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

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General information on Croatia

Economic indicators

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538
Population (million)	4.440	4.440	4.440	4.439	4.442	4.440	4.436	4.434	4.429	4.418	4.402
GDP (million HRK, current prices) ^a	192,289	208,796	228,932	247,428	266,652	291,044	318,308	343,412	328,672	326,980*	333,956*
GDP (million EUR, current prices)	25,738	28,189	30,265	33,009	36,034	39,745	43,390	47,543	44,781	44,876*	44,922*
GDP per capita (in EUR)	5,797	6,349	6,816	7,436	8,112	8,951	9,781	10,722	10,111	10,158*	10,205*
GDP – real year-on-year rate of growth (in %)	3.7	4.9	5.4	4.1	4.3	4.9	5.1	2.1	-6.9	-1.4*	0.0
Average year-on-year inflation rate ^b	3.8	1.7	1.8	2.1	3.3	3.2	2.9	6.1	2.4	1.1	2.3
Current account balance (million EUR)	-785	-2,032	-1,821	-1,361	-1,899	-2,644*	-3,151*	-4,256*	-2,279*	-449.9*	-393.9*
Current account balance (as % of GDP)	-3.0	-7.2	-6.0	-4.1	-5.3	-6.7*	-7.3*	-9.0*	-5.1*	-1.0*	-0.9*
Exports of goods and services (as % of GDP)	42.0	39.5	43.4	43.1	42.4	42.7	42.1	41.7	36.4	39.5*	41.8*
Imports of goods and services (as % of GDP)	46.8	48.8	50.0	48.9	48.3	49.2	49.3	49.7	39.8	38.6	40.9
External debt (million EUR, end of year) ^c	13,609	15,144	19,884	22,933	25,990	29,725	33,721	40,590	45,244	46,483	45,734
External debt (as % of GDP)	52.9	53.7	65.7	69.5	72.1	74.8	77.7	85.4	101.0	101.2	99.6
External debt (as % of exports of goods and services)	126.0	136.1	151.4	161.1	170.2	175.3	184.6	204.6	277.3	262.4	243.3
External debt service (as % of exports of goods and services) ^{c,d}	27.5	27.5	21.3	22.5	25.0	37.3	35.1	29.6	47.2	41.9	36.9
Gross international reserves (million EUR, end of year)	5,334	5,651	6,554	6,436	7,438	8,725	9,307	9,121	10,376	10,660	11,195
Gross international reserves (in terms of months of imports of goods and services, end of year)	5.3	4.9	5.2	4.8	5.1	5.4*	5.2*	4.6*	7.0*	7.2*	7.2*
National currency: Croatian kuna (HRK)											
Exchange rate on 31 December (HRK : 1 EUR)	7.3700	7.4423	7.6469	7.6712	7.3756	7.3451	7.3251	7.3244	7.3062	7.3852	7.5304
Exchange rate on 31 December (HRK : 1 USD)	8.3560	7.1457	6.1185	5.6369	6.2336	5.5784	4.9855	5.1555	5.0893	5.5683	5.8199
Average exchange rate (HRK : 1 EUR)	7.4710	7.4070	7.5642	7.4957	7.4000	7.3228	7.3360	7.2232	7.3396	7.2862	7.4342
Average exchange rate (HRK : 1 USD)	8.3392	7.8725	6.7044	6.0312	5.9500	5.8392	5.3660	4.9344	5.2804	5.5000	5.3435
Consolidated general government overall fiscal balance (as % of GDP) ^e	-5.9	-4.3	-5.4	-4.2	-3.5	-3.4	-3.0	-2.1	-4.6	-5.3	-5.3
Public debt (as % of GDP) ^f	35.2	34.8	35.4	37.6	38.2	35.4	32.9	29.3	35.8	41.3	45.7
Unemployment rate (ILO, persons above 15 years of age)	15.8	14.8	14.3	13.8	12.7	11.2	9.6	8.4	9.1	11.8	13.5
Employment rate (ILO, persons above 15 years of age)	41.8	43.3	43.1	43.5	43.3	43.6	44.2	44.5	43.3	41.1	39.5

^a GDP data for 2010 and 2011 are preliminary. In May 2012, the CBS published the revised time series of GDP data for the 1995-2009 period, with the revised data for 2010 and 2011 to be published at the end of June.

^b CPI inflation rate.

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

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

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

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

Sources: CBS, MoF and CNB.

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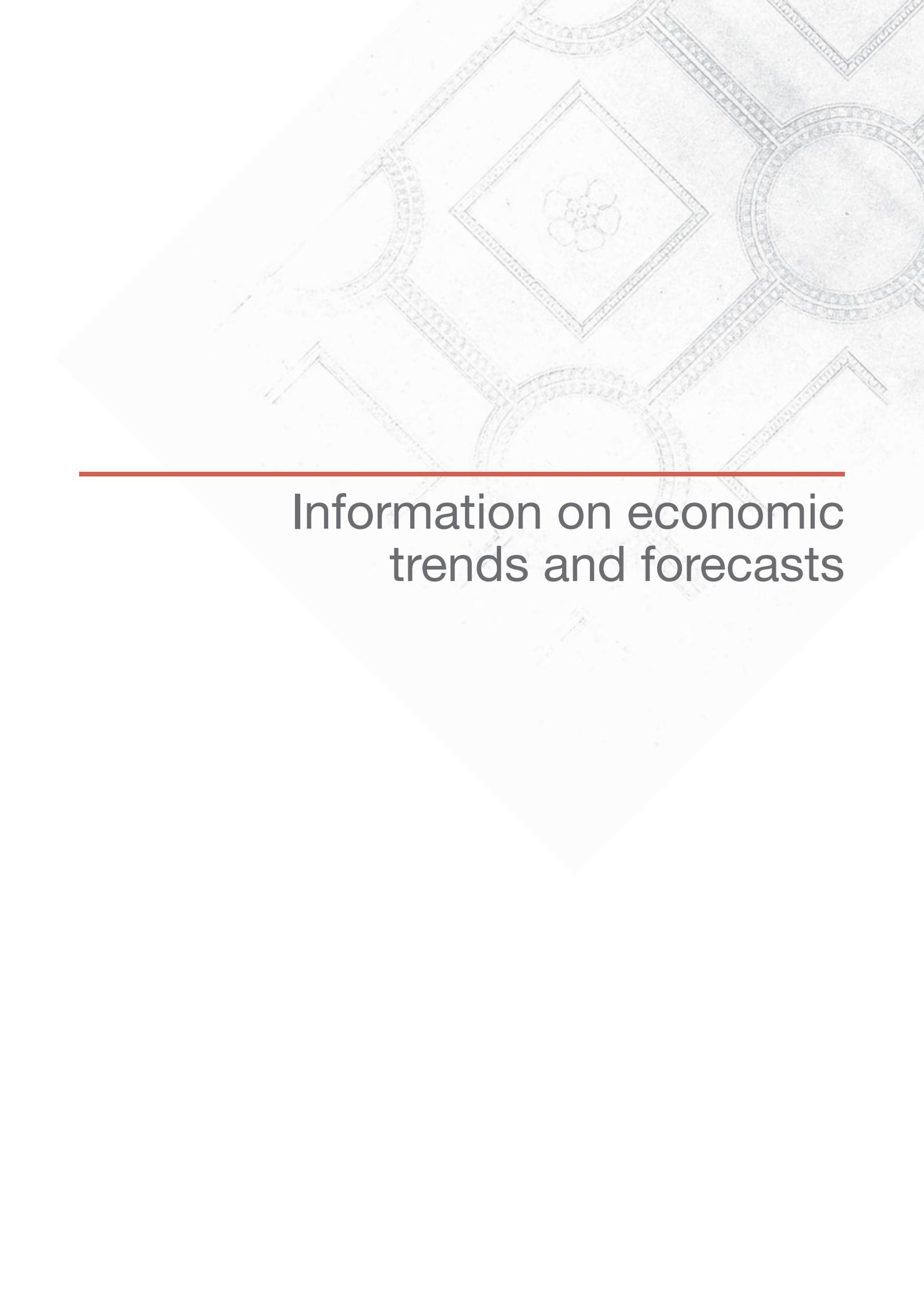
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Information on economic trends and forecasts

1 Summary

Economic activity held steady at a low level in the second half of 2012, following the slump in late 2011 and early 2012.

In 2013, the economy will benefit from the gradual improvement in the international environment.

GDP growth is expected to gradually recover in 2013, on the back of stronger investments, primarily by the public sector, and of exports. The GDP annual growth rate could reach 0.3%, with downside risks prevailing.

Labour market developments are expected to remain unfavourable in 2013.

While inflation substantially accelerated in 2012, due to short-term factors like a VAT rate hike, drought and administrative energy price increases, in 2013 it is expected to decelerate. Risks to inflation projection are symmetrical, but more widely dispersed.

The current account deficit is expected to narrow to 0.4% of GDP in 2012 and continue to contract in 2013. Substantial expected government foreign borrowing, realised under conditions of low risk premiums in global markets, could boost capital inflows.

Financing conditions for domestic sectors have remained unfavourable and total private sector financing has decelerated.

Monetary policy will continue to maintain high levels of kuna liquidity in the banking sector and a relative stability of the kuna exchange rate.

The overall fiscal deficit is expected to decline in 2012 on the back of higher revenue, but the 2013 budget does not provide for further fiscal consolidation.

Real GDP is currently expected to drop by some 1.8% in 2012, with the strongest negative contribution to its growth coming from personal consumption and investment. Exports should make a slightly positive contribution, although considerably lower than in the previous two years, because of the expected sharp drop in ship exports.

Imports of Croatia's major trading partners are expected to grow slightly in 2013, after having stagnated in 2012, but at a lower rate than previously projected. Positive effects are also expected from a decline in commodity prices and in risk premiums for European and emerging market countries, which will however remain volatile.

In 2013, despite the anticipated gradual economic recovery the real GDP growth rate is not expected to exceed 0.3%. Positive contributions to growth should come mainly from investments, primarily those by the public sector, and from exports. In contrast, GDP will continue to be adversely affected by personal consumption, given labour market developments, a drop in real disposable income and the continuing, although decelerated, deleveraging of households. Government consumption is likely to decrease again. The main downside risk to economic growth is posed by the ambitious programme of public enterprise investments.

Employment fell for the fourth consecutive year in 2012. As in the previous years, the drop in employment was recorded only in the private sector, whereas public sector employment continued to increase. As labour market developments are expected to remain negative in 2013, the average ILO unemployment rate could increase further to 15.2%. On the back of the continued downfall in employment, nominal wages are expected to edge up and real wages to drop.

The average annual consumer price inflation rate is expected to reach 3.5% in 2012, exceeding the June projection by 0.3 percentage points. This reflects primarily a growth in food prices caused by drought and climbing global food prices. In 2013, average annual consumer price inflation is expected to decelerate to 3.2% amid subsiding domestic and imported inflationary pressures. Administrative decisions effecting compliance with EU regulations (repealing the zero VAT rate and increasing excises on cigarettes) will give a boost to inflation, which will, however, be smaller than in 2012. Risks to inflation projection are more widely dispersed due to an increased volatility of raw material prices in international markets in the recent period.

The expected current account deficit could narrow to 0.4% of GDP in 2012. This is a deviation from the latest official projection, which was for the deficit to hold steady, reflecting the weaker dynamics of goods imports. The current account balance is expected to improve further in 2013 and come close to zero as a result of a growth in goods and services exports faster than that in imports, with a positive effect also anticipated from an increase in net transfers from the EU budget. Having stagnated in 2012, external debt could continue to rise, mainly pushed up by an increase in government foreign borrowing.

Croatia's risk premium and financing costs for parent banks have improved considerably when compared with the second quarter of 2012. This has positively affected the primary T-bill market and enterprise foreign borrowing. However, these trends failed to affect the domestic interest rates, especially those on long-term loans, and their negative influence on domestic lending activity continued unabated. In addition, customers with better credit standing have replaced domestic by external financing. The fall in total lending to the corporate sector has accelerated, which suggests that this sector has also started to deleverage, a trend that was already present in the household sector. Given the high levels of corporate and household indebtedness and weak business and consumer optimism, the deleveraging trend can be expected to continue, this being another factor diminishing the prospects for a fast economic recovery. The fact that banks responded slowly to improved external financing conditions shows that there are limiting factors in loan supply as well.

Monetary policy will continue to support the stability of the kuna/euro exchange rate and kuna liquidity in the banking system will remain high. Should the exchange rate come under any pressures, the CNB will intervene in the foreign exchange market or employ other monetary policy instruments. Credit aggregates are expected to increase only slightly in 2013 due to continued adverse trends in loan supply and demand, and also to the fact that, as shown by recent experience, expansionary monetary policy has a limited effect on promoting credit growth.

The overall general government deficit could amount to 4.7% of the estimated GDP in 2012, which is a decrease of 0.7 percentage points from 2011. The deficit narrowed primarily due to improved revenue collection, whereas expenditure cuts announced early in the year were not implemented. The 2013 government budget envisages the resumption of fiscal expansion and an overall general government deficit of 5.8% of the projected GDP. The

harmonisation of some taxes with EU regulations has been incorporated in the tax system, thus further adding to the overall tax burden. Expenditures are envisaged to increase at an even higher rate than revenues, with investment and hospital reconstruction expenditures rising the most. Such a deficit will result in continued strong growth in general government debt. Despite an improvement in market sentiment towards emerging markets, and consequently towards Croatia, in the last few months, these budgetary trends could prompt a deterioration in the credit rating and a renewed widening of risk premiums.

Structural reforms and measures to increase the sustainable growth rate need to be implemented.

An increase in the sustainable growth rate can be achieved only by implementing reforms aimed at boosting the economy's output and export potentials and significantly improving the business climate. However, the structural reform indicators, released in 2012 by the international organisations such as the World Bank, Heritage Foundation and World Economic Forum, again place Croatia behind all the other Central, East and South East European countries. Measures to improve the domestic business climate are lacking. Notwithstanding the favourable effect that the reduction in social security contributions in 2012 had on the export competitiveness of the economy, it seems that further such reforms, until recently expected to continue in 2013, have been abandoned, and that the overall tax burden on the economy will continue to rise.

Macroeconomic outlook

The table below shows the central estimates/projections for major macroeconomic measures for Croatia for 2012 and projections for 2013.

Table 1 Summary table of projected macroeconomic measures

	2007	2008	2009	2010	2011	2012	2013
National accounts (real rate of change, in %)							
GDP	5.1	2.1	-6.9	-1.4	0.0	-1.8	0.3
Personal consumption	6.3	1.3	-7.6	-0.9	0.2	-2.4	-1.0
Government consumption	5.5	0.1	0.4	-1.6	-0.2	-1.2	-1.1
Gross fixed capital formation	7.1	8.7	-14.2	-15.0	-7.2	-4.6	3.6
Exports of goods and services	3.7	1.7	-16.2	5.2	2.0	0.4	1.8
Imports of goods and services	6.1	4.0	-21.4	-1.4	1.2	-1.5	0.8
Labour market							
Number of employed persons (average rate of change, in %)	2.7	2.3	-2.1	-4.2	-1.1	-1.1	-1.2
Registered unemployment rate	14.8	13.2	14.9	17.4	17.8	19.0	20.0
ILO unemployment rate	9.6	8.3	9.1	11.8	13.5	14.8	15.2
Prices							
Consumer price index (average rate of change, in %)	2.9	6.1	2.4	1.1	2.3	3.5	3.2
Public finance (as % of GDP)							
General government overall fiscal balance	-3.0	-2.1	-4.6	-5.4	-5.4	-4.7	-5.8
Public debt ^a	32.9	29.3	35.8	42.2	46.7	53.3	57.5
External sector							
Current account balance (as % of GDP)	-7.3	-9.0	-5.1	-1.0	-0.9	-0.4	-0.1
Goods	-21.8	-22.4	-16.1	-12.8	-13.7	-13.7	-13.5
Services	14.7	14.4	12.7	12.9	13.8	14.2	14.2
Factor income	-2.5	-3.3	-4.0	-3.5	-3.6	-3.6	-3.7
Current transfers	2.4	2.3	2.3	2.4	2.6	2.7	2.9
Gross external debt (as % of GDP)	77.7	85.4	101.0	103.6	101.8	102.3	101.7
Monetary developments (rate of change, in %)							
Total liquid assets – M4	18.3	4.3	-0.9	4.4	3.5	2.7	2.6
Total liquid assets – M4 ^b	19.0	3.9	-0.6	3.2	2.1	2.3	2.5
Bank placements to the private sector ^c	15.0	10.5	-0.6	6.9	5.5	-4.0	1.3
Bank placements to the private sector ^{b,c}	15.9	8.5	-0.3	3.5	3.8	-4.5	1.4

^a Public debt in 2012 and 2013 includes the debt of shipyards assumed by the government.

^b Excluding the exchange rate effect.

^c In 2012, the Ministry of Finance assumed the credit liabilities of the shipyards, which resulted in a lower growth of placements to the private sector. Excluding this effect, estimated at about 2.5 percentage points, the growth of placements to the private sector in 2012 amounts to -1.5%, or -2.0% excluding the exchange rate effect.

Note: Estimate for 2012 and projections for 2013 are based on data available until 30 November 2012.

Sources: CBS, MoF and CNB.

2 Global developments¹

Real annual growth in global economic activity continued to slow down in 2012, and could stand at 3.3%. These movements were mostly due to the long-lasting debt crisis in the eurozone, weakened financial institutions, sluggish reactions by economic policy makers and negative short-term effects of fiscal adjustment, particularly in developed economies with high levels of fiscal deficit and public debt. The economic slowdown in developed countries also affected the developing countries and emerging economies, which lost their economic momentum, due not only to subdued foreign demand but also to domestic limiting factors. According to the macroeconomic forecasts issued by the IMF in autumn, the global economic growth for 2012 might slow down in real terms, from 3.8% in 2011 to 3.3%, i.e. by 0.2 percentage points relative to the previous expectations (June 2012).

Next year, however, global growth might accelerate slightly, to 3.6%, on the back of relieved uncertainty due to the consistent implementation of economic policy decisions in the eurozone and the USA, as well as an improvement in the financial market conditions. However, the expected growth rate is 0.5% lower than previously forecast and downward adjustments have been reported by almost all countries in the world. The global economic growth projections for the projection period are exposed to increased levels of negative risk, primarily fears that the

debt crisis in the eurozone might persist, and uncertainties over the fiscal situation in the USA.

The economy of the eurozone continues to be strongly affected by difficulties arising from the efforts to combat the debt crisis. Following a contraction in the second quarter of 2012 (–0.2%), GDP in the eurozone declined further by 0.1% in the third quarter from the previous three months. The contraction in economic activity reflects a negative effect of domestic factors that could not be offset by a positive contribution of net exports. The labour market activity was exceptionally weak, showing no signs of near recovery. Recent qualitative indicators do not suggest any recovery by the end of the year, and, for the whole of 2012, real GDP might decrease by 0.4% from last year. The relatively slow growth in real economic activity of the eurozone (0.2%) anticipated for 2013 might be due to structural reforms aimed at restoring confidence. The fiscal consolidation dynamics could slow down gradually, which might have a favourable impact on domestic demand. The negative risks involved in the economic growth projection might be mitigated through a resolute implementation of economic policy measures in the eurozone and progress in the institutional framework reforms of the monetary union. Unemployment may remain at high levels throughout the reference period. Concurrently, inflation rate

Table 2 Global economic developments

	2010	2011	2012		2013	
			Current projection	Δ Previous projection	Current projection	Δ Previous projection
GDP (real rate of change, in %)						
World	5.1	3.8	3.3	–0.2	3.6	–0.5
Eurozone	2.0	1.4	–0.4	–0.1	0.2	–0.7
USA	2.4	1.8	2.2	0.1	2.1	–0.3
Developing countries and emerging market countries	7.4	6.2	5.3	–0.4	5.6	–0.4
Central and Eastern Europe	4.6	5.3	2.0	0.1	2.6	–0.3
China	10.4	9.2	7.8	–0.4	8.2	–0.6
Main trading partners of the Republic of Croatia	2.5	1.8	0.3	....	1.0	....
Italy	1.8	0.4	–2.3	–0.4	–0.7	–0.4
Germany	4.0	3.1	0.9	0.3	0.9	–0.6
Slovenia	1.2	0.6	–2.2	–1.2	–0.4	–1.8
Austria	2.1	2.7	0.9	0.0	1.1	–0.7
Bosnia and Herzegovina	0.7	1.3	0.0	–0.9	1.0	–1.5
Serbia	1.0	1.6	–0.5	–1.0	2.0	–1.0
Other	3.1	2.3	2.0	....	2.2	....
Real imports of trading partners ^a	8.8	4.4	0.1	....	3.0	....
Prices						
Eurozone HICP	1.6	2.7	2.3	–0.1	1.6	–0.2
Oil prices (USD/barrel) ^b	79.5	111.1	111.7	–4.7	104.8	–5.4
Oil prices (year-on-year rate of change)	28.5	39.7	0.5	–4.2	–6.2	–0.9
Raw materials prices (excl. energy) (year-on-year rate of change)	26.3	17.8	–9.5	0.9	–2.9	–1.3
EURIBOR 3M (end of year) ^c	1.01	1.36	0.24	–0.5	0.37	–0.8
EUR/USD exchange rate (average) ^d	1.32	1.39	1.28	–0.02	1.27	–0.02
EUR/CHF exchange rate (average) ^d	1.38	1.23	1.20	–0.01	1.21	–0.03

^a IMF (GEE), November 2012.

^b Bloomberg, Brent crude oil futures and CNB.

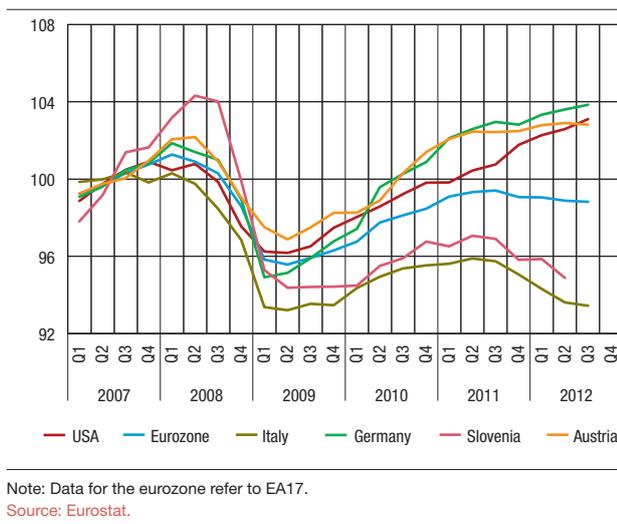
^c Bloomberg.

^d Foreign Exchange Consensus Forecast, November 2012 and CNB.

Source: IMF (WEO), October 2012.

¹ The described developments and projections are based on data available until 30 November 2012.

Figure 1 Gross domestic product of selected economies
seasonally adjusted data, constant prices, 2007 = 100



expectations were lowered.

The previous part of 2012 was marked by moderate growth in economic activity in the USA. GDP growth in the USA accelerated slightly in the third quarter of 2012 (to 0.5% in quarterly terms), after it had grown at a rate of 0.3% in the second quarter. This dynamics was mostly due to domestic factors, primarily the positive contribution of domestic consumption, while the movements in net exports negatively affected GDP growth. Given the persistently high unemployment growth, an endeavour is being made to spur economic growth by an expansionary monetary policy, taking into account stable inflation expectations in the long run. However, concerns about a possible failure to work out a compromise on public finance (according to current legislation, the beginning of 2013 should see a cut in budget expenditure and the abolishment of tax relief) and adverse movements in the eurozone constitute potential negative risks to the US real economy growth. Given a moderate increase in economic activity, unemployment could be slightly reduced.

China experienced a growth in GDP of 7.4%, the lowest since the first quarter of 2009. The sharp economic slowdown was due to lending terms tightening as a result of fears of a real estate market bubble and of the easing of inflationary pressures. Concurrently, the unfavourable movements were additionally aggravated by a fall in demand for Chinese exports, particularly from the eurozone and USA. However, after a relatively long period of slowdown, recent macroeconomic indicators for China suggest possible improvements. Specifically, according to a recent release of data on growth in investment and industrial production, as well as on strengthening of exports early in the first quarter of 2012, China's economy shows signs of stabilisation. According to projections, GDP is expected to increase by 7.8% in 2012, and, thanks to efforts to stimulate economic growth, particularly investment and consumption, and assuming a recovery of foreign demand, economic growth could accelerate gradually to 8.2% in 2013.

Croatia's main trading partners

Economic activity trends in most of Croatia's major trading partners were extremely negative in the previous part of 2012. It is assumed that the whole of 2012 could be marked by real economic stagnation in a wider group of foreign trade partners, with extremely negative trends observed in a number of the most important countries. Sharp economic downturns in Italy and

Slovenia adversely affected Croatia's goods exports, which fell the most exactly in these markets. The downward trend in GDP might continue in Italy and Slovenia, while slight improvements can be expected in other major trading partners. In addition, expectations about economic movements in 2013 worsened relative to the latest projections for all the major foreign trade partners of Croatia, particularly countries in the region: Slovenia, Bosnia and Herzegovina and Serbia.

Recession in Italy continued in 2012. After four consecutive quarters of negative economic activity in that country, a new decline was recorded in the third quarter of 2012, but at a markedly slower rate. Dwindling consumption and low investment activity continued to reflect high tensions in financial markets, while the effects of budgetary austerity measures continued to put pressure on disposable income. In addition, confidence was extremely low in all economic sectors. Given the negative economic activity trend, public consumption might continue to be aimed at strengthening fiscal discipline in the coming period.

During 2012, the German economy grew at higher rates than the economies of most eurozone countries, but it slowed down after its expansion early in the year. After having grown at a rate of 0.5% in the first quarter of 2012, this economy decelerated to 0.3% and 0.2% in the second and third quarters respectively. The remaining part of 2012 was marked by noticeable reluctance of enterprises to invest and a decline in investments, whereas recent indicators predict suppressed growth by the end of 2012. A revival in investment is expected as early as 2013, followed by even more pronounced growth. Labour market stability stimulated personal consumption which could continue to boost the demand for imports. Concurrently, German exports were negatively influenced by subdued economic activity in the eurozone, but a positive contribution came from the country's orientation to non-EU markets. Such movements are expected to continue in 2013, with the real growth rates similar to those in 2012 (0.9%).

Austria's economy was also exposed to the adverse effects of the eurozone crisis, despite positive movements in the first half of the year. Following a slowdown in GDP growth during the second quarter of 2012 (to a quarterly rate of 0.1%), preliminary data suggest a slight quarterly decline in economic activity over the third quarter. These dynamics reflected poor domestic demand, particularly on account of low investment, which continued to slump in both the second and third quarters. By contrast, exports and imports (the latter to a slightly larger extent) strengthened during the first three months of 2012. According to forecasts, Austria's GDP could go up 0.9% in 2012, and moderate strengthening of economic activity can also be expected in 2013 (1.8%). Net exports are expected to be the main growth generators.

Slovenia reported negative economic movements in the first quarter of 2012, and similar trends are suggested by recent data as well. After the economic stagnation in Slovenia during the first three months of 2012, the country's GDP decreased by 1.0% in the second quarter. The economic downturn strongly affected all domestic demand components, with a particularly sharp fall recorded in investments, notably in construction. Negative trends intensified in personal consumption as well, with already low consumer confidence additionally shaken by the unemployment growth recorded in the summer months. Positive movements were recorded only in net exports. Banking sector vulnerability was further exacerbated by the overall economic instability. The latest available confidence indicators for the overall economy in October fell to a record low since June 2009. Accordingly, real economic activity is expected to decline by 2.2% in 2012, and the downward trend (-0.4%) might continue in

2013, albeit at a markedly slower pace.

Available economic activity indicators for Bosnia and Herzegovina suggest unfavourable movements in 2012. Industrial production decreased annually by 6% in the first nine months of 2012, after having grown markedly in the previous year. Weak retail trade performance reflects dwindling personal consumption and growing unemployment. Exports fell markedly early in the year, but recovered as early as the second quarter, while imports slowed down. The IMF granted a Stand-by Arrangement to Bosnia and Herzegovina in September 2012 worth EUR 0.4bn, aimed at implementing structural reforms and achieving sustainability of public finance. According to the IMF's expectations, economic activity in Bosnia and Herzegovina will remain stagnant in 2012, while in 2013, GDP is estimated to grow at a rate of 1.0%.

Serbia's economy saw negative movements in the previous part of 2012. After a slowdown in the country's GDP during the second quarter (at an annual rate of -0.8%), another decline in GDP was recorded in the third quarter (2.2%). The negative movements were almost entirely due to a further contraction of domestic demand, while net exports made a positive contribution. Expectations are that the sharply reduced investments and personal consumption (additionally burdened by an increase in the VAT rate from 18% to 20% in October) will put negative pressures on economic activity in the coming period. By contrast, a positive contribution might come from net exports, partly due to stronger production of cars intended for exports. According to projections, economic activity will fall by 5% in 2012, but a relatively significant recovery is expected in 2013 (2.0%).

Exchange rates and price developments

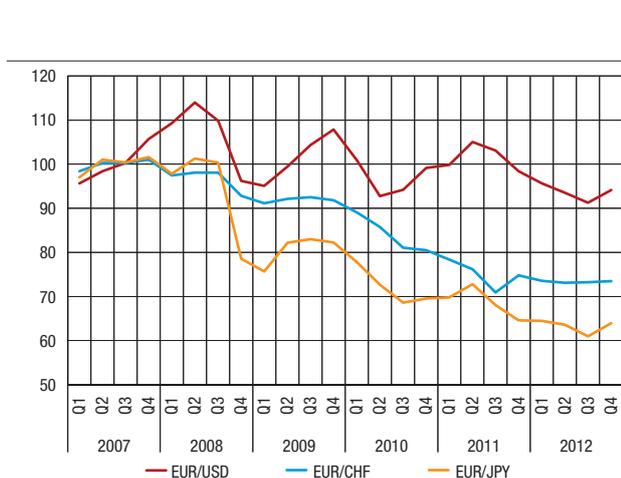
During 2012, the average US dollar/euro exchange rate might strengthen over the previous year. In the first half of the year, the US dollar/euro exchange rate was mainly exposed to appreciation pressures stemming mostly from the debt crisis worsening in peripheral eurozone countries, and from the failure of the expected economic recovery of the eurozone. The strengthening of the US dollar against the euro reached its peak at end-June, with the euro standing at 1.21 US dollar on the back of concerns over Spain's fiscal problems and possible escalation of the eurozone debt crisis. The USD/EUR exchange rate weakened markedly in the following two months, which was partly due to an increase in optimism regarding aid to the

crisis-stricken eurozone members and expectations that the Fed could begin a new cycle of monetary easing. The end-September exchange rate was USD 1.29/EUR; the strengthening of the euro against the US dollar recorded during October and November might continue till the end of the year. By contrast, appreciation pressures on the USD/EUR exchange rate are expected again in 2013. The Swiss franc/euro exchange rate remained stable during the first eleven months, moving slightly above the floor of CHF/EUR 1.20 set by the Swiss central bank. A slight depreciation of this rate can be expected in the rest of 2012 and during 2013.

World prices of raw materials, excluding energy products, were relatively stable in the third quarter of 2012, with slightly stronger fluctuations. The prices of raw materials in the world markets grew strongly at the beginning of the third quarter, following a decline in the previous quarter. The highest increase in non-energy raw material prices was witnessed in food prices, especially the prices of cereals and oil and oil seeds, driven up by the drought in the US. This trend reversed in September and October, so that world food prices fell at the monthly level. In contrast to this, a fall in most industrial raw materials prices, especially the prices of textiles, metals and iron ores, was recorded in the period ending in August, but was halted in September. In October, the HWWI index of raw material prices (excluding energy, in USD) remained at approximately the same level as in December 2011, but was 5.7% lower than in October 2011. Reduced demand for raw materials due to a lack of any global economic recovery, along with the currently high raw material prices might lead to their fall at an annual level in 2013.

The most recent market expectations incorporated in spot contracts suggest that, by the end of 2012, crude oil prices might remain relatively stable. Although crude oil prices rose during August and September 2012, primarily due to political tensions and reduced supply, they fell towards the end of October and in November. Pronounced crude oil price volatility in recent months reflects, on one hand, concerns over the global economic recovery, and on the other, geopolitical instability and reduced output in OPEC member countries. The average Brent crude oil price might stand at USD 112 per barrel in 2012, which is in line with the previous projection and with the price level of 2011. Taking into account the expected increase in crude oil output in North America and Iraq, crude oil prices are expected to decline during 2013.

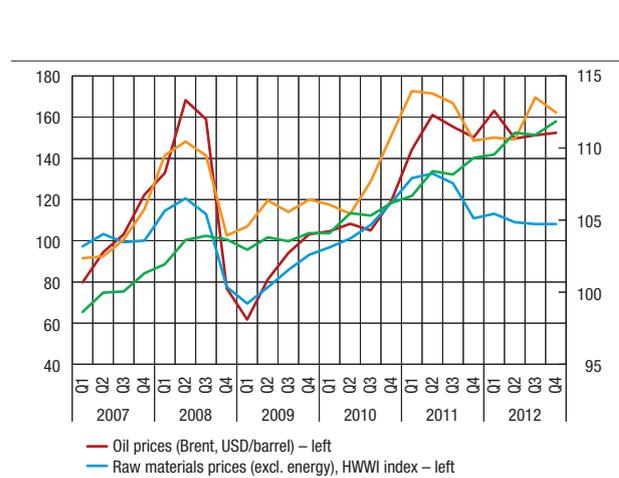
Figure 2 Exchange rates of individual currencies
2007 = 100



Note: Data up to 30 November 2012. A growth in the index denotes an appreciation of the euro.

Source: Eurostat.

Figure 3 Prices
2007 = 100



Note: Data for the fourth quarter of 2012 refer to October, while the oil price index data include October and November.

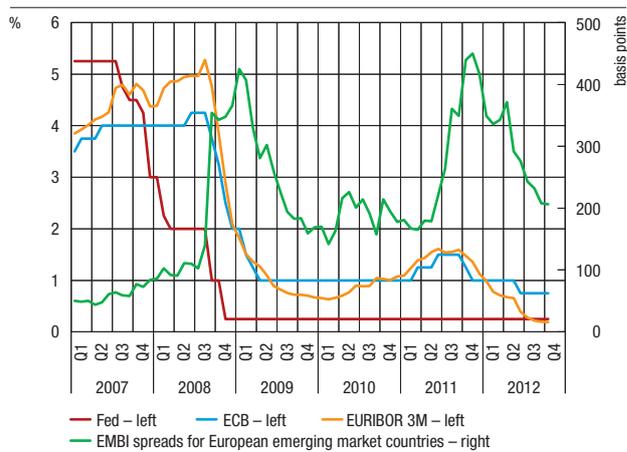
Sources: Eurostat, Bloomberg and HWWI.

Benchmark interest rate trends

The European financial market situation in mid-2012 was marked by high uncertainties over the eurozone debt crisis and the ameliorating effects of expansionary monetary policy measures. The ECB thus lowered its key interest rate to a historical low of 0.75% in early July, and announced new non-standard monetary policy instruments at the beginning of August. According to current expectations, this rate might decline further over the coming period, due to the absence of economic recovery. Negative risks in the US economy, related to the expiry of tax relief for most sectors early in 2013, should have no influence on the change in the US Federal Funds Target Rate. Given the persistently low (and unprecedented) US Federal Funds Target Rate, and a possible decrease in the eurozone key interest rate, expectations about market interest rates for the whole of 2013 have worsened relative to the previous projection.

High banking sector liquidity and temporary stabilisation of uncertainties in the global financial markets contributed to a slump in yields on the eurobonds of European emerging markets during June 2012. Spurred by the ECB's monetary policy measures, yields continued to decline in the following months as well. However, a continuation of adverse economic conditions in most countries and re-escalation of the Greek debt crisis halted the trend towards the narrowing of yield spreads,

Figure 4 Benchmark interest rates and the average yield spread on bonds of European emerging market countries end of period



Note: Data for the fourth quarter are up to 30 November 2012.

Source: Bloomberg.

which held steady at about 200 base points from mid-October to end-November.

3 Aggregate demand and supply

Real GDP, seasonally adjusted, stagnated in the third quarter of 2012 relative to the previous quarter.² Negative movements were recorded in most aggregate demand components, with the exception of foreign demand for domestic goods and services. Weak economic activity continued at the end of 2012, with no signs of recovery. The economy is likely to start recovering only in the middle of 2013, depending primarily on public sector investment dynamics and on export sector performance.

Aggregate demand

The increase in total nominal goods exports during the third quarter was greatly due to the strong growth of ship exports, which was largely the consequence of their exceptionally poor performance in the base period. Most other product groups saw either stagnancy or a fall in exports relative to the previous quarter, which suggests unfavourable economic activity trends in the international environment. By contrast, the exports of services went up, according to preliminary balance of payments figures. According to an overall estimate, foreign demand made a favourable impact on economic activity in the third quarter, primarily thanks to demand for tourist services, while the impact of real goods exports was neutral or slightly negative in that period.

The performance of goods and services exports at the end of 2012 might be relatively good, but it could deteriorate again in the first half of 2013, which is in line with the downward economic trends in the eurozone, particularly in Croatia's regional foreign trade partners. Slightly more favourable movements are expected in the second half of 2013, driven by foreign demand for domestic tourist services, a recovery in the international environment and Croatia's accession to the EU.

According to available monthly data, the main contributors to a continued decline in domestic demand during the third quarter of 2012 were government consumption and capital investments which, despite expectations, still saw no reversal of the negative trend, while personal consumption stagnated.

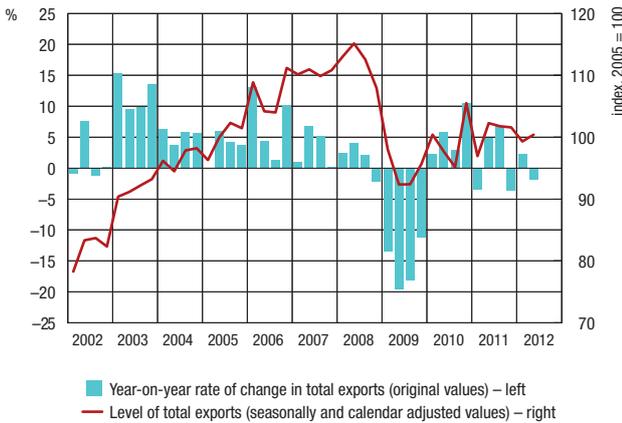
Adverse changes in employment, wages and consumer optimism, together with the data on retail trade turnover early in the third quarter suggest the likelihood of a decline in personal consumption from October to December 2012. It is therefore obvious that the stagnation in personal consumption, recorded in 2011, will be followed by a relatively strong contraction in the current year. As concerns 2013, negative impacts on consumption early in the year are expected to come from changes in the VAT system, as well as from the expected continuation of negative labour market movements. A gradual increase in optimism and slightly more favourable wage movements can be expected only in the second half of the year, as the economic recovery accelerates. This should result in a very slight rise in household consumption towards the end of the year. However, for the whole of 2013, this GDP component is expected to fall.

According to available monthly data, investment activity is most likely to have declined again in the third quarter of 2012. Public sector investments were adversely affected by a slump in general government investments (suggested by budget data), as well as a delay in the announced public company investments. Capital investments of private enterprises continued to decline due to continuing low demand and uncertainty about demand developments in the near future.

Considering the movements in the first nine months of 2012, investments could decrease by about 4.5% in the whole of 2012. This is based on the assumption that public investments (primarily those of public companies such as HEP) will be lower than previously expected, whereas private sector investments are also expected to decline. The recovery of private sector

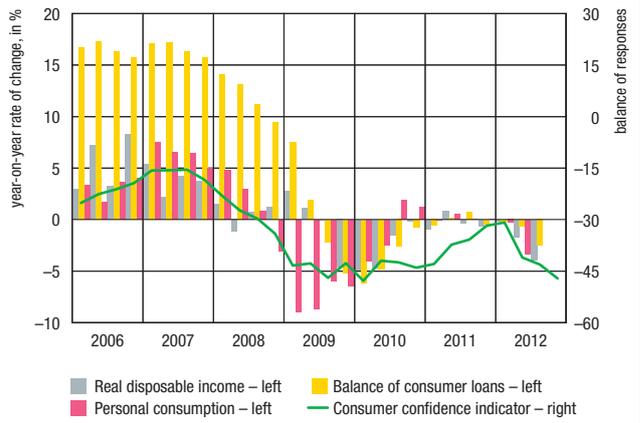
² According to the CBS first estimate, the annual rate of change in GDP was -1.9% in the first quarter of 2012. GDP data from the first quarter of 2009 onwards are preliminary data.

Figure 5 Exports of goods and services
real values



Source: CBS data seasonally and calendar adjusted by the CNB.

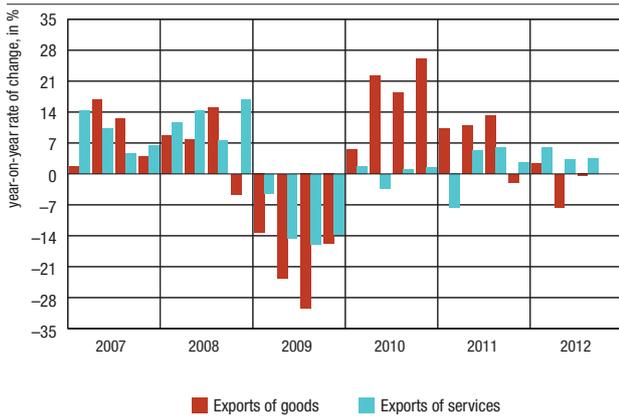
Figure 8 Determinants of personal consumption



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

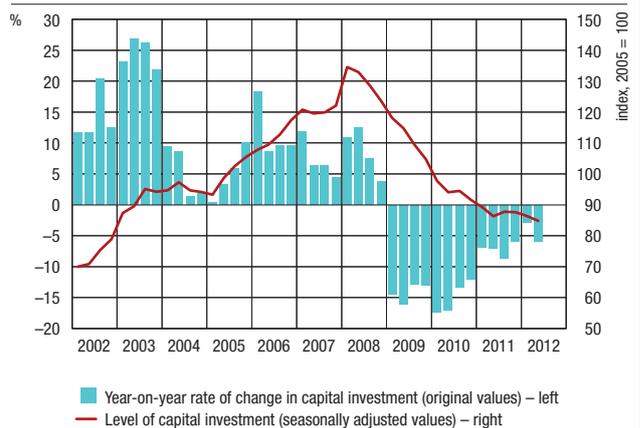
Sources: CBS, Ipsos Puls and CNB.

Figure 6 Exports of goods and services
in EUR, nominal values taken from the balance of payments



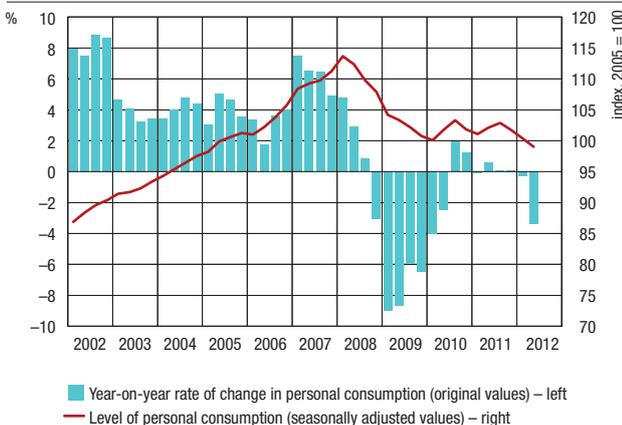
Source: CNB.

Figure 9 Gross fixed capital formation
real values



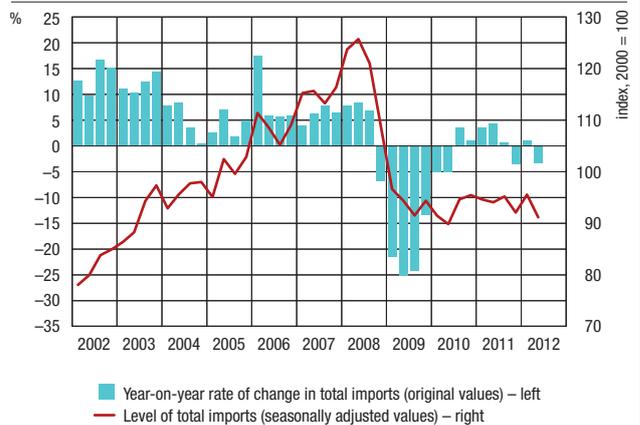
Source: CBS data seasonally adjusted by the CNB.

Figure 7 Personal consumption
real values



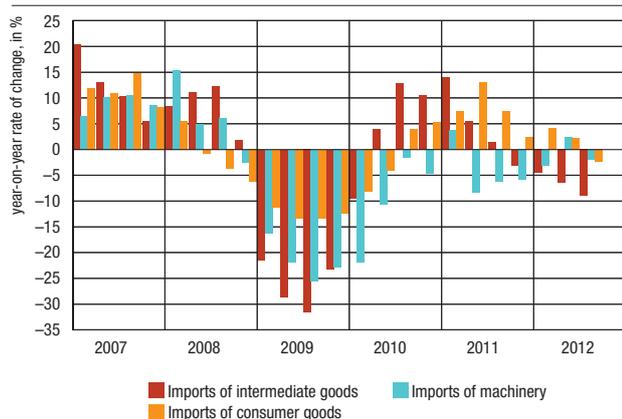
Source: CBS data seasonally adjusted by the CNB.

Figure 10 Imports of goods and services
real values



Source: CBS data seasonally adjusted by the CNB.

Figure 11 Goods imports by category
in EUR, nominal values



Source: CBS.

investments continues to be hampered by low aggregate demand and increased uncertainty about future developments in foreign and domestic demand, relatively high interest rates on long-term financing and the surplus supply of residential real estate. Investment dynamics should accelerate during 2013, spurred initially by corporate and state-owned fund investments. These changes, coupled with an economic recovery in the international environment, Croatia's full membership in the European Union and improved financing conditions, could lead to a slight increase in private sector investments. In addition, the inflow of foreign direct investments in new production capacities is expected to increase gradually.

Government consumption will decline in real terms in 2012 from the previous year. The largest decrease in real expenditures is expected in transfers in kind, and expenditures for the use of goods and services will also go down. By contrast, real compensation of employees should rise slightly, in line with estimated movements in the number of employed persons. A decline in government consumption in real terms will probably continue in 2013.

In line with such trends, the negative changes in domestic demand during 2012 could result in a fall in goods and services imports. This will mainly be the consequence of reduced domestic demand for foreign goods, reflecting decreases in both personal and investment consumption in 2012.

Imports are expected to recover during 2013, fuelled by growing domestic demand. Nevertheless, the share of imports in GDP is likely to remain markedly below its pre-crisis level.

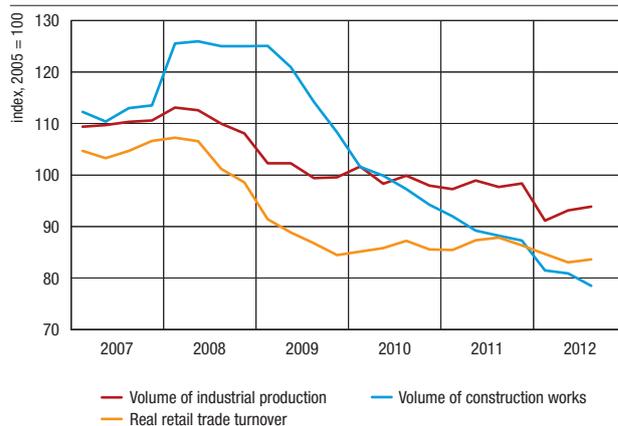
Aggregate supply

Despite some improvement in real retail trade turnover and a slight increase in industrial production during the third quarter from the April-June period, total real gross value added might stagnate in the third quarter of 2012, relative to the April-June period. This is in line with mostly negative changes in the aggregate demand components.

The latest business confidence surveys (for the period ending in November) suggest low business optimism levels in construction and industry, while consumer optimism again declined, after having stagnated in the middle of the year.

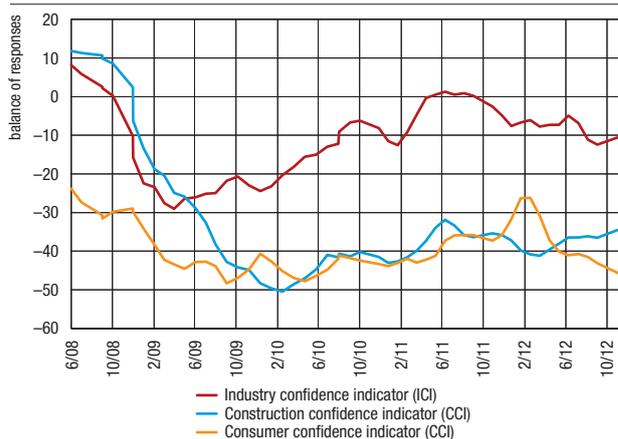
Should projections regarding the movements in individual demand components hold true, in 2013, activity should step up in related sectors, as well, notably in trade, transport, storage

Figure 12 Short-term economic indicators
seasonally and calendar adjusted



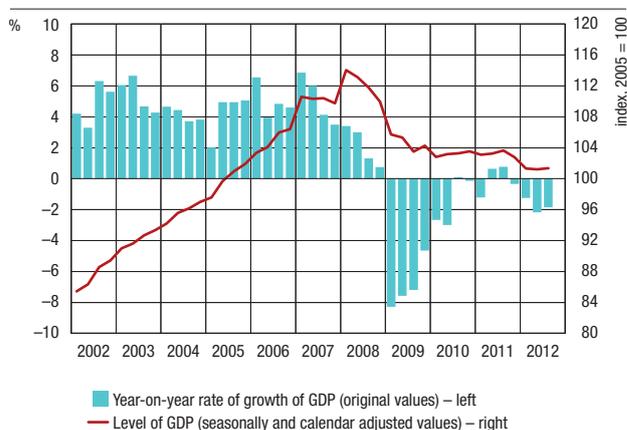
Note: Quarterly data are calculated as a simple average of monthly data.
Source: CBS data seasonally and calendar adjusted by the CNB.

Figure 13 Business confidence indicators



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

Figure 14 Gross domestic product
real values



Source: CBS data seasonally and calendar adjusted by the CNB.

and communications, and hotels and restaurants. The construction activity trend in the first part of the projection period will probably mostly depend on public sector investments.

In line with the projected movements in the aggregate demand components, the rates of growth in GDP are expected to be -1.8% and 0.3% in 2012 and 2013 respectively. This refers to the central projection, whereas Figure 15 shows real growth projection and uncertainties surrounding it.³

As in the previous projection, downside risks related to the realisation of the projected rate of change in overall economic activity are more pronounced for 2013. According to the projection, the anticipated growth will mainly be driven by the announced public sector investments. However, there is also a danger that these investments will again be delayed and/or that the investment progress will be slower than projected. Moreover, there is still a significant difference between the anticipated change in disposable household income and that in household consumption. It is also possible that, due to the application of the Act on Financial Operations and Pre-bankruptcy Settlement, unemployment growth will exceed expectations. In addition to this, a possible decline in the country's credit rating, due to its deteriorated fiscal position, would impede the achievement of the projected targets.

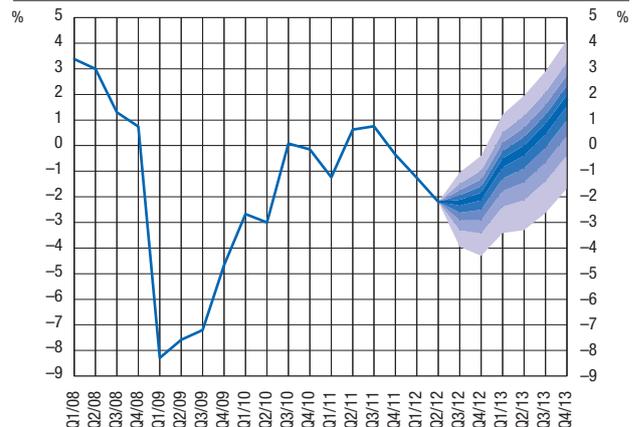
4 Labour market

Adverse labour market movements intensified in the third quarter, and the available data for October and November suggest a continuation of this trend in the fourth quarter. A slight temporary increase in the number of employed persons during the second quarter was followed by new fall in employment during the third quarter. The sharpest decline was observed in construction and industry, which is in line with economic activity trends in these activities. The number of employed persons in service activities also dropped. According to the Business Confidence Survey data for November, these trends are likely to continue in the remaining part of the current year and early in 2013. Accordingly, the total number of employed persons for the whole of 2012 is expected to fall by 1% from 2011, and similar unfavourable employment trends are likely to continue in 2013, given the only slight economic activity growth expected in that year, insufficient for any perceptible increase in new jobs.

Seasonally adjusted CES data show a sharp rise in unemployment during the third quarter, primarily due to increased inflows into the CES register directly from employment, coupled with a decrease in employment from the records. These movements continued in October, as 45 thousand new unemployed persons enrolled in the register, 30 thousand of them directly from employment, which is an absolute maximum so far. As a result of such employment and unemployment trends, the administrative unemployment rate went up to 19.2% (seasonally adjusted) in the third quarter (20.1% in October).

The overall unemployment rate for 2012 could be approximately 19%, which is in line with the CNB's assessment in June, whereas the unemployment rate estimate for 2013 is slightly higher, 20%. The internationally comparable ILO

Figure 15 Projection of real GDP dynamics
year-on-year rate of growth

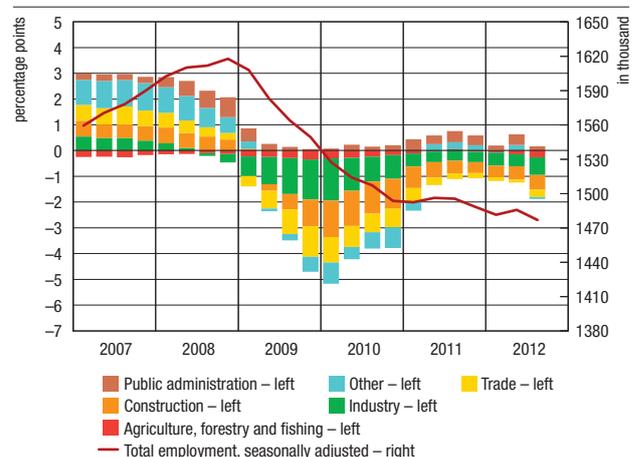


Sources: CBS and CNB.

unemployment rate could reach 15.2% in 2013, up 1.2 percentage points from the assessment for 2012. It should be noted that there are very poor prospects for any perceptible reduction in unemployment in the medium term. An analysis of the period from 2003 to the outbreak of the crisis shows a reduction in the unemployment rate from 19% to 13%, with the average economic growth rate standing at 4.3%. According to current economic growth expectations, the high unemployment rate projected for 2012 and 2013 might continue in the medium term.

Nominal wages rose slightly in the third quarter (by 0.8% and 0.3% on average in gross and net terms respectively, relative to the same period in 2011). Although nominal wages have grown throughout the year, this trend has slowed down. Moreover,

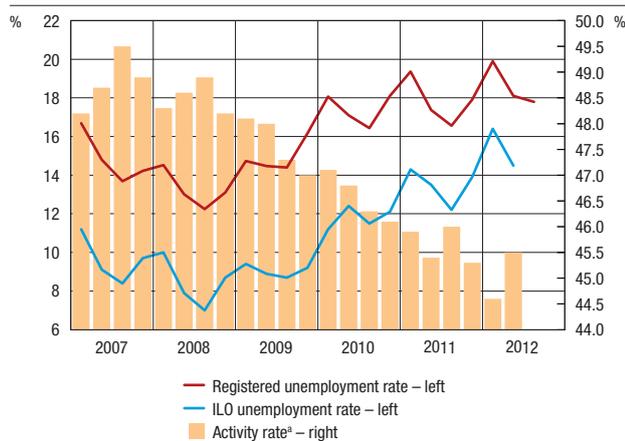
Figure 16 Total employment and contribution to employment growth by sector



Source: CPIA data seasonally adjusted by the CNB.

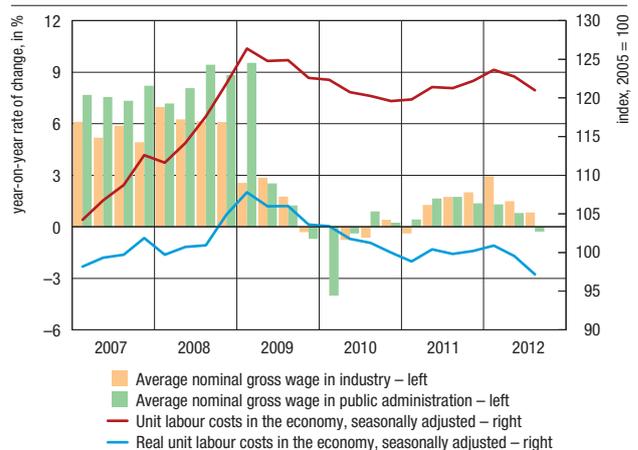
³ The lower and upper limits of a 90% confidence interval have been determined on the basis of historical variances of projection errors for a particular quarter. The said variances were further adjusted by a correction factor whose value reflects the CNB's perception about changes in potential risks for the realisation of central projections.

Figure 17 Unemployment and activity rates



^a The labour force as a percentage of working age population (15+).
Sources: CBS and CES.

Figure 18 Gross wages and unit labour costs



Sources: CBS and CPIA data seasonally adjusted by the CNB.

the growth in nominal wages was markedly slower than that in consumer prices, which led to a decline in real wages. The net real wage in October thus fell by 6.2% relative to its average for 2011, whereas in absolute terms, the net real wage for October remained at the level of the first half of 2005. Nominal wages are expected to go up slightly, while real wages are likely to continue downwards during 2012 and 2013.

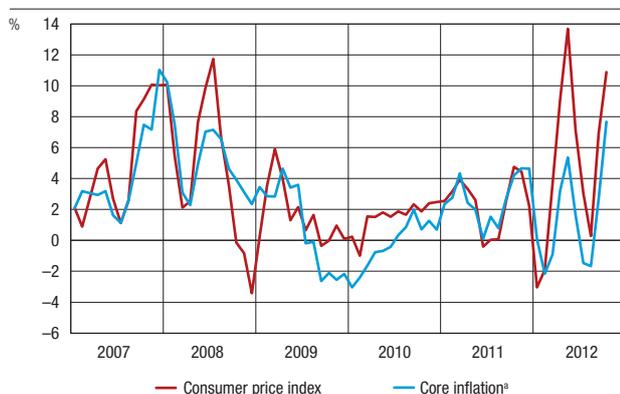
Given the projected increase in labour costs in 2012, accompanied by a decrease in labour productivity caused by a decline in economic activity, unit labour costs are expected to go up during the current year. This trend should change in 2013, primarily due to the expected increase in productivity stemming from a slight economic recovery and a continued slowdown in employment.

5 Inflation

Consumer price inflation further accelerated in the third quarter of 2012, following a sharp increase in the second quarter resulting from administrative increases in the VAT rate and electricity and gas prices. The annual consumer price inflation rate accelerated from 3.8% in June to 5.0% in September, mostly on account of a rise in the prices of unprocessed food products caused by drought and climbing global food product prices.

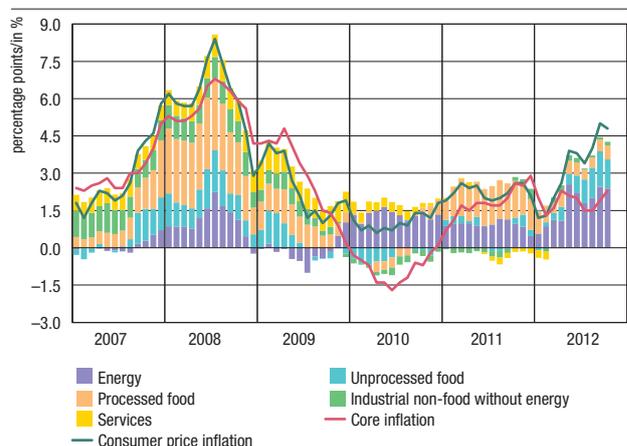
The contribution of energy prices (refined petroleum products) also rose, due to an increase in world crude oil prices, and so did the contribution of services prices, as a result of the higher contribution of communication services, boosted by an unfavourable base effect, i.e. a decrease in these services prices in the same period in the previous year. Inflationary pressures were mitigated by domestic factors like weak personal consumption

Figure 19 Consumer price index and core inflation annualised month-on-month rate of change



^a Core inflation does not include agricultural product prices and administrative prices.
Note: The month-on-month rate of change is calculated from the quarterly moving average of seasonally adjusted price indices.
Sources: CBS and CNB calculations.

Figure 20 Year-on-year inflation rates and contribution of components to consumer price inflation



Sources: CBS and CNB calculations.

Table 3 Price indicators

year-on-year rate of change

	2008	2009	2010	2011	12/2011	3/2012	6/2012	9/2012	10/2012
Consumer price index and its components									
Total index	6.1	2.4	1.1	2.3	2.1	2.0	3.8	5.0	4.8
Energy	7.8	-1.1	9.5	6.2	3.2	6.5	12.9	14.2	13.8
Unprocessed food	7.2	2.5	-2.2	1.2	1.8	2.2	5.3	11.2	9.2
Processed food (incl. alcoholic drinks and tobacco)	10.5	3.8	-0.1	5.8	5.3	1.9	2.5	2.2	2.6
Industrial non-food without energy	3.0	1.5	-0.7	-0.3	1.5	0.8	0.7	0.4	0.6
Services	3.8	4.3	1.5	-0.4	-1.1	-0.1	0.5	1.6	2.2
Other price indicators									
Core inflation	5.7	2.8	-0.8	1.8	2.9	1.6	2.0	1.9	2.3
Producer price index of industrial products	8.3	-0.4	4.3	6.4	5.8	6.2	7.0	8.9	8.4

Source: CBS.

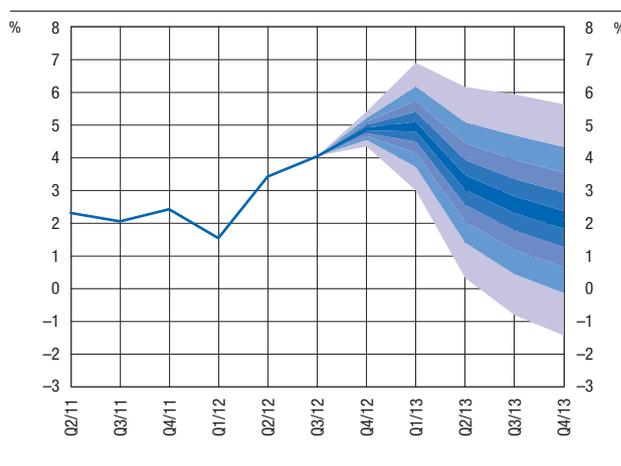
and a decrease in unit labour costs.⁴ In such conditions, the annual rate of change in industrial producer prices excluding food and energy remained low.

The annual inflation rate decelerated to 4.8% in October⁵ as the annual growth in the prices of unprocessed food products (vegetables and fruit) and energy decelerated because of a drop in global crude oil prices. An increase in the annual rate of change of services prices, primarily recreational and sports services and package holidays, produced an opposite effect on inflation. The increase in package holiday prices can be attributed to changes in the statistical processing of seasonal product prices⁶ because of which the decrease in package holiday prices was considerably lower than in the previous year. The annual growth of processed food product prices also accelerated, primarily due to the current price increase in bread and cereals, oil, milk and eggs. Additionally, the annual growth of industrial producer prices excluding food and energy accelerated slightly, mainly because the seasonal increase in clothing and footwear prices in October 2012 was sharper than that in 2011.

Inflation could increase slightly in 2012, reflecting a time-lagged effect of the price increase in raw materials on the domestic market. The annual rate of change in food prices is therefore expected to rise in the rest of the year. On the other hand, in line with price trends in the prompt oil market, a relatively stable trend in the prices of crude oil is expected, which should have a favourable effect on domestic energy prices. The annual growth of non-food and non-energy prices is expected to slow down amid weak domestic demand and unfavourable labour market trends. The average annual consumer price inflation rate is expected to stand at 3.5% in 2012, an increase of 0.3 percentage points from the previous projection.

The average annual consumer price inflation rate could slow down to 3.2% in 2013. Domestic inflationary pressures will subside due to worsening labour market conditions and weakening personal consumption. Unit labour costs are expected to decrease on an annual basis in 2013; the expected labour productivity growth, driven primarily by the continuing contraction

in employment, could be slightly stronger than the growth of compensation per employee. Imported inflationary pressures are likely to decline, reflecting a decrease in world crude oil and food raw material prices from the previous year and a significantly weaker depreciation of the kuna against the US dollar. On the other hand, administrative decisions effecting compliance with EU regulations (repealing the zero VAT rate⁷ and increasing excise taxes on cigarettes⁸) will give a boost to inflation. However, the assumption of the introduction of excises on electricity and gas in July 2013 was not retained in the projection, for the Ministry of Finance announced that households were to be exempted from these excises. At the same time, it was estimated that other administrative prices could rise, and an increase in heating prices was accordingly foreseen in early 2013. In contrast, the

Figure 21 Projection of consumer price inflation
year-on-year rate of change

Sources: CBS and CNB calculations.

4 Unit labour costs fell in the second quarter from the previous quarter because compensation per employee decreased at a higher rate than labour productivity.

5 The annual inflation rate measured by an internationally comparable indicator (the Harmonised Consumer Price Index) was 4.6% in October, 2.1 percentage points more than the eurozone rate. For the determinants of the differences between the Croatian and the eurozone inflation rate see Box 1.

6 For more detail, see a communication from Eurostat: *Implementation of Commission Regulation (EC) No. 350/2009 on the treatment of seasonal products*, Information note and impacts on the HICP (the methodological changes related to the HCPI have been applied to the domestic CPI).

7 The estimated share of VAT-free products in the CPI basket is around 7.0%, with the largest share, 5.4 percentage points, accounted for by food products. If the increase in the VAT rate to 5% completely spills over to consumers, the effect of this measure on the monthly growth of the overall CPI is estimated to amount to about 0.35 percentage points. The projection assumes that the carry-over effect on prices produced by the repeal of the zero VAT rate will be about 70%, so that the direct effect of the repeal of the zero VAT rate on the consumer price increase is estimated at approximately 0.25 percentage points.

8 The estimate is that cigarette prices will rise 7.0% in January 2013 as a result of the increase in excise taxes on cigarettes, which, given the 3.64% weight and the 70% carry-over assumption, results in a contribution of 0.18 percentage points to the overall CPI.

decision to reduce the VAT rate on some catering services⁹ from 25% to 10% in January 2013 will lead to a decrease in inflation. Regarding the main components of the CPI, the average annual growth of energy prices is expected to decelerate in line with the anticipated decrease in global crude oil prices. The forecast for the average annual rate of change in food prices is that it will grow at a higher rate than in 2012 as a result of the mentioned repeal of the zero VAT rate on bread and milk and a higher carry-over effect from the previous year caused by a steep increase in food prices in the second half of 2012. The average annual rate of growth in the CPI excluding food and energy is expected to accelerate slightly due to a possible spillover of the growth of energy and some food raw materials prices and a slightly higher carry-over from the previous year.

Inflation projections for 2012 and 2013 are subject to numerous risks, with the risks of lower than projected and higher than projected inflation balanced, as suggested by the symmetrical shape of the fan (Figure 21). Risks to inflation projection

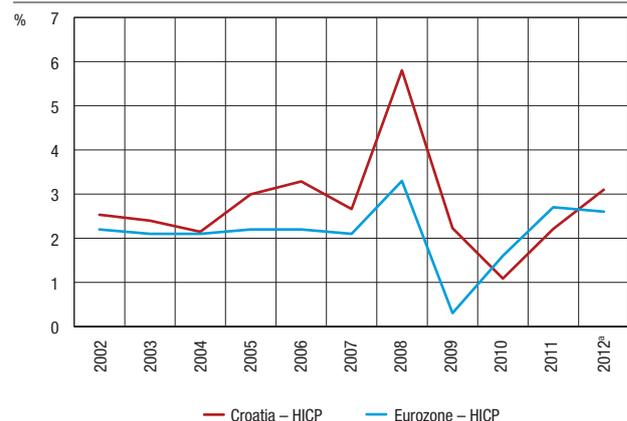
are more widely dispersed due to the higher volatility of global raw material prices in the recent period. The main risk to lower than projected inflation is posed by weakening domestic demand, which could result in, above all, a slowdown in the growth of non-food and non-energy consumer prices. In addition, the spillover of the increase in food raw material prices on food prices could be lower than expected under conditions of weak demand. There are also risks to higher than projected inflation, such as a faster growth of global raw material prices, especially the prices of crude oil and food raw material prices. Some price corrections can also be corrected, as part of the harmonisation with EU legislation, related to the adjustments of special taxes on cars and other vehicles. Tax legislation changes included in the inflation projection for the following years are CNB estimates based on the available information, and risks to their realisation are balanced, i.e., their effect on inflation in some segments can be higher or lower than projected.

Box 1 Determinants of the differences between the Croatian and the eurozone inflation rate

In the years before the global financial crisis, the Croatian inflation rate exceeded the eurozone inflation rate, which had an adverse effect on the price competitiveness of the Croatian economy. The main determinants of these trends include a larger positive output gap in Croatia than in the eurozone and a higher unit labour cost growth, because the increase in employee compensation exceeded the rise in labour productivity. In the period following the onset of the crisis, trends in these determinants changed as Croatia's output gap turned negative in 2010 and 2011, exceeding that in the eurozone, and cost pressures on inflation decreased substantially compared with cost pressures in the eurozone. As a result, Croatia's inflation rate fell below the eurozone inflation rate and price competitiveness improved slightly. However, in 2012, inflation in Croatia again exceeded the eurozone inflation level, due primarily to short-term factors: an increase in the basic VAT rate, electricity and household gas prices and drought.

For the last ten years, Croatia has had a relatively low inflation rate, supported by a monetary policy that maintained a stable kuna/euro exchange rate, thus dampening inflation expectations and import prices. However, in the 2002 to 2008 period, the HICP rate¹⁰ in Croatia was continuously higher than the eurozone HICP rate, which adversely affected the price competitiveness of the domestic economy. The difference between the average annual inflation rate in Croatia and that in the eurozone in the 2002 to 2007 period was on average 0.5 percentage points. In 2008, a year marked by the overheating of the economy (indicated by a large positive output gap), a steep increase in global food raw material prices and the resulting spillover effect on domestic prices, this difference went up to 2.5 percentage points. This trend was halted in the crisis years, 2010 and 2011¹¹, when the inflation rate in Croatia was lower than the eurozone rate by an average of 0.5 percentage points.

Figure 22 Overall inflation average annual rate of change



^a First ten months.

Sources: CBS and Eurostat.

The economic literature has identified numerous factors¹² leading to differences between the inflation rates in monetary union countries, that is, countries that have stable exchange rates against major trading partners. The cyclical position of the economy can be one of the major factors influencing inflationary trends. The output gap, which is defined as the deviation of the actual output from the potential aggregate output, is a common indicator of the cyclical position of the economy. As long as economic cycles within a group of countries are not synchronised, or considerably vary in intensity, different cyclical movements can result in different inflation rates. For example, in 2008, when Croatia's high inflation rate significantly exceeded that in the eurozone, the output gap peaked and was considerably

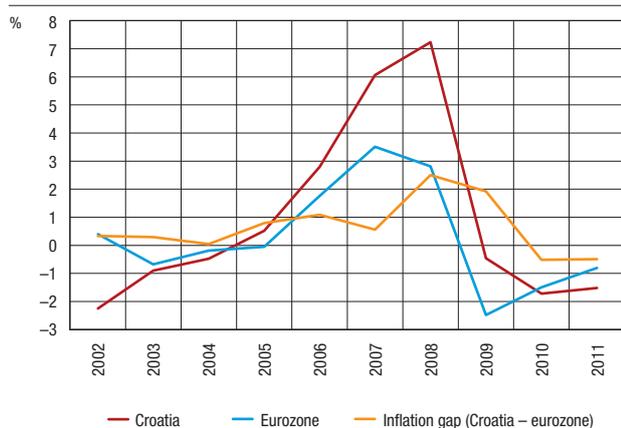
⁹ Restaurant food and beverages have a share of 2.7% in the CPI basket, so that the projected 12% price decrease results in a monthly contribution to inflation of -0.3 percentage points in January 2013.

¹⁰ The Harmonised Index of Consumer Prices (HICP) differs from the Consumer Price Index (CPI) in several minor segments. The HICP methodology incorporates a Eurostat guideline stipulating the inclusion of consumption by foreigners in the domestic territory, if it is significant, and of the consumption of institutional households (e.g. nursing homes).

¹¹ The inflation rate difference decreased in 2009, but remained positive due a relatively sharp inflation drop in the eurozone in that year.

¹² For a comprehensive overview, see, for example.: *Inflation differentials in the euro area: potential causes and policy implications*, ECB, September 2003; Egert, B. et al., *Inflation differentials in Europe: Past experience and future prospects*, Monetary Policy and the Economy, OeNB, 1 April 2004; *Monetary policy and inflation differentials in a heterogeneous currency area*, ECB Monthly Bulletin, May 2005; *Inflation differentials in the euro area during the last decade*, ECB Monthly Bulletin, November 2012.

Figure 23 Output gap



Sources: AMECO, CBS and Eurostat.

higher than the eurozone output gap. The positive output gap in the pre-crisis period mainly resulted from unsustainable trends in the domestic economy, i.e. high capital inflows and strong lending growth (especially household lending), which gave rise to economic growth largely based on an increase in domestic demand. This was followed by a sharp decrease in Croatia's output gap, coupled with a drop in inflation. Figure 23 shows that in certain years cyclical position indicators for Croatia differed significantly from those for the eurozone. Trends in the differences between average annual inflation rates are to a large extent in line with the differences between the estimated series of output gaps in Croatia and in the eurozone.

In addition, the rate of change in nominal unit labour costs (ULC) can serve as an indicator of cost pressures in the course of business cycles. For example, in the 2002 to 2008 period, there was a positive correlation between differences in nominal ULC developments in some eurozone countries and inflation rate differences.¹³ A positive correlation between inflation and ULC growth was also recorded after 2008, with inflation rates standing below the eurozone average in the eurozone countries where the strong above-average growth of ULC decreased. In the 2002 to 2008 period, Croatia's ULC growth rate continuously exceeded that in the eurozone, and this difference was the highest in 2008, a year which also saw the highest positive difference between annual growth rates of inflation in Croatia and in the eurozone. Table 4 shows that in the whole pre-crisis period, Croatia's high average annual ULC growth (3.6%) was due to the average annual growth of employee compensation significantly exceeding labour productivity growth (5.9% compared with 2.3%). The employee compensation dynamics was mainly determined by trends in the public sector.¹⁴ In the post-crisis period ULC in the eurozone stagnated, whereas a considerable adjustment implemented in Croatia in that period caused a decrease in ULC, primarily as a result of a marked slowdown in the growth

13 For more detail see: *Inflation differentials in the euro area during the last decade*, ECB Monthly Bulletin, November 2012.

14 For example, pursuant to the agreement between the RC Government and public sector unions, which determined the wage calculation base for the 2007 to 2009 period, gross wages in education, health care, social welfare, public administration and defence sectors increased. In addition, in late June 2007, an agreement between the RC Government and seven civil servants' unions provided for a 25% rise in compensation and Christmas bonuses and an increase in the amount of gifts for children in 2007, which also led to wage growth in the public sector.

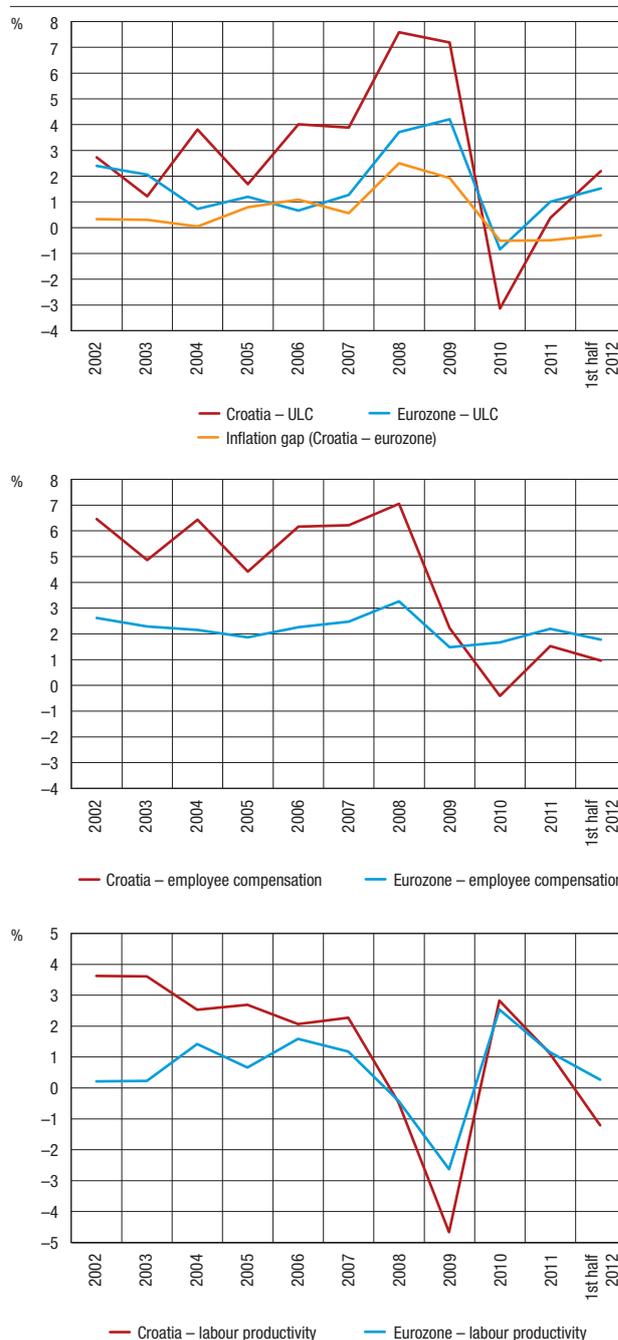
Table 4 Unit labour costs

average annual rate of change, in %

	Compensation per employee					
	ULC		Employee compensation		Productivity	
	Croatia	Eurozone	Croatia	Eurozone	Croatia	Eurozone
2002 – 2008	3.6	1.7	5.9	2.4	2.3	0.7
2010 – 2011	-1.4	0.1	0.6	1.9	2.0	1.9

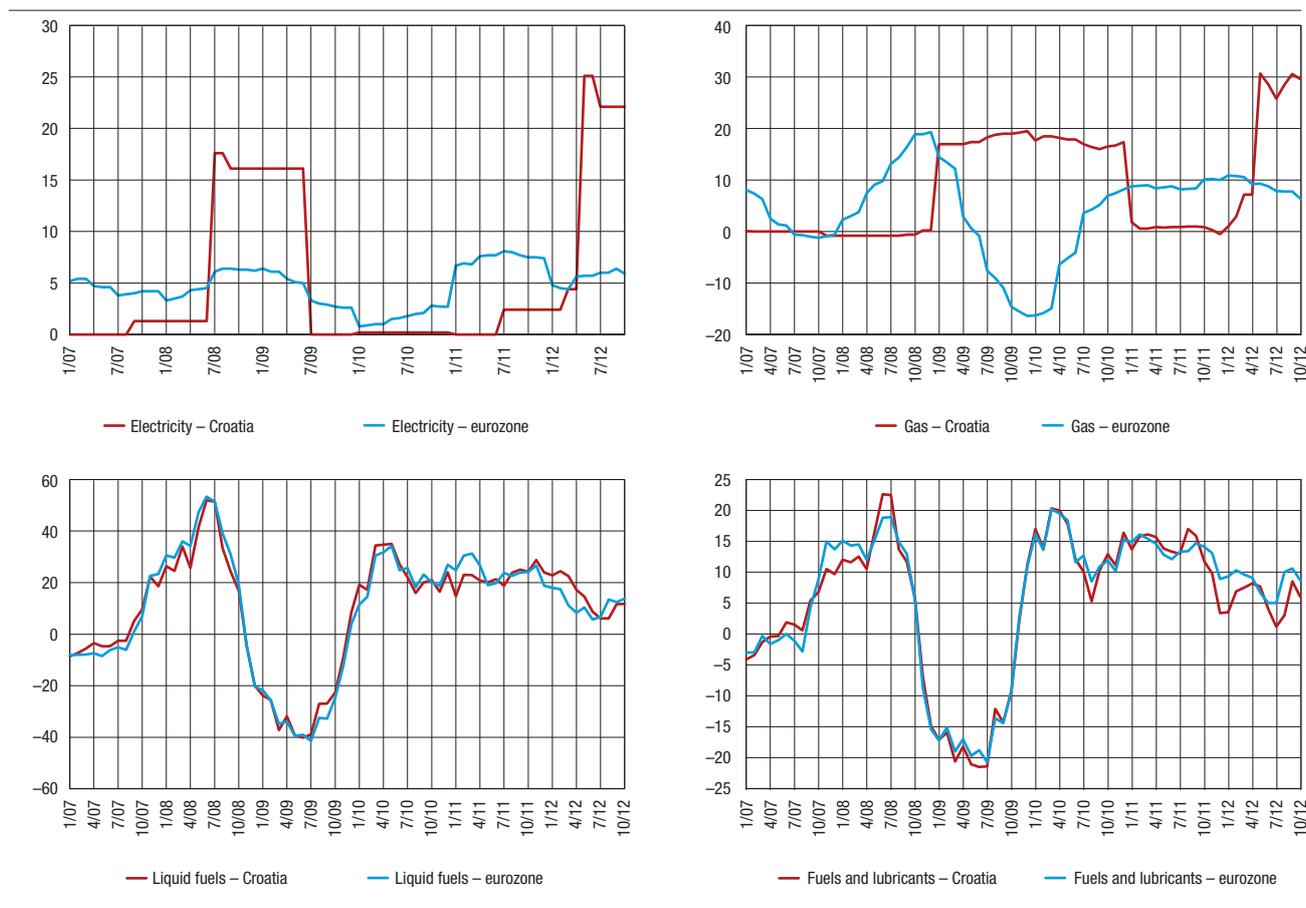
Sources: CBS, CPII, ECB and CNB calculations.

Figure 24 Unit labour costs
average annual rate of change



Sources: CBS, CPII, ECB and CNB calculations.

Figure 25 Trends in some components of the energy price index



Sources: CBS and Eurostat.

of employee compensations. The average annual productivity growth rate only edged down in the post-crisis period in Croatia because the output drop was coupled by a decrease in employment. In overall, cost pressures on inflation subsided considerably in Croatia in 2010 and 2011 in comparison with those in the eurozone.

Short-term factors that bring about differences between inflation rates, the effect of which, as a rule, disappears after one year¹⁵, include changes in administrative prices and indirect taxes (e.g. a change in the VAT rate), which differ among countries and depend on their fiscal policies. Changes in indirect taxes are a determinant of differences in inflation that became more important in the post-crisis period, when fiscal adjustments started. There were also inflation rate differences in the last three years because indirect taxes (especially the basic VAT rate) increased considerably in some eurozone countries in 2010 and 2011¹⁶, whereas such measures were postponed in Croatia and started to be implemented no sooner than in 2012.

In addition, the lower average annual consumer price inflation rate in 2011 was also a consequence of a lower annual growth of energy prices in Croatia, especially gas and electricity prices, which was due to the policy of subsidising these consumer

prices in Croatia (for more detail, see Box 3: Natural gas prices and competitiveness of domestic enterprises), while eurozone gas and electricity prices, as a rule, follow global crude oil price trends, with a lag of several months. Overall consumer price inflation in Croatia started to rise in March 2012, exceeding the eurozone inflation level in May (after a two-year negative inflation gap), as a result of the administrative measures, that is, increases in the basic VAT rate and electricity and household gas prices. The difference between domestic inflation and that in the eurozone further increased in August and September 2012 due to a stronger, drought-induced growth in unprocessed food product prices in Croatia.

The differences in some economies' exposures to changes in global raw material prices can also lead to disparities in inflation rates. An empirical analysis¹⁷ has shown that external shocks (related to developments in raw material prices and external demand) were important determinants of inflation in the period from mid-2000 to the beginning of 2010, and that domestic shocks only slightly influenced inflation developments in Croatia, as it is a small and open economy. In addition, the differences in the exposures of some economies to changes in the euro exchange rate (e.g. versus the US dollar and Swiss franc) can also lead to disparities in their inflation rates. These exchange rate changes influence import prices, spilling over to the prices of domestic tradables and, finally, to overall inflation. The extent to

15 Assuming that there are no second-round effects, i.e. time-lagged effects on consumer price inflation realised through the wage reaction.

16 For example, the basic VAT rate was raised in 2010 in the following eurozone countries: Greece, Spain, Ireland, Portugal and Finland, in 2011 in Italy, Portugal and Slovakia and in 2012 in Ireland, Cyprus and the Netherlands (as of October).

17 Krznar, I., and D. Kunovac: *Impact of External Shocks on Domestic Inflation and GDP*, CNB Working Paper, No. 28, November 2010.

which changes in the nominal exchange rate will spill over onto prices depends on the share of imported finished products and the share of imported intermediate goods in domestic industrial products.

Inflation rate differences can also arise due to differences in economic structures, the prices of which adjust to shocks of changes in costs or demand at varied speeds. Analysis of an enterprise survey¹⁸ has shown that enterprises in the eurozone countries generally respond faster¹⁹ to shocks than enterprises in Croatia, i.e. price stickiness in Croatia is more pronounced because enterprises in general respond to shocks more slowly (after more than three months after the shock).

In addition, there are inflationary pressures during the accession process that stem from an increasingly strong integration in the common economic area, with the result that the price level is converging towards the average price level in the European Union, especially that of tradables. Since the general price level in the accession countries is chiefly lower²⁰ than the EU price level, the convergence, as a rule, implies an increase in the relative price level.

Inflation rate differences can also be caused by different consumer preferences, which is reflected in the fact that the shares of various goods and services in consumption vary from country to country, so that some subindexes of the HICP in various

Table 5 Shares of some subindexes in the overall HICP in 2012 weights in %

	Croatia	Eurozone
Unprocessed food products	11.3	7.2
Processed food products	21.4	11.9
Non-energy industrial products	26.5	28.5
Energy	14.5	11.0
Services	26.3	41.5

Sources: CBS and Eurostat.

countries have different weights. The weight of food (including alcohol and tobacco) in the eurozone HICP basket was 19.1% in 2012, whereas the same weight in Croatia is a considerably higher 32.7%: A lower level of economic development, like that in Croatia, and a relatively high level of food product prices had an important effect on the difference between food weights.

Economic policy makers should bear in mind that inflation rate differences partly result from the equilibrium adjustment of relative prices and make an effort to reduce the differences between inflation rates resulting from an inappropriate fiscal policy, excessive growth of wages or loans and structural problems, e.g. an insufficiently flexible labour market and commodity markets with a significant degree of regulation.

6 Foreign trade and competitiveness

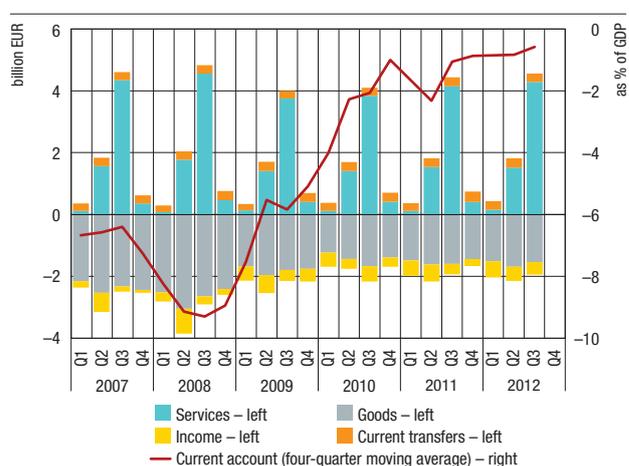
The three-year decline in the current account deficit continued in the first three quarters of 2012. As in the previous year, such developments were predominantly due to a further growth in tourism revenues and, to a lesser extent, improvement in current transfers balance. The deficit in the factor income account remained stable since a growth in employee compensation was accompanied by a rise in the deficit based on interest expenses and in direct investment income. An insignificant increase in goods trade deficit continued in most of 2012.

Goods trade deficit rose slightly in the first nine months of 2012 primarily due to a further fall in exports, mostly exports of ships. Exports of other goods had a mild upward trend in the first half of the year, which was followed by stagnation in the third quarter. Imports also fell mildly on an annual basis in the first nine months of 2012. In the third quarter, growth was recorded, as compared to the previous quarter, but it mostly related to increased imports of ships for the purpose of finishing, as well as oil and refined petroleum products, whereas there was still no indication of a stable recovery in other goods.

In 2012, current account deficit could amount to 0.4% of the estimated GDP, one-half of the deficit in the previous year. Movements in the last quarter 2012 should not deviate significantly from the performance recorded in the first three quarters, especially in trade in goods and services, which will remain relatively subdued. Tourism revenues could rise by 3.0% on a whole

year basis, so that the surplus growth in trade in services could contribute most to that contraction in overall deficit. At the same time, stagnation in goods exports on the previous year's basis is expected. Poor export performance can, to the largest extent, be accounted for by ship exports almost half those of the two previous record high years. Exports of other goods mainly had a mild upward trend in the previous part of 2012 and the growth rate is estimated to stand at 4.4% on a whole year basis. A continuation of a moderate recovery of goods exports can also be expected in 2013, primarily due to strengthening of foreign demand and an increasingly strong real economic activity in world economies. An increase in exports is primarily expected on the CEFTA

Figure 26 Current account deficit and its structure



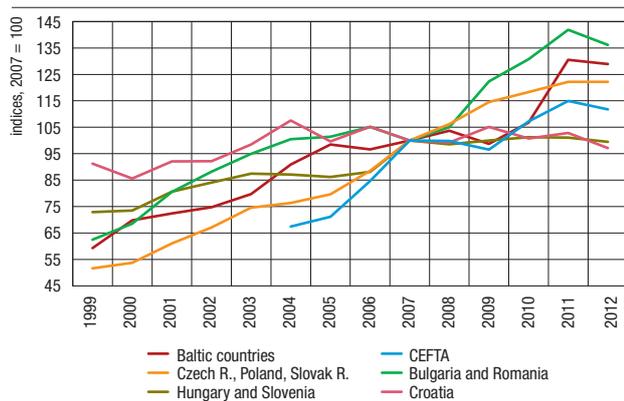
Source: CNB.

18 Pufnik, A., and D. Kunovac: *The Pricing Behaviour of Croatian Companies: the Findings of an Enterprise Survey and a Comparison with the Eurozone*, CNB Surveys, No. 39, October 2012.

19 One to three months after the shock (irrespective of the source and direction of the shock).

20 The general price level in Croatia at the beginning of the observed period, i.e. in 2002, was above 59.1% above the EU average, in 2011 it reached 74% of the EU-27 average. For more detail on the effect of the price level convergence: Nestić, D.: *Price Level Convergence: Croatia, transition countries and the EU*, CNB Survey, No.15, September 2004.

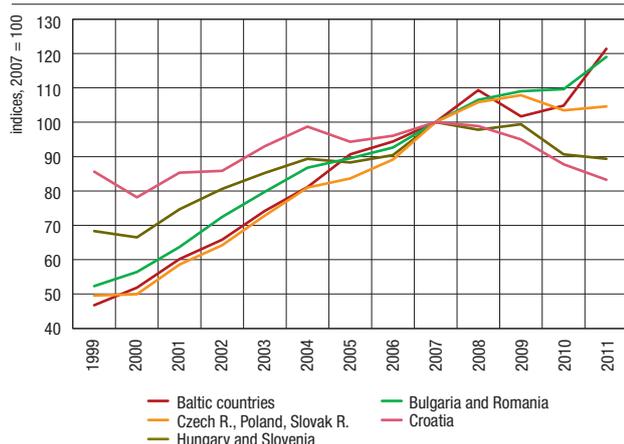
Figure 27 Exports shares of individual countries in the EU market



Note: The Baltic countries include Estonia, Latvia and Lithuania, and CEFTA includes Albania, Bosnia and Herzegovina, Montenegro, Macedonia, Moldova, Serbia and UNMIK/Kosovo. Market shares are calculated on the basis of data on EU imports. Data for 2012 refer to the first eight months.

Source: Comext.

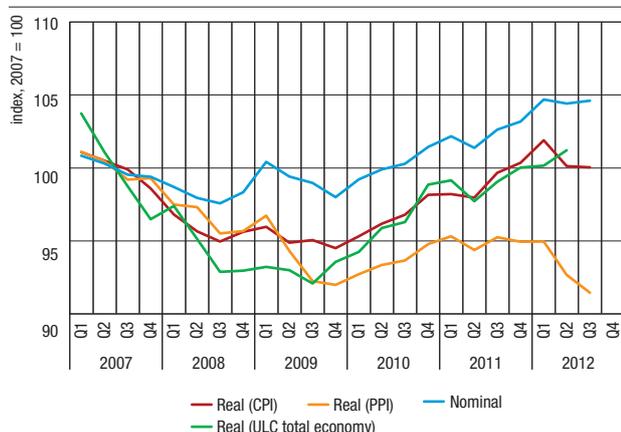
Figure 28 Global export market share



Note: The Baltic countries include Estonia, Latvia and Lithuania.

Source: IMF.

Figure 29 Nominal and real effective exchange rates of the kuna



Note: ULC stands for unit labour costs. A fall in the index denotes an effective appreciation of the kuna.

Source: CNB.

regional markets in the first half of 2013, right before Croatia's exit from that multilateral free trade agreement.

The lagging of Croatian exports behind that in comparable Central and Eastern European countries continued into the first nine months of 2012 and was reflected in a shrinking market share, one of the key indicators of macroeconomic imbalances (see Box 2 on the macroeconomic imbalance procedures within the European Union). During the economic crisis, Croatian goods exports did not follow changes in the structure of import demand of the EU countries, as a result of which its share in the EU market began to decline in 2012, following a years-long stagnation. All other comparable countries (including CEFTA countries), except Hungary and Slovenia, improved considerably their relative position in the EU market during the period of crisis, Bulgaria, Romania and Lithuania in particular. Market shares of most of the observed countries on the EU market have been mildly reduced so far in 2012, under the pressure of competition from the other parts of the world. Loss of competitiveness of the Croatian exports is also evident on the global market where Croatia recorded a considerable decline in market share, in contrast to the majority of comparable countries. Regulation of the gas price for producers, which is in Croatia higher than the European average (see Box 3 Natural gas prices and competitiveness of domestic enterprises for more information about natural gas prices and competitiveness), could also account for a loss of competitiveness.

In the last quarter of 2012, imports could continue to decrease insignificantly, depending on the real economic developments. Only in the second half of 2013, might imports begin to grow, if accompanied by a mild recovery of domestic demand along with an increased import of agricultural products from the European Union, spurred by a complete lifting of customs protection against imports from the EU. On an annual basis, imports dynamics should nevertheless be weaker than exports dynamics.

Balances in the factor income and current transfers accounts could change insignificantly during 2012 on an annual basis. A more pronounced growth of the positive balance in the current transfers account can be expected in 2013 due to somewhat larger inflows of funds from the EU budget (see Box 4 Capital flows and EU membership for more information about inflow of EU transfers). As a result of a gradual recovery in economic activity and continuation of foreign borrowing, as well as an increase in expenditures from equity investment and interest expenses as a consequence, deficit in the factor income account could continue to grow in 2013.

The indicators of Croatian export price competitiveness showed diverse trends in the third quarter of 2012, as in the remaining part of the year. Taking into account movements in the real effective exchange rate of the kuna deflated by consumer prices, the Croatian export price competitiveness stagnated in the third quarter of 2012, compared to the previous quarter. On

Table 6 Current account and its components
as % of GDP

	2007	2008	2009	2010	2011	2012	2013
Current account balance	-7.3	-9.0	-5.1	-1.0	-0.9	-0.4	-0.1
Goods	-21.8	-22.4	-16.1	-12.8	-13.7	-13.7	-13.5
Services	14.7	14.4	12.7	12.9	13.8	14.2	14.2
Income	-2.5	-3.3	-4.0	-3.5	-3.6	-3.6	-3.7
Current transfers	2.4	2.3	2.3	2.4	2.6	2.7	2.9

Source: CNB.

the other hand, movements in the real effective exchange rate of the kuna deflated by producer prices shows that the Croatian export price competitiveness deteriorated in the third quarter of 2012 relative to the previous quarter.

In the third quarter, the real effective exchange rate of the kuna depreciated by 0.4% deflated by consumer prices and it appreciated by 4.0% deflated by producer prices, compared with the same period of the previous year. This was a consequence of a more pronounced relative growth in domestic prices, whereas relative movements in exchange rates were determined by a strong depreciation of the kuna against the US dollar (13.4%), yen (12.1%) and the pound sterling (11.2%).

The data available on the movements in the cost

competitiveness of the Croatian exports show that its upward trend continued into the first half of 2012. Accordingly, following a stagnation early in the year, the real effective exchange rate of the kuna deflated by unit labour costs in the overall economy depreciated by 1.1% in the second quarter relative to the previous quarter. Cost competitiveness indicators rose by 3.6% on an annual basis.

In the whole of 2012 improvement in Croatian export price competitiveness deflated by consumer prices could continue. Such a trend could be reversed in 2013 when a slightly more pronounced growth in domestic consumer prices is expected in comparison with prices in the main trading partner countries.

Box 2 Macroeconomic Imbalance Procedure in the European Union

The European Union started its new annual cycle of economic policy co-ordination, which also includes the Macroeconomic Imbalance Procedure (MIP). According to the published Alert Mechanism Report the process of correcting macroeconomic imbalances in the EU is still in progress and the European Commission will perform an in-depth review of 14 member states in which potential imbalances were identified. Croatia is not included in the Report, but according to comparable indicators, potential external and internal imbalances exist in Croatia as well.

In the past few years, the crisis has revealed all the weaknesses of the existing EU economic governance framework and deficiencies in its implementation in particular. In addition to a need for strengthening the Stability and Growth Pact, especially implementation of its rules, it has turned out that it is necessary to monitor other imbalance indicators as well, in order to identify possible threats to economic and financial stability. The European semester²¹ has been introduced for that purpose and the alert mechanism for potential macroeconomic imbalances in the member states was designed as a part of the six-pack legislation.

The European semester for 2013 was formally put into practice by publishing the European Commission's Annual Growth Survey (AGS). On the basis of that survey²², in March 2013 the European Council will establish the main challenges for the EU economy and will give guidance to the member states for pursuing economic policy which they should comply with when preparing their Convergence Programmes (non-euro area member states) or Stability Programmes (euro-area member states) and National Reform Programmes. After the analysis of those programmes, the EU will propose recommendations which the member states should take into account when drawing up their annual budgets and in the course of the national parliamentary debates in the second half of the year (the "national semester").

Furthermore, the Alert Mechanism Report (AMR) for 2013 was published, representing the starting point of the Macroeconomic Imbalance Procedure (MIP). That procedure is a new instrument aiming to ensure that member states pursue economic policies that will prevent or correct harmful macroeconomic imbalances. The report gives an overview of the selected indicators for

the member states (the "scoreboard indicators") whose deviation from the reference values points to a possible existence of macroeconomic imbalances. There is a total of eleven indicators which, combined with the set indicative thresholds, are used as an early warning of certain imbalances. There is no automatic or mechanic interpretation of the results of the scoreboard indicators and the overall assessment depends on the severity with which the reference values are exceeded, the number of indicators whose values are above the agreed reference values and their combination. In addition, the in-depth reviews of the national economies and decision-making on the existence of excessive imbalances take into account the country-specific macroeconomic environment and the achieved level of real convergence. Accordingly, exceeding of an individual reference value does not necessarily mean that macroeconomic imbalances are present or excessive.

As in the case of the Stability and Growth Pact, the Excessive Imbalance Procedure (EIP) may start for an individual member state. If the existence of macroeconomic imbalances has been identified in one or more member states or if it has been concluded that there is a significant risk of their occurrence, the European Commission will perform an in-depth review of the economy of that member state in order to establish whether imbalance exists and/or to determine whether it is imbalance or excessive imbalance that is present. In the case of identified imbalance, the EU Council may, at the recommendation of the European Commission, propose measures for a member state which would correct this imbalance, while in the case of excessive imbalance it may start out the Excessive Imbalance Procedure and recommend correction actions. The deadlines for the Procedure are strictly prescribed and there are also financial consequences for the euro area member states if they do not take sufficient action to address the macroeconomic imbalance.

It is not possible to impose sanctions on non-euro area member states, but the macroeconomic imbalance indicators are expected to be useful as informal criteria for assessing the readiness of the EU member states for the adoption of the euro. Furthermore, for new member states whose currencies do not, at the moment, participate in the exchange rate mechanism, ERM II, these indicators are likely to become informal criteria in negotiating ERM II participation, which is a crucial step on the path to euro adoption.

According to the Alert Mechanism Report for 2013, the process of correcting the EU macroeconomic imbalances is still underway. Deleveraging in the private sector is on-going in most of the member states, the fiscal consolidation has been implemented at a slow pace due to difficult conditions in the economy,

21 The European semester is a part of the new EU economic governance framework, allowing at the same time for EU-level discussions on fiscal policies, macroeconomic imbalances, structural reforms and financial sector issues in the member states in the course of the first half of the year.

22 In the survey the Commission proposes that the EU and the member states should focus in 2013 on five priority actions: pursuing growth friendly fiscal consolidation, restoring normal lending to the economy, promoting growth and competitiveness, tackling unemployment and the social consequences of the crisis and modernising public administration.

Table 7 Movements in macroeconomic imbalance indicators for EU-27 and Croatia according to data for 2011

	Current account balance (3-year average, as % of GDP)	International investment position (as % of GDP)	Real effective exchange rate (% change, 3 years) ^a	Global export market share (% change, 5 years)	Nominal unit labour cost (% change, 3 years)	Annual change in deflated house prices ^b	Private sector credit flow ^c (as % of GDP)	Private sector debt (as % of GDP)	General government debt (as % of GDP)	Unemployment rate (3-year average)	Total financial sector liabilities (non-consolidated data, annual change in %)	Number of indicators exceeding the threshold
Indicative thresholds	-4/6%	-35%	±5% (EA), ±11% (EU)	-6%	9% (EA), 12% (EU)	+6%	15%	160%	60%	10%	16,5%	
Belgium	-0.3	65.7	-0.5	-10.2	6.2	-0.1	11.6	236	98	7.8	4.7	3
Bulgaria	-3.4	-85.6	3.1	17.2	20.3	-9.0	-6.7	146	16	9.4	5.6	2
Czech R.	-3.0	-49.3	0.3	8.4	3.3	0.0	2.5	78	41	6.9	3.8	1
Denmark	5.0	24.5	-1.7	-16.9	4.7	-4.9	-2.2	238	47	7.0	4.7	2
Germany	5.9	32.6	-3.9	-8.4	5.9	1.4	4.8	128	81	6.9	2.1	2
Estonia	2.8	-57.8	0.8	11.1	-6.2	3.3	6.8	133	6	14.4	-4.4	2
Ireland	0.0	-96.0	-9.1	-12.2	-12.8	-15.2	4.0	310	106	13.3	-0.6	6
Greece	-10.4	-86.1	3.1	-18.7	4.1	-5.1	-5.5	125	171	13.2	-3.4	5
Spain	-4.3	-91.7	-1.3	-7.6	-2.1	-10.0	-4.1	218	69	19.9	3.7	6
France	-1.6	-15.9	-3.2	-11.2	6.0	3.8	4.0	160	86	9.6	7.3	3
Italy	-2.9	-20.6	-2.1	-18.4	4.4	-2.0	2.6	129	121	8.2	3.8	2
Cyprus	-8.4	-71.3	-0.9	-16.4	8.8	-8.5	16.1	288	71	6.6	-0.2	6
Latvia	3.1	-73.3	-0.6	23.6	-15.0	4.9	-2.5	125	42	18.1	-4.5	2
Lithuania	0.0	-52.6	3.6	25.2	-8.4	2.4	-0.8	70	39	15.6	8.9	2
Luxembourg	7.5	107.8	0.8	-10.1	12.5	1.5	2.5	326	18	4.8	11.3	4
Hungary	0.6	-105.9	-3.3	-2.8	3.7	-4.1	6.4	167	81	10.7	-2.6	4
Malta	-4.3	5.7	-3.0	11.7	5.8	-2.3	2.2	210	71	6.8	1.4	3
Netherlands	7.5	35.5	-1.6	-8.2	5.8	-4.0	0.7	225	66	4.2	7.2	4
Austria	2.2	-2.3	-1.0	-12.7	5.9	-8.0	4.1	161	72	4.4	-0.3	3
Poland	-4.6	-63.5	-10.9	12.8	4.3	-5.7	7.1	80	56	9.2	4.4	2
Portugal	-9.1	-105.0	-1.9	-9.5	0.9	-3.6	-3.2	249	108	11.9	-0.7	6
Romania	-4.3	-62.5	-2.4	22.8	12.9	-18.9	1.8	72	33	7.2	4.3	3
Slovenia	-0.4	-41.2	-0.3	-6.1	8.3	1.0	1.9	128	47	7.1	-1.3	2
Slovak R.	-2.1	-64.4	4.3	20.9	4.4	-5.6	3.3	76	43	13.4	1.2	2
Finland	0.6	13.1	-1.3	-22.9	9.1	-0.3	4.6	179	49	8.1	30.8	4
Sweden	6.6	-8.3	3.9	-11.6	1.2	1.0	6.3	232	38	8.1	3.6	3
United Kingdom	-2.2	-17.3	-7.1	-24.2	8.1	-5.4	1.0	205	85	7.8	8.5	3
New member states 12	-2.0	-60.1	-0.8	10.7	3.5	-3.5	3.2	131	46	10.5	1.4	2
Croatia	-2.3	-89.6	-3.4	-18.0	4.2	-4.0	1.6	134.6	46.7	11.4	0.9	3

^a Deflated by consumer price index in relation to 16 countries.

^b Hedonic housing price index deflated by personal consumption deflator.

^c Liabilities based on loans and debt instruments.

Note: EA stands for the euro area.

Sources: MoF, Eurostat, IMF and CNB.

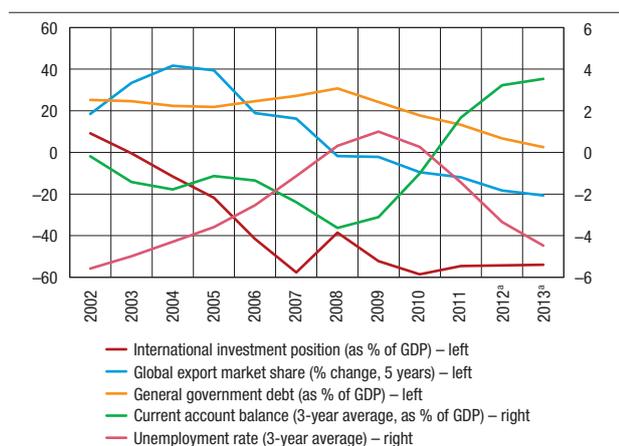
whereas correction of high external imbalance in several member states has been almost completed. The Baltic countries were successful in particular in the correction of imbalances, having implemented fiscal consolidation and reduced labour costs, which has resulted in the improvement of export competitiveness. In contrast to new member states, the old member states are losing their global export market share and in most cases are exceeding the indicative thresholds for public debt and private sector debt. Among the countries observed (Greece, Ireland, Portugal and Romania were exempt as beneficiaries of the EU and IMF programme of aid), Spain and Cyprus are in most unfavourable position, exceeding the indicative thresholds for six out of a total of eleven indicators that were observed. On the basis of the report, the European Commission decided to perform an in-depth analysis of the potential imbalances in 14 member states²³. If these imbalances are confirmed, recommendations

for their correction will be issued to these countries.

Because Croatia should become an EU member state only as of 1 July 2013, it has not been encompassed by that report. Accordingly, in addition to the indicators for the EU member states, Table 7 also shows the comparable indicators for Croatia. According to them, in 2011 the indicative thresholds for three indicators were exceeded: international investment position, change in the global goods and services export market share and unemployment rate. As regards the international investment position, Croatia, like most of other member states, has an extremely high negative balance, but in Croatia it is significantly higher than the group average. In addition, a relatively high level of net external debt also represents an aggravating circumstance

23 Belgium, Bulgaria, Denmark, Spain, France, Italy, Cyprus, Hungary, Malta, the Netherlands, Slovenia, Finland, Sweden and Great Britain

Figure 30 Deviation of the imbalance indicators for Croatia from the indicative thresholds



^a Projection.

Note: Negative values of deviations are indicative of potential imbalances.

Sources: MoF, Eurostat, IMF and CNB.

(59.1% of GDP for Croatia vs. 27.4% of GDP in new EU member states²⁴). Furthermore, Croatia also exceeds the indicative threshold for the unemployment rate and that trend is likely to continue in the forthcoming years. As far as export competitiveness is concerned, Croatia stands out from the group of new member states which have been increasing their global export market share, loss in export share accounting for almost 18% in the previous five-year period. In order to make an overall assessment of macroeconomic imbalances in Croatia, movements in the selected indicators should be observed over a longer period

of time (Figure 30). Accordingly, the current account balance currently stands below the indicative threshold, which is a reflection of a weakened domestic economic activity rather than of a strengthening in competitiveness. In addition, public debt is still within the permitted limits, but its dynamics is unfavourable and, according to the current projections, it should reach the indicative threshold of 60% of GDP in 2014.

Croatia is likely to be identified in the next Alert Mechanism Report as a country with potential macroeconomic imbalance and high vulnerabilities, for which the European Commission will perform an in-depth review and recommend possible corrective actions. Even before these expected recommendations are proposed, it is evident that Croatia needs to implement economic policy measures aimed at improving competitiveness and labour market flexibility, as well as consolidation of public finances, and any other measures which could increase potential growth. As regards the reforms that are currently underway, tax reform, through a decrease in direct taxes and an increase in indirect taxes, and measures for investment promotion could contribute to an improvement in external competitiveness, reducing thus external and internal imbalances. Nevertheless, it is hard to expect that a negative balance of international investments could be reduced significantly in the mid run.

Furthermore, the Macroeconomic Imbalance Procedure is becoming extremely important for Croatia as a future expected euro area member state, if it is associated with the previously mentioned assessment of the convergence process. The debate concerning the measures for eliminating these potential imbalances could gain importance as early as in the course of negotiating the participation of the kuna in the ERM II and the implementation of these measures could significantly affect the dynamics of the euro adoption process.

Box 3 Natural gas prices and competitiveness of domestic enterprises

The relatively high price of natural gas for enterprises in the RC points to possible inefficiencies in the gas supply chain, a possible cross-subsidization of various consumer groups or a combination of these two causes, whose ratio is impossible to determine based on the publicly available information. However, since all activities within the gas supply chain are regulated in some way, the competent government administrations should be able to establish the exact cause of the high price of gas for enterprises and propose measures to diminish the negative effect its price produces on the competitiveness of Croatian enterprises.

CPI data on trends in natural gas prices suggest that the formation of these prices is very strongly affected by the political cycle. In the last four rounds of national elections, gas prices held steady at least one year prior to the elections and significant one-off price corrections were, as a rule, made in the post-election period. The findings of a survey on gas price formation methods show that Croatia's natural gas market is inefficient and that the government policy is that of cheap and *de facto* subsidised household gas. There are concerns that cheap household gas prices are formed to the detriment of relatively expensive producer gas prices. If this is the case, the market regulation and price policy for natural gas have a direct effect on the weakening of the international competitiveness of Croatian producers, users of gas, and, in turn, of the overall Croatian economy. This

cannot be considered effective social policy either, as all households benefit from lower prices and not only those that are in need of a subsidy.

Table 8 shows the formation of natural gas prices for various customer categories in August 2012. The price of household gas is lower than that of enterprise gas and enterprises that buy smaller amounts of gas pay a lower price than those purchasing higher amounts. The selling (pre-tax) price is primarily determined by the so-called purchase price for the supply of tariff buyers, set by the government, and the distribution costs. Households pay the lowest purchase price although the distribution costs are the highest. The supply price for enterprises increases and distribution costs drop according to consumption. Exceptionally, as of April 2010, the gas purchase price has not been administratively limited for the three largest industrial consumers with an annual gas consumption higher than 100 ml/m³ (HEP, Ina and Petrokemija) and for service enterprises. In the 2005 to 2008 period, household consumption accounted for about 22% of total gas consumption in the RC and the consumption of small and medium sized enterprises for about 13%. Of the remaining 67%, 37% went to energy transformations (mainly the heat supply sector), about 18% to Petrokemija and about 5% to service enterprises.

The gas market has been liberalised since 2007. The purchase price of gas has been adjusted to international market prices since April 2010, with the administratively restricted purchase price of gas for household supply remaining considerably lower than the market price in that period too (Figure 31)²⁵.

²⁴ Malta is exempted in view of an atypical value of net external debt, claims exceeding liabilities by 160% of GDP in 2011.

Table 8 Structure of the final gas price in the RC – an example

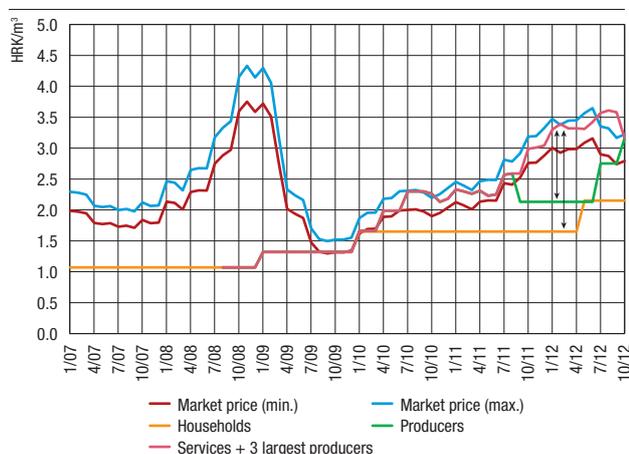
Cost item (August 2012)	Households – tariff model 1 (HRK/m ³)	Small producers – tariff model 2 (HRK/m ³)	Small regular buyers – tariff model 2 (HRK/m ³)	Medium-sized regular buyers – tariff model 3 (HRK/m ³)	+ HRK/month for tariff model 1	+ HRK/month for tariff model 2	+ HRK/month for tariff model 3
Purchase price	2.15	2.75	3.61	3.61			
Distribution cost	0.36	0.28	0.28	0.24			
Transportation cost	0.26	0.26	0.26	0.26			
Storage cost	0.05	0.05	0.05	0.05	16.50	16.50	60.00
Total purchase price	2.82	3.34	4.20	4.16			
Supply cost (margin)	0.06	0.04	0.04	0.04			
Total purchase price^a	2.88	3.38	4.24	4.20			
VAT 25%	0.72	0.85	1.06	1.05	4.13	4.13	15.00
Total price with VAT	3.60	4.23	5.30	5.25	20.63^b	20.63^b	75.00^b

^a These gas prices do not comprise the difference in the calorific value of the supplied gas.

^b Fixed monthly distribution fee.

Source: The utility company Komunalac d.o.o. Koprivnica.

Figure 31 Purchase prices of gas for the supply of tariff customers in the RC

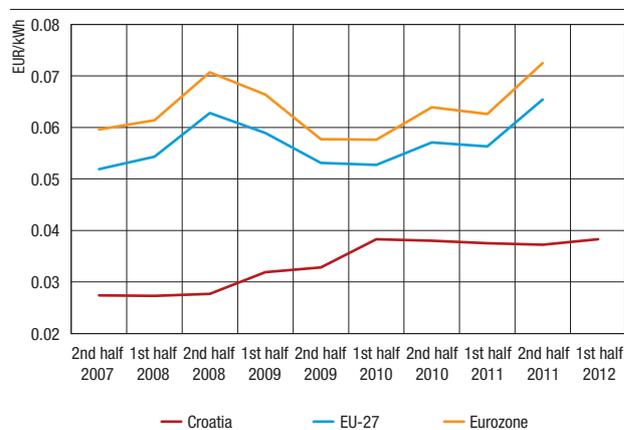


Sources: Večernji list, Indexmundi.com, CNB, Komunalac d.o.o. Koprivnica and CNB estimate.

Exceptionally, purchase prices of gas supplied to production enterprises, with the exception of the mentioned largest industrial consumers, lower than those on the market were introduced in September 2011. However, at the beginning of November 2012, all enterprises again started to pay the same price for gas. Specifically, as of 1 October, the purchase prices for the supply of producers (i.e. small and medium industrial consumers) was raised, that is, adjusted with the price for other enterprises (the three largest industrial consumers and service enterprises). It should also be noted that, despite the gas market liberalisation process, until recently there was only one gas trader in the Croatian gas market (Prirodni plin d.o.o., a daughter company of Ina d.d.). The main reason for this is that traders are bound to sell gas to all customer categories at stipulated prices; because of the risk that they would have to sell gas below its purchase price, entrepreneurs were before 2012 dissuaded from entering this market.

The implicit subsidy for households was HRK 0.64–1.07/m³ in October 2012. In April in the same year (before household gas prices went up on 1 May 2012) it was almost twice as high,

Figure 32 Gas prices for households



Note: The prices relate to the annual consumption of 20 to 200 GJ and include all taxes and charges.

Source: Eurostat.

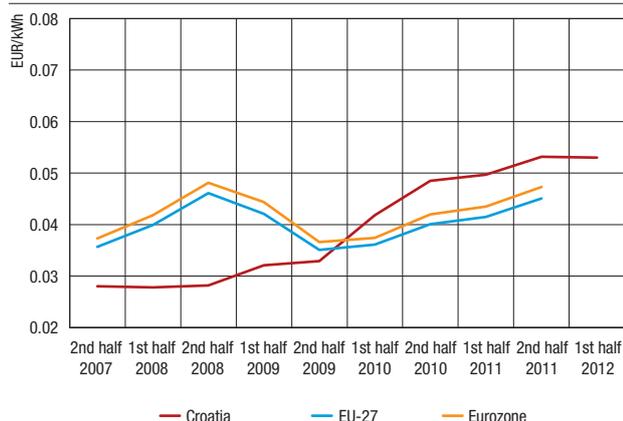
amounting to HRK 1.34–1.80/m³. After the increase in the purchase price for enterprises in early October (estimated to range from HRK –0.37 to +0.06/m³), or its equalisation, there has been no implicit subsidy for enterprises, whereas in June (before the initial price rise in gas for producers on 1 July 2012) the subsidy ranged from HRK 1.03–1.52/m³. The gas purchase price for the supply of enterprises from all activities was as much as 47% higher than the gas purchase price for the supply of households in October.

The relative relation between the gas price paid by households as end-users and that paid by producers as end-users also differed significantly from the same relation in EU member states. (Figures 32 and 33)²⁶. The final price of gas for producers has since 2010 slightly exceeded the average price for producers in the EU, whereas the price for households has been lower than the average price for households in the EU for a great number of years. In general, the price of gas for producers in the RC has exceeded the price for households, with the difference especially pronounced after 2009, whereas the price for producers

25 The market price estimate is based on data on the spot price of Gazprom gas on the German border, released at Indexmundi.com, data on retail gas prices for various customer categories supplied by Komunalac d.o.o. Koprivnica, and the information published in Večernji list of 6 July 2012 on the Government's estimate for the market purchase price of gas in the range of HRK 2.90 to 3.35/m³.

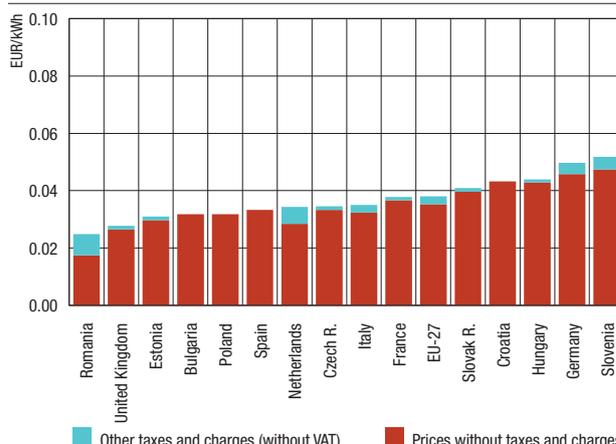
26 Figures 31, 33 and 35 show the prices of gas for producers with the annual gas consumption of 2.653 ml/m³, which excludes Ina, HEP and Petrokemija. However, there is a possibility that some large consumers-producers from the RC, consuming between 2.653 ml and 100 ml/m³ of gas annually are excluded from the scope of data. This should not directly influence the findings of the analysis as these "large" gas consumers are also excluded from the scope of data on gas prices for other countries.

Figure 33 Gas prices for producers



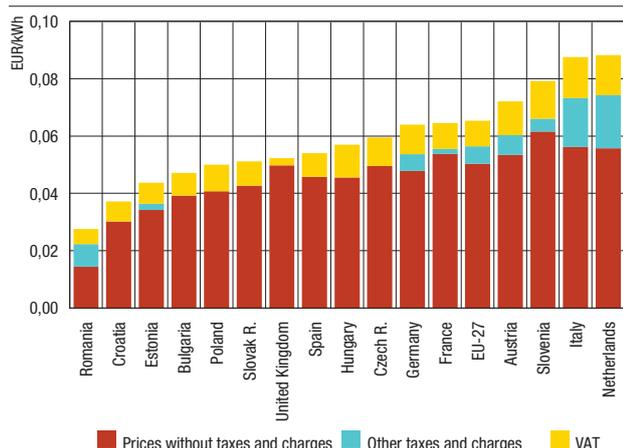
Note: The prices relate to the annual consumption of 10 000 to 100 000 GJ and include all taxes and charges.
Source: Eurostat.

Figure 35 Producer gas prices and taxes second half of 2011



Note: The prices relate to the annual consumption of 10 000 do 100 000 GJ.
Source: Eurostat.

Figure 34 Household gas prices and taxes second half of 2011



Note: The prices relate to the annual consumption of 20 to 200 GJ.
Source: Eurostat.

in the EU has stood considerably below the price for households in the same period.

According to a more detailed comparison between countries, shown in Figure 34, in recent history, a period for which peer country data are available, Croatia belonged to a group of countries with the lowest price of gas for households. In the second half of 2001, Romania was the only country in the group of observed countries that had lower household gas prices than Croatia. On the other hand, Croatia belonged to a group of countries with the highest price of gas for producers (Figure 35). An intra-sectoral comparison shows that, among all the observed countries, the final price of gas (and the pre-VAT price) for enterprises was higher than the final price for households only in Croatia.

In late April 2012, the RC Government increased the purchase price of gas²⁷ for the supply of households. However, even after the rise in the price for households on 1 May 2012 and in the price for producers on 1 July 2012, our estimate is that final gas prices for households in Croatia were until 1 October 2012 still about 30% lower than the EU member state average, while prices for producers exceeded average prices in the EU by 10%. The producer price difference should increase further to about 20% after 1 October 2012. Accordingly, in 2012, Croatia will still remain the only country in the peer country group in which households pay a lower final price for gas than producers.

The relatively expensive price of natural gas for producers (and other enterprises in the RC) points to (1) possible inefficiencies in its supply chain in the RC that might occur in its transport, storage, distribution or supply, or (2) a possibility of cross-subsidization, which means that the purchase price of gas for the supply of enterprises is slightly higher than it should be in order to enable gas traders to compensate for the losses they generate by selling household gas below the market price. A combination of these two causes in a certain ratio is also possible. However, this ratio cannot be established based on the available data and information. Since all activities within the gas supply chain are regulated in some way, the government administrations, based on the information available only to them, should be able to establish the exact state of affairs and propose measures to further develop the gas market and diminish the negative effect the gas price has on the competitiveness of Croatian enterprises.

In line with the above, a further liberalisation of the gas market and prices should be expected. An improved functioning of the domestic gas market should enable a more favourable price of gas for enterprises. Household gas prices could in that case rise considerably, which will result in a rationalisation of the consumption of heating gas.

27 The Government's decisions on gas price increases also introduced a fixed monthly charge for gas distribution (the last three columns in Table 8).

7 Financing conditions and capital flows

Financing conditions

In the third quarter of 2012, the financing conditions were still unfavourable, although it should be noted that in that period yields on MoF T-bills were reduced and the indicators of foreign financing costs were improved. This primarily reflects easing of tensions and uncertainty in the international financial markets, associated with the debt crisis in the euro area. However, domestic long-term interest rates did not change significantly and their still relatively high level, together with the suppressed domestic demand, is reflected in diminished lending activities by banks and in deleveraging by domestic sectors.

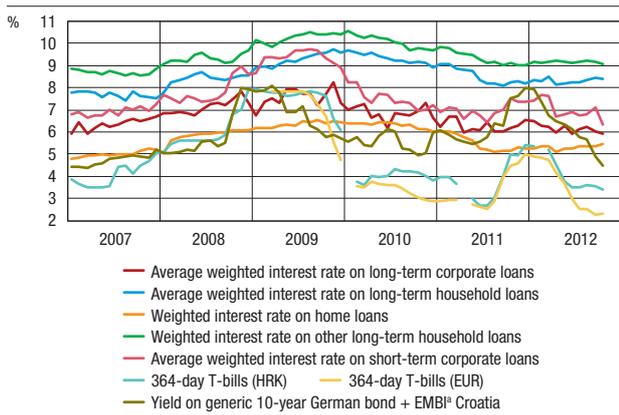
The indicator of the foreign financing costs of the government, estimated in terms of the yield on the German government bond and the EMBI yield spread for Croatia, has been on the decrease since the beginning of the year. However, the recent borrowing on the foreign market, which took place last time in April, when the requested yield on the government bond stood at

6.4%, represents the actual financing cost. Therefore, favourable movements have not yet been reflected in the foreign financing costs, but they rather had an indirect effect on the domestic costs of financing. More specifically, interest rates on MoF T-bills dropped considerably in the third quarter and in the first two months of the fourth quarter relative to the first half of the year. By the end of November, these interest rates ranged between 1.5% to 2.9%, their record low in 2012. Apart from reduced government risk, abundant liquidity of the monetary system also contributes to such movements.

As regards credit default swaps (CDS), premiums on bonds of the parent banks of the five largest banks in Croatia, their downward trend also continued. The levels of these premiums were more than halved in the middle of the fourth quarter for individual banks from the beginning of the year. Nevertheless, such movements did not have any effect either on domestic long-term interests of banks or on the volume of foreign financing of bank subsidiaries in Croatia, which deleveraged considerably in 2012; banks did not pass on the effects of low interest rates and high liquidity in the financial markets to domestic lending rates. Banks' efforts to attract stable domestic sources of financing certainly had an additional effect on such movements, together with a continued deterioration in the quality of banks' assets, as a result of which interest rates on domestic deposits did not record a fall. This is also related to the guidance of the foreign regulators, instructing both the bank groups in the region and their subsidiaries in Croatia to increase the domestic deposit base (i.e. to reduce the loan to deposit ratios).

As regards the interest rates on corporate loans in Croatia, only short-term loans became more favourable in the third quarter. In such conditions, the implementation of the programme to stimulate corporate financing through the CBRD seems justified, implying up to two percentage point lower costs of financing on average for end-clients. The weighted interest rate on loans at five CBRD auctions held so far amounted to 3.9% compared to 5.9%, the average interest rate on newly granted long-term corporate loans in October. Interest rates on household loans did not change significantly in the third quarter. Long-term financing conditions for that sector have remained almost unchanged

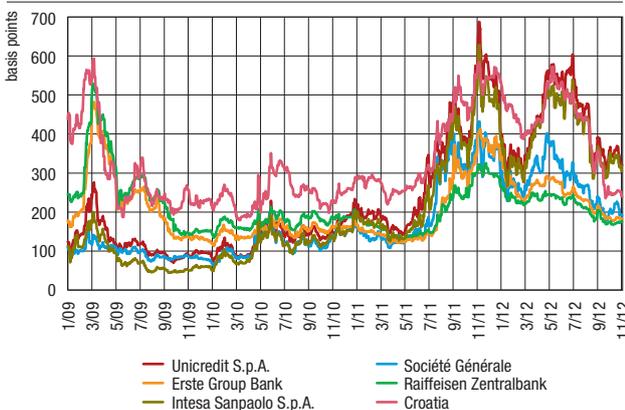
Figure 36 Costs of domestic and foreign financing



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

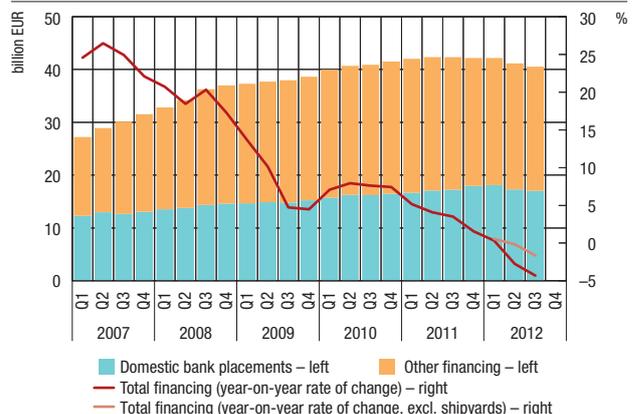
Sources: MoF, Bloomberg and CNB.

Figure 37 CDS spreads for Croatia and selected parent banks of domestic banks



Source: Bloomberg.

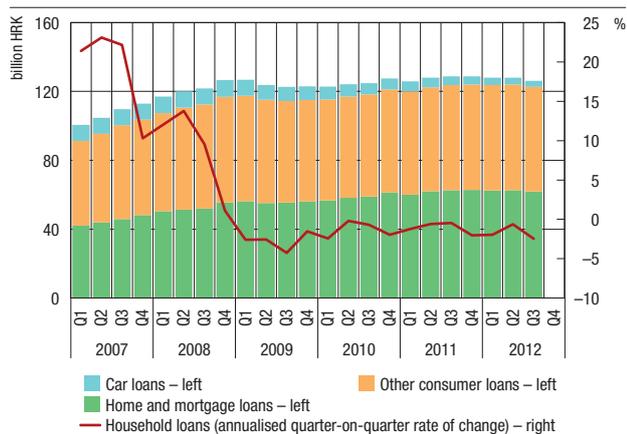
Figure 38 Corporate financing by sources



Note: Other financing includes corporate borrowing from domestic leasing companies and direct borrowing from the CBRD, as well as borrowing from foreign banks and affiliated enterprises abroad.

Sources: HANFA, CNB and CNB calculations.

Figure 39 Household loans by purpose



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

Source: CNB.

for over a year now, the interest rate on the most significant type of loans, home loans, having increased moderately to 5.4%.

In the third quarter of 2012, corporate deleveraging from the previous quarter continued. Consequently, the annual fall of total corporate financing accelerated, amounting to -1.6% (excluding the assumption of the shipyard debt by the Ministry of Finance) at end-September. A gradual corporate deleveraging can be associated with unfavourable movements in the real

sector of the economy and also with a high level of the indebtedness of that sector. It is evident that corporate foreign financing recorded a fall in the structure of financing at the annual level, whereas domestic financing still recorded growth. Individual large enterprises replaced a portion of their domestic with foreign debts, due to more favourable conditions and longer terms of financing in the foreign markets.

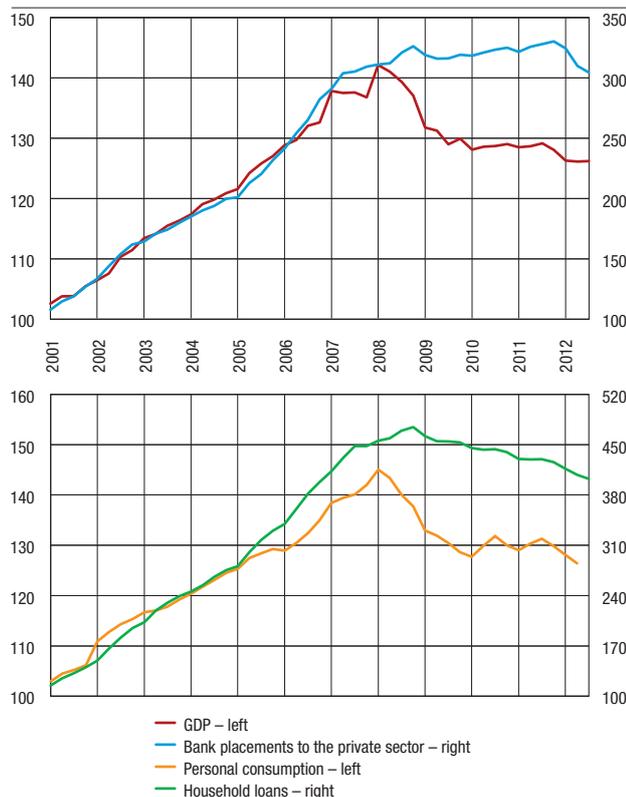
The trend of a moderate deleveraging in the household sector continued into the third quarter of 2012. The absence of economic activity recovery, unemployment growth, uncertainty about future developments and expectations concerning disposable income and high borrowing costs are the main reasons for such a performance; not change in these movements is expected in the following year.

Unfavourable developments in the real sector in 2012 were reflected in the contraction of bank lending activity, which is shown in Figure 39. Such parallel movements were not recorded in the previous period of the crisis, except, to a smaller extent, in the movements of personal consumption and household loans. This is a consequence of the fact that lending growth was present in Croatia, especially in the first part of the crisis, despite a strong decline in economic activity.

The financing conditions of domestic sectors in the forthcoming period will still be influenced by the risk premium paid for borrowing in international financial markets. In this respect, the country's credit rating and the credibility of government finance are very important. Recovery of the domestic economy and a reduction in the budget deficit represented positive signals for preserving the rating and its possible improvement. However, the price of loans on the domestic market depends, to a great extent, on movement in the share of non-performing loans in the balance sheets of domestic banks and the parent banks' preference concerning their exposure in Croatia. In view of the small chance there is for any considerable change in the described elements in the short run, it is hard to expect favourable changes as regards the prices of domestic sectors' financing. In accordance with this and with expectations that there will be only a moderate growth in economic activities, lower than in previous forecasts, in 2013 no considerably recovery of bank lending to the private sector is likely to occur.

Figure 40 Relation between bank lending and real sector developments

index, 2000 = 100, real seasonally adjusted values



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

Sources: CBS and CNB data seasonally adjusted by the CNB.

Capital flows between Croatia and foreign countries

The volume of international financial transactions remained small in 2012. In the first three quarters of 2012, capital inflows only slightly exceeded outflows (net inflows of only EUR 0.1bn were recorded in the balance of payments capital and financial accounts, excluding a change in international reserves). In terms of annual dynamics, it is evident that capital inflows were nevertheless rather strong in the first half of the year, as a result of the government borrowing, whereas the third quarter saw considerable deleveraging, mainly of banks and enterprises, despite an improvement in foreign financing conditions.

Banks, which this year started to deleverage in June, earlier than usual, predominated in the process of deleveraging, and in the summer months, they made use of an increased inflow of deposits for the common decrease in external debt. At the same time, non-banking financial institutions continued their trend of foreign deleveraging, which has now been in progress for a fourth consecutive year, with slight fluctuations. Public enterprises deleveraged even more sharply and the external debt balance dropped additionally due to assumption of a part of the shipyard debt by the government. Other, mainly private, enterprises increased their external borrowing, which was primarily a reflection of the April issue of a foreign bond of a large

Figure 41 Foreign capital flows

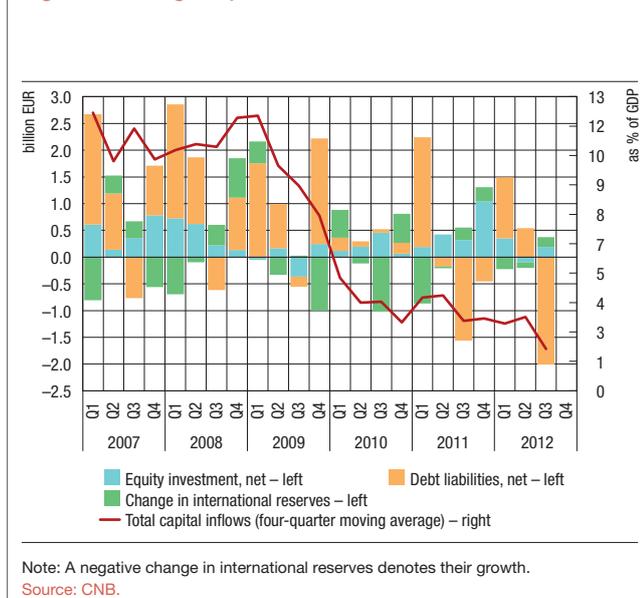
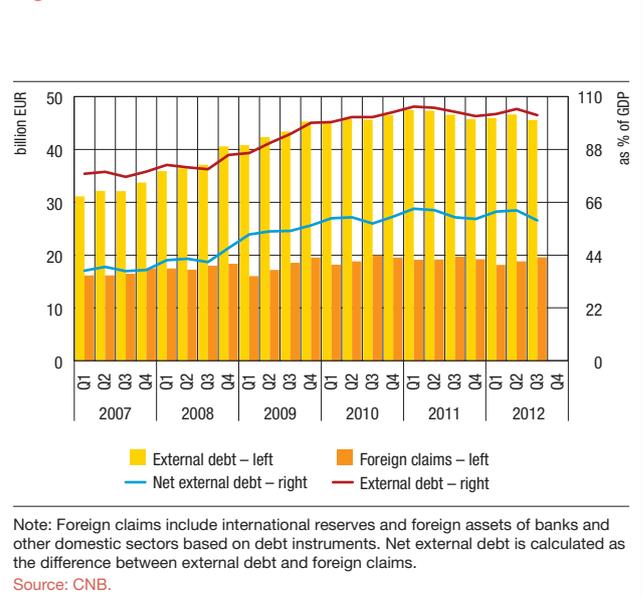


Figure 42 Gross and net external debt



enterprise, whereas other enterprises only refinanced their due liabilities. Only the central government's external position deteriorated noticeably, which can mostly be accounted for by the issue of a bond on the US market in April 2012 and the associated transactions in the secondary market later in the year. As a result of these movements, external debt stood at EUR 45.6bn at end-September 2012, a fall of EUR 0.2bn relative to the end of the previous year.

Direct foreign investments in Croatia decreased considerably (in the first three quarters of 2012, they amounted to only EUR 0.5bn, which is half as much as in the same period in the previous year). Only half of the investments related to new projects, especially in real estate, tourism and trade, which attracted many foreign investors in the previous period of crisis as well, while there were still no significant investments in production activities. Debt to non-resident owners, which is also a constituent part of foreign direct investments, decreased slightly, after foreign owners had exchanged a portion of their debt claims for holdings.

Despite limited capital inflows, international reserves rose mildly and were sufficient to cover 85% of short-term debt (according to the remaining maturity) at the end of September 2012. Although reserves do not cover the entire amount of short-term debt, it should be noted that debt to foreign owners accounts for almost half of the debt. When only short-term debt to other creditors is taken into account, international reserves cover almost 160% of the short-term external debt.

Although more abundant inflows of capital are expected in the last quarter, on the basis of withdrawal of banks' foreign assets and a more intense borrowing of enterprises, net inflows in 2012 will probably remain subdued, as in the previous two years. As regards borrowing of enterprises in the last quarter, several large and private enterprises benefited from more favourable financing terms in the foreign market, by refinancing their liabilities to domestic banks with foreign capital. At the same time, the remaining, mostly small, enterprises could deleverage mildly

and the deleveraging trend in banks and non-banking financial institutions is expected to continue. Since the central government ensured refinancing of its foreign liabilities by the previously mentioned bond issue, the balance of its external debt will remain stable by the end of the year. Total balance of external debt in the last quarter of 2012 could increase and could approach that recorded at the end of the previous year. Nevertheless, in addition to the expected fall in GDP, the relative indicator of external debt will deteriorate to 102.3% of GDP, whereas the share of debt in exports of goods and services will remain stable at around 240%. Furthermore, the indicator of net external debt could also stagnate at around 60% of GDP.

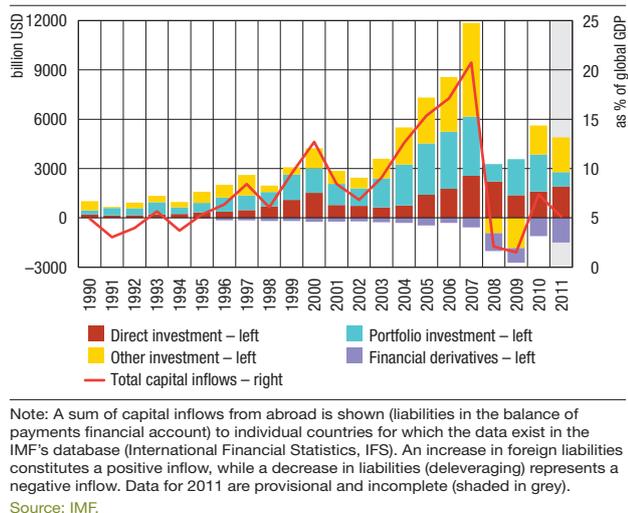
In the forthcoming year, a moderate strengthening of capital flows from abroad is expected. However, it should not be expected that Croatia's accession to the EU will lead to a stronger capital inflow, as was the case in the previous two waves of enlargement (for more information about capital flows and EU membership see Box 4 Capital flows and EU membership). A more intense inflow of debt capital will reflect exclusively the expected greater needs of the central government for foreign financing. In contrast, banks are expected to continue reducing their foreign liabilities, although at a slower pace. Accordingly, the expected banks' refinancing in the whole of 2012 will drop to approximately two thirds, only to rise again towards 90% in the following year. At the same time it is projected that other domestic sectors (excluding the CBRD) will meet their financing needs, to a larger extent, on the domestic market and reduce their external debt, as a result of which the refinancing rate could amount to slightly less than 100%. Despite the expected increase in total external indebtedness, together with a mild economic recovery and goods and services exports growth, the relative indicators of external imbalance could stabilise at the end-2012 level. Inflows of equity investment will remain relatively modest (around 2% of GDP) while a stronger growth could be spurred by the announced measures to strengthen competitiveness and the expected improvement in the general investment climate.

Box 4 Capital flows and EU membership

Following EU accession²⁸, the new member states experienced a strong growth of capital inflows, which was nevertheless

a reflection of completely different circumstances, i.e. the upward trends in debt capital present at the time in the global

Figure 43 Change in liabilities based on capital inflows in the world



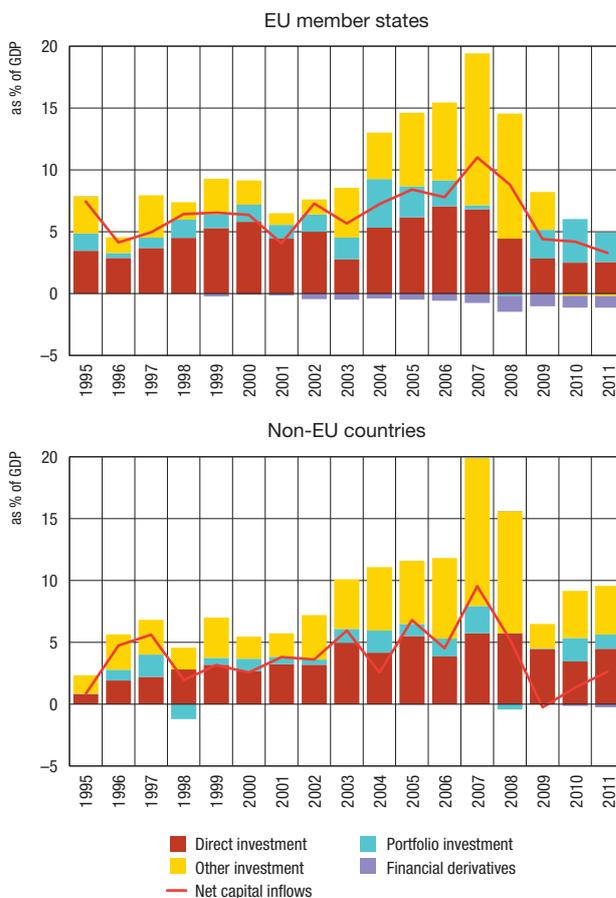
financial markets. At present, capital flows in the world are much more subdued than they were in the middle of the previous decade, before the outbreak of the global financial crisis, and a high level of uncertainty associated with the debtors' crisis in individual countries is still present. Therefore, it should not be expected that there will be a significant increase in private capital flows following Croatia's EU accession. In the first year of full membership, positive net flows of transfers from the EU institutions could be expected but their movements in the forthcoming years will depend on Croatia's absorption capacity.

The period from the 1990s to the outbreak of the global crisis by the end of 2008 was marked by the strengthening of financial flows worldwide. GDP inflows to all the countries in the world rose from the average annual value below 5% of the global GDP in the first half of the 1990s to 20% of the global GDP in 2007. Apart from the development of financial instruments and deepening of financial markets, liberalisation of cross-border capital flows in a large number of countries, together with harmonisation and integration of financial systems in Europe related to the adoption of the euro, also contributed to an increase in global financial flows. Capital flows were on the increase with occasional periods of moderate stagnation following the Asian crisis in 1997 and a number of Latin American crises at the turn of the millennium, the upward trend being pronounced in particular in the several years before the outbreak of the global financial crisis, when debt capital flows strengthened in particular. In the second half of 2008, they came to an abrupt and fierce halt as a result of disturbances in the financial markets, which was mostly evident in deleveraging based on financial derivatives and other investments, mainly in the banking sector. A slow recovery started in early 2009, but capital flows, according to preliminary and incomplete data for 2011, are still considerably lower than in the pre-crisis years.

Capital inflows to today's new member states began to grow at the beginning of negotiations concerning their accession to the EU in mid-1990s. Liberalisation of capital flows, spurred by the adoption of the *acquis communautaire*, represented a huge positive incentive for their strengthening and relative vicinity of the developed EU markets, strengthening of the economic,

28 In the first wave of enlargement, on 1 May 2004, Cyprus, the Czech Republic, Estonia, Lithuania, Latvia, Hungary, Malta, Poland, Slovakia and Slovenia joined the EU, whereas Bulgaria and Romania become the EU Member States in the second wave of enlargement, on 1 January 2007.

Figure 44 Capital flows to European emerging market countries



political and financial integration with them and favourable financial market conditions in general also had a positive impact²⁹. Net capital flows during the accession process, which ended with the first wave of EU enlargement in 2004, grew at a pace similar to that of economic activity. At that time, direct investments, among which investment in production activities stood out, represented the most important source of financing for the observed group of countries, especially those in Central Europe, as a result of which a transfer of knowledge and technology took place and the basis was created for strengthening of competitiveness in export markets and economic growth. In contrast, at that time, Croatia relied to a greater extent on other investments (i.e. debt capital).

In the four-year period following the first wave of the EU enlargement, capital flows rose sharply worldwide and in European countries as well. Their growth in the new EU member states, and their relative importance for the economy, was slightly stronger than in other European emerging market countries. As regards new member states, the Baltic countries and Malta and Cyprus saw a capital flow increase in particular, with a

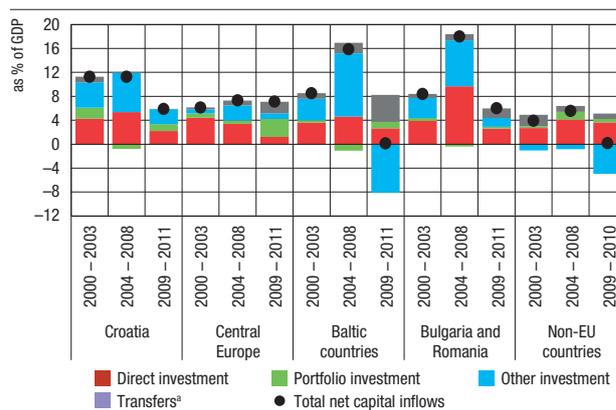
29 An overview of determinants of capital flows to new EU Member States is given in *European Economy, Occasional Paper 75, Capital flows to converging European economies – from boom to drought and beyond, Proceedings to the workshop held on 1st October 2010*.

predominant effect of debt instruments. Similar developments were recorded in Bulgaria and Romania, which joined the EU only in 2007, where, apart from debt investments, equity investments increased additionally. In the previously mentioned countries, a strong economic growth was recorded at the same time, as well as a deepening of external imbalances. In contrast, Central European countries did not see such a strong growth in capital flows, although debt capital movements were stronger there than the flows of equity capital. Although it is often stressed that foreign direct investments had an important role in the development of the new EU member states, it should be noted that at the time of EU accession their net inflow, especially in the Central European countries, did not change considerably relative to the end of 1990s. Furthermore, in the years following 1994, investments in non-productive activities, especially in the financial sector, and investments in real estate became increasingly more predominant in their structure.

In addition to private capital flows, the observed countries also received funds from the EU institutions, firstly on the basis of the pre-accession assistance programme, and after the accession, on the basis of the programme for the member states, as a result of which a more abundant withdrawal of funds began. Since these are not sources of financing that are obliged to be returned, but rather represent a form of aid, they should be observed separately³⁰. In the first years of membership current transfers to the government sector consist of funding from pre-accession funds and provisional funding for strengthening administrative and institutional capacity as well as improving the national budget position. Subsequently they mainly relate to income support to farmers. In the first year of EU membership, such transfers rose by 0.5% of GDP on average. In addition, capital transfers associated with the financing of long-term capital projects began to increase more vigorously only in the years that followed, with as absorption capacity strengthened, especially in the Baltic countries, while capital transfers were relatively low in Romania and Bulgaria, which can partly be accounted for by their later accession to the EU³¹. Since the member states are obliged to transfer a portion of their revenues to the EU budget, expenditures in the current transfers account of the government also increased in the first year of EU membership by approximately 1.0% of GDP (or by 0.5% of GDP in 2004 when the accession to the EU took place in the middle of the year). In general, all the new member states were net recipients of the funds from the EU budget in the first year of membership, with an average increase of net inflow by only 0.3% of GDP relative to the year before the accession and a mild growth in the subsequent years.

When Croatia is compared with the observed countries, it is evident that the strengthening of capital flows in middle of the last decade was also reflected in a growth in inflows to Croatia, which were lower than in the Baltic countries and Romania and Bulgaria, partly on account of the monetary policy measures, but relatively higher than in the Central European countries. The

Figure 45 Net capital inflows
including net transfers to the government and capital transfers



^a Transfers do not include current transfers to the private sector.

Note: The Central European countries include: the Czech Republic, Hungary, Poland, Slovakia and Slovenia. Other countries are non-EU countries: Albania, Bosnia and Herzegovina, Croatia, UNMIK/Kosovo, Macedonia, Montenegro, Serbia, Azerbaijan, Belarus and Ukraine.

Sources: Eurostat, CNB and IMF.

experience of new EU member states shows that strengthening of capital flows in the first years of membership was a reflection of the trends present at the time on the global and European financial markets, whereas the present capital flows have weakened to a large extent. A major part of investment in the years following the first wave of EU enlargement related to borrowing, while direct investments had a more important role in the previous years, when the EU accession process was only beginning. Transfers from the EU were not an important source of financing in the first years and their movement in the following years depended on the absorption capacity of a country. Moreover, today they represent a larger source of financing than in the pre-crisis period, especially for the countries which joined the EU earlier and had more time for adopting the procedures required for withdrawing the EU funds.

Accordingly, it should not be expected that there will be a significant increase in debt capital flows following Croatia's accession to the EU in conditions of subdued capital flows, and especially if the current new member states trend of deleveraging based on other investments (mainly bank loans) continues. Inflows of direct equity investment, which are at present extremely modest, will in the future primarily depend on the efforts of a given country aimed at promoting investments and enhancing the general entrepreneurial climate, so no automatic increase after Croatia's EU accession should be expected. Furthermore, it can be expected that, based on the experience in the observed countries, net transfers from the EU to Croatia will be positive in the second half of 2013. In addition, they could increase by 0.3% of GDP or by slightly more than EUR 100 million, relative to the funding received from the pre-accession funds (up to EUR 100 million annually).

30 Transfers from the EU budget are not recorded in the balance of payment financial account, but a bulk of them, long-term and intended for infrastructural projects, is recorded in the capital transfers account (e.g. structural and cohesion funds), whereas the remaining inflows to the Member States (e.g. agricultural subsidies) are recorded in the balance of payments current account as revenues from transfers to the government sector; payments to the EU budget are recorded as expenditures arising from current transfers to the government sector. One should be cautious when analysing the transactions in these accounts, since other transfers of the government or capital transfers from other sources are also recorded there, apart from the transfers from and to the EU budget.

31 In Romania and Bulgaria capital transfers reached only 0.8% of GDP on average in the period from 2009 to 2011, compared to 1.8% of GDP in other new EU Member States (amounting to 0.2% of GDP on average in the years preceding the EU accession). This is line with the Commission's reports in which Romania and Bulgaria are indicated as the countries with the lowest use of funds, since by mid-2012 only 22% of funding from structural and cohesion funds allocated for the 2007-2013 period had been used, whereas the average for the 12 new Member States and the Baltic countries was 38.4% and more than 50%, respectively.

8 Monetary policy

In the second half of 2012, the CNB continued the policy of supporting high monetary system liquidity, while maintaining the stable exchange rate of the domestic currency as a key prerequisite for financial and overall macroeconomic stability. For the whole of 2012, the CNB ensured adequate market liquidity and stability of the domestic currency for banks by repurchasing foreign exchange from the government, obtained from foreign borrowing, and from selling foreign currency in the market. The central bank thus continued its expansive policy, reflected in surplus kuna and foreign currency liquidity and low money market interest rates. Due to adverse movements on the supply side, and especially on the loan demand side in the reference period, there were no improvements in monetary and credit aggregates.

Looking at the first eleven months of 2012, the average HRK/EUR exchange rate stood at HRK 7.52/EUR, up 1.1% from last year. Under pressure to appreciate during the summer months, the domestic currency in the last quarter returned to its

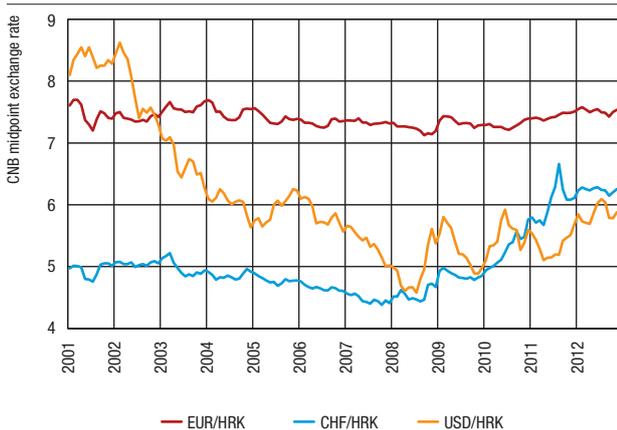
level of the end of the first half of the year. As the exchange rate remained stable, with no significant fluctuations, there was no need for any CNB interventions in the foreign exchange market. As regards the exchange rate of the kuna against other major world currencies, no big changes were reported towards the end of 2012. Similar kuna/euro exchange rate movements are expected in 2013. The CNB will continue to relieve any pressures that might result in excessive volatility of the kuna/euro exchange rate by means of foreign exchange interventions and other monetary policy instruments.

Foreign exchange transactions of the central bank had the strongest impact on the flows of reserve money creation in the first eleven months of 2012. In the first half of the year, reserve money was created through net foreign currency purchases, while the third quarter and the first two months of the fourth quarter saw net foreign currency sales and the withdrawal of a portion of liquidity from the system. Overall, foreign currency purchases exceeded sales, so that the CNB created a net value of HRK 0.8bn through its foreign exchange transactions.

The monetary system's liquidity surplus dwindled temporarily in the third quarter, on account of the seasonal demand for the kuna and an increase in government kuna deposits with the CNB, but it returned to a favourable level at the end of the year. The average liquidity surplus, including banks' overnight deposits with the CNB, stood at HRK 3.5bn, twice as much as in the previous quarter. The high liquidity level resulted in very low overnight interest rates in the interbank market, with positive effects also observed in interest rates on MoF T-bills, which in October and November dipped to their lowest levels in 2012. Favourable liquidity is expected to continue in 2013, assuming that there will be no need for regular reverse repo operations, because reserve money should again be created through foreign currency purchases, which depends on the assumed financing of a considerable portion of budget deficit by borrowing abroad.

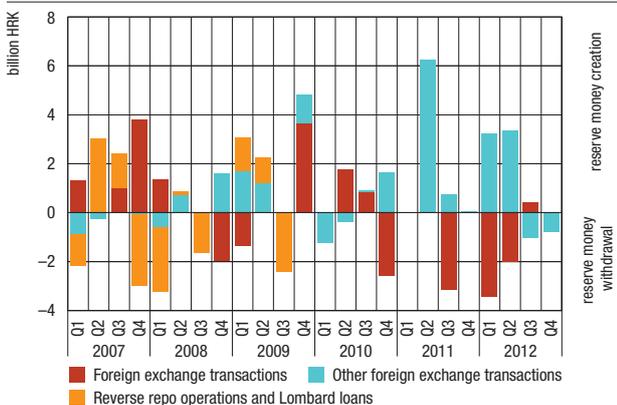
In the first eleven months of 2012, international reserves of the CNB increased on account of foreign exchange inflows from the government's foreign borrowing, the impact of which was partly offset by reducing the foreign debts of banks and enterprises. As a result, gross international reserves rose at a moderate

Figure 46 Nominal exchange rates EUR/HRK, CHF/HRK and USD/HRK



Source: CNB.

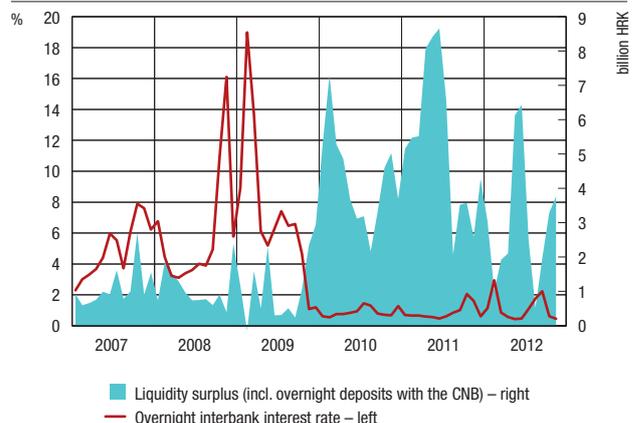
Figure 47 Flows of reserve money (M0) creation



Note: Other foreign exchange transactions include the purchase of foreign exchange from and the sale of foreign exchange to the MoF and foreign currency swaps with banks, where the positive values refer to the purchase of foreign exchange by the CNB. Data for the fourth quarter of 2012 refer to October and November.

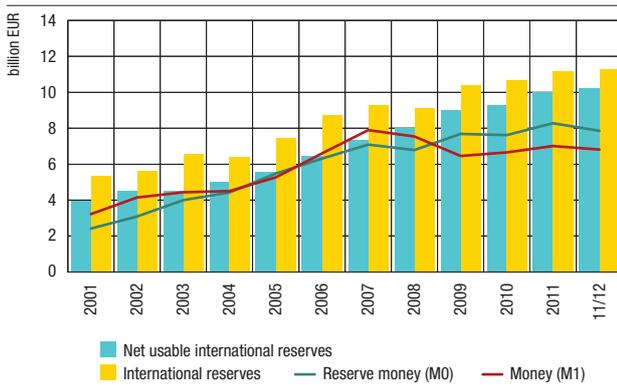
Source: CNB.

Figure 48 Bank liquidity and overnight interbank interest rate



Source: CNB.

Figure 49 International reserves of the CNB and monetary aggregates



Note: The most recent data available for M1 refer to the end of April 2012. Net usable international reserves are defined as international reserves net of foreign liabilities of the CNB, reserve requirements in f/c, general and special SDR allocations in 2009, government foreign currency deposits and off-balance sheet liabilities (swaps).

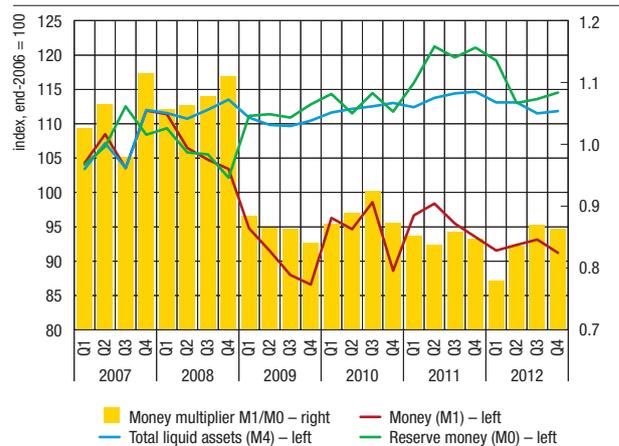
Source: CNB.

rate of 1.0% (EUR 107m) and amounted to EUR 11.3bn at end-November. Foreign currency purchases from the government (in a net value of EUR 770m) increased the reserves, while foreign currency sales to banks (in a net value of EUR 666m) reduced them. As regards other factors, a decrease in bank foreign currency reserve requirement and an outflow from the government's foreign currency deposit were almost offset by income from reserves investment. Net usable international reserves grew by EUR 194m or 1.9% in the period between January and November 2012, standing at EUR 10.2bn at end-November.

As similar capital flows are expected in 2013, but with increased government borrowing abroad and a moderate reduction of foreign debts of enterprises and banks, the net growth of international reserves should be slightly stronger in 2013 relative to the current year. A continued increase in international reserves and their higher level in relation to reserve money (M0) and money (M1) are especially significant because they ensure the country's foreign currency liquidity, and support exchange rate stability under the circumstances of weak foreign capital inflows.

Real movements of monetary aggregates in 2012 were adversely affected by a decline in economic and credit activities and a temporary acceleration of CPI inflation. Consequently, the real seasonally adjusted values of money M1 and total liquid

Figure 50 Monetary aggregates and money multiplier index of developments in seasonally adjusted real values, deflated by the consumer price index



Note: Data for the fourth quarter of 2012 refer to October.

Source: CNB.

assets M4 still show no signs of recovery. The October and November movements suggest a fall in the monetary aggregate M1, despite the concurrent growth in reserve money (M0), reflecting the CNB's efforts to support high kuna liquidity. In spite of a noticeable increase in kuna and foreign currency deposits of domestic sectors during the summer months, larger than that in the same period last year, the real seasonally adjusted M4 aggregate did not accelerate during the first ten months of 2012. However, the next period is expected to see a slowdown in inflation and continued growth of nominal monetary aggregates, which will lead to an increase in their real values as well.

Monetary policy in 2013 will be based on a continued maintenance of the kuna/euro exchange rate stability. Given the stable exchange rate, inflationary pressures should be contained by weak domestic demand and a less pronounced influence of changes in administratively regulated prices relative to that in 2012, so that they should not impede the implementation of the CNB's policy of maintaining a high level of primary liquidity. In this context, monetary aggregate trends are expected to be similar to those in 2012, with the risks for their growth still being negative. Bank credit activity should improve slightly in 2013, but with few signs of any significant growth. Therefore, the trend of external deleveraging of banks might continue, although at a slower pace than in 2012.

9 Public finance

In the first nine months of 2012, the consolidated general government revenue grew faster than total expenditure and outlays. As a result, the total fiscal deficit was HRK 0.9bn lower than in the same period in 2011, but still remained high (HRK 9.7bn). Taking into account the revised central budget and amendments to the financial plans of extrabudgetary users, the total fiscal deficit of the consolidated general government for the whole of 2012 might reach HRK 15.8bn or 4.7% of GDP. This represents a decline of 0.7 percentage points from 2011 and a temporary halt in the growth trend observed during the last three years. Despite the fiscal consolidation expected in 2012 due to favourable revenue movements, the general government deficit

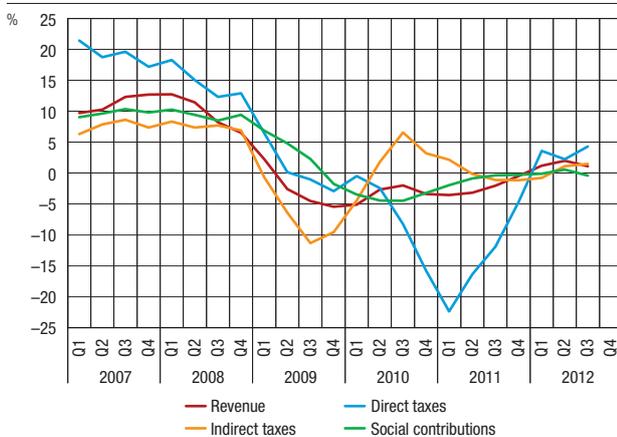
might go up again in 2013, as a result of a new sizeable increase in total expenditures and outlays in that year, anticipated in the national budget and the financial plans of extrabudgetary users. Apart from giving up on the announced fiscal consolidation, the budget does not provide for further labour tax disburdening by reducing the health insurance contribution rate, as planned in the Economic and Fiscal Policy Guidelines of July 2012. Accordingly, public debt is expected to continue to grow, and might reach 60% of GDP in 2014.

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

General government revenues were 1.8% lower in the first nine months of 2010 than in the same period of 2009. This decrease is likely to be even larger at the annual level. The largest contribution to the annual revenue growth came from VAT and corporate income tax revenues, as well as the so-called other revenues, because of the expected concession payment for the 4G network and a payment from the Croatian Compulsory Oil Stocks Agency (HANDA), as a result of including the HANDA fees in the state budget. Among tax revenues, only the revenues from property tax decreased noticeably, which might be the consequence of reduced revenues from the real property transfer tax, and excise tax revenues, notably from excises on refined petroleum products. As regards social contributions, the second largest source of government revenues, the cut in the health insurance contribution rate will lead to a fall in the contribution revenues for the whole of 2012, but this fall is likely to be less serious than expected, given the significant improvement in the collection of these revenues thanks to the Government order that salaries to employees can only be paid after the payment of contributions to the state budget.

In 2013, revenues are expected to continue growing, but at a slightly slower pace than in 2012. The largest contribution to the budget revenue growth could again come from VAT revenues, due to the base effect of an increase in the basic VAT rate, replacing the zero VAT rate by a 5% rate as of January 2013, and from a slight increase in nominal personal consumption. Positive effects are also expected from the introduction of fiscal cash registers, while a negative impact will be made by introducing a new reduced VAT rate on food preparing and restaurant services and by increasing the VAT registration threshold. Relatively strong growth could also be observed in excise revenues, as a result of including the HANDA fees in the excise revenues³² and of the announced changes in the excise tax system (notably, an increase in excises on tobacco products). The revenue growth in the next year should also be fuelled by aid provided from the EU budget. On the other hand, strong negative effects on movements in the revenues could be produced by social contribution

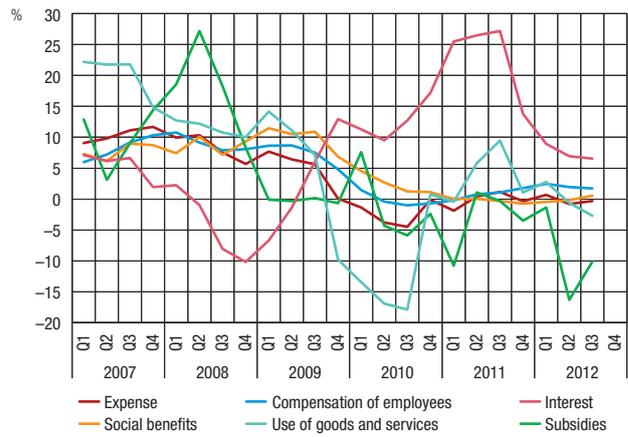
Figure 51 Consolidated general government revenue
year-on-year rate of change of four-quarter moving sums



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

³² These revenues, recorded as 'other revenues' in 2012, will be recorded as part of excise revenues in 2013.

Figure 52 Consolidated general government expense
year-on-year rate of change of four-quarter moving sums



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

revenues, due to the base effect of the reduced health insurance contribution rate, and by the corporate income tax revenues. The latter are expected to decline sharply due to a negative trend in business entities' profits in 2012 and legislative changes, i.e. an opportunity given to entrepreneurs to reduce their tax bases by the amount of reinvested earnings, to become effective by January 2013.

General government expenditure rose slightly during the first nine months of 2012. This increase was mainly due to expenditures for interest and social benefits, while expenditures for subsidies and for the use of goods and services produced the opposite effect. In contrast to this, capital investment declined at all general government levels.

The RC Government initially planned a decrease in expenditure for the whole of 2012. However, as the planned savings did not fully materialise, a budget revision was adopted in November 2012, providing for a significant increase in anticipated expenses for 2012, (especially staff expenses), which is therefore expected to stagnate at the level of 2012. In contrast to this, the acquisitions of non-financial assets of consolidated general government might be slightly below those planned in February this year, but could still increase at the annual level. Other general government expenses might rise slightly from last year's levels, due to increased expenses for shares.

Operating expenses could go up 3.4% in 2013 from the current year. The sizeable growth in operating expenses is driven by social benefits (partly due to the planned pension indexation), interest, grants (associated with the RC's payments in the EU budget) and the so-called 'other expenses'. The increase in the last mentioned item reflects the transfers of fees to HANDA and increased expenses for railways and rural development, associated with the co-financing of EU fund-financed projects. According to the 2013 state budget, expenses for subsidies will also rise slightly, mostly due to larger expenses for shipyard restructuring. By contrast, subsidies to agriculture have been reduced. The aforementioned expenditure growth is expected to be curbed by a fall in staff expenses, as well as expenses for the use of goods and services.

Annual expenses for the acquisition of non-financial assets might go up considerably, due to the expected strong investment activity at all general government levels. Other expenses are also expected to increase, mainly as a result of the planned expenses for the rehabilitation of public institutions (according

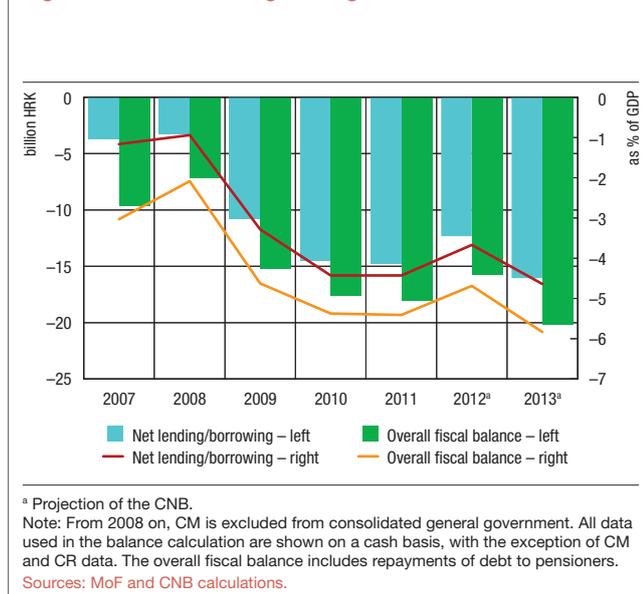
to available information, this relates to the necessary rehabilitation of county hospitals). However, expenditures for guarantees might decrease markedly, as a result of the assumption of the shipyards' loan liabilities as public debt.

A substantial increase in planned general government investments and relatively moderate current expenditure growth reflect the efforts of fiscal authorities both to ensure the necessary control of expenditure growth and stimulate economic growth. However, it is worrying that, due to an upward trend in overall expenditure in 2013, the (already large) total general government deficit will grow additionally amid heightened awareness of the importance of fiscal consolidation across Europe. Moreover, the budget expenditure developments indicate that, without additional savings, the fiscal rule cannot be complied with, which could have serious implications for the country's credit rating and, consequently, for the cost of borrowing by both the general government and other economic sectors.

Consolidated general government deficit and debt

Total fiscal deficit of the consolidated general government for the whole of 2012, might stand at HRK 15.8bn or 4.7% of the

Figure 53 Consolidated general government deficit



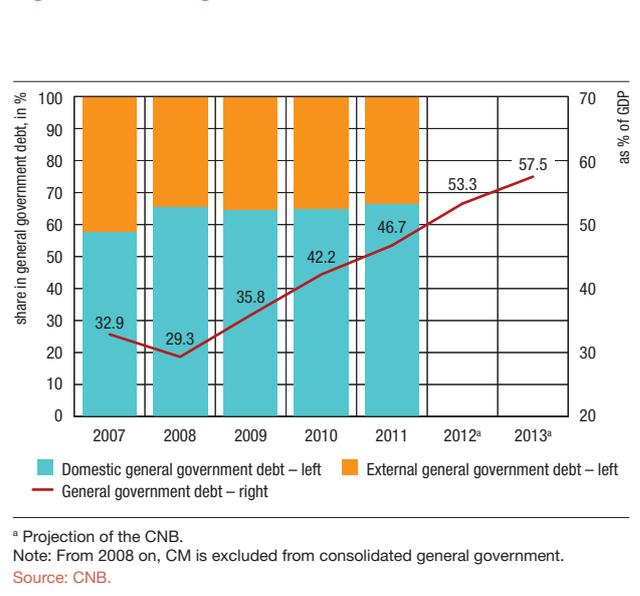
projected GDP, which includes HRK 0.8bn in annual debt repayments to pensioners and HRK 1.2bn in expected payments under activated guarantees.

Early in the year, the government provided the bulk of the funds needed to finance the deficit and refinance obligations by issuing T-bills, but it also used the funds deposited with the CNB

10 Deviations from the previous projection

The expected rate of change in real GDP in 2012 is -1.8% , compared with -1.6% in the previous Information on economic trends and forecasts (CNB Bulletin No. 182, June 2012). The downward revision primarily reflects strongly intensified negative trends in the domestic economy. The change in expectations of economic activity resulted from the postponement/lack of structural reforms, a delayed start of the announced public sector investment cycle, adverse labour market developments

Figure 54 General government debt



that had been carried over from 2011. In April this year, the government issued a USD 1.5bn bond on the American market, and two domestic bonds worth HRK 2.0bn and EUR 400m with a currency clause were placed in July. In the last quarter, the government might provide most of the necessary funds through the issue of T-bills and domestic borrowing. At the end of 2012, public debt might reach about 53.3% of GDP (which also includes 2.7% of GDP in debts to shipyards assumed by the government as public debt in 2012), or as much as 6.6 GDP percentage points more than in 2011.

Total fiscal deficit could stand at HRK 20.2bn (5.8% of GDP) in 2013, up HRK 4.4bn or 1.1 GDP percentage points from 2012. In addition to the funds for deficit financing, general government will need a significant amount of funds for the refinancing of liabilities falling due. Hence, the total amount needed will be about HRK 37.5bn (excluding T-bill-related debt³³). This also includes HRK 1.6bn worth of credit liabilities assumed from the Pension Fund; this amount was used for the payment of the annual instalments of debt to pensioners in 2010 and 2011. According to the 2013 budget, a significant amount of funds for deficit financing and the refinancing of liabilities will be raised through international bond issues. The bulk of the funds needed by the general government could be raised in the domestic market through borrowing, but a domestic bond issue is also expected. In addition, the government could raise about HRK 2.0bn in receipts from the privatisation of Croatia osiguranje and Hrvatska poštanska banka. Accordingly, public debt could reach 57.5% of GDP in 2013.

³³ Up to and including the last T-bill auction held at end-October 2012, HRK 19.8bn worth of T-bills will fall due in 2013, about HRK 5.5bn of which relates to "pure" euro T-bills falling due in August.

Table 9 Deviations from the previous projection

	2012			2013		
	Previous projection (6/2012)	Outturn	Deviation	Previous projection (6/2012)	Current projection	Deviation
National accounts (real rate of change, in %)						
GDP	-1.6	-1.8	-0.3	1.3	0.3	-1.0
Personal consumption	-0.8	-2.4	-1.6	0.5	-1.0	-1.5
Government consumption	-2.1	-1.2	0.9	-1.4	-1.1	0.2
Gross fixed capital formation	-2.8	-4.6	-1.9	5.0	3.6	-1.4
Exports of goods and services	-1.1	0.4	1.5	2.2	1.8	-0.4
Imports of goods and services	-0.6	-1.5	-0.9	2.1	0.8	-1.4
Labour market						
Number of employed persons (average rate of change, in %)	-1.7	-1.1	0.5	0.4	-1.2	-1.6
Registered unemployment rate	18.9	19.0	0.1	18.7	20.0	1.3
ILO unemployment rate	14.2	14.8	0.6	14.0	15.2	1.2
Prices						
Consumer price index (average rate of change, in %)	3.2	3.5	0.3	2.6	3.2	0.6
Public finances (as % of GDP)						
General government overall fiscal balance	-4.6	-4.7	-0.1	-4.7	-5.8	-1.2
Public debt ^a	51.7	53.3	1.6	54.6	57.5	2.9
External sector						
Current account balance (as % of GDP)	-1.1	-0.4	0.7	-1.4	-0.1	1.3
Goods ^b	-14.4	-13.7	0.7	-14.4	-13.5	0.9
Services ^b	14.3	14.2	-0.1	14.1	14.2	0.0
Factor income	-3.6	-3.6	0.0	-3.8	-3.7	0.1
Current transfers	2.7	2.7	0.0	2.7	2.9	0.2
Gross external debt (as % of GDP)	100.4	102.3	1.9	100.8	101.7	0.9
Monetary developments (rate of change, in %)						
Total liquid assets – M4	2.4	2.7	0.2	3.7	2.6	-1.1
Total liquid assets – M4 ^c	2.0	2.3	0.3	3.7	2.5	-1.2
Bank placements to the private sector ^d	0.5	-4.0	-4.6	4.1	1.3	-2.8
Bank placements to the private sector ^{c,d}	0.1	-4.5	-4.6	4.4	1.4	-3.0

^a Public debt for 2012 includes the assumed debts of government-owned shipyards.

^b The deviations from the projection of goods and services also contain a change in the calculation methodology for the adjustment of imports to the FOB classification.

^c Excludes the effect of exchange rate changes.

^d In 2012, the Ministry of Finance assumed the credit liabilities of the shipyards, which resulted in a lower growth of placements to the private sector. Excluding this effect, estimated at about 2.5 percentage points, the growth of placements to the private sector in 2012 amounts to -1.5%, or -2.0% excluding the exchange rate effect.

Sources: CBS, MoF and CNB.

government consumption is now expected to decrease more moderately, and overall exports are expected to improve, due to an uptick in goods exports. In line with the changes in aggregate demand components, the dynamics of total exports was revised downwards.

The expected GDP dynamics in 2013 was revised considerably downwards from the previous projection. The sharpest downward revision was made for personal consumption, which is now projected to decrease annually, with exports and investments as the main growth drivers, although their growth was also revised downwards from the latest projection.

The average annual inflation rate in 2012 is estimated at 3.5%, which is an increase of 0.3 percentage points from the June projection, stemming primarily from an increase in food prices caused by drought and climbing global food raw material prices. In contrast, as the global price of crude oil in the second half of the year was lower than expected in June 2012 and the expected price increase in heating failed to materialise, energy prices made a lower contribution to overall inflation.

The average annual inflation rate is expected to stand at 3.2% in 2013, an increase of 0.6 percentage points relative to the previous projection. The divergence is expected to result from the projected annual food price growth which is considerably higher than in the previous projection due to a higher carry-over of inflation from 2012 caused by an increase in food prices in the second half of the year. In contrast, the contribution of energy prices was forecast to be lower despite the assumption about the increase in heating prices that had been expected to materialise this year. This is because the current projection foresees a slightly steeper drop in global crude oil prices than the previous estimate. The contribution of consumer prices excluding food and energy is foreseen to be lower, as personal consumption trends and labour market conditions deteriorated from the previous projection.

The estimated current account balance for 2012 is more favourable than projected in June. The 2012 deficit is currently estimated at -0.4% of GDP, in contrast with the previously projected -1.1% of GDP. Such expectations are mainly based on a

reduction in the trade in goods deficit in the first three quarters that resulted from a drop in goods imports. With minor changes in the last quarter, goods imports could decline annually by EUR 0.5bn (1.1% of GDP) relative to previous forecasts. The decline in imports in 2012 was, in addition to weak economic activity, also due to methodological changes³⁴, the effect of which was a drop of EUR 0.2bn (0.5% of GDP). However, as these methodological changes involved the factors that exclude the costs of insurance and transport services from the total value of goods imports, imports of transport services increased by almost the same amount (0.4% of GDP). The annual growth of exports of goods and services in 2012 is currently projected at 1.6%, which is only a slight increase from the previous projection. The expected drop in ship exports is somewhat higher than previously projected, while services exports slightly exceed earlier expectations. The expected 2013 current account deficit was also revised downwards, in line with the decrease in the estimated balance for the current year. Also, the forecast slower dynamics of foreign trade in goods and services, especially on the side of imports, caused by the weaker domestic demand, could also push down the current account deficit in 2013, in contrast with the previous forecasts of its growth.

While the gross external debt balance estimated for the end of 2012 is only a little lower than previously projected, there is a difference in its structure. This difference is due to increased deleveraging by banks due to the weakening of the domestic economy and insufficient demand for loans, coupled with an increase in the external debt of enterprises caused by the borrowing of several large enterprises (instead of the expected deleveraging). However, on account of a lower value of the nominal GDP, after a data revision, the debt to GDP ratio went up 1.9 percentage points. The end-2013 external debt projection was revised downwards, the main reason being the expected slowdown in debt growth. In contrast with previous expectations, banks could deleverage, while central government borrowing could even intensify. However, the described effect of the nominal GDP revision is that relative indicators of external debt are somewhat more unfavourable than previously forecast.

The projection for credit aggregates was considerably revised downwards in 2012 and 2013. Strong deleveraging by domestic sectors, which accelerated in the third quarter, the substitution of domestic with external debt by some large enterprises, continued growth of bad loans, and still unfavourable financing conditions, with subdued domestic demand, act towards reducing lending activity. With the expectations of a drop in economic activity in 2012, the fall in bank placements to the private sector in 2012 was projected at -1.5%, excluding the effect of the shipyards' debt assumed by the Ministry of Finance, whereas

previous expectations were for a mild growth of 0.5%. In addition, the expectations of a weaker recovery were incorporated into the projection of placements in 2013, which was revised downwards from 4.1% to 1.3%. In contrast with placements, the growth projection for the main monetary aggregates was slightly revised upwards for 2012, and downwards for 2013. The downward revision for the growth of total liquid assets M4 in 2012 was a consequence of the stronger than expected deposit growth during summer months, while the M4 growth projection for 2013 was revised downwards from 3.7% to 2.6% in accordance with the downward revision of the economic and lending activities.

The projection of the overall consolidated general government deficit for 2012 remained almost the same as the latest estimate as a result of equal rises in revenues and expenditures. The bulk of the increase in expected revenues was generated by a better than expected collection of social security contributions. Other revenues also grew noticeably, as the government budget revision for 2012 envisages revenue from concessions for the 4G network and Handa fees that were not envisaged in the original budget plan for 2012. The expenditure side of the budget was increased mainly in line with the budget revision. The expected expenditures for employees, subsidies and social benefits were raised, and current trends suggest that outlays for activated guarantees could be higher than expected. Despite the fact that the deficit almost held steady, general government debt went up from 51.7% of GDP to 53.3%, primarily due to the CBS's downward revision of the historical nominal GDP series, and lower than expected privatisation receipts (the announced sales of the Croatia Insurance Company and Croatian Postal Bank were not realised in 2012).

The expected overall fiscal deficit for 2013 was revised upwards from the previous projection by HRK 3.6bn or 1.2 percentage points of GDP. These trends resulted from an increase in expected expenditures and outlays, for the government budget and financial plans of extrabudgetary funds for 2013 provide for their considerably higher level than previously expected. The highest increase was in the expected outlays for net loans, generated mainly by the planned outlays for the restoration of public buildings, and the outlays for the acquisition of non-financial assets. Among operating expenses, the highest increase was in other expenditures, for the most part due to the inclusion of Handa fees into the government budget, whereas the expected expenditures for employees fell sharply as the 2013 budget envisages year-on-year savings of HRK 2.3bn on that item. As a result of the deficit increase and the downward revision of the nominal GDP, the projected public debt increased sharply from 54.6% of GDP to 57.5% of GDP.

34 The factors transferring the value of imports from the CIF parity to the FOB parity.

11 Appendix

Table 10 Macroeconomic projections of other institutions
change in %

	GDP		Household consumption		Gross fixed capital formation		Exports of goods and services		Imports of goods and services		Industrial production		Consumer prices		General government balance (as % of GDP, ESA 95)	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Consensus Forecast (November 2012)	-1.4	0.5	-2.6	-0.4	-3.4	4.0	-	-	-	-	-5.0	2.0	3.5	3.0	-4.3	-4.0
Institute of Economics, Zagreb	-1.5	0.8	-1.4	0.6	-2.0	2.5	-	-	-	-	-5.5	2.0	3.3	3.1	-4.7	-4.2
GKI Econ Research	-1.5	0.2	-1.3	0.3	-3.8	0.9	-	-	-	-	-4.8	0.3	3.6	3.9	-4.1	-3.8
IHS Global Insight	-1.5	0.3	-1.4	0.4	-3.7	2.5	-	-	-	-	-4.5	-0.5	3.0	2.8	-4.4	-4.1
Econ Intelligence Unit	-1.6	0.9	-0.6	0.4	-5.6	4.2	-	-	-	-	....	....	3.3	2.2	-4.8	-4.6
Dun & Bradstreet	-1.6	0.2	-1.8	0.5	-4.5	0.2	-	-	-	-	-5.2	0.3	3.3	2.3	-4.3	-3.9
ING Bank	-1.7	0.9	-1.8	1.5	-2.8	1.9	-	-	-	-	-5.0	1.4	3.5	3.0	-4.8	-4.2
Feri	-1.8	0.7	-1.5	0.8	-3.0	2.7	-	-	-	-	-5.2	1.0	3.0	2.8	-4.6	-4.0
Kopint-Tarki	-1.8	1.0	-0.8	1.0	-2.5	6.0	-	-	-	-	-5.5	-1.5	3.5	3.0	-4.3	-3.5
Raiffeisen Research	-1.8	0.9	-2.0	-1.4	-4.0	3.5	-	-	-	-	-5.0	2.5	2.5	2.4	-4.5	-4.0
Vienna Institute – WIIW	-2.0	-1.5	-2.2	-1.8	-4.4	3.2	-	-	-	-	-5.7	-3.0	3.4	3.0	-4.4	-4.7
Hypo-Alpe-Adria-Bank	-1.7	0.4	-1.6	0.2	-3.6	2.9	-	-	-	-	-5.1	0.5	3.3	2.9	-4.5	-4.1
Consensus Forecast (average)	-1.9	0.0	-1.7	-1.2	-5.7	-5.3	-1.0	1.5	-2.5	2.0	-	-	3.4	3.2	-4.4	-4.2
European Commission (November 2012)	-1.5	0.7	-2.0	0.6	-3.5	5.0	-	-	-	-	-	-	3.0	3.0	-4.0	-3.3
International Monetary Fund (Article IV, October 2012)	-1.1	1.8	-1.9	0.5	-1.0	11.5	0.3	1.9	-0.2	3.6	-	-	3.4	3.2	-3.5*	-3.8*
Ministry of Finance (2013 budget)	-1.8	0.5	-1.3	0.5	-3.0	5.0	-1.0	1.2	-0.3	2.5	-	-	3.2	3.1	-	-
UniCredit (September 2012)	-1.8	0.3	-	-	-	-	-	-	-	-	-	-	3.2	3.0	-	-
Privredna banka Zagreb (December 2012)	-2.1	1.0	-	-	-	-	-	-	-	-	-	-	3.2	3.5	-	-
Splitska banka (August 2012)	-1.9	1.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
European Bank for Reconstruction and Development (October 2012)	-1.0	1.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
World Bank (June 2012)																

* National methodology.

Sources: Consensus Forecast and publications of the respective institutions.



Statistical survey

Classification and presentation of data on claims and liabilities

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

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

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

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

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

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

Foreign sector includes foreign legal and natural persons.

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

A Monetary and credit aggregates

Table A1 Monetary and credit aggregates

end of period, in million HRK and %

Year	Month	Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth					
								Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25
1999	December ^a	10,310.0	13,858.9	13,965.7	56,659.3	40,003.8	55,875.8	4.53	5.46	5.48	2.28	0.35	-4.58
2000	December	11,717.3	18,030.3	18,256.4	73,061.1	44,043.9	60,883.8	7.32	10.04	9.89	3.66	10.46	2.66
2001	December	17,803.2	23,703.5	23,936.5	106,071.4	57,410.0	74,964.5	8.01	13.00	11.96	11.65	3.40	1.16
2002	December	23,027.9	30,869.8	31,876.7	116,141.8	83,324.4	97,463.7	10.72	6.11	6.79	1.65	7.92	2.15
2003	December	30,586.2	33,888.7	34,630.9	128,893.1	96,121.7	111,661.4	8.90	1.78	1.93	0.14	3.11	0.66
2004	December	33,924.4	34,562.1	35,186.5	139,947.7	108,205.1	127,308.6	8.69	2.86	2.68	0.23	2.15	1.99
2005	December	40,390.8	38,817.1	39,855.4	154,647.0	131,343.2	149,168.3	9.38	4.34	3.87	-0.02	1.84	1.94
2006	December	46,331.2	48,521.0	49,141.7	182,458.6	154,844.1	183,379.5	3.17	4.75	4.07	1.57	3.38	2.99
2007	December	51,923.9	57,878.3	58,663.4	215,822.1	166,375.5	210,828.4	3.73	6.71	6.62	3.95	3.54	2.65
2008	December	49,743.0	55,222.3	56,044.6	225,018.5	183,279.1	232,982.1	-9.89	8.17	8.49	3.17	5.68	1.96
2009	December	56,141.9	47,181.7	47,760.5	223,094.6	178,083.2	231,661.9	4.55	3.13	3.25	-0.23	-0.91	0.10
2010	December	56,249.1	49,151.7	49,748.5	232,869.6	188,845.0	247,520.2	2.81	1.67	1.18	0.17	3.24	0.52
2011	November	60,091.7	50,946.2	51,922.2	241,661.5	203,421.2	258,893.3	1.92	-0.10	0.04	0.13	1.17	0.65
	December	62,379.5	52,850.9	53,767.9	241,056.9	207,581.7	261,048.8	3.81	3.74	3.55	-0.25	2.05	0.83
2012	January	59,722.8	49,172.9	49,776.7	237,677.9	208,015.2	260,565.8	-4.26	-6.96	-7.42	-1.40	0.21	-0.19
	February	59,111.2	48,422.8	49,055.9	236,231.3	209,027.2	261,701.7	-1.02	-1.53	-1.45	-0.61	0.49	0.44
	March	60,821.7	47,389.5	48,087.2	235,530.1	208,442.8	260,370.2	2.89	-2.13	-1.97	-0.30	-0.28	-0.51
	April	60,017.0	47,845.2	48,636.5	236,678.6	199,196.0	259,002.6	-1.32	0.96	1.14	0.49	-4.44	-0.53
	May	63,883.6	49,350.9	50,163.6	239,629.8	204,432.6	255,301.2	6.44	3.15	3.14	1.25	2.63	-1.43
	June	61,549.5	51,467.6	52,222.4	240,006.7	204,688.7	253,867.8	-3.65	4.29	4.10	0.16	0.13	-0.56
	July	58,518.4	53,148.6	53,916.1	244,531.4	202,633.6	254,253.1	-4.92	3.27	3.24	1.89	-1.00	0.15
	August	58,750.7	52,251.6	53,164.6	247,983.7	200,814.8	251,581.2	0.40	-1.69	-1.39	1.41	-0.90	-1.05
	September	60,194.7	52,348.3	53,230.9	246,603.1	200,396.2	249,825.7	2.46	0.19	0.12	-0.56	-0.21	-0.70
	October	59,462.7	51,316.0	52,069.0	247,651.9	199,306.6	250,533.9	-1.22	-1.97	-2.18	0.43	-0.54	0.28

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

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

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

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

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

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

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

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

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

B Monetary institutions

Table B1 Monetary survey
end of period, in million HRK

	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
						Mar.	Jun.	Sep.	Oct.
ASSETS									
1 Foreign assets (net)	49,446.5	41,739.4	45,011.4	44,024.6	33,475.2	27,087.3	35,318.0	46,207.0	48,345.3
2 Domestic credit	226,076.1	254,569.8	253,523.6	272,601.4	299,152.6	299,941.9	296,935.2	292,713.8	293,337.1
2.1 Claims on central government and funds (net)	15,247.7	21,587.7	21,861.7	25,081.2	38,103.8	39,571.7	43,067.4	42,888.1	42,803.2
2.2 Claims on other domestic sectors	207,398.7	231,472.7	229,870.2	244,039.2	257,620.2	257,167.5	250,734.8	246,333.8	247,445.4
2.3 Claims on other banking institutions	1,640.0	441.9	681.7	890.9	1,350.3	1,314.0	1,080.6	974.7	1,002.0
2.4 Claims on non-banking financial institutions	1,789.7	1,067.4	1,109.9	2,590.0	2,078.3	1,888.7	2,052.4	2,517.2	2,086.5
Total (1+2)	275,522.6	296,309.2	298,534.9	316,626.0	332,627.8	327,029.1	332,253.2	338,920.8	341,682.4
LIABILITIES									
1 Money	57,878.3	55,222.3	47,181.7	49,151.7	52,850.9	47,389.5	51,467.6	52,348.3	51,316.0
2 Savings and time deposits	53,644.9	50,070.3	39,139.4	34,823.4	40,926.9	42,312.9	41,726.0	42,200.5	43,031.7
3 Foreign currency deposits	103,090.1	117,194.8	135,410.6	147,557.1	145,166.1	144,007.4	144,791.5	149,855.7	151,134.2
4 Bonds and money market instruments	1,208.8	2,531.1	1,362.8	1,337.4	2,112.9	1,820.3	2,021.6	2,198.6	2,170.0
5 Restricted and blocked deposits	2,280.9	3,094.2	2,598.3	2,389.0	3,293.4	2,645.5	2,697.6	2,609.7	2,740.9
6 Other items (net)	57,419.6	68,196.5	72,842.0	81,367.5	88,277.4	88,853.6	89,549.0	89,707.9	91,289.6
Total (1+2+3+4+5+6)	275,522.6	296,309.2	298,534.9	316,626.0	332,627.8	327,029.1	332,253.2	338,920.8	341,682.4

Table B1 Monetary survey • The monetary survey shows consolidated data from the Monetary authorities accounts (Table C1) and Banks' accounts (Table D1).

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

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

Money is the sum of currency outside banks, deposits by

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

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

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

Year	Month	Total number of reporting banks	Reporting banks classified according to their total assets						Total number of reporting savings banks	Savings banks classified according to their total assets		
			Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over		Less than 10 million kuna	10 million kuna to less than 100 million kuna	100 million kuna and over
1	2	3	4	5	6	7	8	9	10	11	12	13
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	December	46	4	13	7	9	8	5	10	3	5	2
2003	December	42	2	13	8	5	8	6	7	3	2	2
2004	December	39	1	12	9	6	5	6	6	3	3	–
2005	December	36	1	10	6	8	5	6	3	2	1	–
2006	December	35	2	6	5	10	4	8	3	2	1	–
2007	December	35	2	5	2	12	5	9	2	1	1	–
2008	December	36	2	7	1	11	6	9	2	1	1	–
2009	December	36	3	5	3	10	7	8	2	1	1	–
2010	December	36	3	5	2	9	9	8	2	1	1	–
2011	November	36	4	4	2	9	9	8	2	1	1	–
	December	36	4	4	1	10	9	8	2	1	1	–
2012	January	35	4	4	1	9	9	8	2	1	1	–
	February	35	4	4	1	9	9	8	2	1	1	–
	March	35	4	4	1	9	9	8	2	1	1	–
	April	35	4	4	1	10	8	8	2	1	1	–
	May	35	4	4	1	9	9	8	2	1	1	–
	June	35	4	4	1	10	8	8	2	1	1	–
	July	35	4	4	1	10	8	8	2	1	1	–
	August	35	4	4	1	10	8	8	2	1	1	–
	September	35	4	4	1	9	9	8	2	1	1	–
	October	35	4	4	1	10	8	8	2	1	1	–

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

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

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

	2007	2008	2009	2010	2011	2012			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
5.2 CNB bills in f/c	-	-	-	-	-	-	-	-	-
6 Capital accounts	6,664.5	9,562.4	11,151.3	13,090.1	15,787.9	14,715.2	15,881.1	14,923.0	15,816.9
7 Other items (net)	-665.6	-707.1	-735.9	-792.9	-844.6	-866.1	-870.3	-867.2	-869.3
Total (1+2+3+4+5+6+7)	72,425.1	66,885.8	75,828.3	78,745.2	84,696.5	85,247.1	87,397.2	84,821.9	85,677.4

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D Banks

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

	2007	2008	2009	2010	2011	2012				
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.	
ASSETS										
1 Reserves with the CNB	50,178.9	40,705.6	45,902.1	45,759.6	51,238.7	50,567.0	49,024.9	47,440.4	47,578.0	
1.1 In kuna	35,929.1	32,700.5	40,860.4	40,986.4	45,700.5	44,650.7	43,750.1	42,247.8	42,381.3	
1.2 In f/c	14,249.8	8,005.1	5,041.7	4,773.2	5,538.2	5,916.3	5,274.7	5,192.7	5,196.6	
2 Foreign assets	46,438.5	50,246.6	49,577.0	47,245.4	39,450.1	32,725.3	35,167.1	43,224.9	40,666.9	
3 Claims on central government and funds	28,971.5	37,801.1	44,249.5	50,307.6	57,869.9	63,076.8	67,831.0	66,454.0	67,371.2	
4 Claims on other domestic sectors	207,330.7	231,408.6	229,866.1	244,035.4	257,616.6	257,164.0	250,731.4	246,331.1	247,442.8	
4.1 Claims on local government	2,140.8	2,077.4	2,074.2	2,412.8	2,712.3	2,682.8	2,611.2	2,468.6	2,543.5	
4.2 Claims on enterprises	92,265.1	102,779.8	104,898.1	114,089.7	126,195.8	126,464.4	120,179.0	117,673.1	117,651.6	
4.3 Claims on households	112,924.9	126,551.4	122,893.7	127,532.9	128,708.6	128,016.8	127,941.2	126,189.4	127,247.7	
5 Claims on other banking institutions	1,640.0	441.9	681.7	890.9	1,350.3	1,314.0	1,080.6	974.7	1,002.0	
6 Claims on non-banking financial institutions	1,789.7	1,067.4	1,109.9	2,590.0	2,078.3	1,888.7	2,052.4	2,517.2	2,086.5	
Total (1+2+3+4+5+6)	336,349.4	361,671.2	371,386.3	390,829.0	409,604.0	406,735.8	405,887.3	406,942.4	406,147.3	
LIABILITIES										
1 Demand deposits	41,870.8	38,171.2	31,899.6	33,888.9	36,161.3	31,217.3	33,668.6	34,399.1	34,238.5	
2 Savings and time deposits	53,644.9	50,070.3	39,139.4	34,823.4	40,926.9	42,312.9	41,726.0	42,200.5	43,031.7	
3 Foreign currency deposits	103,090.1	117,194.8	135,410.6	147,557.1	145,166.1	144,007.4	144,791.5	149,855.7	151,134.2	
4 Bonds and money market instruments	1,208.8	2,531.1	1,362.8	1,337.4	2,112.9	1,820.3	2,021.6	2,198.6	2,170.0	
5 Foreign liabilities	65,152.6	75,296.1	80,365.3	81,940.4	90,276.5	90,766.9	87,230.9	81,825.4	77,984.4	
6 Central government and funds' deposits	13,525.8	16,007.5	18,219.3	19,870.3	18,244.9	18,964.8	19,323.1	18,315.0	18,622.9	
7 Credit from central bank	4,178.3	14.0	13.5	12.9	139.1	61.8	11.8	11.7	11.8	
8 Restricted and blocked deposits	2,252.3	3,038.4	2,548.4	2,328.3	3,231.5	2,578.6	2,576.1	2,481.9	2,615.6	
9 Capital accounts	53,178.9	60,317.4	66,306.4	71,826.9	76,624.4	78,372.4	78,303.7	79,788.5	80,438.6	
10 Other items (net)	-1,753.2	-969.7	-3,879.1	-2,756.6	-3,279.6	-3,366.5	-3,766.0	-4,134.0	-4,100.4	
Total (1+2+3+4+5+6+7+8+9+10)	336,349.4	361,671.2	371,386.3	390,829.0	409,604.0	406,735.8	405,887.3	406,942.4	406,147.3	

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital accounts are share capital, profit or loss for the

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

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

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

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

	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
						Mar.	Jun.	Sep.	Oct.
1 Foreign assets in f/c	45,837.2	49,705.1	49,230.3	46,920.2	39,159.2	32,384.4	34,674.1	41,985.6	39,725.6
1.1 Claims on foreign financial institutions	37,824.9	38,038.3	34,186.6	32,069.1	29,698.4	24,319.4	26,529.6	33,357.5	31,472.2
Foreign currencies	1,245.5	1,973.2	1,772.6	1,628.4	1,944.8	1,621.0	2,290.7	1,824.8	1,777.3
Demand deposits	1,305.2	2,109.8	1,338.7	1,584.7	2,486.3	2,085.7	3,321.8	4,784.6	4,957.3
Time and notice deposits	31,726.1	31,444.5	29,254.5	26,728.1	22,302.7	17,534.0	16,499.5	21,417.6	19,168.2
Securities	3,210.4	2,307.1	1,629.0	1,896.5	2,840.4	2,817.4	4,269.0	5,203.2	5,440.7
Loans and advances	195.9	166.3	117.6	170.1	67.7	220.4	107.3	82.3	82.8
Shares and participations	141.9	37.4	74.2	61.3	56.4	41.0	41.3	45.0	45.9
1.2 Claims on foreign non-banks	8,012.3	11,666.8	15,043.7	14,851.2	9,460.8	8,065.0	8,144.4	8,628.1	8,253.5
Claims on foreign governments	6,696.1	9,976.8	13,477.2	13,047.3	7,544.3	6,110.7	6,107.9	6,431.6	6,188.5
Claims on other non-residents	1,295.2	1,613.5	1,534.5	1,785.9	1,857.5	1,891.1	2,013.8	2,173.0	2,039.7
Securities	180.9	235.1	205.4	131.0	62.8	65.6	68.1	58.3	54.8
Loans and advances	1,114.3	1,378.4	1,329.1	1,654.9	1,794.6	1,825.5	1,945.7	2,114.7	1,984.9
Shares and participations	20.9	76.5	32.0	17.9	59.0	63.2	22.7	23.5	25.3
2 Foreign assets in kuna	601.3	541.5	346.7	325.2	290.9	340.8	493.0	1,239.3	941.2
2.1 Claims on foreign financial institutions	408.1	144.1	86.3	72.4	122.9	168.8	318.4	1,062.8	760.2
2.2 Claims on foreign non-banks	193.3	397.4	260.3	252.8	168.0	172.0	174.5	176.5	181.1
o/w: Loans and advances	192.7	396.8	260.0	252.5	167.7	171.7	174.2	176.2	180.8
Total (1+2)	46,438.5	50,246.6	49,577.0	47,245.4	39,450.1	32,725.3	35,167.1	43,224.9	40,666.9

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

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

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

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

	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
						Mar.	Jun.	Sep.	Oct.
1 In kuna	24,081.8	24,901.6	24,461.9	28,491.6	30,089.7	28,410.5	34,357.6	33,333.2	33,667.7
1.1 Claims on central government	19,057.3	19,899.5	19,230.6	21,461.5	22,981.1	21,497.2	24,141.2	23,216.7	23,538.4
Securities	16,099.8	16,969.0	16,305.4	17,752.1	19,749.9	17,759.1	17,141.8	16,360.7	16,627.4
o/w: Bonds (c'part to f/c savings deposits)	6.4	6.1	5.2	6.7	5.8	1.0	0.6	0.6	0.4
Loans and advances	2,957.5	2,930.4	2,925.1	3,709.4	3,231.2	3,738.1	6,999.4	6,856.0	6,911.0
1.2 Claims on central government funds	5,024.5	5,002.1	5,231.3	7,030.2	7,108.6	6,913.2	10,216.5	10,116.4	10,129.3
Securities	–	6.1	–	–	–	–	–	–	–
Loans and advances	5,024.5	4,996.1	5,231.3	7,030.2	7,108.6	6,913.2	10,216.5	10,116.4	10,129.3
2 In f/c	4,889.7	12,899.5	19,787.7	21,815.9	27,780.1	34,666.3	33,473.4	33,120.8	33,703.5
2.1 Claims on central government	4,388.6	9,843.6	14,793.1	14,901.3	18,262.6	24,447.8	22,827.1	22,810.8	22,826.5
Securities	268.4	300.7	234.7	207.7	1,281.2	6,367.9	6,832.2	6,857.6	6,914.9
Loans and advances	4,120.1	9,542.9	14,558.4	14,693.5	16,981.4	18,079.8	15,994.9	15,953.1	15,911.5
2.2 Claims on central government funds	501.2	3,055.9	4,994.6	6,914.7	9,517.6	10,218.5	10,646.3	10,310.1	10,877.0
Securities	82.1	50.9	52.0	84.7	71.3	69.7	68.9	13.4	13.5
Loans and advances	419.1	3,005.1	4,942.6	6,830.0	9,446.3	10,148.8	10,577.4	10,296.7	10,863.5
Total (1+2)	28,971.5	37,801.1	44,249.5	50,307.6	57,869.9	63,076.8	67,831.0	66,454.0	67,371.2

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

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

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

	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
						Mar.	Jun.	Sep.	Oct.
1 Claims in kuna	194,476.7	216,530.8	211,273.4	221,988.6	233,543.4	233,036.2	228,773.0	225,852.7	227,695.0
1.1 Money market instruments	2,147.4	2,674.5	2,040.2	1,873.2	2,258.8	2,251.6	2,678.1	2,760.6	2,783.9
1.2 Bonds	1,366.0	1,341.4	1,691.0	1,702.7	1,618.7	1,566.8	1,714.4	1,614.2	1,605.9
1.3 Loans and advances	188,462.5	210,424.0	205,279.3	215,923.2	226,136.0	225,697.5	220,854.9	217,965.0	219,794.0
1.4 Shares and participations	2,500.8	2,090.8	2,262.9	2,489.5	3,530.0	3,520.3	3,525.6	3,513.0	3,511.1
2 Claims in f/c	12,854.0	14,877.8	18,592.7	22,046.8	24,073.2	24,127.9	21,958.3	20,478.4	19,747.8
2.1 Securities	249.2	109.3	441.1	105.7	163.1	91.0	108.7	60.7	119.0
2.2 Loans and advances	12,604.9	14,768.5	18,151.7	21,941.1	23,910.1	24,036.9	21,849.6	20,417.7	19,628.7
Total (1+2)	207,330.7	231,408.6	229,866.1	244,035.4	257,616.6	257,164.0	250,731.4	246,331.1	247,442.8

Table D4 Banks' claims on other domestic sectors • The table shows banks' kuna and foreign currency claims on other domestic sectors, classified according to financial instruments:

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

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

	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
						Mar.	Jun.	Sep.	Oct.
LOANS IN KUNA									
1 Loans to central government and funds	7,982.0	7,926.5	8,156.4	10,739.6	10,339.8	10,651.4	17,215.8	16,972.5	17,040.3
1.1 Loans to central government	2,957.5	2,930.4	2,925.1	3,709.4	3,231.2	3,738.1	6,999.4	6,856.0	6,911.0
1.2 Loans to central government funds	5,024.5	4,996.1	5,231.3	7,030.2	7,108.6	6,913.2	10,216.5	10,116.4	10,129.3
2 Loans to local government	1,867.5	1,786.9	1,795.4	2,168.1	2,528.2	2,503.1	2,438.0	2,323.5	2,396.4
3 Loans to enterprises	74,001.7	82,431.7	80,913.1	86,564.6	95,224.8	95,508.3	90,806.4	89,759.5	90,448.1
4 Loans to households	112,593.3	126,205.3	122,570.8	127,190.5	128,382.9	127,686.1	127,610.6	125,882.0	126,949.5
o/w: Housing loans	45,218.6	52,305.5	52,949.4	57,984.0	59,610.9	59,343.9	59,520.6	58,777.5	59,289.7
5 Loans to other banking institutions	213.6	36.1	236.5	293.2	532.0	263.5	140.7	156.1	115.0
6 Loans to non-banking financial institutions	947.6	741.4	689.0	2,063.0	1,480.0	1,313.1	1,632.8	2,117.2	1,656.0
A Total (1+2+3+4+5+6)	197,605.7	219,128.0	214,361.3	229,018.9	238,487.8	237,925.5	239,844.3	237,210.8	238,605.3
LOANS IN F/C									
1 Loans to central government and funds	4,539.2	12,548.0	19,501.0	21,523.5	26,427.7	28,228.7	26,572.3	26,249.9	26,775.0
1.1 Loans to central government	4,120.1	9,542.9	14,558.4	14,693.5	16,981.4	18,079.8	15,994.9	15,953.1	15,911.5
1.2 Loans to central government funds	419.1	3,005.1	4,942.6	6,830.0	9,446.3	10,148.8	10,577.4	10,296.7	10,863.5
2 Loans to local government	8.7	5.5	3.0	0.5	0.3	0.3	0.3	0.3	0.2
3 Loans to enterprises	12,264.5	14,416.8	17,825.7	21,598.3	23,584.1	23,705.9	21,518.7	20,110.0	19,330.3
4 Loans to households	331.6	346.1	323.0	342.4	325.7	330.7	330.6	307.5	298.2
5 Loans to other banking institutions	74.0	1.2	31.0	0.6	69.1	65.6	77.0	-	53.9
6 Loans to non-banking financial institutions	668.0	143.5	269.4	341.3	452.6	449.1	288.8	272.4	313.9
B Total (1+2+3+4+5+6)	17,886.0	27,461.1	37,953.0	43,806.5	50,859.5	52,780.4	48,787.6	46,940.0	46,771.6
TOTAL (A+B)	215,491.7	246,589.1	252,314.3	272,825.4	289,347.3	290,705.9	288,631.9	284,150.8	285,376.9

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

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

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

	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
						Mar.	Jun.	Sep.	Oct.
1 Local government	2,689.4	2,441.1	1,377.7	1,303.3	1,616.9	989.3	1,154.4	1,264.0	1,376.7
2 Enterprises	19,599.3	16,896.1	14,893.1	15,860.4	17,127.7	13,203.4	15,054.3	15,549.7	15,525.0
3 Households	17,896.7	17,620.1	14,218.6	15,581.9	16,156.0	15,814.9	15,738.0	16,268.1	15,714.8
4 Other banking institutions	481.1	293.6	517.1	347.5	397.9	459.7	609.6	530.7	573.0
5 Non-banking financial institutions	1,205.2	921.1	893.4	796.0	862.9	750.1	1,112.3	786.6	1,049.1
6 Less: Checks of other banks and checks in collection	-0.9	-0.7	-0.3	-0.2	-0.1	0.0	0.0	0.0	0.0
Total (1+2+3+4+5+6)	41,870.8	38,171.2	31,899.6	33,888.9	36,161.3	31,217.3	33,668.6	34,399.1	34,238.5

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

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

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

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

	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
						Mar.	Jun.	Sep.	Oct.
1 Savings deposits	3,086.1	2,770.3	2,523.1	2,503.2	2,506.4	2,334.6	2,338.0	2,315.6	2,374.1
1.1 Local government	2.5	0.0	0.0	0.1	21.2	2.6	1.9	1.5	0.4
1.2 Enterprises	154.7	108.8	203.7	318.9	440.5	359.5	388.0	400.9	490.9
1.3 Households	2,929.0	2,657.7	2,268.9	2,167.4	2,016.9	1,955.2	1,891.8	1,883.5	1,848.1
1.4 Other banking institutions	–	–	5.0	–	4.3	1.4	1.7	0.1	0.1
1.5 Non-banking financial institutions	–	3.7	45.5	16.9	23.4	16.0	54.6	29.7	34.7
2 Time and notice deposits	50,558.8	47,300.1	36,616.3	32,320.2	38,420.6	39,978.2	39,388.0	39,884.9	40,657.5
2.1 Local government	549.5	726.0	498.8	355.2	314.6	619.9	657.8	701.4	709.3
2.2 Enterprises	18,414.8	16,268.0	11,559.0	8,933.3	11,249.5	11,566.0	9,318.2	10,083.8	10,669.8
2.3 Households	20,479.1	22,721.6	16,910.7	17,188.1	19,129.1	20,039.6	19,909.9	20,362.4	20,646.6
2.4 Other banking institutions	6,386.5	2,563.4	3,039.8	2,448.8	4,041.8	4,438.1	5,901.7	5,497.5	5,580.2
2.5 Non-banking financial institutions	4,728.9	5,021.1	4,608.1	3,394.8	3,685.5	3,314.6	3,600.3	3,239.7	3,051.6
Total (1+2)	53,644.9	50,070.3	39,139.4	34,823.4	40,926.9	42,312.9	41,726.0	42,200.5	43,031.7

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

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

	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
						Mar.	Jun.	Sep.	Oct.
1 Savings deposits	22,845.0	21,262.2	20,781.0	22,906.1	22,833.9	21,318.9	21,368.6	23,803.6	23,679.2
1.1 Local government	27.5	22.1	25.5	15.8	8.9	16.1	13.5	17.0	16.0
1.2 Enterprises	5,543.6	5,132.0	5,053.6	5,738.5	5,552.0	4,517.2	4,534.0	5,754.3	5,617.6
1.3 Households	16,720.8	15,682.8	15,148.7	16,313.0	16,821.4	16,266.3	16,334.9	17,031.5	16,550.0
1.4 Other banking institutions	251.7	121.4	150.4	268.5	66.6	111.3	90.3	162.2	173.5
1.5 Non-banking financial institutions	301.5	303.9	402.9	570.2	385.0	408.0	395.9	838.6	1,322.0
2 Time deposits	80,245.1	95,932.6	114,629.6	124,651.0	122,332.2	122,688.5	123,423.0	126,052.2	127,455.1
2.1 Local government	2.1	2.3	2.5	2.3	11.2	6.2	4.9	4.4	5.7
2.2 Enterprises	10,391.9	11,215.5	13,516.9	15,097.8	10,372.5	9,580.8	9,222.2	9,973.3	9,836.2
2.3 Households	66,465.7	80,419.6	95,598.0	104,621.4	109,304.8	109,917.9	110,868.7	111,779.7	113,793.6
2.4 Other banking institutions	1,038.6	808.2	663.0	1,384.1	682.5	659.2	774.5	865.4	879.6
2.5 Non-banking financial institutions	2,346.8	3,487.0	4,849.1	3,545.4	1,961.2	2,524.4	2,552.8	3,429.3	2,939.9
Total (1+2)	103,090.1	117,194.8	135,410.6	147,557.1	145,166.1	144,007.4	144,791.5	149,855.7	151,134.2

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

Table D9 Bonds and money market instruments
end of period, in million HRK

	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
						Mar.	Jun.	Sep.	Oct.
1 Money market instruments (net)	0.8	0.8	0.8	-	-	-	-	-	-
2 Bonds (net)	632.0	609.5	765.3	1,016.7	1,769.1	1,726.8	1,689.1	1,479.8	1,490.2
3 Other domestic borrowing	576.0	1,920.8	596.7	320.7	343.8	93.5	332.6	718.8	679.8
3.1 Local government	-	-	-	-	-	-	-	-	-
3.2 Enterprises	152.9	3.5	4.6	2.4	1.6	2.4	237.5	561.8	561.7
3.3 Other banking institutions	266.4	1,719.2	551.8	318.1	205.1	72.1	57.5	119.2	80.0
3.4 Non-banking financial institutions	156.6	198.0	40.4	0.1	137.0	19.0	37.6	37.8	38.1
Total (1+2+3)	1,208.8	2,531.1	1,362.8	1,337.4	2,112.9	1,820.3	2,021.6	2,198.6	2,170.0

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

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

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

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

Table D10 Banks' foreign liabilities
end of period, in million HRK

	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
						Mar.	Jun.	Sep.	Oct.
1 Foreign liabilities in f/c	48,461.3	54,726.8	60,046.7	58,715.8	67,938.6	68,460.5	66,048.3	60,887.6	60,536.6
1.1 Liabilities to foreign financial institutions	41,483.1	47,878.5	51,702.3	48,789.0	58,001.2	58,415.5	55,809.6	50,615.2	50,231.3
Demand deposits	258.8	176.6	221.0	208.3	184.4	133.5	155.5	224.7	249.9
Time and notice deposits	10,562.9	14,016.4	21,945.8	20,188.9	27,444.5	26,846.9	25,822.7	20,811.9	20,140.7
Loans and advances	27,373.0	30,408.3	29,535.4	28,391.9	30,372.2	31,435.1	29,831.4	29,578.6	29,840.8
o/w: Subordinated and hybrid instruments	405.9	1,585.1	2,000.7	2,079.8	2,268.1	2,212.4	2,214.6	2,193.8	2,218.9
Bonds	3,288.4	3,277.1	-	-	-	-	-	-	-
1.2 Liabilities to foreign non-banks	6,978.2	6,848.4	8,344.4	9,926.7	9,937.5	10,045.0	10,238.7	10,272.4	10,305.3
Savings and time deposits	6,729.9	6,719.0	8,336.3	9,909.3	9,921.2	10,029.4	10,225.1	10,259.5	10,292.2
Sight deposits	1,537.2	1,374.5	1,267.8	1,434.3	1,434.3	1,479.2	1,550.4	1,794.6	1,472.2
Time and notice deposits	5,192.7	5,344.6	7,068.6	8,475.0	8,486.9	8,550.1	8,674.7	8,464.9	8,820.0
Loans and advances	248.3	129.3	8.0	17.5	16.2	15.6	13.6	12.9	13.1
o/w: Subordinated and hybrid instruments	-	-	-	11.1	11.3	11.3	9.3	9.2	9.3
2 Foreign liabilities in kuna	16,691.3	20,569.2	20,318.6	23,224.6	22,337.9	22,306.4	21,182.6	20,937.8	17,447.7
2.1 Liabilities to foreign financial institutions	16,093.8	20,061.0	19,943.0	22,817.7	21,806.5	21,755.7	20,673.2	20,362.7	16,905.4
Demand deposits	519.0	898.1	359.1	696.3	655.0	607.8	1,059.7	645.7	828.3
Time and notice deposits	11,423.7	15,014.2	14,654.3	15,963.5	16,449.5	18,080.7	16,590.9	16,705.4	13,072.0
Loans and advances	4,151.2	4,148.8	4,929.6	6,158.0	4,702.1	3,067.1	3,022.6	3,011.6	3,005.1
o/w: Subordinated and hybrid instruments	0.4	-	749.2	899.0	964.6	963.2	954.1	975.5	987.5
2.2 Liabilities to foreign non-banks	597.5	508.2	375.7	406.8	531.4	550.7	509.5	575.1	542.4
Demand deposits	253.2	257.0	222.8	250.3	355.0	339.7	326.1	378.3	340.2
Time and notice deposits	340.6	245.7	144.4	148.0	162.7	197.4	169.7	181.6	186.9
Loans and advances	3.7	5.5	8.5	8.5	13.7	13.6	13.6	15.2	15.2
o/w: Subordinated and hybrid instruments	3.7	5.5	8.5	8.5	13.7	13.6	13.6	15.2	15.2
Total (1+2)	65,152.6	75,296.1	80,365.3	81,940.4	90,276.5	90,766.9	87,230.9	81,825.4	77,984.4

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

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

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

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

	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
						Mar.	Jun.	Sep.	Oct.
1 In kuna	11,535.0	14,185.1	15,124.1	16,089.9	15,857.4	15,863.0	16,508.3	16,444.8	16,552.8
1.1 Central government deposits	666.4	429.5	356.6	806.8	664.2	648.4	750.4	901.1	806.0
Demand deposits	454.9	176.7	189.3	306.0	424.6	447.2	515.4	623.2	539.5
Savings deposits	1.2	1.1	0.6	0.5	0.5	0.5	0.5	0.4	0.4
Time and notice deposits	209.3	251.6	166.7	485.3	230.9	200.8	234.5	277.4	266.1
Loans and advances	1.0	–	–	15.0	8.3	–	–	–	–
1.2 Central government funds' deposits	10,868.6	13,755.5	14,767.5	15,283.1	15,193.2	15,214.6	15,757.9	15,543.7	15,746.9
Demand deposits	330.1	645.6	389.5	290.9	493.0	251.0	240.1	260.4	213.6
Savings deposits	2.4	0.0	0.3	0.0	–	–	–	0.0	0.0
Time and notice deposits	413.6	385.8	410.8	329.0	87.6	565.7	637.3	575.4	467.7
Loans and advances	10,122.4	12,724.1	13,966.9	14,663.3	14,612.6	14,397.9	14,880.5	14,707.9	15,065.6
2 In f/c	1,990.8	1,822.5	3,095.2	3,780.4	2,387.5	3,101.8	2,814.8	1,870.2	2,070.1
2.1 Central government deposits	759.4	1,122.5	1,088.3	1,656.1	1,467.8	1,520.7	1,245.2	1,300.7	1,334.4
Savings deposits	527.4	666.8	716.8	993.9	620.3	431.6	749.0	555.9	784.9
Time and notice deposits	49.7	330.0	309.4	662.0	847.2	1,088.9	496.1	744.9	549.5
Refinanced loans and advances	182.3	125.7	62.2	0.2	0.2	0.2	–	–	–
2.2 Central government funds' deposits	1,231.4	699.9	2,006.9	2,124.3	919.7	1,581.1	1,569.6	569.5	735.7
Savings deposits	85.7	107.1	106.6	90.2	94.4	179.5	818.6	105.5	304.2
Time and notice deposits	153.8	519.6	256.4	601.3	381.8	765.7	112.7	346.5	312.7
Loans and advances	991.8	73.2	1,643.9	1,432.7	443.5	635.8	638.4	117.5	118.8
Total (1+2)	13,525.8	16,007.5	18,219.3	19,870.3	18,244.9	18,964.8	19,323.1	18,315.0	18,622.9

Table D11 Central government and funds' deposits with banks • The table reports total banks' kuna and foreign currency liabilities to the central government and funds, with the exception of restricted (kuna and foreign currency) deposits by the central government and funds with banks.

Kuna and foreign currency deposits by the Republic of

Croatia and central government funds are shown separately. Kuna deposits comprise demand deposits, savings deposits, time and notice deposits, and loans received from the central government and funds. Foreign currency deposits comprise savings deposits, time and notice deposits, and refinanced loans and advances.

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

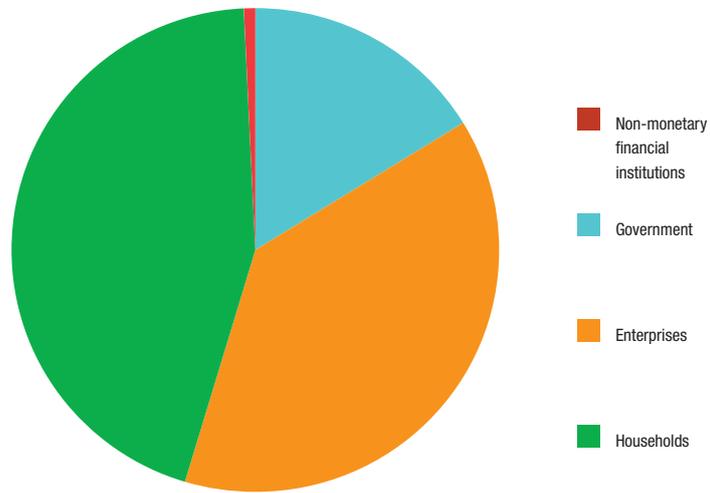
	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
						Mar.	Jun.	Sep.	Oct.
1 Restricted deposits	2,252.3	3,038.4	2,548.4	2,328.3	3,231.5	2,578.6	2,576.1	2,481.9	2,615.6
1.1 In kuna	1,322.8	1,478.8	1,366.0	1,428.9	1,751.7	1,593.9	1,567.4	1,533.3	1,573.6
1.2 In f/c	929.5	1,559.6	1,182.5	899.4	1,479.8	984.7	1,008.7	948.6	1,042.0
2 Blocked f/c deposits of households	–	–	–	–	–	–	–	–	–
Total (1+2)	2,252.3	3,038.4	2,548.4	2,328.3	3,231.5	2,578.6	2,576.1	2,481.9	2,615.6

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

Blocked foreign currency deposits include households'

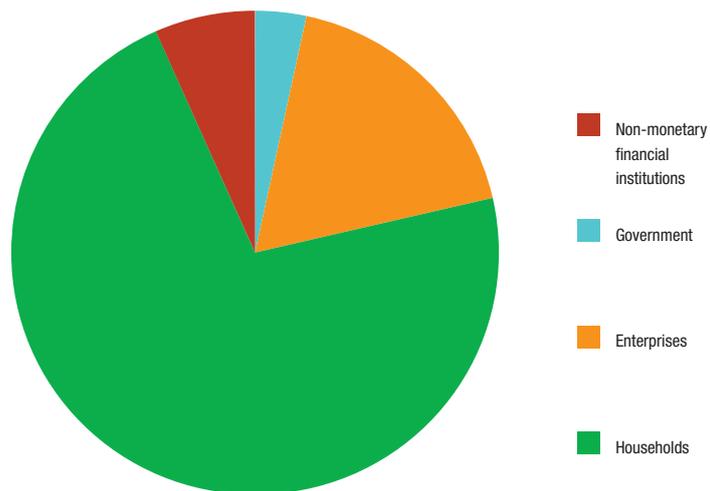
foreign currency deposits, regulated by the Act on Converting Households' Foreign Currency Deposits into the Public Debt of the Republic of Croatia.

Figure D1

Distribution of banks' loans by domestic institutional sectors

October 2012

Figure D2

Distribution of banks' deposits by domestic institutional sectors

October 2012

Note:

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

E Housing savings banks

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

	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012			
						Mar.	Jun.	Sep.	Oct.
ASSETS									
1 Reserves with the CNB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Claims on central government and funds	4,036.5	3,395.5	3,137.9	3,315.9	3,367.6	3,420.3	2,966.2	2,927.1	2,920.5
3 Claims on other domestic sectors	2,220.4	2,857.9	2,979.1	2,987.3	3,387.0	3,357.8	3,382.7	3,374.9	3,402.9
o/w: Claims on households	2,220.4	2,857.9	2,979.1	2,987.3	3,387.0	3,357.8	3,382.7	3,374.9	3,402.9
4 Claims on banks	133.6	533.7	294.8	258.5	760.6	462.3	752.1	628.0	669.6
5 Claims on other banking institutions	-	-	-	-	-	-	-	-	-
Total (1+2+3+4+5)	6,390.5	6,787.1	6,411.7	6,561.8	7,515.2	7,240.5	7,101.1	6,930.1	6,993.0
LIABILITIES									
1 Time deposits	6,037.9	6,297.6	5,711.8	5,791.5	6,115.0	6,078.4	6,065.9	6,048.1	6,107.9
2 Bonds and money market instruments	40.1	91.5	230.8	279.7	650.9	367.1	191.6	196.5	192.1
3 Capital accounts	303.0	390.6	478.1	512.1	544.0	568.3	590.8	623.6	634.9
4 Other items (net)	9.6	7.4	-8.9	-21.5	205.2	226.7	252.7	61.9	58.1
Total (1+2+3+4)	6,390.5	6,787.1	6,411.7	6,561.8	7,515.2	7,240.5	7,101.1	6,930.1	6,993.0

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

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

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

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

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

Claims on other banking institutions include investments in investment funds.

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

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

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

F Monetary policy instruments and liquidity

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

Year	Month	CNB discount rate	CNB repo rate ^a	Credit rates					
				On Lombard credits ^b	On intervention credits	On intra-day refinance facility ^b	On short-term liquidity credits	On inaccurately calculated statutory reserves ^b	On arrears ^c
1	2	3	4	5	6	7	8	9	10
1998	December	5.90	–	12.00	19.00	7.00	14.00	19.00	18.00
1999	December	7.90	–	13.00	19.00	–	14.00	19.00	18.00
2000	December	5.90	–	12.00	18.00	–	13.00	18.00	18.00
2001	December	5.90	–	10.00	–	–	11.00	15.00	18.00
2002	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2003	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2004	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	December	4.50	3.50	7.50 ^c	–	–	8.50 ^c	15.00	15.00
2006	December	4.50	3.50	7.50	–	–	8.50	15.00	15.00
2007	December	9.00 ^d	4.06	7.50	–	–	8.50	15.00	15.00
2008	December	9.00	6.00	9.00	–	–	10.00	15.00	14.00
2009	December	9.00	–	9.00	–	–	10.00	15.00	14.00
2010	December	9.00	–	9.00	–	–	10.00	15.00	14.00
2011	November	7.00	–	6.25 ^e	–	–	7.25 ^e	15.00	12.00
	December	7.00	–	6.25	–	–	7.25	15.00	12.00
2012	January	7.00	–	6.25	–	–	7.25	15.00	12.00
	February	7.00	–	6.25	–	–	7.25	15.00	12.00
	March	7.00	–	6.25	–	–	7.25	15.00	12.00
	April	7.00	–	6.25	–	–	7.25	15.00	12.00
	May	7.00	–	6.25	–	–	7.25	15.00	12.00
	June	7.00	–	6.25	–	–	7.25	14.50 ^f	12.00
	July	7.00	–	6.25	–	–	7.25	14.50	12.00
	August	7.00	–	6.25	–	–	7.25	14.50	12.00
	September	7.00	–	6.25	–	–	7.25	14.50	12.00
	October	7.00	–	6.25	–	–	7.25	14.50	12.00

^a Weighted averages of weighted repo rates achieved at regular reverse repo auctions of the CNB in the reporting month. ^b Breaks in the series of data are explained in notes on methodology. ^c Since 14 December 2005. ^d Since 31 December 2007. ^e Since 28 November 2011. ^f Since 20 June 2012.

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

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

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

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

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

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

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

Table F2 Deposit rates of the Croatian National Bank
in percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis ^a				Interest rates on f/c CNB bills on a voluntary basis					Interest rates on overnight deposits
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–	–
2002	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–	–
2003	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–	–
2004	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2006	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2007	December	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
2008	December	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
2009	December	0.75	0.25	–	–	–	–	–	–	–	–	–	0.50
2010	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2011	November	–	–	–	–	–	–	–	–	–	–	–	0.25
	December	–	–	–	–	–	–	–	–	–	–	–	0.25
2012	January	–	–	–	–	–	–	–	–	–	–	–	0.25
	February	–	–	–	–	–	–	–	–	–	–	–	0.25
	March	–	–	–	–	–	–	–	–	–	–	–	0.25
	April	–	–	–	–	–	–	–	–	–	–	–	0.25
	May	–	–	–	–	–	–	–	–	–	–	–	0.25
	June	–	–	–	–	–	–	–	–	–	–	–	0.25
	July	–	–	–	–	–	–	–	–	–	–	–	0.25
	August	–	–	–	–	–	–	–	–	–	–	–	0.25
	September	–	–	–	–	–	–	–	–	–	–	–	0.25
	October	–	–	–	–	–	–	–	–	–	–	–	0.25

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

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

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

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

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

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

attained at CNB bills' auctions as a weighted average of subscribed amounts in those two currencies.

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

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

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

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

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

Table F3 Banks' reserve requirements

daily averages and percentages, in million HRK and %

Year	Month	Weighted average res. requirement in % on res. base	Reserve requirement (RR)			Other obligatory deposits with the CNB	Statutory reserves deposited with the CNB		Weighted avg. remuneration rate on immobilised funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.05	....
2001	December	19.67	21,187.1	8,691.5	12,495.5	-	6,287.8	5,950.0	1.97	2.73
2002	December	19.00	25,985.1	11,447.1	14,538.0	-	8,156.7	7,139.9	1.72	2.16
2003	December	19.00	31,009.4	18,023.8	12,985.6	109.4	12,459.8	6,850.2	1.17	1.47
2004	December	18.00	33,615.7	20,040.9	13,574.8	430.1	14,664.1	10,171.3	1.22	1.36
2005	December	18.00	37,424.5	24,997.9	12,426.6	3,940.2	17,497.7	9,271.4	0.52	0.92
2006	December	17.00	40,736.4	28,966.1	11,770.4	7,332.5	20,257.0	8,780.9	0.52	1.06
2007	December	17.00	44,465.9	31,809.1	12,656.8	6,641.1	22,266.4	9,203.5	0.53	1.29
2008	December	14.87	41,474.4	29,179.7	12,294.7	461.9	20,425.8	8,807.0	0.52	0.81
2009	December	14.00	40,423.5	33,693.7	6,729.8	30.9	23,585.6	4,898.0	0.52	-
2010	December	13.00	38,990.6	32,374.8	6,615.8	-	22,662.4	4,736.7	0.52	-
2011	November	14.00	44,220.4	36,763.1	7,457.3	-	25,565.5	5,392.2	-	-
	December	14.00	44,443.2	36,936.6	7,506.7	-	25,654.6	5,437.9	-	-
2012	January	14.68	46,753.8	38,844.2	7,909.6	-	27,522.0	5,857.4	-	-
	February	15.00	47,881.9	39,758.3	8,123.6	-	27,814.7	5,968.2	-	-
	March	15.00	47,927.4	39,761.5	8,165.9	-	27,637.8	5,973.4	-	-
	April	15.00	47,755.8	39,611.9	8,143.9	-	27,584.6	5,957.1	-	-
	May	13.89	43,907.0	36,445.9	7,461.1	-	25,420.1	5,462.9	-	-
	June	13.50	42,651.5	35,413.9	7,237.6	-	24,737.7	5,307.3	-	-
	July	13.50	42,815.5	35,563.0	7,252.5	-	24,874.6	5,315.9	-	-
	August	13.50	42,602.1	35,437.9	7,164.2	-	24,803.4	5,216.8	-	-
	September	13.50	42,677.0	35,504.3	7,172.7	-	24,853.0	5,196.9	-	-
	October	13.50	42,648.7	35,477.6	7,171.0	-	24,834.3	5,171.0	-	-

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. From September 2001 on, column 5 includes also the f/c component of reserve requirements that is set aside/maintained in kuna.

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

Column 7 shows the total amount of other obligatory deposits with the CNB, including CNB bills on an obligatory basis, those CNB bills on a voluntary basis used by banks to maintain the prescribed minimal liquidity (LAR), special statutory

reserves until July 1995, special reserve requirement on liabilities arising from issued securities from March 2006 to February 2009, statutory reserves on f/c deposits, f/c credits from foreign banks and guarantees for such credits and marginal reserve requirement (from August 2004 to October 2008).

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

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

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

Table F4 Banks' liquidity indicators

daily averages and percentages, in million HRK and %

Year	Month	Free reserves		Primary liquidity ratio	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna MoF treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
1998	December	221.9	....	1.65	445.5	850.4	1,377.4	141.3
1999	December	179.6	....	1.30	1,183.6	1,311.1	1,507.6	373.9
2000	December	638.8	10,721.4	3.32	80.1	2,485.3	1,692.7	2,006.5
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,360.9
2002	December	1,225.0	10,398.0	3.53	0.6	4,965.5	1,273.9	4,279.5
2003	December	451.6	20,561.4	0.98	501.6	–	4,316.0	3,073.2
2004	December	1,495.5	26,126.1	2.64	0.0	–	–	4,581.7
2005	December	672.5	20,493.4	0.96	0.2	–	–	4,163.3
2006	December	840.8	20,239.1	0.83	–	–	–	5,993.7
2007	December	1,161.5	30,412.6	1.03	330.4	–	–	4,449.4
2008	December	1,168.7	28,101.4	1.03	289.1	–	–	6,171.2
2009	December	880.0	24,885.6	0.91	–	–	–	4,776.6
2010	December	407.1	30,511.9	0.42	–	–	–	5,705.9
2011	November	280.1	17,789.9	0.27	10.4	–	–	7,132.9
	December	333.0	15,693.8	0.32	97.3	–	–	8,157.7
2012	January	291.7	12,783.1	0.28	52.6	–	–	8,262.2
	February	102.7	9,103.8	0.10	58.3	–	–	7,888.2
	March	439.4	7,692.1	0.43	47.8	–	–	7,360.3
	April	287.6	7,809.4	0.28	22.7	–	–	7,834.5
	May	360.6	8,573.5	0.36	–	–	–	7,792.2
	June	414.2	7,736.4	0.41	–	–	–	8,207.9
	July	334.0	6,392.5	0.33	–	–	–	8,757.5
	August	363.6	7,834.5	0.35	–	–	–	8,534.1
	September	525.3	8,169.8	0.51	–	–	–	7,574.7
	October	576.6	6,816.0	0.56	–	–	–	7,423.8

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

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

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

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

by the minimal required balance of these funds in the same period.

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

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

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

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

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

G Financial markets

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

Year	Month	Interest rates on interbank demand deposit trading		Interest rates on kuna credits not indexed to foreign currency								
		On overnight credits	On other credits	Total average	On short-term credits					On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households
							Total average	Credit lines	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97
2001	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14
2002	December	1.03	1.59	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88
2003	December	6.54	6.36	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69
2004	December	4.87	4.74	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16
2005	December	3.08	3.91	9.91	9.99	7.71	11.26	13.18	5.35	8.75	6.48	10.35
2006	December	3.14	2.52	9.07	9.37	6.75	11.84	13.21	4.67	7.53	5.86	9.44
2007	December	6.23	7.33	9.32	9.74	7.39	12.34	13.19	4.95	7.50	6.66	8.01
2008	December	5.77	6.77	10.71	10.89	8.98	12.33	12.97	4.96	9.05	8.10	10.35
2009	December	1.20	1.50	11.12	11.22	9.29	12.68	13.24	4.89	9.77	8.27	11.33
2010	December	1.28	1.70	9.90	10.05	6.98	12.64	13.17	4.66	8.38	6.45	11.29
2011	November	1.61	2.71	9.68	9.82	7.67	11.22	11.59	3.91	8.33	6.47	9.39
	December	0.61	1.73	9.36	9.49	7.48	11.18	11.58	4.21	8.15	6.76	9.21
2012	January	1.14	2.14	9.67	9.73	7.72	11.08	11.43	3.83	8.70	6.61	9.80
	February	2.94	3.03	9.88	10.00	8.18	11.22	11.58	4.12	8.46	6.76	9.78
	March	0.86	1.78	9.65	9.73	7.80	11.18	11.57	4.29	8.56	6.98	10.01
	April	0.57	1.06	9.40	9.49	7.13	11.19	11.55	4.04	8.14	5.87	10.19
	May	0.44	0.74	9.48	9.60	7.07	11.17	11.54	4.08	8.03	5.91	10.10
	June	0.47	1.58	9.32	9.44	7.17	11.17	11.53	4.12	7.63	5.01	9.95
	July	1.10	1.49	9.23	9.35	6.92	11.15	11.52	3.94	7.95	5.98	9.84
	August	1.76	2.32	9.57	9.80	7.10	11.18	11.53	3.96	7.71	6.08	9.81
	September	2.24	2.42	9.58	9.76	7.28	11.18	11.53	3.85	7.93	5.82	9.71
	October	0.61	0.87	9.18	9.32	6.65	11.16	11.53	3.88	7.91	5.72	9.45
Relative significance ^a		-	-	74.57	67.45	27.60	39.85	37.93	1.92	7.12	2.94	4.18

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros		
		Total average	On short-term credits			On long-term credits					Total average	On short-term credits	On long-term credits
			Total average	Enterprises	Households	Total average	Enterprises	Households					
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18
2004	December	6.89	7.25	7.09	8.47	6.77	5.55	7.73	5.71	8.79	5.34	5.92	4.83
2005	December	6.18	6.52	6.34	7.91	6.07	5.18	6.98	4.95	8.10	5.29	5.28	5.30
2006	December	6.30	6.56	6.29	8.33	6.22	6.21	6.22	4.75	7.57	5.65	6.19	5.34
2007	December	6.73	6.86	6.86	6.84	6.66	6.51	6.80	5.12	8.24	6.79	6.59	7.10
2008	December	7.73	8.20	8.18	8.65	7.43	6.92	7.89	6.08	9.02	7.08	7.17	6.83
2009	December	8.28	8.48	8.41	10.23	8.11	7.31	9.02	6.45	9.96	6.98	7.35	6.49
2010	December	7.78	7.95	7.91	8.86	7.67	7.19	8.16	6.02	8.94	6.38	7.12	6.06
2011	November	7.16	7.20	7.17	7.84	7.13	6.59	7.62	5.32	8.54	6.10	6.63	5.76
	December	7.15	7.60	7.56	8.49	6.82	6.37	7.53	5.26	8.48	6.49	6.27	6.87
2012	January	7.16	7.31	7.29	7.56	7.06	6.45	7.59	5.26	8.44	5.60	5.68	5.42
	February	7.14	7.17	7.15	7.69	7.13	6.54	7.64	5.37	8.55	5.85	6.37	5.10
	March	7.20	7.46	7.44	7.98	7.06	6.06	7.96	5.38	8.70	6.27	6.42	6.04
	April	6.98	7.12	7.06	7.89	6.92	6.05	7.49	5.08	8.69	4.78	4.55	5.88
	May	7.15	7.06	7.01	7.92	7.20	6.48	7.64	5.22	8.72	5.47	5.34	6.22
	June	7.04	7.32	7.26	8.35	6.92	6.12	7.60	5.25	8.65	5.53	5.05	6.38
	July	7.02	6.90	6.85	7.64	7.09	6.40	7.52	5.34	8.68	6.05	6.19	5.66
	August	7.14	7.08	7.05	7.77	7.17	6.41	7.60	5.33	8.74	5.81	5.75	6.06
	September	7.08	7.27	7.24	7.69	7.00	6.13	7.67	5.33	8.70	6.11	6.08	6.24
	October	6.76	6.44	6.38	7.27	6.95	5.90	7.69	5.43	8.67	5.14	4.92	6.18
Relative significance^a		17.05	6.17	5.79	0.38	10.88	4.55	6.34	1.92	4.42	8.38	6.89	1.49

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	On time deposits						
				Total average	On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	December	1.58	0.61	3.36	3.34	3.89	3.23	4.12	5.04	3.49
2006	December	1.91	0.56	2.98	2.94	4.10	2.69	4.32	4.98	3.11
2007	December	2.67	0.49	5.42	5.34	4.47	5.48	6.28	5.45	6.45
2008	December	2.92	0.43	5.65	5.60	5.34	5.64	6.58	5.88	6.85
2009	December	2.22	0.43	2.52	2.49	4.89	2.04	2.76	6.12	2.07
2010	December	1.61	0.34	1.93	1.85	3.66	1.41	4.26	4.76	3.03
2011	November	1.93	0.34	2.50	2.14	3.46	1.82	3.97	4.59	3.90
	December	1.88	0.36	2.46	2.33	3.55	1.88	2.98	4.58	2.78
2012	January	2.03	0.36	3.10	2.57	3.57	2.14	4.89	4.42	4.95
	February	2.07	0.33	3.23	3.15	3.48	3.07	3.62	4.63	3.48
	March	1.98	0.33	2.56	2.69	3.45	2.33	2.13	4.64	1.75
	April	1.86	0.33	2.09	2.30	3.38	1.84	1.39	4.53	0.98
	May	1.83	0.34	1.80	1.93	3.42	1.47	1.28	4.41	0.97
	June	1.80	0.34	1.85	1.97	3.43	1.45	1.35	4.58	0.98
	July	1.85	0.35	2.12	1.95	3.48	1.42	2.70	4.71	2.43
	August	1.92	0.33	2.31	2.10	3.51	1.79	3.25	4.75	3.05
	September	1.87	0.34	2.27	2.31	3.55	1.93	2.13	4.77	1.68
	October	1.83	0.35	1.74	1.83	3.52	1.22	1.48	4.55	1.10
Relative significance ^a		54.71	36.39	15.49	11.47	3.04	8.43	4.02	0.44	3.58

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on savings and time deposits indexed to f/c			Interest rates on foreign currency deposits					
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits				
						Total average	Households		Enterprises	
							EUR	USD	EUR	USD
1	2	3	4	5	6	7	8	9	10	11
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21
2005	December	3.99	3.63	4.77	2.61	0.27	0.27	0.17	0.27	0.76
2006	December	3.67	3.30	4.07	2.94	0.25	0.23	0.17	0.32	0.44
2007	December	3.98	3.76	4.35	3.44	0.25	0.22	0.15	0.36	0.43
2008	December	4.09	4.05	4.42	3.97	0.21	0.20	0.15	0.26	0.13
2009	December	3.01	3.12	3.31	3.98	0.18	0.22	0.16	0.10	0.07
2010	December	2.91	2.75	3.46	3.09	0.19	0.21	0.14	0.18	0.07
2011	November	3.10	2.76	3.07	2.86	0.19	0.21	0.14	0.15	0.06
	December	2.86	2.75	3.62	2.90	0.19	0.21	0.14	0.13	0.08
2012	January	3.09	3.16	2.78	2.89	0.18	0.22	0.14	0.11	0.06
	February	2.77	3.21	2.71	2.96	0.19	0.22	0.12	0.12	0.07
	March	2.50	2.97	3.76	2.92	0.18	0.22	0.12	0.08	0.05
	April	2.65	3.16	2.76	2.95	0.18	0.22	0.12	0.09	0.04
	May	2.66	2.92	2.77	2.90	0.19	0.21	0.12	0.13	0.04
	June	2.31	3.02	3.17	2.88	0.19	0.21	0.11	0.14	0.04
	July	3.05	3.24	2.99	2.91	0.18	0.21	0.11	0.13	0.06
	August	2.97	3.01	2.92	2.91	0.17	0.21	0.11	0.06	0.04
	September	2.19	2.44	3.28	2.87	0.17	0.21	0.11	0.07	0.05
	October	2.26 ^b	2.67	2.52	2.92	0.17	0.22	0.11	0.06	0.06
Relative significance ^a		0.32	0.19	0.13	44.97	24.44	15.92	2.33	5.65	0.55

^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, 49.68% refers to enterprises.

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on foreign currency deposits										
		On time deposits										Total average
		On short-term deposits					On long-term deposits					
		Total average	Households		Enterprises		Total average	Households		Enterprises		
EUR	USD		EUR	USD	EUR	USD		EUR	USD			
1	2	12	13	14	15	16	17	18	19	20	21	22
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65
2005	December	3.07	2.94	2.99	1.76	2.63	4.34	3.69	4.25	0.48	4.39	-
2006	December	3.82	3.76	3.16	2.05	4.24	5.84	4.25	4.47	2.26	4.79	4.61
2007	December	4.32	4.25	3.47	2.60	5.10	5.33	4.80	4.83	3.84	5.13	2.19
2008	December	4.15	3.95	4.33	2.69	4.13	1.84	5.51	5.57	3.58	5.52	2.38
2009	December	3.58	3.40	4.33	2.73	2.64	1.77	5.13	5.43	3.86	2.85	0.13
2010	December	2.69	2.15	3.13	2.45	1.63	0.76	5.36	4.28	3.20	6.91	3.80
2011	November	2.59	2.36	2.83	2.36	2.06	0.85	3.87	3.92	3.30	3.33	2.39
	December	2.76	2.56	2.87	2.45	2.37	0.86	3.84	3.92	3.27	3.54	1.70
2012	January	2.58	2.37	2.84	2.42	2.11	0.69	3.77	3.82	3.45	3.50	1.11
	February	2.54	2.26	2.83	2.34	1.76	0.83	3.88	3.94	3.29	3.33	0.43
	March	2.45	2.22	2.82	2.32	1.79	0.77	3.91	3.93	3.11	4.58	3.50
	April	2.68	2.50	2.82	2.25	2.16	1.32	3.75	3.85	3.22	2.96	3.80
	May	2.71	2.51	2.81	2.28	2.31	0.82	3.79	3.77	2.31	5.16	2.87
	June	2.72	2.55	2.79	2.31	2.55	0.99	3.79	3.79	3.53	4.23	3.80
	July	2.80	2.62	2.90	2.35	2.43	1.33	3.79	3.81	3.43	3.92	3.78
	August	2.68	2.46	2.98	2.35	1.79	1.09	3.86	3.87	3.72	4.41	0.81
	September	2.51	2.29	2.89	2.31	1.40	0.67	3.82	3.86	3.25	4.18	3.20
	October	2.64	2.44	2.95	2.32	1.55	0.86	3.74	3.79	3.23	3.49	0.17
Relative significance ^a		20.53	17.36	10.85	0.86	5.00	0.64	3.16	2.92	0.19	0.04	0.01

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

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

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

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

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

	2007	2008	2009	2010	2011	2012				
						Mar.*	Jun.	Sep.	Oct.	
A Purchase of foreign exchange										
1 Legal persons	26,365.0	33,058.3	19,939.9	21,453.6	20,628.9	1,421.0	1,411.9	2,109.0	1,960.4	
2 Natural persons	6,151.3	4,755.3	4,920.3	4,878.0	5,264.9	355.8	418.5	407.2	452.0	
2.1 Residents	3,184.0	4,252.9	4,389.6	4,251.3	4,867.9	347.5	370.9	362.8	436.1	
2.2 Non-residents	326.3	502.4	530.7	626.7	397.0	8.3	47.6	44.4	15.9	
3 Domestic banks	20,141.3	20,017.6	10,964.5	11,171.3	10,406.6	775.5	761.7	1,126.0	962.4	
4 Foreign banks	5,194.1	7,342.5	5,681.9	5,548.6	5,226.3	556.1	381.5	482.6	522.7	
5 Croatian National Bank	0.0	420.6	1,899.4	350.1	596.7	–	–	–	–	
Total (1+2+3+4)	57,851.7	65,594.2	43,405.9	43,401.6	42,123.5	3,108.4	2,973.6	4,124.8	3,897.4	
B Sale of foreign exchange										
1 Legal persons	28,564.1	35,448.8	21,707.2	21,930.5	20,809.2	1,575.8	1,612.5	2,209.4	1,638.9	
2 Natural persons	3,712.5	4,366.4	3,205.5	1,815.9	1,760.2	105.7	94.3	120.9	111.7	
2.1 Residents	2,071.3	4,335.2	3,186.0	1,800.5	1,743.3	105.4	93.2	119.3	111.2	
2.2 Non-residents	40.0	31.2	19.5	15.4	16.9	0.2	1.1	1.6	0.5	
3 Domestic banks	20,141.3	20,017.6	10,964.5	11,171.3	10,406.6	775.5	761.7	1,126.0	962.4	
4 Foreign banks	4,072.6	6,615.7	5,281.5	5,455.0	5,730.2	547.7	421.6	523.3	848.8	
5 Croatian National Bank	839.0	409.1	2,224.2	363.7	–	–	–	58.1	–	
Total (1+2+3+4)	57,329.5	66,857.5	43,382.7	40,736.5	38,706.2	3,004.6	2,890.1	4,037.8	3,561.7	
C Net purchase (A-B)										
1 Legal persons	–2,199.1	–2,390.5	–1,767.3	–476.9	–180.3	–154.8	–200.6	–100.4	321.5	
2 Natural persons	2,438.9	388.9	1,714.8	3,062.1	3,504.7	250.2	324.2	286.3	340.3	
2.1 Residents	1,112.7	–82.2	1,203.6	2,450.8	3,124.6	242.0	277.7	243.5	324.9	
2.2 Non-residents	286.3	471.1	511.2	611.2	380.1	8.1	46.5	42.8	15.4	
3 Foreign banks	1,121.4	726.8	400.4	93.6	–503.9	8.4	–40.1	–40.7	–326.1	
4 Croatian National Bank	–839.0	11.5	–324.8	–13.6	596.7	–	–	–58.1	–	
Total (1+2+3)	522.2	–1,263.3	23.2	2,665.2	3,417.2	103.7	83.4	87.1	335.7	
Memo items: Other Croatian National Bank transactions										
Purchase of foreign exchange	5.1	265.4	664.6	238.5	968.2	0.3	85.4	0.1	0.3	
Sale of foreign exchange	176.7	83.7	98.3	233.1	0.0	–	–	–	–	

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

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

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

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

H International economic relations

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

	2007	2008 ^c	2009 ^c	2010 ^c	2011 ^c	2012		
						Q1 ^d	Q2 ^e	Q3 ^d
A CURRENT ACCOUNT (1+6)	-3,150.6	-4,256.3	-2,279.3	-449.9	-393.9	-1,611.3	-343.7	2,607.2
1 Goods, services, and income (2+5)	-4,193.6	-5,326.7	-3,315.6	-1,537.9	-1,562.6	-1,890.4	-643.7	2,338.7
1.1 Credit	19,614.5	21,237.2	17,114.1	18,608.5	19,743.1	3,319.3	4,934.5	7,839.8
1.2 Debit	-23,808.0	-26,563.9	-20,429.7	-20,146.3	-21,305.7	-5,209.7	-5,578.2	-5,501.1
2 Goods and services (3+4)	-3,103.3	-3,778.8	-1,516.7	28.2	38.6	-1,362.6	-182.4	2,745.4
2.1 Credit	18,271.3	19,843.3	16,314.7	17,713.0	18,779.3	3,093.5	4,659.3	7,569.3
2.2 Debit	-21,374.6	-23,622.0	-17,831.4	-17,684.8	-18,740.8	-4,456.1	-4,841.7	-4,823.8
3 Goods	-9,469.9	-10,632.4	-7,207.0	-5,745.5	-6,147.9	-1,511.9	-1,694.8	-1,541.0
3.1 Credit	9,156.6	9,752.7	7,674.5	9,063.6	9,774.0	2,289.4	2,374.7	2,523.0
3.2 Debit	-18,626.5	-20,385.1	-14,881.5	-14,809.1	-15,921.9	-3,801.2	-4,069.6	-4,064.0
4 Services	6,366.6	6,853.7	5,690.3	5,773.7	6,186.5	149.2	1,512.5	4,286.5
4.1 Credit	9,114.7	10,090.6	8,640.2	8,649.4	9,005.4	804.1	2,284.6	5,046.3
4.2 Debit	-2,748.1	-3,236.9	-2,949.9	-2,875.7	-2,818.9	-654.9	-772.1	-759.8
5 Income	-1,090.2	-1,548.0	-1,798.9	-1,566.1	-1,601.1	-527.7	-461.3	-406.7
5.1 Credit	1,343.2	1,393.9	799.4	895.5	963.8	225.8	275.2	270.5
5.2 Debit	-2,433.5	-2,941.9	-2,598.3	-2,461.5	-2,564.9	-753.5	-736.5	-677.3
6 Current transfers	1,043.0	1,070.5	1,036.3	1,088.0	1,168.6	279.0	300.0	268.5
6.1 Credit	1,576.1	1,684.4	1,607.8	1,684.6	1,691.9	415.9	426.3	419.1
6.2 Debit	-533.1	-613.9	-571.5	-596.6	-523.3	-136.8	-126.3	-150.6
B CAPITAL AND FINANCIAL ACCOUNT	4,437.8	5,734.5	3,468.3	1,358.4	1,433.6	1,267.7	336.5	-1,636.2
B1 Capital account	28.5	14.9	43.1	34.5	-8.4	-3.5	-4.3	-6.6
B2 Financial account, excl. reserves	5,130.9	5,389.2	4,321.7	1,407.7	1,842.6	1,493.9	449.6	-1,813.9
1 Direct investment	3,435.2	3,248.4	1,526.9	410.7	1,048.1	262.6	257.1	149.4
1.1 Abroad	-216.1	-970.2	-888.1	113.2	-27.2	225.3	31.8	-40.7
1.2 In Croatia	3,651.3	4,218.6	2,415.0	297.5	1,075.3	37.4	225.3	190.1
2 Portfolio investment	335.9	-840.6	420.9	477.0	646.3	397.9	810.5	-278.1
2.1 Assets	-421.6	-380.8	-558.1	-368.3	509.1	245.0	-244.9	-255.5
2.2 Liabilities	757.5	-459.8	979.1	845.4	137.2	152.9	1,055.4	-22.6
3 Financial derivatives	0.0	0.0	0.0	-252.7	-59.7	-11.0	36.8	37.5
4 Other investment	1,359.8	2,981.4	2,373.8	772.7	208.0	844.3	-654.9	-1,722.6
4.1 Assets	-1,662.6	-1,620.7	748.5	694.2	360.9	636.1	-129.0	-738.6
4.2 Liabilities	3,022.5	4,602.1	1,625.3	78.5	-152.9	208.2	-525.8	-984.0
B3 Reserve assets	-721.6	330.4	-896.4	-83.8	-400.6	-222.6	-108.8	184.3
C NET ERRORS AND OMISSIONS	-1,287.2	-1,478.2	-1,189.0	-908.5	-1,039.7	343.6	7.2	-971.0

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

^c Revised data. ^d Preliminary data.

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

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

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

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

Table H2 Balance of payments – goods and services

in million EUR

	2007	2008 ^a	2009 ^a	2010 ^a	2011 ^a	2012		
						Q1 ^a	Q2 ^a	Q3 ^b
Goods	-9,469.9	-10,632.4	-7,207.0	-5,745.5	-6,147.9	-1,511.9	-1,694.8	-1,541.0
1 Credit	9,156.6	9,752.7	7,674.5	9,063.6	9,774.0	2,289.4	2,374.7	2,523.0
1.1 Exports (f.o.b.) in trade statistics	9,001.6	9,585.1	7,529.4	8,905.2	9,582.2	2,253.8	2,326.9	2,471.3
1.2 Adjustments for coverage	155.0	167.5	145.1	158.3	191.8	35.6	47.8	51.7
2 Debit	-18,626.5	-20,385.1	-14,881.5	-14,809.1	-15,921.9	-3,801.2	-4,069.6	-4,064.0
2.1 Imports (c.i.f.) in trade statistics	-18,826.6	-20,817.1	-15,220.1	-15,137.0	-16,281.1	-3,890.8	-4,152.7	-4,157.4
2.2 Adjustments for coverage	-370.4	-421.4	-331.1	-376.0	-358.7	-82.1	-100.0	-90.0
2.3 Adjustments for classification	570.4	853.5	669.7	703.9	718.0	171.6	183.1	183.3
Services	6,366.6	6,853.7	5,690.3	5,773.7	6,186.5	149.2	1,512.5	4,286.5
1 Transportation	641.3	404.3	287.6	299.3	276.7	44.2	68.2	109.4
1.1 Credit	1,165.4	1,209.4	938.2	973.0	965.5	196.4	240.8	290.1
1.2 Debit	-524.0	-805.1	-650.7	-673.7	-688.8	-152.2	-172.6	-180.6
2 Travel	6,035.2	6,694.0	5,655.8	5,600.8	5,984.5	144.8	1,467.6	4,103.8
2.1 Credit	6,752.6	7,459.4	6,379.7	6,230.0	6,616.9	294.5	1,671.7	4,306.0
2.1.1 Business	389.2	386.4	255.7	236.3	210.1	28.7	85.3	65.8
2.1.2 Personal	6,363.4	7,073.1	6,124.0	5,993.6	6,406.9	265.8	1,586.4	4,240.2
2.2 Debit	-717.3	-765.5	-724.0	-629.2	-632.4	-149.6	-204.1	-202.2
2.2.1 Business	-266.9	-261.3	-240.8	-180.6	-184.3	-42.6	-69.9	-55.6
2.2.2 Personal	-450.4	-504.2	-483.1	-448.6	-448.1	-107.0	-134.1	-146.6
3 Other services	-310.0	-244.6	-253.0	-126.4	-74.8	-39.9	-23.3	73.3
3.1 Credit	1,196.8	1,421.8	1,322.2	1,446.4	1,423.0	313.2	372.1	450.3
3.2 Debit	-1,506.7	-1,666.4	-1,575.2	-1,572.8	-1,497.7	-353.1	-395.4	-377.0

^a Revised data. ^b Preliminary data.

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

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

reliability, the c.i.f./f.o.b. coefficient as of 2011 started to be estimated based on the available CBS data on goods imports. The shares of transportation and insurance services have been calculated separately for each year, starting with 2008, based on the goods imported at f.o.b. parity and similar parities. The estimated coefficient amounted to 4.1% for 2008, 4.4% for 2009 and 4.7% for 2010. The figure is estimated again in the same manner for each following year. In the period from 1993 to 1996, the value of imports was modified by estimates of imports in duty free zones, which have been included in the merchandise trade statistics since 1997. From 1996 on, goods exports and imports are modified by the data on repairs on goods and goods procured in ports by carriers. In addition, since 1999, based on the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travellers Abroad, the item of goods exports has been modified by the estimated value of goods sold to foreign travellers and tourists and taken out of the Republic of Croatia. The item of goods imports is adjusted for the estimated value of goods imported personally by the Croatian citizens from the neighbouring countries (shopping expenditures).

Transportation, travel and other services are reported separately under service account. Revenues and expenditures on the basis of transportation, in the 1993-1998 period, were adopted from the ITRS. From 1999 on, revenues and expenditures arising from transportation of goods and passengers, as well as the value of accompanying services, which together constitute the total value of these services, are compiled on the basis of the results of the Research on transactions related to international transportation services, carried out by the CNB. Owing to an exceptionally large population of road carriers, revenues and expenditures on the basis of road freight transportation are not

Table H3 Balance of payments – income and current transfers

in million EUR

	2007	2008	2009	2010	2011	2012		
						Q1 ^a	Q2 ^a	Q3 ^b
Income	-1,090.2	-1,548.0	-1,798.9	-1,566.1	-1,601.1	-527.7	-461.3	-406.7
1 Compensation of employees	494.2	564.1	586.5	620.8	656.9	179.9	190.9	193.4
1.1 Credit	527.8	599.7	624.2	657.1	695.5	187.3	197.5	199.4
1.2 Debit	-33.6	-35.5	-37.6	-36.3	-38.5	-7.4	-6.5	-6.0
2 Direct investment income	-920.6	-1,137.1	-1,172.9	-1,100.0	-1,034.8	-383.8	-324.9	-295.2
2.1 Credit	174.5	194.6	-62.6	87.6	63.2	-15.0	25.1	20.6
o/w: Reinvested earnings	123.3	118.6	-114.9	8.5	-5.2	-23.9	3.8	5.8
2.2 Debit	-1,095.1	-1,331.7	-1,110.3	-1,187.6	-1,098.0	-368.7	-350.0	-315.8
o/w: Reinvested earnings	-483.3	-508.5	-314.1	-495.2	-300.7	-203.1	180.2	-230.1
3 Portfolio investment income	-176.5	-158.0	-173.4	-304.1	-339.5	-92.4	-109.0	-109.3
3.1 Credit	89.9	82.3	73.5	41.0	48.7	7.6	9.6	10.1
3.2 Debit	-266.4	-240.3	-246.9	-345.1	-388.2	-100.1	-118.7	-119.4
4 Other investment income	-487.3	-817.0	-1,039.2	-782.7	-883.8	-231.4	-218.3	-195.7
4.1 Credit	551.0	517.4	164.3	109.7	156.3	45.9	43.0	40.4
4.2 Debit	-1,038.4	-1,334.3	-1,203.5	-892.5	-1,040.1	-277.3	-261.3	-236.1
Current transfers	1,043.0	1,070.5	1,036.3	1,088.0	1,168.6	279.0	300.0	268.5
1 General government	-16.7	-20.0	-30.0	-39.8	-59.7	-14.5	-32.3	-33.1
1.1 Credit	260.2	342.6	309.0	304.6	246.2	57.7	39.0	49.3
1.2 Debit	-276.8	-362.7	-339.0	-344.4	-305.9	-72.2	-71.3	-82.4
2 Other sectors	1,059.6	1,090.5	1,066.3	1,127.8	1,228.3	293.6	332.3	301.5
2.1 Credit	1,316.0	1,341.7	1,298.8	1,379.9	1,445.6	358.2	387.4	369.7
2.2 Debit	-256.3	-251.2	-232.5	-252.2	-217.3	-64.6	-55.0	-68.2

^a Revised data. ^b Preliminary data.

adopted from that research. They are compiled by using ITRS data. As of January 2011, due to the abolishment of the ITRS, this item has been compiled on the basis of data from export customs declarations of the CBS and estimates of the Road Freight Transporters Association. Expenditures on the basis of road freight transportation equal transportation and insurance costs related to imports of goods which belong to non-residents and which are estimated by adjusting the value of imports at c.i.f. parity to the value of imports f.o.b.

Revenues from services rendered to foreign travellers and tourists, as well as expenditures incurred by domestic travellers and tourists abroad are shown under the position Travel. In the 1993-1998 period, this position was assessed by using various data sources which did not provide for a full coverage in accordance with the recommended methodology. Accordingly, in the second half of 1998, the Croatian National Bank started to carry out the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travellers Abroad and use its results for compiling the Travel position. Since early 1999, the results of this Survey, based on carrying out a survey of travellers (stratified sample) at border crossings, have been combined with the Ministry of the Interior and Central Bureau of Statistics data on the number of foreign and domestic travellers, along with the data on distribution of foreign travellers by countries contained in the CBS Report on tourism, in order to assess the corresponding balance of payment items. The balance of payments data on revenues from services rendered to foreign travellers and tourists for the first three quarters of 2012 were not computed using the standard methodological combination of volume indicators and estimated average consumption for the mentioned quarters of the current year from the Survey on Consumption of Foreign Travellers, but are based on a combination of the

estimated level of tourism consumption in 2011 and an econometrically computed indicator – the first major component of a group of variables that are assumed to follow the dynamics of tourism revenue (foreign tourist arrivals and nights, the number of foreign travellers at border crossings, total tourist consumption according to the CNB survey, the number of the employed in accommodation and food service activities, the revenues of hotels and restaurants, the price index of hotel and restaurants services, the real retail trade turnover index, currency outside banks, the value of foreign credit card transactions, the banks' turnover in transactions with natural persons in the foreign exchange market and the industrial production EU-27).

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

Transactions in the income account are classified into four main groups. Compensation of employees item was compiled on the basis of the ITRS until the end of 2010, when it was abolished. As of 2011, this position on the revenues side is estimated by a model based on the aggregate data of banks on inflows of resident natural persons from non-residents. On

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

in million EUR

	2007	2008	2009	2010	2011	2012		
						Q1 ^c	Q2 ^c	Q3 ^d
Direct investment	3,435.2	3,248.4	1,526.9	410.7	1,048.1	262.6	257.1	149.4
1 Abroad	-216.1	-970.2	-888.1	113.2	-27.2	225.3	31.8	-40.7
1.1 Equity capital and reinvested earnings	-270.2	-1,075.9	-894.4	254.0	-192.8	16.4	-5.2	-29.6
1.1.1 Claims	-273.3	-1,075.9	-1,009.3	237.7	-214.8	-12.4	-5.2	-29.6
1.1.2 Liabilities	3.1	0.0	114.9	16.3	22.0	28.8	0.0	0.0
1.2 Other capital	54.1	105.7	6.3	-140.9	165.6	208.9	37.1	-11.1
1.1.1 Claims	20.3	106.8	-30.0	-371.5	351.8	198.3	40.1	-3.8
1.2.2 Liabilities	33.9	-1.1	36.3	230.6	-186.2	10.6	-3.0	-7.2
2 In Croatia	3,651.3	4,218.6	2,415.0	297.5	1,075.3	37.4	225.3	190.1
2.1 Equity capital and reinvested earnings	2,688.1	2,708.0	984.2	879.6	2,265.0	265.0	-20.1	277.4
2.1.1 Claims	0.0	-6.9	-106.8	-70.0	-36.3	0.0	-180.2	0.0
2.1.2 Liabilities	2,688.1	2,714.9	1,091.1	949.6	2,301.3	265.0	160.2	277.4
2.2 Other capital	963.2	1,510.6	1,430.8	-582.1	-1,189.6	-227.6	245.3	-87.3
2.2.1 Claims	-4.5	-26.4	-29.1	-21.5	14.1	0.7	-6.1	0.8
2.2.2 Liabilities	967.7	1,537.0	1,459.9	-560.6	-1,203.7	-228.3	251.4	-88.1
Portfolio investment	335.9	-840.6	420.9	477.0	646.3	397.9	810.5	-278.1
1 Assets	-421.6	-380.8	-558.1	-368.3	509.1	245.0	-244.9	-255.5
1.1 Equity securities	-842.6	148.9	-111.4	-474.3	-116.0	62.0	-67.2	-52.1
1.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1 Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2 Other sectors	-842.6	148.9	-111.4	-474.3	-116.0	62.0	-67.2	-52.1
1.2 Debt securities	421.0	-529.7	-446.7	105.9	625.1	183.0	-177.7	-203.4
1.2.1 Bonds	315.6	-431.4	-86.2	263.9	351.0	172.2	-242.7	-179.5
1.2.1.1 General government	0.1	0.0	0.0	-1.5	0.0	0.0	0.0	-0.7
1.2.1.2 Banks	267.8	-226.5	-52.5	167.3	348.8	188.8	-222.6	-132.5
1.2.1.3 Other sectors	47.7	-204.9	-33.7	98.1	2.1	-16.6	-20.1	-46.2
1.2.2 Money market instruments	105.4	-98.3	-360.5	-157.9	274.1	10.8	65.0	-24.0
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	109.7	-100.9	-341.4	-124.3	310.7	11.7	27.8	-43.9
1.2.2.3 Other sectors	-4.3	2.5	-19.0	-33.6	-36.6	-0.9	37.2	20.0
2 Liabilities	757.5	-459.8	979.1	845.4	137.2	152.9	1,055.4	-22.6
2.1 Equity securities	315.9	-85.1	16.4	168.0	17.7	8.5	-1.9	-5.0
2.1.1 Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	315.9	-85.1	16.4	168.0	17.7	8.5	-1.9	-5.0
2.2 Debt securities	441.6	-374.7	962.7	677.3	119.5	144.4	1,057.3	-17.5
2.2.1 Bonds	519.1	-360.4	817.3	380.8	431.4	27.6	1,066.0	62.4
2.2.1.1 General government	83.0	-275.5	862.9	389.1	638.0	-3.8	818.1	313.3
2.2.1.2 Banks	0.1	-4.7	-447.2	-0.2	-7.0	-0.9	0.0	-0.3
2.2.1.3 Other sectors	436.0	-80.1	401.7	-8.1	-199.5	32.3	248.0	-250.6
2.2.2 Money market instruments	-77.5	-14.3	145.3	296.5	-312.0	116.8	-8.7	-80.0
2.2.2.1 General government	-77.5	-14.4	145.4	296.5	-312.1	116.9	-8.8	-80.0
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	0.0	0.0	0.0	0.0	0.1	-0.1	0.0	0.0

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

the expenditures side, the existing surveys on services are used, containing a part which relates to compensation of employees paid to non-residents. Income from direct investment, portfolio investment and other investment are reported separately. Data on reinvested earnings are reported separately, under direct investment income, calculated on the basis of the CNB Research

on direct and other equity investment. In contrast to data on dividends, these data are not available for the 1993-1996 period, since at that time they were not reported separately. From the first quarter of 2009 on, international standards are applied in the statistical monitoring of reinvested earnings, meaning that reinvested earnings are reported on a quarterly basis, i.e.

Table H5 Balance of payments – other investment^a

in million EUR

	2007	2008	2009	2010	2011	2012		
						Q1 ^b	Q2 ^b	Q3 ^c
Other investment (net)	1,359.8	2,981.4	2,373.8	772.7	208.0	844.3	-654.9	-1,722.6
1 Assets	-1,662.6	-1,620.7	748.5	694.2	360.9	636.1	-129.0	-738.6
1.1 Trade credits	-107.4	-125.0	145.0	213.8	-22.2	-6.4	-48.9	147.8
1.1.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1 Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2 Other sectors	-107.4	-125.0	145.0	213.8	-22.2	-6.4	-48.9	147.8
1.1.2.1 Long-term	-63.5	26.7	58.0	22.2	2.9	1.2	0.8	0.1
1.1.2.2 Short-term	-43.9	-151.7	87.0	191.6	-25.2	-7.6	-49.7	147.7
1.2 Loans	-4.5	-107.5	41.5	-85.1	-9.3	-33.5	-6.2	-41.0
1.2.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.1 Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2 Banks	-32.6	-66.7	20.5	-65.4	-0.9	-23.8	-5.7	-41.1
1.2.2.1 Long-term	-25.4	-26.8	-28.7	-46.9	-20.6	-4.3	9.5	-0.4
1.2.2.2 Short-term	-7.3	-39.9	49.2	-18.5	19.7	-19.6	-15.2	-40.8
1.2.3 Other sectors	28.1	-40.8	21.0	-19.7	-8.4	-9.7	-0.5	0.1
1.2.3.1 Long-term	28.1	-37.6	20.9	17.4	-34.6	-1.6	-2.3	3.6
1.2.3.2 Short-term	0.0	-3.2	0.1	-37.1	26.1	-8.1	1.8	-3.5
1.3 Currency and deposits	-1,550.8	-1,388.2	562.0	565.4	392.5	676.0	-74.0	-845.4
1.3.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	-0.9
1.3.2 Banks	-1,317.1	-136.4	423.7	417.0	523.9	694.2	-65.1	-911.2
1.3.3 Other sectors	-233.6	-1,251.8	138.2	148.5	-131.4	-18.3	-8.3	66.6
1.4 Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Liabilities	3,022.5	4,602.1	1,625.3	78.5	-152.9	208.2	-525.8	-984.0
2.1 Trade credits	323.1	21.3	-142.1	60.2	-581.7	78.8	92.3	32.8
2.1.1 General government	-0.6	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
2.1.1.1 Long-term	-0.6	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
2.1.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	323.7	21.8	-142.1	60.2	-581.7	78.8	92.3	32.8
2.1.2.1 Long-term	165.0	34.9	-58.0	-25.4	-147.6	-13.6	-4.3	-12.7
2.1.2.2 Short-term	158.7	-13.1	-84.1	85.6	-434.0	92.4	96.6	45.5
2.2 Loans	2,890.3	3,703.9	590.5	36.3	-501.6	-37.6	-349.3	-373.9
2.2.1 Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1 o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.1 Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.2 Repayments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2 Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 General government	161.0	96.7	-7.4	134.4	90.7	-4.9	-47.0	-20.5
2.2.2.1 Long-term	161.0	65.0	24.3	134.4	90.7	-4.9	-46.8	-16.0
2.2.2.1.1 Drawings	523.5	330.1	306.0	368.9	347.2	27.9	29.5	26.7
2.2.2.1.2 Repayments	-362.5	-265.2	-281.7	-234.5	-256.5	-32.8	-76.2	-42.6
2.2.2.2 Short-term	0.0	31.7	-31.7	0.0	0.0	0.0	-0.2	-4.5
2.2.3 Banks	-1,065.0	115.2	-166.5	-192.7	-44.9	-62.3	-226.4	2.2
2.2.3.1 Long-term	-630.8	-276.1	158.1	-322.9	375.1	-56.0	-143.9	-90.9
2.2.3.1.1 Drawings	1,216.2	609.4	1,219.2	849.3	1,108.3	308.8	42.0	105.4
2.2.3.1.2 Repayments	-1,847.0	-885.4	-1,061.1	-1,172.2	-733.2	-364.8	-185.9	-196.2
2.2.3.2 Short-term	-434.2	391.3	-324.6	130.2	-420.0	-6.3	-82.5	93.0
2.2.4 Other sectors	3,794.4	3,492.0	764.4	94.5	-547.4	29.7	-75.9	-355.6
2.2.4.1 Long-term	3,184.9	3,175.7	488.1	-96.7	-922.3	-134.9	-300.7	-369.1
2.2.4.1.1 Drawings	5,960.8	6,700.9	4,403.7	4,336.5	2,935.3	785.9	900.3	828.3
2.2.4.1.2 Repayments	-2,775.9	-3,525.2	-3,915.5	-4,433.2	-3,857.6	-920.8	-1,201.0	-1,197.4
2.2.4.2 Short-term	609.5	316.2	276.2	191.2	374.9	164.6	224.8	13.5

	2007	2008	2009	2010	2011	2012		
						Q1 ^b	Q2 ^b	Q3 ^c
2.3 Currency and deposits	-193.6	875.7	1,175.0	-19.0	929.7	167.0	-269.0	-643.0
2.3.1 General government	-0.1	-0.1	-1.2	0.0	-1.0	0.0	0.0	0.0
2.3.2 Banks	-193.6	867.1	1,197.2	-19.0	930.8	167.1	-269.0	-643.0
2.3.3 Other sectors	0.1	8.7	-21.1	0.0	0.0	0.0	0.0	0.0
2.4 Other liabilities	2.7	1.3	2.0	1.1	0.6	-0.1	0.2	0.0

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

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

Current transfers are reported separately for the general government sector and other sectors. The ITRS was used as the main data source on current transfers for both sectors until the end of 2010, when it was abolished. As of 2011, transfers of the general government sector are recorded on the basis of the data of the Ministry of Finance and the Croatian Pension Insurance Administration in the case of pensions paid out to non-residents. In addition to taxes and excise duties, pensions, gifts and donations, which are included in current transfers of both sectors, the central government sector also encompasses data on multilateral cooperation, whereas other sectors include data on workers' remittances. As of 2011, the position of workers' remittances and gifts and donations for other sectors is estimated through a model based on aggregate data of banks on inflows of resident natural persons from abroad and outflows of resident natural persons abroad. Pensions from abroad are estimated on the basis of the available data of the Croatian Pension Insurance Administration. Furthermore, other sector transfers are supplemented by the data from the survey on trade in international services, containing a special part for possible transfers from and to foreign countries. Current transfers of the general government sector also include data on exports and imports of goods without a payment obligation, provided by the CBS. In the 1993–1998 period, current transfers of other sectors also encompassed an estimate of unregistered foreign currency remittances, which accounted for 15% of the positive difference between unclassified inflows and outflows of the household sector. From 1993 to the second quarter of 1996, the CNB also assessed a portion of the outflow based on current transfers. From 2002 on, inflows and outflows based on current transfers

of other sectors are supplemented by the data of the CNB special statistical research on international transactions related to insurance services.

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

Foreign direct investments include equity capital, reinvested earnings and debt relations between ownership-related residents and non-residents. Direct investments are investments whereby a foreign owner acquires a minimum of 10% interest in equity capital of a company, regardless of whether a resident invests abroad or a non-resident invests in Croatian residents. The CNB Research on foreign direct investments started in 1997 when companies included in the survey also delivered data on direct investments for the 1993–1996 period. For the same period, no data are available on reinvested earnings and other capital under direct investment position, where all debt relations between related residents and non-residents are classified (excluding the banking sector). Such data actually became available only after the stated research had been launched. Since 1999, data on debt relations within direct investments have been collected on the basis of external debt relations statistics. From 2007 on, the CNB Statistics Department conducts the research on the purchase and sale of the real estate by non-residents on the territory of the Republic of Croatia. Persons obliged to submit reports are the public notaries who learn about these transactions in the course of their business. Data on the purchase and sale of the real estate by Croatian residents abroad were compiled on the basis of the ITRS until the end of 2010, whereas in 2011, monitoring through the obligatory reporting to the CNB's Statistics Department was introduced. These purchase and sale transactions are also a constituent part of direct investments.

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

Table H6 Balance of payments – summary^a

in million HRK

	2007	2008 ^b	2009 ^b	2010 ^b	2011 ^b	2012		
						Q1 ^b	Q2 ^b	Q3 ^c
A CURRENT ACCOUNT (1+6)	-23,248.4	-30,886.2	-16,872.3	-3,512.4	-2,825.0	-12,162.3	-2,577.8	19,363.5
1 Goods, services, and income (2+5)	-30,899.4	-38,615.0	-24,477.1	-11,411.5	-11,586.5	-14,287.0	-4,830.2	17,356.9
1.1 Credit	143,744.4	153,279.5	125,527.6	135,367.6	146,728.3	25,021.3	37,086.4	58,406.1
1.2 Debit	-174,643.8	-191,894.5	-150,004.7	-146,779.1	-158,314.8	-39,308.2	-41,916.7	-41,049.3
2 Goods and services (3+4)	-22,878.0	-27,399.1	-11,254.7	-2.1	293.8	-10,298.8	-1,360.9	20,375.8
2.1 Credit	133,893.3	143,213.9	119,656.7	128,853.2	139,563.2	23,317.5	35,018.7	56,360.9
2.2 Debit	-156,771.3	-170,612.9	-130,911.3	-128,855.3	-139,269.5	-33,616.3	-36,379.7	-35,985.1
3 Goods	-69,481.9	-76,817.4	-52,927.0	-41,861.3	-45,707.8	-11,428.7	-12,751.8	-11,515.5
3.1 Credit	67,161.6	70,414.9	56,336.3	66,044.6	72,655.3	17,290.9	17,865.0	18,846.5
3.2 Debit	-136,643.4	-147,232.3	-109,263.3	-107,905.9	-118,363.1	-28,719.5	-30,616.9	-30,362.0
4 Services	46,603.9	49,418.3	41,672.3	41,859.3	46,001.6	1,129.9	11,390.9	31,891.3
4.1 Credit	66,731.8	72,798.9	63,320.4	62,808.7	66,907.9	6,026.7	17,153.7	37,514.4
4.2 Debit	-20,127.8	-23,380.6	-21,648.1	-20,949.4	-20,906.4	-4,896.8	-5,762.8	-5,623.1
5 Income	-8,021.4	-11,215.9	-13,222.5	-11,409.4	-11,880.3	-3,988.2	-3,469.3	-3,018.9
5.1 Credit	9,851.0	10,065.6	5,870.9	6,514.4	7,165.0	1,703.7	2,067.7	2,045.3
5.2 Debit	-17,872.5	-21,281.5	-19,093.4	-17,923.8	-19,045.3	-5,691.9	-5,537.0	-5,064.2
6 Current transfers	7,650.9	7,728.8	7,604.9	7,899.1	8,761.5	2,124.7	2,252.5	2,006.6
6.1 Credit	11,562.1	12,159.5	11,797.8	12,254.8	12,653.1	3,158.5	3,202.8	3,004.1
6.2 Debit	-3,911.1	-4,430.6	-4,192.9	-4,355.7	-3,891.6	-1,033.8	-950.4	-997.5
B CAPITAL AND FINANCIAL ACCOUNT	32,479.2	41,346.5	25,564.6	10,010.4	10,616.7	9,570.8	2,515.2	-12,269.8
B1 Capital account	209.1	108.2	314.1	252.6	-62.4	-26.7	-32.4	-49.3
B2 Financial account, excl. reserves	37,585.0	38,930.0	31,761.7	10,219.7	13,601.7	11,296.6	3,320.5	-13,596.4
1 Direct investment	25,241.5	23,055.9	11,262.4	2,964.5	7,788.2	1,982.7	1,926.9	1,112.0
1.1 Abroad	-1,588.3	-6,981.4	-6,504.9	880.2	-190.2	1,705.4	239.3	-303.1
1.2 In Croatia	26,829.8	30,037.3	17,767.3	2,084.3	7,978.3	277.4	1,687.6	1,415.1
2 Portfolio investment	2,495.2	-5,711.7	2,991.6	3,356.3	4,803.8	3,003.9	6,055.3	-2,081.7
2.1 Assets	-3,107.9	-2,678.2	-4,042.4	-2,700.4	3,809.5	1,848.3	-1,832.6	-1,908.9
2.2 Liabilities	5,603.1	-3,033.5	7,034.0	6,056.7	994.3	1,155.6	7,887.9	-172.8
3 Financial derivatives	0.0	0.0	0.0	-1,838.9	-438.9	-83.0	277.0	279.8
4 Other investment	9,848.4	21,585.8	17,507.6	5,737.9	1,448.6	6,393.0	-4,938.7	-12,906.5
4.1 Assets	-12,147.1	-11,587.3	5,594.1	5,108.0	2,666.2	4,822.0	-969.2	-5,562.0
4.2 Liabilities	21,995.5	33,173.1	11,913.6	629.9	-1,217.5	1,571.0	-3,969.5	-7,344.5
B3 Reserve assets (CNB)	-5,315.0	2,308.3	-6,511.2	-462.0	-2,922.6	-1,699.1	-773.0	1,375.8
C NET ERRORS AND OMISSIONS	-9,230.7	-10,460.3	-8,692.3	-6,498.0	-7,791.7	2,591.5	62.6	-7,093.7

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

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

Data for the 2006–2009 period have also been revised. As a result, from 2006 on, the balance of payments includes data on debt securities issued by domestic issuers and traded by non-residents in the domestic market (portfolio investment, debt securities on the liabilities side).

Other investment encompasses all other debt investments that have not been mentioned, apart from investment constituting reserve assets. Other investments are classified by instruments, maturity and sectors. Trade credits, in the 1996–2002 period, included the CNB estimates of advance payment and deferred payments, made on the basis of the sample of the largest and large importers and exporters. Data on advance payments have been estimated since 1996, while data on short-term deferred payments (first up to 90 days, then up to 150 days, and today from 8 days to 1 year) have been collected since 1999. In 2003, this research was replaced by a new one, where the

selected companies, regardless of their size (stratified sample), are obliged to submit data. Data on deferred payments with the original maturity of more than one year are adopted from the CNB foreign credit relations statistics. Credits granted by residents to non-residents, i.e. foreign loans utilised by residents and granted by non-residents, which cannot be classified into direct investments or trade credits, are classified by the institutional sector and maturity under the corresponding positions of other investment. The CNB foreign credit relations statistics represent the data source for these positions. Currency and deposit position shows residents' claims on foreign countries for foreign cash 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,

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

Year	Month	International reserves of the Croatian National Bank							Banks' foreign currency reserves
		Total	Special drawing rights	Reserve position in the Fund	Gold	Foreign currency			
						Total	Currency and deposits	Bonds and notes	
1998	December	2,400.2	197.1	0.1	–	2,203.0	1,642.6	560.4	1,607.0
1999	December	3,012.7	188.7	0.2	–	2,823.7	2,449.8	373.9	1,344.7
2000	December	3,783.2	158.5	0.2	–	3,624.5	2,763.0	861.5	2,310.7
2001	December	5,333.6	122.9	0.2	–	5,210.5	3,469.7	1,740.7	4,056.0
2002	December	5,651.3	2.3	0.2	–	5,648.8	3,787.8	1,861.0	2,581.6
2003	December	6,554.1	0.7	0.2	–	6,553.2	3,346.0	3,207.2	3,927.1
2004	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	December	7,438.4	0.9	0.2	–	7,437.3	3,834.5	3,602.8	2,938.4
2006	December	8,725.3	0.7	0.2	–	8,724.4	4,526.9	4,197.5	3,315.0
2007	December	9,307.4	0.8	0.2	–	9,306.5	4,533.9	4,772.5	4,388.9
2008	December	9,120.9	0.7	0.2	–	9,120.0	2,001.8	7,118.2	4,644.5
2009	December	10,375.8	331.7	0.2	–	10,043.9	2,641.4	7,402.6	4,293.9
2010	December	10,660.3	356.7	0.2	–	10,303.4	3,274.9	7,028.5	3,828.9
2011	December	11,194.9	360.7	0.2	–	10,834.0	2,730.7	8,103.2	3,463.7
2012	January	10,916.7	359.0	0.2	–	10,557.5	2,683.0	7,874.5	3,399.4
	February	11,410.8	351.4	0.2	–	11,059.2	3,057.2	8,002.0	2,711.2
	March	11,340.1	354.1	0.2	–	10,985.7	2,504.7	8,481.0	2,705.6
	April	12,461.9	356.1	0.2	–	12,105.6	3,315.1	8,790.5	2,672.6
	May	12,106.1	368.4	0.2	–	11,737.5	2,758.5	8,979.0	2,673.1
	June	11,635.3	371.3	0.2	–	11,263.7	1,850.3	9,413.4	2,767.9
	July	11,607.2	373.1	0.2	–	11,233.9	1,588.5	9,645.4	3,264.7
	August	11,532.4	368.2	0.2	–	11,164.0	1,846.3	9,317.7	3,704.8
	September	11,383.9	363.5	0.2	–	11,020.3	2,192.7	8,827.6	3,631.7
	October	11,371.5	362.5	0.2	–	11,008.8	2,434.1	8,574.7	3,303.8
	November ^b	11,301.6	360.1	0.2	–	10,941.3	2,416.4	8,524.9	3,155.2

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

are used to assess transactions from which the exchange rate effect was eliminated. In the 1993-1998 period, data on other sectors' claims under this position were compiled on the basis of the CNB estimate of a portion of net foreign currency inflows of the household sector which is not classified under current transfers. Since 1999, this position has included only the data based on the Bank for International Settlement quarterly data, while data in the fourth quarter of 2001 and in the first two quarters of 2002 also relate to the effect of the EMU countries' currencies changeover to the euro. Data for the fourth quarter of 2008 were modified by estimates of currency and deposit withdrawals from the financial system driven by fears of the effects of the global financial crisis.

In the period from 1993 to 1998, the estimate of reserve assets transactions was made by converting the changes in the original currencies into the US dollars by applying the average monthly exchange rate of the currencies contained in the

reserves. Since 1999, the changes in reserve assets balance have been calculated on the basis of the CNB accounting data.

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

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

	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012				
						Mar.	Jun.	Sep.	Oct.	
Interest	-	-	-	-	-	-	-	-	-	
More than 3 months and up to 1 year										
Principal	-	-	-	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	-	-	-	
4 Total predetermined short-term net drains on f/c assets (1+2+3)	-521.1	-1,084.1	-989.3	-1,234.9	-679.5	-814.7	-824.8	-863.6	-870.8	
III Contingent short-term net drains on f/c assets (nominal value)										
1 Contingent liabilities in foreign currency	-2,607.4	-1,896.1	-1,351.6	-1,734.2	-1,741.7	-1,852.7	-1,608.5	-1,366.5	-1,358.5	
(a) Collateral guarantees on debt falling due within 1 year	-662.1	-803.2	-661.5	-1,087.9	-1,005.2	-1,062.8	-906.1	-667.5	-668.7	
– Croatian National Bank	-	-	-	-	-	-	-	-	-	
– Central government (excl. central government funds)	-662.1	-803.2	-661.5	-1,087.9	-1,005.2	-1,062.8	-906.1	-667.5	-668.7	
Up to 1 month	-54.3	-91.8	-30.3	-0.2	-8.0	-28.6	-46.7	-31.5	-58.7	
More than 1 and up to 3 months	-42.4	-58.4	-101.3	-438.5	-111.2	-215.3	-333.4	-198.4	-161.8	
More than 3 months and up to 1 year	-565.3	-652.9	-529.8	-649.2	-885.9	-818.9	-526.1	-437.6	-448.2	
(b) Other contingent liabilities	-1,945.3	-1,092.9	-690.1	-646.3	-736.5	-789.9	-702.4	-699.0	-689.9	
– Croatian National Bank	-1,945.3	-1,092.9	-690.1	-646.3	-736.5	-789.9	-702.4	-699.0	-689.9	
Up to 1 month	-	-	-	-	-	-	-	-	-	
More than 1 and up to 3 months	-1,945.3	-1,092.9	-690.1	-646.3	-736.5	-789.9	-702.4	-699.0	-689.9	
More than 3 months and up to 1 year	-	-	-	-	-	-	-	-	-	
– Central government (excl. central government funds)	-	-	-	-	-	-	-	-	-	
2 Foreign currency securities issued with embedded options (puttable bonds)	-	-	-	-	-	-	-	-	-	
3 Undrawn, unconditional credit lines provided by:	-	-	-	-	-	-	-	-	-	
– BIS (+)	-	-	-	-	-	-	-	-	-	
– IMF (+)	-	-	-	-	-	-	-	-	-	
4 Aggregate short and long positions of options in f/c vis-a-vis the domestic currency	-	-	-	-	-	-	-	-	-	
5 Total contingent short-term net drains on f/c assets (1+2+3+4)	-2,607.4	-1,896.1	-1,351.6	-1,734.2	-1,741.7	-1,852.7	-1,608.5	-1,366.5	-1,358.5	
IV Memo items										
(a) Short-term domestic currency debt indexed to the exchange rate	-	-	-	-	-	-	-	-	-	
o/w: Central government (excl. central government funds)	-	-	-	-	-	-	-	-	-	
(b) Financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	-	-	-	-	-	-	-	-	-	
(c) Pledged assets	-	-	-	-	-	-	-	-	-	
(d) Securities lent and on repo	-	-	-	-	-	-	-	-	-	
– Lent or repoed and included in Section I	-	-6.1	-	-	-0.4	-	-2.5	-	-	
– Lent or repoed but not included in Section I	-	-	-	-	-	-	-	-	-	
– Borrowed or acquired and included in Section I	-	-	-	-	-	-	-	-	-	
– Borrowed or acquired but not included in Section I	389.7	478.6	766.5	1,458.5	136.9	1,402.5	1,231.9	39.8	1,054.1	
(e) Financial derivative assets (net, marked to market)	-	-	-	-	-	-	-	-	-	
(f) Currency composition of official reserves assets										
– Currencies in SDR basket	9,307.1	9,120.8	10,375.7	10,660.0	11,194.7	11,339.9	11,635.1	11,383.8	11,371.3	
– Currencies not in SDR basket	0.3	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.1	
– By individual currencies										
USD	1,357.2	2,064.6	2,461.8	2,451.0	2,333.0	2,219.5	2,249.6	2,155.2	2,170.6	
EUR	7,944.2	7,054.9	7,581.5	7,851.8	8,500.6	8,765.9	9,013.8	8,864.8	8,837.9	
Other	6.0	1.5	332.5	357.5	361.2	354.7	371.8	364.0	363.0	

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

The first part of the Template shows total assets of the Croatian National Bank in convertible foreign currency. Official reserve assets (IA) show those types of assets that are readily available to the CNB at any moment for bridging imbalances in

international payments. Official international reserves include: short-term foreign negotiable debt securities, foreign cash, foreign currency sight deposits, foreign currency time deposits which can be withdrawn before maturity, foreign currency time deposits with a remaining maturity of up to 1 year, reserve position with the IMF, special drawing rights, gold, and reverse repos with foreign negotiable debt securities.

The second part of the Template shows fixed predetermined foreign currency net liabilities of the Croatian National Bank and the central government (excluding central government funds) that fall due in the next 12 months. Foreign currency loans,

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

Year	Month	EUR/HRK	ATS/HRK	FRF/HRK	100 ITL/HRK	CHF/HRK	GBP/HRK	USD/HRK	DEM/HRK
1998		7.139159	0.514631	1.080018	0.366853	4.396452	10.537622	6.362284	3.620795
1999		7.581823	0.550993	1.155840	0.391568	4.739965	11.514804	7.122027	3.876528
2000		7.633852	0.554774	1.163773	0.394256	4.903244	12.530514	8.287369	3.903127
2001		7.471006	0.542939	1.138947	0.385845	4.946810	12.010936	8.339153	3.819865
2002		7.406976				5.049125	11.793108	7.872490	
2003		7.564248				4.978864	10.943126	6.704449	
2004		7.495680				4.854986	11.048755	6.031216	
2005		7.400047				4.780586	10.821781	5.949959	
2006		7.322849				4.656710	10.740292	5.839170	
2007		7.336019				4.468302	10.731537	5.365993	
2008		7.223178				4.553618	9.101622	4.934417	
2009		7.339554				4.861337	8.233112	5.280370	
2010		7.286230				5.285859	8.494572	5.500015	
2011		7.434204				6.035029	8.566138	5.343508	
2011	December	7.507179				6.112429	8.883743	5.688661	
2012	January	7.546707				6.231979	9.062576	5.846617	
	February	7.579384				6.279834	9.056639	5.733239	
	March	7.539590				6.251841	9.029432	5.709035	
	April	7.494357				6.234184	9.102995	5.691287	
	May	7.528940				6.268465	9.359736	5.870676	
	June	7.546585				6.284864	9.365869	6.026710	
	July	7.494496				6.241017	9.489191	6.089386	
	August	7.486777				6.234162	9.489612	6.042111	
	September	7.426569				6.145893	9.310771	5.787501	
	October	7.500421				6.200713	9.306267	5.783514	
	November	7.536449				6.254353	9.378519	5.876333	

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

The third part of the Template shows predetermined contingent foreign currency net liabilities of the Croatian National Bank and the central government (excluding central government funds), which fall due in the following 12 months. Contingent liabilities in foreign currency (III1) include future principal and interest payments on foreign loans guaranteed by the central government, and banks' foreign currency reserve requirements with the CNB. (The inclusion of reserve requirements in foreign currency is based on the assumption that there will be no changes in ratios or in the base of foreign currency reserve requirements, which comprises foreign currency sources of funds, including ordinary foreign currency accounts, special foreign currency accounts, foreign currency accounts and foreign currency sight deposits, received foreign currency deposits and received foreign currency loans, as well as obligations arising from securities issued in foreign currency (excluding banks' equity securities) and hybrid and subordinated instruments). Undrawn credit lines show potential inflows (+) or outflows (-) which would arise from drawdowns under these credits.

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

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

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

The data show the annual and monthly averages of CNB midpoint exchange rates for selected currencies from 1992 to date, in kuna terms. The averages related to the calculation periods from the beginning of 1992, when the legal tender in the Republic of Croatia was the Croatian dinar, until the introduction of the kuna on 30 May 1994, are shown in kuna equivalent, and are denominated by dividing their values by one thousand (1,000).

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

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

Year	Month	EUR/HRK	ATS/HRK	FRF/HRK	100 ITL/HRK	CHF/HRK	GBP/HRK	USD/HRK	DEM/HRK
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2003		7.646909				4.901551	10.860544	6.118506	
2004		7.671234				4.971314	10.824374	5.636883	
2005		7.375626				4.744388	10.753209	6.233626	
2006		7.345081				4.571248	10.943208	5.578401	
2007		7.325131				4.412464	9.963453	4.985456	
2008		7.324425				4.911107	7.484595	5.155504	
2009		7.306199				4.909420	8.074040	5.089300	
2010		7.385173				5.929961	8.608431	5.568252	
2011		7.530420				6.194817	8.986181	5.819940	
2011	December	7.530420				6.194817	8.986181	5.819940	
2012	January	7.564800				6.276280	9.037993	5.764975	
	February	7.576699				6.287195	8.931627	5.633652	
	March	7.506917				6.230841	9.005419	5.623580	
	April	7.531440				6.268886	9.237630	5.695712	
	May	7.559568				6.294919	9.456552	6.072430	
	June	7.510100				6.251124	9.307349	5.972247	
	July	7.518303				6.262643	9.614198	6.124391	
	August	7.478883				6.229807	9.433505	5.958320	
	September	7.449746				6.158851	9.339032	5.757145	
	October	7.533132				6.234488	9.347477	5.816192	
	November	7.550662				6.270793	9.316054	5.814016	

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

The data show CNB midpoint exchange rates for selected currencies from 1992 to date, in kuna terms. The end of period midpoint exchange rates related to the periods from the

beginning of the time series in 1992 until the introduction of the kuna on 30 May 1994 are shown in kuna equivalent and are denominated by dividing their values by one thousand (1,000).

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

Table H11 Indices of the effective exchange rate of the kuna
indices 2005 = 100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator		Real effective exchange rate of the kuna ^a ; deflator	
			Consumer price index	Producer price index	Unit labour costs in industry	Unit labour costs in the total economy
1998	December	100.05	104.33	106.13		
1999	December	107.42	110.58	110.48		
2000	December	107.39	108.02	104.02	118.09	111.15
2001	December	104.41	104.92	103.58	110.82	109.15
2002	December	102.98	103.92	101.39	113.03	106.23
2003	December	103.17	104.36	101.93	104.87	105.78
2004	December	101.23	102.11	99.69	102.38	102.42
2005	December	100.26	99.62	100.99	100.65	99.94
2006	December	98.76	98.03	101.09	91.16	93.89
2007	December	97.20	94.18	98.64	84.89	89.25
2008	December	96.12	92.10	94.82	83.03	85.98
2009	December	96.36	91.83	92.00	86.39	86.53
2010	December	100.14	95.58	95.13	85.94	91.45
2011	December	101.50	97.54	94.83		92.54
2012	January	102.50	98.31	95.42		
	February	102.92	98.67	94.46		
	March	102.24	97.65	93.72		92.65
	April	101.71	96.78	92.77		
	May	102.54	95.93	91.79		
	June	103.04	96.83	92.18		93.63 ^b
	July	102.86	97.10	92.10		
	August	102.97	97.06	91.45		
	September	101.59	95.14	89.57		
	October	102.38	95.62 ^b	90.17 ^b		
	November	102.85				

^a The values shown are quarterly data. ^b Preliminary data.
Note: Historical data may be revised when the series are updated.

Table H11 Indices of the effective exchange rate of the kuna • The index of the nominal effective exchange rate of the kuna is a weighted geometric average of the index of bilateral nominal exchange rates of the kuna against the selected currencies of the main trading partners. The currencies of the main trading partners and their weights are determined based on the structure of imports and exports of manufactured goods, where the weights used reflect direct import competition, direct export competition and export competition in third markets (see Box 2 in CNB Bulletin No. 165, 2011). The group of countries included in the formation of the index of the effective exchange rate of the kuna comprises the following 16 partner countries: a) eight eurozone countries: Austria (a 6.9% weight), Belgium (2.8%), France (6.4%), Germany (22.5%), Italy (21.4%), the Netherlands (3.2%), Slovenia (6.5%) and Spain (2.6%); b) five EU countries outside the eurozone: the Czech Republic (2.8%), Hungary (2.6%), Poland (2.8%), Sweden (1.9%) and the United Kingdom (3.9%); and c) three non-EU countries: the United States (7.6%), Japan (4.0%) and Switzerland (2.2%). The reference period for the calculation of the weights is the average for the 2007-2009 period. The time series of basic indices were recalculated on the basis of 2005.

The index of the nominal effective exchange rate is an aggregate indicator of the average value of the domestic currency against a basket of currencies. An increase in the index of the nominal effective exchange rate of the kuna in a certain period indicates that the kuna has depreciated against the basket of currencies and vice versa. The index of the real effective exchange rate is a

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

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

	2007 Dec. ^b	2008 Dec. ^{c,d}	2009 Dec. ^e	2010 Dec.	2011 Dec.	2012				
						Mar.*	Jun.*	Jul.*	Aug.*	Sep.
Long-term	13,350.1	18,975.7	19,647.1	19,315.7	18,696.5	18,644.3	18,440.6	18,192.7	18,176.8	17,676.6
Bonds	1,293.4	1,251.6	1,665.8	1,590.1	1,386.2	1,422.1	1,667.9	1,626.8	1,639.9	1,416.6
Credits	11,766.9	17,391.3	17,688.7	17,437.1	17,178.8	17,097.2	16,623.2	16,418.4	16,388.5	16,118.9
Currency and deposits	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	289.8	322.2	292.6	288.4	131.4	124.9	149.6	147.5	148.4	141.1
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	3,932.8	5,835.9	7,821.2	8,197.8	6,927.7	6,758.2	6,889.8	6,900.2	6,788.1	6,907.9
Short-term	540.4	1,415.7	446.8	923.8	1,324.2	1,145.6	1,249.5	1,237.0	1,237.4	1,269.6
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	216.8	1,314.0	343.2	765.2	1,068.3	927.0	1,024.1	1,009.4	1,009.9	1,032.5
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	323.6	101.6	103.6	158.6	255.9	218.6	225.5	227.6	227.5	237.1
Principal arrears	293.9	85.8	73.5	124.5	207.5	170.6	175.1	176.9	176.4	183.7
Interest arrears	29.7	15.8	30.1	34.2	48.4	48.0	50.3	50.7	51.0	53.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,392.5	4,420.2	7,374.4	7,274.0	5,603.6	5,612.6	5,640.2	5,663.2	5,550.7	5,638.2
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	3,374.5	4,414.7	7,373.4	7,271.0	5,600.0	5,609.1	5,637.4	5,660.4	5,547.9	5,635.5
Trade credits	18.0	5.5	1.0	3.0	3.6	3.5	2.8	2.8	2.8	2.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	33,720.8	40,590.0	45,244.3	46,483.4	45,733.7	45,925.3	46,626.5	46,115.5	45,949.1	45,580.9
o/w: Round tripping ^a	-	825.6	1,499.0	-	-	-	-	-	-	-

^a The rise in the external debt of the Republic of Croatia is attributed to the direct investment-related debt which comprises round-tripping transactions. A significant transaction, contributing to the removal of a round tripping component of direct investment, was recorded in December 2010. Nevertheless, the debt is presented in this table under heading 5 Direct investment. ^b The relevant comparable data as at 31 December 2007, reported in the Statistical Survey at the CNB website, should be used for the calculation of the external debt growth rate in 2008. ^c From January 2008 on, the data of non-financial enterprises are estimated on the basis of the data collected from the sample, and the comparable balance as at 31 December 2007 has been calculated by applying the same methodology. ^d The relevant comparable data as at 31 December 2008, reported in the Statistical Survey at the CNB website, should be used for the calculation of the external debt growth rate in 2009. ^e From January 2009 on, the data of non-banking financial institutions and non-financial enterprises are processed with the help of the new reporting system (INOK) which uses market interest rates to calculate the balance and the schedule of interest payments. The comparable balance as at 31 December 2008 has been calculated by applying the same methodology.

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

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

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

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

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

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

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

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

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

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

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

	2007 Dec. ^b	2008 Dec. ^{c,d}	2009 Dec. ^e	2010 Dec.	2011 Dec.	2012				
						Mar.*	Jun.*	Jul.*	Aug.*	Sep.
1 Public sector	9,986.7	10,852.7	12,820.6	14,364.3	14,076.2	14,034.1	14,709.4	14,724.0	14,760.1	14,520.2
Short-term	116.2	209.2	429.9	651.1	337.3	473.7	386.1	412.0	412.3	307.5
Money market instruments	43.7	24.6	170.3	468.3	157.9	274.8	266.0	241.1	213.3	185.8
Credits	35.4	164.1	215.6	108.6	103.7	135.8	78.1	128.4	157.0	75.5
Currency and deposits	2.3	2.3	1.1	1.2	0.1	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	34.7	18.2	42.9	73.1	75.7	63.2	42.0	42.6	42.0	46.2
Principal arrears	29.9	17.1	39.4	69.3	71.6	60.7	39.4	40.0	39.5	42.3
Interest arrears	4.8	1.1	3.6	3.8	4.1	2.5	2.6	2.6	2.6	4.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	9,868.8	10,641.8	12,207.3	13,346.4	13,522.1	13,557.3	14,320.5	14,309.2	14,345.0	14,210.0
Bonds	4,543.3	4,294.8	5,326.8	5,579.9	5,882.0	5,845.8	6,724.7	6,698.4	6,685.4	6,703.5
Credits	5,120.3	6,068.5	6,608.2	7,495.1	7,525.3	7,606.6	7,465.0	7,481.9	7,529.9	7,383.8
Currency and deposits	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	205.2	267.9	272.3	271.4	114.8	104.8	130.8	128.8	129.7	122.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	1.8	1.7	183.4	366.8	216.7	3.0	2.7	2.7	2.7	2.7
2 Publicly guaranteed private sector	139.9	80.3	9.2	5.4	2.7	4.8	4.8	4.7	4.7	3.4
Short-term	11.3	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	11.3	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	9.4	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	1.9	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	128.6	73.2	9.2	5.4	2.7	4.8	4.8	4.7	4.7	3.4
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	128.6	73.2	9.2	5.4	2.7	1.5	1.5	1.4	1.4	0.3
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	3.3	3.3	3.2	3.2	3.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3 Non-publicly guaranteed private sector	23,594.3	29,657.1	32,414.6	32,113.7	31,654.8	31,886.5	31,912.3	31,386.9	31,184.4	31,057.3
Short-term	3,763.3	4,564.9	4,180.2	4,436.3	4,878.1	4,881.4	4,716.9	4,723.4	4,813.1	4,489.6
Money market instruments	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Credits	1,356.4	1,641.6	1,268.9	1,340.6	823.1	828.3	994.2	1,079.7	1,174.2	1,090.2
Currency and deposits	1,648.8	2,670.3	2,283.9	2,073.0	3,060.6	2,938.1	2,621.7	2,472.8	2,425.6	2,139.4
Trade credits	31.1	39.5	28.2	30.9	34.2	48.3	49.6	52.5	50.8	151.8
Other debt liabilities	727.0	213.5	599.2	991.8	960.0	1,066.7	1,051.3	1,118.3	1,162.5	1,108.1
Principal arrears	645.4	150.2	484.4	824.3	790.3	889.7	878.1	944.0	983.6	932.2
Interest arrears	81.7	63.3	114.9	167.5	169.8	176.9	173.3	174.3	178.9	175.9
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	15,899.9	19,258.0	20,596.6	19,846.4	20,065.7	20,249.9	20,308.4	19,766.1	19,585.9	19,662.6
Bonds	628.8	585.5	324.4	332.2	432.6	459.8	719.0	726.1	733.6	766.2
Credits	12,691.4	16,162.4	16,209.2	15,104.9	15,272.1	15,129.9	14,865.7	14,582.2	14,478.8	14,326.5
Currency and deposits	2,493.9	2,455.0	4,042.7	4,384.9	4,314.4	4,614.9	4,681.1	4,415.2	4,330.9	4,525.4
Trade credits	85.8	55.0	20.3	24.3	46.6	45.3	42.6	42.6	42.6	44.4

	Gross external debt 30/9/2012	Imme-diate	Projected future principal payments												
			Q4/12		Q1/13	Q2/13	Q3/13	2012	2013	2014	2015	2016	2017	2018	Other
			Total ^a	o/w: Accrued interest ^a											
Long-term	7,986.7	0.0	793.6	54.3	230.9	375.2	291.6	793.6	1,536.8	2,047.6	551.3	704.2	1,181.2	171.5	1,000.6
Bonds	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0
Credits	3,460.6	0.0	183.7	13.8	30.8	175.0	87.5	183.7	575.7	941.2	396.8	350.9	909.2	24.7	78.5
Currency and deposits	4,525.4	0.0	609.9	40.5	200.1	200.1	204.1	609.9	961.1	1,106.4	154.5	353.3	271.4	146.8	922.1
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
4 Other sectors	19,638.0	1,153.4	2,165.9	417.7	702.4	1,745.1	626.8	2,165.9	3,923.6	2,188.2	1,643.5	1,655.8	1,642.4	895.8	4,369.5
Short-term	1,961.4	1,153.4	300.5	6.9	125.1	355.8	26.6	300.5	507.6	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	656.2	0.0	300.5	6.9	125.1	204.0	26.5	300.5	355.7	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	151.8	0.0	0.0	0.0	0.0	151.8	0.0	0.0	151.8	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1,153.4	1,153.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	973.7	973.7	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	179.7	179.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	17,676.6	0.0	1,865.4	410.8	577.2	1,389.2	600.2	1,865.4	3,416.0	2,188.2	1,643.5	1,655.8	1,642.4	895.8	4,369.5
Bonds	1,416.6	0.0	47.1	31.3	0.0	0.6	25.4	47.1	39.7	26.7	27.3	497.3	507.2	0.0	271.3
Credits	16,118.9	0.0	1,768.7	379.0	543.6	1,383.7	550.1	1,768.7	3,301.0	2,150.0	1,615.0	1,157.2	1,134.0	894.9	4,098.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	141.1	0.0	49.7	0.5	33.6	5.0	24.7	49.7	75.3	11.5	1.2	1.2	1.2	1.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5 Direct investment	6,907.9	237.1	1,631.5	279.5	321.8	698.9	250.6	1,631.5	1,569.5	814.0	341.5	422.1	251.0	131.9	1,509.1
Short-term	1,269.6	237.1	629.8	9.6	83.2	305.1	14.5	629.8	402.7	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	1,032.5	0.0	629.8	9.6	83.2	305.1	14.5	629.8	402.7	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	237.1	237.1	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	183.7	183.7	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	53.4	53.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,638.2	0.0	1,001.7	269.9	238.6	393.8	236.1	1,001.7	1,166.8	814.0	341.5	422.1	251.0	131.9	1,509.1
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	5,635.5	0.0	1,000.1	269.8	238.6	393.7	236.0	1,000.1	1,166.0	813.7	341.5	422.1	251.0	131.9	1,509.1
Trade credits	2.7	0.0	1.6	0.2	0.1	0.1	0.1	1.6	0.8	0.3	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	45,580.9	1,391.5	6,789.8	902.1	1,577.2	3,145.0	1,587.8	6,789.8	8,152.9	5,781.4	3,583.8	2,992.3	4,398.0	1,657.3	10,834.0
Supplement: Projected interest payments			201.2		231.7	317.5	260.2	201.2	1,118.7	1,047.7	881.1	775.9	620.8	484.3	2,022.3

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

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

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

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

Table H15 Gross external debt by other sectors

in million EUR

	2007 Dec. ^a	2008 Dec. ^{b,c}	2009 Dec. ^d	2010 Dec.	2011 Dec.	2012				
						Mar.*	Jun.*	Jul.*	Aug.*	Sep.
1 Other sectors	14,828.3	19,901.0	20,993.8	20,929.2	20,182.0	20,286.3	20,232.4	20,178.5	20,232.1	19,638.0
Short-term	1,478.2	925.3	1,346.7	1,613.5	1,485.5	1,642.1	1,791.7	1,985.7	2,055.3	1,961.4
Money market instruments	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Credits	681.0	652.9	677.7	519.1	415.7	464.0	649.8	773.2	800.8	656.2
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	31.1	39.5	28.2	30.9	34.2	48.3	49.6	52.5	50.8	151.8
Other debt liabilities	766.0	232.9	640.9	1,063.5	1,035.5	1,129.8	1,092.3	1,160.0	1,203.6	1,153.4
Principal arrears	683.4	170.4	523.6	892.8	861.8	950.4	916.7	983.3	1,022.3	973.7
Interest arrears	82.6	62.5	117.2	170.7	173.7	179.4	175.6	176.7	181.3	179.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	13,350.1	18,975.7	19,647.1	19,315.7	18,696.5	18,644.3	18,440.6	18,192.7	18,176.8	17,676.6
Bonds	1,293.4	1,251.6	1,665.8	1,590.1	1,386.2	1,422.1	1,667.9	1,626.8	1,639.9	1,416.6
Credits	11,766.9	17,401.9	17,688.7	17,437.1	17,178.8	17,097.2	16,623.2	16,418.4	16,388.5	16,118.9
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	289.8	322.2	292.6	288.4	131.4	124.9	149.6	147.5	148.4	141.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1 Other banking institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2 Non-banking financial institutions	3,922.0	4,949.7	5,396.1	4,633.0	4,068.1	4,045.2	4,084.0	4,038.3	4,133.6	3,784.9
Short-term	201.6	155.4	436.3	109.1	217.3	231.0	327.8	344.3	344.0	279.6
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	184.5	144.5	431.8	94.1	209.8	224.1	323.3	339.9	339.5	269.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	17.1	10.9	4.5	15.0	7.5	6.9	4.5	4.4	4.5	9.9
Principal arrears	2.9	4.2	1.3	11.6	3.4	2.9	1.2	1.2	1.2	5.0
Interest arrears	14.2	6.7	3.2	3.4	4.1	3.9	3.3	3.3	3.3	4.9
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,720.4	4,794.3	4,959.8	4,523.9	3,850.8	3,814.3	3,756.2	3,694.0	3,789.6	3,505.4
Bonds	806.7	791.5	1,014.7	936.4	636.8	640.5	623.6	589.7	592.6	333.9
Credits	2,913.7	3,992.3	3,945.1	3,587.5	3,213.9	3,173.8	3,132.7	3,104.3	3,197.1	3,171.5
Currency and deposits	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3 Public enterprises	2,031.6	3,985.5	5,214.0	5,778.2	5,400.3	5,376.9	4,901.0	4,963.2	4,936.0	4,732.0
Short-term	48.3	145.1	77.7	180.8	179.4	199.0	114.1	169.4	197.5	115.2
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	35.4	132.4	34.8	108.6	103.7	135.8	72.9	127.6	156.2	74.7
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	12.9	12.7	42.8	72.2	75.7	63.2	41.2	41.8	41.3	40.5

	2007 Dec. ^a	2008 Dec. ^{b,c}	2009 Dec. ^d	2010 Dec.	2011 Dec.	2012				
						Mar.*	Jun.*	Jul.*	Aug.*	Sep.
Principal arrears	12.5	11.8	39.3	68.6	71.6	60.7	38.7	39.3	38.7	38.0
Interest arrears	0.5	0.9	3.6	3.7	4.1	2.5	2.5	2.6	2.5	2.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,983.3	3,840.5	5,136.4	5,597.4	5,220.9	5,178.0	4,786.9	4,793.8	4,738.5	4,616.8
Bonds	330.4	341.3	335.6	330.4	318.7	322.9	326.3	312.0	314.5	317.3
Credits	1,470.2	3,254.7	4,528.5	4,995.6	4,787.4	4,750.2	4,329.8	4,353.0	4,294.3	4,176.8
Trade credits	182.7	244.5	272.3	271.4	114.8	104.8	130.8	128.8	129.7	122.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.4 Mixed enterprises	594.9	741.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	16.5	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	16.5	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	16.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.1	0.2	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	578.4	740.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	557.1	717.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	21.3	22.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.5 Other enterprises	8,113.0	9,958.6	10,103.8	10,303.5	10,495.9	10,649.0	11,032.8	10,955.3	10,941.0	10,901.9
Short-term	1,174.3	619.2	800.4	1,316.7	1,082.9	1,206.1	1,343.4	1,465.2	1,506.5	1,559.3
Money market instruments	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Credits	451.2	373.8	178.7	309.4	96.2	98.1	247.1	298.9	297.8	304.5
Trade credits	31.1	39.5	28.2	30.9	34.2	48.3	49.6	52.5	50.8	151.8
Other debt liabilities	692.0	205.9	593.5	976.4	952.3	1,059.7	1,046.6	1,113.7	1,157.9	1,103.0
Principal arrears	630.2	151.2	483.0	812.7	786.8	886.8	876.8	942.8	982.4	930.8
Interest arrears	61.8	54.7	110.5	163.7	165.5	172.9	169.8	170.9	175.5	172.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,938.8	9,339.3	9,303.5	8,986.8	9,413.0	9,442.9	9,689.4	9,490.2	9,434.5	9,342.6
Bonds	156.3	118.9	315.5	323.4	430.7	458.8	718.0	725.1	732.8	765.5
Credits	6,701.7	9,168.7	8,968.0	8,646.5	8,965.7	8,964.1	8,952.6	8,746.4	8,683.0	8,558.7
Trade credits	80.8	51.7	20.0	16.9	16.6	20.0	18.8	18.7	18.7	18.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.6 Non-profit institutions	5.4	3.8	3.6	2.6	4.8	7.2	8.0	8.4	8.5	8.6
1.7 Craftsmen and sole traders	24.1	17.1	11.5	7.2	5.2	4.9	4.6	11.1	11.2	10.9
1.8 Households	137.2	244.7	264.8	204.7	207.9	203.1	202.0	202.2	201.9	199.7

^a The relevant comparable data as at 31 December 2007, reported in the Statistical Survey at the CNB website, should be used for the calculation of the external debt growth rate in 2008. ^b From January 2008 on, the data of non-financial enterprises are estimated on the basis of the data collected from the sample, and the comparable balance as at 31 December 2007 has been calculated by applying the same methodology. ^c The relevant comparable data as at 31 December 2008, reported in the Statistical Survey at the CNB website, should be used for the calculation of the external debt growth rate in 2009. ^d From January 2009 on, the data of non-banking financial institutions and non-financial enterprises are processed with the help of the new reporting system (INOK) which uses market interest rates to calculate the balance and the schedule of interest payments. The comparable balance as at 31 December 2008 has been calculated by applying the same methodology.

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

in million EUR

	2007	2008	2009	2010	2011	2012		
						Q1 ^c	Q2 ^c	Q3 ^d
1 International investment position (net)	-40,178.9	-34,975.4	-39,032.3	-41,971.2	-40,245.1	-41,488.9	-40,454.6	-40,986.8
2 Assets	21,644.2	22,508.4	24,444.5	23,416.3	23,230.1	22,270.8	23,135.3	22,066.7
2.1 Direct investment abroad	2,580.3	3,750.4	4,556.3	3,283.5	3,517.7	3,197.8	3,344.8	3,064.5
2.2 Portfolio investment	3,250.9	2,646.0	3,219.2	3,562.3	2,894.4	2,822.8	2,984.5	3,111.4
2.2.1 Equity securities	1,745.5	656.7	804.9	1,255.5	1,213.5	1,324.6	1,309.8	1,238.7
2.2.2 Debt securities	1,505.4	1,989.3	2,414.3	2,306.8	1,680.9	1,498.2	1,674.7	1,872.7
Bonds	1,225.0	1,606.9	1,685.6	1,420.2	1,068.4	896.6	1,138.1	1,312.1
Money market instruments	280.4	382.4	728.7	886.6	612.5	601.6	536.6	560.6
2.3 Financial derivatives	0.0	0.0	24.1	16.5	16.2	85.9	127.5	121.1
2.4 Other investment	6,505.6	6,991.2	6,269.1	5,893.7	5,607.0	4,824.3	5,043.4	4,462.8
2.4.1 Trade credits	248.9	224.7	123.6	80.5	85.7	84.5	83.9	91.4
2.4.2 Loans	296.4	435.9	384.5	480.0	490.0	472.7	487.7	524.7
2.4.3 Currency and deposits	5,960.3	6,330.5	5,760.9	5,333.1	5,031.3	4,267.0	4,471.7	3,846.6
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)	9,307.4	9,120.9	10,375.8	10,660.2	11,194.8	11,340.0	11,635.2	11,307.0
3 Liabilities	61,823.1	57,483.8	63,476.8	65,387.5	63,475.2	63,759.7	63,589.9	63,053.5
3.1 Direct investment in Croatia	30,611.5	22,190.9	25,344.0	26,166.3	23,879.9	23,819.4	23,129.4	23,650.2
3.2 Portfolio investment	6,639.5	5,443.7	6,479.1	7,118.5	7,068.3	7,172.2	8,284.1	8,230.0
3.2.1 Equity securities	1,522.3	613.8	657.6	738.0	595.7	591.8	574.3	574.5
3.2.2 Debt securities	5,117.1	4,829.9	5,821.5	6,380.5	6,472.7	6,580.4	7,709.8	7,655.5
Bonds	5,073.5	4,805.3	5,651.2	5,912.1	6,314.6	6,305.6	7,443.7	7,469.7
Money market instruments	43.7	24.6	170.3	468.3	158.1	274.8	266.1	185.8
3.3 Financial derivatives	-	-	-	197.5	193.6	181.4	149.5	155.8
3.4 Other investment	24,572.1	29,849.2	31,601.6	31,905.2	32,333.3	32,586.7	32,027.0	31,017.5
3.4.1 Trade credits	337.8	367.5	344.4	370.2	217.0	223.9	225.5	314.1
3.4.2 Loans	20,088.8	24,343.4	24,929.1	25,075.4	24,741.0	24,809.6	24,498.5	24,038.5
3.4.3 Currency and deposits	4,145.5	5,138.3	6,328.1	6,459.5	7,375.3	7,553.2	7,303.0	6,665.0
3.4.4 Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

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

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

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

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

funds at book value method).

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

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

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

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

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

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

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

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

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

	2007	2008	2009	2010	2011	2012		
						Q1 ^b	Q2 ^b	Q3 ^c
Direct investment (net)	-28,031.2	-18,440.6	-20,787.7	-22,882.8	-20,362.2	-20,621.6	-19,784.6	-20,585.7
1 Abroad	2,580.3	3,750.4	4,556.3	3,283.5	3,517.7	3,197.8	3,344.8	3,064.5
1.1 Equity capital and reinvested earnings	2,479.3	3,560.6	4,463.1	3,042.4	3,051.7	2,945.6	3,106.7	2,762.1
1.1.1 Claims	2,479.3	3,560.6	4,463.1	3,042.4	3,051.7	2,945.6	3,106.7	2,762.1
1.1.2 Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2 Other capital	101.0	189.7	93.2	241.1	466.0	252.1	238.1	302.4
1.1.1 Claims	175.4	220.2	217.0	608.7	641.5	440.3	424.6	484.3
1.2.2 Liabilities	74.4	30.5	123.8	367.6	175.5	188.2	186.4	181.9
1.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 In Croatia	30,611.5	22,190.9	25,344.0	26,166.3	23,879.9	23,819.4	23,129.4	23,650.2
2.1 Equity capital and reinvested earnings	26,777.2	16,409.8	17,699.5	18,404.5	17,178.4	17,286.5	16,465.8	16,963.3
2.1.1 Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Liabilities	26,777.2	16,409.8	17,699.5	18,404.5	17,178.4	17,286.5	16,465.8	16,963.3
2.2 Other capital	3,834.3	5,781.1	7,644.5	7,761.9	6,701.6	6,532.9	6,663.6	6,686.9
2.2.1 Claims	24.2	24.3	52.9	68.3	50.7	37.2	39.8	39.1
2.2.2 Liabilities	3,858.5	5,805.4	7,697.4	7,830.2	6,752.3	6,570.0	6,703.3	6,725.9
2.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

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

	2007	2008	2009	2010	2011	2011		
						Q1 ^b	Q2 ^b	Q3 ^c
Portfolio investment (net)	-3,388.6	-2,797.7	-3,259.9	-3,556.1	-4,173.9	-4,349.4	-5,299.6	-5,118.6
1 Assets	3,250.9	2,646.0	3,219.2	3,562.3	2,894.4	2,822.8	2,984.5	3,111.4
1.1 Equity securities	1,745.5	656.7	804.9	1,255.5	1,213.5	1,324.6	1,309.8	1,238.7
1.1.1 Banks	8.3	11.6	13.7	11.1	15.6	16.8	11.3	8.6
1.1.2 Other sectors	1,737.2	645.1	791.2	1,244.5	1,197.9	1,307.8	1,298.5	1,230.1
1.2 Debt securities	1,505.4	1,989.3	2,414.3	2,306.8	1,680.9	1,498.2	1,674.7	1,872.7
2 Liabilities	6,639.5	5,443.7	6,479.1	7,118.5	7,068.3	7,172.2	8,284.1	8,230.0
2.1 Equity securities	1,522.3	613.8	657.6	738.0	595.7	591.8	574.3	574.5
2.1.1 Banks	164.7	66.5	62.4	56.8	44.6	46.5	39.3	34.7
2.1.2 Other sectors	1,357.6	547.3	595.2	681.2	551.0	545.3	535.1	539.8
2.2 Debt securities	5,117.1	4,829.9	5,821.5	6,380.5	6,472.7	6,580.4	7,709.8	7,655.5
2.2.1 Bonds	5,073.5	4,805.3	5,651.2	5,912.1	6,314.6	6,305.6	7,443.7	7,469.7
2.2.1.1 General government	3,406.2	3,162.1	3,976.4	4,313.1	4,926.5	4,882.5	5,774.8	6,052.3
2.2.1.2 Banks	459.0	456.8	9.0	8.9	1.9	1.0	1.0	0.7
2.2.1.3 Other sectors	1,208.3	1,186.4	1,665.8	1,590.1	1,386.2	1,422.1	1,667.9	1,416.6
2.2.2 Money market instruments	43.7	24.6	170.3	468.3	158.1	274.8	266.1	185.8
2.2.2.1 General government	43.7	24.6	170.3	468.3	157.9	274.8	266.0	185.8
2.2.2.2 Other sectors	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0

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

Table H19 International investment position – other investment^a

in million EUR

	2007	2008	2009	2010	2011	2012		
						Q1 ^b	Q2 ^b	Q3 ^c
Other investment (net)	-18,066.5	-22,858.0	-25,332.5	-26,011.5	-26,726.3	-27,762.4	-26,983.6	-26,554.8
1 Assets	6,505.6	6,991.2	6,269.1	5,893.7	5,607.0	4,824.3	5,043.4	4,462.8
1.1 Trade credits	248.9	224.7	123.6	80.5	85.7	84.5	83.9	91.4
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	248.9	224.7	123.6	80.5	85.7	84.5	83.9	91.4
Long-term	228.8	202.6	96.3	61.4	58.3	56.6	56.5	56.0
Short-term	20.1	22.1	27.3	19.2	27.4	27.9	27.4	35.4
1.2 Loans	296.4	435.9	384.5	480.0	490.0	472.7	487.7	524.7
1.2.1 Croatian National Bank	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Long-term	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
1.2.2 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.3 Banks	214.8	285.3	270.1	340.4	344.7	316.2	326.0	365.5
Long-term	160.0	193.6	233.7	286.3	310.1	272.5	266.7	265.7
Short-term	54.8	91.7	36.5	54.2	34.6	43.7	59.3	99.8
1.2.4 Other sectors	81.1	150.0	113.8	139.0	144.6	155.9	161.1	158.6
Long-term	81.0	146.8	113.6	101.3	140.0	139.0	150.8	146.0
Short-term	0.1	3.3	0.2	37.7	4.6	17.0	10.3	12.6
1.3 Currency and deposits	5,960.3	6,330.5	5,760.9	5,333.1	5,031.3	4,267.0	4,471.7	3,846.6
1.3.1 General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2 Banks	4,715.1	4,863.6	4,442.9	4,060.1	3,565.6	2,845.6	2,955.7	3,829.6
1.3.3 Other sectors	1,245.2	1,466.9	1,318.0	1,273.0	1,465.7	1,421.5	1,516.0	17.0
1.4 Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Liabilities	24,572.1	29,849.2	31,601.6	31,905.2	32,333.3	32,586.7	32,027.0	31,017.5
2.1 Trade credits	337.8	367.5	344.4	370.2	217.0	223.9	225.5	314.1
2.1.1 General government	1.2	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1.2	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2 Other sectors	336.6	366.7	344.4	370.2	217.0	223.9	225.5	314.1
Long-term	305.5	327.2	316.2	339.3	182.8	175.6	175.9	162.2
Short-term	31.1	39.5	28.2	30.9	34.2	48.3	49.6	151.8
2.2 Loans	20,088.8	24,343.4	24,929.1	25,075.4	24,741.0	24,809.6	24,498.5	24,038.5
2.2.1 Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 General government	2,613.7	1,574.6	1,592.7	1,820.8	1,911.6	1,973.9	2,185.0	2,161.8
Long-term	2,613.7	1,542.9	1,592.7	1,820.8	1,911.6	1,973.9	2,179.9	2,161.1
Short-term	0.0	31.7	0.0	0.0	0.0	0.0	5.2	0.8
2.2.3 Banks	4,276.8	4,496.7	4,352.8	4,285.8	4,250.8	4,195.5	3,974.5	3,969.4
Long-term	3,565.2	3,374.7	3,545.3	3,355.7	3,739.7	3,695.4	3,557.1	3,460.6
Short-term	711.7	1,122.0	807.5	930.1	511.1	500.0	417.4	508.8
2.2.4 Other sectors	13,198.2	18,272.0	18,983.6	18,968.9	18,578.6	18,640.3	18,339.0	17,907.3
Long-term	12,371.2	17,589.5	18,244.9	18,360.2	18,064.1	18,063.5	17,568.9	17,135.3
Short-term	827.1	682.5	738.7	608.6	514.5	576.8	770.0	772.0
2.3 Currency and deposits	4,145.5	5,138.3	6,328.1	6,459.5	7,375.3	7,553.2	7,303.0	6,665.0
2.3.1 Croatian National Bank	2.3	2.3	1.1	1.2	0.1	0.0	0.0	0.0
2.3.2 Banks	4,143.2	5,125.5	6,327.0	6,458.4	7,375.3	7,553.2	7,303.0	6,665.0
2.3.3 Other sectors	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0
2.4 Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

	2007	2008	2009	2010	2011	2012			
						Mar.	Jun.	Sep.	Oct.
3.3 CHANGE IN NET INCURRENCE OF LIABILITIES	560.6	5,654.1	17,432.0	17,248.4	15,040.2	308.1	-3,094.6	-791.4	931.7
3.3.1 Domestic	2,017.1	6,795.7	10,130.2	12,892.5	6,448.4	315.3	-2,911.3	-736.3	689.6
A) Budgetary central government	1,477.6	5,656.6	9,576.6	11,835.1	4,793.1	303.2	-3,070.1	-752.5	205.7
B) Extrabudgetary users	539.5	1,139.1	553.6	1,057.4	1,655.3	12.2	158.7	16.2	483.9
3.3.2 Foreign	-1,456.5	-1,141.7	7,301.8	4,355.9	8,591.8	-7.2	-183.2	-55.1	242.1
A) Budgetary central government	-2,980.2	-1,445.8	6,878.4	4,277.0	8,597.2	4.8	-146.1	-42.8	254.1
B) Extrabudgetary users	1,523.7	304.1	423.4	79.0	-5.4	-12.1	-37.1	-12.3	-12.0

^a CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards.

^b The Croatian Privatisation Fund (CPF) ceased to operate on 31 March 2011. The Agency for Management of the Public Property (AUDIO) started to operate on 1 April 2011 and is composed of the CPF and the Central State Administrative Office for State Property Management (the former budget user).

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

Source: MoF.

Table I2 Budgetary central government operations^a

in million HRK

	2007	2008	2009	2010	2011	2012			
						Mar.	Jun.	Sep.	Oct.
1 REVENUE	108,320.6	115,772.7	110,257.9	107,466.4	107,069.7	8,703.8	8,576.2	8,456.5	10,240.7
1.1 Taxes	64,234.5	69,572.7	63,678.9	62,856.6	61,422.2	4,593.9	4,942.9	4,907.1	6,600.7
1.2 Social contributions	37,203.5	40,703.5	39,994.7	38,712.4	38,605.1	3,144.5	3,123.4	3,072.7	3,051.9
1.3 Grants	428.0	468.6	616.3	637.1	869.0	56.9	73.7	61.9	109.2
1.4 Other revenue	6,454.5	5,027.8	5,968.0	5,260.3	6,173.4	908.6	436.2	414.8	478.8
2 EXPENSE	108,007.6	115,292.4	117,924.0	120,323.3	119,939.5	11,188.4	9,341.2	9,670.5	9,565.4
2.1 Compensation of employees	27,545.1	29,948.5	31,289.3	31,096.5	31,737.4	2,602.6	2,608.8	2,587.2	2,557.5
2.2 Use of goods and services	7,162.4	8,113.7	7,363.8	7,655.7	7,943.6	710.9	579.8	437.4	732.1
2.3 Consumption of fixed capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4 Interest	4,535.0	4,683.2	5,225.2	6,236.5	7,097.6	1,291.0	343.3	1,269.0	354.9
2.5 Subsidies	6,492.0	6,859.5	6,710.0	6,582.2	6,555.3	790.2	318.7	176.9	298.2
2.6 Grants	8,363.2	5,783.1	5,559.6	5,778.6	5,083.7	484.3	336.6	356.1	438.9
2.7 Social benefits	48,176.0	52,593.2	56,148.5	56,906.6	56,483.0	4,798.1	4,729.7	4,548.7	4,722.8
2.8 Other expense	5,733.9	7,311.2	5,627.6	6,067.3	5,039.1	511.2	424.2	295.1	461.0
3 CHANGE IN NET WORTH: TRANSACTIONS	313.0	480.2	-7,666.0	-12,857.0	-12,869.8	-2,484.5	-765.0	-1,214.0	675.3
3.1 Change in net acquisition of non-financial assets	2,545.2	2,988.1	1,963.4	1,232.4	1,139.0	18.2	46.8	51.0	89.2
3.1.1 Fixed assets	2,625.7	2,719.5	1,839.7	1,200.4	1,118.7	18.6	38.6	51.9	87.9
3.1.2 Inventories	-161.4	79.4	35.4	11.0	2.5	0.0	3.4	-3.8	0.0
3.1.3 Valuables	9.6	10.1	8.9	6.1	3.7	0.0	1.3	0.5	0.0
3.1.4 Non-produced assets	71.3	179.1	79.3	14.9	14.0	-0.4	3.5	2.4	1.3
3.2 Change in net acquisition of financial assets	-3,734.8	1,702.9	6,825.5	2,022.7	-618.4	-2,194.8	-4,028.0	-2,060.4	1,045.9
3.2.1 Domestic	-3,752.8	1,690.5	6,823.2	2,022.3	-623.8	-2,195.7	-4,028.0	-2,060.4	1,045.9
3.2.2 Foreign	18.0	12.4	2.3	0.4	5.3	1.0	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	-1,502.6	4,210.8	16,455.0	16,112.0	13,390.4	308.0	-3,216.2	-795.4	459.8
3.3.1 Domestic	1,477.6	5,656.6	9,576.6	11,835.1	4,793.1	303.2	-3,070.1	-752.5	205.7
3.3.2 Foreign	-2,980.2	-1,445.8	6,878.4	4,277.0	8,597.2	4.8	-146.1	-42.8	254.1

^a CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards.

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

Source: MoF.

Table I3 Central government debt^a
end of period, in million HRK

	2007 Dec.*	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012				
						Mar.	Jun.*	Jul.*	Aug.*	Sep.
1 Domestic debt of central government	58,281.8	64,041.1	74,241.4	87,556.8	101,512.3	108,018.3	108,879.3	113,426.9	112,689.8	109,364.9
1.1 Domestic debt of the Republic of Croatia	51,924.0	61,006.1	70,447.0	82,952.1	95,720.8	102,217.1	102,943.9	107,607.0	106,861.1	103,536.6
Treasury bills	11,420.6	14,260.3	17,558.3	16,886.5	18,990.4	18,079.3	18,218.9	18,201.9	17,165.6	17,009.4
Money market instruments	–	10.7	19.3	20.5	20.6	326.2	288.7	290.2	289.9	290.0
Bonds	34,634.4	35,531.3	36,586.8	48,862.5	56,191.2	61,722.2	60,935.8	65,656.3	65,674.7	63,066.4
Credits from the CNB	1.0	2.2	2.9	0.3	0.8	–	–	–	0.1	–
Credits from banks	5,867.9	11,201.5	16,279.8	17,182.3	20,517.7	22,089.4	23,500.6	23,458.6	23,730.8	23,170.8
1.2 Domestic debt of central government funds	6,357.8	3,035.0	3,794.4	4,604.7	5,791.5	5,801.2	5,935.4	5,820.0	5,828.7	5,828.3
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	–	–	–	–	–	–	–	–	–	–
Credits from banks	6,357.8	3,035.0	3,794.4	4,604.7	5,791.5	5,801.2	5,935.4	5,820.0	5,828.7	5,828.3
2 External debt of central government	44,092.3	34,445.5	41,527.8	48,433.6	52,457.4	53,334.8	61,579.4	61,574.4	60,914.3	62,407.9
2.1 External debt of the Republic of Croatia	34,091.6	32,619.4	39,812.5	46,445.4	50,365.2	50,923.6	59,216.2	59,224.9	58,578.2	60,092.7
Money market instruments	320.0	180.3	1,244.3	3,458.6	1,189.2	2,062.7	1,997.9	1,812.5	1,595.2	1,383.9
Bonds	24,844.4	22,991.6	28,884.2	31,684.5	36,962.4	36,517.9	43,234.6	43,448.5	43,082.4	44,956.0
Credits	8,927.3	9,447.4	9,684.1	11,302.3	12,213.6	12,342.9	13,983.7	13,963.9	13,900.6	13,752.8
2.2 External debt of central government funds	10,000.7	1,826.1	1,715.3	1,988.2	2,092.2	2,411.1	2,363.2	2,349.5	2,336.1	2,315.2
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	–	–	–	–	–	–	–	–	–	–
Credits	10,000.7	1,826.1	1,715.3	1,988.2	2,092.2	2,411.1	2,363.2	2,349.5	2,336.1	2,315.2
3 Total (1+2)	102,374.2	98,486.6	115,769.2	135,990.4	153,969.6	161,353.1	170,458.6	175,001.3	173,604.1	171,772.7
Supplement: Central government guaranteed debt										
– guarantees for domestic debt	8,110.6	13,299.2	15,692.5	20,052.8	22,149.3	22,030.9	20,097.0	20,038.3	19,821.5	19,704.0
– guarantees for external debt	18,925.2	31,371.9	35,275.2	39,333.9	37,720.6	37,838.4	36,495.5	36,208.6	36,937.4	34,800.7

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

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

The central government debt comprises the domestic and external debt.

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

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

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

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

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

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

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

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

J Non-financial statistics – selected data

Table J1 Consumer price and producer price indices

Year	Month	Basic indices, 2005 = 100			Chain indices				Monthly year-on-year indices			
		Consumer price indices			Consumer price indices ^a			Producer prices	Consumer price indices ^b			Producer prices
		Total	Goods	Services	Total	Goods	Services		Total	Goods	Services	
1998	December	82.1	84.6	73.7	100.3	100.4	100.0	100.0	105.4	104.3	109.2	97.9
1999	December	85.3	87.2	78.5	100.6	100.8	100.0	100.3	103.9	103.1	106.5	105.9
2000	December	90.0	92.0	82.8	100.4	100.4	100.1	100.2	105.5	105.5	105.5	111.2
2001	December	92.1	93.2	88.5	100.4	100.4	100.5	99.0	102.4	101.3	106.8	96.9
2002	December	93.8	94.2	92.6	100.4	100.6	99.6	99.9	101.8	101.1	104.6	102.3
2003	December	95.4	95.7	94.6	100.3	100.2	100.5	100.0	101.7	101.6	102.2	101.0
2004	December	98.0	98.0	98.0	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	December	101.6	101.4	102.0	100.5	100.5	100.5	99.7	103.6	103.5	104.1	102.7
2006	December	103.7	102.8	106.4	100.0	100.0	100.2	100.0	102.0	101.4	104.2	101.9
2007	December	109.7	109.5	110.0	101.2	101.2	101.3	100.4	105.8	106.6	103.4	105.9
2008	December	112.8	112.2	114.7	99.4	99.1	100.5	98.7	102.9	102.4	104.3	104.3
2009	December	114.9	114.5	117.3	99.4	99.3	100.2	100.0	101.9	101.3	103.9	101.6
2010	December	117.1	117.1	117.6	100.0	100.1	99.9	101.0	101.8	102.2	100.3	105.7
2011	December	119.5	120.6	116.4	99.6	99.6	99.6	99.8	102.1	103.0	98.9	105.8
2012	January	119.1	120.0	116.3	99.6	99.5	99.9	100.9	101.2	101.8	98.7	105.9
	February	119.8	120.9	116.4	100.6	100.7	100.1	102.0	101.3	102.0	98.6	106.3
	March	121.6	122.8	117.8	101.5	101.6	101.2	100.6	102.0	102.6	99.9	106.2
	April	122.6	124.0	118.0	100.8	101.0	100.2	100.6	102.6	103.3	99.9	106.2
	May	124.6	126.5	118.7	101.7	102.0	100.6	101.5	103.9	104.9	100.7	107.2
	June	123.9	125.3	119.4	99.4	99.1	100.6	99.6	103.8	104.7	100.5	107.0
	July	122.7	123.6	119.8	99.0	98.7	100.3	100.1	103.4	104.2	100.0	106.9
	August	123.3	124.4	119.9	100.5	100.6	100.1	101.5	104.0	104.9	100.5	107.8
	September	125.0	126.8	119.2	101.4	101.9	99.4	101.0	105.0	105.9	101.6	108.9
	October	125.6	127.4	119.6	100.4	100.5	100.3	100.1	104.8	105.6	102.2	108.4
	November	125.3	127.3	119.1	99.8	99.9	99.6	98.8	104.4	105.1	101.8	106.6

^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: CBS.

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

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

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

Table J2 Core consumer price indices

Year	Month	Basic indices, 2005 = 100			Chain indices			Year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1998	December	87.3	88.6	80.0	99.9	99.9	100.0	....	....	....
1999	December	89.8	91.1	82.3	100.1	100.1	100.1	102.9	102.9	103.0
2000	December	92.8	93.9	86.5	100.4	100.4	100.2	103.3	103.0	105.0
2001	December	93.9	94.6	89.8	99.8	99.7	100.3	101.2	100.8	103.8
2002	December	95.0	95.6	91.9	100.0	100.1	99.4	101.2	101.0	102.4
2003	December	96.2	96.4	94.7	100.2	100.1	101.0	101.2	100.9	103.0
2004	December	98.4	98.5	97.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	December	101.3	101.4	101.0	100.1	100.0	100.5	103.0	102.9	103.7
2006	December	103.6	103.6	103.6	99.8	99.7	100.3	102.3	102.2	102.5
2007	December	108.8	109.1	107.2	100.8	100.8	100.4	105.0	105.3	103.5
2008	December	113.3	113.5	112.5	99.4	99.3	100.2	104.2	104.0	105.0
2009	December	113.6	113.3	115.2	98.8	98.6	100.2	100.2	99.8	102.4
2010	December	113.7	113.4	114.9	99.1	99.0	99.7	100.1	100.1	99.8
2011	December	117.0	117.2	116.1	99.5	99.4	100.1	102.9	103.3	101.1
2012	January	115.9	115.8	116.2	99.1	98.8	100.1	102.0	102.2	100.9
	February	115.6	115.4	116.4	99.7	99.7	100.2	101.3	101.4	100.8
	March	116.9	116.8	117.2	101.1	101.2	100.7	101.6	101.6	101.6
	April	118.0	118.1	117.6	101.0	101.1	100.3	102.3	102.4	101.8
	May	118.7	118.7	118.7	100.6	100.5	100.9	102.1	102.1	102.0
	June	118.5	118.2	119.5	99.8	99.6	100.7	102.0	102.0	101.5
	July	117.5	116.9	120.3	99.2	98.8	100.7	101.5	101.6	100.4
	August	117.3	116.6	120.6	99.8	99.8	100.2	101.5	101.6	100.4
	September	118.6	118.3	119.6	101.0	101.5	99.2	101.9	101.8	102.2
	October	118.6	118.3	119.6	101.0	101.5	99.2	101.9	101.8	102.2
	November	120.0	119.9	120.3	101.2	101.3	100.6	102.3	102.1	103.5

Source: CBS.

Table J3 Average monthly net wages
in current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	December	3,839.0	98.0	107.2	105.0
2003	December	4,045.0	99.8	105.4	105.9
2004	December	4,312.0	99.1	106.6	105.9
2005	December	4,473.0	97.3	103.7	104.9
2006	December	4,735.0	97.0	105.9	105.2
2007	December	4,958.0	96.6	104.7	105.2
2008	December	5,410.0	100.3	109.1	107.0
2009	December	5,362.0	99.6	99.1	102.6
2010	December	5,450.0	97.6	101.7	100.6
2011	December	5,493.0	95.9	100.8	101.8
2012	February	5,363.0	98.2	102.3	102.3
	March	5,499.0	102.5	100.3	101.6
	April	5,403.0	98.3	100.1	101.3
	May	5,529.0	102.3	101.9	101.4
	June	5,492.0	99.3	99.9	101.1
	July	5,424.0	98.8	101.1	101.1
	August	5,541.0	102.2	100.5	101.0
	September	5,366.0	96.8	99.4	100.9

Source: CBS.

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

Year	Month	Composite indices			Response indices (I)						
		Consumer confidence index	Consumer expectations index	Consumer sentiment index	I1	I2	I3	I4	I7	I8	I11
1999	October	-33.7	-14.9	-46.3	-38.4	-12.1	-49.9	-17.6	35.5	-50.7	-69.7
2000	October	-20.9	3.5	-32.2	-26.2	1.2	-22.0	5.7	26.9	-48.3	-63.6
2001	October	-27.0	-11.4	-35.6	-29.6	-10.0	-35.9	-12.7	22.9	-41.3	-62.3
2002	October	-25.2	-8.3	-29.3	-22.6	-5.1	-31.2	-11.5	20.1	-34.1	-64.0
2003	October	-22.2	-4.5	-25.0	-21.5	-2.6	-26.5	-6.4	14.7	-27.1	-65.2
2004	October	-23.9	-7.9	-22.0	-19.1	-4.1	-30.5	-11.6	22.5	-16.5	-57.3
2005	December	-26.4	-13.7	-25.6	-16.4	-5.9	-34.4	-21.5	27.6	-25.9	-50.6
2006	December	-18.9	-4.7	-15.4	-10.9	1.1	-22.4	-10.5	16.9	-12.9	-49.4
2007	December	-24.7	-15.5	-24.5	-16.8	-9.8	-31.8	-21.2	12.8	-25.0	-54.8
2008	December	-42.0	-33.3	-40.9	-30.7	-25.9	-51.8	-40.6	43.4	-40.3	-57.9
2009	December	-46.8	-32.7	-47.6	-35.7	-22.6	-64.5	-42.8	63.9	-42.5	-58.0
2010	December	-42.9	-30.6	-48.7	-40.7	-21.7	-65.9	-39.4	55.7	-39.4	-54.8
2011	December	-23.6	-8.9	-43.1	-31.6	-5.5	-56.5	-12.3	25.0	-41.2	-51.4
2012	January	-21.8	-5.9	-39.1	-26.8	-2.8	-54.7	-9.0	25.0	-35.7	-50.2
	February	-33.2	-15.3	-39.3	-30.4	-11.2	-56.5	-19.3	47.1	-31.1	-55.3
	March	-37.6	-23.5	-43.9	-33.6	-16.3	-58.1	-30.7	47.4	-39.9	-56.1
	April	-40.6	-26.5	-48.9	-38.2	-18.3	-63.4	-34.7	49.2	-45.2	-60.2
	May	-42.2	-29.8	-53.6	-42.2	-21.4	-65.9	-38.2	46.8	-52.8	-62.4
	June	-40.3	-26.3	-51.3	-39.2	-18.5	-64.9	-34.0	47.6	-49.7	-61.0
	July	-39.7	-25.5	-46.3	-35.7	-16.2	-62.0	-34.8	47.8	-41.2	-60.0
	August	-44.5	-31.5	-47.0	-40.1	-23.4	-63.3	-39.5	55.3	-37.7	-59.7
	September	-45.1	-32.1	-48.8	-41.4	-23.6	-64.1	-40.6	59.0	-40.8	-57.1
	October	-46.9	-31.0	-48.7	-41.8	-23.9	-60.8	-38.1	61.2	-43.6	-64.3
	November	-47.4	-35.3	-50.3	-39.9	-26.9	-67.6	-43.6	59.7	-43.3	-59.5

Sources: Ipsos Puls and CNB.

Table J4 Consumer confidence index, consumer expectations index and consumer sentiment index • The 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 survey was conducted once a quarter (in January, April, July and October). As of May 2005, the survey is carried out in monthly frequency in cooperation with the European Commission, using its technical and financial assistance.

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

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

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

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

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

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

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

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

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

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

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

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

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

The components of composite indices are as follows:

CCI: I2, I4, I7×(-1), I11

CEI: I2, I4

CSI: I1, I3, I8.

List of banks and savings banks

1 December 2012

Authorised banks

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

Authorised savings banks

- 1 Tesla  tedna banka d.d., Zagreb

Authorised housing savings banks

- 1 HPB – Stambena  tedionica d.d., Zagreb
- 2 PBZ stambena  tedionica d.d., Zagreb
- 3 Prva stambena  tedionica d.d., Zagreb
- 4 Raiffeisen stambena  tedionica d.d., Zagreb
- 5 W stenrot stambena  tedionica d.d., Zagreb

Other institutions

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

Representative offices of foreign banks

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

Banks and savings banks undergoing bankruptcy proceedings

Name of bank/savings bank	Date of bankruptcy proceedings opening
1 Agroobrtnička banka d.d., Zagreb	14/6/2000
2 Alpe Jadran banka d.d., Split	15/5/2002
3 Cibale banka d.d., Vinkovci	20/10/2000
4 Credo banka d.d., Split	16/1/2012
5 Glumina banka d.d., Zagreb	30/4/1999
6 Gradska banka d.d., Osijek	3/5/1999
7 Hrvatska gospodarska banka d.d., Zagreb	19/4/2000
8 Ilirija banka d.d., Zagreb	6/4/1999
9 Komercijalna banka d.d., Zagreb	30/4/1999
10 Međimurska �tedionica d.d., �akovec	17/3/2004
11 Trgovačko-turistička banka d.d., Split	8.9/2000
12 �upanjska banka d.d., �upanja	3/5/1999

Banks and savings banks undergoing winding-up proceedings

Name of bank/savings bank	Date of winding-up proceedings initiation
1 Investicijsko-komercijalna �tedionica d.d., Zagreb	31/5/2000
2 Križevačka banka d.d., Križevci	3/1/2005
3 Obrtnička �tedna banka d.d., Zagreb	22/12/2010
4 Primus banka d.d., Zagreb	23/12/2004
5 �tedionica Dora d.d., Zagreb	1/1/2002
6 �tedionica Zlatni vrutak d.d., Zagreb	28/12/2001

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

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

Management of the Croatian National Bank

1 December 2012

Members of the Council of the Croatian National Bank

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

Management of the CNB

Governor	Boris Vujčić
Deputy Governor	Relja Martić
Vicegovernor	Vedran Šošić
Vicegovernor	Damir Odak
Vicegovernor	Adolf Matejka
Vicegovernor	Tomislav Presečan

Executive directors

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

Abbreviations and symbols

Abbreviations

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

Three-letter currency codes

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

Two-letter country codes

BG	– Bulgaria
CZ	– Czech R.
EE	– Estonia
HR	– Croatia
HU	– Hungary
LV	– Latvia
LT	– Lithuania
PL	– Poland
RO	– Romania
SK	– Slovak R.
SI	– Slovenia

Symbols

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



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