of the fundamental factors which, together with other factors of generally favourable environment, helped to provide relatively low inflation in 2005. Nominal appreciation of the kuna against the euro, continued growth in competition in retail market and productivity growth also helped limit inflation. Despite this generally favourable environment, average consumer price inflation rose from 2.1% in 2004 to 3.3% in 2005. The main causes of increased inflation were major increases in the price of oil and refined petroleum products, substantial increases in prices of a range of agricultural products and meat, and increases in regulated prices such as electricity, subsidized apartment rents and health services. Monthly year-on-year consumer price inflation rates rose to a peak of 4.1% in October, fell off to 3.6% in December, and then rose again to 3.9% in January.

Although core inflation, which excludes regulated prices and volatile seasonal agricultural prices, is often considered a better indication of medium-term inflationary pressures than overall consumer price inflation, there is no room for complacency in light of the increases in inflation in the last year. The average year-on-year core inflation rate rose from 1.9% in 2004 to 3.1% in 2005. Meat prices rose 6.1% year-on-year in December, and clothing and footwear price rose from -1.7% in December 2004 to 3.6% in December 2005. In addition, there was some spillover from energy prices, as prices for road transportation grew 6.9% during the year, and prices for air transport 4.7%. Regulated prices also rose, from 5.5% in December 2004 to 6.1% in December 2005. Although inflation remained at a relatively low level, its increase in 2005 is an occurrence that has to be taken into account by economic and monetary policy.

During the end of 2005 and beginning of 2006, the usual seasonal depreciation pressures on the kuna-euro exchange rate did not manifest themselves. The kuna strengthened by 0.8% during the fourth quarter, and then strengthened another 0.9% in first two months of the new year. Strong demand for kuna occasioned by issues of government bonds in December 2005 and February 2006, along with appreciation expectations (generated by the beginning of EU accession talks in October), increased foreign purchases of Croatian securities, capital imports by banks eager to continue loan growth in Croatia, export performance and increased transfer revenues all helped keep the exchange rate stronger than usual at the beginning of the year.

The Croatian National Bank (CNB) intervened in the foreign exchange markets three times during the fourth quarter, buying EUR 277.6m. It intervened twice more in February 2006, buying a total of EUR 118.6m. These interven-

tions created high levels of kuna liquidity, and seem to have limited, but not reversed, nominal appreciation.

During 2005 as a whole, the nominal effective exchange rate of the kuna actually depreciated, largely due to substantial depreciation vis-a-vis the US dollar. The nominal effective exchange rate at the end of December 2005 was 1.2% weaker than at the end of December 2004. When deflated by consumer prices, the real effective exchange rate depreciated 0.1% during the same period, but when deflated by producer prices, the real effective exchange rate depreciated 4.1%. These developments suggest a noticeable increase in the price competitiveness of Croatian exporters.

Monetary aggregates generally grew more rapidly in 2005 than in 2004. M1 growth accelerated from only 2.0% year-on-year in December 2004 to 12.3% in December 2005. Strong growth in demand deposits was central to rapid M1 growth, with demand deposits growth rising from only 1.2% in 2004 to 12.9% in 2005. While growth in demand deposits suggests improving liquidity in both the household and corporate sectors, it should not be forgotten that a good deal of this improvement is the result of increased use of credit.

Within the broadest monetary aggregate M4, kuna quasi-money once again grew very rapidly (24.5%). Total nominal increase in kuna non-monetary deposits stood at HRK 5.5bn, with as much as HRK 3.9bn being accounted for by the household sector. Household kuna time deposits with a currency clause grew the most, by HRK 2.8bn.

Furthermore, the slow growth of corporate kuna time deposits was largely determined by the withdrawal of some HRK 1.4bn for the payment of dividends to shareholders of HT (Hrvatske telekomunikacije d.d.) in December. A further withdrawal of some HRK 0.7bn for the same purposes was made in January 2006.

More important for the overall M4 aggregate is the behaviour of household foreign currency deposits. Their growth speeded up from 6.9% in 2004 to 8.8% in 2005, at constant exchange rates. At the end of January, 2006, household foreign currency deposits amounted to HRK 72.7bn, and they continue to represent by far the largest part of the broadest monetary aggregate.

Interestingly, after growing by some 19.4% in 2004, corporate foreign currency deposits grew by only 0.1% in 2005. Since corporate foreign currency deposits amount to only HRK 12.0bn, their behaviour has less impact on the overall M4 aggregate.

2005 was also characterized by strong and increasing lending growth. Bank placements grew at 19.9% in 2005, at constant exchange rates, after growth of 14.2% in 2004. The rate of growth of lending to enterprises increases considerably from 9.1% to 16.7% in the same period. In this way, lending to enterprises closed some of the gap with lending to households, which grew 23.4% in 2005, up from 18.9% in 2004 (again at constant exchange rates). Strong lending to enterprises suggests both strong economic activity and increased investment. Strong lending to households was based to a great extent on increases in housing loans, along with "other credits to households", which include overdrafts on current accounts.

Another key feature of 2005 was increased bank claims on government. Net claims on government ended the year at HRK 19.3bn, an annual growth of some 37.9%. In keeping with its strategy of avoiding foreign borrowing by tapping the domestic market, the government increased its issue of T-bills and bonds, and relied more on bank loans.

Domestic deposit growth was inadequate to finance both the increase in credit to the non-bank private sector and the government's borrowing needs, so banks increased their net foreign liabilities from HRK 17.6bn at the end of 2004 to HRK 31.5bn at the end of 2005. Much of the decrease in foreign assets came after the central bank decreased the minimum foreign exchange liquidity requirement from 35% to 32% in the first quarter of 2005. Much of the increase in foreign liabilities came in the fourth quarter, as banks increased their foreign borrowing by HRK 6.3bn.

The Croatian National Bank, in an attempt to restrain foreign borrowing and loan growth, increased the marginal reserve requirement on foreign borrowing in January. The new decision raises the overall rate from 40% to 55%, and increases the reserve base to include guarantees issued by Croatian banks to cover loans which their clients take out directly from their parent banks abroad. The amount of reserves actually held by banks on the basis of the marginal reserve requirement rose sharply from HRK 4.2bn at the end of December to some HRK 7.2bn in February.

Although this measure did increase banks' reserves with the central bank, and should make use of foreign funds more expensive for banks, it did not succeed in removing appreciation pressures. As was mentioned above, the central bank responded to continued appreciation pressures with further foreign exchange interventions in February.

While trying to limit foreign borrowing and appreciation pressures, the central bank also has to be careful not to provide quantities of liquidity that would fuel further increases in loan growth. The central bank, therefore, used its more flexible instrument, reverse repo auctions, to decrease the emission of money. For the first time in more than six months, the central bank rejected approximately half of the bids for reverse repos in auctions in January and February. In fact, in the February 22 auction, no bids were accepted at all.

Finally, in a further attempt to restrain loan growth by limiting funding sources, in January the central bank enacted a special reserve requirement on liabilities arising from securities issued by banks. This reserve requirement also carries a 55% rate (see Box 1).

In addition to these measures to manage short-term liquidity, the central bank decreased its reserve requirement from 18% to 17% in January. This move was part of a longer-term strategy of reducing reserve requirements to bring Croatia's rates in line with those of the eurozone. Furthermore, Croatia will have to harmonize its reserve requirement rate with that of the European Central Bank when it adopts the euro.

Bank liquidity was generally high during the fourth quarter. However, demand for kuna was also strong, resulting in a mild increase in overnight interest rates on the Zagreb Money Market (ZMM), from 1.83% in September to 2.29%

in December. During the first months of the new year, liquidity remained high, initially due to the decrease in the reserve requirement, and the overnight rate fell to 1.60% in January. The combination of high kuna liquidity, low interest rates and an appreciated kuna seems somewhat paradoxical: apparently capital inflows and appreciation expectations are strong enough to offset the effects of abundant market liquidity on the exchange rate.

While data on Croatia's current account for the fourth quarter of 2005 were incomplete at the time of writing, we can say that the trade deficit increased during the year, while the services balance improved. The trade deficit amounted to EUR 7.8bn, with exports of EUR 7.1bn and imports of EUR 14.9bn. At constant exchange rates, export growth slowed from 21.7% in 2004 to only 10% in 2005. A key contributor to this was lower growth of ship exports. The postponement of a few orders from the end of 2005 to the beginning of 2006 was a factor here. Another cause of lower export growth was lower growth of exports of crude oil and refined petroleum products. Looking beyond these two components, exports excluding ships and oil and refined petroleum products grew by 12.8% in 2005 at constant exchange rates, down from 15.3% in 2004.

On the import side, growth rose from 8.7% in 2004 to 12.5% in 2005 at constant exchange rates. Imports of oil and refined petroleum products grew by 39.4% at constant exchange rates in 2005. Additionally, imports of electricity, natural and industrial gas, general industrial machinery and equipment and telecommunications apparatus significantly contributed to import growth.

Tourism revenues increased 16% in the fourth quarter of 2005 compared to the same quarter the year before. The number of tourist arrivals in commercial accommodation facilities grew 10%, and the number of tourist nights grew 9.2%. Nonetheless, it should be kept in mind that the fourth quarter is far less important than the third quarter in Croatia's services account.

On the financial account, foreign direct investment amounted to EUR 54m in the fourth quarter of 2005, according to the preliminary and incomplete data, or roughly half of the amount in the fourth quarter of 2004. The fall was largely caused by the payment of EUR 115m dividends to the majority owner of HT. At the same time, inflows came from additional capital investments in banks and financial institutions in foreign ownership, as well as in retail trade. Portfolio investment recorded an outflow of EUR 44m in the fourth quarter, mainly due to purchases of foreign securities by Croatian banks. Other investment showed large net inflows of some EUR 1.5bn, mainly the result of increased borrowing by banks and other companies. Finally, central bank international reserves grew EUR 427m during the fourth quarter.

Croatia's external debt stood at EUR 25.5bn at the end of 2005, a 12% increase on the year before. While the growth rate of the debt slowed throughout the year, both the ratios of gross debt to GDP and net debt to GDP rose, reaching 84.7% and 44% of the estimated GDP respectively. Both banks and other domestic sectors increased their borrowing substantially, each by about EUR 1.3bn, while government

decreased its external debt by EUR 190m during 2005. As a result, government now accounts for a slightly lower share of the external debt than other domestic sectors (27.7% vs 27.9%), while banks hold the largest share with 35.2%.

Thanks to the increases in central bank international reserves and the appreciation of the kuna against the euro, the index of exchange market pressure fell in the fourth quarter. The index, which combines reserve and exchange rate changes to measure the adequacy of Croatia's international liquidity, is now at a relatively low level, far from the critical value that would indicate concern.

Data from the Ministry of Finance (MoF) show that the consolidated general government deficit fell from 4.9% in 2004 to 4.2% in 2005 on a modified accrual basis. Revenues amounted to HRK 103.1bn, 6.9% more than the year before. Tax revenues, which account for almost 60% of consolidated general government revenues, grew 7.3%. Strong performances from the value added tax (up 8%) and profit tax (up 26.8%) were key to tax revenue growth. Income taxes grew only 0.8%, however, mainly due to the effects of increased personal allowance. Social contributions rose 6.2%, and excises only 3%.

Expenditures of consolidated general government rose 6.6% to HRK 100.5bn. Expenditures on social benefits grew 3.5%, while purchases of goods and services grew some 12.2%. Compensation of employees grew 4.6%, and subsidies grew 5.3%. The largest recipient of subsidies was companies in the public sector, with Croatian Railways standing out. Interest payments rose 15.4%.

The net operating balance of the consolidated general government, which represents the difference between expenditures and revenues, was HRK 2.594bn. The government's net non-financial assets grew by HRK 9.017bn, so that government net borrowing amounted to HRK 6.423bn.

According to the preliminary MoF data, the consolidated general government deficit (on cash basis, exclusive of capital revenues) amounted to HRK 8.4bn or 3.8% of the expected GDP in 2005. The deficit of budgetary central government was HRK 5.1bn, that of extrabudgetary users HRK 2.6bn, and that of local government HRK 0.7bn. The deficit on a modified accrual basis is calculated by correcting cash data for expenditures contracted but not yet realized by Croatian Motorways and Croatian Roads (accrual basis) and for changes in unpaid claims on the central government budget and local government. On this basis, the deficit was HRK 9.1bn, or 4.1% of the expected GDP. However, the payment of a concession fee for the first year of telecommunications services provision and radio frequency use by the third mobile network operator, that was contracted in 2004 but only paid in February 2005, was already included in 2004 revenue figures, but is also included in the 2005 cash revenue figure. If it is excluded, the deficit increases to HRK 9.3bn or 4.2% of the expected GDP.

Finally, the general government debt, inclusive of CBRD debt, amounted to HRK 108.5bn, or 48.7% of the expected GDP at the end of 2005. The debt grew HRK 9.7bn during 2005. If HRK 12.2bn of potential debt (mainly guarantees) is added, total general government debt reaches HRK 120.7bn, or 54.2% of the expected GDP. The general gov-

ernment domestic debt rose to HRK 56.4bn at year-end, while the general government external debt (CBRD included) fell 6.4% to HRK 52.1bn. The increase in the general government domestic debt (CBRD included) came in the form of increased issues of T-bills (net increase of HRK 3.5bn), bonds (net increase of HRK 5.7bn), and bank credit (net increase of HRK 4bn). The decrease in the general government external debt resulted from regular repayments of London and Paris Club obligations, the repayment of a euro-bond issue of EUR 500m, and exchange rate gains from the appreciation of the kuna against the euro.

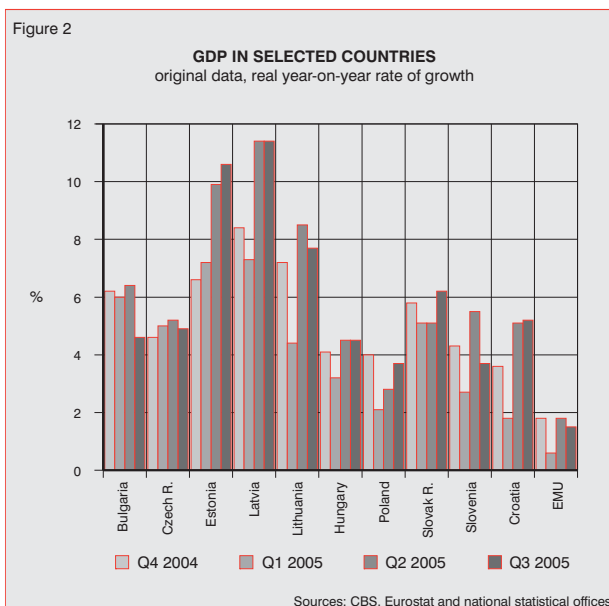
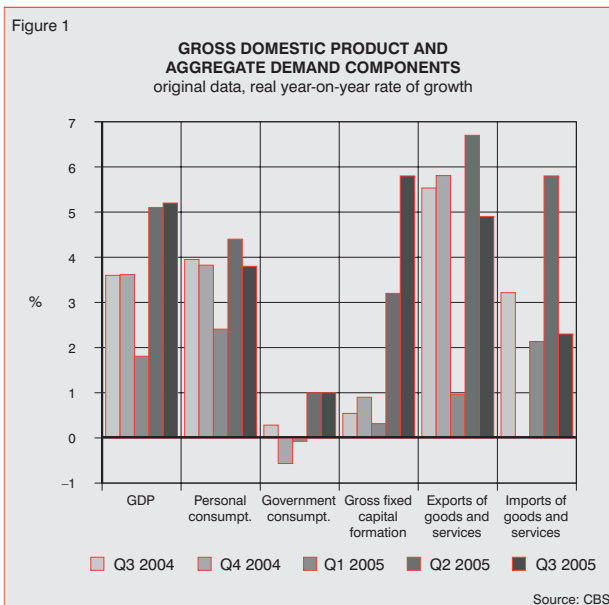
In these conditions, monetary policy has had to deal with several interlocking problems. First, strong appreciation pressures, while creating welcome downward pressure on import prices, threaten export competitiveness, and also have the side effect of decreasing the instalment payments on loans with a currency clause. Second, rapid credit growth, with negative repercussions for import growth and possibly the quality of bank portfolios, would be fuelled by injection of extra liquidity to limit appreciation pressures. Third, with Croatia's external debt already large, it is highly desirable to reign in foreign borrowing. Fourth, Croatia's reserve requirements are very high, and will have to be harmonized with those of the eurozone at the moment of Croatia's adoption of the euro. While this is a more long-term problem, it might be unwise to postpone it too long.

Demand

Quarterly GDP estimates for the first three quarters of 2005 point to an acceleration of the real economic activity growth over the period. The real year-on-year rate of GDP growth increased from 1.8% in the first quarter to 5.1% and 5.2% in the second and third quarters respectively. Thus, in the first nine months of 2005, GDP at constant prices went up 4.1% from the same period in 2004.

The contribution of domestic demand to GDP growth fell from 5.7 percentage points in the second quarter to 3.2 percentage points in the third quarter, but the contribution of foreign demand strengthened considerably. The largest contributors to GDP growth in the third quarter of 2005 were personal consumption and net exports. While personal consumption contributed less than in the previous quarter, the contribution of net exports increased sharply, reaching a high of 2.0 percentage points. The contribution of gross fixed capital formation to GDP growth also increased, rising from 1.0 percentage points in the second quarter to 1.5 percentage points in the third quarter. The change in inventories made a negative contribution to GDP growth in the third quarter, 0.4 percentage points, following its positive contribution in the first half of 2005.

The available monthly indicators of economic activity do not provide for a clear assessment of economic growth over the last quarter of 2005.¹ After the stabilization of industrial production at somewhat lower levels in the third quarter, the

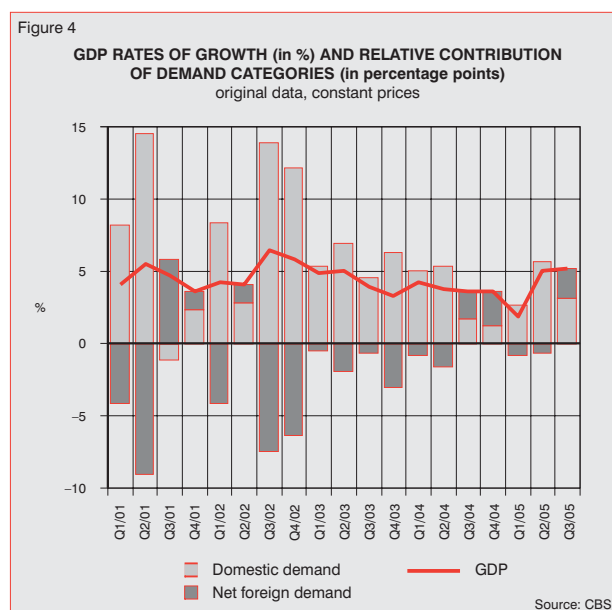
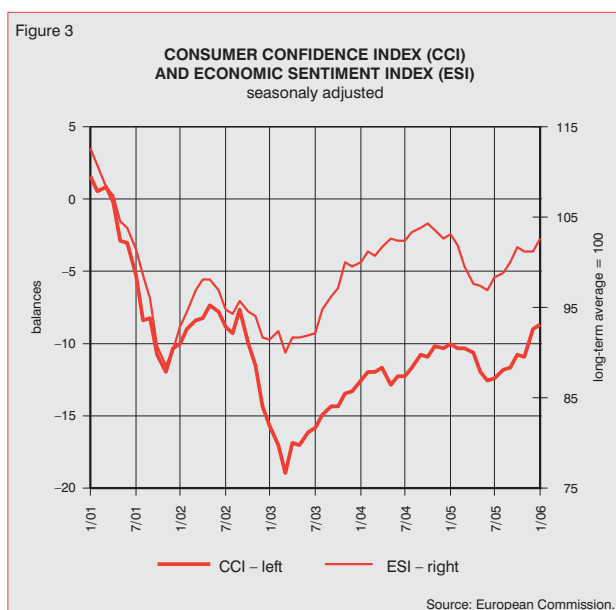


end of 2005 saw a mild acceleration of its growth fuelled by strong domestic demand for capital goods. On the other hand, the real growth of retail trade turnover, seasonally adjusted, slowed down in the fourth quarter, which will partly influence personal consumption.

In the third quarter of 2005, economic growth in the countries which are Croatia's main trading partners generally slowed down,² following its strengthening over the previous quarter. The year-on-year rate of real GDP growth in the eurozone declined from 1.8% in the second quarter to 1.5% in the third quarter. The year-on-year rates of economic growth in that quarter recorded in the Baltic countries (from 7.7% to 11.2%) and in Slovakia (6.2%) were higher than in Croatia. Other countries saw lower annual growth rates ranging from 3.7% in Poland and Slovenia to 4.9% in the Czech Republic.

¹ According to the CBS's Advance Release Calendar for 2005, the quarterly GDP estimate for the fourth quarter of 2005 will be available on 30 March 2006.

² As the data on economic movements abroad are subject to revisions, the real changes related to particular periods, which are presented in the CNB Quarterly Bulletins, do not always match.



According to the Eurostat's most recent flash estimate of GDP growth, the fourth quarter of 2005 saw an acceleration of the annual growth in the eurozone to 1.7%, seasonally adjusted. The European Commission's latest macroeconomic forecasts for end-2005 and the first half of 2006, which were prepared prior to the above mentioned GDP growth estimate for the fourth quarter and are based on the new forecasting model introduced in January 2006, suggested a quarterly economic growth rate in the eurozone countries ranging between 0.4% to 0.8% in the fourth quarter of 2005 and the first quarter of 2006, and between 0.4% to 0.9% in the second quarter of 2006 (based on the seasonally adjusted data). These forecasts imply an acceleration of the real annual growth at the end of 2005 (which corresponds with the Eurostat's flash estimate) and in the first half of 2006. Moreover, the most recent results of the Consumer and Business Confidence Surveys carried out in the EU point to a continued increase in business optimism since summer 2005. The Economic Sentiment Index in the EU rose in January 2006, influenced by the growth of optimism in all economic sectors, while the Consumer Confidence Index remained unchanged. In January, the largest increase in business and consumer optimism was recorded in Germany, while the Economic Sentiment Index was the highest so far in Poland.

Foreign Demand

According to the quarterly GDP estimate, net foreign demand contributed 2.0 percentage points to real GDP growth in the third quarter, and was positive for the first time in 2005. Such a contribution to the real growth of GDP was primarily the result of a slowdown (at the annual level) in goods and services imports from 5.8% in the second quarter to 2.3% in the third quarter. The annual growth of goods and services exports also decreased, but at a slower rate than the imports. Owing to seasonal factors, the imports/exports coverage rate was over 140.0% in this period.

The CBS data on merchandise trade (seasonally ad-

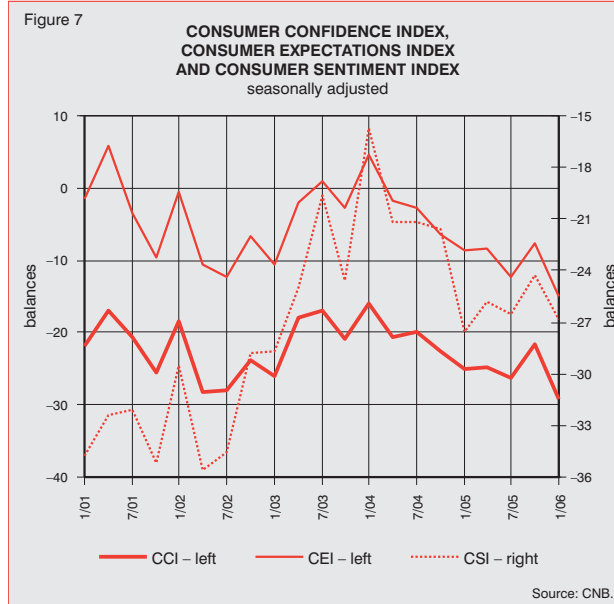
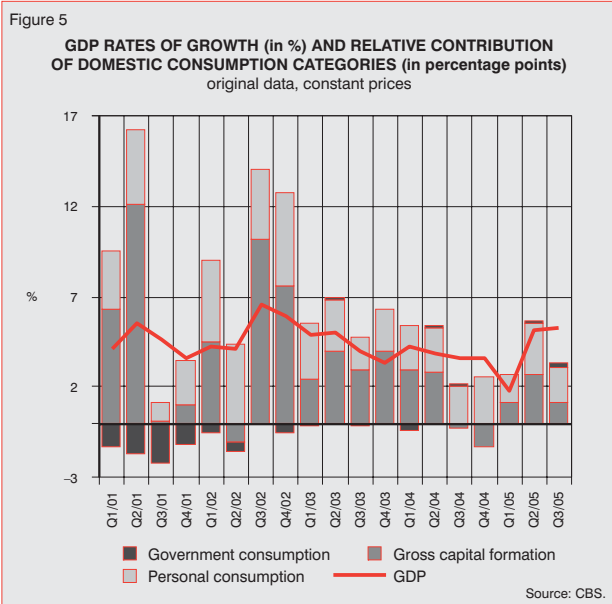
justed) point to a mild acceleration of the annual growth of goods exports (to 9.6%) in the fourth quarter relative to the third quarter, mainly due to stronger annual dynamics of capital goods and energy exports. The annual growth of goods imports also increased slightly (to 12.4%) in the period, primarily due to stronger growth of capital goods imports. The exports of consumer goods also accelerated, while the imports of durable consumer goods declined and the imports of non-durable consumer goods went up. These developments point to stronger foreign demand for capital goods and consumer goods. However, domestic demand for capital goods strengthened, while the demand for consumer goods slowed down.

The CBS monthly indicators for the fourth quarter suggest a slowdown in value added in tourism and an acceleration of the nominal growth in total revenue from tourism in the balance of payments. Owing to the unavailability of the data on other services exports, it is not possible to give an estimate of the total contribution of services exports to foreign demand.

Domestic Demand

The contribution of domestic demand to real GDP growth declined from 5.7% in the second quarter to 3.2% in the third quarter. The growth of personal demand, being the main component of domestic demand, slowed down during the third quarter, thus reducing its contribution to GDP growth. Among other categories of aggregate demand, gross fixed capital formation grew from 3.2% in the second quarter to 5.8% in the third quarter, year-on-year, which accounted for the increase in this component's contribution to GDP growth from 1.0 percentage point in the second quarter to 1.5 percentage points in the third quarter. The contribution of government consumption to GDP growth remained at 0.2 percentage points.

The available monthly economic indicators for the period by the end of 2005 suggest a possible slowdown in domestic demand towards the end of 2005, mainly owing to the ex-



pected decline in personal consumption based on the slower growth in trade turnover and the developments in the manufacture, inventories and exchange of consumer goods.

Personal Consumption

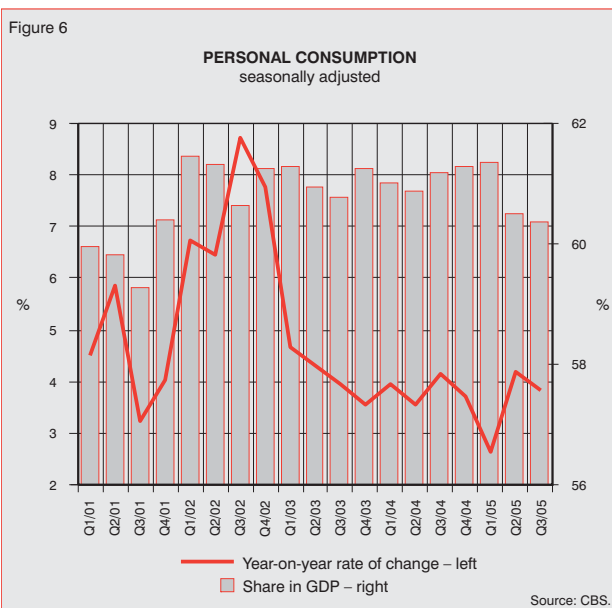
According to the quarterly GDP estimate, personal consumption rose at the rates of 2.4% and 4.4% year-on-year in the first and second quarters of 2005 respectively, but it slowed down to 3.8% in the third quarter. The year-on-year growth rate of personal consumption over the first nine months of 2005 was 3.5%, which represents a slight slowdown from the same period of 2004.

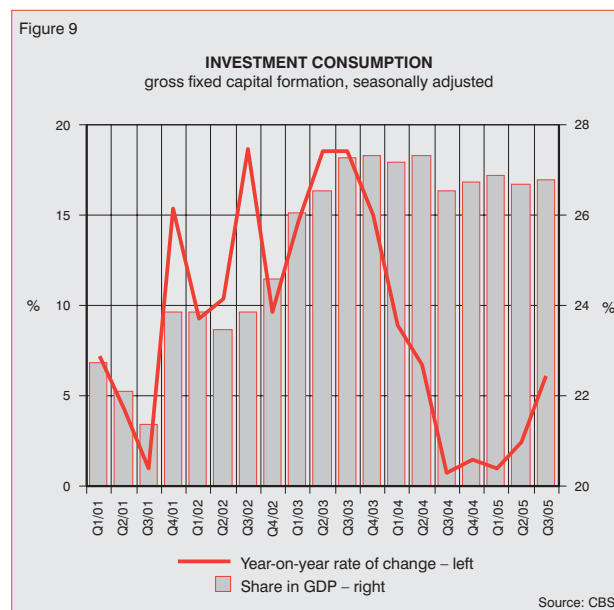
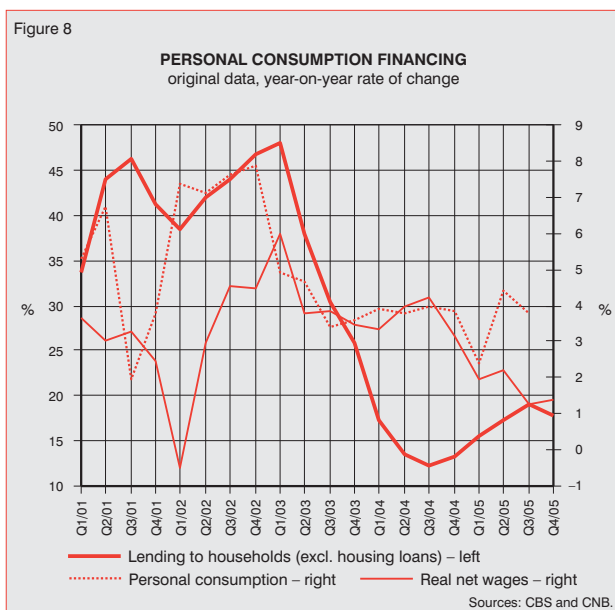
The available monthly indicators of personal consumption movements in the fourth quarter of 2005 suggest a continuation of its downward trend. According to the seasonally adjusted data, the annual growth of retail trade turnover was still weak in the fourth quarter, despite a slight recovery of retail trade in December, following its decline in October and November, in seasonally adjusted terms. In contrast, the

annual growth in real motor vehicle sales accelerated in the fourth quarter, partly due to a marked decline in motor vehicle sales over the second half of 2004, as did the annual growth in imports of road vehicles (in seasonally adjusted terms, at stable exchange rates). However, this also was due to the base period effect. On the other hand, the growth in the manufacture of consumer goods slowed down in the fourth quarter. The manufacture of durable consumer goods went down at the annual level. At the same time, the annual growth in imports of durable consumer goods decreased and the imports of non-durables increased. The dynamics of the manufacture and imports of consumer goods, along with the observed annual growth in inventories, point to the before mentioned weakening of personal consumption toward the end of 2005. Such movements are also corroborated by a slowdown in the annual growth of VAT revenue over the fourth quarter.

The CNB's Consumer Confidence Survey provides information on customers' further intentions and expectations, as well as on potential future movements of personal consumption. The results of the latest available survey conducted in the first half of January 2006, point to a decline in consumer optimism. The Consumer Confidence Index (CCI) recorded a fall in early 2006, following its rise toward the end of the previous year. The Consumer Optimism Index (COI) indicates almost identical movements, which is understandable given that it is a sub-index of the CCI. The described developments resulted from a deterioration of all components of these indices related to consumers' views of the prospects over the next 12 months. The Consumer Sentiment Index (CSI) followed the same trend, primarily owing to a lower consumers' favourability rating for the purchase of durable household consumer goods.

In contrast to the above described developments, changes in the sources of personal consumption financing over the fourth quarter of 2005 send positive signals of its short-term dynamics. The CBS data point to mildly positive trends in the annual wage bill dynamics during the observed period. Thus, stagnancy in employment during the fourth quarter





(according to the preliminary CBS data) was paralleled with a slight acceleration in the annual growth of average real net wage relative to the third quarter, which resulted in faster annual wage bill growth. The number of insured persons with CPIA, which is considered to be a more reliable indicator of employment dynamics than the preliminary CBS data, increased over the observed period. Moreover, in the fourth quarter, the annual growth of nominal bank placements to households, excluding housing loans, slowed down for the first time in the last five quarters, falling to 17.8%, looking at the average stock of loans in this period. The growth in bank placements, i.e. loans excluding the exchange rate fluctuations, to households continued to accelerate, from 23.1% in the third quarter to 23.8% in the fourth quarter of 2005, looking at average stock of loans in this period. In addition, pension indexing³ to the nominal semi-annual gross wage increase (for January pensions), to be carried out in March, will positively influence the personal consumption dynamics. Given the nominal gross wage dynamics in the second half of 2005, it is assumable that the pension indexing in March will result in an approximately 2.0% rise in pensions. In addition to this, the nominal annual growth of government transfers to households rose to 3.3% in the fourth quarter. All these factors stimulated personal consumption over the observed period.

Investment Consumption

According to the quarterly GDP estimate, the annual growth of gross fixed capital formation continued to accelerate, reaching 5.8% in the third quarter. As a result, the contribution of this aggregate demand component to real GDP growth went up to 1.5 percentage points, and was the largest

contribution in the last five quarters, i.e. since the completion of a road construction investment cycle.

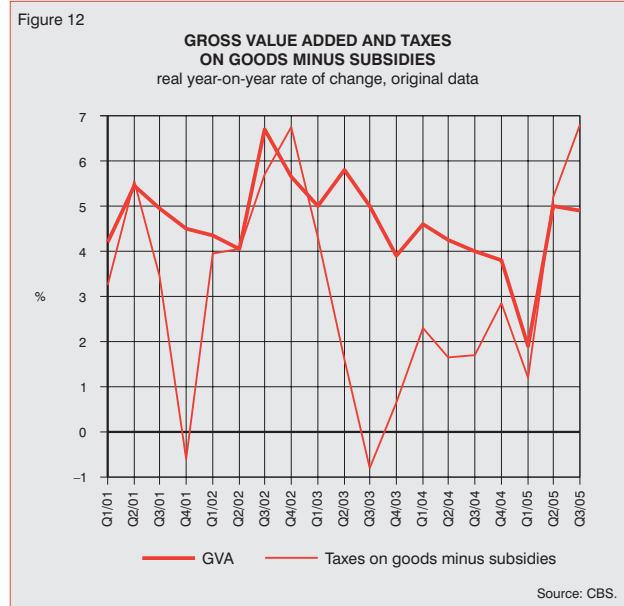
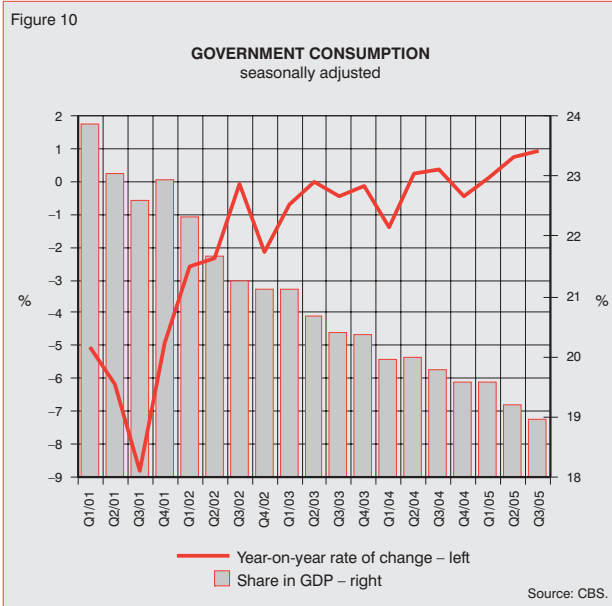
The available indicators for the fourth quarter of 2005 suggest an acceleration of the annual investment growth at the end of the year. The annual growth in the manufacture of intermediate and capital goods slowed down in the fourth quarter, while the level of production of capital goods went up. In this period, the contribution of capital goods imports to total growth of imports strengthened, as the result of stronger domestic demand for capital goods and the substitution of domestically produced capital goods by imports. The accumulation of inventories in the economy continued at somewhat lower annual growth rates over the fourth quarter, primarily due to an increase in consumer goods inventories. At the same time, a recovery of construction works dynamics, which had provided a strong impetus to investment dynamics over the previous period, also contributed to the growth of investment activity in the fourth quarter.

According to the nominal MoF data on the outturns for revenue and expenditure of the consolidated general government (GFS 2001), government capital expenditure recovered in the fourth quarter, which resulted in its increase at the annual level. Nominal bank placements to companies also accelerated at the annual level, rising to 13.1% in the fourth quarter of 2005 (looking at the average stock of loans in the observed periods). Stronger growth of placements to companies also corroborates these trends. A mild acceleration of housing loans during the fourth quarter along with an increase in the value of net construction project orders in October, point to continued growth of investment in real estate, which is inconsistent with the results of the CNB's Consumer Confidence Survey conducted in October, suggesting a downward trend in planned real estate investment at end-2005 and in early 2006.

Government Consumption

According to the GDP estimate for the third quarter of 2005, government consumption rose at an annual rate of 1.0%, the same as in the previous quarter. Its contribution to

³ Pension indexing has been carried out since 2004, pursuant to the Act on the Amendments to the Pension Insurance Act (Official Gazette 30/2004). Under the new Act on the Amendments to the Pension Insurance Act (Official Gazette 92/2005), which came into effect on 31 December 2005, the semi-annual pension indexing is carried out on the basis of the average semi-annual rate of change in consumer price index and in average gross wage.

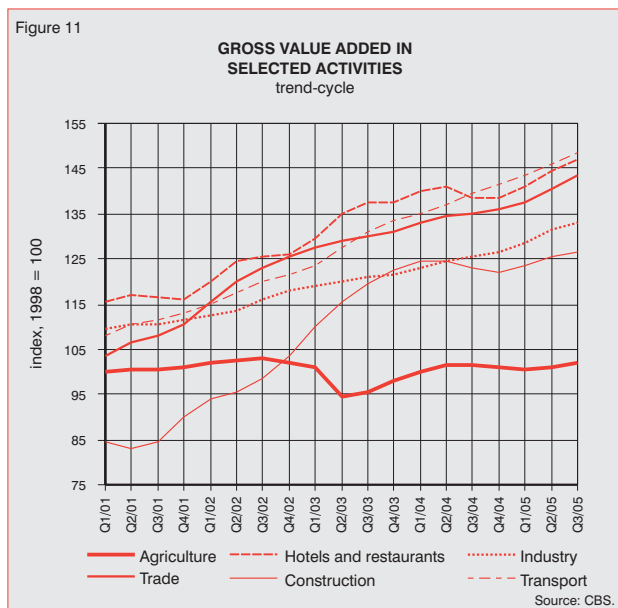


GDP growth remained at 0.2 percentage points.

The nominal MoF data on employment compensation (including severance pays in public administration) and expenditures for the use of goods and services at the consolidated general government level, suggested a decline in the nominal government consumption over the fourth quarter. This was paralleled with employment stagnancy in public administration and acceleration of inflation in the fourth quarter relative to the third quarter, suggesting a slowdown in the annual growth of real government consumption towards the end of 2005.

Output

According to the quarterly GDP made by the production method, the real annual growth rate of gross value added slowed mildly, to 4.9%, in the third quarter of 2005, following its sharp increase in the second quarter. Thus, the cumu-



lative annual growth rate of real GVA was 4.0% in the first nine months last year, down from the same period of the previous year.

All divisions made positive contributions to GVA growth in the observed period, the largest decrease, compared with the previous quarter, being recorded in the contribution of industry (from 2.4 percentage points to 1.6 percentage points). Despite that, this activity remained the largest contributor to GVA growth, along with trade (0.9 percentage points) and hotels and restaurants (with a seasonally induced contribution of 0.4 percentage points). The third quarter again saw a positive contribution of construction activity to GVA growth, which rose to 0.2 percentage points.

Physical monthly indicators point to a slowdown in the annual GVA growth over the fourth quarter, mainly owing to a somewhat sharper decline in retail trade turnover. In contrast to these trends, total volume of construction projects rose at an accelerated pace, which would have a favourable impact on this activity's GVA dynamics toward the end of the year. Moreover, monthly indicators of the physical volume of industrial production for the fourth quarter of 2005 suggest that the slowdown in GVA growth in industry over the third quarter was only temporary.

Owing to stronger real growth dynamics of taxes minus subsidies relative to GVA dynamics over the third quarter of 2005, GVA growth lagged behind that of GDP by 0.3 percentage points. The nominal MoF data for the fourth quarter of 2005 at the consolidated general government level (GFS 2001) point to a slowdown in the annual growth of indirect tax revenue, accompanied by a recovery of expenditures for subsidies to public sector enterprises and a sharp increase in expenditures for subsidies to non-public sector enterprises. Therefore, the annual GVA growth is expected to outstrip the growth of GDP, which last happened in the first quarter of 2005.

Industry

Following a sharp increase in the annual growth rate of real GVA in industry, from 1.6% in the first quarter to 8.6% in the second quarter, its growth slowed down over the third quarter, but its annual growth rate remained high, 6.0%. Industry made the largest contribution to GVA growth (1.6 percentage points) in the third quarter, which can also be expected at the entire 2005 level. The CBS data on the total volume of industrial production in the period October-December 2005 suggest that the slowdown in GVA growth in industry over the third quarter was only temporary. More specifically, according to the seasonally and calendar adjusted data, the annual growth of the total volume of industrial production accelerated slightly, from 6.1% in the third quarter to 6.2% in the fourth quarter. Such trends in overall industry were generated by favourable movements in energy production, which recovered rapidly influenced by seasonal factors. Positive trends, (the recovery of the level of production, which has not yet influenced the annual production dynamics) were also recorded in other industrial groupings, except the manufacture of durable consumer goods which displayed negative tendencies.

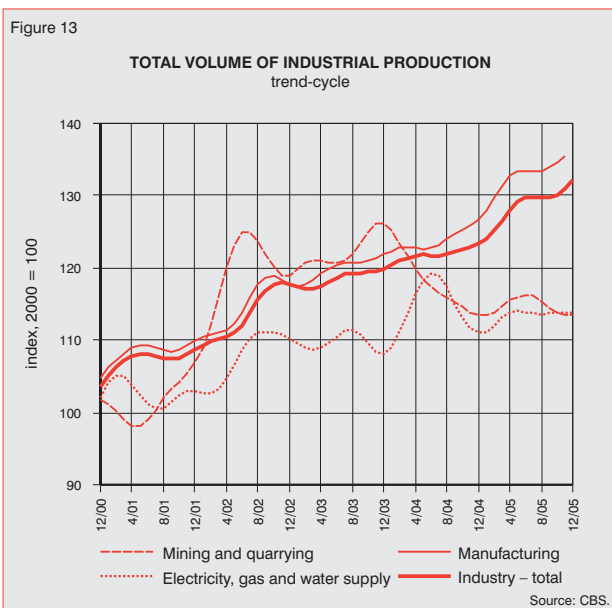
Seasonally adjusted nominal CBS data on merchandise trade point to an increase in the year-on-year growth of goods exports, from 9.2% in the third quarter to 9.6% in the fourth quarter, mainly due to a sharp increase in capital goods exports (from 1.7% to 15.6%, year-on-year). Moreover, the annual growth of goods imports accelerated in the fourth quarter relative to the third quarter, mainly due to a massive rise in capital goods imports. In addition to this, the accumulation of finished goods inventories in industry continued into the fourth quarter, but at a somewhat lower annual rate compared with that in the previous quarter. This was primarily the result of an increase in consumer goods inventories, mainly food products and beverages. Such developments point to the strengthening of domestic demand for investment goods in the fourth quarter relative to the third quarter.

In the fourth quarter of 2005, manufacturing, which makes up the bulk of industrial production, grew at a rate of 7.0%, year-on-year, in seasonally and calendar adjusted terms (the fourth quarter had one working day less than the third quarter). This represented a slowdown in its annual growth dynamics compared with the previous quarter. However, the level of manufacturing rose in December, pushing up the cumulative growth rate of manufacturing for the entire 2005, which went up slightly compared with that in November (from 6.3% to 6.5%).

In contrast to the slowdown in the total volume of industrial production in manufacturing, favourable trends were observed in mining and quarrying and energy supply over the fourth quarter. Energy supply, which declined in the third quarter, again rose at a rate of 3.4% year-on-year in the fourth quarter. After a decline in the total volume of production in mining and quarrying, recorded in the fourth quarter, the downward annual trend in its activity slowed from -2.2% in the third quarter to -0.1% in the fourth quarter. The fall recorded in the fourth quarter was owing to a decline in activity in December. However, October and November saw an increase in activity at the annual level. The annual fall in mining and quarrying activity was apparently inconsistent with the favourable trends observed in construction at end-2005.

However, it is possible that domestic production of goods for construction purposes was substituted by stronger imports, given the strong acceleration of the imports of capital goods for mining and construction sector in the fourth quarter.

The year-on-year growth of labour productivity in industry slowed down in the fourth quarter, but it maintained its exceptionally high rate of change (8.1%). A mild decline in labour productivity was the result of a slower fall in employment in industry over the observed period. For the entire 2005, labour productivity in industry, seasonally adjusted, was 7.2% higher relative to that in 2004. The boost in productivity was influenced by negative annual rates of change in employment in industry and the strengthening of indus-



trial production. After the CBS's revision of the preliminary data on employment in industry, scheduled for mid-April 2006, the labour productivity growth is likely to be adjusted downwards, thus reducing the difference in labour productivity growth between the last two years.

Trade

Following a pronounced slowdown in the annual growth of gross value added in trade in early 2005, it accelerated continuously over the second and third quarters of 2005. As a result, the year-on-year rate of its growth was 6.1% in the third quarter. The contribution of trade to GVA growth also rose steadily, from 0.3 percentage points in the first quarter to 0.8 and 0.9 percentage points in the second and third quarters respectively.

On the other hand, monthly indicators of movements in retail trade turnover, seasonally adjusted, point to a strong downward trend in this activity over the second half of 2005. Thus, in the third quarter of the year, real retail trade turnover stabilized at the level achieved in the previous quarter, while its slowdown at the annual level was partly the consequence of the base period effect, i.e. the upsurge in the sales of cars in July 2004 on account of the announced increase in excise taxes on passenger cars and other vehicles. The fourth quarter saw a continuation of the decline in annual growth rates, which was paralleled with a fall in retail trade turnover. The year-on-year rates of change by quarter stood at 6.0%, 2.7% and 2.1% in the second, third and fourth quarters respectively.

The dynamics of the real retail trade turnover, excluding the sales of motor vehicles and motorcycles, was similar to the overall retail sales dynamics, with somewhat higher annual growth rates recorded in the fourth quarter of 2005. Such movements can be partly accounted for by the annual decline in the real sales of motor fuels and lubricants in the fourth quarter.

Looking at retail trade turnover by division in 2005, high nominal growth rates were recorded in non-specialised

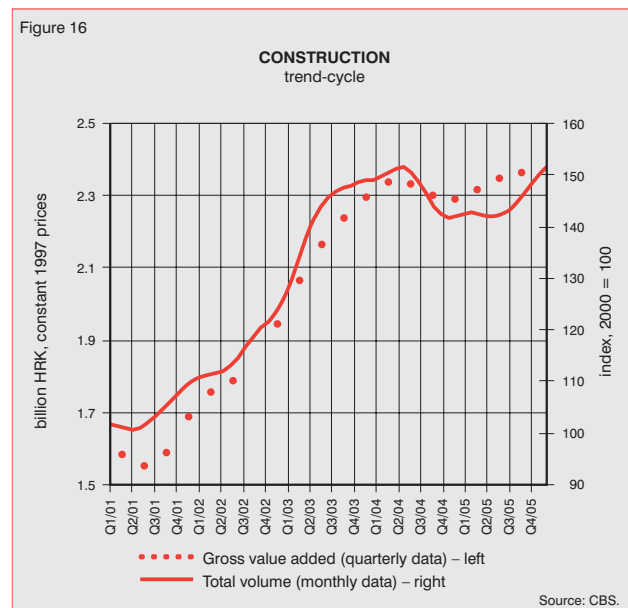
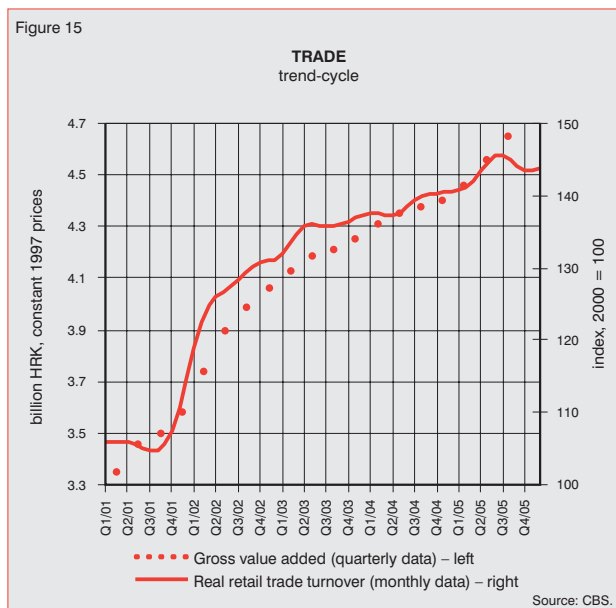
shops selling foodstuffs, motor fuels and lubricants and motor vehicles, which made the largest positive contributions to the nominal growth of retail trade turnover. The major negative contributors to the growth in retail trade turnover in the observed period were the sale of household electrical appliances and other off-store retail sale.

Construction

After a fall in the first quarter, the growth of gross value added in construction recovered in the second quarter and accelerated to 3.4% in the third quarter of 2005. As a result, the contribution of this activity to GVA growth rose to 0.2 percentage points in the third quarter.

Favourable developments in construction continued into October and November 2005. The year-on-year growth in the total volume index of construction projects accelerated from 2.5% in the third quarter to 8.7% in October and November. Stronger growth was recorded in the construction of buildings in the fourth quarter, with positive tendencies being also observed in other construction projects. Regarding the cumulative growth rate of construction in November, its decline rate, year-on-year, slowed from -2.1% in October to -1.2% in November. Given such dynamics of construction activity, it is likely that its contribution to GVA growth will again be positive in the fourth quarter, as it was in the second and third quarters of 2005.

Leading construction activity indicators, i.e. the value of building permits issued and the value of net construction project orders, suggest a continuation of positive tendencies by the end of 2005 and in early 2006. Following a decline in the first quarter, the value of building permits issued went up considerably over the last nine months of 2005. Thus, the annual growth rate of building permits issued increased from 6.4% in the second to 12.9% and 35.4% in the third and fourth quarters respectively. Similarly, after a 3.2% fall year-on-year in the third quarter, the value of net construction project orders rose to 11.7% year-on-year in October, due to the growth in net orders of works on buildings. Fa-



avourable trends in construction, being increasingly pronounced towards the end of 2005, were also corroborated by the recovery of the annual growth of capital expenditure of the consolidated general government over the fourth quarter.

Tourism

According to the quarterly GDP calculation, the growth of GVA in hotels and restaurants accelerated strongly, from 1.5% in the second quarter to 7.6% in the third quarter of 2005. As a result, the contribution of this activity to total GVA formation in the third quarter of 2005 rose to 0.4 percentage points, thus increasing its contribution in the first nine months of the year to 0.2 percentage points. However, this activity accounts for only a small share in total tourism, which has both direct and indirect impacts on other economic activities.

Physical CBS indicators point to a slowdown in the annual growth of tourism over the fourth quarter, relative to the main tourist season. Tourist overnight stays went up 8.3% in the fourth quarter relative to the same period in 2004, and tourist arrivals increased by 7.3% year-on-year. The cumulative growth rates of tourist overnight stays and tourist arrivals for the entire 2005 were 7.6% and 6.2% respectively. The annual growth of total nominal revenues from tourism accelerated in the fourth quarter relative to the third quarter.

The number of individual tourist arrivals rose by 3.0% in 2005 relative to 2004, and the number of individual tourist overnight stays went up 7.0%. Organized tourist arrivals and overnight stays grew at higher annual rates, 11.0% and 8.0% respectively. Foreign tourists accounted for the largest share (90.0%) in the total number of tourists, and their overnight stays and arrivals grew faster than those of domestic tourists. In 2005, just like in 2004, tourists from Germany, Italy and Slovenia accounted for the largest number of foreign tourist overnight stays.

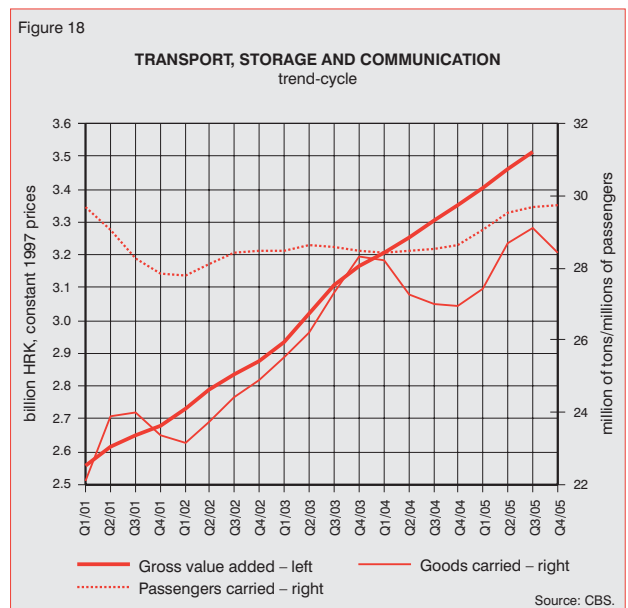
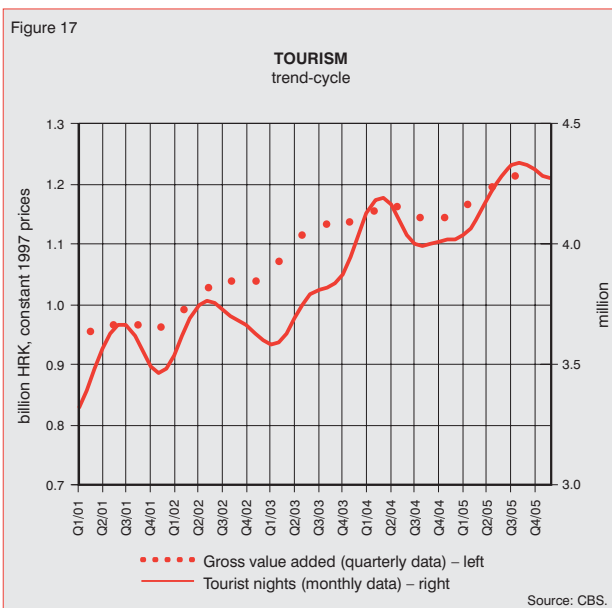
Transport and Communications

Real annual growth of transport and communications, measured by GVA in this activity, slowed down in the third quarter. Owing to the slowdown, the contribution of this activity to GVA growth decreased from 0.7 percentage points in the second quarter to 0.6 percentage points in the third quarter of 2005. According to the available CBS indicators of trends in particular sections of this division, its growth is likely to slow down towards the end of 2005.

Following a decline in the third quarter, the annual growth of total passenger transport, as suggested by seasonally adjusted data, accelerated to 4.2% in the fourth quarter of 2005. By contrast, the annual growth of goods transport slowed down from 7.4% in the third quarter to 4.6% in the fourth quarter of 2005. As a result of these developments, the annual growth of passenger transport and goods transport accelerated to 3.3% and 3.7% respectively, for the entire 2005, compared with 2004.

At end-2005, the number of passengers in road transport, the most significant type of transport which accounts for over one half of total passenger transport, declined mildly year-on-year, in terms of both passengers transported and kilometres passed. The largest increase was recorded in the number of passengers in railway transport, the second most significant type of transport (accounting for roughly one third of total passenger transport). In the observed period, road transport, measured by tons of goods transported, grew at an annual rate of 12.0%, suggesting an acceleration of its annual growth dynamics relative to the previous period.

Regarding telecommunications services, the number of minutes spent in fixed network declined by 10.7% in the fourth quarter compared with the same period in 2004. In contrast, the number of minutes spent in mobile network rose sharply over the observed period, by 50.3% year-on-year, and its growth continued at the expense of the fixed network. Such developments suggest a continuation of the boost in this transport and communications section and



are likely to be the result of a sharper competition in mobile telecommunications triggered by a new mobile operator who entered the Croatian market in mid-October last year.

Labour Market

The downward trend in registered unemployment, observed during 2005, weakened markedly in the fourth quarter. This was due to a slower decline in the number of the newly registered with the CES relative to the previous period, and a decline in employment from the CES register. Owing to stagnancy in clearings from the records for reasons other than employment in the fourth quarter, clearings from the records had no impact on the dynamics of outflows from the CES register or decline in registered unemployment over that period.

According to the preliminary CES data on employment and the data on the number of insured persons with the CPIA, the growth of employment continued at a somewhat faster pace in the fourth quarter relative to the second and third quarters, which was not in line with the reduced economic activity in the fourth quarter. Since June 2005, when the number of insured persons with the CPIA increased markedly and remained high till end-2005, a serious gap between the CBS and CPIA data may be perceived for the first time in the last few years. However, it is only after the revision of the preliminary CBS data on employment that it will be possible to establish whether this gap really exists.

The growth of real gross wage accelerated mildly over the fourth quarter, pushing up its year-on-year growth rate to 0.9% in that quarter, up 0.2 percentage points from the third quarter. Average real net wages grew at an annual rate of 1.5% in the fourth quarter, faster than the average real gross wage, which is attributable to the effects of the tax reform introduced in early 2005.

Unemployment and Employment

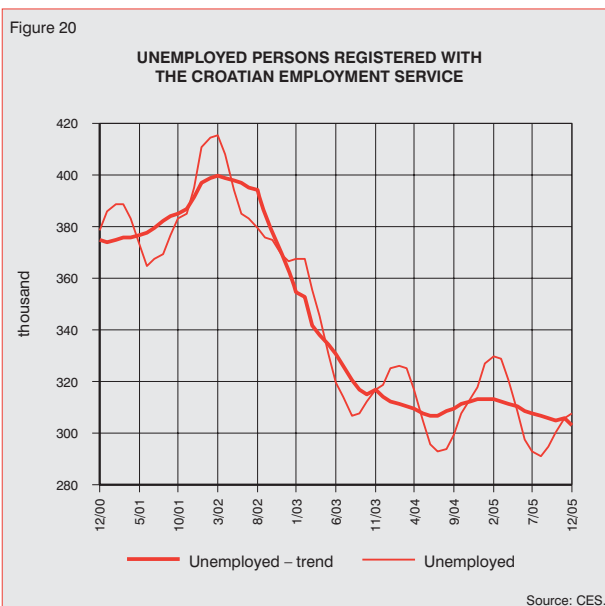
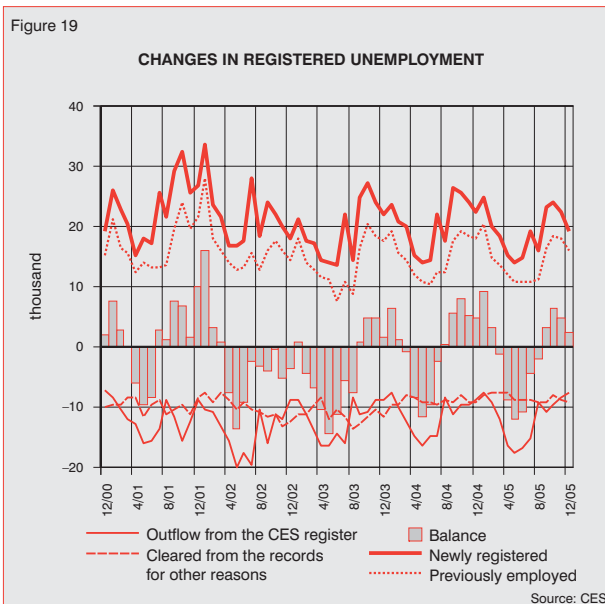
In the last three months of 2005, the total number of the newly registered with the CES stood at 65,500 – almost 7,000 (11.5%) more than in the third quarter of the year. The bulk of the increase in inflows into the register was due to the common seasonal effects, i.e. the end of seasonal works during the summer months. As a result, the number of persons employed from the CES register, excluding the effects of reduced employment toward year-end, returned to the level achieved before the above mentioned increase in the second quarter. In the fourth quarter, clearings from the records for reasons other than employment remained at the low level recorded at the end of 2004.

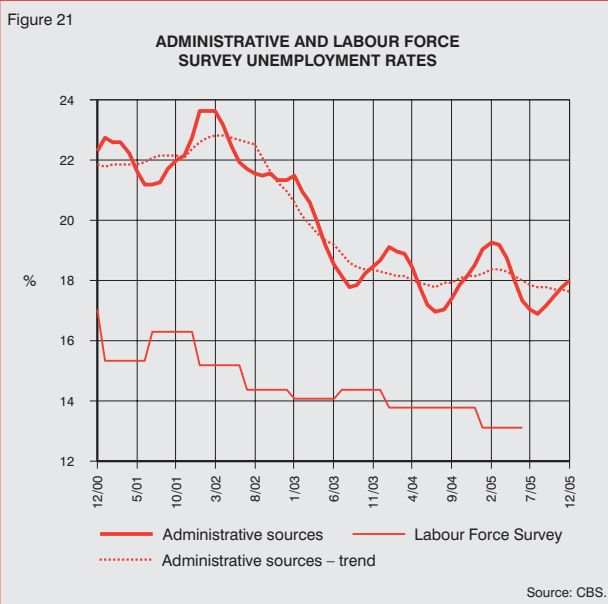
At the end of 2005, the number of persons registered with the CES stood at almost 308,000, down about 10,000 (3.1%) from end-2004. Excluding the usual seasonal fluctuations in registered unemployment, this decline mainly occurred in the first half of 2005, and was paralleled with a marked downward trend in registered unemployment. The annual fall in registered unemployment in 2005 can be accounted for by a decline in the number of the newly regis-

tered with the CES, by almost 13,000 (5.4%) relative to that in 2004. Such developments in inflows into the CES register might have arisen from the re-inclusion in the CES register of a part of persons cleared from the records in 2004.

As a result of the strengthening of inflows into and weakening of outflows from the CES register, the downward trend in registered unemployment slowed markedly in the last quarter of 2005, reducing the year-on-year growth rate of registered unemployment to 0.8% in this quarter, down 0.5 percentage points from the third quarter.

The registered unemployment rate was consistent with the registered unemployment level. Thus, the registered unemployment rate rose by 0.7 percentage points over the last quarter of 2005, compared with the third quarter, reaching 18.0% at the end of the year. However, owing to its downward trend over the first three quarters, it was 0.5 lower than at end-2004. An accurate assessment of the gap between the registered unemployment rate and Labour Force Survey unemployment rate would require the final Labour Force Sur-





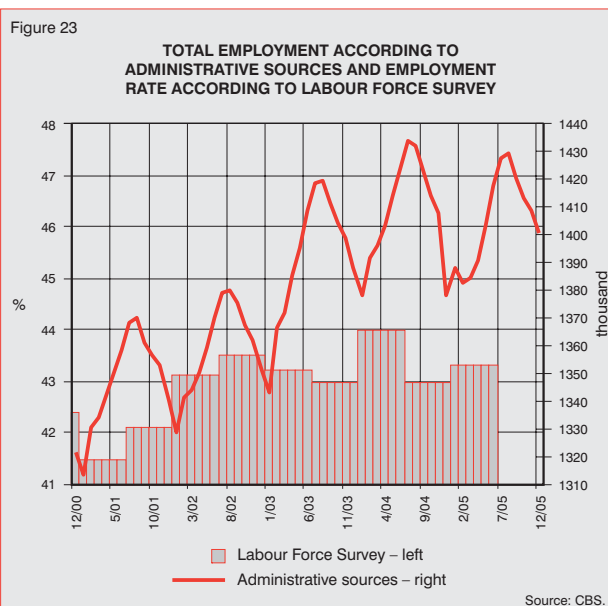
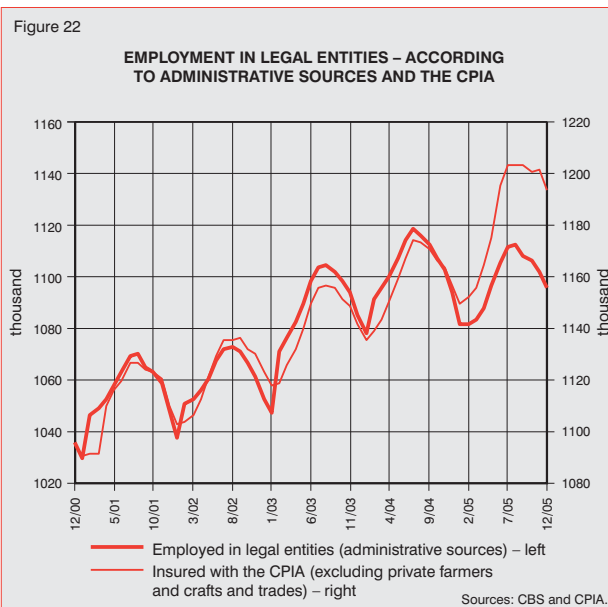
vey data on employment and unemployment for the second half of 2005, which will only be available in May 2006. The Labour Force Survey unemployment rate was 13.1% in the first half of 2005, 0.7 percentage points below the rate in the previous year.

According to the preliminary CBS data on employment and according to the number of insured persons with the CPIA, total employment growth accelerated slightly in the fourth quarter compared with the second and third quarters. The strong upward trend in the number of insured persons with the CPIA continued into the fourth quarter, pushing up its annual growth rate to 2.4% on average, about 0.3 percentage points above the average annual growth rate achieved in the third quarter of 2005. According to the provisional CBS data, employment growth continued at a somewhat faster pace in the fourth quarter, excluding the seasonal effects, compared with the second and third quarters of the year. The year-on-year rate of change in total employment was 0.1% in the last quarter of 2005. However, as this year-on-year rate is based on revised employment data for the period up to January 2005 and on the preliminary data for the following period, it is likely to be much higher after the revision of the preliminary employment data for 2005.⁴

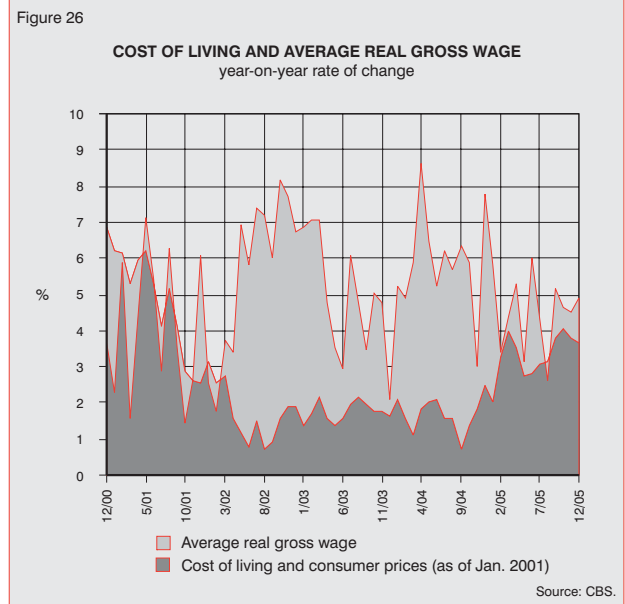
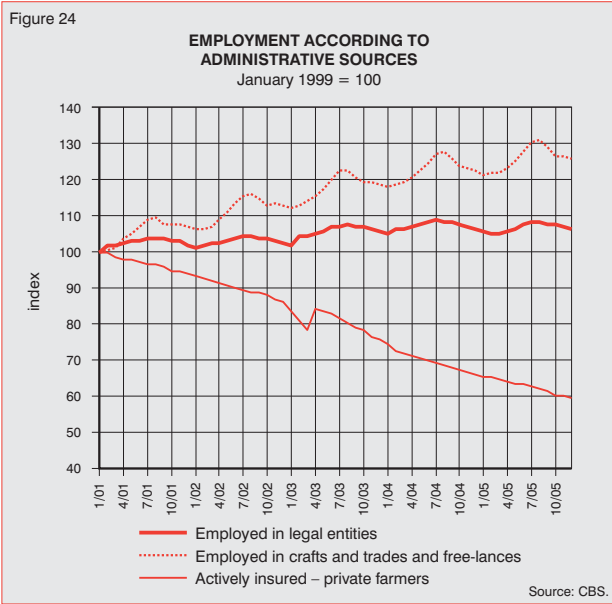
In recent years, the dynamics of the number of insured persons with the CPIA closely followed the CBS employment indicators dynamics. However, since June 2005, when the number of insured persons with the CPIA increased markedly and remained high till end-2005, a serious gap between the CBS and CPIA data may be perceived for the first time in the last few years. However, it is only after the revision of the preliminary CBS data on employment that it will be possible to establish whether this gap really exists.

In the fourth quarter, all components of total employment continued their trends observed in the previous period. Employment in crafts and trades and free-lances, excluding the seasonal effects, continued to grow at an annual rate of 2.4%, which roughly corresponded with its annual growth rates recorded in the second and third quarters. The decline in the number of private farmers actively insured with the CPIA continued at the same rate as in the previous period of the year. In the fourth quarter of 2005, their number dropped by almost 11,000 (10.2%) relative to the last quarter of 2004. The upward trend in employment in legal entities, perceived in the second and third quarters, strengthened slightly over the fourth quarter. The accelerated growth of employment in legal entities speeded up the overall employment growth. However, the preliminary data on employment in legal entities at the end of 2005, year-on-year, point to its decline at present, but, following their revision in April 2006, employment in legal entities is likely to be significantly stronger, which will influence the overall annual growth dynamics of employment in 2005.

In the fourth quarter of 2005, as suggested by the preliminary data, the strongest contraction of employment was observed in transport and communications (1,900 or 1.9%), manufacturing (4,400 or 1.5%) and agriculture (500 or 1.4%). Public administration in narrow terms also recorded



⁴ The revised CBS data on employment will be published in April 2006.



a decline in employment year-on-year (2,100 or 2.0%). In contrast to this, employment rose in education (2,300 or 2.5%) and health care (1,200 or 1.4%). As a result, the overall public administration saw a mild increase in employment. Apart from education, the largest contribution to overall employment came from financial intermediation (1,300 or 4.1%), real estate trading and business services (3,200 or 3.8%), and construction (3,400 or 3.0%), which saw a continuation of the recovery that had started in the first quarter of 2005.

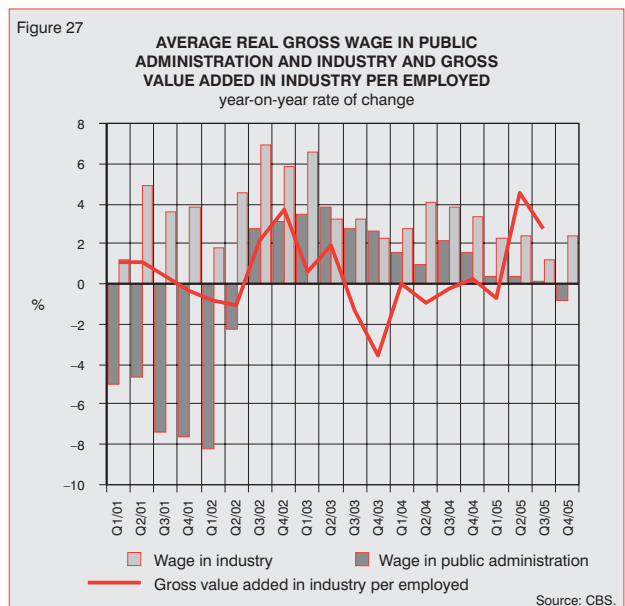
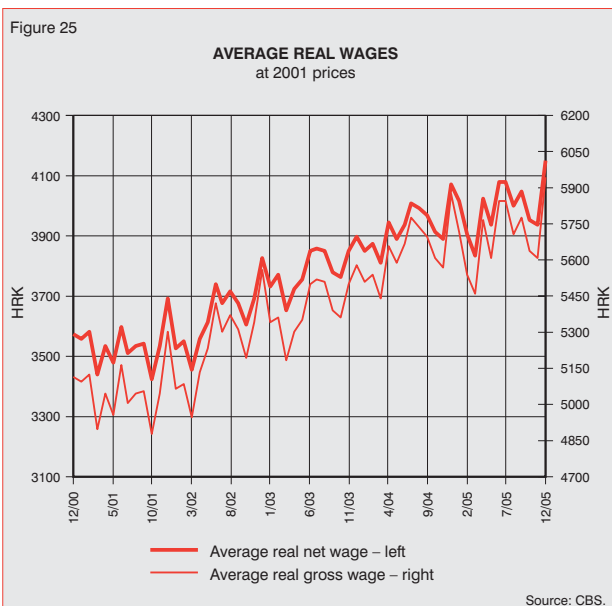
Wages and Labour Costs

The real growth of gross wages accelerated mildly during the fourth quarter of 2005, pushing up its year-on-year rate to 0.9% in the fourth quarter, up 0.2 percentage points from the third quarter. Average real net wages rose at an annual rate of 1.5% in the fourth quarter, outstripping the growth rate of average real gross wages, owing to the effects of the

tax reform introduced in early 2005.

The average nominal gross wage paid in the fourth quarter of 2005 rose at a rate of 4.7% year-on-year, up 0.7 percentage points from the third quarter. The nominal wage growth was paralleled with an increase in the cost of living, which reduced considerably the impact of the nominal wage growth on real wage movements.

The real wage dynamics in most divisions did not vary significantly from those of average real wages. In the fourth quarter of 2005, somewhat stronger annual growth in real gross wages was recorded in agriculture (4%) and mining and quarrying (8.1%), despite a decline in the real annual growth rate in mining and quarrying in that period. However, given the modest shares of the above mentioned divisions in total employment, their contributions to total average growth remained insignificant. The restrictive wage policy in the public sector continued, resulting in a fall in average real gross wages (-0.9%) over the fourth quarter. Such a fall had last been recorded in the second quarter of 2002.



The negative dynamics of real gross wages in the public sector arose from a contraction of average real wages in public administration in narrow terms and education, and from an increase in average real wages in health care. Manufacturing made a positive contribution to average real wage growth (0.6%), which was considerable compared to other activities. In fact, the contribution of manufacturing to average real wage growth was equal to the joint contributions of health care, wholesale and retail trade and transport and communications. However, the impact of positive contributions to average real wage growth was lessened by the annual contraction of wages in the public administration in narrow terms and education.

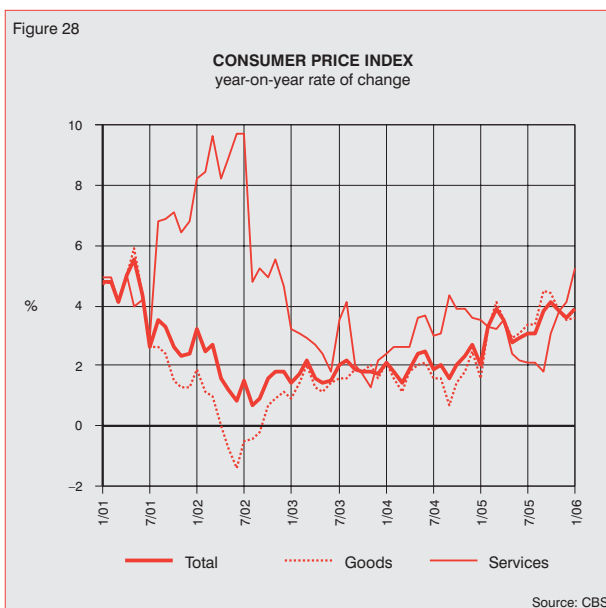
The average real gross wage in industry grew at an annual rate of 2.3% in the fourth quarter of 2005, 1.1 percentage points faster than in the previous quarter, but its dynamics were similar to those in the first half of the year.

Prices

Consumer price inflation in Croatia accelerated in 2005 from 2004, with the average year-on-year rate of change in the overall CPI up 1.2 percentage points, from 2.1% in 2004 to 3.3% in 2005. The average year-on-year rate of change of core inflation also rose, from 1.9% in 2004 to 3.1% in 2005. In contrast, producer prices dropped in 2005, pushing the average year-on-year rate of change of the industrial producer price index down from 3.5% in 2004 to 3.0% in 2005.

The end-period year-on-year rate of change in the CPI increased by 0.9 percentage points, from 2.7% in December 2004 to 3.6% in December 2005, remaining, however, within a relatively low inflation range. The acceleration of consumer price inflation in 2005 was heavily influenced by the rise in the year-on-year growth rate of food prices (primarily agricultural products and meat), some administrative prices (electricity, fixed rent, health services and refined petroleum products) and some market-determined prices (clothing and footwear). The year 2005 saw strong imported pressures on domestic inflation growth, the most marked being the price rise of crude oil and other raw materials in the world market, depreciation of the kuna against the US dollar and increase in the year-on-year rate of change of eurozone producer prices. Inflation in the domestic economy was kept at relatively low levels, however, due to the appreciation of the kuna/euro exchange rate, modest domestic demand growth, slow nominal wage increase, labour productivity growth, reduced year-on-year growth rate of domestic industrial consumer products prices and intense competition in retail trade. In addition, 2005 was the last year for the phased-in reduction of tariffs on industrial products in line with the WTO framework, so that inflation pressures were also alleviated by the lingering effect of foreign trade liberalisation.

As suggested by the most recent CBS data, the year-on-year consumer price inflation rate, having slowed down somewhat in the last two months of 2005, reached 3.9% in 2006. In contrast, the year-on-year core inflation rate dropped from 3.0% in December 2005 to 2.8% in January



2006. In addition to the 0.6% monthly increase in the CPI, the base period, i.e. prices rising at a lower monthly rate in January 2005, also played a part in the year-on-year inflation rate growth in January 2006. The core CPI, which excludes agricultural products prices and administrative prices (whose growth was in January the highest), dropped by 0.5% in January from the previous month.

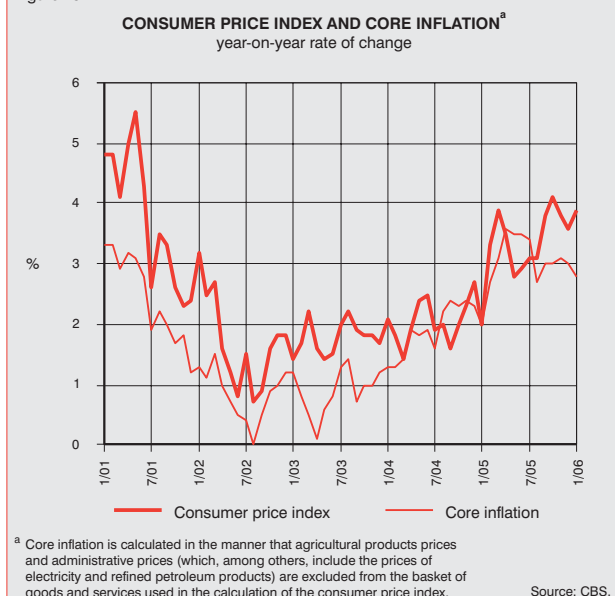
The largest contribution (0.5 percentage points) to the increase in the year-on-year CPI rate in 2005 came from the year-on-year rate of change in core inflation, rising from 2.3% in December 2004 to 3.0% in December 2005. Trends in products' prices that are market-determined and used in the core inflation calculation, strongly affect total consumer price inflation trends due to their 69.9% weight in the overall CPI basket. Core inflation accelerated in 2005, mainly on account of meat prices rising from 3.5% year on year in December 2004 to 6.1% in December 2005, and to the year on year rate of change in clothing and footwear prices increasing from -1.7% in December 2004 to 3.6% in December 2005. In addition, due to the spillover effect of the rise in refined petroleum products prices, the prices of goods and ser-

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

	Weight 2006	12/04	3/05	6/05	9/05	12/05	1/06
Total	100.0	2.7	3.9	2.9	3.8	3.6	3.9
Food and non-alcoholic beverages	32.9	2.4	5.5	4.2	5.8	3.7	4.1
Alcoholic drinks and tobacco	5.6	10.2	10.6	10.2	1.0	1.1	1.4
Clothing and footwear	8.0	-1.7	-1.2	0.4	2.0	3.6	0.8
Housing, water, energy, gas and other fuels	15.1	6.0	6.0	3.1	4.3	5.4	7.2
Furniture, equipment and maintenance	4.7	0.2	1.6	2.6	3.0	2.9	2.9
Health	2.9	1.0	0.8	2.0	1.9	8.6	8.9
Transport	11.3	2.6	3.3	-0.3	5.1	3.8	4.9
Communication	4.2	-0.5	-0.4	-0.4	-0.4	0.2	0.2
Recreation and culture	5.5	2.5	1.8	2.8	2.2	2.6	2.6
Education	0.9	1.1	1.4	1.7	6.0	6.2	6.0
Catering services	3.2	2.8	2.1	1.6	1.7	3.3	3.2
Miscellaneous goods and services	5.8	1.9	1.8	2.4	1.7	2.0	2.2
Goods	76.9	2.5	4.1	3.1	4.5	3.5	3.6
Services	23.1	3.6	3.2	2.2	1.8	4.1	5.2

Source: CBS.

Figure 29



vices that are important inputs in their production went up. For example, the prices of services in road transport increased by an average of 6.9% in December and those in air transport by 4.7%, both compared with December 2004. In general, trends in free market prices of other products were relatively stable in 2005.

In 2005, administrative prices continued growing at a faster pace than market-determined prices. The year-on-year rate of change in administrative prices advanced from 5.5% in December 2004 to 6.1% in December 2005, while their contribution to the overall year-on-year inflation rate in 2005 increased by 0.2 percentage points. The year-on-year rate of change of agricultural products' prices, although low in the observed period, rose from -2.2% in December 2004 to 1.2% in December 2005. As a result, this product group also increased its contribution to the overall CPI rate by 0.2 percentage points.

After the CPI leapt from 3.8% in September to 4.1% in October, consumer price inflation decelerated in November and December, reducing to 3.6% at the year end. The core inflation index showed stable trends over the fourth quarter, with core inflation holding at 3.0% in December 2005 and at the end of the fourth quarter. However, the contribution of individual components to the overall year-on-year core inflation rate changed – the year-on-year growth rate of some foodstuffs prices (meat, dairy products) and cars decelerated. This was offset by the acceleration of the year-on-year growth rate of footwear and hotel and restaurant services prices.

The CPI variability in the fourth quarter was mostly due to the movements in agricultural products prices, whose year-on-year rate of change surged from 8.9% in September to 15.5% in October, decreasing in the following two months and hitting a low 1.2% in December. This product group, comprising fruit, vegetables and fish, accounts for a considerable share in the CPI basket, standing at 6.9% in 2005. Agricultural products prices rose by 3.0% in October from the previous month, with a sharp increase in their

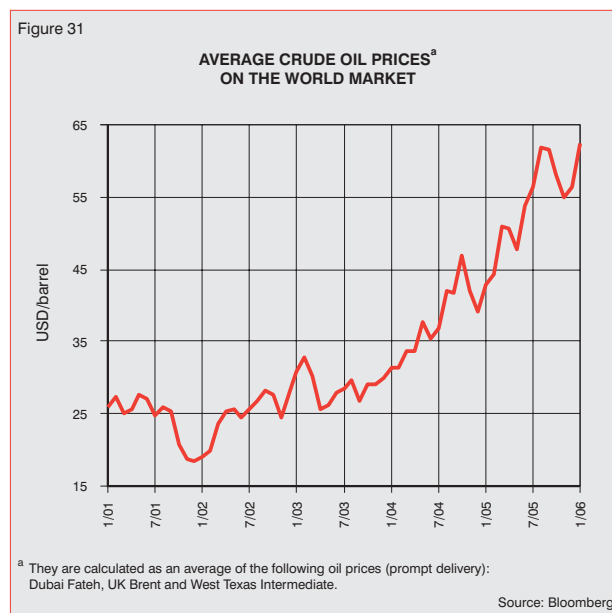
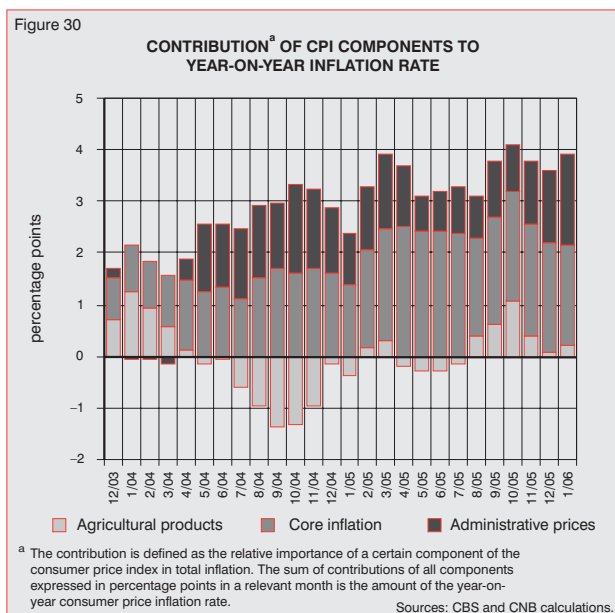
year-on-year rate of change generated by the negative base period effect, i.e. the decrease in agricultural products prices in October 2004 compared with the previous month. Agricultural products prices continued to fluctuate sharply in the following two months, dropping by 1.3% in November and increasing by 9.1% in December respectively from the previous month, while their year-on-year rate of change reduced considerably on account of the positive base period effect.

The annual growth rate of administrative prices decelerated from 4.7% in September to 4.0% in October, thus partly offsetting the impact of the sharp price rise of agricultural products on the overall CPI. This pushed up the year-on-year rate of change of administrative prices to 6.1% in December 2005. Reflecting the changes introduced to the system of co-payments for medical services and drugs, medical services prices⁵ rose in the fourth quarter and their year-on-year rate of change went up from 1.4% in September to 37.1% in December. Fixed rents also rose considerably, from 0.1% in September to 26.2% in December. Refined petroleum prices contributed significantly to the overall year-on-year rate of change in administrative prices, although slightly less in the fourth quarter, as the annual growth rate of refined petroleum prices in the domestic market declined from 15.9% in September to 15.2% in December.

As shown by the latest CBS data, the overall CPI increased 0.6% from the previous month, with the year-on-year consumer price inflation rate advancing to 3.9%, a rise of 0.3 percentage points. The largest contribution to the monthly CPI growth came from the seasonal increase in vegetable prices (14.9% compared with the previous month). In addition, the January price increase was also in consequence of the rise in some administrative prices (water supply moved up in price by 9.3%, refuse disposal by 4.5% and refined petroleum products by 2.1% in relation to December). Additionally, with the Rulebook on the Disposal of Packaging coming into effect in January, some producers transferred additional expenses arising from its implementation on consumers, which led to an increase in beverage and milk prices. The contribution of the said price increases to the overall monthly CPI rate was only partly offset by an average seasonal drop of 8.2% in clothing and footwear prices compared with the previous month.

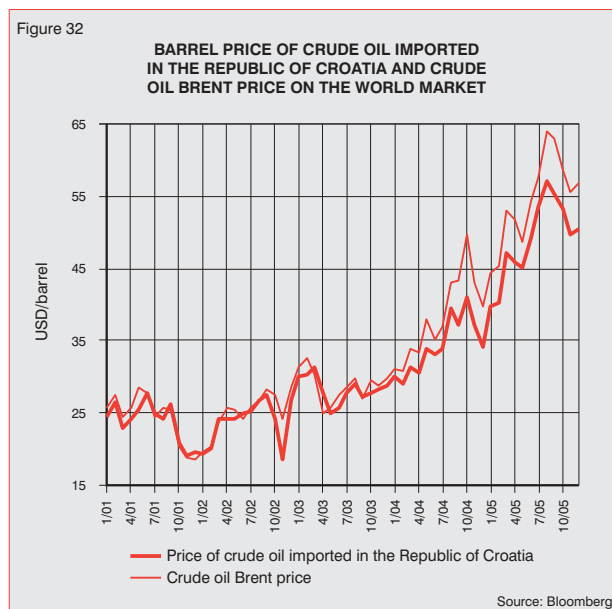
In 2005, marked for the fourth year in a row, imported pressures boosting domestic inflation were mainly related to the crude oil price hike in the world market. This was to a large extent due to the expected mismatches between supply and demand in the crude oil market, due to forecasts of the continued strong global economic upturn, OPEC's limited available surplus capacities and feared long-term slowdown in non-OPEC countries. In addition, as in the previous years, market participants showed concerns about the safety of crude oil deliveries from the countries in political turmoil (Iraq, Nigeria and Venezuela). The crude oil price increase was also caused by some brief disturbances, most importantly by the damage inflicted by the hurricane Katrina on the Mexican Gulf oil production and refining facilities,

⁵ Medical services prices are administratively set and account for 0.5% in the overall CPI.



which sent crude oil prices in the world market sky rocketing in August and early September 2005. The drop in crude oil prices early in the fourth quarter 2005 is largely attributed to favourable weather conditions and the resultant unexpected build up of US oil stocks. The gas dispute between Russia and Ukraine had an adverse impact on the refined petroleum price trends in the world market and crude oil barrel price started to climb again in December 2005.

Following the 30.4% increase (expressed in US dollars) in the average crude oil barrel price in the world market in 2004, crude oil price growth continued at an accelerated pace in 2005, with the average price per barrel up by 44.5%, from USD 39.0 in December 2004 to USD 56.4 in December 2005. Standing at 17.6% in December 2004, considerably offset that year by the appreciation of the kuna exchange rate against the US dollar, the annual growth of crude oil prices in kuna terms was more pronounced in 2005 (59.7%) owing to the depreciation of the kuna exchange rate against the US dollar. Due to the crude oil price increase in the world market and the rise in refined petroleum prices in the Mediterranean market, the year-on-year rate of change in refined petroleum price in the domestic market stood at a high 15.2%.⁶ However, despite the much stronger growth of crude oil prices expressed in kuna, it was still lower than in December 2004 when it amounted to 12.3%.⁷ The above mentioned trends in the world market affected domestic refined petroleum products price movements only to a lesser extent, due to Ina acting on the Government's recommendation to reduce its production margin⁸ should the unleaded petrol price exceed HRK 8 under the pricing formula for refined petroleum products in the domestic market and thus alleviate the spillover of the world price increase into domestic prices. It needs to be mentioned that the price per barrel



of crude oil imported into Croatia in the last two years has been somewhat lower than the price of Brent oil in the world market and that larger quantities were imported in the months when the price was lower, which leaves Ina room for savings.

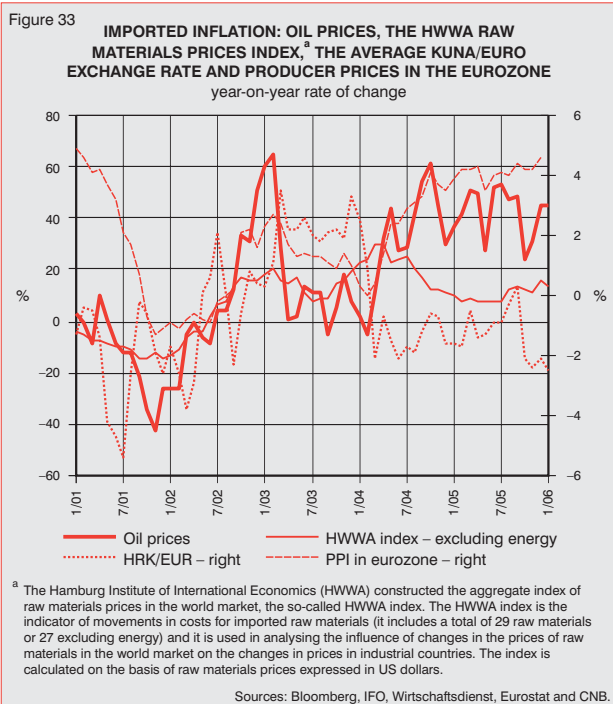
In addition to crude oil prices, the prices of other raw materials in the world stock exchanges also went up⁹ – by a total of 15.3%, which is more than in 2004 when they rose by 10.6%. The prices of iron ore and ferrous metals rose at especially high rates of 27.7% and 26.7% respectively on account of high demand, in particular from China. The year-on-year rate of change of eurozone producer prices moved sharply upwards in 2005 (from 3.5% in December 2004 to 4.6% in December 2005), mainly in consequence of the oil price rise in the world market, which pushed up the year-on-year growth rate of eurozone energy prices to 16.9% in

6 The year-on-year rate of change of fuel oil prices was 22.7% in December 2005, and that of fuels and car lubricants prices 14.8%.

7 The year-on-year rate of change of fuel oil prices amounted to 35.7% in December 2004, and that of fuels and car lubricants prices 9.7%.

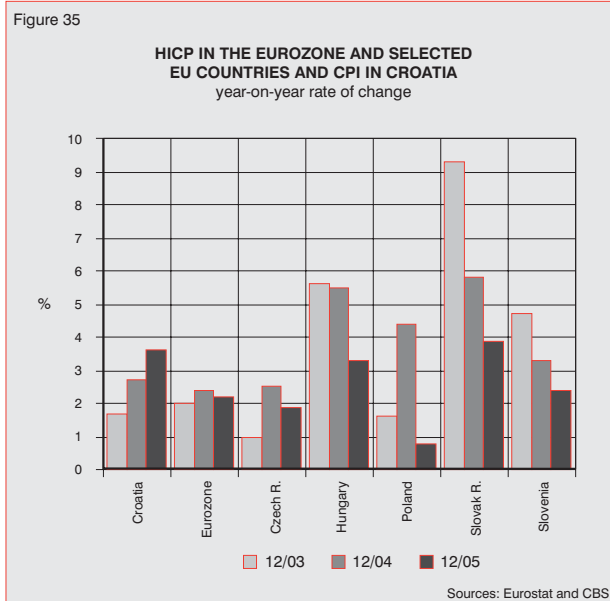
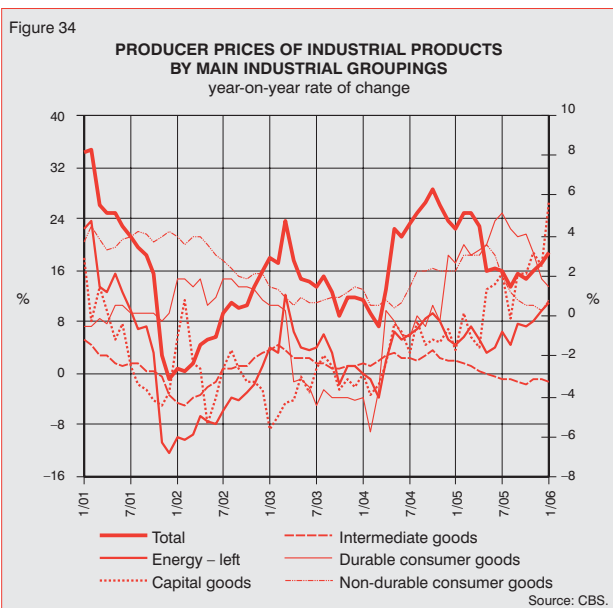
8 Ina is legally authorised to a margin of 60 lipa per 11 of refined petroleum products.

9 Measured by the aggregate HWWA index of raw materials prices in the world market (excluding energy, calculated based on US dollar values).



2005. The year on year rate of change of producer prices of final products, low in the eurozone in the last two years, stood at a mere 1.3% for both durable and nondurable consumer goods in 2005. Accordingly, there have been no signs of a significant spillover of the price rise in refined petroleum products into producer prices of final goods.

Domestic producer prices of industrial products, having grown sharply in 2004, with the year-on-year rate of change standing at 4.8% in December, slowed down in 2005, to 2.7% in December. This was under the influence of the drop in the year-on-year rate of change of intermediary products prices, down from 2.0% in December 2004 to -0.7% in December 2005, durable consumer goods, down from 3.0% to 1.8%, and nondurable consumer goods, down from 2.3% to 0.3% in the same period. As indicated by low year-on-year growth rates of final products producer prices, the rise in en-



ergy prices failed to significantly spill over to final products, similar as in the eurozone. The growth of energy and capital goods prices in January 2006 lead to an increase of 0.5% in the index of producer prices of industrial products compared with the previous month. The year-on-year producer price inflation rate advanced from 2.7% in December 2005 to 3.2% in January 2006.

The spread between Croatia's consumer price inflation rate and that in the eurozone widened in 2005, as compared with 2004 when Croatia's rate exceeded the eurozone rate only by 0.3 percentage points, reaching 1.4 percentage points in December (3.6% in Croatia in relation to 2.2% in the eurozone). These trends were primarily due to the increase in the spread between the year-on-year rate of change of the prices of food, clothing, footwear, health and communications in Croatia and in the eurozone.

Exchange Rate

The domestic foreign exchange market saw strong appreciation pressures on the HRK/EUR exchange rate in the fourth quarter of 2005. This was in consequence of the increase in kuna demand, caused by several factors, including new government bond issues in the domestic market (in December and February), appreciation expectations generated by the start of the EU accession negotiations, foreign investors' interest in the placement of funds in domestic securities, strong foreign exchange inflow from goods and services exports and foreign remittances, as well as continued financing of banks' lending by funds acquired from abroad.

The exchange rate of the kuna against the euro strengthened by 0.8% in the fourth quarter 2005, with the euro value up from HRK 7.44 on 30 September to HRK 7.38 on 31 December. Alleviating the exchange rate appreciation, the central bank intervened three times in the foreign exchange market in the observed period, purchasing from banks a total of EUR 277.6m and releasing HRK 2,051.5m. EUR 115.7m was purchased at the auctions held on 6 and 14 October and

an additional EUR 161.9m at the last auction held on 27 December, the highest volume traded at a single auction in 2005. The average absolute change of the daily exchange rate of the kuna against the euro was 0.09% in the fourth quarter, which is slightly below the 2005 average of 0.11%.

The kuna appreciated further against the euro in the first two months in 2006, with the euro strengthening by 0.9% in the observed period, from HRK 7.38/EUR on 31 December 2005 to HRK 7.31/EUR on 28 February. The kuna exchange rate appreciated by 2.7% from end-February 2004 to end-February 2005. The central bank intervened twice in February in response to marked appreciation pressures, purchasing from banks EUR 118.6m and releasing HRK 868.0m. EUR 35.5m was purchased at the foreign exchange auction on 2 February and EUR 83.05m on 16 February. Also in February, the CNB sold EUR 2.3m to the MoF, the amount required for external debt repayments.

Reflecting the movements in the USD/EUR exchange rate on the world foreign exchange market, the HRK/USD

exchange rate fluctuated considerably in the first two months of 2006, strengthening by 2.3% in January and weakening by 1.2% in February. In total, the HRK/USD strengthened by 1.1% in these two months, rising from HRK 6.23/USD on 31 December 2005 to HRK 6.16/USD on 28 February. The USD/EUR exchange rate depreciated in January, owing to investors expecting the Fed to put an end to the rate-raising cycle. The Fed lifted its benchmark rate by 25 base points in February and the USD/EUR exchange rate appreciated following the release of favourable economic indicators on labour market trends and rising personal consumption in the US and the ensuing change in expectations of investors, allowing for a possibility of a further rise in interest rates. In the first two months of 2006, the nominal exchange rate of the kuna appreciated against the euro (0.9%), US dollar (1.1%), Slovene tolar (0.9%), Swiss franc (1.5%) and pound sterling (0.3%). Given the composition of the basket of the nominal effective exchange rate of the kuna (with the euro, US dollar, pound sterling, Swiss franc and

Figure 36

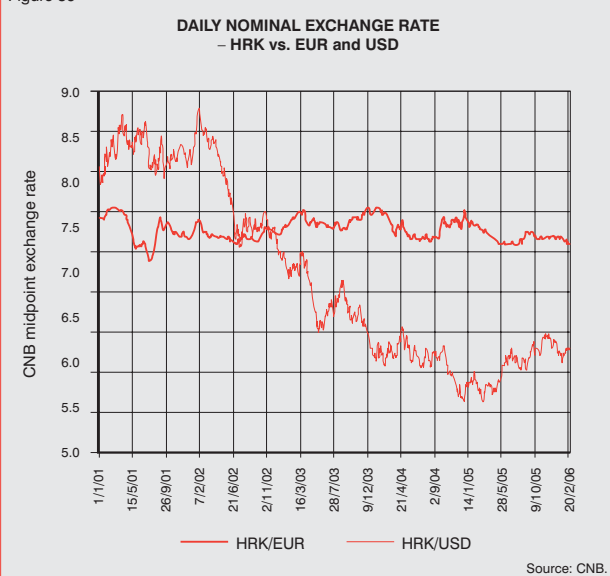


Figure 38

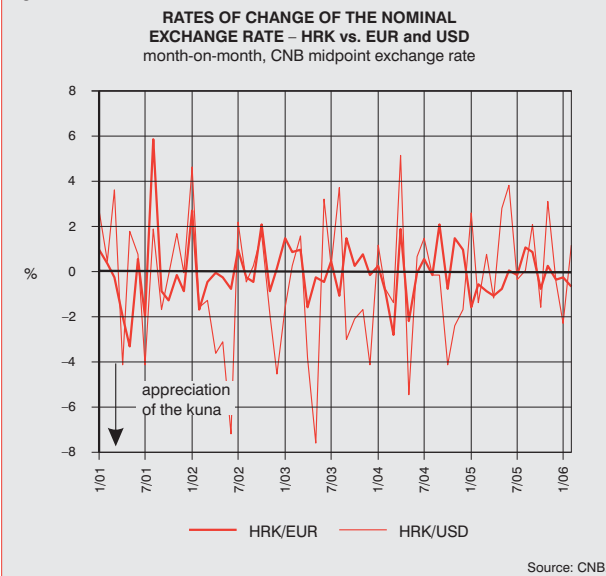


Figure 37

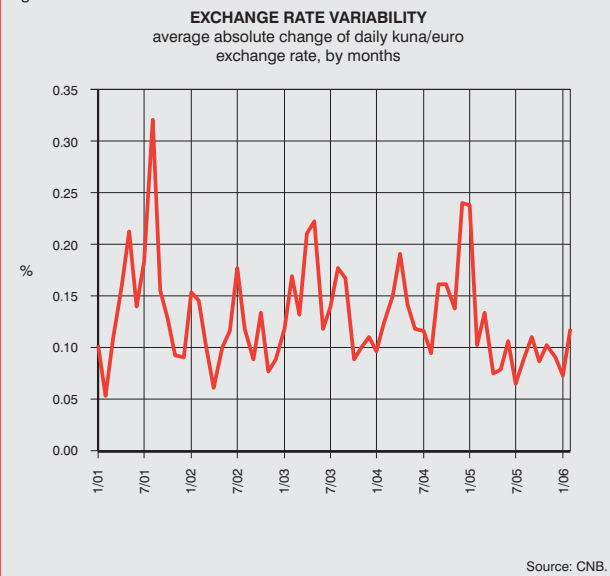
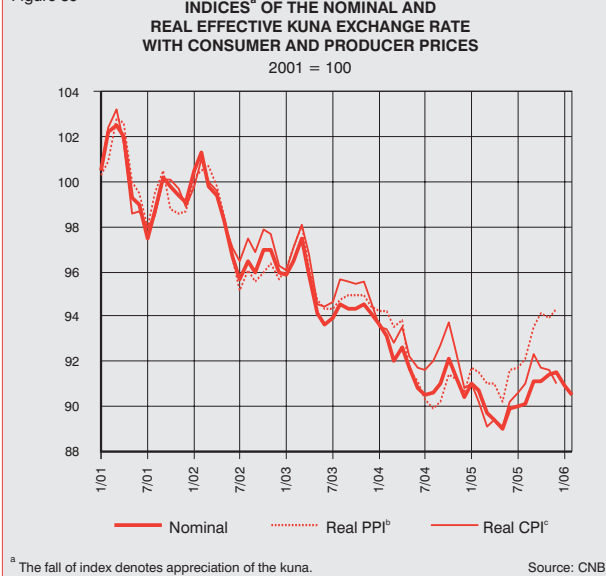


Figure 39



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

Slovene tolar being assigned the weights of 70.6%, 27.2%, 1% and 0.2% respectively), these exchange rate trends resulted in the index of the daily nominal effective exchange rate of the kuna appreciating by 1.0% from 31 December 2005 to 28 February 2006.

Influenced primarily by the slight appreciation of the kuna against the euro and its strong depreciation against the US dollar, the index of the nominal effective exchange rate of the kuna weakened by 1.2% in 2005 (December 2005 compared with December 2004). With domestic consumer prices rising at a somewhat faster rate than foreign prices in 2005, the kuna exchange rate depreciated by 0.1% in real terms, less than in nominal terms. In contrast, domestic producer prices grew at a slower rate than foreign prices in 2005, resulting in the kuna exchange rate depreciating by 4.1% in real terms, this being an indication of an improvement of Croatian exporters' price competitiveness.

Monetary Policy and Instruments

Monetary Environment

Monetary policy at the end of 2005 and in early 2006 operated in the conditions of heavy demand for kuna and strong appreciation pressures on the kuna. The CNB created the needed liquidity by means of open market operations, or more specifically, by regular weekly repo auctions and to a large extent by purchases of foreign currency from the banks. Additional funds were liberated in January 2006, following a reduction in the reserve requirement rate from 18% to 17%, as announced previously. The demand for kuna was boosted by a seasonally more pronounced need for government financing (the government issued its first tranche of kuna bonds amounting to HRK 3.5bn in December) but also by the intentions of banks to increase their household and corporate lending. This led to accelerated foreign borrowing of banks towards the end of the year, with foreign currency inflows creating additional appreciation pressures on the kuna. Kuna liquidity was extremely good throughout that period, with record surpluses recorded on individual days (over HRK 3.0bn). As a result, strong demand in January notwithstanding, the central bank turned down some of the offers at reverse repo auctions, in an effort to prevent excessive creation of liquidity.

The beginning of 2006 was also marked by the implementation of a December 2005 decision of the CNB Council to raise the marginal reserve requirement for the third time and widen its base. The banks are thus obligated to allocate with the CNB, free of interest, 40% of any increase in foreign debt compared with their initial debt balance in June 2005 and 15% of the increase in foreign debt compared with their average debt balance in November 2005. In addition to foreign liabilities of banks and their related persons, the base has been widened to include guarantees and warranties for the account of foreign persons serving as a basis for foreign borrowing of domestic persons and funds of persons engaged in

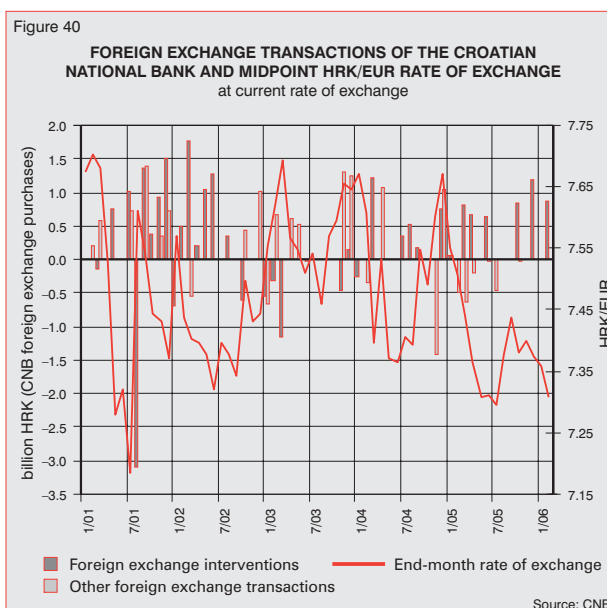
financial leasing. The allocation requirement amounts to 55% of the increase compared with the average balance in November last year.

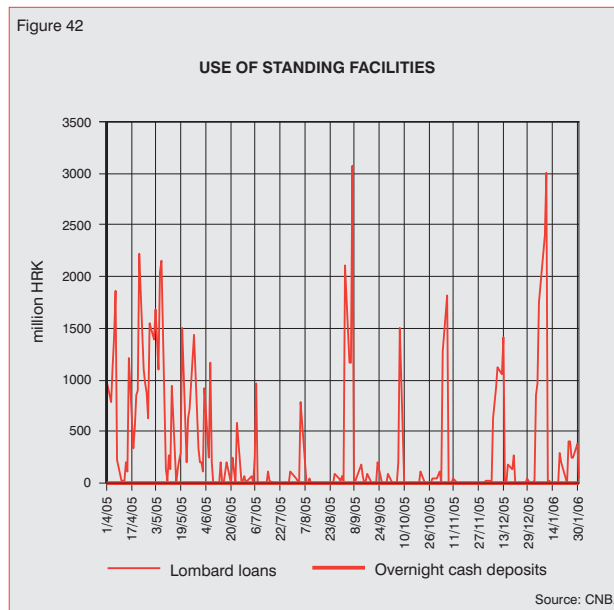
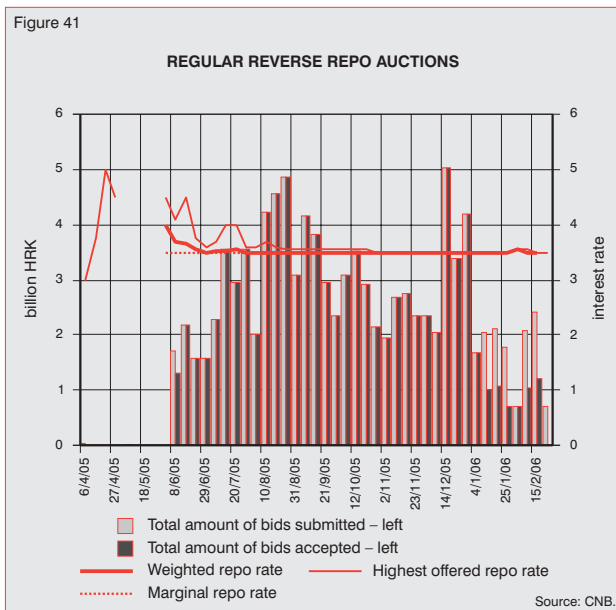
The mentioned acceleration of foreign borrowing of banks in the last quarter of 2005 resulting in a net borrowing of banks of EUR 959m and rapid growth of their placements (annual growth rate of almost 20.0%), led the central bank to take new measures to discourage further borrowing of banks. The growth of placements which is based on foreign sources, not only increases the country's total foreign debt but also leads to growing imbalance in foreign trade. The introduced increase in MRR allocation is expected to cancel out any benefit that may be derived from foreign borrowing and should it turn out that the banks are dodging central bank measures, the central bank will again be ready to respond similarly as it has already this year with the adoption of its February decision (see Box 1).

The quantitative performance criteria under the IMF Stand-By Arrangement for 2005 in the area of monetary policy have been broadly met. Net usable international reserves, which under the 2005 criteria, were to increase nominally by at least EUR 150m, rose by EUR 896.1m. Another quantitative performance criterion, that relating to maximum allowed increase in net domestic assets of the Croatian National Bank of HRK 5.4bn, was also broadly met, with net domestic assets of the central bank rising by HRK 2.8bn in 2005.

Uses of Instruments of Monetary Policy

Late 2005 and early 2006 were marked by very high liquidity of the banking system. The average amount of free reserves in December last year amounted to HRK 1.3bn, and surplus liquidity was particularly visible in the last ten days of that month. The demand for kuna was largely boosted by the issue of kuna government bonds in the middle of the month, coinciding with the beginning of the new reserve requirement maintenance period. Reverse repo auctions were the main instrument for liquidity creation in that period. Their





average turnover in December was HRK 3.7bn. It should be stressed that in December reserve requirement maintenance period for the first time started on a second Wednesday in a month, i.e. on the day of reverse repo auction (14 December), instead of the previous eight day of a calendar month. It was exactly on that day that the largest amount ever of amounts placed at a single reverse repo auction (HRK 5.0bn) was recorded.

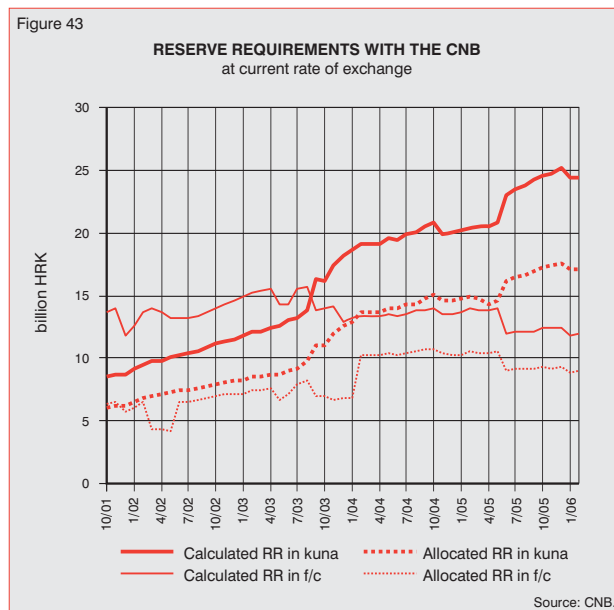
High kuna liquidity was accompanied by appreciation pressures on the exchange rate of the kuna, prompting the central bank to intervene. With its purchase of EUR 161.9m from the banks on 27 December, the central bank created HRK 1.2bn. That was the largest foreign exchange intervention in 2005 which led to a significant increase in kuna liquidity. Despite exchange rate stability and good liquidity in early 2006, appreciation pressures tightened again towards end-January, causing the central bank to intervene in the foreign exchange market again. At its 2 February intervention, the CNB purchased EUR 35.5m, and thus created HRK 261m. Nevertheless, due to a strong demand for kuna, the exchange rate started sliding towards the level of HRK 7.30/EUR. Such exchange rate developments differ from those typical for the beginning of the year and if compared with the same period last year, the exchange rate of the kuna appreciated 2.7% against the euro. The CNB responded again on 16 February by purchasing EUR 83.1m and creating HRK 607m.

In early 2006, the CNB, for the first time since the beginning of its more extensive use of repo auctions in mid-2005, decided to turn down up to 50% of the values of banks' bids received at regular Wednesday auctions. This showed the full extent of flexibility of this instrument of monetary policy in terms of open market operations and underscored the active role that the central bank plays in managing the needed liquidity. The average turnover at reverse repo auctions in January and February was HRK 0.9bn, a significant fall compared with the previous months. The marginal repo rate remained at 3.5% in 2006, with the exception of auction on 2 February when the entire amount of the auction (HRK

0.7bn) was agreed with a bank which offered a higher repo rate (3.55%).

The banks tend to make regular use of the standing overnight deposit facility with the CNB for their surplus funds in the period immediately preceding each new allocation and reserve requirement maintenance cycle. Thus, overnight deposits with the CNB in January and February, one day before the reserve requirement allocation, amounted to HRK 3.0bn and HRK 1.4bn, respectively.

The last quarter of 2005 also saw an increase in the growth of kuna reserve requirements – the December calculation showed total kuna reserve requirements of banks to reach HRK 25.1bn. Kuna reserve requirements rose by a total of HRK 5.1bn or 25.6% in 2005. The largest contribution to such growth was provided by the growth of domestic sources of funds of banks, particularly household kuna deposits. An important factor which caused an increase in kuna and a decrease in foreign currency reserve requirements in 2005 was the June increase from 42% to 50% in the compo-



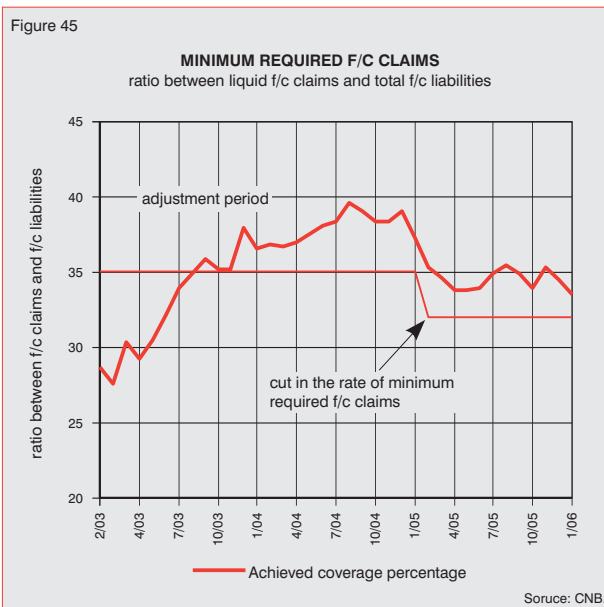
ment of foreign currency reserve requirements which are allocated in kuna. The poorer growth of foreign currency reserve requirements expressed in kuna equivalent towards the end of 2005 was also due to the appreciation of the exchange rate of the kuna. The calculated foreign currency reserve requirement stood at HRK 12.5bn in December, which is a decline of HRK 1.2bn compared with the year before.

The January amendment to the decision on the reserve requirement provided for a reduction in the reserve requirement rate from 18% to 17%, which freed HRK 2.1bn. Even though the domestic sources of banks' funds held steady in January, and the basis for the calculation of the reserve requirement remained almost unchanged in February, the effects of the reduction in the reserve requirement rate were also felt in February. The banks' kuna and foreign currency reserve requirements allocations fell by HRK 0.5bn and HRK 0.3bn, respectively, in February, compared with the end of 2005.

Increased foreign borrowing of banks abroad in the last quarter of 2005 led to an increased base for the calculation of marginal reserve requirements, which, together with the January increase in the allocation rate from 40% to 55% and additional widening of the base, resulted in an extremely rapid growth of allocated MRR in early 2006. At the end of 2005, the MRR allocated were HRK 4.2bn, which is an increase of HRK 3.8bn compared with the year before. It should be mentioned that the marginal reserve requirement was changed on two occasions during 2005, first from 24% to 30% in March and then to 40% in June.

The base for the calculation of MRR rose by HRK 5.8bn in January, compared with the previous month, and by additional HRK 5.0bn in February, reaching a total of HRK 21.3bn.

Structural changes of the instrument of marginal reserve requirement, coupled with autonomous growth in its base, led to an increase in the allocated MRR from HRK 4.2bn at the end of 2005 to HRK 7.2bn in February. Such growth of the marginal reserve requirement underscores banks' readi-



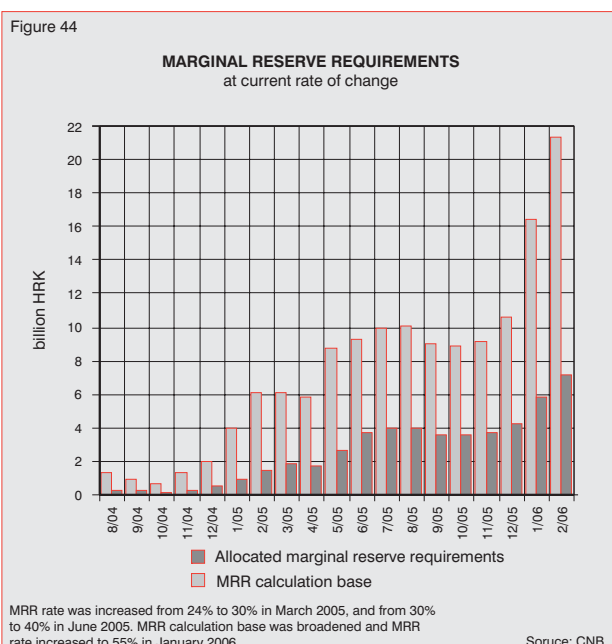
ness to accept the high cost of foreign borrowing to ensure further credit expansion in the country. The allocation of the MRR based on an increase in the funds collected from persons engaged in the business of financial leasing and funds from domestic persons borrowing abroad on the basis of banks' guarantees and warranties stood at HRK 60.0m in February.

The end of the last and the beginning of this year saw a decline in the ratio of minimum required foreign currency claims of banks and their foreign currency liabilities as a result of a fall in foreign assets of banks and a simultaneous increase in their foreign currency liabilities. Total foreign currency claims of banks thus fell by HRK 2.3bn at end-January compared with November last year, while foreign currency liabilities of banks rose by HRK 0.6bn. The rate of minimum required foreign currency claims was 33.6% at the end of January, which is its lowest rate ever, compared with the minimum prescribed 32.0%.

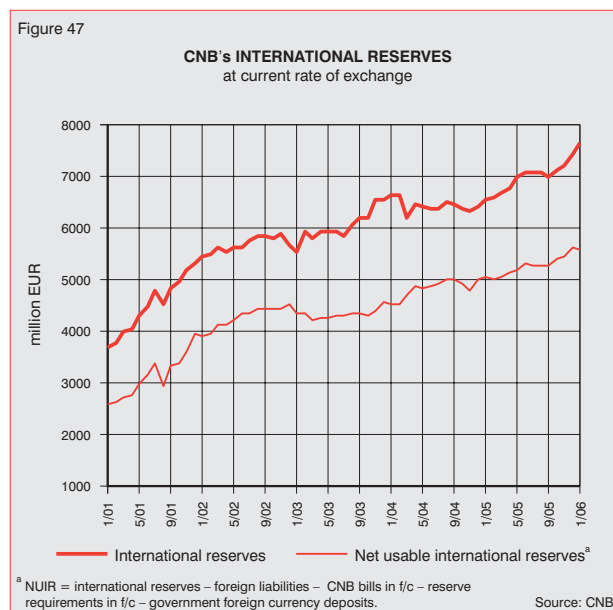
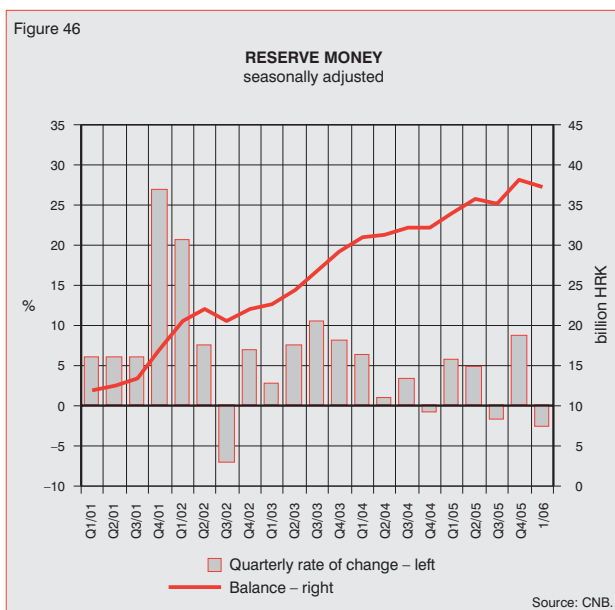
Reserve Money and International Reserves

Reserve money (M0) rose rapidly in 2005, helped by structural changes in monetary policy instruments, autonomous growth of kuna reserve requirements and increased demand of banks for kuna at the end of the year. At the end of 2005, M0 stood at HRK 40.4bn, growing annually by 19.0%. By comparison, its growth rate at end-December 2004 was 10.9%.

Seasonally adjusted value of reserve money points to its rapid growth in the last quarter (8.9%), with large contribution to its growth coming from temporary surpluses in the settlement accounts and in bank vaults accumulated in the second half of December as banks increased allocations to their accounts before the subscription of kuna government bond on 15 December. As the government gradually, using the funds raised through its bond issue, settled its due obligations, liquidity poured back into the system, creating surpluses again. At the end of 2005, banks had considerable surpluses in their settlement accounts (almost HRK 3.0bn)



MRR rate was increased from 24% to 30% in March 2005, and from 30% to 40% in June 2005. MRR calculation base was broadened and MRR rate increased to 55% in January 2006.



largely contributing to a higher level of reserve money compared with end-2004.

In terms of structure of reserve money, bank deposits with the CNB rose the most (HRK 4.9bn or 23.4%). The largest share of this increase can be attributed to allocated kuna reserve requirements (HRK 2.9bn or 20.0%), while settlement accounts, as the other component of banks deposits, rose by HRK 2.0bn or 31.3%, mainly due to the previously mentioned surplus liquidity from the end of the year. The funds in bank vaults, which are also included in the reserve requirement maintenance obligation, rose by 18.2% in 2005 (HRK 340m) while currency rose by 11.0% or HRK 1.2bn.

The implementation of the decision to cut the reserve requirement rate from 18% to 17% led to a fall in bank deposits with the CNB in January, which, together with withdrawal of surplus liquidity from the system and a seasonal fall in currency, led to a decline in reserve money. At end-January, reserve money stood at HRK 36.6bn, a fall of HRK 3.7bn compared with the end of last year. This caused a fall in the annual growth rate of reserve money, which stood at 12.3% in January.

Central government deposits with the CNB averaged HRK 633m. Their temporary volatility was caused by inflows and outflows of funds associated with payment of government's due obligations. Government deposits held steady in the last quarter of last year, with temporary increases in kuna deposits (HRK 2.4bn) in mid-December, associated with the issue of kuna government bond. At the beginning of 2006, government kuna deposits ranged about HRK 300m. Government deposits jumped temporarily to HRK 1.0bn in mid-January due to an inflow of funds under PAL 1 (EUR 150m). The funds received were partly used for the settlement of obligations under the London Club (USD 80m).

The last quarter of the year saw the strongest growth of international reserves of the CNB in 2005, largely due to increased purchases of foreign currency from the banks. The total amount purchased from the banks through foreign exchange interventions in 2005 was EUR 571m of which EUR

278m went to the fourth quarter. At end-December 2005, international reserves were EUR 7,438m, which is an increase of one billion euro compared with end-2004. Apart from foreign exchange interventions, a contribution to international reserves' growth in 2005 was provided by an increase in allocated foreign currency reserve requirements, including marginal reserve requirements (EUR 428m).

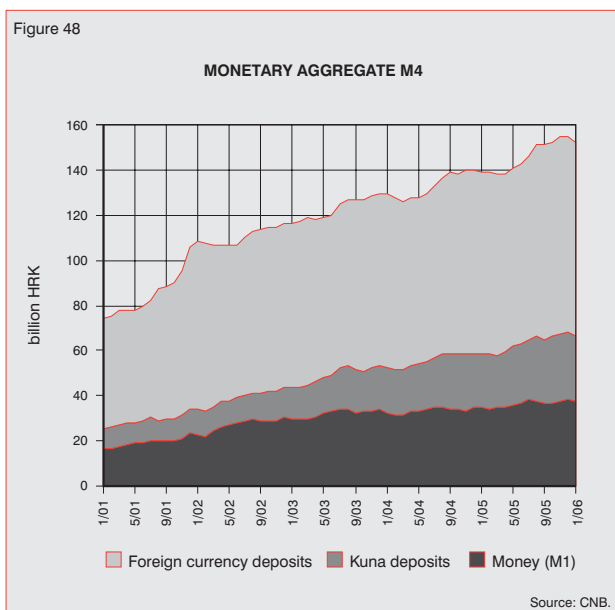
International reserves continued to grow in early 2006, mainly due to an increase in allocated marginal reserve requirements. At end-January, international reserves of the CNB stood at EUR 7,627m, an increase of EUR 187m compared with end-2005.

Monetary Developments

Monetary developments in 2005 were marked by a rapid growth of bank placements to the non-banking sector. Compared with the previous year, the growth of money (M1) accelerated significantly while non-monetary deposits grew at the similar rate as the year before. Heightened credit activities of banks marked the last quarter of 2005. Banks' foreign borrowing also rose significantly during that period.

Total Liquid Assets

Total liquid assets (M4) rose faster in 2005 compared with the previous year. Their annual growth rate increased by two percentage points and stood at 10.5% at the end of 2005. Exchange rate developments had a big influence on individual items of total liquid assets. In view of kuna's appreciation in the last quarter of 2005, compared with the same period previous year, the nominal annual growth rates cannot suggest the extent of the real growth of all foreign currency and foreign-currency-indexed items. The annual growth rate of M4 at the end of 2005, exchange rate effects excluded, was 11.7%. Accelerated growth of M4 in 2005 against a steady growth of non-monetary deposits was due to an increase in money (M1). At end-January 2006, total liquid assets stood at HRK 152.1bn, which is an increase of 9.4%, compared with January 2005.



Money

Both components of money, demand deposits and currency in circulation, grew rapidly in 2005, with certain seasonal fluctuations. The annual growth rate of M1 in December 2005, on a year-on-year basis, was 12.3%, compared with 2.0% in 2004. The growth of money was most pronounced in the last quarter. At end-January 2006, money stood at HRK 37.2bn, while its annual growth rate fell to 6.6%. The largest contribution to money growth was provided by an increase in demand deposits of HRK 3.0bn in 2005 (HRK 2.2bn in the last quarter). Strong demand for transaction money was seen in the annual growth rate of demand deposits which reached 12.9% at the end of 2005. By contrast, demand deposits were close to holding steady in 2004, growing annually by 1.2%. In January 2006, demand deposits fell and stood at HRK 25.5bn at the end of the month, growing annually by 5.8%.

As regards the structure of demand deposits in 2005, the growth of corporate and household deposits, as deposits of

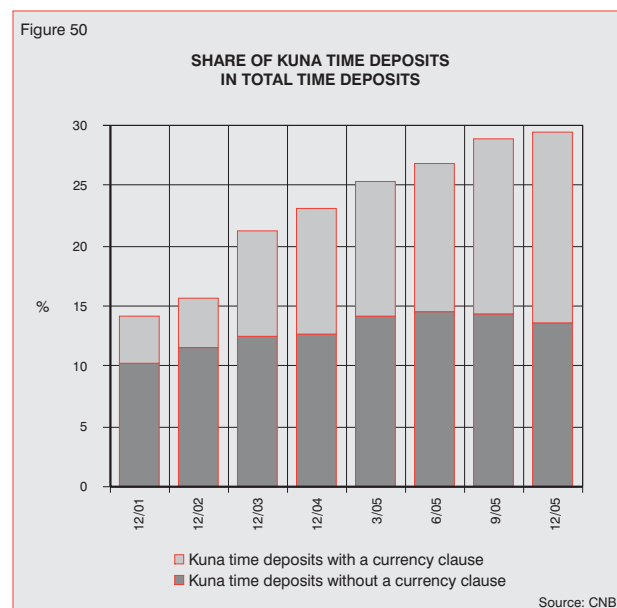
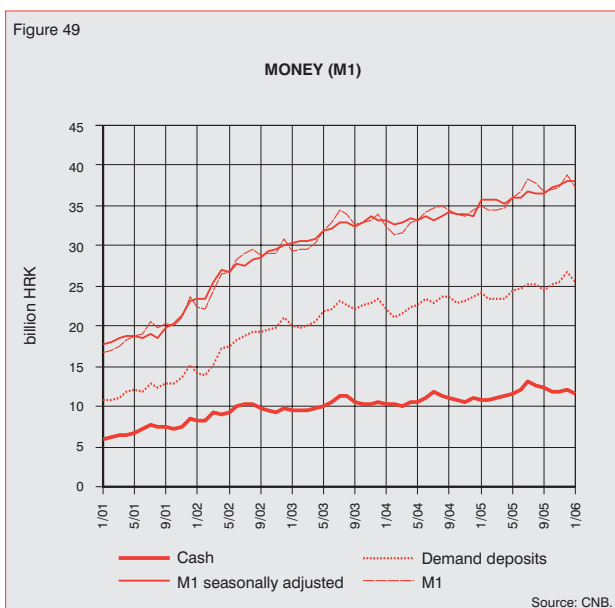
the two most important sectors, accelerated greatly compared with the previous year. This acceleration was particularly noticeable in the household sector as seen in the annual growth rate of this sector's demand deposits which almost doubled compared with 2004 (from 11.4% to 22.3%). There were no significant changes in household current and giro account balances in early 2006 which stood at HRK 10.7bn at end-January. With high volatility throughout the year, corporate demand deposits' growth accelerated in 2005. Their annual growth rate rose from 7.3% in 2004 to 11.1% at end-2005. This growth was particularly rapid in the last quarter of the year, which coincided with the accelerated growth of placements to companies towards the end of the year. Corporate demand deposits fell by HRK 1.0bn in early 2006 and stood at HRK 12.2bn at end-January, growing annually by 1.2%.

The other component of money, currency in circulation, also grew rapidly throughout 2005. Despite stagnation in the last quarter, its annual growth rates held steady at their summer level until the end of the year. Currency in circulation rose by 11.0% in 2005, compared with 3.6% the year before. At end-January 2006, currency in circulation was HRK 11.7bn, while its annual growth rate fell somewhat and stood at 8.5%.

Non-monetary Deposits

Last year was also marked by the growth of kuna non-monetary deposits which accounted for almost one quarter (24.4%) of total non-monetary deposits at the end of the year. As in the previous several years, kuna time deposits with a currency clause accounted for the largest share of increase in kuna deposits. In 2005 kuna deposits rose by HRK 5.5bn (24.5%), which is a significant increase compared with 2004 when they rose by HRK 4.1bn. At the beginning of 2006, kuna deposits fell slightly (HRK 0.2bn) and stood at HRK 27.8bn at the end of January.

As regards the structure of kuna deposits in 2005, household kuna deposits grew the most. In 2005 they rose by a total of HRK 4.1bn. Time deposits rose by HRK 3.9bn, of



which 2.8bn went to time deposits with a currency clause. This is the third consecutive year of rapid growth in household time kuna deposits with a currency clause – their annual growth rate in 2005 was 54.8%, the main alternative to foreign currency savings. Following their additional increase of HRK 0.5bn in January 2006, household kuna deposits reached HRK 16.1bn, growing annually by a high 34.5%.

Similarly as in the previous years, developments in corporate kuna deposits in 2005 were determined by a transaction involving dividend payments to shareholders of Hrvatske telekomunikacije (HT) which caused corporate time kuna deposits to fall by HRK 1.4bn in December. Corporate kuna deposits declined additionally by HRK 0.7bn in early 2006 due to dividend advance payment to HT shareholders for 2005 and stood at HRK 7.2bn at the end of January, which is a decline of 8.5% on an annual level.

In addition to kuna deposits of household and corporate sectors, those of banking and non-banking financial institutions also grew significantly in 2005 (HRK 1.8bn), increasing their share in total kuna deposits from 7.3% at end-2004 to 12.6% at end-2005.

Developments in total foreign currency deposits in 2005 were largely determined by their seasonal increase in the third quarter. With the exchange rate effects excluded, the annual growth rate of foreign currency deposits stood at 8.2% in 2005 (8.5% in 2004) which is a nominal increase of HRK 5.0bn. Such developments led to a fall in the share of foreign currency deposits in total non-monetary deposits, from 78.4% at end-2004 to 75.6% at end-2005. Following their decline in early 2006, foreign currency deposits stood at HRK 85.9bn at end-January, growing annually by 7.0%.

The growth household foreign currency deposits, as the main source of foreign currency funds on the domestic market, accelerated greatly in 2005. With the exchange rate effects excluded, their annual growth rate rose from 6.9% in 2004 to 8.8% in 2005. Following their stagnation early in 2006, household foreign currency deposits stood at HRK 72.7bn at the end of 2006, growing annually by 7.4%.

Following their rapid growth in 2004 (19.4%), corporate

foreign currency deposits held steady in 2005. With the exchange rate effects excluded, their seasonal increase in the summer months was close to their decline in the first two and the last quarter of the year. As a result, the annual growth rate of corporate foreign currency deposits in 2005 was 0.1%. With the decline in early 2006 (HRK 0.5bn), corporate foreign currency deposits were HRK 12.0bn at the end of January.

Placements

Placements to the non-banking sector accelerated in 2005. This was particularly noticeable in the last two quarters when the increase in bank placements equalled that for the entire previous year (HRK 15.5bn), while their total increase for that year stood at HRK 21.9bn. Their annual growth rate, exchange rate effects excluded, rose to 19.9% from 14.2% in 2004. With somewhat more moderate growth in January, total bank placements to the non-banking sector were HRK 150.6bn, while their annual growth rate, exchange rate effects excluded, remained at a high 20.4%.

Accelerated growth of bank placements in 2005 was particularly noticeable in the corporate sector. With the exchange rate effects excluded, their annual growth rate rose from 9.1% in 2004 to 16.7% at the end of 2005, which is an almost double nominal growth compared with the previous year (HRK 8.4bn compared with HRK 4.8bn). As regards the structure of placements to companies, loans continued to account for their largest share (91.7% at end-2005). Their annual growth rate more than doubled in 2005 compared with the previous year and stood at 16.3% at end-December. Growth of bank placements to the corporate sector indicates increased financing of economic entities by banks compared with the previous years. At end-January 2006, bank placements to the corporate sector reached HRK 67.7bn, and their annual growth rate reached 14.3%.

Placements to the household sector continue to account for the largest share of bank placements. Increased demand of households for loans was particularly noticeable in the second half of 2005 when loans granted rose by HRK 8.8bn,

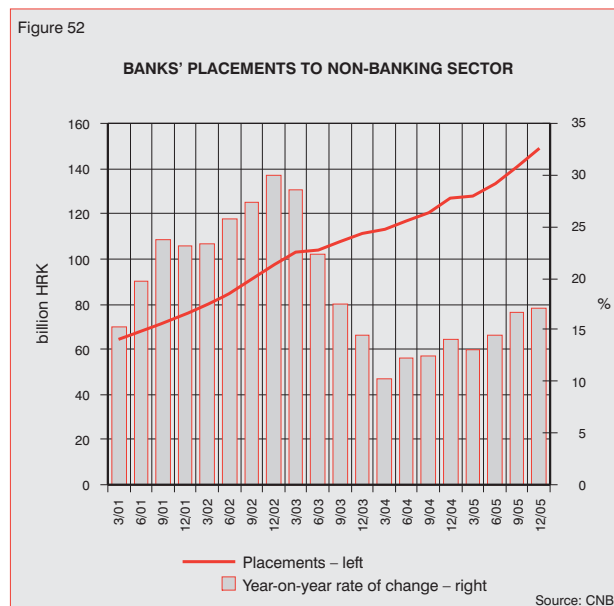
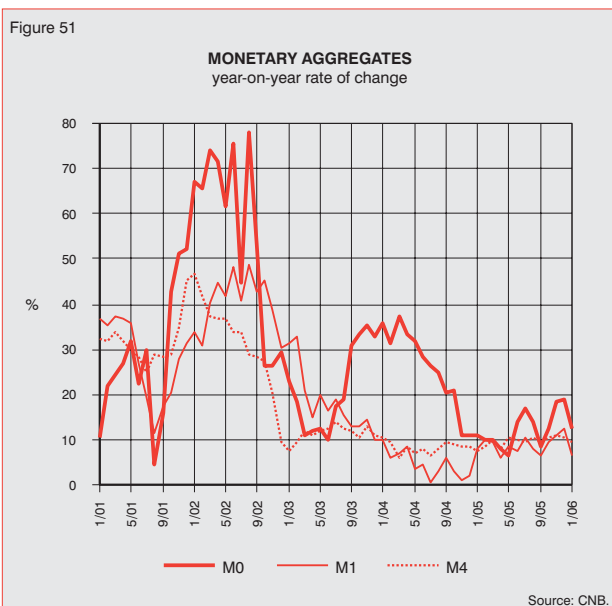


Figure 53



in absolute amounts, of which HRK 3.6bn in the fourth quarter, while overall increase for the whole year amounted to HRK 13.3bn. Exchange rate effects excluded, their annual growth rate rose from 18.9% in 2004 to 23.4% in 2005, with the largest contribution to such growth coming from housing and other household loans. At the end of the year, housing loans accounted for 35.4%, or a little over one third of total loans while other household loans, including current account overdrafts, accounted for 45.8% of total loans granted. With rising demand for real estate and more fa-

vourable conditions under which housing loans are granted, the annual growth rate of housing loans in 2005 was 28.8%. However, most of the household loans continued to be all purpose loans. With additional increase at the beginning of the year, total bank loans to the household sector at end-January 2006 were HRK 79.3bn, while their annual growth rate stood at 21.8%.

Placements to the Central Government

With total central government financing needs in 2005 being met on the domestic financial market, that period was marked by particularly busy relations between the government and the banks. A rapid growth in bank claims based on subscriptions of T-bills of the Ministry of Finance (HRK 3.4bn) and granted loans (HRK 4.1bn) took place mostly in the first quarter of 2005 while any significant decline in bank placements was not noticed until the end of the year. In the last quarter of 2005, (mid-December), the government issued its HRK 3.5bn worth, in nominal terms, kuna bonds (RH 2015). The second tranche of the issue is scheduled to be realised in February this year. The government used the raised funds to settle its due obligations, including due DAB bonds amounting to HRK 1.7bn. In view of such developments, December was marked by the absence of T-bills auctions as government needs for this type of financing subsided. At the end of 2005, total bank placements to the central government reached HRK 28.9bn, while their annual growth rate reached high 37.2%. With the beginning of the new calendar year, bank claims on the central government fell by HRK 0.5bn.

Box 1: Special Reserve Requirement

In an effort to discourage banks from borrowing on the basis of issued securities, curb their further credit growth, and deter them from circumventing CNB measures, the Council of the Croatian National Bank, at its session held on 8 February, adopted a Decision on the Special Reserve Requirement. This requirement, calculated on banks' assets raised through securities issues, is aimed particularly to deal with the situations where securities of banks issued on the domestic market are purchased by banks' clients who borrow abroad for that purpose; i.e. sell such securities to foreign banks on the secondary market. This enables the banks to evade the marginal reserve requirement on funds that are actually obtained from abroad.

The basis for the calculation of the special reserve requirement is the positive difference between the average daily balance of issued kuna and foreign currency denominated securities in a particular calculation period and their average daily balance in the period from 1 to 31 January 2006. It should be mentioned that the balance of the issued securities which is included in the calculation of the average daily balance of the sources of funds used for calculating the marginal reserve requirement base is not included in the calculation of the special reserve requirement base. The calculation period lasts from the first to the last day of a calendar month and the special reserve requirement rate

is set at 55%. As is the case with the reserve requirement and the marginal reserve requirement, special reserve requirement is also calculated and allocated on the second Wednesday in a month. Special reserve requirements allocated are not remunerated by the CNB. Their kuna and foreign currency component have to be allocated separately to the accounts with the CNB. The Decision on the Special Reserve Requirement is to be applied as of March 2006.

Although the special reserve requirement may seem too restrictive at first sight, account should be taken of the fact that banks have up to now not issued debt securities. However, after the marginal reserve requirement was raised from 40% to 55% in January 2006, a level which, at the given interest rates, makes the granting of new banking loans financed from foreign sources unprofitable for banks, banks looked for a way to circumvent CNB regulations which discourage foreign borrowing of banks. The issuance of debt securities thus emerged in early 2006 as a means to evading certain CNB regulations, notably the marginal reserve requirement rather than as a result of spontaneous development of the banking market. The central bank will stand ready to take any other measures that may be necessary to curb bank borrowing, should this decision on the special reserve requirements fail to give the desired results.

Given overall stability of central government deposits with the CNB and the banks in 2005, their temporary fluctuations notwithstanding, the net position of the central government towards the banks was determined by the change in placements. Net placements to the government thus rose by HRK 5.3bn in 2005 and stood at HRK 19.3bn at the end of the year, growing annually by 37.9%. In January 2006, due to a fall in placements to the government and a slight increase in government deposits banks' net placements to the central government fell to HRK 18.6bn, with their annual growth rate also falling to 18.3%.

Foreign Assets and Liabilities

Foreign assets of banks fell considerably in 2005 (HRK 8.0bn), largely as a result of an amendment to the Decision on the Minimum Required Amount of Foreign Currency Claims in the first quarter. With a decline of HRK 2.4bn in early 2006, foreign assets of banks stood at HRK 33.2bn at end-January, which is a decline of 15.0% compared with the same period previous year.

Foreign liabilities of banks rose by HRK 6.0bn in 2005. The increase took place mostly in the last quarter, following a seasonal decline during the summer months. Following an increase in banks' foreign borrowing of HRK 2.0bn in early 2006, of which HRK 1.5bn went to foreign borrowing of one bank, total foreign liabilities of banks reached HRK 69.1bn at end-January, while their annual growth rate stood at 17.3%.

Such developments in foreign assets and foreign liabilities of banks during 2005 led to a deterioration in total net foreign assets of banks which fell from HRK -17.6bn at end-2004 to HRK -31.5bn towards the end of 2005. With such developments continuing into early 2006 (decline in foreign assets and increase in foreign liabilities), NFA of banks declined further in January (HRK 4.3bn) reaching HRK -35.8bn at the end of the month.

Money Market

The relatively high banking sector liquidity that marked the fourth quarter 2005 remained comfortable in January 2006. Liquidity was further fuelled by HRK 854.9m placed on the market through two CNB's foreign exchange interventions in October and by HRK 1,196.6m released at end-December by the largest single foreign exchange intervention in 2005. In contrast, liquidity amounts released at CNB's regular repo auctions in the fourth quarter 2005 were relatively small, except in December, when a relatively large amount was subscribed. Spurred by the funds released by banks pursuant to the January decision on reducing the reserve requirement rate from 18% to 17%, liquidity rebounded, which forced the central bank to decline up to 50% of the bids received, somewhat lowering the liquidity level in the system.

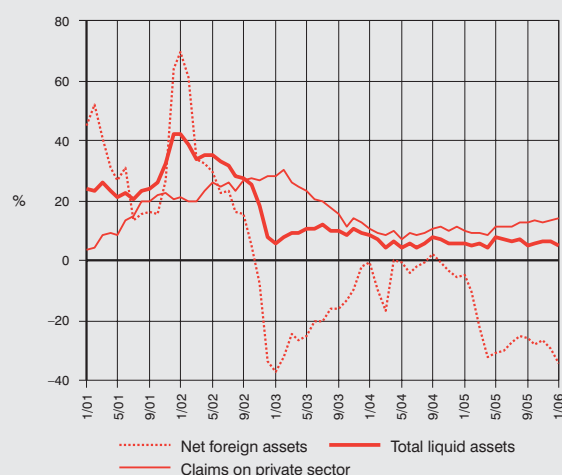
Notwithstanding comfortable liquidity persisting throughout the fourth quarter, money market interest rates remained relatively high. This could be attributed to a high demand for liquidity by banks and institutional investors, anticipating a new government bond worth HRK 3.5bn to be issued in December, as well as to accelerated bank lending late in 2005 and early in 2006.

As investor interest in MoF T-bills dampened as a result of such trends, no auctions were held in December. Having reduced in October and November, interest rates charged on these securities continued the downward trend in January, signalling the absence of substantial short term liquidity requirements on the supply side, by the government, in the observed period.

Due to good money market liquidity, lending interest rates charged by banks on short-term loans continued to drop at a slow but steady pace. Lending rates charged on long-term loans also continued the downward trend, while foreign currency deposit rates drifted upwards, and kuna deposit rates dipped, still in line with money market interest rate trends.

Figure 54

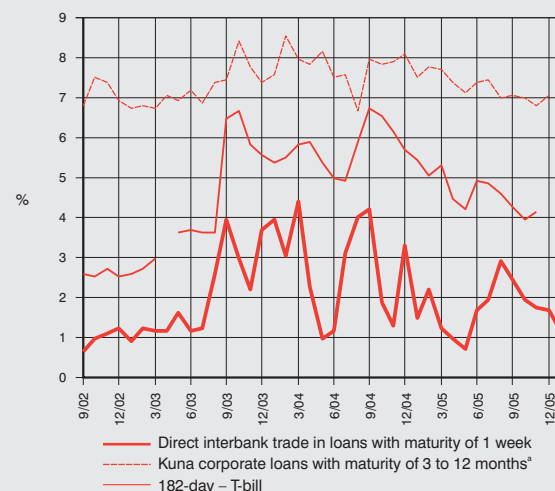
CLAIMS ON PRIVATE SECTOR, TOTAL LIQUID ASSETS AND NET FOREIGN ASSETS
real growth rate relative to the same month of the previous year, 2001=100



Source: CNB.

Figure 55

MAJOR SHORT-TERM INTEREST RATES



^a Without a currency clause.

Sources: CNB and ZMM.

Money Market Interest Rates

As shown by ZMM data, the average reported loan demand decreased in the fourth quarter 2005 from the third quarter and dropped further in January 2006. This and the reduction in the supply of these loans caused a decline in the loan turnover on the ZMM.

The weighted interest rate on overnight loans intermediated by the ZMM rose from 1.83% in September to 2.12% in October, standing at 2.29% in November and dropping to 1.60% in January. The weighted interest rate on other loans intermediated by the ZMM fell from 4.21% in September to 3.75% and 3.30% in December 2005 and January 2006 respectively.

Total ZMM turnover decreased from HRK 9.9bn in the third quarter to HRK 7.1bn in the fourth quarter 2005. The average daily turnover in overnight loans stood at HRK 92.1m in the fourth quarter, a drop of HRK 37.3m compared with the third quarter, whereas the average daily turnover in

other loans declined from HRK 24.9m to HRK 21.6m in the same period, rising by HRK 30.0m in January 2006.

Having accounted for 84% of the loans intermediated by the ZMM in the third quarter 2005, overnight loans had a slightly lower but still dominant share in the fourth quarter (81%). One-month loans retained the largest share of total other loans in the fourth quarter, rising from 55% in the third quarter to above 70% in the fourth quarter.

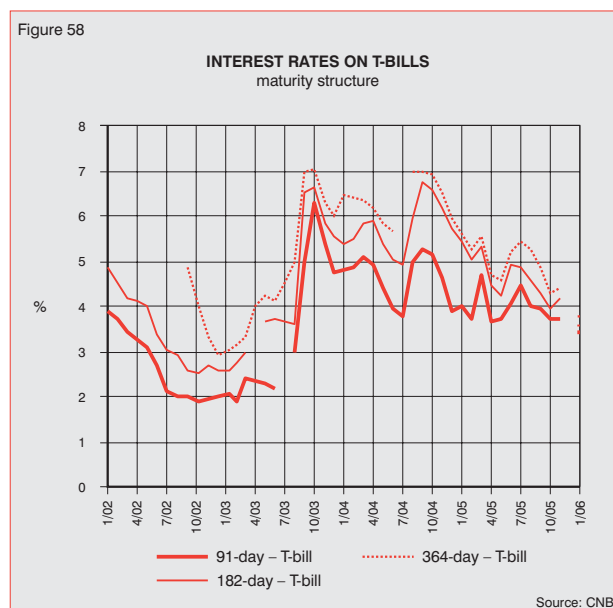
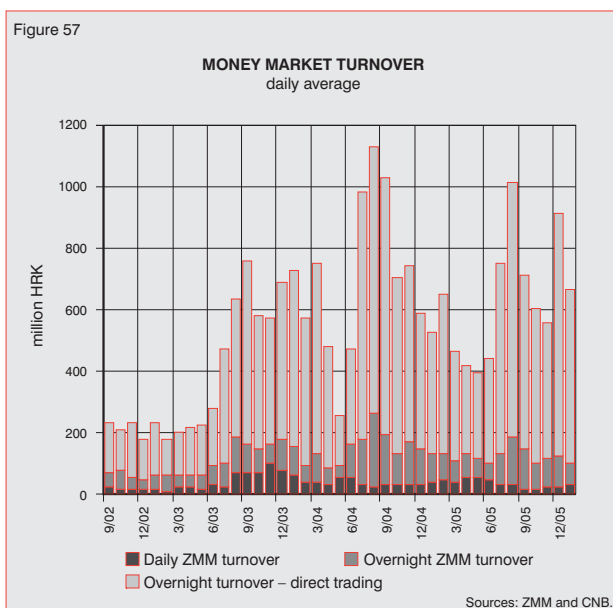
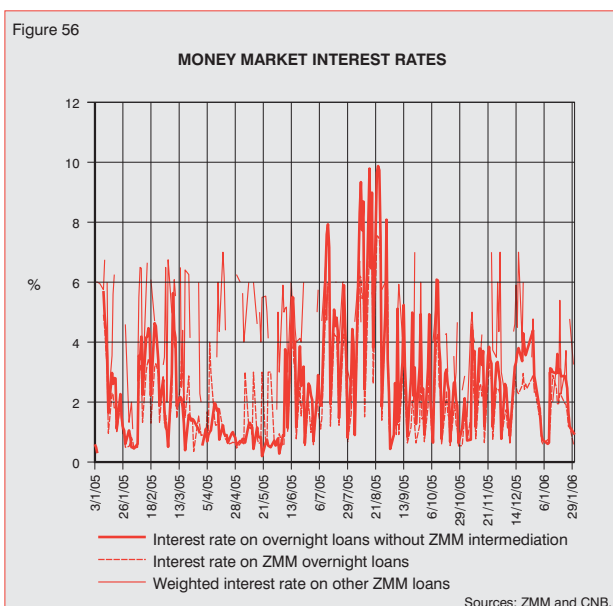
Interbank overnight lending without ZMM intermediation declined slightly in the fourth quarter, generating an average daily turnover of HRK 577.8m, down by HRK 669.7m from the third quarter. This turnover dropped further in January 2006, to HRK 535.0m. The weighted interest rate on direct interbank overnight loans, standing at 2.83% in September, rose to 3.14% until December and dropped to 2.45% in January 2006.

Interest Rates in the Short-Term Securities Market

As investor interest in MoF T-bills waned in the fourth quarter 2005, the stock of subscribed T-bills decreased. At end-December, with no T-bills auctions held that month, the total stock of subscribed MoF T-bills was down to HRK 11.72bn, as the issued bills fell due, edging upwards towards end-January, to HRK 11.83bn.

Interest rates on T-bills trended downwards in the fourth quarter. Weighted interest rates on 91, 182 and 364-day T-bills stood at 3.70%, 4.15% and 4.40% respectively, dropping from 3.93%, 4.27% and 4.85% in September. As already mentioned, December saw no T-bills auctions, while weighted interest rates on 91, 182 and 364-day T-bills dropped further in January, standing at 3.41%, 3.55% and 3.78% respectively.

At the end of the fourth quarter 2005, T-bills with the longest maturity customarily accounted for the largest share of total subscribed bills (about 90%). The second largest share, 9% at the third quarter end, was that of 182-day bills, while the share of T-bills with the shortest maturity stood at 2%. These proportions remained unchanged in January 2006.



Interest Rates of Banks

Banks' interest rates on short-term loans dropped in the fourth quarter 2005. The weighted interest rate on short-term kuna corporate loans was down from 8.01% in September to 7.71% in December, while the weighted interest rate on short-term household loans not indexed to foreign currency, standing at 12.04% in September, hit its all-time low of 11.26% in December.

The weighted interest rate on long-term corporate loans indexed to foreign currency decreased from 5.42% in September to 5.18% in December. The weighted interest rate on long-term household loans indexed to foreign currency gradually fell from 7.40% in September to its record low of 6.95% in December. These trends are due to a number of reasons. First, the share of other long-term kuna loans indexed to foreign currency (whose interest rates are routinely high) dropped, and so did these loans' interest rates, down from 8.96% in September to 8.52% in December. Second,

home loans (usually the loans with the lowest interest rate in this loan group) increased their share, while their interest rates dropped from 5.14% in September to 5.00% in December.

It should be noted that corporate and household loans indexed to foreign currency covered by the CNB statistics comprise only euro-indexed loans. That is why the downward trend in these loans' interest rates fails to reflect an increase in loans indexed to the Swiss franc. With rates on loans indexed to the Swiss franc most often at low nominal levels, the weighted interest rate on total foreign currency indexed loans in fact fell more sharply than shown here.

Influenced by money market developments, the weighted interest rate on time kuna deposits not indexed to foreign currency went down from 3.93% in September to 3.37% in December. The weighted interest rate on time foreign currency deposits drifted upwards in the fourth quarter, from 2.87% in September to 3.08% in December, while the weighted interest rate on sight foreign currency deposits

Figure 59

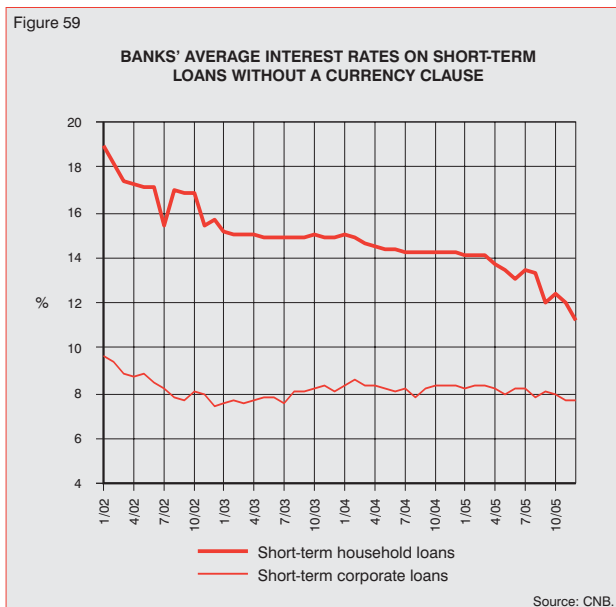


Figure 61

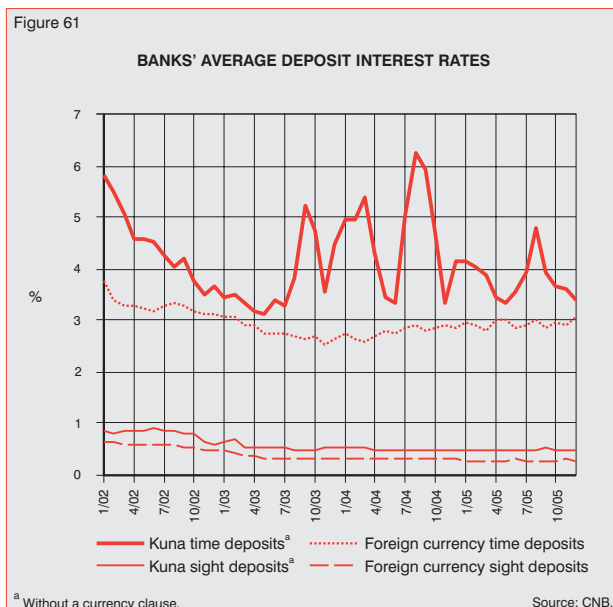


Figure 60

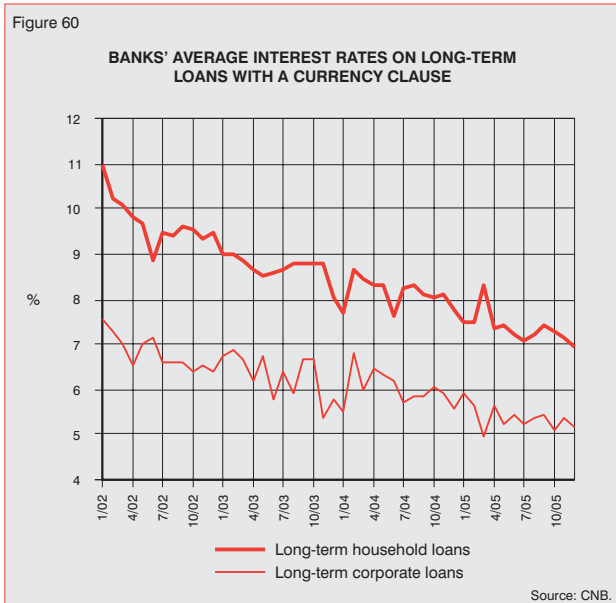


Figure 62

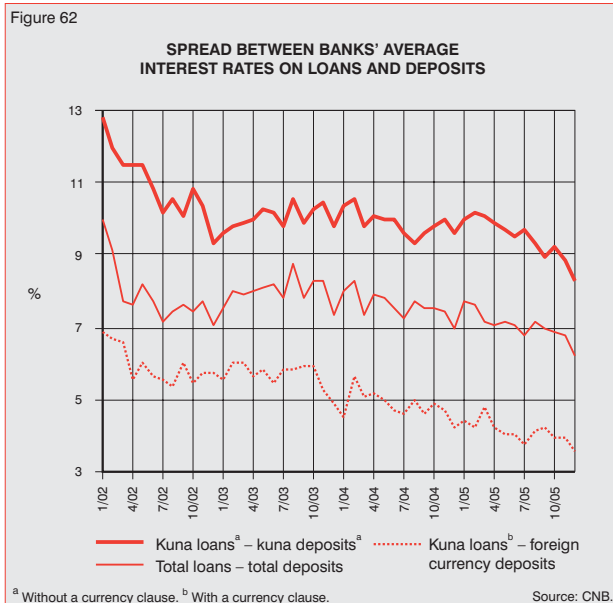
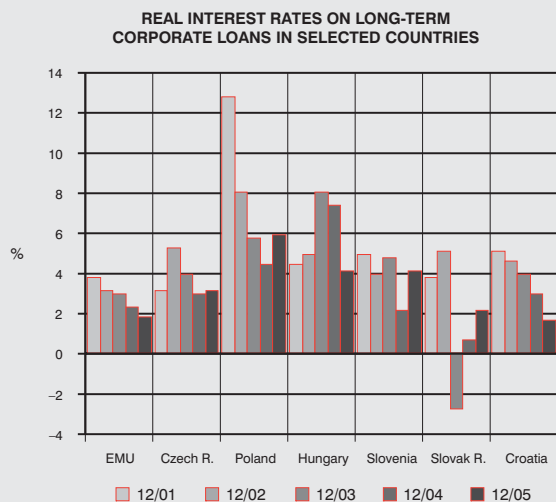
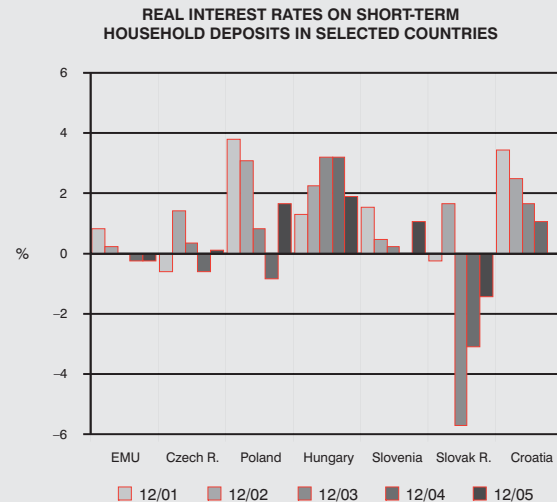


Figure 63



Note: Due to the differences between some countries' statistical coverage interest rates cannot be directly compared, but their development can be analysed. Sources: Central banks' bulletins and CNB.

Figure 64



Note: Due to the differences between some countries' statistical coverage interest rates cannot be directly compared, but their development can be analysed. Sources: Central banks' bulletins and CNB.

rose from 0.26% in September to 0.31% in November, dropping again in December, down to 0.27%.

With banks' lending interest rates continuing on the downward trend, the spread between banks' lending and deposit rates narrowed in the fourth quarter. Standing at 6.98 percentage points in September, the spread between interest rates on total loans and interest rates on total deposits narrowed to 6.17 percentage points in December. The spread between interest rates on kuna loans not indexed to foreign currency and kuna deposits dropped from 8.93 percentage points in September to 8.33 percentage points in December, its lowest level since new methodology of reporting on banks' interest rates was introduced in early 2002. Having

widened in the third quarter, the spread between interest rates on kuna loans indexed to foreign currency and interest rates on foreign currency deposits narrowed to its record low of 3.56 percentage points in the fourth quarter.

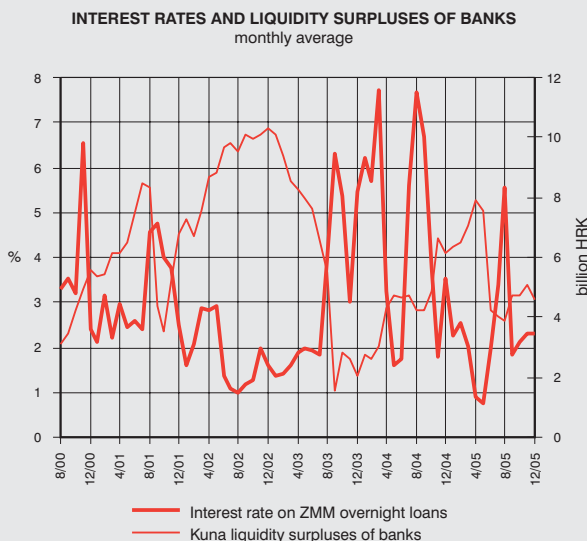
In the EMU, real interest rates on long-term corporate loans were higher in the fourth than in the third quarter. Nominal interest rates almost held steady and inflation decreased. The same trends were observed in Poland, while in Slovenia inflation dropped and nominal interest rates increased. In the Czech Republic, inflation remained stagnant and these loans' interest rates grew. The largest drop was in real interest rates on long-term household loans in Hungary, as nominal interest rates dropped sharply and inflation

Box 2: Determinants of Money Market Interest Rates in the Period from 2001 to 2006

Short-term interest rate trends in the domestic money market were from 2001 to 2005 primarily determined by the trends in surplus kuna liquidity of banks, the largest market participants. In that period, the surplus liquidity levels primarily depended on monetary policy measures, i.e. on the monetary authorities' stance towards bank lending activities, as opposed to the period before 2001, when they had depended on the overall liquidity of the economy. The best proof of this are the trends in the first three quarters of 2003 (Figure 65), which saw a series of central bank measures aimed at curbing the excessive bank lending that started in 2002. These measures resulted in the drop in surplus kuna liquidity of banks from above HRK 10bn to below HRK 1.5bn and the corresponding increase in the average ZMM interest rate on overnight loans from below 1.5% year on year to above 6% year on year. The surplus kuna liquidity of banks can be defined as the balance of banks' free reserves increased by their placements in kuna CNB bills and Treasury bills and decreased by the balances generated from secondary liquidity sources, shown in Table F4 in the CNB Bulletin Statistical Survey.

As of 2003, spurred by banks' demand for kuna liquidity, interest rates on overnight loans on the ZMM at times even exceeded 9%, while falling below 2% in the periods of favourable banking system liquidity. In 2003, the year

Figure 65



Source: CNB and ZMM.

which saw limited growth in bank placements, the volatility of money market interest rates affected banks' short term deposit rates in the third quarter, which proved that there was no benchmark short-term interest rate on the domestic financial market (CNB Bulletin, No. 102, Box 1). In April 2005 the central bank responded to this situation with an improved set of monetary policy instruments, the most important being the regular weekly reverse repo auction of T-bills at a rate of 3.5% (CNB Bulletin, No. 105, Box 2), introduced in order for the benchmark rate in money market trading in short-term loans to be finally set. In the following months, however, rather than seeing interest rate volatility decrease, the money market experienced alternate periods of high and low banking system liquidity, respectively accompanied either by constantly low or by high, extremely volatile interest rates (Figure 66).

Seeing that money market interest rates remained equally volatile, the central bank implemented further adjustments to its monetary policy instruments in December 2005 (CNB Bulletin, No. 110, Box 1), aiming to strengthen the function of the interest rate in reverse repo operations and facilitate liquidity management, with a view to decreasing interest rate volatility. This adjustment involved a number of procedural modifications, the key ones being the inclusion of all calendar days in a calculation period, rescheduling the calculation day from the eighth day in a month to the second Wednesday in a month and increasing the symmetry of the interest rate corridor, with the interest rate on banks' overnight deposits with the CNB as the floor value (0.5%) and the interest rate on Lombard loans as the ceiling value (7.5%). The actual purpose of this adjustment was to eliminate the procedural features of the reserve requirement allocation and maintenance process which had affected market interest rates. For example, a side effect of the previously applied reserve requirement allocation and maintenance method was that money market interest rates would rise on the first working day following a weekend or a holiday and on the reserve requirement allocation day, and fall on the last working day

before a holiday. As confirmed by CNB's econometric models, these effects were independent of the trends in bank liquidity surpluses, as well as of other factors crucial to money market interest rates, whereas an analysis of these models' prognostic errors showed that the effect of the money market functioning process on interest rates could not be fully offset by eliminating the effect produced by non-working days and reserve requirement allocation days. In other words, the "real" model of money market interest rate behaviour comprises several other, as yet not analysed effects (e.g. the timing of the release of important information on CNB's activities).

Despite the possible influence of some unanalysed factors, the adjustments made to monetary policy instruments, in effect as of 14 December 2005, can be expected to considerably modify the weekly model of money market interest rate behaviour in 2006. While the length of the available time series of data relating to the period after 14 December 2005 is still not conducive to an econometric analysis, it is already evident that trends in money market interest rates changed after reserve requirements had been first calculated and allocated according to the new method (Figure 67).

In addition, at mid-January the central bank, for the first time since May 2005, turned down some bids made by banks on the reverse repo auction of T-bills, having assessed that the banking system liquidity was satisfactory. Repeating this on several subsequent auctions, the central bank clearly signalled to the market that it had no intention of using the 3.5% interest rate, a constant in weekly reverse repo transactions, to grant implicit revolving loans to banks, but only to extend liquidity management loans in the conditions of reduced money market liquidity. It is reasonable to expect that the said adjustments of monetary policy instruments, coupled by a more flexible central bank's approach to regular open market operations, will contribute to a permanent decrease in interest rate volatility on the Croatian money market.

Figure 66

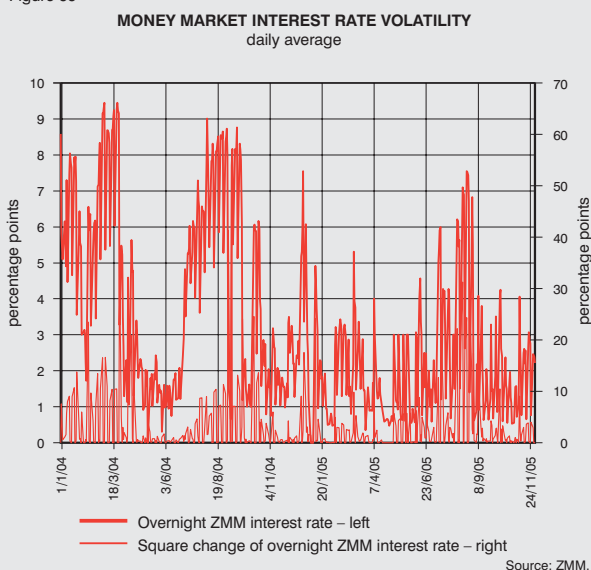
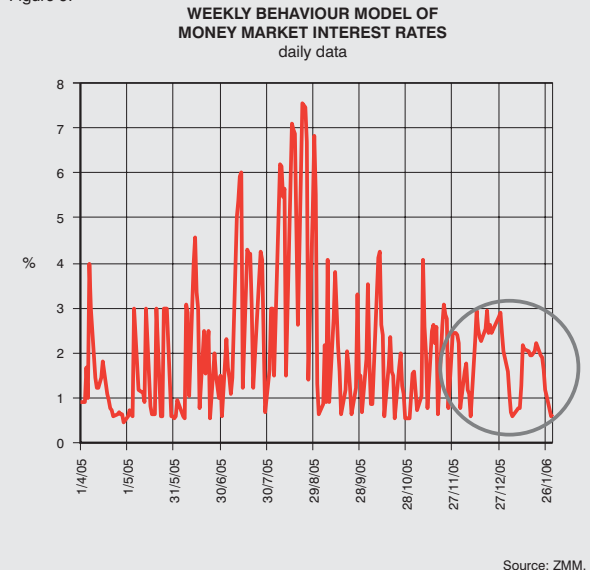


Figure 67



dipped. In Slovakia and Croatia real interest rates on long-term corporate loans only edged down, with nominal interest rates on the downward trend for some time in Croatia and inflation outstripping nominal interest rates in Slovakia.

Negative for a long period in the EMU and in Slovakia, real interest rates on household deposits were mainly positive in other transition countries. Although rising in the last quarter, real interest rates on household deposits were negative in Croatia in the last two quarters. They rose as late as in the last quarter in Poland, simultaneously with the inflation drop. Among all transition countries, only Croatia saw a long-term downward trend in real interest rates on short-term household deposits.

Capital Market

The optimism prevailing in Croatia’s capital market in the third quarter continued into the fourth quarter and favourable developments persisted in January 2006. As a result, the indices of both Croatian stock exchanges continued their upward trend, strongly assisted by the increase in liquidity of non-bank financial institutions. This period was also marked by a sharp increase in bond trading, primarily due to new government bonds issued in July and December 2005 and maturing in 2015. Trending upwards in the third quarter, turnover and stock exchange indices slowed down in the fourth quarter in most Central European markets. The spread between Croatian eurobonds and benchmark German bonds remained almost unaltered since Croatia’s EU accession talks officially began in October 2005.

Equity Securities Market

ZSE share turnover reached HRK 1.1bn in the fourth quarter 2005, rising by 23% from the previous quarter and by 2% from the same period in the previous year. The most traded share was that of Adris grupa, accounting for 16% of

total share turnover, while Pliva share and Kraš share were the second and third most traded, making up 13% and 9% of total turnover respectively. ZSE share turnover stood at HRK 301.1 m in January 2006.

The CROBEX drifted down in the fourth quarter 2005 from its third quarter end level, standing at 1998 points at end December. However, having rebounded in early 2006, the CROBEX hit its all time high of 2091 points at end-January.

Share market capitalisation on the ZSE increased over the fourth quarter, reaching HRK 80.7bn at end-December (36.3% of the estimated GDP for 2005), up HRK 40.bn or 5.2% from end-September. This was in consequence of a rise in both share liquidity and share prices. Specifically, the overall ZSE market capitalisation is calculated including total market capitalisation of the shares traded regularly in the previous three months, half of market capitalisation of the shares not traded in the previous month and a quarter of market capitalisation of shares not traded in the previous three months. Due to the rise in most ZSE share prices in January, share market capitalisation rose to HRK 85.5bn at the month end.

Market capitalisation on the VSE was HRK 63.3bn at the end of the fourth quarter 2005, a rise of HRK 5.6bn over the end of the third quarter and of 52% over the same quarter in 2004. Having risen over the fourth quarter, total VSE turnover stood at HRK 228.5m in December 2005 and at HRK 287.6m in January 2006. Share turnover amounted to HRK 516.9m in the fourth quarter, up 27% from the third quarter and 7% from the same period in 2004. Trading in public companies’ shares accounted for an approximate 55% of total turnover and Free Market trading for about 40%. With only one share listed, the Second Quotation has had a negligible turnover for quite some time and the Quotation of Rights, with trading conducted in the rights of the former Ministry of Public Works, Reconstruction and Construction and the Ministry of Finance, had a turnover of HRK 6.7m in the fourth quarter, which made up 1% of total VSE turnover.

The VIN rose by 3% in the third quarter from the end of

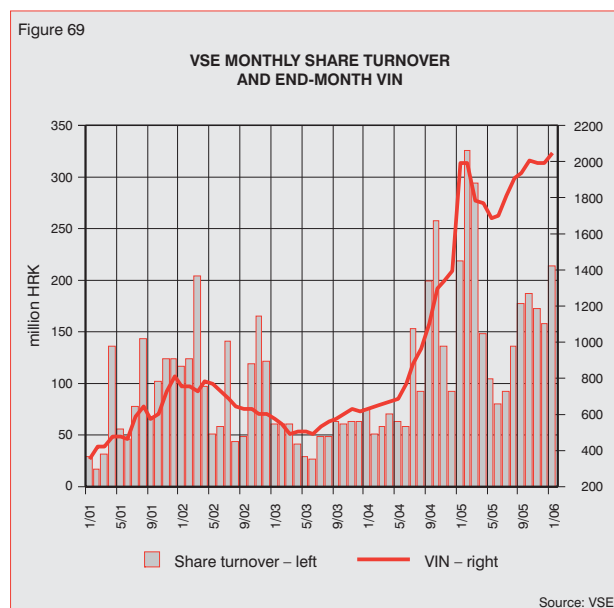
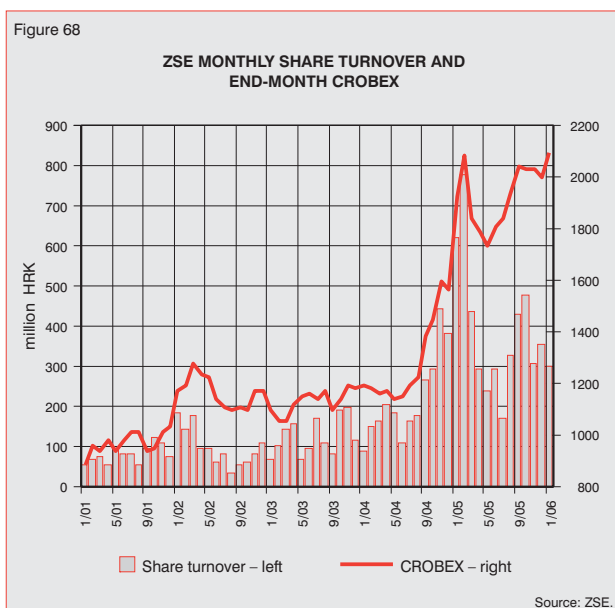


Table 2: Comparison of Capital Market Indicators

December 2005	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million EUR)	0.2	99.8	1.6	92.0	825.1	2.3
Average daily turnover, bonds (million EUR)	60.3	2.3	0.5	65.4	16.4	24.4
Turnover ^a /GDP ^c , annual level (%)	0.1	31.3	1.6	26.9	106.6	2.1
Turnover ^b /GDP ^c , annual level (%)	37.2	0.7	0.5	19.1	2.1	22.3
Turnover velocity ^d	0.8	91.2	6.1	50.7	188.9	5.3
Market capitalisation ^a (million EUR), end month	4,067	27,586	6,699	45,745	110,083	10,954
Market capitalisation ^b (million EUR), end month	11,138	31,300	6,052	22,533	n.a.	4,668
Market capitalisation ^a /GDP ^c , end month (%)	12.3	34.3	25.8	53.1	56.4	39.6
Market capitalisation ^b /GDP ^c , end month (%)	33.7	39.0	23.4	26.1	n.a.	16.9
Index movement from the beginning of the year (%)	26.5	41.0	-5.7	42.7	33.7	27.6
Index movement from the beginning of the month (%)	0.8	-1.8	0.1	5.0	4.9	-1.4

^a Shares, ^b Bonds, ^c 2004, ^d Annualised monthly share turnover × 100/ market capitalisation of shares.
Sources: Bloomberg, reports from BSSE, BSE, PSE, LJSE, WSE and ZSE.

the previous quarter, standing at 1994 points at end December. This was, as usual, mainly attributed to Ericsson Nikola Tesla share, which accounted for the largest share (25%) in regular trading in 2005. The VIN continued to increase in January, reaching its all time peak of 2047 points at the month end.

After having risen strongly in the third quarter, stock exchange indices in the selected CEE countries slowed or reduced in value in the fourth quarter 2005. The composite Central European Stock Exchange Index, CESI, declined in value for the first time since June 2004, dropping to 3298 points, a decrease of 2.3% from the third quarter end. The CESI is compiled from the share prices of selected blue chip companies listed on the Budapest, Bratislava, Ljubljana, Prague and Warsaw Stock Exchange, with the shares listed on the Warsaw and Prague Stock Exchange carrying the largest weight. Stock exchange indices were up over the fourth quarter 2005 on the Warsaw, Ljubljana and Prague Stock Exchange, 5.3%, 3.1% and 1.3% respectively, whereas the indices of the Budapest and Bratislava Stock Exchange decreased by 9.4% and 10.1% respectively.

Market capitalization of both shares and bonds increased at the end 2005 over September on the Ljubljana and Prague Stock Exchange. Share turnover declined at all the stock exchanges, except the one in Warsaw, whereas the Bratislava and Budapest Stock Exchange saw bond turnover drop. The

Bratislava Stock Exchange had a commonly weaker turnover than the ZSE, and so did the Ljubljana Stock Exchange in the fourth quarter 2005. Of all the observed stock exchanges, only the Bratislava and Prague Stock Exchange had a higher bond turnover in the fourth quarter than the ZSE.

Debt Securities Market

Croatia's long-term debt securities market saw one bond issue in the fourth quarter 2005, i.e. the Republic of Croatia bond, worth nominally EUR 3.5bn, due 2015 and issued at a coupon rate of 5.25%. The subscription price on the primary market was 100 and the spread at issue between that and the benchmark German bond 184 base points. As had been the case with the other two government bonds issued in 2005, the majority of the issue was subscribed for by domestic institutional investors.

As regards short-term debt securities, of the six commercial paper issues listed on the ZSE at end January, as many as four got listed in the last quarter 2005 and in January 2006. In November, Ingra d.d. one-year commercial paper, valued at HRK 25m, was listed on the Regular Market, while Medika d.d. one-year commercial paper, worth HRK 40m, and Belišće d.d. six-month commercial paper, worth HRK 10m, got listed on the Official Market. Dalekovod d.d. one-year commercial paper worth HRK 75m was listed on the ZSE Regular Market in January 2006.

Nine government bonds, two municipal bonds, one government agency bond (CBRD) and eight corporate bonds were listed on domestic stock exchanges at end-December 2005.

At the fourth quarter end, market capitalisation of government bonds, municipal bonds and the CBRD bond totalled EUR 3.7bn (HRK 27.5bn), i.e. 12.3% of the GDP estimate for 2005, while that of corporate bonds amounted to EUR 608.3m (HRK 4.5bn), accounting for only 2% of the estimated GDP for 2005.

In the fourth quarter 2005, brisk trading in bonds on the ZSE generated a record quarterly turnover of HRK 9.5bn, a rise of HRK 921m (10.8%) from the third quarter. Standing at HRK 3.8bn, the monthly bond turnover also hit an all-time high in December and, although edging down in January, remained at a high HRK 3.1bn in that month. As usual, new and long-term bond issues made up the largest share of the turnover. Making up 76% of the total quarterly bond turnover, Republic of Croatia bonds, due 2015 (euro

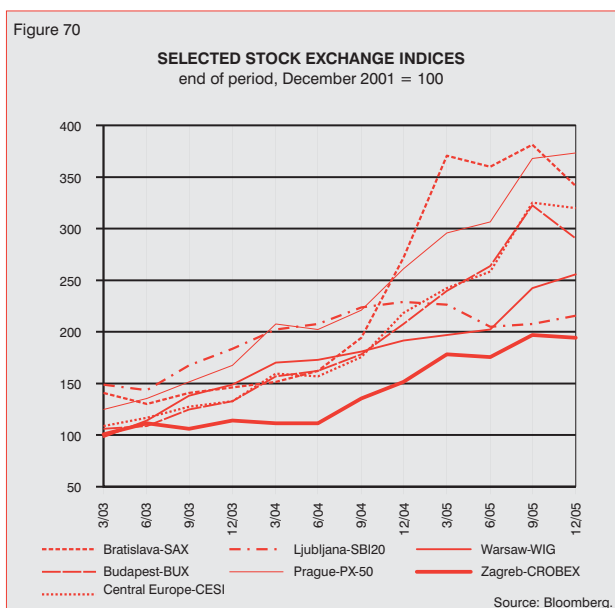
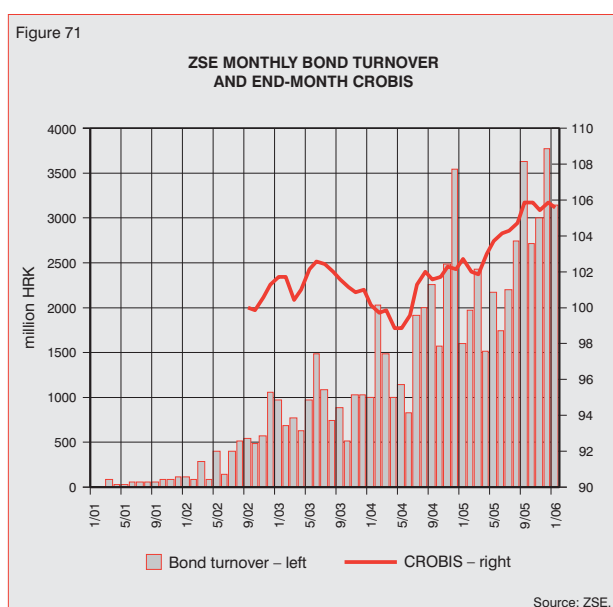


Table 3: Bond Issues in the Domestic Market, stock as at 31 January 2006

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price ^a	Current yield 31/1/2006
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	109.40	6.284%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	118.10	5.821%
RHMF-O-085A	Republic of Croatia	28/5/2003	28/5/2008	HRK	1,000,000,000	6.125%	105.62	5.799%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	111.75	4.922%
RHMF-O-077A	Republic of Croatia	7/7/2004	7/7/2007	EUR	400,000,000	3.875%	100.50	3.856%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	200,000,000	5.375%	117.15	4.588%
RHMF-O-103A	Republic of Croatia	8/3/2005	8/3/2010	HRK	3,000,000,000	6.750%	110.60	6.103%
RHMF-O-157A	Republic of Croatia	14/7/2005	14/7/2015	EUR	350,000,000	4.250%	103.85	4.092%
RHMF-O-15CA	Republic of Croatia	15/12/2005	15/12/2015	HRK	3,500,000,000	5.250%	110.60	4.747%
GDKC-O-116A	City of Koprivnica	29/6/2004	29/6/2011	HRK	60,000,000	6.500%	101.35	6.413%
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%	101.60	5.413%
HYBA-O-086A	Hypo-Alpe-Adria Bank d.d.	6/6/2003	6/6/2008	HRK	150,000,000	6.500%	104.50	6.220%
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%	100.80	4.960%
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%	107.30	5.359%
ATGR-O-077A	Atlantic Grupa d.o.o.	15/7/2004	15/7/2007	EUR	15,000,000	5.750%	102.00	5.637%
MDKA-O-087A	Medika d.d.	11/7/2005	11/7/2008	EUR	16,500,000	4.500%	101.35	4.440%

^a Regularly traded shares. Source: ZSE, monthly report, January 2006.



bond), 2019, 2014, 2015 (kuna bond) and 2010, were traded the most in the fourth quarter, while the new government bond issued in December 2005, was the one that traded the most in January 2006.

The ZSE bond index, CROBIS, amounted to 105.8 points at end-December, holding steady at the level reached

at end-September. The CROBIS dipped to 105.5 points until end January.

In line with the planned reduction in foreign borrowing, the Republic of Croatia issued no bonds in foreign markets in the fourth quarter 2005 and in January 2006. Consequently, 11 Croatian bond issues were listed on foreign markets at end 2005. This was one less than at the end of 2004 due to the EUR 500m bond from 2000, refinanced by a government bond issue in the domestic market, falling due in March 2005. Of the remaining 11 international Republic of Croatia bonds, two are USD denominated (government bonds replacing the debt of Croatian economic entities to the London Club), five EUR and four YPN denominated. The nominal value of the 11 Croatian eurobond issues totalled HRK 33.6bn (EUR 4.6bn) at end-January. Three international bond issues are due in 2006: a Samurai bond issue from 2001, worth JPY 25bn (about HRK 1.3bn), in February, a eurobond issue from 1999, valued at EUR 300m (about HRK 2.2bn), in March, and a bond issue representing the debt to the London Club, worth USD 604.4m (about HRK 3.7bn), in July. The former two bonds are to be refinanced by a new government bond issue in February 2006, worth HRK 2bn.

Having narrowed to record lows shortly before October and the start of Croatia's EU accession negotiations, the spreads between Croatian eurobonds and benchmark Ger-

Table 4: Republic of Croatia International Bond Issues, stock as at 31 January 2006

Bond	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread ^a 31/3/2005	Spread ^a 30/6/2005	Spread ^a 30/9/2005	Spread ^a 31/12/2005
London Club A, 2006	31/7/1996	USD	604,426,000	6-month LIBOR + 81.25 b.p.			91	79	26	17
London Club B, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.			117	111	96	105
Eurobonds, 2006	10/3/1999	EUR	300,000,000	7.375%	7.45%	375	30	17	7	-8
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.750%	6.90%	215	59	67	38	37
Eurobonds, 2009	11/2/2002	EUR	500,000,000	6.250%	6.45%	158	46	61	35	34
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	4.65%	102	53	62	36	34
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	59	61	32	33
Samurai bonds, 2007	11/7/2000	JPY	40,000,000,000	3.000%	3.00%	135	29	33	33	32
Samurai bonds, 2006	23/2/2001	JPY	25,000,000,000	2.500%	2.50%	152	25	25	25	24
Samurai bonds, 2008	26/6/2002	JPY	25,000,000,000	2.150%	2.15%	144	43	42	35	36
Samurai bonds, 2009	26/6/2003	JPY	25,000,000,000	1.230%	1.23%	99	46	49	54	53

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

Figure 72

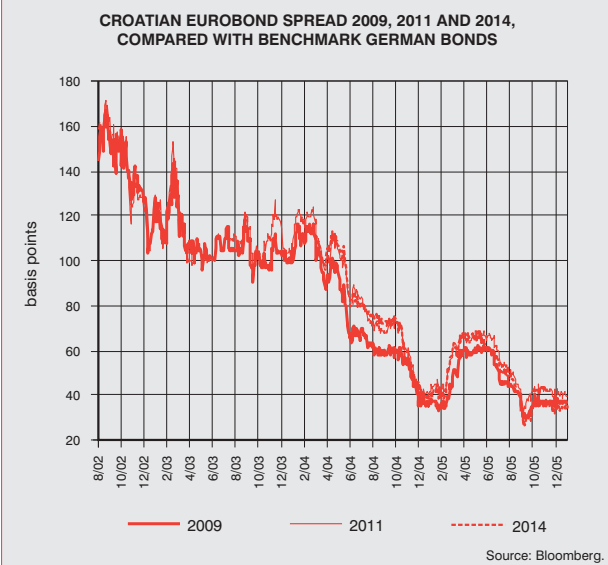
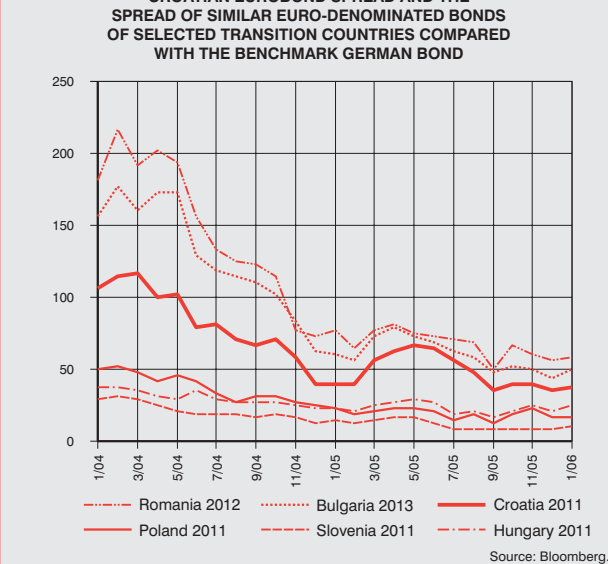


Figure 73



man bonds stabilised around 40 base points in the fourth quarter, standing at 34, 37 and 33 base points for bonds maturing in 2009, 2011 and 2014 respectively, thus remaining almost unchanged from 35, 38 and 32 base points at end-September. The spreads rose slightly towards the end of January, to 37, 40 and 34 base points for bonds due 2009, 2011 and 2014 respectively.

The spreads between new EU members' eurobonds and benchmark German bonds also halted the downward trend in the fourth quarter 2005, once the political situation in Germany had stabilised in the post-election period and German bond yields narrowed. Similar trends were observed in the spreads between the bonds of EU candidates, while their mutual relations remained the same. The spread between the Croatian eurobond maturing in 2011 and the benchmark German bond was still below the spread between Romanian and Bulgarian eurobonds due 2012 and 2013 respectively.

International Transactions

While suggesting that the country's foreign trade imbalance has widened, the preliminary and incomplete data on the balance of payments developments in the third quarter of 2005 also show extremely good performance of tourism services. Following seasonally common decrease in the third quarter, gross external debt resumed its growth path in the fourth quarter, fuelled mainly by external borrowings of other domestic sectors (enterprises) and banks. IEMP developments continue to confirm that Croatia's ability to timely meet its foreign liabilities has not altered.

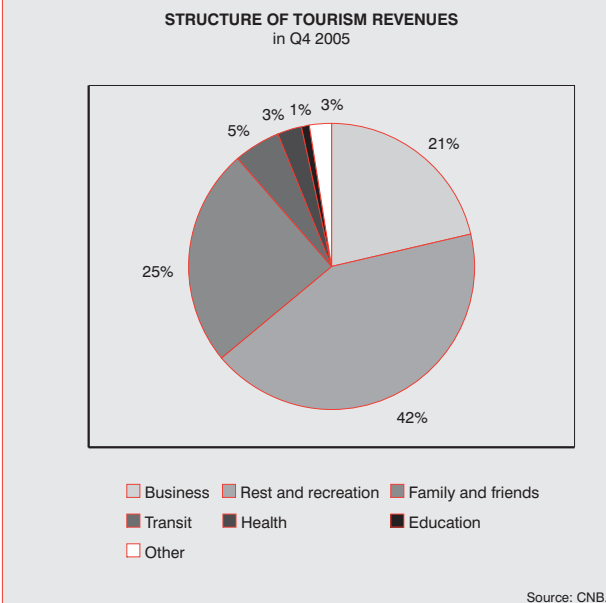
Current Account

The negative balance in the goods account continued to trend upward in the last quarter of 2005, mainly determined by the absolute fall in net exports of ships and high energy prices in the world market (oil, natural gas and electricity) that contributed to a further increase in total value of goods imports. Goods flow development trends are elaborated in more detail under Merchandise Trade.

The year-on-year increase in financial revenues from tourism services in the last three months of 2005 (16%) was brought about by an increase in physical indicators. The CBS data for the relevant period thus show that the number of foreign tourist stays in paid accommodation rose by 10% year-on-year, and that the number of tourist nights grew by 9.2% year-on-year. Measured by individual countries, the largest increase in the number of foreign tourists was realised by tourists from France, Germany, Great Britain, Slovenia and USA. Concurrently, tourists from Great Britain, France, Germany, Switzerland, and Hungary spent the most nights in commercial accommodation facilities, accounting for approximately one half of total foreign tourist nights.

The analysis of the structure of total tourism revenues by the reason of visit shows an almost equal absolute

Figure 74



year-on-year increase in revenues generated on the basis of arrivals and consumption of foreign tourist visiting the country for personal reasons and in revenues generated by tourists travelling for business reasons, with revenues realized by tourist staying in the country for personal reasons accounting for 79% and revenues realized by tourist travelling for business reasons accounting for more than one-fifth of total revenues in the fourth quarter of 2005. The structure of revenues realised by tourists visiting the country for personal reasons shows that the most of them visited the country for reasons of rest and recreation (42%), visits to family and friends (25%), transit through the country (5%), while only a small share of them visited the country for medical, educational and other reasons.

Net revenue from transport services also grew at a healthy rate, doubling its growth rate in the fourth quarter of 2005 as compared with the fourth quarter of 2004. It should be noted that this was not due to a more dynamic export performance in this segment of services but due to a substantial decrease in expenditures (for example, the fall in expenditures on sea cargo transport was key to the growth in net revenue from transport services).

Factor income account data for the last quarter of 2005 largely resembled those for the same period of 2004. In particular, inflows mostly comprised the revenues from the investment of CNB international reserves and the compensation of employees. On the other hand, outflows mostly comprised the interest payments on foreign liabilities, which exceeded the amount of EUR 150m in the last quarter of 2005.

Merchandise Trade

In the January-December period of 2005, total exports of goods stood at USD 8.8bn (EUR 7.1bn) and total imports of goods at USD 18.5bn (EUR 14.9bn).¹⁰ Expressed in US dollars terms, the foreign trade deficit grew by 13.7% year-on-year. With imports growing faster than exports, the imports/exports coverage rate fell 0.9 percentage points to 47.5% at year end.

Total exports of goods grew at a much slower pace in 2005 than in 2004. Measured at constant exchange rates, to eliminate the effects of exchange translation, total exports of goods grew by 10% year-on-year (the year-on-year growth rate of exports stood at 21.7% in 2004). Major contributors to this were the decrease in exports other transports equipment (ships), as shown by the relevant SITC division, and a somewhat slower growth in exports of oil and refined petroleum products.

The key factors contributing to the lower performance of ship exports in 2005 (measured at constant exchange rates, they fell by 9.5%) were the base period effect (ship exports growth rate stood at 32.7% in 2004), the postponement of orders to the first quarter of 2006, generally favoured by clients (in case of a sale, ships would be one calendar year younger), the residency status of clients to some extent (changes in the share of value of deliveries to domestic and

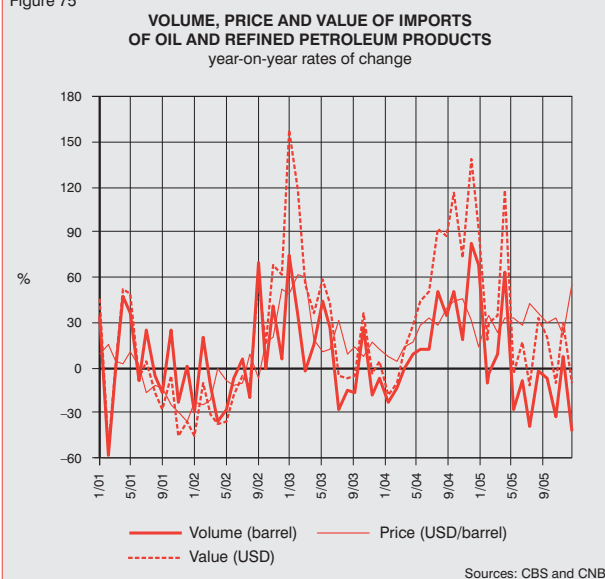
foreign clients in the value of total deliveries within one calendar year), and the impact of the methodology for monitoring the trade in ships (value-added finishing operations are recorded on gross and not on net value).

Although the year-on-year growth in exports of oil and refined petroleum products contributed the most to the growth of total exports of goods in 2005, the growth in the value of oil and refined petroleum products exports stood at 17.9%, measured at constant exchange rates, compared with 56.6% in 2004. The slower growth in the value of oil and refined petroleum products exports in 2005 is attributed to the year-on-year fall in the volume of exports, by 10.6% (in 2004, the volume of exports grew by 23.5%), which exceeded the impact of extremely strong growth in crude oil prices in the world market and thus the growth in refined petroleum products prices (in 2005, the prices of oil and refined petroleum products rose by 33.6% year-on-year or 8.5 percentage points more than in 2004).

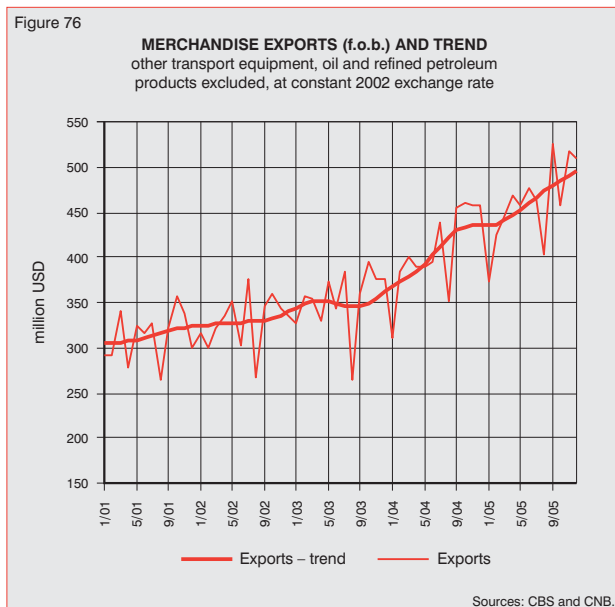
Looking beyond these components, exports excluding ships (other transport equipment) and oil and refined petroleum products grew by 12.8% year-on-year, measured at constant exchange rate, down 2.5 percentage points compared with 2004. This modest slowdown was mainly due to the absolute fall in exports registered in the following SITC divisions: clothes and wearing apparel (measured at current exchange rates, their year-on-year rate of change was negative and stood at 9.6% year-on-year), leather, leather manufactures and dressed fur skins (27.3%), electrical machinery, apparatus and equipment (4.5%) and telecommunication apparatus (19.7%). On the other hand, the largest contributors to its growth, apart from the growth in exports of oil and refined petroleum products, were the growth in exports of sugar, sugar products and honey (202.3%), natural and industrial gas (49.1%) and electricity (145%).

Total imports of goods, measured at constant exchange rates, grew by 12.5 year-on-year in the January-December period of 2005, up 3.8 percentage points compared with 2004. This pick-up in imports was to a large extent the result of the strong growth in imports of the following energy

Figure 75



¹⁰ As the CBS data on trade in goods at lower levels of disaggregation are not reported in euros, the flow in goods between Croatia and other countries is expressed in US dollars.



products: oil and refined petroleum products, electricity and natural and industrial gas. Accordingly, the growth in the value of oil and refined petroleum products imports stood at 39.4% year-on-year, measured at current exchange rates, up 8.2 percentage points compared with 2004. The registered growth in the value of imports of oil and refined petroleum products was almost fully accounted for by the strong year-on-year growth in import prices (42.7%), while the volume of imports fell slightly (by 12%). In 2005, the value of electricity imports stood at high 72.4% year-on-year, while the value of natural and industrial gas imports amounted to 43.4%. In addition to energy products, imports of general industrial machinery and equipment and telecommunication apparatus also contributed to the growth of total imports, by 13.2% and 16.6% respectively.

According to the economic classification of countries, the share of exports to EU-25 was the largest (62.1%) but continued its mild downward. Exports to Germany, Italy, Slovenia and Austria accounted for about one-half of total

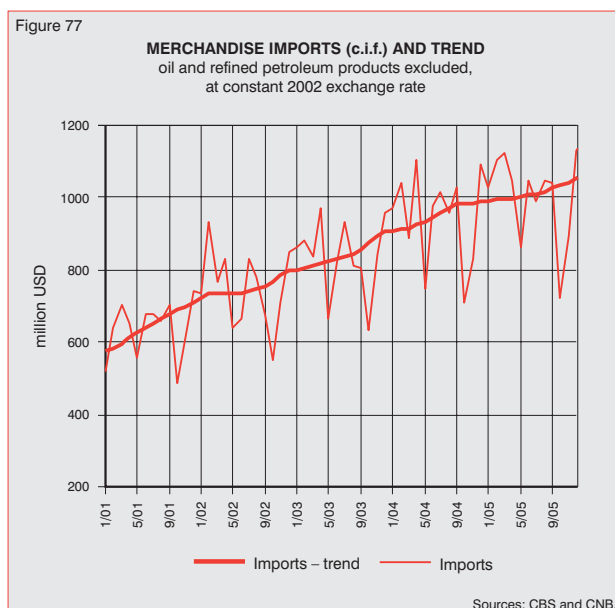
Table 5: Exports and Imports by Economic Classification of Countries, in %

Export	2003	2004	2005 ^a
Developed countries	74.6	71.7	69.2
EU-25	67.6	64.6	62.1
Slovenia	8.3	7.5	8.1
Hungary	1.3	1.3	1.6
EU-15	54.7	51.4	48.1
Austria	7.7	9.4	7.1
Italy	26.7	22.9	21.4
Germany	11.9	11.2	10.6
EFTA	0.8	1.0	1.1
Developing countries	25.4	28.3	30.8
CEFTA	0.7	1.2	1.4
Bosnia and Herzegovina	14.4	14.4	14.3
Serbia and Montenegro	3.1	3.7	4.5
Russia	1.2	1.4	1.3
Import	2003	2004	2005 ^a
Developed countries	80.8	77.4	73.8
EU-25	72.0	69.5	65.6
Slovenia	7.4	7.1	6.8
Hungary	3.0	3.1	3.1
EU-15	56.6	54.2	50.6
Austria	6.6	6.8	5.7
Italy	18.2	17.0	16.0
Germany	15.6	15.5	14.8
EFTA	1.8	1.6	1.7
Developing countries	19.2	22.6	26.2
CEFTA	1.2	1.5	2.4
Bosnia and Herzegovina	1.6	2.1	2.4
Serbia and Montenegro	0.5	0.8	0.9
Russia	4.8	7.3	9.1

^a Preliminary data. Source: CBS.

exports. During 2005, most was exported to the following EU member states: Slovenia (leather, wood and timber), Greece (ships, wood and timber), Malta (ships, oil, refined petroleum products, and food products), Italy (ships, natural gas, clothing, sugar) and Germany (furniture and parts thereof, and agricultural products). Exports to developing countries grew mainly due to increased exports to Bosnia and Herzegovina (oil, refined petroleum products, cigarettes, electricity and cement), Serbia and Montenegro (refined petroleum products, cigarettes, plastic products, newspaper and magazines), United States of America (antibiotics, revolvers and various chemical products), and United Arab Emirates (paraffin oil, electric transformers and cigarettes).

In 2005, imports from Russia (oil, refined petroleum products, natural gas, pit coal and aluminium) and China (telecommunication apparatus, television receivers, clothing and footwear) grew the most in absolute terms. Together, these two countries accounted for about one-third of total year-on-year growth of imports of goods. Imports from Bulgaria (oil, refined petroleum products, sugar, meat and wheat), Bosnia and Herzegovina (aluminium, wood, iron and steel) and Turkey (oil, refined petroleum products, television receivers and clothing) also contributed significantly to the total growth of imports. In addition, the strong growth of imports from developing countries also contributed to the increase in their shares in the structure of total imports of goods, i.e. to the decrease in the shares of developed countries. As a result, 65.6% of total imports of goods in 2005 was accounted for by EU member countries, down 3.9 percentage points compared with 2004. Approximately one half of total imports from EU was accounted for by imports from Italy (motor vehicles, clothing and bags) and Germany (per-



sonal automobiles, road vehicles for passenger transportation, telecommunication apparatus). Together with imports from Austria (condensers, accumulators and furniture) and Slovenia (electricity, furniture, washing machines and refrigerators), they accounted for about two thirds of total imports from EU.

Capital and Financial Transactions

According to the preliminary and incomplete data, net FDI totalled EUR 54m in the fourth quarter of 2005, roughly half of the amount in the same quarter of 2004. This was due to a drop in outward and inward direct investments. In the fourth quarter of 2005, inward direct investments were largely influenced by the appropriation of retained earnings to HT, while the payment of dividends to the majority owner of HT reduced the equity investment in Croatia by about EUR 115m. A year-to-year analysis of inward direct investments is largely influenced by the base period effect (the decision on the attribution of retained earnings from previous years to HT was made in the fourth quarter of 2004).

Investment in other monetary intermediation, including the recapitalisation of some foreign-owned banks, accounted for about one third of inward direct investment in the fourth quarter of 2005. Less than one fifth of inward direct investment comprised the investment in retail trade in motor fuels and lubricants. Investment in other retail sale in non-specialized stores, extraction of crude oil and natural gas, and wholesale of sugar and chocolate and sugar confectionery followed, with individual shares somewhat lower than 10%. Among other investment, significant were the investment in manufacture of mattresses, manufacture of other kitchen furniture and processing of tea and coffee.

Portfolio investment recorded an outflow of EUR 44m in the fourth quarter, mainly due to purchases of foreign securities by Croatian banks. In addition, the government neither issued new bonds in foreign markets nor any of the issued

Table 6: Composition of CNB Reserve Assets, end of period, in million EUR and %

	2003	2004	2005
Balance	6,554	6,436	7,438
Share			
1. Foreign currency reserves	87.6	96.9	98.6
1.1. Securities	48.9	50.7	48.4
1.2. Total currency and deposits with:	38.6	46.2	50.2
– other national central banks, BIS and IMF	4.1	3.6	5.5
– banks headquartered outside Croatia	34.5	42.6	44.7
2. IMF reserve position	0.0	0.0	0.0
3. SDRs	0.0	0.0	0.0
4. Gold	0.0	0.0	0.0
5. Reverse repo	12.4	3.1	1.3

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

bonds fell due in the last quarter of 2005. The fall in liabilities arising from portfolio investment was therefore largely brought about by the one-sided effects of the secondary bond market (domestic investors used to buy government bonds issued in foreign markets, which in turn contributed to the decrease in government foreign liabilities arising from portfolio investment).

In the fourth quarter of 2005, other investment showed large net inflows of EUR 1.5bn (currency and deposits, trade credits and credits). Foreign assets remained almost stagnant, while foreign liabilities (debt) grew strongly, mostly on account of increased external borrowing by banks and other sectors (almost one half of total increase in liabilities on other investment). Banks' liabilities on currency and deposits also grew considerably (almost one third of total increase in liabilities on other investment).

As shown by the balance of payments data for the fourth quarter of 2005, international reserves grew by EUR 427m. For the most part, this was due to the CNB interventions aimed at the reduction of appreciation pressures brought about by strong foreign capital inflows. During the period in question, the CNB intervened three times and thus increased the level of kuna liquidity. In addition, international reserves also grew on account of a sizeable inflow of foreign currency reserves allocated by banks (marginal reserve requirement included). According to the monetary statistics data, which in contrast to the balance of payment data include the cross-currency changes, international reserves amounted to EUR 7,438m at year end, a 15.6% increase on the year before. At end-2005, debt securities, currency and deposits accounted for the largest shares of international reserves, while the share of reverse repo was small.

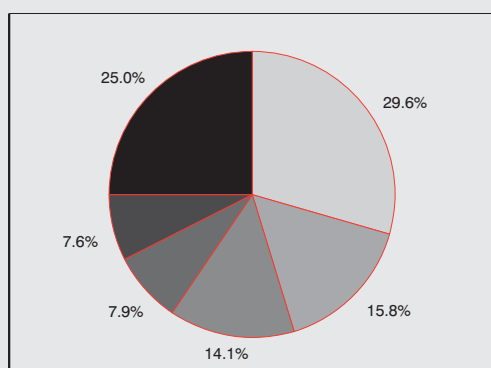
External Debt

Croatia's external debt stood at EUR 25.5bn at the end of 2005, a 12% increase on the year before. Both other domestic sectors (enterprises) and banks increased their borrowing substantially. In contrast, the government reduced its external debt by shifting budget financing to domestic sources (i.e. domestic money and capital markets).

At the end of 2005, the external debt of enterprises (including direct investment) increased to EUR 9,204m, up 23% compared with end-2004. Indeed, its share grew the most in the structure of total external debt, from 33% at

Figure 78

STRUCTURE OF DIRECT EQUITY INVESTMENT IN THE REPUBLIC OF CROATIA IN Q4 2005



- Other monetary intermediation
- Other retail sale in non-specialised stores
- Wholesale of sugar and chocolate and sugar confectionery
- Trade in motor fuels and lubricants
- Extraction of crude oil and natural gas
- Other

Source: CNB.

Table 7: Gross External Debt by Domestic Sectors, end of period, in million EUR and %

	2003	2005	2005	Structure		Indices	
				2004	2005	2004/2003	2005/2004
1. Government	6,601	7,252	7,062	31.8	27.7	109.9	97.4
2. Central bank (CNB)	366	2	3	0.0	0.0	0.6	111.8
3. Banks	6,121	7,702	8,990	33.8	35.2	125.8	116.7
4. Other sectors	4,878	5,809	7,117	25.5	27.9	119.1	122.5
5. Direct investment	1,845	2,016	2,335	8.8	9.2	109.3	115.8
Total (1+2+3+4+5)	19,811	22,781	25,508	100.0	100.0	115.0	112.0

Source: CNB.

end-2004 to 36.2% at end-2005. In the last three months of 2005, the external debt of enterprises (including direct investment) rose by EUR 396m, mainly on account of an increase in net long-term loans. At the same time, net short-term loans decreased, while overdue principal and interest payments increased.

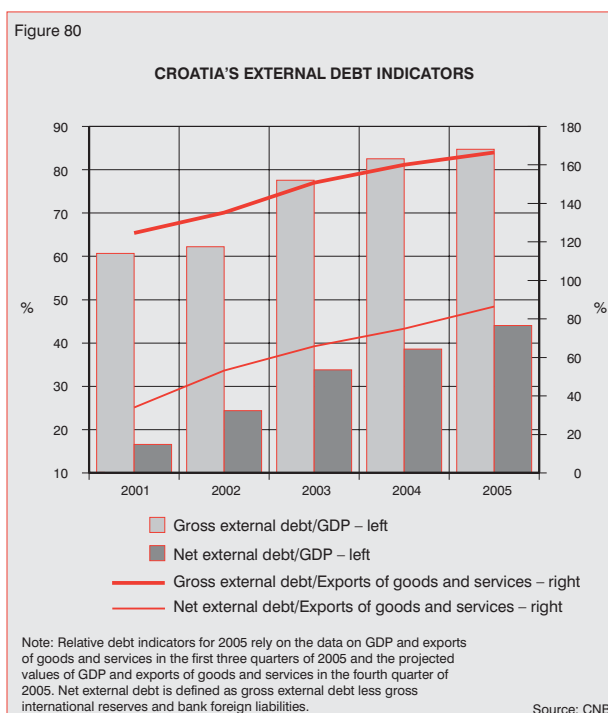
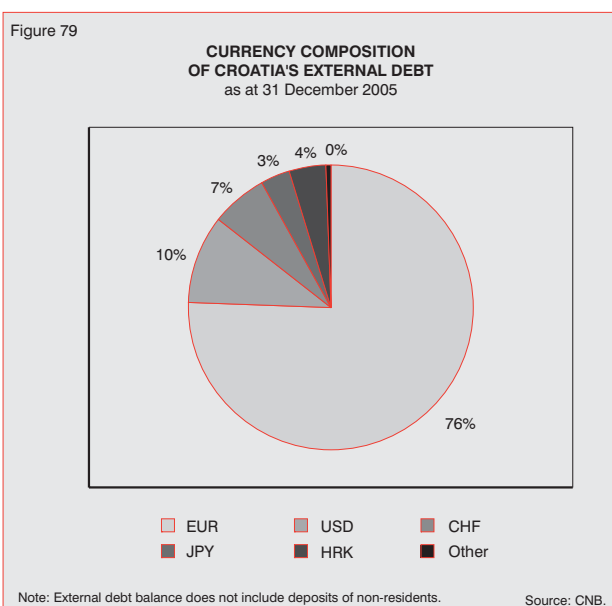
The external debt of banks, inclusive of hybrid and subordinated instruments (direct investment), amounted to EUR 9,239m at end-2005. Consequently, the banks' share in the total external debt was the second largest (36.1%), while it grew by a less than EUR 1bn in the fourth quarter of 2005. Notwithstanding a further tightening of the marginal reserve requirement in 2005 (MRR rate was increased from 24% to 30% in February, and from 30% to 40% in May), the increase in the external debt of banks registered at end-2005 may above all be attributed to a strong domestic aggregate demand, accompanied by insufficient domestic savings, as well as by the positive difference between interest on domestic loans and interest on foreign loans that banks still record in the fourth quarters (increased by MRR costs). Broken down by instruments, short-term currency and deposits (somewhat more than one-third of debt increase), long-term loans (almost one-third of debt increase) and long-term currency and deposits (approximately one-fifth of debt increase) contributed the most to the increase in total bank debt in the last three months of 2005.

The external debt of the government sector stood at EUR 7,062m at end-2005, down EUR 189m compared with end-2004. However, its stock grew by EUR 71m in the fourth quarter compared with the end of the third quarter,

mostly due to an increase in long-term loans. A key contributor to this was a syndicated loan of EUR 100m arranged by the CBRD in December 2005. The loan is to be repaid in the period of 5 years, while borrowed funds are to be used for the financing of CBRD's programmes for the enhancement of exports, the development of economic activities and the stimulation of SMEs, as well as for the financing of infrastructure projects.

At end-2005, about three-fourths of total gross external debt was denominated in euros, a slight decrease compared with 2004. The shares denominated in US dollars and Japanese yens also decreased slightly on the year before. In contrast, the shares denominated in Swiss francs and kuna trended upward, which is attributed to the fact that about 50% of total increase in the external debt of banks was the result of the increase in liabilities denominated in Swiss francs and 40% of liabilities denominated in domestic currency.

Given these developments and the expected GDP growth for 2005, one may expect to see a further deterioration in the relative debt indicators. Thus, at the end of 2005, the gross external debt might reach 84.7% of the estimated GDP for 2005 as a whole, up 2.2 percentage points compared with 2004. The share of gross external debt in the estimated exports of goods and services will also increase. External indebtedness may also be interpreted in terms of net external debt which is defined as the external debt less international



reserves and bank foreign liabilities that can be used to overcome the imbalance in international payments. Croatia's net external debt stood at EUR 13.2bn at end-2005, up 24.2% compared with 2004. Faster growth in net external debt than in gross external debt was to a large extent the consequence of a decrease in banks' foreign assets. As in the case of relative indicators of gross external debt, the relative indicators of net external debt are also expected to deteriorate at end-2005. Net external debt accounted for 38.6% of GDP at end-2004, and is expected to reach 44% of the estimated GDP for 2005. Expressed as a percentage of exports of goods and services, the relative indicator of net external debt

might deteriorate by about 10 percentage points (at end-2004, it accounted for 74.9% of exports of goods and services).

When passing the decisions on the implementation of monetary policy in 2005, the central bank focused on a possible deterioration in the absolute and relative indicators of external debt, accompanied by a widening of foreign trade and current account deficits. As a result, the monetary policy measures were aimed at contributing to the stabilization of external imbalance and smoothing of potential economic vulnerabilities. In case that the stabilization of external debt to GDP ratio is not achieved, it may be expected that the

Box 3: Croatia Completes Rescheduling Agreements with Paris Club Members

By signing the agreement on the consolidation of the debt with the Government of the Italian Republic in mid-December, the Republic of Croatia completed the process of the rescheduling of the former SFRY debts to Paris Club members. Specifically, this was the last out of the fifteen bilateral agreements signed with the public creditors of the Paris Club, comprising Austria, Belgium, Denmark, France, Italy, Japan, Kuwait, Netherlands, Norway, Germany, USD, Spain, Sweden, Switzerland and Great Britain.

The negotiations on debt rescheduling with the Paris Club creditors started in 1994, following the signing of the first Stand-By Arrangement between Croatia and the IMF. The Agreed Minute on the consolidation of the debt of the Republic of Croatia was signed with the Paris Club creditors in March 1995. According to the Agreed Minute, the Republic of Croatia, as one of the successor states of the former SFRY, undertook to service, acting in its capacity as debtor or guarantor, two types of debt: allocated debt (liabilities arising from loans contracted, guaranteed or utilized by legal persons headquartered in Croatia) and non-allocated debt (liabilities arising from loans contracted or guaranteed by the former SFRY and not attributable to any successor states). The criterion for the distribution of the non-allocated debt to individual successor states was agreed in co-operation with the IMF and equalled the proportional share of each successor state in the membership quota paid to the IMF. In line with this, Croatia undertook to service 28.49% of the non-allocated debt. The non-allocated debt represents the direct obligation of the Republic of Croatia that is paid out of the government budget, while the allocated debt represents the obligation of the actual debtors that is guaranteed by the government of the Republic of Croatia.

The Agreed Minute provides for that the rescheduling of debt is to include the interest due but not paid in the period between 1989 and the end of 1994 and the principal due but not paid in the period until 1995, pursuant to the contracts concluded before 2 December 1982 (*cut off date*), as well as the late payments on liabilities arising from previous agreements on debt rescheduling signed by the former SFRY (1984, 1985, 1986 and 1988). The Agreement also

provides for that the rescheduled liabilities are to be settled in the form of the regular semi-annual instalments falling due on 31 January and 31 July in the period from 1998 to 2009, with the share of total liabilities that fall due to be increased with each next semi-annual instalment.¹¹ The liabilities arising from loans contracts concluded after 2 December 1982 are to be settled as they fall due.¹²

After reaching a general agreement on debt rescheduling, Croatia conducted the bilateral negotiations with each member country of the Paris Club in order to determine the detailed terms of the rescheduling and the exact amounts of the undertaken liabilities and interest. In the period from 1996 to 1998, Croatia signed the agreements on debt consolidation with all countries except with Italy. The negotiation process with Italy was impeded by the inadequate Italian claim records and the application of different criteria for the distribution of claims to individual successor states of the former SFRY.

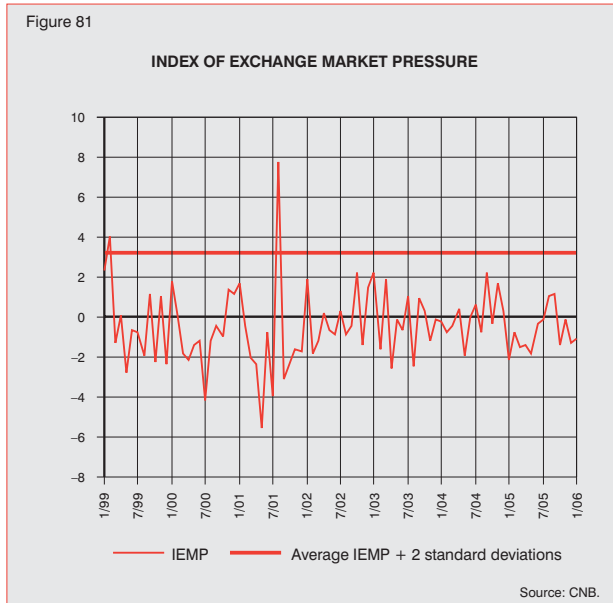
The final agreement on the rescheduling of the debt with Italy was reached at the end of 2005, with Croatia undertaking to service the debt in the total amount of EUR 42m. Of this amount, EUR 32m are accounted for by the allocated debt and EUR 10m by the non-allocated debt. According to the repayment dynamics, 51.8% of the rescheduled debt is to be paid on 31 January 2006, which equals the sum of the percentage of the debt that falls due from 31 January 1998, when Croatia started to service its obligations towards the member countries of the Paris Club, to 31 January 2006. The maturity of the remaining portion of the debt is harmonized with the repayment schedule provided for in the Agreed Minute.

Apart from being the last signed, the agreement with Italy has one more distinctive feature that differs it from similar agreements signed with other member countries of the Paris Club. Due to the fact that the negotiations on debt rescheduling have lasted that long and that from the beginning of 1995 until the day of the actual payment the late interest accrued on debt has increased substantially, it has been agreed that a portion of interest amounting to EUR 1.7m will be written off.

¹¹ As a result, 1.29% of total rescheduled liabilities will be settled under the first and 8.25% under the last instalment.

¹² The regulation of obligations towards the Paris Club (and the London Club) enabled the domestic subjects to access the world's capital markets.

Figure 81



CNB will pass further measures aimed at curbing excessive foreign borrowings. In this endeavour, the CNB tightened the marginal reserve requirement by increasing the MRR rate and broadening the allocation base and adopted a decision on the special reserve requirement (see Box 1).

International Liquidity

IEMP developments remained favourable in the last quarter of 2005,¹³ far from the critical value that would indicate concern. The growth in international reserves was the key to such developments. In addition, a considerable appreciation at end-2005 also contributed to the index value reduction. Strong appreciation pressures in October were caused by the announcement of a new government bond to be issued in the domestic market and the positive atmosphere surrounding the start of EU accession negotiations. Seasonal increase in foreign currency supply translated into kuna appreciation in December. Further rise in international reserves and appreciation pressures early in 2006 helped keep the IEMP value substantially below the critical value.

Government Finance

Budget Outturn

Although the beginning of 2005 was marked by exceptionally strong expenditures growth, the remainder of the year saw more favourable developments. As a result, the growth of consolidated general government revenues outpaced the growth of expenditures at annual level. In addition, expenditures for acquisition of fixed assets were much lower, indicating a slowdown in the construction of motorways. These developments resulted in the continuance of the fiscal adjustment that had been started in 2004, with the

consolidated general government deficit expressed on the modified accrual basis reducing from 4.9% of GDP, the level it attained in 2004 according to the last MoF data, to 4.2% of the nominal GDP estimate for 2005. The narrowing of the deficit was reflected in a reduced need for borrowing so general government debt, inclusive of CBRD debt, went up by HRK 9.7bn in 2005, down 23.1% compared with the increase that was seen the year before.

Budget Revenues

According to the MoF data, consolidated general government revenues totalled HRK 103.1bn in 2005, up 6.9% compared with 2004. Local government revenues grew nearly twice as fast (12.3%) year-on-year as consolidated central government revenues (6.5%). The greatest contribution to the rise of consolidated general government revenues in 2005 came from VAT revenues, revenues from social security contributions and profit tax revenues, which make up nearly 70% of all revenues at this level of the government. Broken down by quarters, high growth rates of general government revenues were seen in the second and third quarter, of 8.9% and 8.7% respectively, which was to the greatest extent as a result of the recovery in economic activity, primarily retail trade, and a successful tourist season. In contrast, the fourth quarter revenues growth slowed down significantly year-on-year, to a rate of 4.5%, which may be attributed to weaker VAT revenues growth arising from the slowdown in nominal retail trade growth as well as to the effect of the base period. In the fourth quarter of 2004, the government received dividend payments from HT for 2001, 2002 and 2003, totalling HRK 1.7bn, while in 2005 the amount of all received dividends totalled HRK 1.2bn, down by some 30%.

Tax revenues, which make up nearly 60% of total consolidated general government revenues, grew by 7.3% in 2005 year-on-year. The growth of VAT revenues, profit tax revenues, revenues from excises and income tax revenues made the greatest contribution to this rise. VAT revenues totalled HRK 32.2bn in 2005, up 8% on a year earlier and 1.7%, or HRK 537.2m, more than it was planned by the 2005 budget revision. The greatest growth rate of 14.8% year-on-year was realised in the third quarter, i.e. during the tourist season, while the end of the year again saw a slowdown in retail trade turnover, which reflected itself in lower VAT revenues in the fourth quarter. Last year's profit tax revenues totalled HRK 5.6bn, growing by 26.8%. In the fourth quarter of 2005, profit tax revenues totalled HRK 1.2bn, or 24.1% more than at the same time in 2004. This high growth rate may be explained if one takes into consideration that in 2004 Croatia's entrepreneurs reported 20% higher pre-tax profit than in 2003,¹⁴ according to annual data provided by FINA.

Income tax revenues totalled HRK 7.8bn in 2005, up 0.8% compared with 2004, which was partly a result of the much greater growth of the average monthly gross wage, amounting to 4.6%, and the parallel increase in the number of persons insured with the CPIA, totalling 1.8%. Weak rev-

¹³ IEMP is calculated as a weighted average of the monthly rate of change of the kuna exchange rate against the euro at end-period and gross international reserves in euro terms, using standard deviations as weights.

¹⁴ Monthly advance profit tax payments are determined in proportion to the tax liability for the previous year.

venues growth compared with the growth of the tax base (which equals the average gross wage multiplied by the number of employed persons – taxpayers) was primarily a result of the application of the new Income Tax Act,¹⁵ which entered into force in January. Among other things, it increased the personal allowance, while reducing the cumulative amount of tax benefits. Negative fiscal effects, arising primarily from the mentioned increase in personal allowance and personal allowance for supported family members, were visible in income tax revenues realised during 2005, while positive effects of the reduction in the cumulative amount of tax benefits will be realised in 2006, after the annual income tax statements are processed.

According to the MoF data, excise revenues accounted for HRK 10.9bn in 2005, up 3% compared with 2004. The fourth quarter saw the strongest growth rate of 5.2%, with the greatest contribution to this rise coming from the rise in revenues from excises on refined petroleum products and excises on cars.

Social security contributions, which make up nearly one third in the revenues structure of the consolidated general government, went up 6.2% year-on-year in 2005. This was primarily due to the above-mentioned growth in the average monthly gross wage.

Other revenues, which accounted for 10.9% of consolidated general government revenues in 2005, totalled HRK 11.3bn, or 7.1% more than the year before. Broken down by quarters, in the fourth quarter other revenues totalled HRK 4.3bn, down 5.2% compared with the same period in 2004. This decline was almost entirely a consequence of the mentioned fall in the revenues from dividends, which were much higher in the last quarter of 2004.

According to the preliminary MoF data, local government revenues¹⁶ totalled HRK 12.2bn in 2005, up 12.3% compared with 2004. The greatest contribution to the local government revenues growth came from the growth of revenues from administrative fees (at year-on-year rate of 23.5%), profit tax revenues (28.2%) and revenues from current grants from the general government (17.6%).

Budget Expenditures

According to the MoF data, expenditures on consolidated general government level totalled HRK 100.5bn in 2005, up 6.6% compared with 2004. Of that amount, consolidated central government accounted for HRK 92.3bn or 6.2% more than last year, while the growth of expenditures on local government level was much higher year-on-year, totalling 12.7%.

The greatest contribution to the growth of consolidated general government expenditures in 2005 came from the increase in expenditures on social benefits, which is to the largest extent due to their large share in total expenditures. As a result, expenditures on social benefits totalled HRK 42.5bn in 2005, growing by 3.5% year-on-year, with social assistance benefits (HRK 12.3bn) growing nearly three

times faster than social security benefits (HRK 29.9bn).¹⁷ The said growth of social assistance benefits was, among other things, caused by the rise in expenditures on additional maternity leave and expenditures on permanent rights of Croatian war veterans. On the other hand, the movements of social security benefits were to an extent a consequence of the mild rise in the number of pension beneficiaries of 1.2% and the growth of the average pension (5.4%).

Expenditures for the use of goods and services (which include the use of telephone, postal services, transport, energy and intellectual and personal services) also contributed greatly to the growth of total consolidated general government expenditures in 2005 year-on-year. According to the MoF data, the government spent HRK 10.9bn, or 12.2% more than last year, on the use of goods and services, with the strongest growth rate year-on-year in the first quarter (25%) and the fourth quarter (11.8%).

Expenditures for compensation of employees totalled HRK 26.7bn in 2005, which is 4.6% more than in 2004. Expenditures for wages and salaries reached HRK 22.7bn, increasing by 4.6% on annual level.

Expenditures for subsidies totalled HRK 6bn in 2005, up 5.3% on the previous year, according to the MoF data. Broken down by quarters, the most subsidies were granted in the first and the last quarter, HRK 2bn and HRK 1.7bn respectively, while the amounts granted during the second and the fourth quarter were much smaller (HRK 1.1bn and HRK 1.2bn respectively). More than a half of the total subsidies granted in 2005, i.e. HRK 3.4bn (0.5% more than in 2004) were subsidies to companies in the public sector (with subsidies to the Croatian Railways accounting for the lion's share). Subsidies paid out to companies outside the public sector (which include subsidies granted to farmers, craftsmen, and small and medium-sized enterprises) totalled HRK 2.6bn in 2005, rising by a sizeable 12.6% year-on-year.

Interest expenditures totalled HRK 5.1bn in 2005, growing by 15.4% year-on-year. Same as over the previous years, the major portion, of HRK 2bn, was paid in the first quarter. A total of HRK 1bn worth of interests were paid in the fourth quarter of 2005, of which expenditures for interests on domestic debt accounted for HRK 0.7bn (up 11.7% compared with the same time in 2004). Expenditures for interests paid to non-residents over the same period totalled HRK 0.3bn, or 33.6% more than in the fourth quarter of 2004, which was a consequence of interest payments on foreign long-term loans.

According to the MoF data, expenditures on local government level¹⁸ totalled HRK 9.9bn in 2005. Of that amount, the use of goods and services accounted for HRK 3.8bn, while sizeable funds were spent on salaries and wages that accounted for HRK 2.1bn and subsidies granted to companies in the public sector, totalling HRK 0.6bn.

¹⁷ Employer social benefits (which as a rule account for a share of less than 1% of total social benefits) totalled HRK 0.3bn in 2005, with the greatest rise being registered in December, due to, according to the MoF data, severance payments to employees of Croatian Railways.

¹⁸ Unconsolidated.

¹⁵ Official Gazette 177/2004.

¹⁶ Unconsolidated.

Table 8: Operating Balance, Transactions in Non-financial Assets and Transactions in Financial Assets and Liabilities, GFS 2001, in million HRK

	Consolidated general government		
	Jan.–Dec. 2004	Jan.–Dec. 2005	Jan.–Dec. 2005 / Jan.–Dec. 2004
Transactions affecting net worth			
1. Change in net worth (net operating balance)	2,150	2,594	
1.1. Revenue	96,391	103,104	107.0
1.2. Expense	94,240	100,510	106.7
Transactions in non-financial assets			
2. Change in net non-financial assets	10,493	9,017	
2.1. Acquisition of non-financial assets	11,357	9,881	87.0
2.2. Disposal of non-financial assets	864	864	100.0
1–2 3. Net lending (+) / borrowing (–) (1–2)	–8,343	–6,423	
5–4 3. Financing (5–4) Transactions in financial assets and liabilities (as % of GDP)	8,343 (4.03%)	6,423 (2.88%)	
Transactions in financial assets			
4. Change in financial assets	113	1,350	
4.1. Domestic	105	1,355	
4.2. Foreign	8	–5	
Transactions in liabilities			
5. Change in liabilities	8,456	7,773	
5.1. Domestic	4,341	11,911	
5.2. Foreign	4,114	–4,138	

Note: On cash basis. Source: MoF.

Operating Balance and Transactions in Non-financial Assets and Liabilities

Net operating balance, as the difference between revenues and expenses at consolidated general government level, was positive, totalling HRK 2.6bn. If the net increase in non-financial assets of HRK 9bn is subtracted from this amount, the resulting net borrowing figure totals HRK 6.4bn. This is to the largest extent due to a substantial reduction in the acquisition of fixed non-financial assets and an increase in net operating surplus arising from faster growth of revenues over expenditures at the level of government under review. Since 2005 saw an increase in financial assets of the consolidated general government and a reduction of foreign liabilities, the government generated all the necessary funds by increasing its liabilities towards residents.

Non-financial assets of the consolidated general government increased by HRK 9bn in 2005, which is 14.1% less than the increase realised in 2004. While the disposal of non-financial assets in 2005 remained at almost identical level as a year earlier, their acquisition reduced substantially year-on-year, primarily due to weaker activity of the government in the segment motorway construction. Nevertheless, substantial funds were spent on road and motorway construction and maintenance in 2005. Croatian Motorways and Croatian Roads spent HRK 4.6bn on acquisition of buildings and structures,¹⁹ down 27.7% compared with the year before (HRK 6.3bn). In addition, CM and CR invested sizeable funds (HRK 202.2m) in the acquisition of land as part of the preparatory works for construction projects planned over the coming years. Acquisition of non-financial assets by CM and CR makes up nearly 50% of total acquisition of non-financial assets of the consolidated general government, while other budgetary users and local and regional

government account for the remaining share of 18.5% and 29.4% respectively.

Disposal of non-financial assets of the consolidated general government reached HRK 0.9bn in 2005, primarily due to the disposal of buildings and structures (inclusive of the sale of state-owned flats) and land owned by units of local and regional government.

According to the preliminary MoF data, financial assets of the consolidated general government increased by HRK 1.3bn in 2005, with domestic financial assets increasing and foreign financial assets slightly reducing. An increase in financial assets in the form of loans as well as currency and deposits resulted in an increase in domestic financial assets, while the effect of transactions in shares was just the opposite. In 2005, acquisition of financial assets – loans by the consolidated general government totalled HRK 1.3bn, while disposals as per the same item (repayment of previously granted loans) was three times smaller. Currency and deposits increased by HRK 0.8bn during the year under review, in contrast to financial assets in the form of shares and other equity, which reduced by HRK 0.2bn. A total of HRK 0.5bn worth of shares were sold in 2005, with shares from DAB's and CPF's portfolio accounting for almost the entire amount.

Consolidated general government liabilities increased by HRK 7.8bn in 2005, which is HRK 0.7bn (8.1%) less than the increase realised over the previous year. Domestic liabilities went up by HRK 11.9bn, as a result of net liabilities arising from issued securities (bonds and T-bills) as well as net loan incurrence. Although borrowing in the foreign financial market continued throughout 2005 (HRK 1.1bn of new borrowings by CM, CR and Croatian Waters and HRK 0.8bn of borrowings by budgetary users), new borrowings were substantially lower than repayments of matured obligations so foreign liabilities of the consolidated general government decreased by HRK 4.1bn.

¹⁹ Under the GFS 2001 methodology, the item buildings and structures, among other things, includes: residential buildings, business buildings, schools, hospitals, motorways, roads, bridges, tunnels, railways, channels, ports and dams.

Table 9: Consolidated General Government Balance, on cash basis, in million HRK

	Jan.-Dec. 2005				
	Government budget	Extra-budgetary users	Consolidated central government	Units of local and regional self-government	Consolidated general government
Revenue	85,655	8,134	92,645	12,162	103,104
Total expenditure and net lending	90,772	10,738	100,356	12,855	111,507
Expense ^a	87,857	5,617	92,331	9,883	100,510
Acquisition of non-financial assets ^a	1,829	5,152	6,981	2,900	9,881
Net acquisition of financial assets – loans ^a	848	-68	769	26	795
Acquisition	1,026	143	1,159	104	1,263
Disposal	179	211	390	78	468
Acquisition of shares and other equity ^a	238	37	275	29	303
Acquisition of other accounts receivable ^a	0	0	0	18	18
GFS 1986 balance	-5,117	-2,604	-7,711	-693	-8,404

^a GFS 2001. Source: MoF.

Consolidated General Government Balance on Cash Basis and Modified Accrual Basis

According to the preliminary MoF data, general government deficit exclusive of capital revenues, on cash basis, totalled HRK 8.4bn or 3.8% of the expected GDP for 2005. Broken down by government level, budgetary central government and extra-budgetary users accounted for the lion's share of the deficit (HRK 5.1bn and HRK 2.6bn respectively) so consolidated central government deficit totalled 3.5% of the expected GDP for 2005. Units of local and regional self-government accounted for the remaining share of the deficit, amounting to HRK 0.7bn.

Total consolidated general government deficit reduced by HRK 2.2bn compared with the year before. The most significant fiscal adjustment was carried out at the level of extra-budgetary funds, with the reduction totalling a sizeable HRK 1.5bn. This was to the largest extent a result of the reduction in the acquisition of non-financial assets by CM, in the total amount of HRK 1.9bn. Deficit was reduced also at the central budgetary level, by HRK 0.7bn, as a consequence of faster growth of revenues over expenditures and a reduction of acquisitions of loans and acquisitions of shares and other equity.

For the purpose of the Stand-by Arrangement that the Croatian government entered into with the IMF in August 2004, consolidated general government deficit was defined on a modified accrual basis, which means that data on cash basis were corrected for data on expenditures arising from contracted obligations (accrual basis) of CM and CR and changes in the balance of overdue budgetary obligations of the central and local government. According to the preliminary MoF data, consolidated general government deficit on modified accrual basis totalled HRK 9.1bn in 2005, or 4.1% of the expected GDP for 2005.

However, it is noteworthy that the calculation of the consolidated general government deficit for 2004 on the modified accrual basis included the revenue from charges for the first year of telecommunications services provision and radio frequency use of HRK 197m which were paid in by the third mobile network operator in February 2005.²⁰ In line with GFS 2001 methodology the same amount was included in 2005 revenues, reported on cash basis. Should the said

amount be exempt from total revenues in calculating the 2005 deficit, the deficit (GFS 1986) reported on a modified accrual basis would total HRK 9.3bn or 4.2% of the expected GDP in 2005. As a result, the 2005 fiscal adjustment would be slightly lower.

Government Debt

General government debt, inclusive of CBRD debt, continued expanding in the fourth quarter of 2005 but at much slower pace than during the first three quarters. According to the CNB data, general government debt, inclusive of CBRD debt reached HRK 108.5bn at the end of December, i.e. 48.7% of the expected nominal GDP for 2005, increasing by HRK 9.7bn year-on-year. For comparison, general government debt, inclusive of CBRD debt, increased by HRK 12.6bn in 2004. Inclusive of the potential debt arising from issued government guarantees of HRK 12.2bn, total government debt reached HRK 120.7bn or 54.2% of the expected nominal GDP for 2005.

The entire increase of general government debt (inclusive of CBRD debt) in 2005 was a result of the increase in domestic debt, which at the end of December totalled HRK 56.4bn. External debt, reached HRK 52.1bn, reducing by 6.4% compared with the end of 2004.

Central Government Domestic Debt

According to the CNB data, the central government domestic debt totalled HRK 54.8bn, up HRK 13.29bn or 32% on the end of 2004. The entire increase of the debt was generated at the Republic of Croatia level, totalling HRK 13.27bn. Over one third of the said increase (HRK 7.57bn) was accounted for by the debt increase arising from issued bonds. MoF issued a ten-year bond, worth HRK 3.5bn with maturity in 2015 in the domestic market. The government used the largest share of the funds generated by this issue to repay loan principals that were due and finance a share of the budget deficit. The remaining part of the debt increase at the Republic of Croatia level is accounted for by T-bill issues (net increase of HRK 3.51bn) and loans received from domestic banks (net increase of HRK 2.19bn). At the level of central government funds (inclusive of CBRD) domestic debt remained almost at the same level in 2005 as the year before. The stagnation of the domestic debt of central government funds is a result of the opposite effects created by

²⁰ According to the MoF explanation, the preconditions for realisation of this revenue were met in 2004.

Table 10: Domestic Debt of Central Government, end of period, in million HRK

	Stock			Change	
	Dec. 2003	Dec. 2004	Dec. 2005	Jan.–Dec. 2004	Jan.–Dec. 2005
1. Domestic debt of central government	34,736	41,517	54,810	6,781	13,293
1.1. Domestic debt of the Republic of Croatia	28,161	37,224	50,493	9,063	13,269
Treasury bills	6,548	9,022	12,533	2,474	3,511
Money market instruments	0	–	1	–	1
Bonds	17,422	23,080	30,649	5,658	7,569
Credits from banks	4,190	5,121	7,309	931	2,188
1.2. Domestic debt of central government funds	6,576	4,293	4,317	–2,282	24
Money market instruments	–	–	–	–	–
Bonds	3,616	2,040	178	–1,576	–1,862
Credits from banks	2,959	2,253	4,139	–706	1,886
Note: Issued guarantees	6,895	4,632	5,346	–2,263	714

Source: CNB.

Table 11: External Debt of Central Government, end of period, in million HRK

	Stock			Change	
	Dec. 2003	Dec. 2004	Dec. 2005	Jan.–Dec. 2004	Jan.–Dec. 2005
1. External debt of central government	50,138	55,384	51,878	5,246	–3,506
1.1. External debt of the Republic of Croatia	41,049	42,096	36,373	1,047	–5,723
Money market instruments	–	–	–	–	–
Bonds	32,145	32,899	27,179	755	–5,720
Credits	8,904	9,196	9,194	292	–3
1.2. External debt of central government funds	9,089	13,289	15,505	4,200	2,217
Money market instruments	–	–	–	–	–
Bonds	821	2,758	2,872	1,937	114
Credits	8,269	10,531	12,633	2,262	2,102
Note: Issued guarantees	8,619	7,671	7,019	–947	–653

Source: CNB.

their repayment of DAB bond worth HRK 1.7bn in December and their additional borrowing by taking out loans throughout the year. It is worth noting that CBRD entered a loan agreement worth EUR 100m with a consortium of banks. Since a domestic bank participated in the consortium together with four foreign banks, a small portion of the said amount was registered as domestic debt.

Domestic guarantees totalled HRK 5.3bn at the end of 2005, which is HRK 0.7bn or 15.4% more than at the end of 2004.

Central Government External Debt

According to the CNB data, central government external debt totalled HRK 51.9bn at the end of December 2005, which was down HRK 3.5bn or 6.3% compared with the end of 2004. External debt of the Republic of Croatia reduced by

HRK 5.7bn (13.6%), as a consequence of regular repayments to the London and Paris Club, eurobond repayment worth EUR 500m and effects of the exchange rate. The euro weakened against the kuna by 3.9% in 2005 and since nearly 68% of the external debt of the Republic of Croatia is denominated in euros, the depreciation of the euro exchange rate reflected itself in the statistical reduction of the debt. The strengthening of the US dollar (10.6%) and Japanese yen (2.3%) against the kuna, the two currencies in which the remaining 32% of the Republic of Croatia debt is denominated, had the opposite effect.²¹ External debt of central government funds, inclusive of CBRD debt, went up by HRK 2.2bn in 2005. The said increase was a result of new borrowings by CM, CR and Croatian Waters (totalling HRK 1.1bn) and further CBRD borrowings.

External guarantees totalled HRK 7bn at the end of 2005, down 0.7bn or 8.5% compared with the end of 2004.

²¹ Only 0.2% of the Republic of Croatia external debt is denominated in Swiss francs and other (unmentioned) currencies.

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	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	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
	September	35,658.2	36,708.3	37,779.2	151,609.3	124,482.3	140,748.2	-3.18	-2.81	-2.13	0.33	0.32	1.85
	October	36,784.0	37,105.1	38,243.2	152,518.1	126,970.1	143,067.6	3.16	1.08	1.23	0.60	2.00	1.65
	November	36,927.6	37,204.1	38,371.2	154,677.8	128,971.3	146,322.5	0.39	0.27	0.33	1.42	1.58	2.28
	December	40,390.8	38,817.1	39,855.4	154,647.0	131,343.2	149,168.3	9.38	4.34	3.87	-0.02	1.84	1.94
	2006	January	36,629.2	37,216.7	38,157.5	152,000.6	131,715.3	150,544.7	-9.31	-4.12	-4.26	-1.71	0.28	0.92

^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 259.5 million kuna and in monetary aggregate M4 amounted to 4,055.8 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				2006
	Dec.	Dec. ^a	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
ASSETS										
1. Foreign assets (net)	29,017.2	48,661.3	32,817.4	32,771.4	31,742.6	22,171.9	21,379.3	27,127.0	23,303.8	20,285.3
2. Domestic credit	72,051.4	87,637.6	112,518.9	126,371.6	141,278.1	149,340.5	155,203.9	160,437.4	168,427.7	169,161.7
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	21,533.6	19,689.2	19,259.4	18,617.0
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	132,088.1	138,938.9	147,414.3	148,678.8
2.3. Claims on other banking institutions	68.7	170.2	219.5	431.8	624.0	537.2	588.3	702.4	592.2	587.9
2.4. Claims on non-banking financial institutions	161.7	281.4	915.3	761.8	893.9	1,151.4	993.9	1,106.9	1,161.8	1,278.0
Total (1+2)	101,068.7	136,298.9	145,336.3	159,143.0	173,020.7	171,512.3	176,583.2	187,564.4	191,731.5	189,447.0
LIABILITIES										
1. Money	18,030.3	23,703.5	30,869.8	33,888.7	34,562.1	34,547.4	36,735.0	36,708.3	38,817.1	37,216.7
2. Savings and time deposits	7,651.1	10,213.1	13,001.1	18,370.7	22,479.2	22,531.9	24,957.6	27,459.9	27,992.1	27,809.2
3. Foreign currency deposits	46,901.6	71,836.9	72,054.6	76,035.3	81,742.9	79,977.3	79,752.8	86,863.8	86,760.8	85,800.5
4. Bonds and money market instruments	478.2	317.8	216.3	598.4	1,163.5	918.0	1,164.5	577.3	1,077.0	1,174.2
5. Restricted and blocked deposits	2,864.5	1,926.2	1,729.5	1,721.6	2,067.0	2,408.0	2,023.2	2,039.8	2,092.3	2,192.1
6. Other items (net)	25,143.1	28,301.4	27,465.1	28,528.2	31,006.1	31,129.7	31,950.1	33,915.3	34,992.2	35,254.3
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	176,583.2	187,564.4	191,731.5	189,447.0

^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	December	39	1	12	9	6	5	6	6	3	3	–
2005	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	–
	September	36	1	10	9	5	5	6	3	2	1	–
	October	36	1	10	9	5	5	6	3	2	1	–
	November	36	1	10	9	5	5	6	3	2	1	–
	December	36	1	10	6	8	5	6	3	2	1	–
2006	January	36	1	10	8	6	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				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
ASSETS										
1. Foreign assets	28,747.4	39,308.9	42,058.8	50,118.6	49,373.4	49,863.2	51,653.6	52,061.3	54,862.5	56,135.8
1.1. Gold	–	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	1,204.2	905.8	17.4	5.0	4.8	5.3	4.8	6.3	6.3	8.8
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. Currency and demand deposits with foreign banks	7.4	6.1	6.4	5.8	5.7	5.5	5.4	5.8	7.7	8.2
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	26,710.8	26,830.3	28,274.1	29,480.1
1.6. Securities in f/c	6,545.7	12,829.3	13,850.0	24,525.5	25,023.7	24,440.9	24,931.1	25,217.4	26,573.0	26,637.3
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
2. Claims on central government and funds	0.0	–	0.5	1.4	3.3	1.7	–	0.5	1.4	0.2
2.1. Claims in kuna	0.0	–	0.5	1.4	3.3	1.7	–	0.5	1.4	0.2
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	77.4	73.4	73.4
4. Claims on banks	329.9	18.5	17.9	972.0	408.9	14.6	1,574.1	2,356.1	4,215.6	725.2
4.1. Credits to banks	328.8	16.6	17.6	968.9	408.9	14.6	1,574.1	2,356.1	4,215.6	725.2
Lombard credits	–	–	–	954.4	–	–	–	–	–	–
Short-term liquidity credits	–	–	–	–	–	–	–	–	–	–
Other credits	29.1	16.6	17.6	14.5	15.0	14.6	14.5	14.8	14.5	14.5
Reverse repo transactions	299.6	–	–	–	394.0	–	1,559.6	2,341.3	4,201.1	710.6
4.2. Overdue claims	1.1	1.9	0.3	3.1	–	–	–	–	–	–
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	53,305.2	54,495.3	59,153.0	56,934.6
LIABILITIES										
1. Reserve money	11,717.3	17,803.2	23,027.9	30,586.2	33,924.4	33,070.9	35,529.7	35,658.2	40,390.8	36,629.2
1.1. Currency outside banks	6,636.7	8,507.4	9,680.9	10,573.1	10,955.6	11,061.7	12,161.5	12,247.4	12,163.8	11,688.1
1.2. Banks' cash in vaults	532.3	538.8	1,214.8	1,683.2	1,871.0	1,665.0	1,855.9	2,021.7	2,210.7	1,835.4
1.3. Banks' deposits	4,540.7	8,741.5	12,109.4	18,329.3	21,082.6	20,344.0	21,503.1	21,389.1	26,016.3	23,105.7
Settlement accounts	459.5	2,450.1	3,923.4	5,616.0	6,408.2	5,582.3	5,388.5	4,366.0	8,411.1	5,983.4
Statutory reserves	4,081.2	6,291.4	8,186.0	12,603.9	14,674.4	14,761.7	16,114.6	16,943.1	17,605.2	17,081.3
CNB bills on obligatory basis	–	–	–	109.4	–	–	–	–	–	–
Overnight deposits	–	–	–	–	–	–	–	80.0	–	41.0
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	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	12,770.8	12,752.4	13,551.8	14,697.8
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	12,762.1	12,739.4	13,495.9	14,634.9
2.2. Restricted deposits	315.0	325.4	49.0	12.6	12.4	12.0	8.6	13.0	55.9	62.9
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,630.8	1,597.5	195.7	2,798.0	18.1	15.2	18.7	14.9	18.9	17.2
3.1. Use of IMF credit	1,290.3	1,025.5	2.8	0.0	–	–	–	0.0	–	–
3.2. Liabilities to international organisations	9.5	12.2	12.6	19.6	18.1	15.2	18.7	14.9	18.9	17.2
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	872.5	1,132.8	332.2	926.7
4.1. Demand deposits	1,008.5	1,752.1	608.3	600.2	228.0	590.7	872.5	1,125.9	319.0	605.1
Central government demand deposits	980.8	1,564.8	569.5	548.5	123.0	186.0	552.4	770.6	246.3	579.3
Central government funds' demand deposits	27.7	187.3	38.7	51.7	105.0	404.7	320.1	355.3	72.7	25.8
4.2. Central government f/c deposits	–	–	–	950.9	35.2	0.1	0.1	6.9	13.2	321.6
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	4,580.5	5,406.9	5,357.4 ^a	5,158.9
7. Other items (net)	–368.1	–424.2	–461.1	–408.1	–210.8	–448.0	–467.0	–469.8	–498.2 ^a	–495.3
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	53,305.2	54,495.3	59,153.0	56,934.6

^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 and overdue claims on banks. Credits to banks comprise Lombard credits, short-term liquidity credits, other credits and reverse repo transactions. Item Lombard credits comprises credits to banks for regular maintaining of the day-to-day liquidity, which were replaced by lombard credits in December 1994. Short-term liquidity credits, which have been granted since the beginning of 1999, also serve to bridge liquidity problems. Other credits include intervention credits, special credits for bridging liquidity problems granted in the past (initial credits, prerehabilitation credits), due but unpaid credits and banks' deposits with the CNB. 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				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
ASSETS										
1. Reserves with the CNB	10,588.9	15,002.7	20,373.5	26,783.7	33,718.2	34,295.8	36,163.5	36,156.3	41,775.2	39,627.7
1.1. In kuna	5,098.4	9,306.2	13,340.0	20,103.4	22,962.9	22,016.4	23,406.7	23,421.8	28,283.1	24,997.3
1.2. In f/c	5,490.5	5,696.5	7,033.5	6,680.2	10,755.3	12,279.5	12,756.8	12,734.5	13,492.1	14,630.4
2. Foreign assets	19,710.4	32,807.6	25,977.8	35,382.9	43,551.0	34,971.7	33,246.2	35,902.0	35,572.5	33,197.6
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	29,975.8	29,229.4	28,877.2	28,401.1
4. Claims on other domestic sectors	60,363.9	74,283.8	96,218.4	110,374.3	125,707.9	126,293.7	132,010.6	138,861.6	147,340.9	148,605.4
4.1. Claims on local government	1,174.9	1,280.0	1,422.4	1,563.1	1,787.9	1,750.7	1,758.2	1,685.3	1,767.2	1,645.9
4.2. Claims on enterprises	35,890.7	42,882.0	51,723.4	53,809.8	58,643.3	58,215.3	60,490.6	62,206.3	67,017.9	67,668.2
4.3. Claims on households	23,298.3	30,121.9	43,072.6	55,001.4	65,276.7	66,327.7	69,761.9	74,969.9	78,555.7	79,291.4
5. Claims on other banking institutions	68.7	170.2	219.5	431.8	624.0	537.2	588.3	702.4	592.2	587.9
6. Claims on non-banking financial institutions	161.7	281.4	915.3	761.8	893.9	1,151.4	993.9	1,106.9	1,161.8	1,278.0
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	232,978.3	241,958.5	255,319.8	251,697.7
LIABILITIES										
1. Demand deposits	11,386.0	15,180.6	21,166.2	23,315.0	23,591.3	23,485.4	24,564.3	24,460.9	26,653.3	25,528.6
2. Savings and time deposits	7,651.1	10,213.1	13,001.1	18,370.7	22,479.2	22,531.9	24,957.6	27,459.9	27,992.1	27,809.2
3. Foreign currency deposits	46,901.6	71,836.9	72,054.6	76,035.3	81,742.9	79,977.3	79,752.8	86,863.8	86,760.8	85,800.5
4. Bonds and money market instruments	478.2	317.8	216.3	598.4	1,163.5	918.0	1,164.5	577.3	1,077.0	1,174.2
5. Foreign liabilities	17,809.7	21,857.8	35,023.5	49,932.0	61,163.7	62,647.9	63,501.8	60,821.4	67,112.3	69,030.8
6. Central government and funds' deposits	6,730.5	5,634.7	6,094.9	5,283.3	6,821.8	6,917.0	7,569.7	8,407.9	9,287.0	8,857.7
7. Credit from central bank	328.8	16.6	17.6	968.9	408.9	14.6	1,574.1	2,356.1	4,215.6	725.2
8. Restricted and blocked deposits	2,549.6	1,600.8	1,680.5	1,709.0	2,054.6	2,396.1	2,014.5	2,026.9	2,036.4	2,129.2
9. Capital accounts	24,953.1	25,455.1	26,323.2	27,389.5	28,666.4	29,301.6	29,758.0	31,290.7	32,665.7	32,994.5
10. Other items (net)	-8,839.4	-9,507.8	-9,955.6	-8,324.2	-2,546.3	-2,153.3	-1,879.0	-2,306.4	-2,480.4	-2,352.2
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	232,978.3	241,958.5	255,319.8	251,697.7

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 in-

stitutions, 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 domestic sectors, other banking institutions, non-banking financial institutions, central government and funds as well as foreign legal and natural persons; and households' blocked foreign currency deposits, regulated by the Act on Converting Households' Foreign 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 clas-

sified 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.

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

end of period, million kuna

	2000	2001	2002	2003	2004	2005				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Foreign assets in f/c	19,619.2	32,763.6	25,924.4	35,261.9	43,428.1	34,892.1	33,071.4	35,781.4	35,457.9	33,106.0
1.1. Claims on foreign banks	19,154.9	31,660.3	21,333.5	31,877.6	35,911.0	27,732.8	25,440.3	27,510.5	27,228.5	24,791.2
Foreign currencies	1,002.8	7,324.7	1,019.8	1,268.6	1,190.0	1,069.4	1,206.8	1,046.2	1,136.1	945.5
Demand deposits	995.0	1,231.9	757.7	1,057.0	906.2	862.9	972.1	934.1	860.2	890.1
Time and notice deposits	16,286.7	21,765.2	17,569.8	27,969.4	30,943.7	22,843.4	19,982.1	21,452.3	20,874.6	18,519.1
Securities	454.9	1,008.5	1,690.2	1,364.2	2,674.1	2,763.5	3,080.4	3,988.7	4,197.0	4,278.6
Loans and advances	370.9	290.3	278.7	203.1	189.0	185.7	191.2	81.4	152.9	150.1
Shares and participations	44.6	39.7	17.2	15.4	8.1	7.8	7.7	7.8	7.8	7.7
1.2. Claims on foreign non-banks	464.3	1,103.3	4,590.8	3,384.4	7,517.1	7,159.3	7,631.1	8,270.8	8,229.4	8,314.8
Claims on foreign governments	137.8	596.2	3,855.5	2,905.0	7,066.6	6,805.0	7,220.4	7,798.4	7,735.7	7,842.6
Claims on other non-residents	322.4	505.5	733.7	478.9	450.2	353.9	410.2	471.9	493.1	471.7
Securities	–	72.1	191.3	32.1	77.4	0.0	–	37.2	68.0	75.0
Loans and advances	322.4	433.4	542.4	446.8	372.8	353.9	410.2	434.7	425.2	396.6
Shares and participations	4.1	1.6	1.6	0.4	0.3	0.4	0.5	0.5	0.5	0.5
2. Foreign assets in kuna	91.2	44.1	53.4	120.9	122.9	79.6	174.8	120.7	114.6	91.5
2.1. Claims on foreign banks	66.1	29.2	19.6	99.1	77.8	33.9	133.6	76.5	71.3	51.7
2.2. Claims on foreign non-banks	25.1	14.8	33.8	21.9	45.1	45.6	41.2	44.1	43.4	39.8
o/w: Loans and advances	23.3	13.9	33.0	21.0	44.3	44.8	40.4	43.3	42.6	39.0
Total (1+2)	19,710.4	32,807.6	25,977.8	35,382.9	43,551.0	34,971.7	33,246.2	35,902.0	35,572.5	33,197.6

Table D2: Banks' Foreign Assets

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

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

eign currency.

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

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

end of period, million kuna

	2000	2001	2002	2003	2004	2005				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. In kuna	17,372.2	17,778.7	18,444.4	18,007.1	16,270.2	20,413.0	21,717.2	20,874.4	20,532.7	20,174.8
1.1. Claims on central government	15,772.8	16,230.2	16,443.4	16,032.6	14,465.6	17,673.9	18,014.4	17,005.7	17,352.6	17,228.6
Securities	14,547.9	15,403.2	13,989.1	11,770.0	11,779.1	14,970.1	15,057.0	15,650.7	16,037.7	15,488.9
o/w: Bonds (c'part to f/c savings deposits)	4,484.4	3,420.1	2,473.5	1,531.9	532.0	22.3	21.7	21.1	20.6	22.1
Loans and advances	1,224.9	826.9	2,454.3	4,262.6	2,686.5	2,703.8	2,957.4	1,355.0	1,314.9	1,739.8
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	3,702.8	3,868.6	3,180.1	2,946.2
Securities	627.3	560.1	560.7	723.6	621.1	652.2	710.9	619.2	–	–
Loans and advances	972.1	988.4	1,440.3	1,250.9	1,183.5	2,086.9	2,991.9	3,249.4	3,180.1	2,946.2
2. In f/c	1,683.3	2,281.2	3,473.3	3,536.4	4,781.1	8,373.7	8,258.6	8,355.0	8,344.5	8,226.3
2.1. Claims on central government	1,492.7	1,390.9	2,359.1	3,196.9	3,548.4	7,137.3	7,021.4	7,179.0	7,241.0	7,129.9
Securities	869.2	1,065.5	1,733.4	1,805.4	1,117.0	1,058.9	997.3	1,072.4	1,248.1	1,175.4
Loans and advances	623.5	325.5	625.7	1,391.5	2,431.3	6,078.4	6,024.0	6,106.6	5,992.8	5,954.5
2.2. Claims on central government funds	190.6	890.3	1,114.2	339.5	1,232.8	1,236.4	1,237.3	1,176.0	1,103.5	1,096.4
Securities	35.0	75.4	195.0	96.4	163.1	209.4	178.0	144.3	144.2	151.1
Loans and advances	155.5	814.8	919.2	243.1	1,069.7	1,026.9	1,059.3	1,031.7	959.3	945.3
Total (1+2)	19,055.5	20,059.9	21,917.7	21,543.6	21,051.3	28,786.7	29,975.8	29,229.4	28,877.2	28,401.1

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

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

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

Table D4: Banks' Claims on Other Domestic Sectors

end of period, million kuna

	2000	2001	2002	2003	2004	2005				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Claims in kuna	53,739.5	66,626.8	85,418.7	100,365.0	114,635.7	115,132.8	119,920.6	126,225.5	133,603.5	137,075.3
1.1. Money market instruments	231.9	544.7	1,394.7	1,314.1	2,510.0	1,600.3	1,635.3	1,560.3	2,329.9	2,313.6
1.2. Bonds	1.0	7.7	72.4	56.2	559.8	554.1	457.0	277.2	361.6	355.0
1.3. Loans and advances	49,566.8	62,180.6	80,887.6	96,081.7	109,523.9	110,959.3	115,787.9	122,336.3	128,882.3	132,398.6
1.4. Shares and participations	3,939.8	3,893.8	3,064.0	2,912.9	2,042.0	2,019.1	2,040.4	2,051.7	2,029.6	2,008.1
2. Claims in f/c	6,624.3	7,657.0	10,799.8	10,009.3	11,072.2	11,160.9	12,090.0	12,636.0	13,737.4	11,530.1
2.1. Securities	112.4	126.6	243.2	130.6	213.5	265.5	295.8	318.6	307.6	333.9
2.2. Loans and advances	6,512.0	7,530.5	10,556.6	9,878.7	10,858.6	10,895.4	11,794.1	12,317.4	13,429.8	11,196.2
Total (1+2)	60,363.9	74,283.8	96,218.4	110,374.3	125,707.9	126,293.7	132,010.6	138,861.6	147,340.9	148,605.4

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				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	5,949.4	4,604.4	4,495.0	4,686.0
1.1. Loans to central government	1,224.9	826.9	2,454.3	4,262.6	2,686.5	2,703.8	2,957.4	1,355.0	1,314.9	1,739.8
1.2. Loans to central government funds	972.1	988.4	1,440.3	1,250.9	1,183.5	2,086.9	2,991.9	3,249.4	3,180.1	2,946.2
2. Loans to local government	996.8	1,069.1	1,202.9	1,485.1	1,701.9	1,666.1	1,673.0	1,586.6	1,613.9	1,577.0
3. Loans to enterprises	25,328.0	31,049.4	36,708.1	39,777.4	42,844.7	43,266.9	44,704.2	46,163.0	49,105.9	51,856.6
4. Loans to households	23,242.1	30,062.1	42,976.6	54,819.3	64,977.2	66,026.2	69,410.7	74,586.7	78,162.4	78,965.0
o/w: Housing loans	8,257.8	9,450.0	12,363.4	16,896.2	21,397.9	21,865.2	23,239.5	25,701.3	27,571.1	28,119.3
5. Loans to other banking institutions	33.5	34.7	17.6	82.3	154.5	51.8	53.8	150.9	46.5	31.9
6. Loans to non-banking financial institutions	105.5	240.9	521.3	427.9	558.0	525.3	517.1	619.4	591.8	630.5
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	122,308.1	127,711.1	134,015.6	137,747.0
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	7,083.4	7,138.3	6,952.1	6,899.8
1.1. Loans to central government	623.5	325.5	625.7	1,391.5	2,431.3	6,078.4	6,024.0	6,106.6	5,992.8	5,954.5
1.2. Loans to central government funds	155.5	814.8	919.2	243.1	1,069.7	1,026.9	1,059.3	1,031.7	959.3	945.3
2. Loans to local government	171.6	179.1	152.3	47.1	31.9	23.5	23.1	63.4	63.0	18.7
3. Loans to enterprises	6,284.0	7,291.7	10,308.3	9,649.4	10,527.3	10,570.4	11,419.9	11,870.8	12,973.5	10,851.1
4. Loans to households	56.3	59.7	96.0	182.1	299.5	301.5	351.2	383.2	393.3	326.4
5. Loans to other banking institutions	–	–	1.2	174.3	52.9	6.0	–	70.0	19.9	–
6. Loans to non-banking financial institutions	–	–	28.3	58.8	255.3	567.8	421.7	430.6	512.3	589.0
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	19,299.2	19,956.3	20,914.1	18,685.0
TOTAL (A+B)	59,193.9	72,942.3	97,452.1	113,851.8	128,774.2	134,901.8	141,607.3	147,667.3	154,929.7	156,432.0

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

The table shows data on kuna and foreign currency loans gran-

ted 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				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Local government	573.6	907.0	1,910.4	2,006.2	2,020.7	1,878.0	1,913.7	1,837.4	1,688.7	1,507.7
2. Enterprises	7,087.1	8,981.6	12,344.5	12,872.9	12,036.9	11,455.3	11,728.9	11,674.5	13,344.2	12,365.7
3. Households	3,499.7	4,872.0	6,307.4	7,873.1	8,773.0	9,476.7	10,092.5	10,317.2	10,728.3	10,717.6
4. Other banking institutions	11.6	17.0	42.1	98.9	245.4	139.4	265.6	163.5	322.1	282.8
5. Non-banking financial institutions	221.7	407.1	568.1	468.1	517.5	537.7	565.3	469.9	571.3	656.0
6. Less: Checks of other banks and checks in collection	-7.6	-4.2	-6.4	-4.2	-2.2	-1.8	-1.8	-1.6	-1.3	-1.2
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	24,564.3	24,460.9	26,653.3	25,528.6

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				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Savings deposits	1,676.1	2,006.8	2,236.2	2,527.9	2,233.9	2,327.6	2,335.8	2,412.9	2,493.6	2,524.0
1.1. Local government	137.6	118.3	14.8	14.4	4.6	4.7	4.8	5.0	2.7	3.3
1.2. Enterprises	142.4	88.0	213.3	190.5	38.8	45.5	62.0	96.0	101.6	114.3
1.3. Households	1,348.3	1,712.2	1,996.3	2,288.8	2,190.5	2,277.4	2,269.1	2,311.8	2,388.3	2,406.4
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	–	1.0	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	22,621.8	25,047.1	25,498.4	25,285.2
2.1. Local government	230.7	340.7	482.8	551.6	550.8	695.6	675.8	779.1	508.7	665.1
2.2. Enterprises	2,871.4	3,618.3	4,633.6	7,165.3	8,698.5	7,522.2	8,346.1	9,303.0	8,222.5	7,517.1
2.3. Households	1,789.8	2,554.1	3,793.8	6,194.5	9,321.4	10,455.7	11,190.4	12,180.5	13,254.9	13,739.6
2.4. Other banking institutions	20.8	24.7	58.4	129.3	215.9	143.7	532.4	839.5	931.9	1,058.4
2.5. Non-banking financial institutions	1,062.2	1,668.5	1,796.3	1,802.2	1,458.8	1,387.1	1,877.1	1,944.9	2,580.4	2,304.9
Total (1+2)	7,651.1	10,213.1	13,001.1	18,370.7	22,479.2	22,531.9	24,957.6	27,459.9	27,992.1	27,809.2

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				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Savings deposits	14,566.3	23,748.8	21,074.4	21,547.0	22,144.6	21,005.7	21,410.7	23,555.7	22,641.0	22,376.0
1.1. Local government	16.8	13.2	12.2	14.7	15.6	14.6	14.8	13.3	11.9	10.6
1.2. Enterprises	2,408.0	2,884.2	3,346.7	3,620.2	4,273.2	3,948.4	4,230.0	4,727.1	4,408.3	4,274.5
1.3. Households	12,041.5	20,688.3	17,537.3	17,690.2	17,708.9	16,864.1	17,069.2	18,504.4	17,933.6	17,673.0
1.4. Other banking institutions	10.3	23.9	34.7	9.0	15.4	16.2	11.1	26.7	116.0	126.1
1.5. Non-banking financial institutions	89.8	139.2	143.5	212.9	131.6	162.3	85.6	284.3	171.3	291.9
2. Time deposits	32,335.3	48,088.1	50,980.3	54,488.4	59,598.3	58,971.7	58,342.1	63,308.1	64,119.7	63,424.5
2.1. Local government	8.2	1.7	9.5	3.8	0.3	0.3	31.8	33.1	3.2	3.1
2.2. Enterprises	2,753.1	4,619.1	6,009.6	7,154.0	8,518.6	8,267.1	7,125.9	8,265.8	8,154.2	7,725.7
2.3. Households	29,097.2	42,705.4	44,159.2	46,805.1	50,636.0	50,298.2	50,617.7	53,913.8	55,036.1	54,966.0
2.4. Other banking institutions	4.2	11.5	41.5	21.7	20.7	81.8	120.2	258.5	242.0	233.4
2.5. Non-banking financial institutions	472.7	750.3	760.5	503.7	422.7	324.3	446.5	836.9	684.2	496.3
Total (1+2)	46,901.6	71,836.9	72,054.6	76,035.3	81,742.9	79,977.3	79,752.8	86,863.8	86,760.8	85,800.5

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				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Money market instruments (net)	–	–	5.1	–	–	–	–	–	–	–
2. Bonds (net)	353.5	104.4	92.8	151.9	170.5	170.3	159.6	160.8	164.9	170.4
3. Other domestic borrowing	124.7	213.4	118.4	446.5	993.0	747.6	1,005.0	416.5	912.1	1,003.8
3.1. Local government	–	–	–	0.9	–	–	–	–	–	–
3.2. Enterprises	15.2	158.1	46.3	92.7	40.3	49.3	80.3	74.8	40.8	51.4
3.3. Other banking institutions	1.3	4.6	10.0	222.1	842.8	494.2	623.4	317.7	828.1	675.6
3.4. Non-banking financial institutions	108.2	50.7	62.0	130.9	109.9	204.2	301.2	24.0	43.2	276.8
Total (1+2+3)	478.2	317.8	216.3	598.4	1,163.5	918.0	1,164.5	577.3	1,077.0	1,174.2

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				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Foreign liabilities in f/c	17,669.8	21,692.7	34,198.5	44,574.3	54,536.7	53,735.4	52,808.8	49,145.4	52,073.3	53,283.7
1.1. Liabilities to foreign banks	11,957.6	16,407.4	28,662.3	38,623.1	48,967.5	47,936.1	46,774.5	42,943.1	45,747.7	47,018.3
Demand deposits	176.3	147.1	130.9	266.6	127.6	96.2	106.6	133.6	156.3	101.6
Time and notice deposits	345.9	1,208.3	9,002.9	14,875.4	16,056.8	14,254.3	13,554.8	10,454.4	12,523.1	12,139.7
Loans and advances	11,435.4	15,052.1	19,528.5	23,481.2	29,369.5	30,269.7	29,841.7	29,025.7	29,775.6	31,482.7
o/w: Subordinated and hybrid instruments	194.2	2,558.3	2,801.4	2,949.2	2,399.4	2,088.4	1,902.9	1,820.6	1,167.4	1,164.8
Bonds	–	–	–	–	3,413.6	3,315.9	3,271.4	3,329.4	3,292.6	3,294.3
1.2. Liabilities to foreign non-banks	5,712.2	5,285.2	5,536.2	5,951.2	5,569.2	5,799.3	6,034.3	6,202.3	6,325.6	6,265.4
Savings and time deposits	2,868.1	3,777.8	4,160.2	4,753.2	5,002.2	5,280.5	5,516.2	5,718.3	5,846.3	5,851.9
Sight deposits	745.5	873.7	875.6	898.6	1,052.5	1,073.3	1,156.6	1,195.7	1,172.9	1,158.2
Time and notice deposits	2,122.6	2,904.1	3,284.6	3,854.6	3,949.6	4,207.1	4,359.7	4,522.6	4,673.4	4,693.8
Loans and advances	2,844.1	1,507.4	1,376.0	1,198.0	567.1	518.8	518.1	484.0	479.3	413.5
o/w: Subordinated and hybrid instruments	66.0	39.3	39.7	39.1	0.2	0.1	0.1	0.0	–	–
2. Foreign liabilities in kuna	140.0	165.1	825.0	5,357.7	6,627.0	8,912.5	10,693.0	11,676.0	15,039.1	15,747.1
2.1. Liabilities to foreign banks	37.0	46.9	690.9	5,087.8	6,103.9	8,293.2	9,992.7	10,822.6	14,099.6	14,802.8
Demand deposits	14.4	38.2	53.6	86.4	145.1	199.8	223.4	163.6	179.6	172.1
Time and notice deposits	22.0	4.2	635.8	2,664.1	2,846.9	4,471.8	4,136.9	5,312.0	6,979.5	7,557.4
Loans and advances	0.7	4.5	1.5	2,337.3	3,111.9	3,621.6	5,632.3	5,347.0	6,940.5	7,073.3
o/w: Subordinated and hybrid instruments	–	–	–	–	–	–	–	223.2	405.7	404.8
2.2. Liabilities to foreign non-banks	103.0	118.2	134.1	269.9	523.1	619.3	700.4	853.4	939.5	944.3
Demand deposits	50.8	60.1	56.2	76.8	95.9	108.3	121.6	147.1	180.3	185.9
Time and notice deposits	52.2	58.1	77.9	191.4	419.2	503.2	574.8	702.3	755.2	754.4
Loans and advances	–	–	–	1.7	8.0	7.7	3.9	4.0	4.0	4.0
o/w: Subordinated and hybrid instruments	....	....	....	1.7	8.0	7.7	3.9	4.0	4.0	4.0
Total (1+2)	17,809.7	21,857.8	35,023.5	49,932.0	61,163.7	62,647.9	63,501.8	60,821.4	67,112.3	69,030.8

Table D10: Banks' Foreign Liabilities

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

Banks' foreign liabilities comprise foreign currency liabilities and

foreign kuna liabilities.

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

Table D11: Central Government and Funds' Deposits with Banks

end of period, million kuna

	2000	2001	2002	2003	2004	2005				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. In kuna	3,073.3	3,335.1	4,036.8	4,104.4	5,627.2	5,961.7	6,105.4	6,912.1	7,596.1	7,379.5
1.1. Central government deposits	430.0	295.9	634.3	506.4	445.1	426.4	554.8	710.9	605.0	565.4
Demand deposits	116.7	33.9	476.4	448.0	373.3	330.4	428.4	529.8	458.1	420.5
Savings deposits	26.1	41.6	3.3	3.0	4.2	3.3	2.1	2.1	1.8	1.3
Time and notice deposits	259.5	217.6	153.6	54.2	66.5	91.7	123.2	178.0	144.0	142.5
Loans and advances	27.7	2.8	1.1	1.1	1.1	1.1	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	5,550.6	6,201.2	6,991.1	6,814.1
Demand deposits	116.9	214.6	553.2	294.8	266.3	271.9	241.5	541.1	580.2	520.4
Savings deposits	15.2	10.8	0.0	0.3	3.5	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	251.0	177.2	251.7	156.5
Loans and advances	2,478.6	2,618.6	2,705.0	3,146.7	4,650.0	4,622.7	5,056.2	5,481.1	6,157.3	6,135.3
2. In f/c	3,657.1	2,299.6	2,058.1	1,178.9	1,194.6	955.3	1,464.3	1,495.7	1,690.9	1,478.2
2.1. Central government deposits	3,622.6	2,275.0	1,938.9	1,158.2	891.0	818.6	887.7	915.5	906.2	656.5
Savings deposits	1,256.1	329.8	263.0	198.5	189.7	206.5	236.6	370.2	340.6	213.4
Time and notice deposits	27.0	55.8	293.1	–	23.2	23.7	30.1	23.6	38.7	37.1
Refinanced loans and advances	2,339.4	1,889.5	1,382.8	959.6	678.1	588.3	620.9	521.6	527.0	406.1
2.2. Central government funds' deposits	34.6	24.5	119.2	20.8	303.6	136.7	576.6	580.3	784.7	821.7
Savings deposits	25.0	22.9	114.1	20.8	156.5	136.7	172.1	177.1	139.4	107.8
Time and notice deposits	9.5	1.6	5.0	–	147.1	–	240.8	180.0	25.8	–
Loans	–	–	–	–	–	–	163.8	223.2	619.6	713.9
Total (1+2)	6,730.5	5,634.7	6,094.9	5,283.3	6,821.8	6,917.0	7,569.7	8,407.9	9,287.0	8,857.7

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				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Restricted deposits	854.4	830.6	1,361.2	1,541.2	2,014.6	2,396.0	2,014.5	2,105.2	2,036.4	2,129.2
1.1. In kuna	131.6	100.3	789.6	730.1	1,267.4	1,473.5	1,221.6	1,179.0	1,277.1	1,216.0
1.2. In f/c	722.8	730.3	571.6	811.1	747.2	922.5	792.9	926.2	759.3	913.2
2. Blocked f/c deposits of households	1,695.1	770.2	319.3	167.8	40.0	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	2,014.5	2,105.2	2,036.4	2,129.2

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

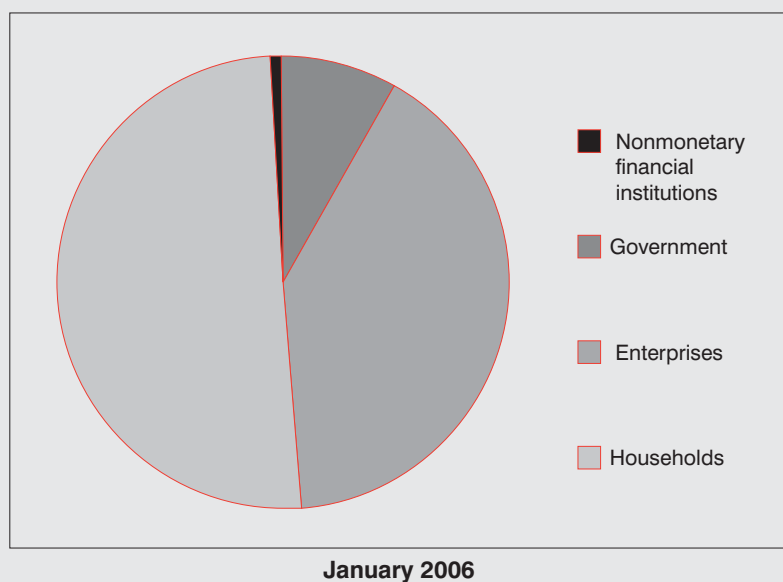
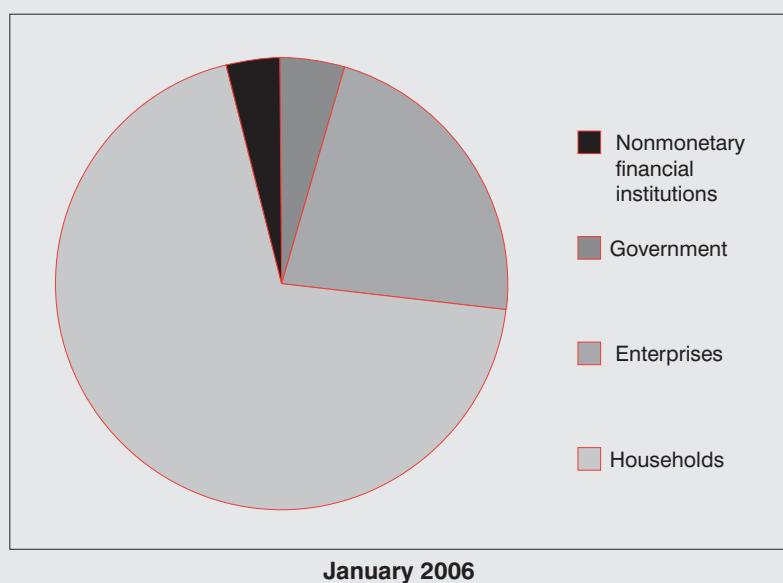


Figure D2

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				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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
2. Claims on central government and funds	497.6	1,208.8	1,983.9	3,033.5	3,779.1	3,660.1	3,666.1	3,842.0	4,274.3	4,387.3
3. Claims on other domestic sectors	1.1	11.6	93.3	187.9	373.2	557.4	610.9	673.0	575.5	606.7
o/w: Claims on households	0.6	11.6	91.3	187.9	373.2	403.0	458.9	518.8	575.5	606.7
4. Claims on banks	7.6	18.1	37.2	247.2	824.2	666.0	693.0	693.7	994.4	827.3
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	4,970.1	5,208.7	5,844.2	5,821.3
LIABILITIES										
1. Time deposits	437.8	1,137.5	2,012.9	3,265.2	4,728.2	4,686.9	4,678.9	4,878.2	5,514.7	5,521.4
2. Bonds and money market instruments	10.0	10.0	–	11.1	10.7	10.4	10.2	10.4	10.3	10.3
3. Capital accounts	112.5	124.0	141.1	159.7	206.7	172.4	238.1	286.0	258.0	252.0
4. Other items (net)	–46.5	–17.5	–20.4	32.6	30.8	13.8	42.9	34.1	61.1	37.5
Total (1+2+3+4)	513.8	1,254.0	2,133.6	3,468.6	4,976.6	4,883.5	4,970.1	5,208.7	5,844.2	5,821.3

Table E1: Housing Savings Banks' Accounts

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

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

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

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

Claims on banks include loans 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	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	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
	September	4.50	3.50	9.50	–	–	10.50	15.00	15.00
	October	4.50	3.50	9.50	–	–	10.50	15.00	15.00
	November	4.50	3.50	9.50	–	–	10.50	15.00	15.00
	December	4.50	3,50	7,50 ^c	–	–	8,50 ^c	15,00	15,00
2006	January	4,50	3,50	7,50	–	–	8,50	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.

^c Since 14 December 2005.

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					Interest rates on overnight deposits
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	December	5.15	–	9.00	12.00	14.00	–	–	–	–	–	–	–
1995	December	5.50	16.50	12.00	25.54	27.00	–	–	–	–	–	–	–
1996	December	5.50	–	–	8.00	9.50	–	–	–	–	–	–	–
1997	December	4.50	–	–	8.00	9.00	10.00	–	–	–	–	–	–
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–	–
2002	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–	–
2003	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–	–
2004	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	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
	September	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	October	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	November	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	2006	January	0.75	–	–	–	–	–	–	–	–	–	–

^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	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	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
	September	18.00	36,249.8	24,107.1	12,142.7	3,710.2	16,873.6	9,130.9	0.52	0.75
	October	18.00	36,832.9	24,483.3	12,349.6	3,542.4	17,137.4	9,233.1	0.52	0.74
	November	18.00	37,147.1	24,741.3	12,405.8	3,631.8	17,318.0	9,254.3	0.52	0.68
	December	18.00	37,424.5	24,997.9	12,426.6	3,940.2*	17,497.7	9,271.4	0.52	0.92†
2006	January	17.32	36,676.0	24,644.6	12,031.4	5,047.4	17,250.3	8,988.8	0.52	0.74

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	December	1,495.5	26,126.1	2.64	0.0	0.0	0.0	4,581.7
2005	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
	September	424.6	21,862.5	0.64	0.0	0.0	0.0	4,666.5
	October	409.1	21,124.8	0.61	0.0	0.0	0.0	4,721.6
	November	354.4	20,976.2	0.52	0.0	0.0	0.0	5,014.3
	December	672.5	20,493.4	0.96	0.2	0.0	0.0	4,163.3
	2006	January	579.6	18,833.0	0.80	0.1	0.0	0.0	5,954.5

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	December	3.55	6.02	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16	
2005	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	
	September	1.83	4.21	10.66	10.72	8.01	12.04	13.86	5.47	9.98	6.26	11.32	
	October	2.12	3.84	10.95	10.98	7.98	12.35	13.92	5.41	10.30	6.89	11.22	
	November	2.29	3.95	10.54	10.56	7.71	11.96	13.77	5.37	10.08	7.61	11.02	
	December	2.29	4.03	9.91	9.99	7.71	11.26	13.18	5.35	8.75	6.48	10.35	
	2006	January	1.60	3.30	11.16	11.23	7.86	12.84	13.51	6.59	10.01	7.14	10.91
Relative significance ^a		–	–	65.75	62.11	20.15	41.96	37.90	4.06	3.65	0.86	2.78	

^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		
		Total average	On short-term credits			On long-term credits					Total average	On short-term credits	On long-term credits
			Total average	Enterprises	Households	Total average	Enterprises	Total average	Households	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	December	11.99	12.38	....	....	11.65	....	....	....	....	....	....	....
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18
2004	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	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
	September	6.68	6.69	6.59	7.37	6.68	5.42	7.40	5.14	8.56	5.01	5.78	4.33
	October	6.46	6.27	6.22	6.87	6.54	5.09	7.27	5.04	8.36	4.94	5.28	4.38
	November	6.49	6.73	6.64	7.38	6.42	5.36	7.12	5.01	8.20	4.84	4.94	4.70
	December	6.17	6.48	6.34	7.65	6.07	5.18	6.95	5.00	8.10	5.29	5.28	5.30
2006	January	6.38	6.18	6.01	7.59	6.44	5.54	7.03	4.93	8.23	4.81	5.37	4.51
	Relative significance ^a	28.80	6.69	5.99	0.70	22.11	8.69	13.42	4.90	8.52	5.45	1.90	3.55

^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	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	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
	September	1.73	0.63	3.93	3.93	4.01	3.92	4.04	5.03	2.94
	October	1.69	0.64	3.66	3.65	3.98	3.60	3.91	4.95	3.01
	November	1.71	0.63	3.60	3.56	3.97	3.47	4.86	5.73	3.70
	December	1.58	0.61	3.36	3.34	3.89	3.23	4.12	5.04	3.49
2006	January	1.56	0.61	3.20	3.17	4.00	2.98	4.35	5.09	3.50
	Relative significance ^a	45.25	31.25	10.62	10.37	1.99	8.37	0.25	0.14	0.12

^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	Savings deposits					
						Total average	Households		Enterprises		
							EUR	USD	EUR	USD	
1	2	3	4	5	6	7	8	9	10	11	
1994	December	6.95	....	....	....	....	....	....	....	....
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53	
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39	
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40	
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74	
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30	
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29	
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40	
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38	
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15	
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21	
2005	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	3.59	4.83	2.53	0.28	0.27	0.18	0.33	0.50	
	September	4.03	3.54	4.66	2.45	0.26	0.26	0.18	0.29	0.59	
	October	4.01	3.51	4.71	2.54	0.26	0.26	0.18	0.25	0.58	
	November	4.06	3.71	4.68	2.50	0.30	0.32	0.17	0.30	0.59	
	December	3.99	3.63	4.77	2.61	0.27	0.27	0.17	0.27	0.76	
	2006	January	3.97 ^b	3.50	4.75	2.65	0.26	0.25	0.17	0.32	0.63
Relative significance ^a		2.47	1.90	0.55	52.28	27.21	19.10	3.11	4.28	0.71	

^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, 15.04 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			
1	2	12	13	14	15	16	17	18	19	20	21	22	
				EUR	USD	EUR	USD		EUR	USD	EUR	USD	
1994	December
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50	
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50	
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76	
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92	
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77	
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53	
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23	
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30	
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64	
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65	
2005	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	
	September	2.88	2.84	3.02	1.71	2.36	3.72	3.22	3.26	2.64	3.31	4.02	
	October	2.95	2.84	3.04	1.93	2.40	3.96	3.47	4.08	0.91	3.67	4.01	
	November	2.91	2.86	3.02	1.80	2.51	3.98	3.45	3.48	3.05	3.13	4.31	
	December	3.07	2.94	2.99	1.76	2.63	4.34	3.69	4.25	0.48	4.39	-	
2006	January	3.22	2.99	2.97	1.77	2.62	4.46	4.34	4.30	1.38	4.77	2.25	
	Relative significance ^a	25.08	20.82	9.51	1.02	7.46	2.84	4.26	1.76	0.30	2.20	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				2006	
						Mar.	Jun.	Sep.	Dec. ^b	Jan.	Feb. ^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	762.0	723.4	1,137.9	737.2	1,065.2
2. Natural persons	2,549.2	3,339.9	3,342.6	3,571.6	3,934.4	298.0	436.3	505.7	484.2	350.4	390.6
2.1. Residents	2,021.1	2,684.5	2,842.0	3,103.3	3,586.1	289.5	407.8	475.2	478.2	–	–
2.2. Non-residents	528.0	655.4	500.7	468.2	348.3	8.5	28.5	30.5	6.0	–	–
3. Domestic banks	2,441.4	3,985.8	4,104.5	6,324.4	10,799.3	724.4	546.6	695.6	1,122.5	616.9	1,024.7
4. Foreign banks	–	–	697.9	1,430.6	1,426.2	421.8	146.5	173.9	234.5	148.1	180.9
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	1,891.4	2,098.7	2,979.1	1,852.6	2,661.4
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	1,188.6	1,283.0	1,239.9	1,075.3	1,164.8
2. Natural persons	963.6	1,253.5	1,333.6	1,403.1	1,671.1	153.7	232.5	329.2	317.2	181.0	225.4
2.1. Residents	962.8	1,252.3	1,329.7	1,393.1	1,654.5	152.9	231.0	325.9	315.1	–	–
2.2. Non-residents	0.6	1.2	3.9	10.0	16.6	0.8	1.5	3.3	2.1	–	–
3. Domestic banks	2,441.4	3,985.8	4,104.5	6,324.4	10,799.3	724.4	546.6	695.6	1,122.5	616.9	1,024.7
4. Foreign banks	–	–	334.3	765.3	1,001.1	122.4	74.9	55.6	238.0	163.6	117.3
5. Croatian National Bank	284.2	915.7	745.3	84.5	543.2	108.5	85.4	–	161.9	–	118.6
Total (1+2+3+4)	9,104.0	14,689.2	15,547.0	19,429.7	25,295.0	2,339.6	2,127.9	2,363.6	3,079.5	2,036.8	2,650.9
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	–426.5	–559.6	–102.1	–338.1	–99.7
2. Natural persons	1,585.6	2,086.4	2,009.0	2,168.4	2,263.3	144.2	203.8	176.5	167.1	169.4	165.2
2.1. Residents	1,058.3	1,432.2	1,512.3	1,710.2	1,931.6	136.6	176.8	149.3	163.1	–	–
2.2. Non-residents	527.4	654.2	496.7	458.2	331.7	7.7	27.0	27.2	3.9	–	–
3. Foreign banks	–	–	363.6	665.3	425.1	299.4	71.6	118.3	–3.5	–15.5	63.5
4. Croatian National Bank	–116.0	–434.0	–451.0	353.8	–510.2	–108.5	–85.4	–	–161.9	–	–118.6
Total (1+2+3)	–628.8	–1,869.4	–2,379.9	–1,231.8	–1,636.9	–190.4	–236.5	–264.9	–100.4	–184.2	10.5
Memo items: Other Croatian National Bank transactions											
Purchase of foreign exchange	405.8	536.8	197.5	570.9	145.1	–	0.0	–	–	–	–
Sale of foreign exchange	86.9	2.6	3.4	94.9	239.3	13.3	4.8	–	–	–	10.1

^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 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	2005		
						Q1	Q2	Q3 ^a
A. CURRENT ACCOUNT (1+6)	-489.9	-817.7	-2,097.2	-1,866.2	-1,446.7	-1,550.9	-1,129.9	2,262.7
1. Goods, services, and income (2+5)	-1,448.7	-1,917.2	-3,249.4	-3,110.7	-2,638.5	-1,850.5	-1,451.0	1,993.2
1.1. Credit	9,788.6	11,272.5	11,583.7	13,587.1	14,891.1	2,309.0	3,866.5	6,681.9
1.2. Debit	-11,237.3	-13,189.7	-14,833.1	-16,697.8	-17,529.6	-4,159.5	-5,317.4	-4,688.7
2. Goods and services (3+4)	-1,028.9	-1,301.0	-2,675.6	-2,041.2	-2,012.8	-1,564.9	-921.0	2,125.1
2.1. Credit	9,411.3	10,800.1	11,125.4	13,137.6	14,239.8	2,176.1	3,682.1	6,512.9
2.2. Debit	-10,440.2	-12,101.1	-13,801.0	-15,178.7	-16,252.6	-3,741.0	-4,603.1	-4,387.8
3. Goods	-3,499.4	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-1,569.1	-2,049.3	-1,841.9
3.1. Credit	4,969.3	5,318.8	5,293.1	5,571.7	6,603.1	1,523.5	1,891.1	1,843.8
3.2. Debit	-8,468.6	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-3,092.6	-3,940.5	-3,685.7
4. Services	2,470.5	3,302.8	3,284.8	4,933.0	4,715.0	4.2	1,128.4	3,967.0
4.1. Credit	4,442.0	5,481.3	5,832.3	7,565.9	7,636.7	652.6	1,791.0	4,669.1
4.2. Debit	-1,971.5	-2,178.5	-2,547.5	-2,632.8	-2,921.7	-648.4	-662.6	-702.2
5. Income	-419.8	-616.2	-573.8	-1,069.5	-625.7	-285.6	-530.0	-131.9
5.1. Credit	377.3	472.4	458.3	449.6	651.3	132.9	184.4	168.9
5.2. Debit	-797.2	-1,088.6	-1,032.1	-1,519.1	-1,277.0	-418.4	-714.3	-300.8
6. Current transfers	958.9	1,099.5	1,152.2	1,244.5	1,191.8	299.6	321.1	269.5
6.1. Credit	1,195.5	1,333.3	1,453.2	1,538.7	1,584.6	401.1	427.1	388.0
6.2. Debit	-236.6	-233.8	-301.1	-294.2	-392.8	-101.5	-106.0	-118.5
B. CAPITAL AND FINANCIAL ACCOUNT	1,244.5	1,050.9	2,731.9	2,996.5	2,269.0	1,188.7	1,283.9	-527.9
B1. Capital account	22.2	154.1	501.2	72.4	23.1	2.3	2.0	3.8
B2. Financial account, excl. reserves	1,899.5	2,445.8	2,972.6	4,159.5	2,289.0	1,374.4	1,564.3	-599.2
1. Direct investment	1,140.6	1,326.9	597.2	1,695.4	698.0	188.5	654.3	307.4
1.1. Abroad	-1.5	-175.6	-597.8	-93.0	-280.9	-29.8	-53.3	-12.0
1.2. In Croatia	1,142.1	1,502.5	1,195.1	1,788.4	979.0	218.3	707.6	319.3
2. Portfolio investment	728.0	666.0	-440.2	868.8	244.2	-433.8	-165.9	-415.4
2.1. Assets	-25.0	-143.2	-650.6	121.3	-752.5	24.6	-174.5	-301.5
2.2. Liabilities	753.0	809.2	210.4	747.5	996.7	-458.4	8.6	-113.9
3. Financial derivatives				0.0	0.0	-88.4	0.0	0.0
4. Other investment	30.9	453.0	2,815.5	1,595.3	1,346.8	1,708.1	1,075.9	-491.1
4.1. Assets	-1,040.4	394.3	451.9	-2,151.8	-454.7	1,005.8	301.4	-233.7
4.2. Liabilities	1,071.3	58.7	2,363.6	3,747.1	1,801.5	702.3	774.5	-257.5
B3. Reserve assets (CNB)	-677.3	-1,549.0	-741.9	-1,235.5	-43.0	-188.1	-282.4	67.6
C. NET ERRORS AND OMISSIONS	-754.6	-233.3	-634.7	-1,130.3	-822.4	362.2	-154.0	-1,734.8

^a Preliminary data.

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

Table H1-H6: Balance of Payments

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

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

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

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

The Report of the Central Bureau of Statistics on 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	2005		
						Q1	Q2	Q3 ^a
Goods	-3,499.4	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-1,569.1	-2,049.3	-1,841.9
1. Credit	4,969.3	5,318.8	5,293.1	5,571.7	6,603.1	1,523.5	1,891.1	1,843.8
1.1.Exports (f.o.b.) in trade statistics	4,821.6	5,214.1	5,188.2	5,464.4	6,453.8	1,492.8	1,845.5	1,804.9
1.2. Adjustments for coverage	147.7	104.7	105.0	107.3	149.3	30.7	45.6	38.9
2. Debit	-8,468.6	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-3,092.6	-3,940.5	-3,685.7
2.1. Imports (c.i.f.) in trade statistics	-8,597.5	-10,244.8	-11,327.0	-12,538.0	-13,354.4	-3,097.1	-4,017.2	-3,742.4
2.2. Adjustments for coverage	-481.5	-405.3	-348.9	-475.6	-474.7	-111.1	-73.1	-82.9
2.3. Adjustments for classification	610.4	727.4	422.5	467.7	498.1	115.5	149.8	139.6
Services	2,470.5	3,302.8	3,284.8	4,933.0	4,715.0	4.2	1,128.4	3,967.0
1. Transportation	195.2	186.1	172.0	252.2	245.5	71.0	107.9	127.8
1.1. Credit	606.3	658.6	622.8	696.3	791.3	172.6	237.7	265.4
1.2. Debit	-411.1	-472.5	-450.8	-444.1	-545.8	-101.7	-129.8	-137.6
2. Travel	2,399.5	3,072.9	3,138.6	4,976.6	4,822.3	53.4	1,128.3	3,889.9
2.1. Credit	3,011.8	3,749.3	3,960.8	5,572.7	5,505.6	214.4	1,274.3	4,075.5
2.1.1. Business	288.1	305.8	341.2	260.9	328.2	43.5	157.7	211.3
2.1.2. Personal	2,723.7	3,443.6	3,619.7	5,311.8	5,177.4	170.9	1,116.6	3,864.3
2.2. Debit	-612.3	-676.5	-822.2	-596.1	-683.3	-161.0	-146.0	-185.6
2.2.1. Business	-281.2	-322.7	-482.6	-292.3	-297.3	-66.2	-72.7	-77.2
2.2.2. Personal	-331.1	-353.8	-339.6	-303.8	-386.0	-94.8	-73.3	-108.5
3. Other services	-124.2	43.9	-25.9	-295.8	-352.7	-120.1	-107.9	-50.7
3.1. Credit	824.0	1,073.4	1,248.6	1,296.9	1,339.8	265.6	278.9	328.2
3.2. Debit	-948.1	-1,029.5	-1,274.5	-1,592.7	-1,692.5	-385.7	-386.8	-378.9

^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 of goods without a payment obligation, provided by the CBS. In the 1993-1998 period, current transfers of other sectors also encom-

Table H3: Balance of Payments – Income and Current Transfers

million euros

	2000	2001	2002	2003	2004	2005		
						Q1	Q2	Q3 ^a
Income	-419.8	-616.2	-573.8	-1,074.1	-625.7	-285.6	-530.0	-131.9
1. Compensation of employees	76.0	143.1	167.6	183.9	233.9	61.1	68.5	59.8
1.1. Credit	90.2	157.4	187.2	217.3	268.3	66.1	74.0	71.7
1.2. Debit	-14.2	-14.3	-19.5	-33.4	-34.4	-5.0	-5.5	-11.9
2. Direct investment income	-154.1	-357.8	-353.4	-844.5	-431.7	-117.8	-475.0	-119.8
2.1. Credit	10.4	22.8	23.6	33.4	174.5	9.7	52.5	22.3
o/w: Reinvested earnings	7.7	17.1	7.4	30.3	165.8	9.0	29.4	1.5
2.2. Debit	-164.5	-380.6	-377.1	-877.8	-606.2	-127.6	-527.5	-142.1
o/w: Reinvested earnings	-87.3	-188.4	-161.8	-588.9	-292.8	-94.5	-416.7	-68.7
3. Portfolio investment income	-188.1	-241.8	-214.8	-239.6	-256.6	-190.4	-53.8	-35.6
3.1. Credit	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	-190.4	-53.8	-35.6
4. Other investment income	-153.6	-159.6	-173.2	-173.9	-171.4	-38.4	-69.7	-36.3
4.1. Credit	276.7	292.2	247.4	194.4	208.4	57.1	57.9	75.0
4.2. Debit	-430.3	-451.8	-420.6	-368.3	-379.8	-95.4	-127.6	-111.2
Current transfers	958.9	1,099.5	1,152.2	1,244.5	1,191.8	299.6	321.1	269.5
1. General government	24.6	65.3	32.2	70.5	2.6	35.8	0.6	-18.8
1.1. Credit	129.4	142.7	143.4	213.1	180.1	80.3	49.9	44.4
1.2. Debit	-104.8	-77.4	-111.2	-142.6	-177.5	-44.5	-49.3	-63.2
2. Other sectors	934.3	1,034.2	1,120.0	1,174.0	1,189.2	263.9	320.5	288.2
2.1. Credit	1,066.1	1,190.6	1,309.8	1,325.6	1,404.5	320.8	377.2	343.5
2.2. Debit	-131.8	-156.4	-189.8	-151.6	-215.3	-56.9	-56.7	-55.3

^a Preliminary data.

passed 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 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.

Table H4: Balance of Payments – Direct and Portfolio Investments

million euros

	2000	2001	2002	2003	2004	2005		
						Q1	Q2	Q3 ^a
Direct investment	1,140.6	1,326.9	597.2	1,695.4	698.0	188.5	654.3	307.4
1. Abroad	-1.5	-175.6	-597.8	-93.0	-280.9	-29.8	-53.3	-12.0
1.1. Equity capital and reinvested earnings	-38.1	-139.4	-594.1	-101.9	-254.8	-19.2	-39.3	-12.0
1.1.1. Claims	-38.6	-139.4	-597.0	-101.9	-255.4	-19.2	-39.3	-12.0
1.1.2. Liabilities	0.5	0.0	2.9	0.0	0.5	0.0	0.0	0.0
1.2. Other capital	36.6	-36.2	-3.7	8.9	-26.1	-10.6	-14.0	0.1
1.1.1. Claims	-11.0	5.5	-6.4	-12.8	-28.6	-1.7	-13.9	-0.4
1.2.2. Liabilities	47.6	-41.7	2.7	21.7	2.5	-8.9	-0.1	0.5
2. In Croatia	1,142.1	1,502.5	1,195.1	1,788.4	979.0	218.3	707.6	319.3
2.1. Equity capital and reinvested earnings	835.6	1,087.8	873.8	1,345.1	604.0	398.7	542.4	201.7
2.1.1. Claims	-26.4	-8.0	0.0	-1.2	-25.0	0.0	0.0	0.0
2.1.2. Liabilities	862.0	1,095.8	873.8	1,346.4	629.0	398.7	542.4	201.8
2.2. Other capital	306.5	414.7	321.2	443.3	375.0	-180.4	165.2	117.6
2.2.1. Claims	0.0	0.1	-0.3	-1.5	-12.2	-34.5	0.0	36.0
2.2.2. Liabilities	306.5	414.5	321.6	444.8	387.1	-145.9	165.2	81.6
Portfolio investment	728.0	666.0	-440.2	868.8	244.2	-433.8	-165.9	-415.4
1. Assets	-25.0	-143.2	-650.6	121.3	-752.5	24.6	-174.5	-301.5
1.1. Equity securities	-0.2	0.3	-78.4	-58.0	-32.9	-13.8	-60.8	-65.8
1.1.1. General government	0.0	0.0	-2.9	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
1.1.2. Other sectors	-0.1	-0.1	-72.7	-58.3	-32.9	-13.8	-60.8	-65.8
1.2. Debt securities	-24.8	-143.5	-572.2	179.4	-719.6	38.4	-113.8	-235.7
1.2.1. Bonds	-19.7	-128.8	-586.9	165.9	-585.0	30.9	-127.4	-229.5
1.2.1.1. General government	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	25.6	-113.7	-201.6
1.2.1.3. Other sectors	0.0	0.0	-20.3	-14.1	7.9	5.3	-13.6	-27.9
1.2.2. Money market instruments	-5.1	-14.8	14.7	13.5	-134.6	7.5	13.6	-6.2
1.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2.2. Banks	-5.1	-14.8	20.9	7.3	-134.7	7.5	13.6	-6.2
1.2.2.3. Other sectors	0.0	0.0	-6.2	6.2	0.0	0.0	0.0	0.0
2. Liabilities	753.0	809.2	210.4	747.5	996.7	-458.4	8.6	-113.9
2.1. Equity securities	-0.1	15.1	44.2	13.5	141.2	45.1	10.2	10.8
2.1.1. Banks	0.5	-5.2	4.7	-2.1	-0.8	-10.3	-6.5	4.0
2.1.2. Other sectors	-0.6	20.3	39.5	15.6	142.0	55.4	16.7	6.8
2.2. Debt securities	753.1	794.1	166.2	734.0	855.5	-503.5	-1.6	-124.7
2.2.1. Bonds	762.1	774.2	197.2	700.0	889.3	-503.5	-1.6	-124.7
2.2.1.1. General government	762.1	774.2	67.2	527.3	417.8	-513.9	8.1	-114.7
2.2.1.2. Banks	0.0	0.0	0.0	0.0	444.4	2.5	2.0	0.0
2.2.1.3. Other sectors	0.0	0.0	130.0	172.6	27.2	7.8	-11.7	-10.1
2.2.2. Money market instruments	-9.0	19.9	-30.9	34.0	-33.8	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
2.2.2.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.3. Other sectors	-9.0	19.9	-30.9	34.0	-33.8	0.0	0.0	0.0

^a Preliminary data.

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	2005		
						Q1	Q2	Q3 ^a
Other investment (net)	30.9	453.0	2,815.5	1,595.2	1,346.7	1,708.1	1,075.9	-491.1
1. Assets	-1,040.4	394.3	451.9	-2,151.8	-454.7	1,005.8	301.4	-233.7
1.1. Trade credits	100.1	57.9	-88.4	-167.2	-189.7	37.5	-15.5	-96.1
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3
1.1.1.1. Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3
1.1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	100.1	57.9	-88.4	-167.2	-189.7	37.5	-15.5	-95.8
1.1.2.1. Long-term	2.8	9.2	-16.3	-23.0	16.4	13.3	4.2	5.1
1.1.2.2. Short-term	97.3	48.7	-72.1	-144.1	-206.1	24.2	-19.6	-100.9
1.2. Loans	-107.9	39.2	-54.7	-22.5	11.1	3.9	-16.1	-14.2
1.2.1. General government	0.0	-3.4	0.6	-1.0	-0.3	0.1	0.0	0.6
1.2.1.1. Long-term	0.0	-3.4	0.6	-1.0	-0.3	0.1	0.0	0.6
1.2.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2. Banks	1.7	-10.0	-22.0	4.3	6.1	1.3	-7.8	-6.5
1.2.2.1. Long-term	1.9	-3.4	-16.5	5.0	7.0	1.3	-6.8	0.4
1.2.2.2. Short-term	-0.2	-6.6	-5.5	-0.6	-0.9	0.0	-1.1	-6.9
1.2.3. Other sectors	-109.6	52.6	-33.3	-25.9	5.3	2.5	-8.3	-8.3
1.2.3.1. Long-term	-109.6	52.6	-33.2	-26.0	5.6	2.2	-8.6	-8.5
1.2.3.2. Short-term	0.0	0.0	-0.1	0.1	-0.4	0.3	0.3	0.2
1.3. Currency and deposits	-1,032.6	297.3	594.9	-1,962.1	-276.1	964.4	332.9	-123.3
1.3.2. General government	-26.5	-18.1	-24.2	30.3	72.7	-68.6	53.3	-9.7
1.3.3. Banks	-964.2	-1,790.9	1,516.5	-1,964.5	-368.7	1,019.2	339.2	-113.7
1.3.4. Other sectors	-41.9	2,106.3	-897.4	-27.9	19.8	13.7	-59.5	0.0
1.4. Other assets	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	702.3	774.5	-257.5
2.1. Trade credits	318.2	96.3	501.3	-226.9	-68.8	-7.1	104.1	-76.0
2.1.1. General government	-3.5	1.2	-0.1	1.5	-0.3	-0.2	-0.1	-0.2
2.1.1.1. Long-term	-0.5	1.2	-0.1	1.5	-0.3	-0.2	-0.1	-0.2
2.1.1.2. Short-term	-3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	321.7	95.1	501.4	-228.4	-68.6	-6.9	104.3	-75.8
2.1.2.1. Long-term	-13.8	-22.1	-1.2	-47.4	-31.1	7.7	0.4	9.7
2.1.2.2. Short-term	335.5	117.2	502.6	-181.0	-37.5	-14.6	103.9	-85.5
2.2. Loans	873.0	-260.5	653.8	2,833.9	1,622.8	536.8	768.4	97.5
2.2.1. Croatian National Bank	-16.9	-4.1	-177.2	354.2	-369.6	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
2.2.1.1.1. Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.2. Repayments	-31.5	-34.3	-129.5	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	0.0	0.0	0.0
2.2.2. General government	345.2	-212.2	433.9	502.9	406.5	-0.1	117.9	65.0
2.2.2.1. Long-term	5.7	185.4	433.9	502.9	406.5	-0.1	117.9	65.0
2.2.2.1.1. Drawings	286.4	363.2	598.2	697.8	700.7	59.4	179.0	126.2
2.2.2.1.2. Repayments	-280.6	-177.8	-164.3	-194.9	-294.2	-59.5	-61.1	-61.2
2.2.2.2. Short-term	339.4	-397.6	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	327.1	306.3	-231.3
2.2.3.1. Long-term	122.8	93.0	81.6	927.2	568.5	8.8	109.1	-166.1
2.2.3.1.1. Drawings	722.7	829.3	656.9	1,644.7	993.1	250.8	407.3	52.6
2.2.3.1.2. Repayments	-599.8	-736.3	-575.3	-717.5	-424.5	-241.9	-298.2	-218.7
2.2.3.2. Short-term	-5.8	-5.8	-2.3	78.5	56.6	318.3	197.3	-65.2
2.2.4. Other sectors	427.6	-131.5	317.8	971.2	960.7	209.8	344.2	263.7
2.2.4.1. Long-term	534.2	-133.6	335.4	920.7	890.4	149.5	302.2	231.6
2.2.4.1.1. Drawings	1,107.1	818.1	1,326.0	1,898.1	1,943.5	314.4	541.6	518.7
2.2.4.1.2. Repayments	-572.9	-951.7	-990.7	-977.3	-1,053.1	-164.9	-239.4	-287.1
2.2.4.2. Short-term	-106.6	2.1	-17.6	50.4	70.3	60.3	42.0	32.1
2.3. Currency and deposits	-119.8	223.0	1,209.4	1,140.7	244.5	172.0	-98.8	-279.7
2.3.1. General government	0.0	0.0	0.0	0.0	0.0	50.0	-50.0	0.0
2.3.2. Banks	-119.8	223.0	1,209.4	1,140.7	244.5	122.0	-48.8	-279.7
2.4. Other liabilities	0.0	-0.1	-0.9	-0.7	3.0	0.7	0.7	0.7

^a Preliminary data.

Table H6: Balance of Payments – Summary

million kuna

	2000	2001	2002	2003	2004	2005		
						Q1	Q2	Q3 ^a
A. CURRENT ACCOUNT (1+6)	-3,978.1	-6,083.1	-15,509.0	-14,210.5	-10,935.7	-11,538.5	-8,216.2	16,708.3
1. Goods, services, and income (2+5)	-11,291.6	-14,276.1	-24,285.8	-23,915.9	-20,221.2	-13,882.3	-10,670.4	14,627.1
1.1. Credit	74,468.0	84,083.8	85,563.6	102,461.4	111,062.5	17,336.6	28,384.9	49,139.0
1.2. Debit	-85,759.5	-98,359.9	-109,849.4	-126,377.3	-131,283.8	-31,218.9	-39,055.3	-34,511.9
2. Goods and services (3+4)	-8,043.7	-9,950.0	-20,004.4	-15,694.7	-15,516.8	-11,740.0	-6,776.3	15,589.3
2.1. Credit	71,592.3	80,321.0	82,188.2	99,169.2	106,198.2	16,338.2	27,031.0	47,896.0
2.2. Debit	-79,636.0	-90,270.9	-102,192.6	-114,863.9	-121,715.0	-28,078.2	-33,807.4	-32,306.7
3. Goods	-26,681.2	-34,323.1	-44,135.8	-52,782.7	-50,354.9	-11,767.7	-15,048.0	-13,560.5
3.1. Credit	37,909.7	39,695.8	39,198.3	42,167.2	49,480.4	11,439.5	13,893.5	13,576.2
3.2. Debit	-64,591.0	-74,018.9	-83,334.1	-94,949.9	-99,835.3	-23,207.2	-28,941.4	-27,136.7
4. Services	18,637.5	24,373.1	24,131.4	37,088.0	34,838.1	27.7	8,271.6	29,149.8
4.1. Credit	33,682.6	40,625.2	42,989.9	57,002.0	56,717.8	4,898.7	13,137.5	34,319.8
4.2. Debit	-15,045.0	-16,252.1	-18,858.5	-19,914.0	-21,879.7	-4,870.9	-4,865.9	-5,170.1
5. Income	-3,247.9	-4,326.1	-4,281.4	-8,221.2	-4,704.5	-2,142.3	-3,894.0	-962.2
5.1. Credit	2,875.7	3,762.9	3,375.4	3,292.2	4,864.3	998.4	1,353.9	1,243.0
5.2. Debit	-6,123.5	-8,089.0	-7,656.8	-11,513.4	-9,568.8	-3,140.8	-5,247.9	-2,205.2
6. Current transfers	7,313.5	8,192.9	8,776.7	9,705.4	9,285.6	2,343.8	2,454.2	2,081.2
6.1. Credit	9,118.6	9,934.0	10,761.2	11,639.9	11,872.9	3,010.9	3,136.6	2,856.6
6.2. Debit	-1,805.1	-1,741.1	-1,984.4	-1,934.6	-2,587.4	-667.1	-682.4	-775.4
B. CAPITAL AND FINANCIAL ACCOUNT	9,598.4	7,343.6	20,661.6	23,316.6	17,384.1	8,851.4	9,290.7	-3,862.3
B1. Capital account	170.1	1,145.1	3,695.6	546.9	172.8	17.5	14.7	27.6
B2. Financial account, excl. reserves	14,614.7	17,695.5	22,454.5	32,122.1	17,547.8	10,244.7	11,349.6	-4,393.0
1. Direct investment	8,738.8	9,839.3	4,888.5	13,293.9	5,465.0	1,280.3	4,665.2	2,267.3
1.1. Abroad	-22.1	-1,278.4	-4,419.4	-713.8	-2,091.6	-223.4	-399.4	-88.6
1.2. In Croatia	8,761.0	11,117.7	9,307.9	14,007.7	7,556.7	1,503.7	5,064.6	2,355.9
2. Portfolio investment	5,658.7	4,978.9	-3,227.3	6,669.8	1,744.6	-3,202.9	-1,215.2	-3,048.2
2.1. Assets	-189.8	-1,081.7	-4,839.8	936.8	-5,688.0	185.7	-1,277.3	-2,213.2
2.2. Liabilities	5,848.4	6,060.6	1,612.6	5,733.0	7,432.5	-3,388.6	62.1	-834.9
3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	-659.4	0.0	0.0
4. Other investment	217.2	2,877.2	20,793.3	12,158.4	10,338.1	12,826.7	7,899.6	-3,612.2
4.1. Assets	-7,942.6	2,569.6	3,261.5	-16,361.3	-3,343.3	7,586.9	2,219.9	-1,714.0
4.2. Liabilities	8,159.8	307.6	17,531.8	28,519.7	13,681.4	5,239.7	5,679.8	-1,898.1
B3. Reserve assets (CNB)	-5,186.4	-11,497.0	-5,488.5	-9,352.4	-336.5	-1,410.8	-2,073.6	503.1
C. NET ERRORS AND OMISSIONS	-5,620.3	-1,260.4	-5,152.6	-9,106.1	-6,448.4	2,687.1	-1,074.6	-12,846.0

^a Preliminary data.

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

Table H7: International Reserves and Banks' Foreign 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	1,670.0
1999	December	3,012.7	188.7	0.2	–	2,823.7	2,449.8	373.9	1,344.7
2000	December	3,783.2	158.5	0.2	–	3,624.5	2,763.0	861.5	2,310.7
2001	December	5,333.6	122.9	0.2	–	5,210.5	3,469.7	1,740.7	4,056.0
2002	December	5,651.3	2.3	0.2	–	5,648.8	3,787.8	1,861.0	2,581.6
2003	December	6,554.1	0.7	0.2	–	6,553.2	3,346.0	3,207.2	3,927.1
2004	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	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	6,998.7	0.8	0.2	–	6,997.7	3,607.6	3,390.0	3,064.9
	October	7,128.5	1.2	0.2	–	7,127.1	3,709.2	3,417.9	2,864.8
	November	7,220.4	0.8	0.2	–	7,219.3	3,781.1	3,438.2	3,242.7
	December	7,438.4	0.9	0.2	–	7,437.3	3,834.5	3,602.8	2,938.4
	2006	January	7,627.8	1.2	0.2	–	7,626.4	4,006.9	3,619.5	2,680.5
February ^a		7,934.0	0.8	0.2	–	7,933.0	4,230.3	3,702.7	2,446.1

^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				2006
	Dec.	Dec. ^b	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	7,065.7	6,998.7	7,438.4	7,627.8
(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	6,744.8	6,797.7	7,337.3	7,126.5
(a) Securities	861.5	1,740.7	1,861.0	3,207.2	3,262.0	3,284.3	3,410.3	3,390.0	3,602.8	3,619.5
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	3,334.5	3,407.6	3,734.5	3,506.9
(i) other national central banks, BIS and IMF	585.8	461.3	325.1	271.1	233.1	199.8	205.8	205.5	407.3	208.1
(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	3,128.7	3,202.1	3,327.2	3,298.9
o/w: Located in the reporting country	-	-	-	-	-	-	-	-	-	-
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	158.5	122.9	2.3	0.7	0.6	0.7	0.7	0.8	0.9	1.2
(4) gold	-	-	-	-	-	-	-	-	-	-
(5) other reserve assets	769.6	1,332.6	1,401.9	813.1	200.0	249.8	320.0	200.0	100.0	500.0
– reverse repo	769.6	1,332.6	1,401.9	813.1	200.0	249.8	320.0	200.0	100.0	500.0
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	7,065.7	6,998.7	7,438.4	7,627.8
II. Predetermined short-term net drains on f/c assets (nominal value)										
1. F/c loans, securities, and deposits (total net drains up to one year)	-1,299.6	-1,350.7	-740.9	-1,538.0	-988.6	-917.9	-942.8	-934.8	-899.7	-859.6
(a) Croatian National Bank	-284.4	-443.4	-167.4	-646.9	-1.8	-2.1	-1.1	-1.0	-1.1	-1.1
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	-1.1	-1.0	-1.1	-1.1
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	-941.7	-933.7	-898.6	-858.6
Up to 1 month	Principal	-95.9	-101.7	-98.1	-85.9	-76.5	-2.7	-78.8	-2.9	-77.9
Interest	-74.0	-55.6	-42.8	-34.4	-13.8	-27.1	-	-	-	-
More than 1 and up to 3 months	Principal	-100.7	-351.6	-8.6	-9.3	-510.1	-61.4	-86.0	-141.8	-603.0
Interest	-82.7	-125.7	-148.1	-168.3	-169.0	-	-	-	-	-2.5
More than 3 months and up to 1 year	Principal	-533.5	-170.8	-176.2	-495.2	-143.7	-648.9	-635.6	-682.5	-160.2
Interest	-128.4	-102.0	-99.7	-98.0	-73.8	-175.8	-141.3	-106.4	-57.5	-58.1
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	-942.8	-934.8	-899.7	-859.6
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	-2,201.0	-2,087.6	-2,273.1	-2,441.4
(a) Collateral guarantees on debt falling due within 1 year	-317.7	-315.9	-685.9	-426.8	-370.9	-441.3	-456.0	-375.6	-443.8	-453.3
– Croatian National Bank	-	-	-	-	-	-	-	-	-	-
– Central government (excl. central government funds)	-317.7	-315.9	-685.9	-426.8	-370.9	-441.3	-456.0	-375.6	-443.8	-453.3
Up to 1 month	-52.0	-49.4	-52.3	-55.8	-62.7	-65.6	-92.7	-28.8	-59.6	-13.2

More than 1 and up to 3 months	-12.3	-24.7	-35.2	-94.9	-33.9	-57.7	-105.7	-73.9	-53.0	-80.4
More than 3 months and up to 1 year	-253.5	-241.7	-598.3	-276.1	-274.4	-318.0	-257.5	-272.9	-331.2	-359.7
(b) Other contingent liabilities	-722.6	-772.9	-945.1	-873.6	-1,402.0	-1,650.1	-1,745.0	-1,711.9	-1,829.3	-1,988.2
– Croatian National Bank	-722.6	-772.9	-945.1	-873.6	-1,402.0	-1,650.1	-1,745.0	-1,711.9	-1,829.3	-1,988.2
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	-1,745.0	-1,711.9	-1,829.3	-1,988.2
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	-2,201.0	-2,087.6	-2,273.1	-2,441.4
IV. Memo items										
(a) short-term domestic currency debt indexed to the exchange rate	–	–	–	–	–	–	–	–	–	–
o/w: Central government (excl. central government funds)	–	–	–	–	–	–	–	–	–	–
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	–	–	–	–	–	–	–	–	–	–
(c) pledged assets	–	–	–	–	–	–	–	–	–	–
(d) securities lent and on repo	–	–	–	–	–	–	–	–	–	–
– lent or 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	310.3	176.6	88.5	488.4
(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	7,065.7	6,998.7	7,438.1	7,627.5
– currencies not in SDR basket	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3
– by individual currencies										
USD	990.2	1,738.4	1,600.8	1,937.6	1,609.1	1,379.1	1,104.1	1,100.5	1,104.5	1,151.1
EUR	2,633.8	3,471.6	4,047.9	4,615.6	4,826.3	5,320.4	5,960.7	5,897.1	6,332.5	6,475.0
Other	159.2	123.6	2.6	0.9	0.8	0.9	0.9	1.1	1.3	1.7

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	
2005		7.400185				4.780459	10.819398	5.947999	
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	
	October	7.386248				4.767000	10.830645	6.136078	
	November	7.374972				4.775183	10.863376	6.251617	
	December	7.388962				4.774591	10.879743	6.234090	
2006	January	7.378288				4.760963	10.749050	6.102424	
	February	7.327217				4.705472	10.728176	6.128945	

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	
2005		7.375626				4.744388	10.753209	6.233626	
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	
	October	7.381207				4.773772	10.829236	6.075067	
	November	7.400190				4.783575	10.803197	6.264446	
	December	7.375626				4.744388	10.753209	6.233626	
2006	January	7.359333				4.733603	10.752970	6.092667	
	February	7.307577				4.674157	10.725931	6.164651	

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	December	90.43	90.61	90.85
2005	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	90.66
	August	90.08	92.10	90.97
	September	91.16	93.58	92.34
	October	91.72	94.12	91.10
	November	91.47	93.96	91.59
	December	91.52	94.33 ^a	90.98 ^a
	2006	January	90.88	94.24 ^a	89.97^{a}
February		90.53		

^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				2006
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Government	5,276.6	5,942.4	5,900.3	6,600.6	7,251.8	6,745.4	7,016.3	6,991.0	7,062.4	7,055.1
Short-term	388.7	0.3	0.9	0.9	2.6	1.4	1.6	1.8	2.6	6.6
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	388.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.6	0.3	0.9	0.9	2.6	1.4	1.6	1.8	2.6	6.6
Principal arrears	0.6	0.3	0.9	0.9	2.4	1.2	1.3	1.5	1.8	5.6
Interest arrears	0.0	0.0	0.0	0.1	0.2	0.3	0.3	0.3	0.8	1.0
Other	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	7,249.2	6,744.0	7,014.7	6,989.2	7,059.8	7,048.4
Bonds	3,443.2	4,268.2	3,947.6	4,310.9	4,648.1	4,036.2	4,163.0	4,064.9	4,074.4	3,991.1
Credits	1,444.6	1,672.7	1,950.8	2,286.4	2,599.0	2,705.7	2,849.7	2,922.5	2,983.8	3,054.9
Trade credits	0.1	1.3	1.1	2.3	2.1	2.0	1.9	1.8	1.6	2.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	215.4	215.5	23.2	365.7	2.4	2.0	2.5	2.0	2.6	2.3
Short-term	43.6	75.1	21.5	363.1	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	43.6	75.1	21.5	363.1	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	171.9	140.3	1.7	2.6	2.4	2.0	2.5	2.0	2.6	2.3
Bonds	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
Currency and deposits	1.3	1.7	1.7	2.6	2.4	2.0	2.5	2.0	2.6	2.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	2,195.7	2,547.1	3,789.6	6,121.1	7,701.6	8,183.5	8,480.4	7,969.4	8,990.0	9,239.8
Short-term	23.2	18.0	14.3	617.1	1,964.8	2,288.1	2,285.7	2,040.8	2,522.1	2,596.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	7.8	2.6	0.3	604.2	513.6	832.1	1,029.7	963.1	1,079.7	1,143.3
Currency and deposits	0.0	0.0	0.0	0.0	1,438.9	1,442.9	1,243.1	1,064.8	1,429.3	1,440.1
Other debt liabilities	15.4	15.4	14.0	12.9	12.4	13.1	12.9	12.9	13.2	13.5
Principal arrears	15.4	15.4	14.0	12.9	12.4	13.1	12.9	12.9	13.0	13.4
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,172.6	2,529.1	3,775.3	5,503.9	5,736.7	5,895.3	6,194.8	5,928.6	6,467.9	6,643.0
Bonds	0.0	0.0	0.0	0.0	444.4	446.9	448.8	453.1	457.9	459.6
Credits	1,708.0	1,810.8	1,878.4	2,767.7	3,512.3	3,543.5	3,674.0	3,498.0	3,830.0	3,986.9
Currency and deposits	464.5	718.3	1,896.9	2,736.2	1,780.1	1,904.9	2,071.9	1,977.5	2,180.0	2,196.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other sectors	3,708.9	3,661.8	3,934.7	4,878.4	5,809.2	6,100.1	6,475.3	6,750.7	7,117.5	7,110.7
Short-term	425.8	434.9	460.7	523.2	530.3	602.5	722.4	898.3	874.8	891.4
Money market instruments	10.2	31.1	0.0	33.5	0.0	0.0	0.0	0.0	0.0	0.0
Credits	46.2	53.9	27.2	70.1	100.2	153.8	223.3	345.6	316.9	318.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	44.5	40.4	47.5	22.2	23.2	29.7	30.8	29.2	26.3	27.4
Other debt liabilities	324.9	309.6	386.0	397.4	407.0	419.0	468.3	523.5	531.6	545.5
Principal arrears	310.2	293.0	365.4	369.9	376.6	385.2	430.4	480.5	476.0	490.5
Interest arrears	14.8	16.6	20.7	27.6	30.3	33.8	37.9	43.0	55.6	55.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,283.1	3,226.9	3,474.0	4,355.3	5,278.8	5,497.6	5,752.9	5,852.4	6,242.6	6,219.3
Bonds	31.2	31.2	161.2	345.3	380.6	398.5	371.3	371.5	366.0	369.3
Credits	3,003.5	2,969.0	3,103.0	3,858.3	4,769.7	4,961.7	5,239.7	5,330.2	5,720.9	5,695.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	248.5	226.7	209.9	151.7	128.5	137.4	141.9	150.7	155.8	154.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

5. Direct investment	712.6	1,091.4	1,407.0	1,844.8	2,015.7	2,112.1	2,285.5	2,367.4	2,335.0	2,359.9
Short-term	81.9	49.0	73.2	124.0	120.3	132.0	182.4	178.8	210.0	215.7
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	23.1	4.4	30.0	43.9	36.1	38.0	60.9	52.7	59.3	61.5
Trade credits	43.9	1.6	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	84.2	94.0	121.5	126.1	150.7	154.1
Principal arrears	14.7	41.7	41.0	75.9	76.5	85.4	112.2	114.3	135.3	138.7
Interest arrears	0.3	1.3	2.1	4.2	7.6	8.5	9.3	11.8	15.4	15.4
Other	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	1,895.5	1,980.1	2,103.1	2,188.6	2,125.0	2,144.3
Bonds	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	1,866.5	1,947.8	2,072.2	2,158.5	2,095.6	2,113.7
Trade credits	28.1	21.5	33.8	31.1	28.9	32.2	30.9	30.2	29.4	30.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	12,109.3	13,458.3	15,054.8	19,810.6	22,780.6	23,143.2	24,260.1	24,080.4	25,507.6	25,767.9

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			2006	
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Public sector	6,949.7	7,486.1	7,215.3	8,334.0	8,560.2	8,064.3	8,354.7	8,405.0	8,408.9	8,360.8
Short-term	539.5	170.3	54.8	409.5	26.8	29.8	40.4	183.4	80.3	86.9
Money market instruments	0.0	25.5	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	0.7	13.1	22.0	124.0	60.8	50.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	18.9	25.9	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	26.1	16.6	18.4	59.4	19.6	36.2
Principal arrears	59.5	20.5	32.9	18.6	25.8	16.3	18.1	58.5	17.5	33.9
Interest arrears	0.0	0.0	0.0	0.1	0.3	0.3	0.3	0.9	2.0	2.3
Other	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	8,533.2	8,034.3	8,314.1	8,221.4	8,328.6	8,273.8
Bonds	3,443.2	4,268.2	3,947.6	4,310.9	4,648.1	4,036.2	4,163.0	4,064.9	4,074.4	3,991.1
Credits	2,828.2	2,954.4	3,130.2	3,560.7	3,829.0	3,878.9	4,073.7	4,065.1	4,147.8	4,176.1
Currency and deposits	1.3	1.7	1.7	2.6	2.4	52.0	2.5	2.0	2.6	2.3
Trade credits	95.7	91.0	80.5	50.0	53.7	67.1	74.9	89.3	103.8	104.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	41.7	0.6	0.5	0.3	0.2	0.2	0.2	0.2	0.0	0.0
2. Publicly guaranteed private sector	597.4	565.8	500.1	428.6	320.0	302.3	308.0	283.2	284.8	259.8
Short-term	2.2	9.1	22.3	32.0	26.5	30.1	32.7	32.7	36.3	36.5
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	2.2	9.1	22.3	32.0	26.5	30.1	32.7	32.7	36.3	36.5
Principal arrears	1.3	7.0	16.7	23.3	18.8	21.9	24.0	23.6	26.5	26.6
Interest arrears	0.8	2.1	5.6	8.7	7.7	8.3	8.7	9.1	9.8	9.9
Other	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	293.5	272.1	275.2	250.5	248.5	223.4
Bonds	31.2	31.2	31.2	31.2	0.0	0.0	0.0	0.0	0.0	0.0
Credits	564.0	519.7	442.6	362.9	292.0	270.8	273.1	248.6	246.8	221.8
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.1	5.9	4.0	2.5	1.5	1.3	2.2	1.9	1.7	1.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Non-publicly guaranteed private sector	4,562.2	5,406.4	7,339.4	11,048.1	13,900.4	14,776.6	15,597.4	15,392.3	16,813.9	17,147.3
Short-term	339.4	348.9	420.3	1,062.9	2,444.5	2,832.2	2,936.5	2,724.8	3,282.9	3,371.5
Money market instruments	10.2	5.6	0.0	33.5	0.0	0.0	0.0	0.0	0.0	0.0
Credits	24.5	33.3	27.1	646.6	613.0	972.8	1,231.0	1,184.7	1,335.8	1,411.0
Currency and deposits	0.0	0.0	0.0	0.0	1,438.9	1,442.9	1,243.1	1,064.8	1,429.3	1,440.1
Trade credits	25.6	14.5	47.5	22.2	23.2	29.7	30.8	29.2	26.3	27.4
Other debt liabilities	279.2	295.5	345.7	360.7	369.4	386.7	431.6	446.1	491.6	493.0
Principal arrears	265.4	281.1	330.6	341.8	346.8	361.2	402.4	412.7	446.8	449.1
Interest arrears	13.8	14.4	15.1	18.9	22.6	25.5	29.2	33.4	44.8	43.9
Other	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	9,440.4	9,832.5	10,375.6	10,300.3	11,195.9	11,415.9
Bonds	0.0	0.0	130.0	314.1	824.9	845.4	820.2	824.6	823.9	828.9
Credits	2,934.6	3,117.0	3,359.3	4,988.8	6,760.0	7,011.2	7,416.7	7,437.0	8,140.1	8,339.4
Currency and deposits	464.5	718.3	1,896.9	2,736.2	1,780.1	1,904.9	2,071.9	1,977.5	2,180.0	2,196.5
Trade credits	152.8	131.4	126.4	101.5	75.4	71.0	66.8	61.2	51.9	51.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	670.9	1,090.9	1,406.5	1,844.6	2,015.5	2,111.9	2,285.3	2,367.2	2,335.0	2,359.9
Total (1+2+3)	12,109.2	13,458.3	15,054.8	19,810.6	22,780.6	23,143.2	24,260.1	24,080.4	25,507.6	25,767.9

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

million euros

	Outstanding debt 31/1/2006	Immediate	Projected future principal payments												
			Q1/06	Q2/06	Q3/06	Q4/06	2006	2007	2008	2009	2010	2011	2012	2013	Other
1. Government	7,055.1	6.6	623.1	72.3	115.1	84.3	894.8	676.9	729.8	1,030.8	820.2	1,401.3	213.9	166.3	1,114.4
Short-term	6.6	6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	6.6	6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	5.6	5.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	7,048.4	0.0	623.1	72.3	115.1	84.3	894.8	676.9	729.8	1,030.8	820.2	1,401.3	213.9	166.3	1,114.4
Bonds	3,991.1	0.0	587.1	0.0	54.6	0.0	641.8	335.8	244.2	713.2	554.4	1,018.1	16.3	0.0	467.2
Credits	3,054.9	0.0	36.0	72.2	60.3	84.1	252.6	340.4	485.1	317.5	265.7	383.1	197.5	166.2	646.9
Trade credits	2.4	0.0	0.0	0.1	0.2	0.2	0.5	0.7	0.5	0.1	0.1	0.1	0.1	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
2. Croatian National Bank	2.3	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	2.3
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	2.3	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	2.3
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	2.3	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	2.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	9,239.8	13.5	1,591.1	1,182.8	440.1	575.2	3,789.2	1,440.5	973.2	848.4	539.3	66.4	127.6	58.1	1,383.8
Short-term	2,596.9	13.5	1,475.4	386.1	315.1	305.1	2,481.7	101.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,143.3	0.0	1,052.2	81.0	10.0	0.1	1,143.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1,440.1	0.0	423.2	305.1	305.1	305.1	1,338.4	101.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	13.5	13.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	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
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	6,643.0	0.0	115.7	796.7	125.0	270.1	1,307.5	1,338.8	973.2	848.4	539.3	66.4	127.6	58.1	1,383.8
Bonds	459.6	0.0	10.7	0.0	0.0	0.0	10.7	0.0	0.0	448.8	0.0	0.0	0.0	0.0	0.0
Credits	3,986.9	0.0	64.7	736.3	64.6	209.7	1,075.2	754.9	740.8	383.0	539.3	66.4	127.6	58.1	241.6
Currency and deposits	2,196.5	0.0	40.3	60.4	60.4	60.4	221.5	583.9	232.5	16.5	0.0	0.0	0.0	0.0	1,142.2
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
4. Other sectors	7,110.7	545.5	242.7	337.3	338.3	414.0	1,332.3	1,016.4	931.4	828.3	586.3	345.2	230.6	197.6	1,097.1
Short-term	891.4	545.5	79.3	59.6	118.6	87.6	345.2	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	318.4	0.0	79.3	59.6	91.2	87.6	317.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	27.4	0.0	0.0	0.0	27.4	0.0	27.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	545.5	545.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	490.5	490.5	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	55.1	55.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,219.3	0.0	163.4	277.7	219.7	326.3	987.1	1,015.7	931.4	828.3	586.3	345.2	230.6	197.6	1,097.1
Bonds	369.3	0.0	23.3	0.0	0.0	0.0	23.3	182.4	5.7	5.7	6.5	6.5	8.2	8.2	122.7
Credits	5,695.5	0.0	135.1	243.3	210.2	299.5	888.1	797.2	906.0	804.0	575.7	338.4	222.4	189.4	974.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	154.6	0.0	5.0	34.4	9.4	26.9	75.8	36.1	19.6	18.5	4.1	0.2	0.1	0.1	0.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

5. Direct investment	2,359.9	154.1	70.1	95.1	42.8	274.9	482.9	260.8	225.1	221.1	273.3	60.6	33.1	37.7	611.3
Short-term	215.7	154.1	24.0	25.6	5.7	6.2	61.4	0.1	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	0.0	0.0	0.0	0.0
Credits	61.5	0.0	24.0	25.6	5.7	6.2	61.4	0.1	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	154.1	154.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	138.7	138.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	15.4	15.4	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	2,144.3	0.0	46.0	69.5	37.1	268.7	421.4	260.7	225.1	221.1	273.3	60.6	33.1	37.7	611.3
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	2,113.7	0.0	45.4	68.5	36.1	267.4	417.4	255.7	220.7	214.1	267.0	59.3	32.1	37.1	610.4
Trade credits	30.5	0.0	0.6	1.1	1.0	1.3	4.0	5.0	4.4	7.1	6.4	1.3	1.0	0.6	0.9
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
Total (1+2+3+4+5)	25,767.9	719.7	2,527.0	1,687.6	936.2	1,348.4	6,499.1	3,394.6	2,859.6	2,928.5	2,219.1	1,873.5	605.2	459.6	4,209.0
Supplement: Projected interest payments			4.4	180.9	125.8	169.3	480.4	601.5	507.8	438.9	314.0	241.1	142.5	140.2	451.7

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

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

Principal payments on Currency and deposits of non-residents are projected according to the available monetary statistics data on original and remaining maturity.

Estimated interest payments do not include interest on deposits from non-residents, repo transactions and hybrid and subordinated instruments, as well as late interest on these instruments. Future interest payments are estimated 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	2005		
						Q1	Q2	Q3 ^a
1. International investment position (net)	-6,298.9	-4,544.7	-7,905.4	-11,731.6	-15,465.9	-17,191.3	-18,667.9	-18,141.6
2. Assets	9,044.3	12,793.2	12,550.4	14,804.8	14,939.7	14,455.0	14,717.3	15,066.1
2.1. Direct investment abroad	939.2	1,095.9	1,753.2	1,646.4	1,633.7	1,784.0	1,807.0	1,916.7
2.2. Portfolio investment	93.3	253.0	810.1	603.1	1,317.5	1,324.6	1,447.2	1,630.9
2.2.1. Equity securities	15.3	25.5	39.3	40.6	39.8	41.1	40.6	43.8
2.2.2. Debt securities	78.0	227.5	770.9	562.5	1,277.7	1,283.5	1,406.6	1,587.1
Bonds	63.1	196.4	761.0	560.0	1,142.5	1,151.8	1,286.2	1,462.8
Money market instruments	14.9	31.1	9.9	2.4	135.1	131.7	120.4	124.3
2.3. Financial derivatives	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	4,645.9	4,397.4	4,519.7
2.4.1. Trade credits	200.0	206.1	181.0	178.1	151.9	158.6	162.8	157.6
2.4.2. Loans	166.1	121.6	128.7	113.9	114.9	118.5	131.9	139.3
2.4.3. Currency and deposits	3,865.2	5,782.9	4,026.0	5,709.2	5,285.6	4,368.7	4,102.8	4,222.8
2.4.4. Other assets	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	6,700.5	7,065.7	6,998.7
3. Liabilities	15,343.1	17,337.8	20,455.8	26,536.3	30,405.7	31,646.3	33,385.1	33,207.7
3.1. Direct investment in Croatia	3,829.6	4,806.1	6,634.4	8,398.2	9,433.3	10,318.5	11,103.2	11,187.9
3.2. Portfolio investment	3,601.4	4,495.2	4,282.3	4,862.0	5,747.4	5,190.2	5,314.8	5,221.2
3.2.1. Equity securities	116.8	164.8	173.6	172.3	283.4	308.6	331.6	331.7
3.2.2. Debt securities	3,484.6	4,330.4	4,108.7	4,689.7	5,464.0	4,881.6	4,983.2	4,889.5
Bonds	3,474.4	4,299.3	4,108.7	4,656.2	5,464.0	4,881.6	4,983.2	4,889.5
Money market instruments	10.2	31.1	0.0	33.5	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
3.4. Other investment	7,912.1	8,036.5	9,539.1	13,276.1	15,224.9	16,137.5	16,967.1	16,798.6
3.4.1. Trade credits	293.1	268.4	258.4	176.1	139.3	168.1	169.9	177.3
3.4.2. Loans	6,812.4	6,722.9	6,981.2	9,949.9	11,334.5	12,175.9	12,976.1	12,983.9
3.4.3. Currency and deposits	465.8	719.9	1,898.6	2,738.7	3,221.4	3,349.9	3,317.6	3,044.4
3.4.4. Other liabilities	341.0	325.3	400.9	411.3	529.8	443.5	503.6	593.1

^a Preliminary data.**Table H15: International Investment Position – Summary**

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

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

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

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

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

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

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

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

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

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

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

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

Table H16: International Investment Position – Direct Investment

million euros

	2000	2001	2002	2003	2004	2005		
						Q1	Q2	Q3 ^a
Direct investment (net)	-2,890.4	-3,710.2	-4,881.2	-6,751.8	-7,799.6	-8,534.5	-9,296.3	-9,271.2
1. Abroad	939.2	1,095.9	1,753.2	1,646.4	1,633.7	1,784.0	1,807.0	1,916.7
1.1. Equity capital and reinvested earnings	884.5	1,050.2	1,712.8	1,583.2	1,526.9	1,634.1	1,636.4	1,777.2
Claims	884.5	1,050.2	1,712.8	1,583.2	1,526.9	1,634.1	1,636.4	1,777.2
Liabilities	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	149.9	170.6	139.5
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
2. In Croatia	3,829.6	4,806.1	6,634.4	8,398.2	9,433.3	10,318.5	11,103.2	11,187.9
2.1. Equity capital and reinvested earnings	3,117.0	3,714.7	5,227.4	6,553.4	7,446.8	8,220.1	8,831.6	8,833.8
Claims	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	8,220.1	8,831.6	8,833.8
2.2. Other capital	712.6	1,091.4	1,407.0	1,844.8	1,986.5	2,098.4	2,271.6	2,354.1
Claims	....	....	....	....	....	....	....	....
Liabilities	....	....	....	....	....	....	....	....
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data.

Table H17: International Investment Position – Portfolio Investment

million euros

	2000	2001	2002	2003	2004	2005		
						Q1	Q2	Q3 ^a
Portfolio investment (net)	-3,508.1	-4,242.2	-3,472.2	-4,258.9	-4,430.0	-3,865.6	-3,867.6	-3,590.3
1. Assets	93.3	253.0	810.1	603.1	1,317.5	1,324.6	1,447.2	1,630.9
1.1. Equity securities	15.3	25.5	39.3	40.6	39.8	41.1	40.6	43.8
Banks	7.7	8.0	8.1	4.2	4.5	4.6	4.5	4.8
Other sectors	7.6	17.5	31.1	36.4	35.3	36.6	36.1	39.0
1.2. Debt securities	78.0	227.5	770.9	562.5	1,277.7	1,283.5	1,406.6	1,587.1
2. Liabilities	3,601.4	4,495.2	4,282.3	4,862.0	5,747.4	5,190.2	5,314.8	5,221.2
2.1. Equity securities	116.8	164.8	173.6	172.3	283.4	308.6	331.6	331.7
Banks	39.2	41.1	36.2	40.4	44.4	45.1	48.5	48.5
Other sectors	77.6	123.8	137.3	132.0	239.1	263.5	283.1	283.2
2.2. Debt securities	3,484.6	4,330.4	4,108.7	4,689.7	5,464.0	4,881.6	4,983.2	4,889.5
Bonds	3,474.4	4,299.3	4,108.7	4,656.2	5,464.0	4,881.6	4,983.2	4,889.5
General government	3,443.2	4,268.2	3,947.6	4,310.9	4,635.2	4,036.2	4,163.0	4,064.9
Banks	0.0	0.0	0.0	0.0	444.5	446.9	448.8	453.1
Other sectors	31.2	31.2	161.2	345.3	384.3	398.5	371.3	371.5
Money market instruments	10.2	31.1	0.0	33.5	0.0	0.0	0.0	0.0
Other sectors	10.2	31.1	0.0	33.5	0.0	0.0	0.0	0.0

^a Preliminary data.

Table H18: International Investment Position – Other Investment

million euros

	2000	2001	2002	2003	2004	2005		
						Q1	Q2	Q3 ^a
Other investment (net)	-3,636.0	-1,849.1	-5,180.2	-6,909.9	-9,670.8	-11,490.2	-12,567.8	-12,277.5
1. Assets	4,231.3	6,110.7	4,335.8	6,000.5	5,551.8	4,645.3	4,396.8	4,519.1
1.1. Trade credits	200.0	206.1	181.0	178.1	151.9	158.6	162.8	157.6
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	200.0	206.1	181.0	178.1	151.8	158.6	162.7	157.6
Long-term	165.7	180.2	169.6	173.5	147.5	154.0	157.9	152.8
Short-term	34.3	25.9	11.4	4.6	4.4	4.6	4.8	4.8
1.2. Loans	166.1	121.6	128.7	113.3	114.3	117.9	131.3	138.7
1.2.1. General government	3.7	6.1	5.6	5.2	5.3	6.8	7.0	6.4
Long-term	3.7	6.1	5.6	5.2	5.3	6.8	7.0	6.4
1.2.2. Banks	130.6	82.7	93.6	79.9	79.9	79.7	90.0	96.3
Long-term	89.7	46.9	60.2	57.5	56.2	55.9	64.6	64.1
Short-term	40.9	35.8	33.4	22.4	23.7	23.9	25.4	32.3
1.2.3. Other sectors	31.7	32.8	29.5	28.2	29.1	31.4	34.4	36.0
Long-term	31.7	32.8	29.4	28.2	28.7	30.1	33.4	35.2
Short-term	0.0	0.0	0.1	0.0	0.4	1.3	1.0	0.8
1.3. Currency and deposits	3,865.2	5,782.9	4,026.0	5,709.2	5,285.6	4,368.7	4,102.8	4,222.8
1.3.2. General government	74.1	94.7	115.7	81.9	8.9	77.8	25.0	34.6
1.3.3. Banks	2,564.3	4,438.8	2,754.3	4,551.9	4,317.0	3,333.8	3,049.4	3,159.6
1.3.4. Other sectors	1,226.8	1,249.4	1,156.0	1,075.4	959.7	957.2	1,028.4	1,028.6
1.4. Other assets	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	16,135.5	16,964.6	16,796.6
2.1. Trade credits	293.1	268.4	258.4	176.1	139.3	168.1	169.9	177.3
2.1.1. General government	0.1	1.3	1.1	2.3	2.1	2.0	1.9	1.8
Long-term	0.1	1.3	1.1	2.3	2.1	2.0	1.9	1.8
Short-term	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	166.1	168.0	175.5
Long-term	248.5	226.7	209.9	151.7	112.3	136.4	137.2	145.4
Short-term	44.5	40.4	47.5	22.2	24.9	29.7	30.8	30.1
2.2. Loans	6,768.8	6,647.8	6,959.7	9,586.8	11,334.5	12,175.9	12,976.1	12,983.9
2.2.1. Croatian National Bank	170.6	138.7	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	170.6	138.7	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	1,832.6	1,672.7	1,950.8	2,286.4	2,595.3	2,705.0	2,849.0	2,920.2
Long-term	1,444.6	1,672.7	1,950.8	2,286.4	2,595.3	2,705.0	2,849.0	2,920.2
Short-term	388.1	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	4,375.7	4,703.7	4,460.1
Long-term	1,708.0	1,810.8	1,878.4	2,767.7	3,315.7	3,419.0	3,548.7	3,371.8
Short-term	7.8	2.6	0.3	604.2	660.8	956.7	1,155.1	1,088.4
2.2.4. Other sectors	3,049.7	3,022.9	3,130.1	3,928.5	4,762.8	5,095.3	5,423.4	5,603.6
Long-term	3,003.5	2,969.0	3,103.0	3,858.3	4,637.3	4,927.8	5,222.6	5,399.7
Short-term	46.2	53.9	27.2	70.1	125.4	167.5	200.8	203.8
2.3. Currency and deposits	464.5	718.3	1,896.9	2,736.2	3,219.0	3,347.9	3,315.0	3,042.4
2.3.1. Banks	464.5	718.3	1,896.9	2,736.2	3,219.0	3,347.9	3,315.0	3,042.4
2.4. Other liabilities	341.0	325.3	400.9	411.3	529.8	443.5	503.6	593.1

^a Preliminary data.

Table I1: Consolidated Central Government According to Government Level

million kuna

	2004	2005			2005				
		Q1	Q2	Q3	Mar.	Jun.	Sep.	Oct.	Nov.
1. REVENUE (A + B)	87,019.3	19,761.0	22,706.4	24,552.4	7,041.1	7,698.8	8,261.9	7,734.8	7,816.1
A) Budgetary central government	80,463.5	18,435.9	21,171.0	22,386.4	6,623.4	7,167.6	7,624.4	7,113.6	7,197.2
B) Extrabudgetary users	6,555.8	1,325.1	1,535.4	2,166.1	417.7	531.1	637.5	621.2	618.9
1. Croatian Pension Insurance Administration	129.9	9.6	10.4	9.1	1.7	3.0	2.4	2.3	1.6
2. Croatian Institute for Health Insurance	663.1	192.1	159.9	225.8	88.7	58.2	77.3	80.0	78.0
3. Croatian Employment Service	15.5	5.1	5.4	4.1	2.4	2.0	2.3	1.5	0.6
4. Croatian Waters	1,224.4	213.9	246.0	321.3	34.6	107.2	102.3	135.2	151.8
5. Fund for Environmental Protection and Energy Efficiency	170.7	40.2	66.7	57.1	15.6	22.4	16.7	15.3	18.9
6. Croatian Motorways Ltd.	2,295.4	470.9	580.8	822.7	163.4	208.3	259.9	230.0	185.5
7. Croatian Roads Ltd.	1,417.8	292.4	351.2	438.6	99.8	126.5	151.4	139.4	118.9
8. State Agency for Deposit Insurance and Bank Rehabilitation	575.9	95.0	85.9	94.5	10.8	1.4	7.3	15.3	62.4
9. Croatian Privatization Fund	62.9	5.9	29.1	192.9	0.7	2.3	17.8	2.2	0.9
2. EXPENSE (A + B)	86,941.4	24,229.0	21,731.6	21,951.8	8,835.2	7,249.4	7,194.9	8,136.6	7,474.5
A) Budgetary central government	81,861.2	23,089.4	20,397.5	20,581.6	8,516.9	6,816.1	6,723.6	7,657.0	6,999.9
B) Extrabudgetary users	5,080.3	1,139.6	1,334.2	1,370.2	318.3	433.2	471.3	479.5	474.6
1. Croatian Pension Insurance Administration	587.4	87.8	92.1	91.9	30.5	31.5	31.2	31.4	30.5
2. Croatian Institute for Health Insurance	831.3	209.0	214.3	222.3	74.9	-82.2	66.8	77.6	86.8
3. Croatian Employment Service	141.3	34.5	33.9	36.5	11.0	10.9	10.2	13.7	13.2
4. Croatian Waters	1,426.3	254.6	243.7	369.8	48.3	97.5	144.2	140.7	182.8
5. Fund for Environmental Protection and Energy Efficiency	32.4	76.4	19.9	39.5	12.1	6.9	12.3	5.5	5.1
6. Croatian Motorways Ltd.	752.3	206.5	251.0	260.5	79.5	85.0	98.0	124.3	82.7
7. Croatian Roads Ltd.	934.6	244.1	287.7	282.3	50.7	110.6	102.5	92.7	66.5
8. State Agency for Deposit Insurance and Bank Rehabilitation	314.5	3.9	66.2	51.9	1.7	63.4	1.0	-11.6	1.5
9. Croatian Privatization Fund	60.1	22.7	125.5	15.6	9.5	109.6	5.2	5.2	5.5
NET/GROSS OPERATING BALANCE (1 – 2)	77.8	-4,468.0	974.8	2,600.6	-1,794.0	449.4	1,067.0	-401.8	341.6
3. CHANGE IN NET WORTH: TRANSACTIONS (3.1. + 3.2. – 3.3.)	77.8	-4,468.0	974.8	2,600.6	-1,794.0	449.4	1,067.0	-401.8	341.6
3.1. CHANGE IN NET ACQUISITION OF NON-FINANCIAL ASSETS	8,373.5	1,464.0	1,585.3	1,784.8	821.2	472.2	489.9	516.8	298.0
Acquisition	8,648.4	1,528.0	1,693.2	1,863.2	844.6	529.6	529.5	539.3	321.7
A) Budgetary central government	1,663.9	341.1	290.2	439.2	137.4	85.7	127.8	170.9	223.4
B) Extrabudgetary users	6,984.5	1,186.9	1,403.0	1,424.0	707.2	443.9	401.7	368.4	98.2
Disposals	274.9	64.0	107.9	78.4	23.4	57.4	39.6	22.5	23.6
A) Budgetary central government	244.4	60.3	90.6	53.9	20.8	54.3	15.7	19.9	23.1
B) Extrabudgetary users	30.5	3.7	17.3	24.6	2.6	3.1	23.9	2.6	0.5
Net lending/borrowing (1 – 2 – 3.1.)	-8,295.6	-5,932.1	-610.5	815.8	-2,615.2	-22.9	577.1	-918.6	43.5
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING) (3.3. – 3.2.)	8,295.6	5,932.1	610.5	-815.8	2,615.2	22.9	-577.1	918.6	-43.5
3.2. CHANGE IN NET ACQUISITION OF FINANCIAL ASSETS	28.4	915.9	-91.7	853.5	152.8	-21.3	464.4	174.5	93.3
3.2.1. Domestic	18.6	923.5	-94.4	853.5	152.8	-24.0	464.4	174.5	93.3
A) Budgetary central government	138.6	330.0	390.1	837.5	-358.0	30.8	550.4	-293.7	-110.1
B) Extrabudgetary users	-120.0	593.4	-484.6	16.0	510.8	-54.9	-86.1	468.2	203.4
3.2.2. Foreign	9.8	-7.6	2.7	0.0	0.0	2.7	0.0	0.0	0.0
A) Budgetary central government	9.8	-7.6	2.7	0.0	0.0	2.7	0.0	0.0	0.0
B) Extrabudgetary users	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. CHANGE IN NET INCURRENCE OF LIABILITIES	8,324.0	6,848.0	518.8	37.7	2,768.1	1.5	-112.7	1,093.0	49.8
3.3.1. Domestic	4,107.7	10,843.6	424.7	206.3	6,319.4	32.6	-249.0	924.6	36.8
A) Budgetary central government	4,038.7	9,775.5	288.7	-47.6	5,533.2	-63.2	-299.4	548.8	32.6
B) Extrabudgetary users	69.0	1,068.1	136.0	254.0	786.2	95.8	50.4	375.9	4.2
3.3.2. Foreign	4,216.3	-3,995.6	94.1	-168.6	-3,551.4	-31.1	136.2	168.4	13.0
A) Budgetary central government	270.3	-4,266.3	-230.0	-328.8	-3,775.3	-159.5	125.0	-21.2	-39.1
B) Extrabudgetary users	3,946.0	270.7	324.1	160.2	223.9	128.4	11.2	189.6	52.1

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

Table I2: Budgetary Central Government Operations

million kuna

	2004	2005			2005				
		Q1	Q2	Q3	Mar.	Jun.	Sep.	Oct.	Nov.
1. REVENUE	80,463.5	18,435.9	21,171.0	22,386.4	6,623.4	7,167.6	7,624.4	7,113.6	7,197.2
1.1. Taxes	47,149.9	10,330.1	12,996.1	13,917.6	3,897.0	4,384.7	4,789.7	4,327.8	4,458.0
1.2. Social contributions	29,477.6	7,466.2	7,702.6	7,945.6	2,516.9	2,619.3	2,634.5	2,602.4	2,611.7
1.3. Grants	10.1	3.3	10.8	6.5	3.2	0.9	3.3	6.8	0.0
1.4. Other revenue	3,825.9	636.2	461.5	516.6	206.4	162.8	196.9	176.6	127.5
2. EXPENSE	83,131.1	23,341.7	20,628.5	20,787.1	8,622.7	6,879.7	6,787.5	7,783.9	7,099.2
2.1. Compensation of employees	22,268.3	5,617.4	5,665.7	5,921.4	1,880.7	1,879.4	1,883.8	1,939.7	1,926.8
2.2. Use of goods and services	4,358.7	1,435.8	1,063.4	1,100.9	621.6	368.0	353.9	378.6	330.6
2.3. Consumption of fixed capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Interest	3,972.5	1,913.9	915.1	826.8	971.3	271.9	303.7	198.5	315.1
2.5. Subsidies	4,968.1	1,815.5	943.5	969.6	831.0	286.1	235.6	640.0	334.5
2.6. Grants	3,420.3	1,021.5	677.1	773.1	293.6	202.2	253.3	443.2	284.4
2.7. Social benefits	39,730.9	10,241.9	10,469.8	10,305.8	3,612.3	3,571.3	3,528.1	3,420.7	3,417.1
2.8. Other expense	4,412.4	1,295.7	893.8	889.5	412.1	300.8	229.2	763.2	490.6
3. CHANGE IN NET WORTH: TRANSACTIONS	-2,667.6	-4,905.9	542.5	1,599.3	-1,999.3	288.0	836.9	-670.3	98.0
3.1. Change in net acquisition of non-financial assets	1,419.5	280.8	199.6	385.3	116.6	31.4	112.1	151.0	200.3
3.1.1. Fixed assets	1,384.6	276.1	192.9	377.4	115.6	30.0	107.8	149.3	199.2
3.1.2. Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.1.3. Valuables	7.5	2.7	2.0	0.8	0.9	0.5	0.1	1.0	0.6
3.1.4. Non-produced assets	27.3	2.1	4.7	7.1	0.1	0.9	4.1	0.7	0.4
3.2. Change in net acquisition of financial assets	222.0	322.5	401.5	837.5	-358.0	33.9	550.4	-293.7	-108.8
3.2.1. Domestic	212.2	330.0	398.8	837.5	-358.0	31.2	550.4	-293.7	-108.8
3.2.2. Foreign	9.8	-7.6	2.7	0.0	0.0	2.7	0.0	0.0	0.0
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. Change in net incurrence of liabilities	4,309.0	5,509.2	58.7	-376.4	1,757.9	-222.7	-174.4	527.5	-6.5
3.3.1. Domestic	4,038.7	9,775.5	288.7	-47.6	5,533.2	-63.2	-299.4	548.8	32.6
3.3.2. Foreign	270.3	-4,266.3	-230.0	-328.8	-3,775.3	-159.5	125.0	-21.2	-39.1

The Notes on Methodology can be found in the Ministry of Finance Monthly Statistical Review.

Note: On a cash basis. Source: Ministry of Finance.

Table I3: Central Government Debt

end of period, million kuna

	2000	2001	2002	2003	2004	2005				2006
	Dec.	Dec.	Dec. ^a	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Domestic debt of central government	21,324.2	24,907.3	31,421.5	34,736.4	41,517.0	51,391.3	52,400.1	53,716.2	54,810.2	54,951.5
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	46,495.7	47,583.2	50,492.8	50,875.0
Treasury bills	2,564.6	4,892.3	5,632.7	6,548.1	9,022.5	13,021.3	13,442.1	12,820.5	12,533.4	12,646.2
Money market instruments	14.2	7.4	0.1	0.3	–	–	–	0.7	0.9	1.0
Bonds	14,082.5	15,415.8	15,887.9	17,422.0	23,080.1	24,570.5	24,072.1	27,299.9	30,649.2	30,533.3
Credits from the CNB	0.0	–	0.5	1.4	3.3	1.7	–	0.5	1.4	0.2
Credits from banks	1,848.4	1,152.4	1,798.8	4,189.1	5,117.8	8,782.3	8,981.5	7,461.6	7,307.8	7,694.2
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	5,904.4	6,133.0	4,317.5	4,076.5
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	1,686.8	1,636.1	4,460.7	3,616.4	2,040.1	1,901.7	1,853.2	1,851.9	178.1	185.0
Credits from banks	1,127.6	1,803.3	3,640.7	2,959.1	2,253.2	3,113.9	4,051.3	4,281.1	4,139.4	3,891.5
2. External debt of central government	39,638.8	43,319.1	43,517.5	50,137.9	55,384.4	49,992.9	51,095.5	51,788.5	51,878.1	51,729.0
2.1. External debt of the Republic of Croatia	36,453.4	39,487.3	37,388.3	41,048.8	42,095.7	36,726.9	36,766.9	36,781.0	36,372.7	36,623.8
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	25,762.8	30,746.7	28,694.2	32,144.8	32,899.3	27,258.8	27,652.2	27,335.0	27,179.1	26,500.7
Credits	10,690.6	8,740.6	8,694.1	8,904.1	9,196.4	9,468.0	9,114.7	9,445.9	9,193.6	10,123.1
2.2. External debt of central government funds	3,185.4	3,831.8	6,129.2	9,089.1	13,288.7	13,266.0	14,328.6	15,007.5	15,505.4	15,105.2
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	400.0	709.7	684.6	820.6	2,757.7	2,777.9	2,781.5	2,902.8	2,872.1	2,871.4
Credits	2,785.4	3,122.1	5,444.6	8,268.6	10,531.0	10,488.2	11,547.1	12,104.8	12,633.3	12,233.8
3. Total (1+2)	60,963.0	68,226.4	74,939.0	84,874.3	96,901.5	101,384.2	103,495.5	105,504.7	106,688.4	106,680.4
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	5,177.4	5,138.1	5,345.9	5,431.2
– guarantees for external debt	9,850.7	8,813.6	8,261.9	8,618.5	7,671.4	7,384.3	7,362.5	7,158.1	7,018.8	6,731.6

^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	December	106.9	105.0	114.6	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	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
	October	110.0	108.0	117.8	100.7	100.7	100.7	100.5	104.1	104.4	103.1	101.8
	November	110.2	108.1	118.7	100.2	100.1	100.7	100.0	103.8	103.8	103.8	102.3
	December	110.8	108.7	119.3	100.5	100.5	100.5	99.7	103.6	103.5	104.1	102.7
2006	January	111.5	109.1	120.8	100.6	100.4	101.3	100.5	103.9	103.6	105.2	103.2
	February	112.4	109.8	122.4	100.8	100.7	101.3	100.7	103.6	102.8	106.2	103.6

^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	December	105.1	104.2	110.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	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
	October	107.8	106.9	113.9	100.5	100.6	99.9	103.0	102.9	103.7
	November	108.2	107.3	114.0	100.3	100.4	100.0	103.1	103.0	103.6
	December	108.3	107.2	114.5	100.1	100.0	100.5	103.0	102.9	103.7
	2006	January	107.7	106.5	114.8	99.5	99.3	100.3	102.8	102.7	103.8
February		108.0	106.9	115.3	100.3	100.3	100.4	102.7	102.5	103.6

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	December	4,312.0	99.1	106.6	105.9
2005	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
	August	4,417.0	101.5	105.7	104.8
	September	4,352.0	98.5	105.3	104.9
	October	4,339.0	99.7	105.1	104.9
	November	4,595.0	105.9	105.6	105.0
	December	4,473.0	97.3	103.7	104.9

Source: Central Bureau of Statistics.

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

index points, original data

Year	Month	Composite indices			Response indices (I)						
		Consumer confidence index	Consumer expectations index	Consumer sentiment index	I1	I2	I3	I4	I7	I8	I11
1999	October	-33.7	-14.9	-46.3	-38.4	-12.1	-49.9	-17.6	35.5	-50.7	-69.7
2000	October	-20.9	3.5	-32.2	-26.2	1.2	-22.0	5.7	26.9	-48.3	-63.6
2001	October	-27.0	-11.4	-35.6	-29.6	-10.0	-35.9	-12.7	22.9	-41.3	-62.3
2002	April	-30.8	-12.8	-39.1	-31.2	-9.7	-42.7	-15.9	28.1	-43.4	-69.3
	July	-29.7	-15.1	-35.7	-29.1	-12.1	-38.3	-18.1	21.4	-39.7	-67.2
	October	-25.2	-8.3	-29.3	-22.6	-5.1	-31.2	-11.5	20.1	-34.1	-64.0
2003	January	-20.6	-4.0	-25.4	-23.1	-2.8	-26.5	-5.1	14.7	-26.7	-59.6
	April	-20.4	-4.3	-26.6	-24.5	-3.0	-27.9	-5.6	9.9	-27.3	-63.0
	July	-18.6	-1.8	-20.8	-20.0	-1.1	-22.0	-2.5	12.6	-20.4	-58.0
	October	-22.2	-4.5	-25.0	-21.5	-2.6	-26.5	-6.4	14.7	-27.1	-65.2
2004	January	-10.5	11.4	-12.5	-12.3	11.2	-12.1	11.6	5.5	-13.0	-59.2
	April	-23.0	-4.0	-22.8	-20.6	-3.0	-20.2	-4.9	20.4	-27.6	-63.6
	July	-21.7	-5.8	-22.4	-19.6	-2.8	-23.4	-8.8	16.4	-24.3	-58.8
	October	-23.9	-7.9	-22.0	-19.1	-4.1	-30.5	-11.6	22.5	-16.5	-57.3
2005	January	-19.4	-1.9	-22.4	-17.9	0.2	-27.1	-4.0	15.6	-22.3	-58.2
	April	-27.2	-10.7	-29.3	-26.6	-6.0	-36.1	-15.3	25.1	-25.3	-62.3
	May	-26.4	-13.1	-28.6	-20.8	-7.1	-37.8	-19.1	25.0	-27.1	-54.4
	June	-26.2	-11.7	-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
	November	-23.0	-9.1	-23.1	-17.0	-4.0	-28.8	-14.1	23.1	-23.5	-50.6
	December	-26.4	-13.7	-25.6	-16.4	-5.9	-34.4	-21.5	27.6	-25.9	-50.6
2006	January	-23.7	-8.4	-23.6	-14.5	-3.7	-26.6	-13.0	19.7	-29.6	-58.2
	February	-26.4	-11.6	-25.3	-20.3	-6.7	-29.5	-16.5	24.8	-26.0	-57.4
	March	-25.3	-13.0	-25.4	-18.7	-5.9	-33.4	-20.0	22.1	-24.0	-53.3

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 March 2006

Licensed Banks

1. Banka Brod d.d., Slavonski Brod
2. Banka Kovanica d.d., Varaždin
3. Banka Sonic d.d., Zagreb
4. Banka Splitsko-Dalmatinska d.d., Split
5. Centar banka d.d., Zagreb
6. Credo banka d.d., Split
7. Croatia banka d.d., Zagreb
8. Erste & Steiermärkische Bank d.d., Rijeka
9. 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 Groš banak d.o.o., Zagreb	23/04/2001
18. Štedionica Mediteran d.o.o., Split	5/12/2001
19. Štedionica za razvoj i obnovu d.o.o., Zagreb	02/07/2001
20. Trgovačko-turistička banka d.d., Split	08/09/2000
21. Županjska banka d.d., Županja	03/05/1999

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 March 2006

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

