

Bulletin 121

year xi • december 2006 quarterly report



CROATIAN NATIONAL BANK

Croatian National Bank
BULLETIN

PUBLISHER Croatian National Bank
Publishing Department
Trg hrvatskih velikana 3, 10002 Zagreb
Phone: 385-1-4564-555
Contact phone: 385-1-4565-006
Fax: 385-1-4564-687

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

BULLETIN EDITORIAL BOARD

EDITOR-IN-CHIEF Ljubinko Jankov
Igor Jemrić
Vanja Jelić
Ružica Vuger

QUARTERLY REPORT EDITORIAL BOARD

EDITOR-IN-CHIEF Boris Vujčić
Ljubinko Jankov
Evan Kraft
Vanja Jelić

EDITOR Romana Sinković

TECHNICAL EDITOR Gordana Bauk
Božidar Bengez
Slavko Križnjak

TRANSLATION Tina Antonini
Sandra Papac
Vlatka Pirš
Ankica Zerec

ASSOCIATE Ines Merkl

PRINTED BY Kratis d.o.o.

Release dates are disseminated on the advance release calendar posted for Croatia on the IMF's DSBB (<http://dsbb.imf.org>).

Those using data from this publication are requested to cite the source.

Any additional corrections that might be required will be made in the web site version.

Printed in 600 copies

ISSN 1331-6028

Croatian National Bank

BULLETIN

Zagreb, 2006

General Information on Croatia

Economic Indicators

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538
Population (million)	4.494	4.572	4.501	4.554	4.381	4.437	4.443	4.442	4.439	4.442
GDP (million HRK, current prices)	107,981	123,811	137,604	141,579	152,519	165,639	181,231	198,422	212,827	229,031
GDP (million EUR, current prices) ^a	15,869	17,790	19,274	18,673	19,977	22,171	24,468	26,232	28,393	30,950
GDP per capita (in EUR)	3,531	3,891	4,282	4,100	4,560	4,997	5,507	5,905	6,396	6,968
GDP – year-on-year rate of growth (in %, constant prices)	5.9	6.8	2.5	-0.9	2.9	4.4	5.6	5.3	3.8	4.3
Average year-on-year inflation rate ^b	3.5	3.6	5.7	4.0	4.6	3.8	1.7	1.8	2.1	3.3
Current account balance (million EUR) ^c	-755	-2,192	-1,305	-1,312	-47	-818	-2,095	-1,866	-1,404	-1,994*
Current account balance (as % of GDP)	-4.8	-12.3	-6.8	-7.0	-2.4	-3.7	-8.6	-7.1	-4.9	-6.4
Exports of goods and services (as % of GDP) ^c	38.7	40.3	39.8	40.9	47.1	48.7	45.5	50.1	50.1	49.3
Imports of goods and services (as % of GDP) ^c	48.0	56.8	49.1	49.3	52.3	54.6	56.4	57.9	57.0	56.5
Outstanding external debt (million EUR, end of year) ^d	4,284	6,761	9,173	10,101	12,109	13,458	15,055	19,811	22,781	25,541
Outstanding external debt (as % of GDP)	27.0	38.0	47.6	54.1	60.6	60.7	61.5	75.5	80.2	82.5
Outstanding external debt (as % of exports of goods and services)	69.8	94.4	119.4	132.2	128.7	124.6	135.3	150.8	160.0	167.3
External debt service (as % of exports of goods and services) ^{d,e}	9.0	9.8	12.3	21.1	23.6	26.2	27.4	20.1	21.3	24.1
Gross international reserves (million EUR, end of year)	1,868	2,304	2,400	3,013	3,783	5,334	5,651	6,554	6,436	7,438
Gross international reserves (in terms of months of imports of goods and services, end of year)	2.9	2.7	3.0	3.9	4.3	5.3	4.9	5.2	4.8	5.1
National currency: Croatian kuna (HRK)										
Exchange rate on 31 December (HRK : 1 EUR)	6.8636	6.9472	7.3291	7.6790	7.5983	7.3700	7.4423	7.6469	7.6712	7.3756
Exchange rate on 31 December (HRK : 1 USD)	5.5396	6.3031	6.2475	7.6477	8.1553	8.3560	7.1457	6.1185	5.6369	6.2336
Average exchange rate (HRK : 1 EUR)	6.8047	6.9597	7,1392	7,5821	7,6348	7,4710	7,4070	7,5642	7,4957	7,4000
Average exchange rate (HRK : 1 USD)	5.4338	6.1571	6,3623	7,1237	8,2802	8,3392	7,8725	6,7044	6,0312	5,9500
Consolidated central government balance (as % of GDP) ^f	....	....	....	-6.5	-7.1	-6.7	-4.5	-4.6	-4.6	-3.4
Unemployment rate (ILO, persons above 15 years of age) ^g	10.0	9.9	11.4	13.6	16.1	15.8	14.8	14.3	13.8	12.7
Employment rate (ILO, persons above 15 years of age) ^g	50.6	49.3	47.0	44.8	42.6	41.8	43.3	43.1	43.5	43.3

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

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

^c Preliminary data.

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

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

^f On a cash basis.

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

Sources: CBS, MoF and CNB.

Contents

Quarterly Report

Introduction / 3

Demand / 6

Foreign Demand / 7

Domestic Demand / 8

Personal Consumption / 8

Investment Consumption / 9

Government Consumption / 10

Output / 10

Industry / 11

Trade / 12

Construction / 12

Hotels and Restaurants / 12

Transport and Communications / 13

Labour Market / 13

Unemployment and Employment / 14

Employment / 15

Wages and Labour Costs / 15

Prices / 16

Box 1: Short-Term Forecasting of Inflation in Croatia with Seasonal ARIMA Processes / 19

Exchange Rate / 21

Monetary Policy and Instruments / 22

Monetary Environment / 22

Uses of Instruments of Monetary Policy / 23

Reserve Money and International Reserves / 25

Monetary Developments / 25

Total Liquid Assets / 26

Money / 26

Non-Monetary Deposits / 26

Placements / 27

Placements to the Central Government / 28

Foreign Assets and Liabilities / 29

Box 2: Developments in the Prices of Dwellings in Croatia as Measured by a New Hedonistic Index of Real Estate Prices Calculated in the CNB / 29

Money Market / 31

Money Market Interest Rates / 31

Interest Rates on the Short-Term Security Market / 32

Bank Interest Rates / 32

Capital Market / 34

Equity Securities Market / 35

Debt Securities Market / 36

International Transactions / 38

Current Account / 38

Merchandise Trade / 40

Capital and Financial Transactions / 42

External Debt / 43

International Liquidity / 44

Box 3: Foreign Borrowing with Leading Banks in the Region / 45

Government Finance / 47

Fiscal Policy Features in the Third Quarter 2006 / 47

Consolidated General Government Revenues / 47

Consolidated General Government Expenditures / 47

Operating Balance, Transactions in Non-Financial Assets and Transactions in Financial Assets and Liabilities / 48

Consolidated General Government Balance on a Cash Basis / 49

Government Debt / 49

Domestic General Government Debt / 50

External General Government Debt / 50

Box 4: Expiry of the Stand-By Arrangement with the IMF / 51

Statistical Survey

A. Monetary and Credit Aggregates

Table A1: Monetary and Credit Aggregates / 48

B. Monetary Institutions

Table B1: Monetary Survey / 49

Table B2: Number of Reporting Banks and Savings Banks and their Classification by Total Assets / 50

C. Monetary Authorities

Table C1: Monetary Authorities Accounts / 51

D. Banks

Table D1: Banks' Accounts / 53

Table D2: Banks' Foreign Assets / 54

Table D3: Banks' Claims on the Central Government and Funds / 55

Table D4: Banks' Claims on Other Domestic Sectors / 55

Table D5: Distribution of Banks' Loans by Domestic Institutional Sectors / 56

Table D6: Demand Deposits with Banks / 56

Table D7: Time and Savings Deposits with Banks / 57

Table D8: Foreign Currency Deposits with Banks / 57

Table D9: Bonds and Money Market Instruments / 58

Table D10: Banks' Foreign Liabilities / 58

Table D11: Central Government and Funds' Deposits with Banks / 59

Table D12: Restricted and Blocked Deposits with Banks / 59

Graph D1: Distribution of Banks' Loans by Domestic Institutional Sectors / 60

Graph D2: Distribution of Banks' Deposits by Domestic Institutional Sectors / 60

E. Housing Savings Banks

Table E1: Housing Savings Banks' Accounts / 61

F. Monetary Policy Instruments and Liquidity

Table F1: Credit Rates of the Croatian National Bank / 62

Table F2: Deposit Rates of the Croatian National Bank / 63

Table F3: Banks' Reserve Requirements / 64

Table F4: Banks' Liquidity Indicators / 65

G. Financial Markets

Table G1: Banks' Interest Rates on Kuna Credits Not Indexed to Foreign Currency / 66

Table G2: Banks' Interest Rates on Kuna Credits Indexed to Foreign Currency and on Credits in Euros / 67

Table G3: Banks' Interest Rates on Kuna Deposits Not Indexed to Foreign Currency / 68

Table G4a: Banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits / 69

Table G4b: Banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits / 70

Table G5: Banks' Trade with Foreign Exchange / 71

H. International Economic Relations

Table H1: Balance of Payments – Summary / 72

Table H2: Balance of Payments – Goods and Services / 73

Table H3: Balance of Payments – Income and Current Transfers / 74

Table H4: Balance of Payments – Direct and Portfolio Investments / 75

Table H5: Balance of Payments – Other Investment / 76

Table H6: Balance of Payments – Summary / 77

Table H7: International Reserves and Banks' Foreign Exchange Reserves / 78

Table H8: International Reserves and Foreign Currency Liquidity / 79

Table H9: Midpoint Exchange Rates of the Croatian National Bank (period average) / 81

Table H10: Midpoint Exchange Rates of the Croatian National Bank (end of period) / 81

Table H11: Indices of the Effective Exchange Rate of the Kuna / 82

Table H12: Gross External Debt by Domestic Sectors / 83

Table H13: Public Sector Gross External Debt, and Publicly Guaranteed and Non-Publicly Guaranteed Private Sector Gross External Debt / 85

Table H14: Gross External Debt by Domestic Sectors and Projected Future Payments / 86

Table H15: International Investment Position – Summary / 88

Table H16: International Investment Position – Direct Investment / 89

Table H17: International Investment Position – Portfolio Investment / 89

Table H18: International Investment Position – Other Investment / 90

I. Government Finance

Table I1: Consolidated Central Government / 91

Table I2: Budgetary Central Government Operations / 92

Table I3: Central Government Debt / 93

J. Non-Financial Statistics

Table J1: Consumer Price and Producer Price Indices / 94

Table J2: Core Consumer Price Indices / 95

Table J3: Average Monthly Net Wages / 95

Table J4: Consumer Confidence Index, Consumer Expectations Index and Consumer Sentiment Index / 96

List of Banks and Savings Banks / 97

Management of the Croatian National Bank / 98

List of Abbreviations and Symbols / 99

Quarterly Report

Introduction

Real GDP grew by 4.8% in the first half of 2006. Monthly data for the third quarter points to continuing solid growth. Growth in industrial production perked up after a weak second quarter, and both retail trade and construction also turned in strong results. The latter indicators especially suggest strong domestic demand.

In the first half of 2006, investment in fixed capital made a larger contribution to growth than personal consumption, 3.7 percentage points versus 1.9. High levels of domestic production of intermediate and capital goods, and decreased inventories of capital goods, suggest strong investment in the third quarter as well. In addition, strong performance was registered in mining and extraction and in construction. Government capital outlays were also high in the third quarter, growing 6.7% year-on-year, and banks' housing loans rose at an annual rate of 35.8%.

Personal consumption growth seems to have strengthened somewhat in the third quarter, as evidenced by retail trade data. A slight pick-up in real net wages paid, along with roughly unchanged employment levels and continued high growth rates of household loans (16.3% year-on-year excluding housing loans) provide hints of increased personal consumption demand. Importantly, the first instalment of the "pensioners' debt" was paid in July, and this can be expected to have provided a significant impetus to personal consumption.

After a long period of declining, government consumption has recently started to grow faster. The 1.7% year-on-year increase in government consumption achieved in the second quarter was the highest in three years. Government consumption most likely slowed somewhat in the third quarter, as compensation of employees and employers social benefits, including bonuses paid for early retirement, slowed. But employment growth rose slightly to 0.7%, so that the overall contribution of government consumption to GDP is expected to be positive in the third quarter.

Growth among Croatia's main trading partners has been strong of late, although some key partners, including the eurozone as a whole, experienced slower growth in the second quarter. However, stable rates of growth are expected to continue in the eurozone in the third and fourth quarters. In line with this, Croatia's goods exports accelerated slightly in the third quarter, rising from 10.1% in the second quarter to 10.8% in the third quarter. In the same period, goods import growth surged from 8.0% to 12.3%. This will be somewhat compensated by seasonally strong tourism revenues in the third quarter, so that the contribution of external demand to GDP may well be positive. However, should the strengthening of import demand continue, in part as a result of rapid economic growth, Croatia's current account deficit will likely increase.

On the production side, growth in real gross value added in industry, which was 5.9% in the first quarter and 1.1% in the second quarter, seems to be rebounding, as evidenced by the third-quarter growth of industrial production volume (5.8%). Growth speeded up in all the subcategories of in-

dustry. Real growth in retail trade picked up to 2.2% year-on-year in the third quarter after falling 0.5% in the second quarter. In particular, automobile sales increased strongly, as did sales in non-specialised stores with food (supermarkets) and sales of motor fuels and lubricants.

Total volume of construction works grew at 9.2% year-on-year in the first two months of the third quarter, up from an already high 8.2% in the second quarter. Growth in tourist arrivals and night stays slowed dramatically in the third quarter, with night-stays growing only 1.7% year-on-year and arrivals 1.9%. Within this, two interesting trends are worth noting: first, a substantial acceleration in night-stays and arrivals of domestic tourists, and second, an increase in individually organised, as opposed to package, tourism.

Although economic growth remained rapid during the third quarter and the beginning of the fourth quarter, employment from the register slowed down in October after growing strongly in the summer months. Annual seasonally adjusted data show a continued downward trend in registered unemployment, observed since early 2005. However, registered unemployment declined at a somewhat slower pace in the third quarter compared with the second quarter. Registered unemployment stood at 289 900, seasonally adjusted, at end-October 2006, down 10 800 or 3.5% from end-October 2005.

According to the latest Labour Force Survey data, the unemployment rate stood at 11.8% in the first half of 2006, 1.3 percentage points below the rate for the first half of 2005. Troublingly, this decrease in unemployment was accompanied by a decrease in the activity rate, from an already low 49.6% in 2005 to only 48.3% in the first half of 2006, and a decrease in the employment rate from 43.3% to 42.6% in the same period.

The preliminary CBS data and the data on the number of persons insured with the CPIA point to further growth in total employment. The annual rate of growth in total employment, according to the preliminary CBS data, stood at 0.7% in the third quarter, the same as in the second quarter.

Real gross wage growth accelerated mildly in the third quarter, rising to 2.3% from 2.2% in the second quarter. Owing to tax progression, average real net wages went up 1.5%, rising at a lower rate than average real gross wages. Average real gross wages in industry rose to 3.9% in the third quarter from 3.0% in the second quarter. However, labour productivity growth in industry amounted to some 6.7% in the third quarter, indicating lower unit labour costs and muted wage-related inflationary pressures.

In fact, consumer price inflation fell substantially from 3.4% in August to 2.8% in September and only 2.1% in October. Decreased prices of agricultural products (down 0.9 percentage points) and decreased regulated prices (down 0.7 percentage points in the same period) were the main drivers of the inflation deceleration. The drop in the year-on-year rate of change of agricultural product prices was due to a price decrease in agricultural products in September and October this year and favourable base effects from the price rise in agricultural products caused by unfavourable weather conditions in the same two months in 2005. Similarly, the decrease in the year-on-year rate of growth of

regulated price inflation was due partly to the fall in the year-on-year of growth of refined petroleum products prices, brought about by their decrease on monthly basis and strong growth in the autumn of 2005, and partly to the expiration of the effects of last year's increases in electric energy and health care prices.

Core inflation decelerated before consumer price inflation, falling from 2.7% in June to only 2.2% in July and August. However, core inflation moved upwards to 2.7% in September, and remained at this level in October. Increases in clothing and footwear prices, and increased automobile prices, were the main factors behind the uptick in core inflation in September and October. Increased clothing and footwear prices seem to be connected to more expensive than usual fall-winter fashion collections. Increases in automobile prices partly reflect increased world market prices for steel, which may be more long-lasting. However, an economic slowdown in the US could conceivably temper this source of inflation as well.

Average world market oil prices fell 19.4% from 71.8 USD a barrel in August to only 57.9 USD a barrel in October. This resulted in a 5.6% decrease in fuel and lubricant prices in Croatia over the same period, and an 8.7% decrease in heating oil prices. However, imported inflation pressures remained rather strong; the annual growth rate of the HWWA index of raw materials prices (excluding energy) actually rose from 31.4% in August to 33.2% in October. Non-ferrous metals, iron ores and unprocessed food products were the main culprits for this. Non-ferrous metal prices rose to 74.0% year-on-year in October, on the back of strong import demand from China.

Producer price inflation also eased, falling from 3.1% in August to 2.0% in September and 1.5% in October. The year-on-year rate of change of energy price fell from 5.8% in August to 1.0% in October. The year-on-year rate of change of producer prices of final products remained low, with durable goods growing 1.0% and non-durables 2.1%.

In addition to moderate nominal wage increases and strong labour productivity growth in industry, exchange rate stability contributed to keeping inflation low in the beginning of the fourth quarter. During October, the main euro-kuna exchange rate depreciated to HRK 7.42/EUR on 17 October, but then began to appreciate. By 15 November, the rate had reached 7.32.

The appreciation in October was in part due to major inflows caused by the buyout of the Pliva pharmaceutical company by the American pharmaceutical Barr. To minimise possible disruption caused by the Pliva transaction, the central bank, in cooperation with the Central Depository Agency, the Zagreb Stock Exchange and banks involved in the transaction, arranged for the whole transaction related to Barr's share purchase to be carried out in a single day, 24 October. To this end, the central bank bought some EUR 208.9m in bilateral transaction on 23 October, and bought another EUR 68.8m from banks in an auction on 26 October.

Even this was not enough, and on 9 November the central bank purchased another EUR 217.4m. Then, in addition to considerable Pliva related capital inflows, some capital in-

flows were also created by raising banks' capital. Further, anticipation of a government bond to be offered in November has also contributed to appreciation pressures. Overall, due to the large effects of the Pliva transaction, and especially considerable uncertainties during the takeover process, exchange rate volatility was a relatively high 0.12% in September, falling moderately to 0.10% in October and 0.08% in the first 15 days of November. By way of comparison, exchange rate volatility had been as low as 0.04% in June.

In addition to appreciation against the euro, the kuna appreciated against the US dollar by 2.1% in the first half of the fourth quarter. The kuna also appreciated against the Swiss franc by 1.2%, against the pound sterling by 0.6% and against the Slovenian tolar by 0.9%. This resulted in a 1.2% appreciation of the index of the daily nominal effective exchange rate in the period.

During 2006, the index of the real effective exchange rate also appreciated, increasing 1.2% from the beginning of the year to the end of September deflated by consumer prices, and 0.6% deflated by producer prices. The index of the average nominal effective exchange rate of the kuna appreciated by 2.0% in the said period, mostly because of a sharp nominal appreciation of the kuna versus the US dollar. The difference between the appreciation rates points to a slower growth of domestic prices relative to foreign prices. However, the gap between consumer price inflation in Croatia and in the eurozone narrowed substantially in October to only 0.5 percentage points from 1.1 percentage points in September (2.1% in Croatia vs. 1.6% in the eurozone).

The broadest monetary aggregate, M4, grew rapidly in the third quarter and beginning of the fourth quarter. At the end of October, M4 growth had accelerated to some 18.4% year-on-year. In part, this reflects strong growth of the narrow money supply, M1, whose growth reached 22.6% year-on-year in October. Within M1, enterprise deposits have grown especially strongly, indicating good liquidity conditions in the real sector. In addition, currency in circulation grew at a solid 16.1%.

Although increasing slightly, interest rates on overnight loans moved between 1% and 3% in the third quarter of 2006 thanks to ample kuna liquidity. The stock of T-bills fell slightly during the same quarter, with the reduction in banks' needs for additional funds at reverse repo auctions contributing to further decline in their level.

M1 growth certainly reflects the relatively large amounts of money creation by the central bank through purchases of foreign exchange. In the first two months of the fourth quarter, the central bank purchased some EUR 747m, thereby creating HRK 5.5bn. These interventions have been aimed at resisting strong appreciation pressures. At the same time, commercial banks have worked hard to increase time deposit growth, since foreign borrowing has become less attractive due to the increases in the marginal reserve requirement imposed by the central bank at the end of 2005. Deposit interest rates trended upwards throughout the most of the third quarter, while only interest rates on foreign currency deposits remained at their June level. These efforts appear to have borne fruit, as kuna non-monetary deposits

grew at an annual rate of 66.8% in October.

However, the central bank's efforts to close the loophole in its foreign exchange liquidity requirement that allowed banks to treat kuna deposits indexed to the exchange rate as purely domestic currency claims resulted in a dramatic shift in the growth rates of kuna and foreign currency deposits in October. Whereas kuna deposits with indexation had been growing much more rapidly than "true" foreign currency deposits until the regulatory change, in October the annual rate of growth of foreign currency deposits jumped from -1.9% to 0.6%, while that of kuna deposits of households (the main component of total kuna deposits) fell from 70.6% to 65.5%, and the volume of household kuna deposits fell some HRK 0.4bn.

In addition to increased efforts to attract deposits through marketing campaigns and improved interest rates and contractual terms, banks have also attempted to fund their credit expansion plans by raising capital. But even though banks have managed to increase deposit growth and, in some cases, to expand their capital bases, they have still felt a need to increase foreign borrowing in the fourth quarter. After falling from May to September, banks' foreign liabilities grew HRK 2.3bn in October, registering an annual growth rate of 11.9%.

The central bank's measures to control foreign borrowing are motivated not only by the imperative to limit the country's external debt and thus its external vulnerability, but also by the desire to slow down rapid credit growth. Unfortunately, there are very few signs of slower credit growth. The annual growth rate of overall bank lending to the non-banking sector was 22.5%, adjusting for exchange rate changes, at the end of October, slightly down from 23.4% in September. Growth rates of both loans to enterprises and loans to households have continued to be strong, and the third-quarter decrease in banks' interest rates on short-term corporate and household loans not indexed to foreign currency indicates that intensive marketing campaigns of banks will continue. In contrast to the second quarter of 2006, there was an increase in interest rates on long-term loans indexed to foreign currency. This increase may indirectly be attributed to the trend of increased borrowing of the best-performing enterprises on the capital markets. Specifically, the last-year period was marked by an increase in financing through the issuance of short-term and long-term securities, including the issuance of two series of three-year corporate bonds in the total nominal value of HRK 195m and with the average yield of about 7.4% and eight commercial papers in the total nominal value of HRK 270m in the third quarter and October. Trading in equity securities also intensified in the reference period, with the indices of both Croatian stock exchanges reaching their historical levels in the third quarter of 2006.

Strong credit growth has supported high levels of economic activity, and thus contributed to an upswing in import growth during the year. Despite more intense goods exports, this has led to a further deterioration of foreign trade balance in the third quarter. Net exports of services, which are predominantly determined by the movements in revenues from services rendered in tourism, increased at the same time and

the negative balance in the factor income account was reduced. Accordingly, a surplus in the balance of payments current account stood at EUR 2.2bn in the third quarter of 2006, 2.7% less than in the same period of the previous year.

Deterioration in foreign trade balance in the third quarter of 2006 was largely affected by a continued relatively strong growth of the value of imports of energy products, primarily oil and refined petroleum products, despite the fact that prices of crude oil have stabilised in the world markets. Furthermore, imports of road vehicles and capital goods grew additionally. Exports also recorded a relatively large growth, primarily due to increased exports of energy and ships.

Revenues from tourism rose only slightly in the third quarter of 2006 compared to the same period last year (1.9%). Their rise can be attributed to an increased number of arrivals of foreign tourists, which was not at the same time accompanied by a similar movement in their average spending. A negative balance in the factor income account was reduced in the third quarter of 2006, as a result of a significant growth in income from compensation of employees and a rise in income earned by the CNB on the basis of investments of reserve assets abroad. On the other hand, net expenses on the basis of direct equity investments slightly increased.

As regards the movements in the financial account in the third quarter of 2006, a strong capital outflow was recorded in the account of transactions based on other investment, as a result of a strong growth in foreign assets, along with a pronounced reduction in liabilities, primarily of the banking sector. On the other hand, there was an inflow of capital based on portfolio investment, which is mainly a consequence of increase in liabilities, arising from equity investments (purchase of Pliva shares and EBRD investment in share capital of Agrokor). Capital inflow arising from net foreign direct investments has not changed significantly compared to the same period of the previous year, with the recapitalisation of individual banks in foreign ownership being the dominant transactions under the foreign direct investment heading.

In the third quarter of 2006, a seasonal reduction in total external debt occurred, especially due to a decrease in debt of banks, which used larger inflow of foreign currencies in the summer months for servicing their foreign liabilities. In September and October, external debt continued to grow, reaching EUR 27.7bn at end-October 2006, or EUR 2.1bn more than at end-2005. Debt growth in September can mostly be accounted for by a rise in debt of enterprises, together with investments in enterprises, while commercial banks and enterprises contributed most to a debt growth in October. Domestic enterprises made the largest contribution to external debt growth in the first ten months of 2006 and their borrowing intensity has not subsided.

Liquidity in international payments, measured by the index of exchange market pressure, remained within the limits which did not indicate possible external liquidity problems. The kuna exchange rate depreciation in the summer months and a decreased level of international reserves contributed to an increase in the index value, which was the highest in September. The index value fell in October as a result of the exchange rate appreciation and growth in international re-

serves, but it still remained within the critical limits.

Regarding fiscal developments, consolidated general government revenues went up strongly in the first nine months of the year, growing 10% on the same period last year. Value-added tax revenues were up 9%, and income tax revenues 11.3%. The latter figure roughly coincides with growth in average gross wages and growth in the number of insured persons covered by the CPIA. Profit tax revenues rose strongly, while excises rose more modestly.

Expenditure growth of the consolidated general government was rather lower than revenue growth, 5.4%. Social benefits, compensation of employees and the use of goods and services prevailed in the expenditure structure. There was also a strong annual growth in subsidies. The latter deserves special mention, because Croatia will need to decrease the volume of subsidies and harmonise their form with EU norms in the process of EU accession. Interest expenditures rose 3.7%. Importantly, interest expenses rose 5.9%, with interest expenses on domestic debt trending upwards and those on foreign debt trending downwards. These interest expense developments were a reflection of the government's policy to reorient its borrowing to the domestic market.

The net operational balance of consolidated general government was HRK 4.4bn in the January-September period of 2006, almost five times last year's figure. Nonetheless, this was too small to cover capital expenditures, and the net borrowing of consolidated general government increased by HRK 1.6bn. Acquisition of non-financial assets amounted to HRK 6.7bn, of which 80% went to buildings and other structures, including residential buildings, office buildings, schools, hospitals, highways, roads, bridges, tunnels, railways, harbours and dams.

High revenues and almost unchanged investment activity implied a decrease in borrowing requirements. Consolidated general government liabilities increased HRK 1.8bn in the reference period. Domestic liabilities increased by HRK 5.4bn, while foreign liabilities decreased by HRK 3.6bn.

The consolidated general government deficit, shown on a cash basis in accordance with GFS 1986, was HRK 3.15bn in the first nine months of 2006. Of this, HRK 1.44bn was accounted for by the budgetary central government, HRK 1.63bn by extrabudgetary users and HRK 80.8m by local and regional self-government units. General government debt rose by HRK 2.4bn to HRK 103.7bn. The increase was far smaller than last year's increase of HRK 7.8bn in the same period. In addition to a decreased gap between current revenues and expenditures of the budgetary central government, the decrease in debt also reflects the effect of the appreciation of the kuna/US dollar exchange rate.

Government guarantees amounted to HRK 13.7bn at the end of September, up HRK 1.3bn over the end of 2005. Domestic guarantees accounted for HRK 6.7bn, or 49.0% of the total.

Domestic debt of the general government was HRK 61.9bn at end-September, HRK 5.8bn more than at the end of 2005. Among debt instruments, use of bonds (the second tranche of a 10-year bond was issued in March with a value of HRK 2bn, and a 7-year bond with a value of HRK 2.5bn

was floated in July) and loans (a syndicated loan of EUR 400m from domestic banks) increased, while the quantity of outstanding T-bills fell.

Over the same period, external debt of the general government fell to HRK 41.9bn, a HRK 3.5bn decrease. This includes the repayment of Samurai bonds in February and eurobonds in March, amounting to an equivalent of HRK 3.5bn. Also, repayments were made on both the Series A and Series B London Club bonds, with the Series B bonds fully retired as of July 2006. Foreign borrowing of Croatian Roads, Croatian Motorways and Croatian Waters helped increase the external debt of central government funds by HRK 212m, while local government decreased its external debt by HRK 88.3m. The Croatian Bank for Reconstruction and Development (CBRD) increased its borrowing by HRK 0.3bn, reaching a total of HRK 7.4bn at the end of September. All of the CBRD's new borrowing came from abroad.

At the end, it should be noted that the reduction in the deficit achieved this year relies to a great extent on rapid revenue growth, which is a result of rapid overall economic growth. Continued improvements in Croatia's fiscal situation will likely require restraining expenditure, since the rapid growth rates of revenues cannot be counted on to continue in the future.

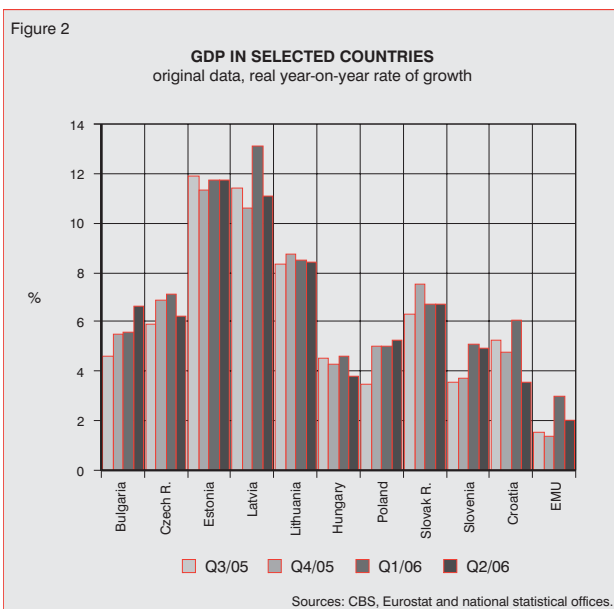
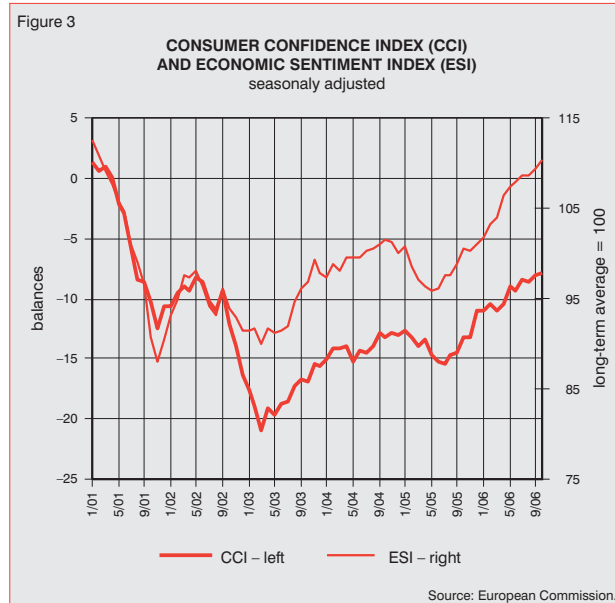
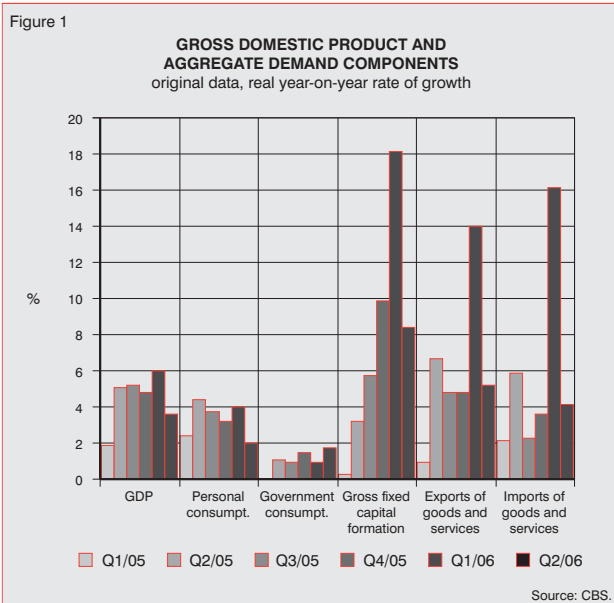
Demand

A strong acceleration of economic growth over the first quarter of 2006 was followed by its slowdown in the second quarter. Real GDP grew at an annual rate of 4.8% in the first six months of the year, while the GDP growth rate achieved a year before, i.e. in the first half of 2005, stood at 3.5%. The sharpest changes in the sources of GDP growth in 2006, compared with the previous year, were observed in final consumption, with the largest contribution to total growth made by gross fixed capital formation (3.7 percentage points) and not by personal consumption (1.9 percentage points) which had been the largest source of GDP growth by then. The negative contribution of net foreign demand to overall real GDP growth was stronger in the first half of 2006 (–2.2 percentage points) compared with the same period in 2005 (–0.8 percentage points).

Monthly economic activity indicators for the third quarter of 2006 point to a continuation of favourable trends in the real sector and an acceleration in the annual GDP growth at constant prices over the period.¹ The acceleration of the annual industrial production growth over the third quarter (observed in all industrial groupings) was paralleled with a recovery of retail trade turnover and favourable movements in construction, which corroborated the strengthening of domestic demand.

A slowdown in goods and services exports over the second quarter was partly induced by lower aggregate demand in most Croatia's trading partners during this period.²

¹ According to the CBS Calendar of Statistical Data Issues in 2006, the quarterly GDP estimate for the third quarter of 2006 will be available on 29 December 2006.



Slower economic growth in the observed period was reported by all countries, with the exception of Estonia and Slovakia (the Slovakian economy grew at a rate of 6.7% in the second quarter, the same as early in the year, while Estonia's GDP growth remained at the rate of 11.7%, the same as in the first and second quarters of 2006), as well as Poland and Bulgaria, whose economic growth rates accelerated to 5.3% and 6.6% respectively in the second quarter. In the eurozone, real growth rates dropped from 3.0% to 2.0% in the first and second quarters respectively (according to original data).

The latest Eurostat's flash estimate of GDP growth in the third quarter of 2006 suggests a continuation of a mild annual economic slowdown in real terms in eurozone countries, according to seasonally adjusted data, to 2.6% annually (from 2.7% in the second quarter). According to the Eu-

ropean Commission's latest short-term forecasts for the fourth quarter of 2006 and the first quarter of 2007, economic activity in the eurozone is expected to rise within a range between 0.2% and 0.7% over the fourth quarter of 2006 and between 0.0% and 0.5% in the first quarter of 2007 (seasonally adjusted data). These forecasts imply a continuation of stable annual growth in eurozone countries by end-2006 and a possible slowdown in early 2007.

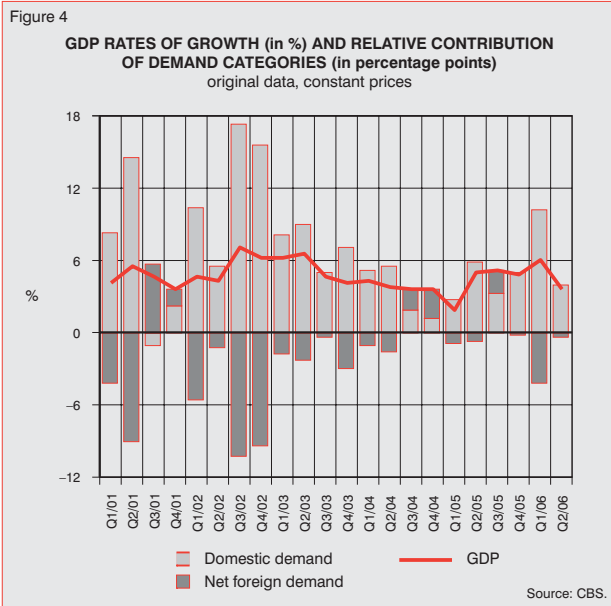
The Economic Sentiment Index in eurozone countries rose almost continuously over the last year, except in August, when it declined mildly. In October, it reached a record high since early 2001. The trend in this composite index reflects an upturn in business optimism in industry, services and retail trade sectors, and its mild decline in construction. Consumer optimism remained almost unchanged in October relative to September.

Foreign Demand

The weakening of domestic and foreign demand during the second quarter of 2006 resulted in a slowdown in foreign trade in that period, with the growth of real goods and services exports still slightly exceeding the growth of their imports. However, given the total import/export coverage rate of only slightly above 70.0% (which is usually higher than 100% only in the third quarter of a year, due to seasonal factors) the negative contribution of goods and services imports outdid the positive contribution of the exports. As a result, the contribution of net foreign demand to real GDP growth remained negative in the second quarter. However, this negative contribution was considerably smaller than in the first quarter (-0.4 percentage points relative to -4.1 percentage point early in the year).

The nominal CBS data on merchandise trade (seasonally adjusted kuna amounts) suggest a mild acceleration of annual goods exports to 10.8% in the third quarter (from 10.1% in the second quarter), mainly owing to stronger annual growth of investment goods and energy exports. The annual growth in goods imports also accelerated to 12.3%

2 As data on foreign economic trends are subject to revisions, the real rates of change presented in CNB quarterly reports do not necessarily match.



(from 8.0% in the second quarter), due to a rise in investment goods and energy imports. Such developments reflect the uptick in domestic demand over the observed period, which further worsened external imbalance. In addition to this, the available monthly volume indices of tourism performance suggest a significant decline in the annual growth of gross value added in hotels and restaurants over the third quarter, which will reduce the contribution of services exports to GDP formation.

Domestic Demand

As expected, all domestic demand components (except government consumption) grew slower during the second quarter than early in 2006. The growth in the most important aggregate demand component, i.e. personal consumption, slowed down from 4.0% in the first quarter to 2.1% in the second quarter. At the same time, the contribution of the annual growth of gross capital formation to domestic de-

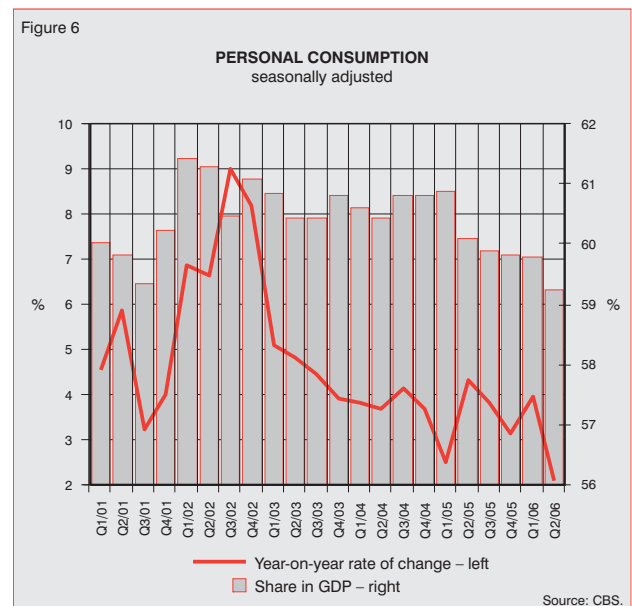
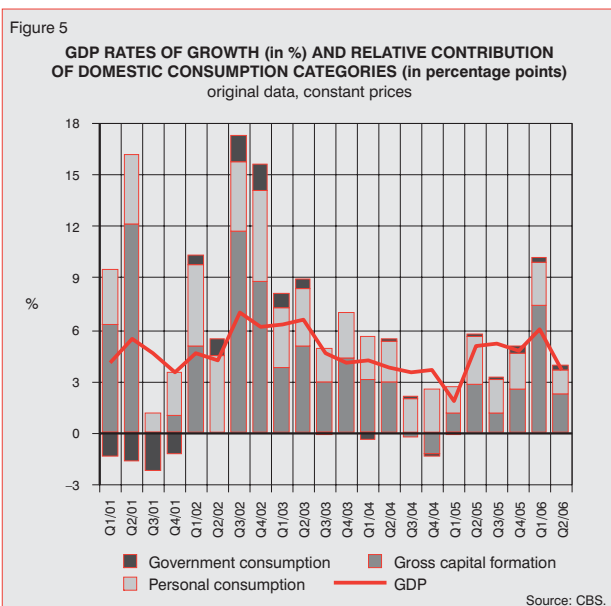
mand fell from 7.5 percentage points in the first quarter to 2.3 percentage points in the second quarter.

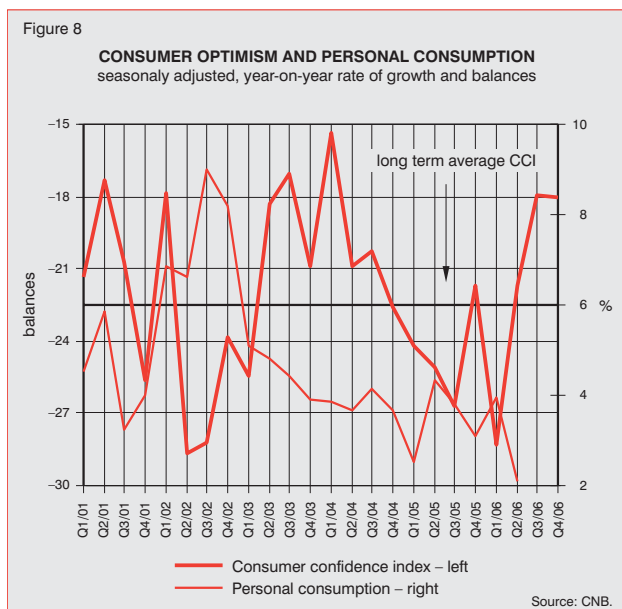
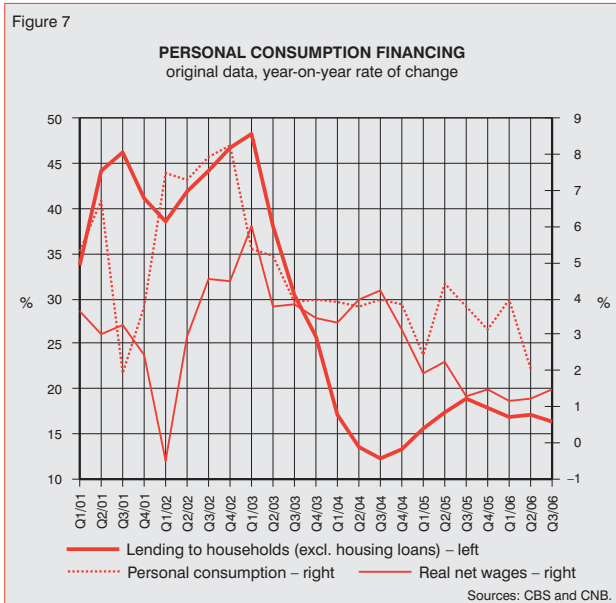
The available monthly economic activity indicators for the third quarter of 2006 point to the strengthening of domestic demand and a boost in overall economic growth in this period. These movements are largely in line with the results of the Business and Consumer Confidence Surveys which mainly support the growth of business and consumer optimism in the period.

Personal Consumption

Given its annual growth of 2.1% in the second quarter of 2006, real personal consumption made the smallest contribution to real GDP growth in the last nearly five years (1.3 percentage points). This represents a continuation of the downward trend in this category's share in total GDP, observed since the first half of 2005.

The available monthly indicators of personal consumption dynamics and the changes in its sources of financing suggest re-acceleration of its real growth in the third quarter of 2006. According to the seasonally adjusted data, this period was marked by a recovery in retail trade turnover, which positively affected the annual dynamics of real retail trade turnover. This trend was confirmed by the VAT revenue dynamics over the third quarter. Employment stagnancy in the third quarter relative to the second quarter of 2006 (according to the preliminary CBS data) was accompanied by accelerated annual growth of average real net wages, resulting in faster wage bill growth over this period. The annual growth in the number of persons insured with the CPIA, which is considered to be a more reliable indicator of employment dynamics than the preliminary CBS employment data, slowed down in the third quarter, suggesting somewhat slower wage bill dynamics in this period. Nominal bank placements to households, excluding home loans, continued to grow rapidly during the third quarter, and their annual rate of change stood at 16.3%, as shown by the average loan balance for this period. Moreover, the first instalment of debt to pensioners paid in June 2006 and the latest pension indexing³ to





the semi-annual nominal gross wage and consumer price growth of 3.25% in September (starting from July pensions), are expected to have a favourable impact on personal consumption dynamics in the third quarter. The annual growth in overall transfers to household slowed down in the observed period. However, it is difficult to establish their dynamics with accuracy, as this category's scope does not fully correspond with the methodological framework of national accounts compilation.

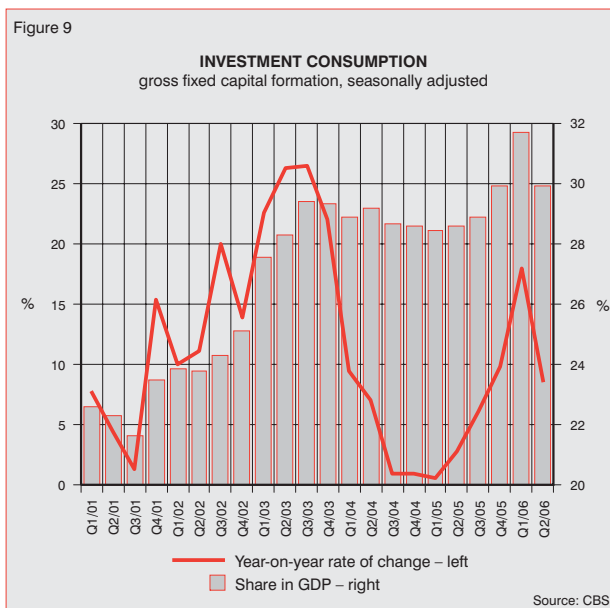
The CNB's Consumer Confidence Survey provides additional information on consumers' intentions in the second half of 2006. According to the seasonally adjusted results of the latest survey carried out in October 2006, consumer op-

timism retained its high level achieved early in the second half of 2006. In addition, expectations regarding savings growth and the movements in unemployment over the following 12 months improved, while optimism regarding the financial situation of households and overall economic situation in the country in the following 12-month period declined. A slightly larger number of consumers rated the present financial situation of their households and the overall economic situation in Croatia as better than a year ago. These favourable trends in consumer optimism, which still exceeds considerably its long-term average, suggest positive movements in personal consumption towards year-end.

Investment Consumption

After having grown at an exceptionally high annual rate of 18.1% in the first quarter of 2005, gross fixed capital formation grew somewhat slower over the second quarter, but its rate of change remained high, 8.4%. In cumulative terms, the annual rate of change in this category reached 12.6% in the first half of 2006. The change in inventories, being a less significant component of gross fixed capital formation, which includes statistical discrepancy arising from differences in GDP calculation according to production and expenditure methods, rose at a slower pace over the second quarter, following its strong real growth in the first quarter. As a result, the change in inventories grew at an annual rate of 15.7% in the first half of the year. The contribution of these two categories to GDP growth reached 4.8 percentage points in the first half of 2006, compared with 2.1 percentage points recorded in the same period in 2005.

Investment activity indicators available at the beginning of the third quarter suggest the strengthening of investment consumption in this period. This is confirmed by the annual growth in intermediary and capital goods production, and a rise in intermediary goods imports over the third quarter, which both accelerated relative to their average growth in the second quarter of 2006. In contrast to this, final goods inventories in industry declined in this period, year-on-year, primarily owing to a fall in investment goods inventories in



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

August and September. Construction activity strengthened in July and August compared with the second quarter. The third quarter saw positive production trends in mining and quarrying, and the annual growth in this area continued to accelerate.

The nominal MoF data suggest a slowdown in the annual capital expenditure growth of the consolidated general government in the third quarter. However, the annual growth of nominal bank corporate placements continued to accelerate during the third quarter, reaching a rate of 23.7%, as shown by the average loan balance for this period. Home loans rose somewhat slower, but still at a high rate of 35.8%. The Consumer Confidence Survey conducted early in the second half of 2006, suggests an upward trend in planned real estate investments of households in the following year, which is a sign of strong short-term investment activity, primarily in the private sector.

Government Consumption

According to the quarterly GDP estimate, government consumption was the only aggregate demand category showing faster real annual growth in the second quarter (1.7%) compared with the beginning of the year (1.0%). Thus, in the second quarter, the real government consumption growth reached a record high in the last three years. Nevertheless, the share of government consumption in GDP remained almost unchanged, slightly exceeding 20.0%.

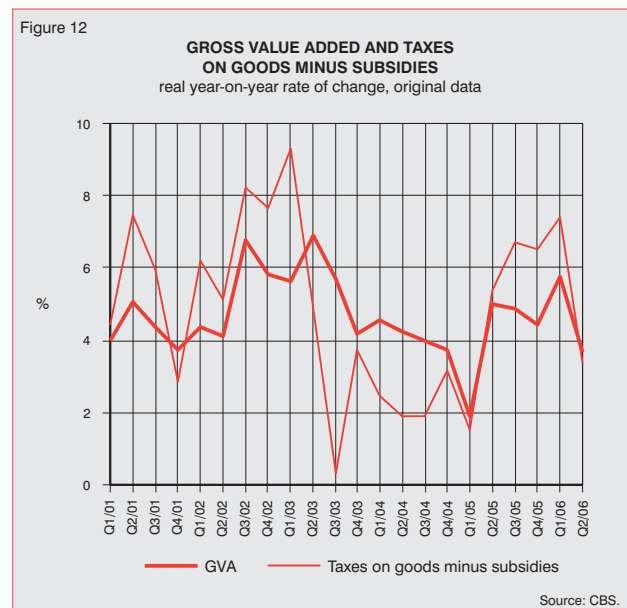
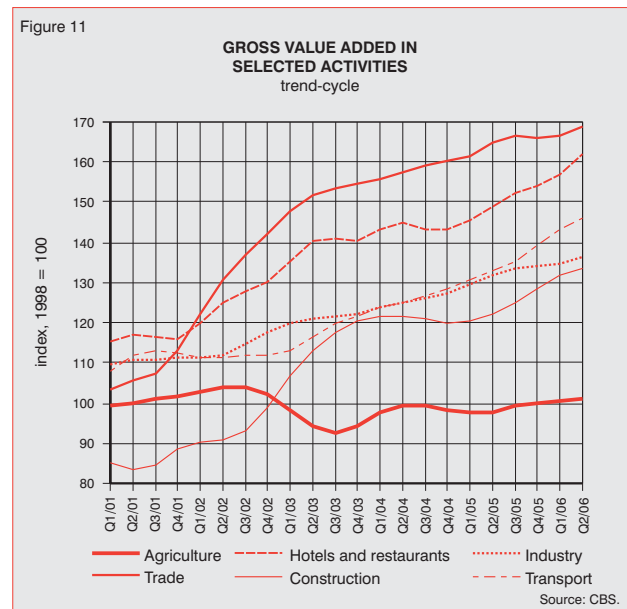
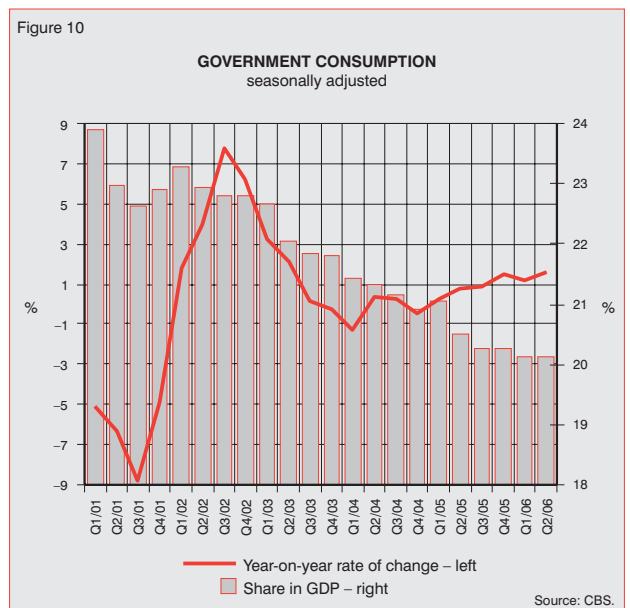
The nominal MoF data on consolidated general government revenue and expenditure outturns (based on a cash principle and GFS 2001) point to a slowdown in compensation of employees in public administration (including severance pays) over the third quarter 2006, and an only slight increase in the number of the employed in public and social services. However, its annual rate of change remained at a level below 1.0%. Expenditures for the use of goods and services also grew slower at the annual level, thus contributing to a slowdown in overall government consumption. The growth in this category of government consumption was accompanied by slower consumer price dynamics compared

with the first half of the year. As a result, the stable growth of real government consumption might continue over the third quarter of 2006.

Output

Quarterly GDP estimate according to the production method shows a slowdown in GVA in all economic activities during the second quarter, with its growth rate reduced from 5.8% in the first quarter to 3.7% in the second quarter of 2006. In semi-annual terms, all activities made positive contributions to GVA growth in the observed period and the largest contributors were industry (1.0 percentage point) and transport and communications (0.9 percentage points).

Available monthly indicators of economic activity point to accelerated growth of GVA in most activities over the third quarter, with somewhat faster growth recorded in industry and retail trade (jointly accounting for approximately 45.0%



of total gross value added).

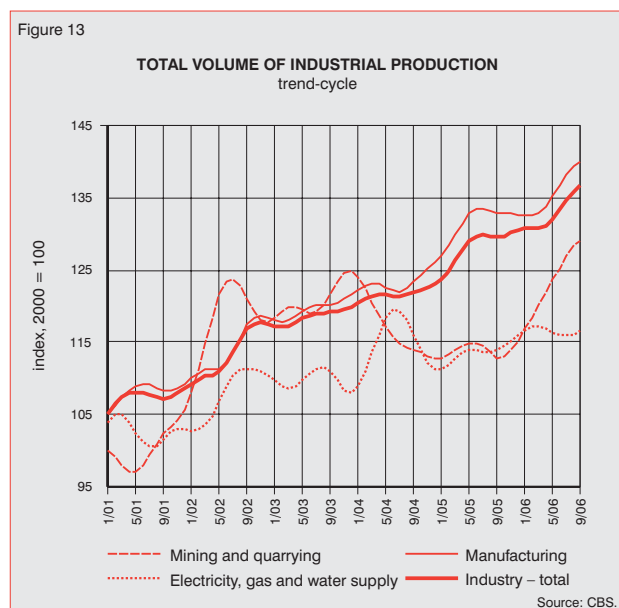
Owing to slightly slower real growth in taxes on goods reduced by subsidies compared with GVA growth in the second quarter of 2006, GDP growth lagged behind that of GVA by 0.1 percentage point. The nominal MoF data for the third quarter of 2006 (in accordance with the GFS 2001), show mild annual growth in the consolidated general government revenues from indirect taxes, accompanied by an upturn in expenditures on subsidies, particularly those to private enterprise. As a result, the growth of GVA might again slightly exceed GDP growth in the third quarter.

Industry

After having slowed down from 5.9% in the first quarter to 1.1% in the second quarter, real annual growth of GVA in industry might accelerate at the beginning of the second half of 2006. Volume indicators of industrial production, seasonally and calendar adjusted, for the third quarter (which had three working days more than the second quarter) suggest accelerated growth in all industrial groupings. The largest contribution to industrial production growth during the third quarter was that of investment goods and the contribution of consumer goods and energy also increased relative to the second quarter.

As suggested by CBS nominal data on trade in goods (seasonally adjusted), annual growth of both goods exports and imports accelerated in the third quarter, after a slowdown in the second quarter. The largest contribution to goods exports growth in the third quarter came from investment goods and energy, while consumer goods exports declined relative to the second quarter. Similar movements were observed in goods imports.

Industrial producers' inventories of finished goods have been low ever since May, and retained their negative annual rate of change, seasonally adjusted, observed since March. In addition, investment and consumer goods inventories declined annually over the third quarter. The largest contributions to inventories decrease came from consumer goods in



July and from investment goods in August and September.

Manufacturing, which makes the bulk of industrial production, re-accelerated its growth in the third quarter, boosting its cumulative real annual growth rate to 4.0%, according to the seasonally adjusted data for January-September 2006. However, despite these favourable trends, the 2006 growth rate for manufacturing could be lower than that in 2005 (6.5%).

The annual production growth in mining and quarrying accelerated strongly in the third quarter, reaching a cumulative annual rate of 8.8% in the period from January to September 2006. Stronger demand for mining and quarrying products early in the second half of 2006 was in line with favourable construction activity indicators in this period.

Electricity, gas and water supply was the only industrial activity whose annual growth slowed down continuously, in quarterly terms, since early 2006. Owing to stagnant production in this activity, its annual growth rate dropped from 4.6% and 2.6% in the first and second quarters respectively to 1.1% in the third quarter.

The annual growth of labour productivity in industry accelerated over the third quarter, following a slowdown in the previous period. The annual growth rate of labour productivity stood at 6.7% in the third quarter, in seasonally adjusted terms. The strengthening of labour productivity was mainly due to a recovery of industrial production in the observed period. However, employment in industry continued downwards, on an annual basis, but at a slightly slower pace relative to the second quarter. It should be noted that, owing to the preliminary nature of CBS data on employment by activity,⁴ the labour productivity measure used in this report overestimates, to a certain extent, the productivity growth.

4 A regular annual revision of data on employment by activity, published by the CBS, is expected in April 2007. Such revisions usually overestimate the total number of employed persons. In the last two years, the approximate number of the employed included in the revision was 19 000 on average (about 7% of total employment in industry).

Trade

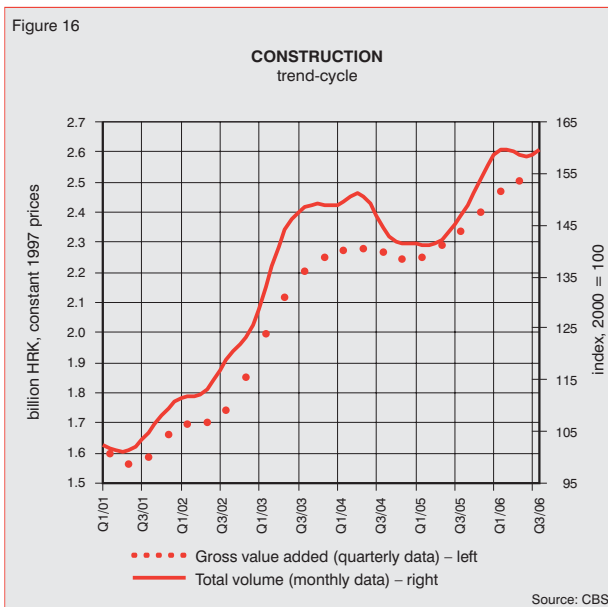
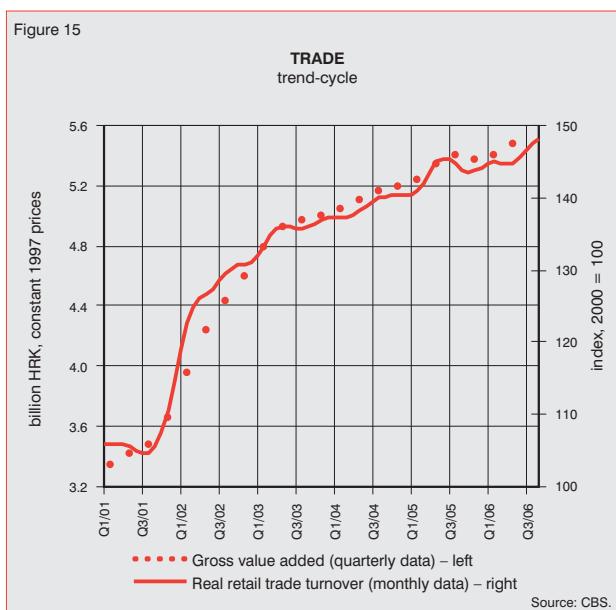
Annual GVA growth in trade slowed down from 3.8% in the first quarter to 2.6% in the second quarter. As a result, this activity's contribution to overall GVA growth decreased by 0.1 percentage points and stood at 0.4 percentage points.

The available monthly indicators suggest accelerated GVA growth in trade during the third quarter, following a slowdown recorded in the second quarter of 2006. The recovery of retail trade turnover early in the second half of the year reflected itself on the annual growth dynamics of GVA in trade. However, seasonally adjusted data for the period January-September 2006, point to a cumulative annual growth rate of trade as low as 1.8%, which suggests that the growth rate of GVA in trade for 2006 will not reach the rate recorded in the previous year (3.2%, according to the monthly indicators).

The described developments were in line with the recovery of real motor vehicle sales over the observed period, the trend in the number of newly registered passenger cars (owned by natural persons) and data on intended car purchases, obtained from a consumer optimism survey carried out early in the third quarter of 2006.

According to the seasonally adjusted results of a CNB's survey and of the business survey carried out by *Privredni vjesnik*, the second half of 2006 was generally marked by favourable trends in consumer optimism and in business optimism in trade, which is a sign of positive developments in retail trade by end-2006.

Regarding retail trade turnover by branches in the third quarter of 2006, high nominal growth rates were recorded in non-specialised stores with food and in motor fuels and lubricants, which also made the largest positive contributions to nominal retail trade growth. Once again, the largest negative contribution to retail trade growth in the observed period came from books and stationery, which continued to fall annually since early 2006. The contributions of all stated categories exceeded considerably their respective shares in nominal retail trade turnover.



Construction

Strong construction works growth, recorded since mid-2005, continued in the third quarter of 2006, as suggested by monthly indicators. GVA in construction rose at an annual rate of 2.4%, seasonally adjusted, in 2005, and accelerated to 9.5% in the first half of 2006. Construction of buildings grew faster, but favourable trends were also observed in civil engineering works.

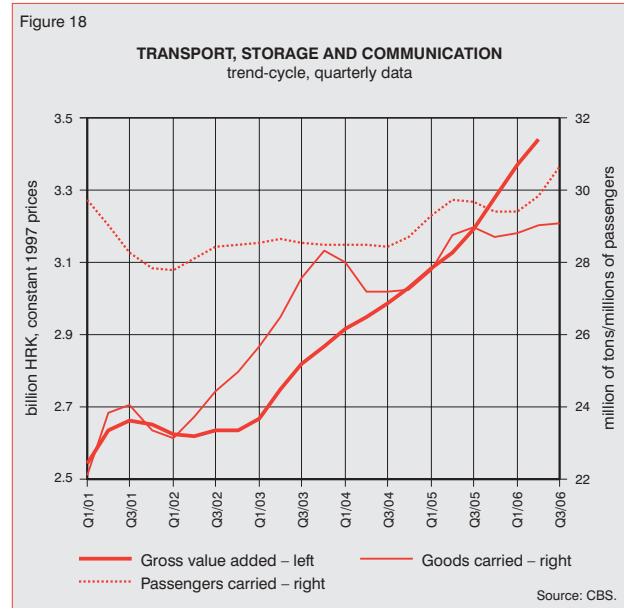
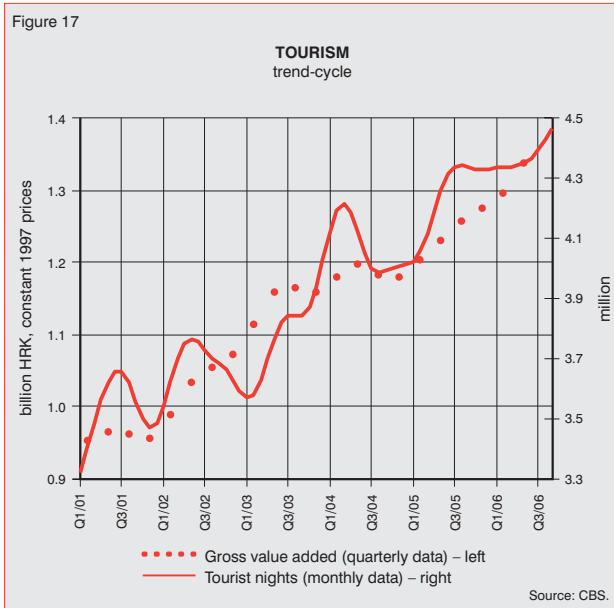
The described developments, particularly the strengthening of residential building construction can partly be accounted for by increased demand for home loans in the period. Given the favourable trend in the value of net construction work orders over the first seven months of 2006, seasonally adjusted, positive movements in this activity are expected to continue into the early second half of the year, both in the works on buildings and civil engineering works.

Hotels and Restaurants

The annual growth of gross value added in hotels and restaurants accelerated from 5.6% in the first quarter to 9.4% in the second quarter. As a result, the contribution of this activity to overall GVA growth also rose from 0.1 to 0.4 percentage points. The dynamics of GVA in hotels and restaurants generally reflect the overall trend in tourism, because the impacts, both direct and indirect, of tourism on total economic activity are difficult to measure. Moreover, tourism influences other economic activities.

The third quarter, being the peak tourist season, saw a sharp decline in tourist nights and arrivals, according to the original data. Overnight stays of domestic and foreign tourists went up only 1.7% relative to the same period in 2005 (8.1% in the second quarter), and the number of their arrivals rose by 1.9% in the same period (7.2% in the second quarter).

Interestingly, the third quarter of 2006 saw a strong acceleration of domestic tourist arrivals and nights at the annual level, while foreign tourist arrivals and nights grew only



mildly, much less than in the second quarter. In addition to this, throughout the third quarter, the share of individual tourist arrivals and nights exceeded the share of organised arrivals and nights. Individual tourist arrivals and nights rose at annual rates of 3.2% and 4.5% respectively. By contrast, organised tourist arrivals and nights declined compared with the same period in 2005 (the rates of change were -1.1% for arrivals and -3.3% for nights).

In the first nine months of 2006, tourists from Germany accounted for the largest share in total tourist nights (23.2%), followed by Italy (11.8%) and Slovenia (11.4%), similar as in the corresponding period in 2005.

Transport and Communications

Strong annual growth of GVA in transport, storage and communications at a rate of 9.9% over the first quarter of 2006 decelerated only slightly during the second quarter (to 8.5%), reducing the contribution of this activity to total GVA growth from 0.9 to 0.8 percentage points.

According to the available CBS volume indicators of trends in individual segments of this activity, GVA growth in transport, storage and communications might be faster in the third quarter of 2006. As regards total number of transported passengers (in millions), following a 0.5% decline in the second quarter, its annual rate of change recovered to 4.0% in the observed period. The growth of passenger transport accelerated markedly, and goods transport also went up mildly.

Road transport, being the most important type of passenger transport, accelerated annually in the observed period compared with the previous quarter, measured both in the number of transported passengers and in passenger kilometres. The annual growth in road goods transport, measured in tons of transported goods, slowed down in the observed period, but it accelerated, if measured in ton-kilometres.

In telecommunications services, the expected annual decline in the number of minutes spent in the fixed network

continued over the third quarter of 2006, yet at a slightly slower rate of change than in the previous quarter (-13.8% in the third quarter vs. -14.6% in the second quarter). At the same time, minutes spent in mobile networks continued upwards at an exceptionally high rate exceeding 45.0%.

Labour Market

Registered unemployment declined over the third quarter, yet at a somewhat slower pace than in the second quarter. This was due to a seasonally common increase in inflows of unemployed persons into the CES register, primarily those leaving education and registering with the CES for employment. The registered unemployment rate rose from 15.7% in July and August to 16.2% in September. At the beginning of the fourth quarter, in October, registered unemployment stood at 289 900, seasonally adjusted, down 10 800 or 3.5% from end-October 2005. The registered unemployment rate was 16.8% at the end of October, up 0.6 percentage points on end-September.

According to the latest Labour Force Survey data, published early in November, the Labour Force Survey unemployment rate stood at 11.8% in the first half of 2006, 1.3 percentage points below the rate for the first half of 2005. The Labour Force Survey unemployment rate for the entire 2005 was 12.7%, i.e. 13.1% and 12.3% for the first and second halves of the year respectively.

Preliminary CBS employment data and data on the number of persons insured with the CPIA show continued growth of total employment over the third quarter. The annual growth rate of total employment stood at 0.7% in the third quarter of 2006, the same as in the previous quarter. However, Labour Force Survey data point to an employment rate of 42.6% in the first quarter of 2006 and 43.3% in the same period in 2005.

Real gross wage growth accelerated mildly during the third quarter of 2006, reaching an annual rate of 2.3% (up 0.1 percentage point on the second quarter). Owing to tax

progression, average real net wages went up 1.5%, rising at a lower rate than average real gross wages.

Unemployment and Employment

Inflows into the CES unemployment register strengthened over the third quarter of 2006, mainly owing to a rise in the number of the newly registered, standing at a total of 27 100 in September. The inflow into the unemployment register continued upwards in October, when it reached 30 100. High inflows toward the end of the third quarter and early in the fourth quarter were due to the re-inclusion in the register of persons employed during the tourist season and the registration with the CES of persons leaving education for employment purposes. The increase in inflows into the register in 2006 was stronger compared with that in previous years. However, such high level of inflows was last recorded in 2002. Excluding seasonal factors, the number of the newly registered with the CES stood at 1 900 in the third quarter of 2006, up 10.1% on the same period in 2005.

In the first ten months of 2006, employment from the register totalled 129 200, growing by 4 600 or 3.7% compared with the same period in 2005. Clearings from the records for reasons other than employment stagnated at the low level recorded early in 2005.

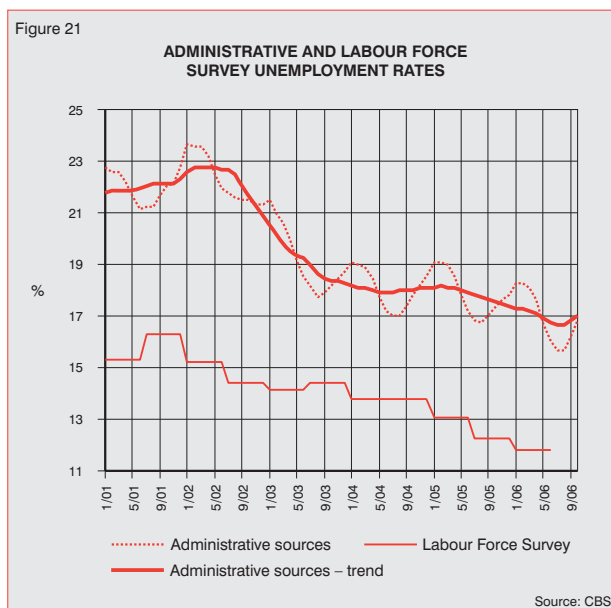
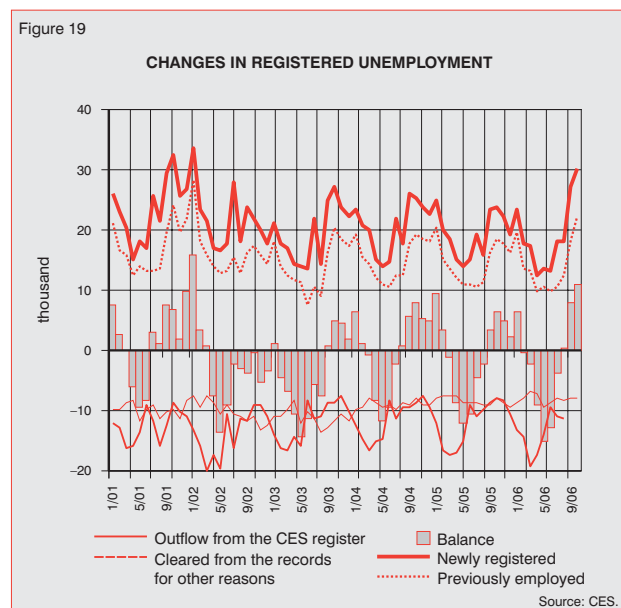
Annual seasonally adjusted data show a continued downward trend in registered unemployment, observed since early 2005. However, registered unemployment declined at a somewhat slower pace in the third quarter compared with the second quarter. Specifically, given the relatively strong inflows into the CES unemployment register, unemployment could not decrease faster as long as the outflows from the register are too low to offset the inflows. Similar dynamics were observed in the registered unemployment rate which stood at 16.2% in September, 0.5 percentage points above the rate in July and August.

The Labour Force Survey data for the first half of 2006, published early in November, point to a continued slowdown in unemployment, first recorded in 2001. The number of the



unemployed fell to 206 000, a record low since the Survey's inception. In the first half of 2006, the survey unemployment rate stood at 11.8%, down 0.9 percentage points from 2005 (the survey unemployment rates in the first and second halves of 2005 were 13.1% and 12.3% respectively).

However, despite the decline in unemployment, the latest survey data also suggest some negative trends. Over the first six months of 2006, the number of employed persons went down, resulting in a decline in active population. The number of employed persons stood at 1.548m in the first half of the year, 18 000 (1.1%) less than in the first half of 2005. The decline in employment over the first half of 2006 was mainly caused by employment contraction in agriculture and, to a lesser extent, public administration. In addition, the population activity rate continued downwards to a low of 48.3% (from 49.6% in 2005), and the Labour Force Survey unemployment rate fell to 42.3% (from 43.3% in 2005).

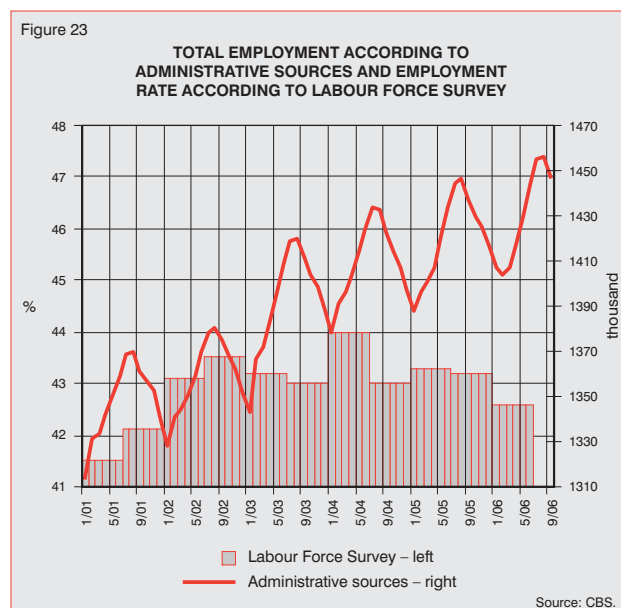
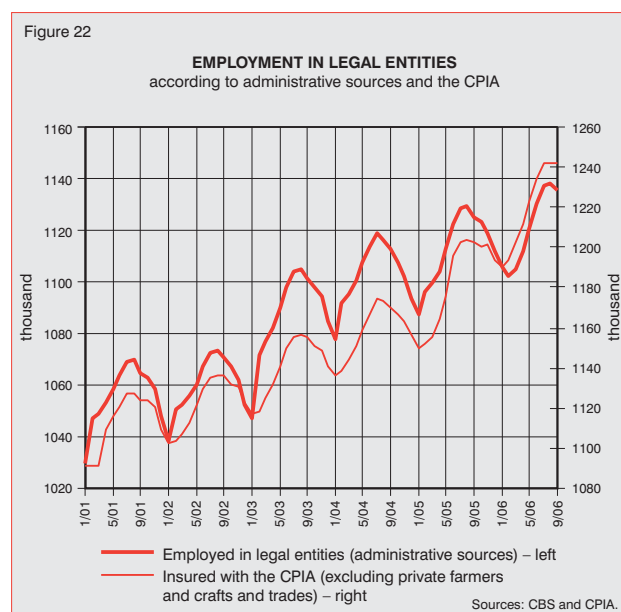


Employment

The third-quarter preliminary CBS data and the data on the number of insured persons with the CPIA point to further growth in total employment. The annual increase in the number of insured persons with the CPIA slowed mildly from 3.1% in the second quarter to 2.6% in the third quarter. However, the rate of change in the number of insured persons rose 0.8 percentage points in the third quarter relative to that for the entire 2005.

According to the CBS data, the annual rate of change in total employment stood at 0.7% in the third quarter, the same as in the second quarter. It should be noted, however, that the specified rate of change in total employment relies on preliminary data and is likely to be increased considerably by the revision planned for April 2007.

The number of private farmers actively insured with CPIA continued downwards over the third quarter, completely offsetting the small, but positive contribution of the growth of



employment in crafts and trades and free-lances to total employment. Employment in legal entities was the main generator of total employment growth in the third quarter.

As shown by the data on total employment by activity, the sharpest annual decline in employment during the third quarter was recorded in agriculture (1 200 or 3.9%). The fall in employment in industry (by 2 200 or 2.0%) resulted from employment reductions in all industrial activities. By contrast, positive contributions to total employment growth, like in the second quarter, came from real estate and other business activities (3 500 or 3.8%), financial intermediation (900 or 2.7%) and construction (3 700 or 3.0%). The increase in employment in education and health care offset its decrease in the narrowly defined public administration, so that employment in overall public administration rose annually in the third quarter of 2006 (by 2 200 or 2.5%).

Wages and Labour Costs

The third quarter of 2006 saw a mild acceleration of real gross wage growth, resulting in its annual rate of 2.3% in that quarter, up 0.1 percentage point on the second quarter. This was a continuation of the real gross wage recovery compared with 2005, observed throughout 2006. The annual growth of real net wage paid in the third quarter was 0.3 percentage points faster compared with that in the previous quarter, standing at 1.5%. In the third quarter of 2006, owing to tax progression, the growth of real net wage paid continued to lag behind the real gross wage growth.

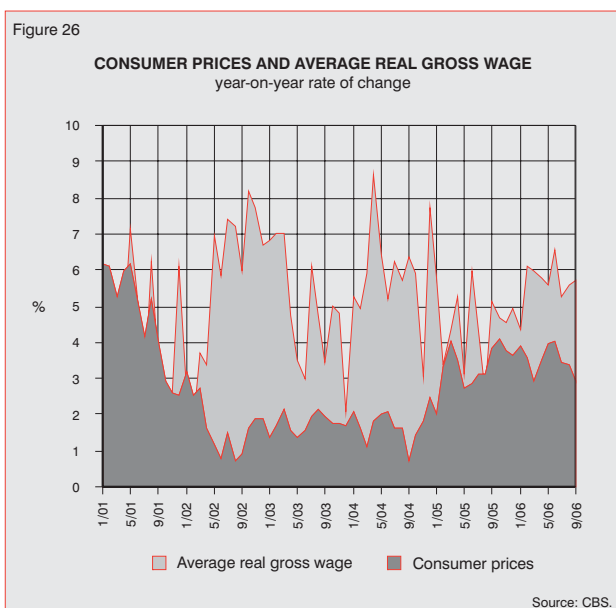
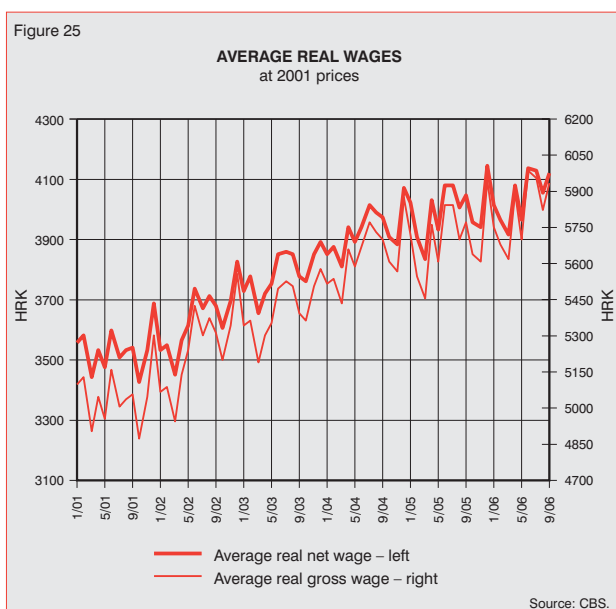
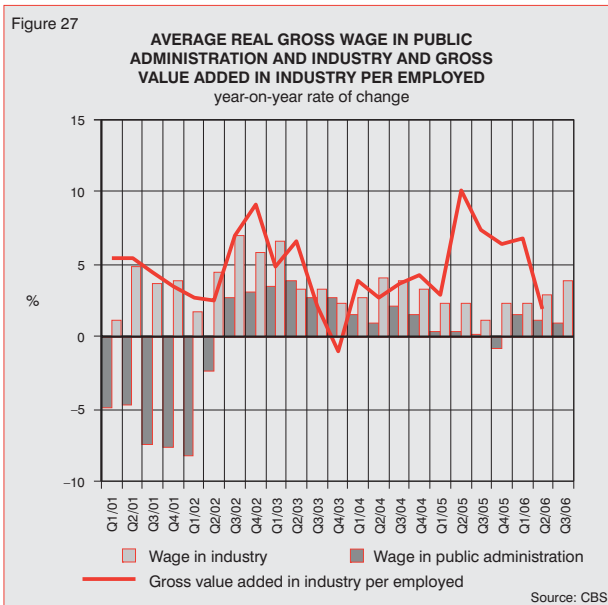
A slowdown in nominal gross wage growth over the third quarter was paralleled with a marked decline in consumer prices, resulting in a mild real gross wage acceleration. The annual growth rate of average nominal gross wage thus reached 5.6% in the third quarter, down 0.5 percentage points from second quarter.

As a result of wage dynamics in most economic activities recorded in the third quarter, real wage growth was average. However, somewhat stronger annual growth of real gross wages over the third quarter of 2006 was observed in elec-

tricity, gas and water supply (7.5%), agriculture (5.8%) and real estate and other business activities (4.1%).

The largest positive contribution to average growth of real gross wages in the third quarter and for the entire 2006 came from manufacturing (0.8%), owing to its large share in overall industry. The contribution of the overall public administration to real gross wage growth decreased continuously since the beginning of 2006, but remained positive due to a strong positive contribution of the narrowly defined public administration. The contribution of health care was also positive, offsetting the negative contribution of education, which was the only negative contributor to real gross wage growth.

Annual growth of average real gross wage in industry accelerated from 3.0% in the second quarter to 3.9% in the third quarter of 2006. Labour productivity growth in industry, measured by trends in gross value added in industry, at constant prices, per employee, stood at 1.9% in the second quarter and was lower than the growth in real gross wage in



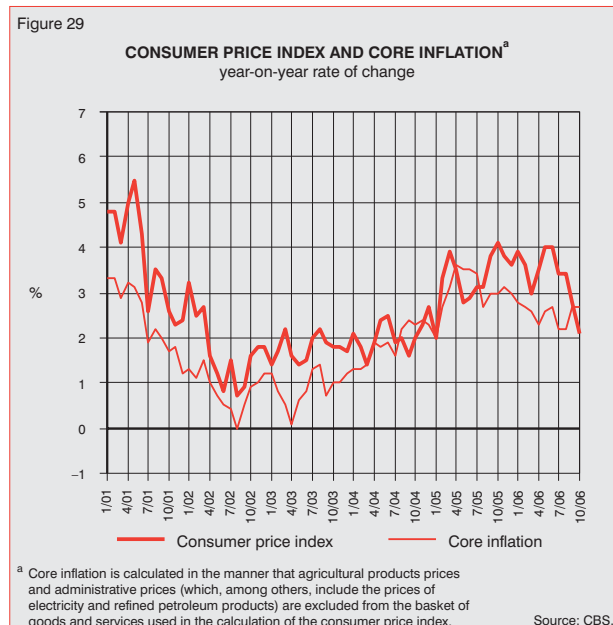
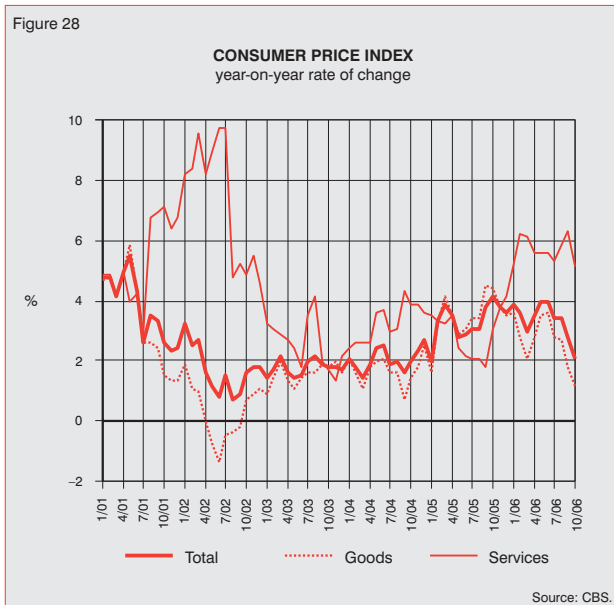
that period. However, according to available monthly economic indicators for the third quarter, labour productivity growth in industry is likely to be much stronger than industrial wage growth, keeping the price pressures from the labour market low.

Prices

Consumer price inflation in Croatia fell substantially late in the third quarter and early in the fourth quarter. The consumer price inflation rate declined year-on-year from 3.4% in August to 2.8% in September and 2.1% in October. This rate was thus lower by 1.3 percentage points from that in August, mainly due to a fall of 0.9 percentage points in agricultural product prices and of 0.7 percentage points in administrative prices. However, rising core inflation increased its contribution to overall year-on-year consumer price inflation by 0.3 percentage points in the observed period.

The year-on-year rate of change of agricultural product prices dropped from 9.0% in August to -4.8% in October, due to a price decrease in agricultural products in September and October this year and favourable base effects from the price rise in agricultural products caused by unfavourable weather conditions in the same two months in 2005. This product group, comprising fruit, vegetables and fish, accounted for a considerable share of 6.8% in the overall CPI basket in 2006. In aggregate, agricultural product prices declined by an average 8.0% in October from August this year, undoubtedly because of this year's favourable weather conditions. Vegetable prices dropped the most of all agricultural product prices.

In addition, the year-on-year rate of change of administrative prices drifted lower since the middle of the second quarter 2006. The slowdown, especially marked in September and October, was due partly to a drop in the year-on-year rate of change in refined petroleum product prices, and partly to a decline in the year-on-year rate of change of other administrative prices (primarily of electric energy and health



service prices). The decrease in the year-on-year rate of change of domestic refined petroleum product prices in September and October 2006 resulted from both the drop in world market crude oil prices and favourable base effects. With the year-on-year rate of change down from 2.5% in August to -2.5% in September and further to -4.9% in October, refined petroleum product prices made a negative contribution to inflation in these months for the first time since March 2005. The year-on-year rate of change of electric energy prices fell from 4.9% in August to 0.0% in October, while that of health service prices declined from 19.3% in August to 2.2% in October, which was due solely to favourable base effects (a rise in electric energy and health service prices in September and October 2005 respectively). The year-on-year rate of change of administrative prices dropped from 5.3% in August to 2.3% in October.

Having dropped to a low of 2.2% in July and August this year, core inflation moved upwards to 2.7% in September and remained at this level in October. One of the main factors behind the uptick in core inflation was the rise in the

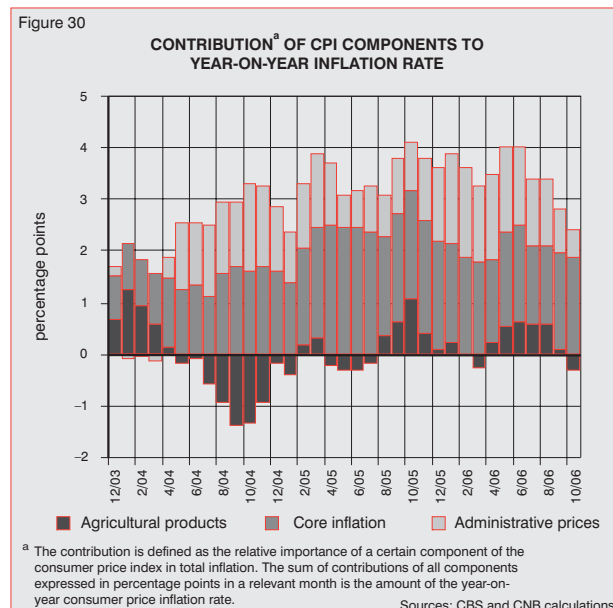
year-on-year rate of change of clothes and footwear prices from 0.4% in August from 3.8% in October, which was in consequence of this year's sharper seasonal price increase in fall and winter fashion collections. This was especially evident in September, when clothes and footwear prices rose by 7.0%, compared with 3.5% in the same month last year. In addition, car prices' contribution to core inflation rose, with their year-on-year rate of change up from 1.1% in August to 3.8% in October. Car price increases, continuing since mid-2006, might be due to a considerable growth of world market non-ferrous metal prices.

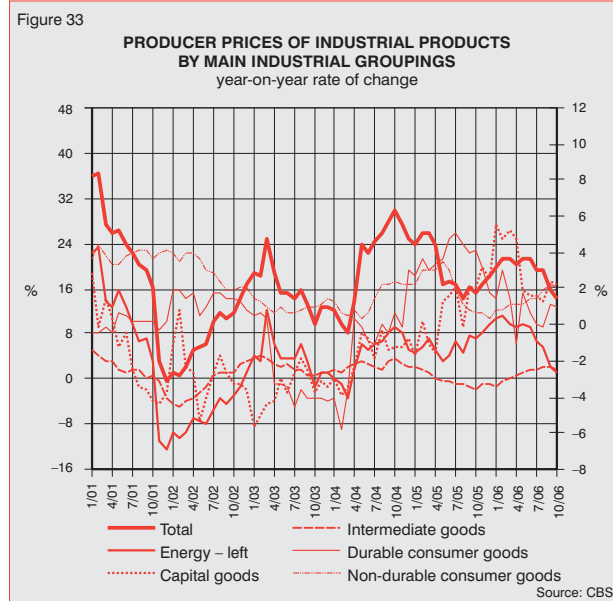
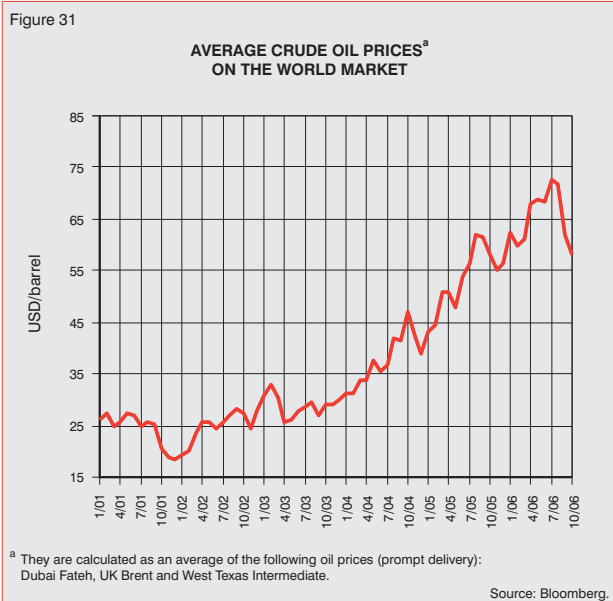
Having reached record highs in July and early August, world market crude oil prices started to move down. Some of the factors influencing the decrease in the average daily price of crude oil in September included discontinued seasonal increases in the consumption of refined petroleum products due to tourist travel, favourable weather conditions, subsiding geopolitical tensions in the Middle East and

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

	Weight 2006	12/05	3/06	6/06	9/06	10/06
Total	100.0	3.6	3.0	4.0	2.8	2.1
Food and non-alcoholic beverages	32.9	3.7	0.9	3.7	2.0	0.8
Alcoholic drinks and tobacco	5.6	1.1	1.3	2.0	1.8	2.0
Clothing and footwear	8.0	3.6	2.9	2.6	3.8	3.8
Housing, water, energy, gas and other fuels	15.1	5.4	9.1	9.0	6.9	6.6
Furniture, equipment and maintenance	4.7	2.9	2.4	2.5	2.1	2.4
Health	2.9	8.6	9.4	7.7	9.0	2.5
Transport	11.3	3.8	2.8	4.4	0.5	0.0
Communication	4.2	0.2	0.1	0.0	0.0	0.0
Recreation and culture	5.5	2.6	0.9	0.9	1.0	0.6
Education	0.9	6.2	5.8	5.8	0.3	0.3
Catering services	3.2	3.3	3.3	3.7	3.2	2.8
Miscellaneous goods and services	5.8	2.0	2.5	2.2	3.5	3.0
Goods	76.9	3.5	2.1	3.6	1.8	1.2
Services	23.1	4.1	6.1	5.6	6.3	5.1

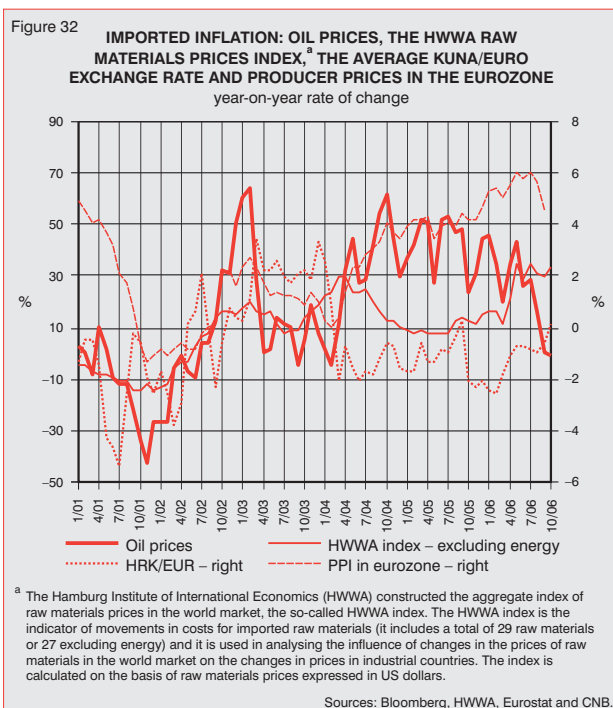
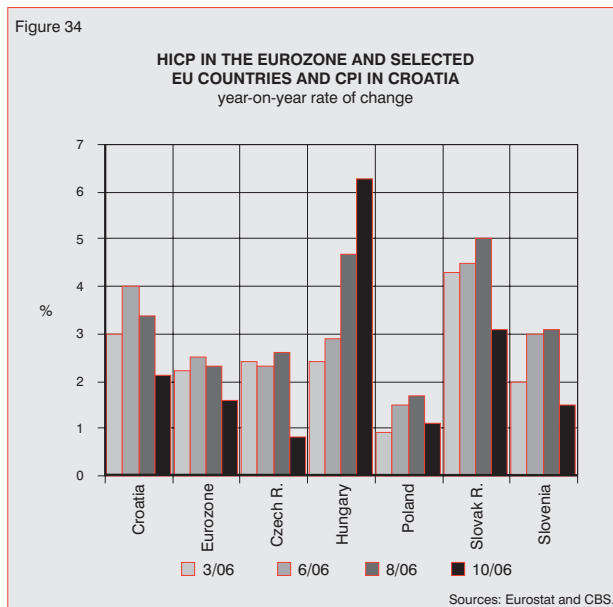
Source: CBS.





growing US oil reserves. The average daily price of crude oil fell by 19.4%; from USD 71.8 per barrel in August to USD 57.9 per barrel in October. In order to maintain a satisfactory crude oil price level, OPEC countries decided, at a meeting held on 19 and 20 October, to reduce their daily production quota by 1.2 million barrels, starting as of 1 November 2006. Due to these developments, Ina made several reductions in retail refined petroleum product prices in September and October (four in September and two in October). The price fall in crude oil on the world market resulted in a 5.6% decrease in prices of car fuels and lubricants and an 8.7% decrease in heating oil prices on the domestic market in the said two months.

Imported inflation pressures on domestic prices in the third and early in the fourth quarter were stemming from a rise in world market raw material prices, primarily those of



non-ferrous metals, iron ore and food raw materials. As shown by data on trends in raw material prices on commodity exchanges comprised in the HWWA index (excluding energy), the year-on-year rate of change of average raw material prices on the world market⁵ accelerated from 31.4% in August to 33.2% in October 2006. Especially marked was the rise in non-ferrous metal prices, whose year-on-year rate of change reached 74.0% in October on the back of strong import demand, in particular from China.

Domestic industrial producer prices slowed down considerably late in the third and early in the fourth quarter 2006, with their year-on-year rate of change down from 3.1% in August to 2.0% in September and to as low as 1.5% in October. Especially marked was the decrease in the year-on-year rate of change of energy prices, which dropped from 5.8% in August to 1.0% in October in consequence of a plunge in the year-on-year rate of change of refined petro-

⁵ Expressed in US dollars.

leum product producer prices (down from 5.3% in August to –9.9% in October) and a fall in the year-on-year rate of change of prices of electric energy, gas, steam and hot water supply (down from 3.9% in August to –0.1% in October). The year-on-year rate of change of producer prices of final products in the retail network remained low, exerting no upward pressures on the CPI. The year-on-year rate of change of durable consumer goods was up from –0.2% in August to 1.0% in October, whereas the year-on-year rate of change of non-durable consumer goods increased from 2.0% to 2.1%

in the same period.

The spread between Croatia's and the eurozone's year-on-year consumer price inflation rate (2.1% and 1.6% respectively) narrowed to 0.5 percentage points in October, compared with 1.1 percentage points in September. This was due primarily to the reduced difference between the contribution of food and catering and accommodation service prices to overall year-on-year inflation in Croatia and the eurozone respectively.

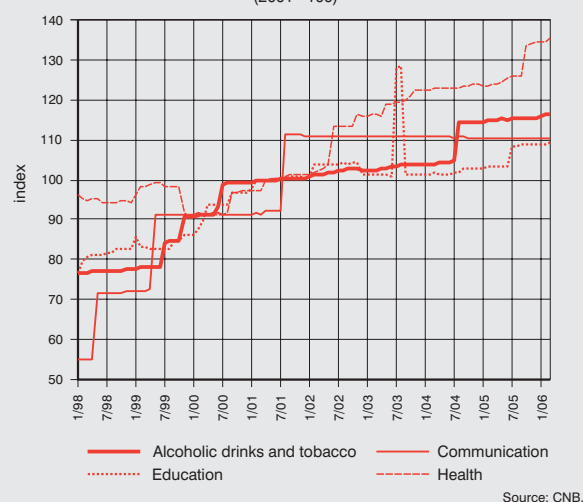
Box 1: Short-Term Forecasting of Inflation in Croatia with Seasonal ARIMA Processes

Inflation forecasting is an essential component of the Monetary Policy Projection, and there are constant efforts to improve it at the Croatian National Bank. There are two standard types of models for describing past changes in the CPI and possibly forecasting future changes – the *structural* model and the *purely statistical model*. Both models have their advantages and disadvantages. Structural models are based on economic theory; however, the complex link between economic variables is typically difficult to describe formally, for example, with a cumbersome system of equations. Many statistical models, on the other hand, especially the univariate ARIMA models used here, by their nature offer very little economic logic, but we forecast future values of the variables which these models imitate exclusively from the past behaviour of the series. Thus, a certain analysis is possible despite a lack of additional information, so that such simple models, despite their black box reputation, typically provide relatively good results in their primary task – forecasting.

One of the steps towards improving inflation forecasting in Croatia is to improve the model of short-term forecasting⁶ of the CPI with univariate seasonal ARIMA processes, where, along with direct forecasting of the total CPI, the attempt is made to forecast changes in the components of the CPI in order to obtain a more detailed insight into the sources of future inflationary or deflationary pressures and to determine whether a forecast of developments in the total CPI obtained by aggregating forecasted values of the index's components is more reliable than a direct forecast of the total CPI.

The overall basket of products for calculating the CPI is divided into 12 basic product groups, in accordance with the international *Classification of Individual Consumption by Purpose* (COICOP). At present, the Croatian Bureau of Statistics does not publish the CPI disaggregated in the way used in price analysis and modelling by the European Central Bank and the countries in the eurozone (unprocessed food, processed food, non-energy goods, energy and services). This way is more appropriate for modelling because the product groups are more homogenous. Eight of the twelve CPI components are suitable for modelling using statistical models,⁷ while the remaining four product

Figure 35
CHANGES IN THE FOUR CPI SUB-INDICES WHOSE VALUES ARE GREATLY UNDER THE INFLUENCE OF CENTRAL OR LOCAL ADMINISTRATION
(2001=100)



groups⁸ are greatly under the influence of central or local administration, and there is little likelihood that they have a correlation structure suitable for modelling with seasonal ARIMA processes (Figure 35).

However, a linear combination of the four sub-indices (*CPIadmin*) seems to show a certain regularity of change and an ordinary linear regression model (with AR(1) error) satisfactorily explains the *CPIadmin* aggregate.

We estimated the model parameters on data from January 1998 to December 2003, while the period from January 2004 onwards was used for forecasting and for comparing the obtained forecasts with the actual values of the total CPI. We evaluated eight seasonal ARIMA models, one for each CPI sub-index whose prices are mostly market regulated and one regression model for the linear combination of CPI sub-indices whose prices are administratively regulated. We aggregated the relevant forecasts and compared them with the actual CPI.

An intrinsic problem when applying ARIMA class models, and all stochastic models, to a macroeconomic series is that they are, by their nature, short, with frequent changes in structure, contain changeable and sometimes unclear

6 On a time horizon of up to twelve months.

7 Transport, recreation and culture, household equipment, miscellaneous products and services, food and non-alcoholic beverages, clothes and footwear, restaurants and hotels, and water, energy, gas and other fuels.

8 Education, health, communication and alcoholic drinks and tobacco.

seasonality, etc. This is particularly true when applied to Croatian series, so, when developing CPI forecast models, we pay particular attention not only to the model's good *in-sample* characteristics (the level of adaptation to the data in the sample) but also to its *out-of-sample* characteristics (quality of forecast) and to the number of parameters that appear in the model, which we reduce to the smallest possible number.⁹ We made a preliminary selection of models with satisfactory inter-relation between *in-sample* errors and number of parameters by minimising *Akaike's Information Criteria* (AIC).

Special attention was paid to estimating the parameters of the seasonal *ARIMA* (p,d,q)(P,D,Q) models. The estimation was performed on logarithmic series of base price indices (2001=100). In order to achieve stationarity, all the series were differentiated with both a regular operator and a seasonal operator, so $d = 1$ and $D = 1$. There still remained the task of estimating the remaining parameters p , q , P and Q for each seasonal *ARIMA* model. We tried to automate this part to a certain extent. We ranked a series of different models for each series according to *Akaike's Information Criteria*. Specifically, the seasonal *ARIMA* model ($p,1,q$)($P,1,Q$) was defined for $p,q \in \{0,\dots,4\}$ and $P,Q \in \{0,1\}$, then the corresponding AIC was calculated, and finally all the AIC statistics were sorted from the lowest to the highest for each series.¹⁰ The degree of data and model closeness for the observed data and given model can be measured by, for example, a *log likelihood* function. On the other hand, we wanted to reduce the number of parameters of the model to the minimum, and the model with a *small* amount of AIC statistics has the two desired qualities – well-explained data with a reasonable number of parameters. To make the final selection, several models with the lowest AIC statistics underwent further testing, such as evaluating their forecasting characteristics, the stability and significance of the parameters, etc.

Table 2: Specifications of the Seasonal SARIMA Models

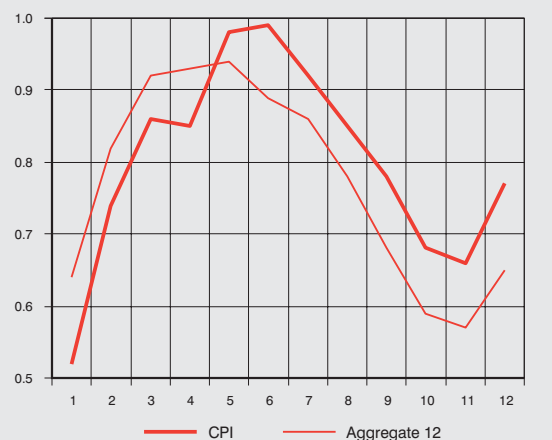
Series	Model
CPItotal	SARIMA(1,1,1)(0,1,1)
CPIgoods	SARIMA(1,1,0)(1,1,1)
CPIservices	SARIMA(1,1,0)(1,1,1)
CPInon-admin	SARIMA(1,1,1)(1,1,1)
CPIadmin	lin. trend
Household equipment	SARIMA(0,1,0)(0,1,0)
Miscellaneous products and services	SARIMA(0,1,0)(1,1,1)
Transport	SARIMA(0,1,0)(0,1,1)
Recreation	SARIMA(1,1,1)(1,1,1)
Housing	SARIMA(0,1,0)(0,1,1)
Catering	SARIMA(0,1,3)(0,1,1)
Food and non-alcoholic beverages	SARIMA(0,1,3)(0,1,1)
Clothing and footwear	SARIMA(0,1,3)(0,1,1)

Source: CNB.

9 A large number of parameters often results in very good *in-sample* characteristics, in that the model describes well the dynamics of the data in the sample, but it does not guarantee the ability of the model to forecast successfully, which is our primary aim.

10 This is $5 \times 5 \times 2 \times 2 = 100$ models for each series. A total of 1200 seasonal *ARIMA* specifications were taken into consideration for the 8 non-administrative series, CPI series, CPImod and the GOODS and SERVICES series.

Figure 36
RMSE STATISTICS OF THE FORECAST MODEL EVALUATING THE DIRECT ARIMA FORECAST OF THE TOTAL CPI AND THE AGGREGATE OF THE FORECASTS OF THE NON-ADMINISTRATIVE COMPONENTS INCREASED BY THE FORECAST OF THE AGGREGATE OF THE 4 ADMINISTRATIVE COMPONENTS (AGGREGATE 12)



As already mentioned, the period from January 2004 to March 2006 was used for forecasting and for comparing the obtained forecasts with the actual values of the total CPI. The procedure for each of the 11 series (CPI, 8 non-administrative components and the GOODS and SERVICES series) was as follows. First, we forecast the values for the period from January 2004 to December 2004 (12-month forecast) and put the first in the series 1 step ahead, the second in 2 steps ahead and so on to twelve. Then we added the data for January 2004 to the model, re-estimated the model parameters, forecast the values from February 2004 to January 2005 and put the forecasts in the last place in the series 1 step ahead, 2 steps ahead etc. In this way, each of the forecast series received 12 series obtained as forecasts from 1 month ahead to 12 months ahead, which we then compared with the actuals. A series of a length of 16 observations was generated for each time horizon.

We tested the quality of the obtained forecasts against two standard measures: *Mean Absolute Error (MAE)* and *Root Mean Squared Error (RMSE)*, which were defined as follows. If x_1, \dots, x_n are actuals and $\hat{x}_1, \dots, \hat{x}_n$ are forecast values of random variable x , then:

$$MAE = \frac{1}{n} \sum_{i=1}^n |x_i - \hat{x}_i|$$

$$RMSE = \sqrt{\frac{1}{n} \sum_{i=1}^n (x_i - \hat{x}_i)^2}$$

The results of the RMSE statistics analysis, shown in Figure 36, indicate that on a shorter time horizon (up to 4 month) direct *ARIMA* forecasts of the total CPI give better results than aggregated forecasts. On longer horizons – from 5 to 12 months – the most precise forecasts of the changes in the total CPI are obtained by first forecasting the components of the CPI which are then aggregated into the total index. Disaggregation of the CPI only for GOODS and SERVICES did not improve the forecasts.

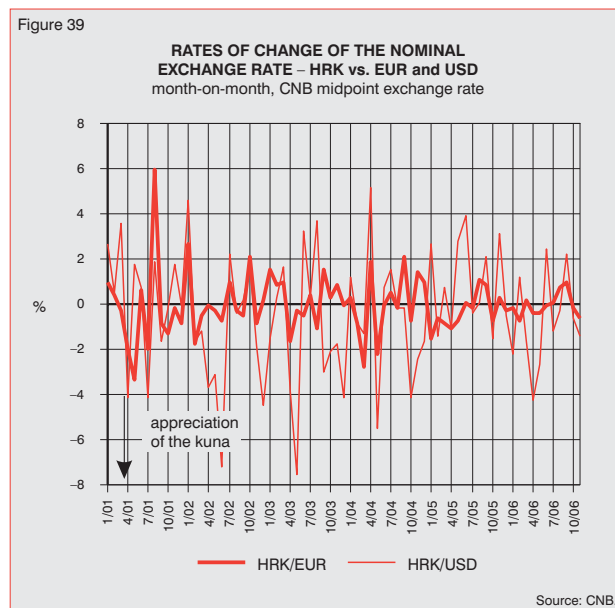
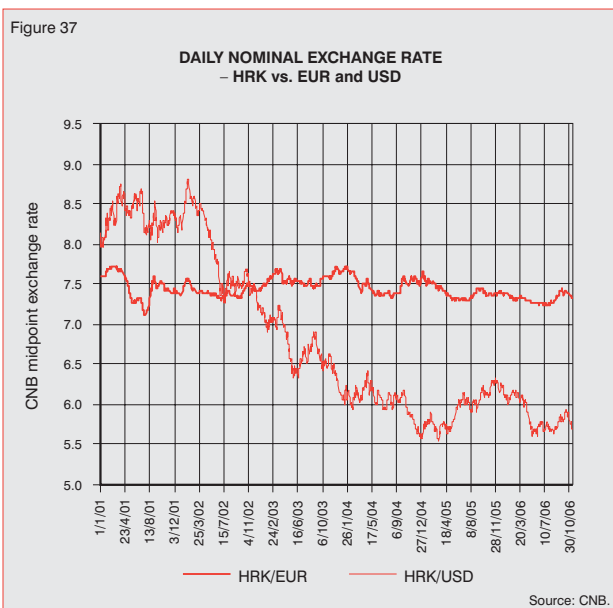
Exchange Rate

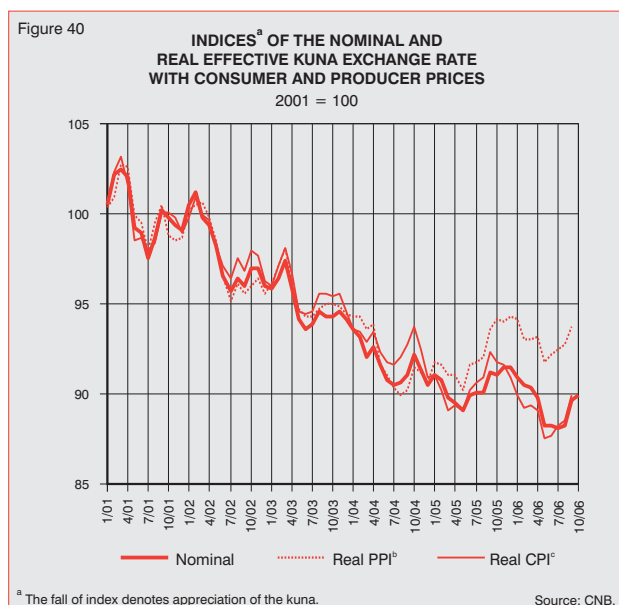
The nominal kuna/euro exchange rate strengthened by 0.8% in the first half of the fourth quarter 2006, with the euro down from HRK 7.38 on 30 September to HRK 7.32 on 15 November. In the first half of October the kuna/euro exchange rate depreciated slightly, standing at HRK 7.42/EUR on 17 October. In an effort to provide sufficient liquidity for financial transactions related to the buyout of Pliva d.d., the central bank bought EUR 208.9m from Zagrebačka banka on 23 October, thus maintaining a stable kuna exchange rate. As the kuna started to appreciate against the euro late in October, the CNB bought EUR 68.8m from banks in an auction on 26 October, aiming to restrain nominal appreciation of the domestic currency.

Having appreciated by 0.2% in October, the kuna/euro exchange rate continued to appreciate in nominal terms, strengthening by 0.4% alone in the period from 31 October to 9 November. In response to these developments, the central bank intervened again in the foreign exchange market, purchasing another EUR 217.4m from banks in an auction on 9 November, the highest volume auction in 2006. The kuna exchange rate continued appreciating slightly in the next few days, reaching HRK 7.32/EUR on 15 November, a nominal rise of 0.7% compared with end-October. The appreciation of the kuna against the euro is attributed, inter alia, to recapitalisation of banks and increased demand for the kuna spurred by a new government bond issue on the domestic market. The central bank sold EUR 4.3m to the MoF in the first half of the fourth quarter, required for a regular repayment of a World Bank SAL. The average absolute change in the daily kuna/euro exchange rate, an indicator of exchange rate volatility, dropped from 0.12% in September to 0.10% in October and to 0.08% in the first fifteen days of November.

The US dollar exchange rate weakened by 1.2% against the euro on world currency exchanges in the first half of the fourth quarter 2006, from USD 1.27/EUR on 30 Septem-

ber to USD 1.28/EUR on 15 November. The depreciation was more pronounced in the second half of October, when the dollar lost part of its value gained in the first half of the month. The US dollar value was not considerably affected by the narrowing of the interest rate spread between the US and the eurozone, caused by the ECB benchmark interest rate increase from 0.25 percentage points to 3.25% in the first half of October. On the other hand, the Fed's decision to keep its benchmark rate at 5.25%, as well as positive business confidence indicators published in Germany, favourably influenced the euro value in the second half of October. The dollar depreciated further against the euro over the first fifteen days in November, weakening by an additional 0.8% from end-October. Depreciation pressures on the US dollar/euro exchange rate in the first half of November can be attributed to market participants' expectations of further tightening of eurozone monetary policy and the diversification of China's international reserves, announced by the governor of China's central bank, which raised concerns about a possible





drop in the US dollar's share in China's foreign exchange reserves.

Reflecting the trends in the kuna/euro exchange rate and in the US dollar/euro exchange rate on the world foreign exchange market, the exchange rate of the kuna versus the US dollar appreciated by 2.1% in the first half of the fourth quarter 2006, from HRK 5.83/USD on 30 September to HRK 5.71/USD on 15 November. Having appreciated by 0.6% in October, the kuna/US dollar exchange rate appreciated further in nominal terms in the first half of the fourth quarter, rising by 1.5% from 31 October to 15 November. In addition to appreciation against the euro and US dollar, the kuna also appreciated against the Swiss franc by 1.2%, against the pound sterling by 0.6% and against the Slovenian tolar by 0.9%. This resulted in a 1.2% appreciation of the index of the daily nominal effective exchange rate of the kuna in the period from 30 September to 15 November.

The index of the real effective exchange rate of the kuna shows that the domestic currency appreciated in real terms against the basket of currencies from December 2005 to September 2006 by 1.2% deflated by consumer prices, and by 0.6% deflated by producer prices. The average index of the nominal effective exchange rate of the kuna appreciated by 2.0% in the said period, mostly because of a sharp nominal appreciation of the kuna versus the US dollar.¹¹ The index appreciated slightly less in real than in nominal terms due to domestic prices growing at a slower rate than foreign prices. The said developments in the index of the real effective kuna exchange rate lead to the conclusion that domestic exporters' price competitiveness deteriorated in the first nine months this year, and that these developments were less favourable than those in the same period last year, when the index of the real effective kuna exchange rate depreciated.

¹¹ The average kuna/US dollar exchange rate appreciated by 7.1% in September 2006 from December 2005.

Monetary Policy and Instruments

Monetary Environment

Large capital inflows from abroad and the associated occasional appreciation pressures on the domestic currency in the third quarter of 2006 intensified additionally at the beginning of the fourth quarter causing the monetary policy to focus primarily on the task of maintaining exchange rate stability on the foreign exchange market. A seasonal fall in foreign debt of banks during the summer months came to a halt in October when both foreign liabilities and foreign assets started rising. The associated inflow of foreign currency together with the inflow of foreign funds for recapitalisation of some of the banks and the inflow of foreign currency for the takeover of Pliva d.d. resulted in an ample supply of foreign currency on the domestic market and boosted demand for kuna. The central bank promptly reacted to fast exchange rate changes by purchasing foreign currency from the banks on several occasions, thus successfully curbing excessive appreciation pressures. Foreign exchange interventions created high kuna liquidity which reduced banks' needs for additional funds at regular weekly reverse repo auctions.

The takeover of Pliva d.d. was successfully completed in a single day on 24 October. The contribution of the CNB in terms of organisation and cooperation with the Central Depository Agency (SDA) and the banks helped ensure that the monetary transactions involving a total of HRK 13.99bn be carried out without distorting the stability of the foreign exchange and money markets. One day before the takeover, the central bank engaged in a bilateral transaction, purchasing EUR 208.9m worth of foreign currency and creating HRK 1.5bn, thus enabling a smooth execution of the purchase/sale transaction of this company's shares, at given liquidity level. To ensure the required level of liquidity, a total of HRK 2.25bn in intraday loans during that day were granted to the four banks that used the facility. After successful completion of the takeover transaction, HRK 1.0bn in surplus liquidity was withdrawn with the closing of the fine-tuning operation between the central bank and Hrvatska poštanska banka (HPB). This operation provided HPB in June with the funds needed to finance the government for the latter's obligations relating to the payment of the first instalment of the debt to pensioners, while the central government paid off that debt using the receipts from the sale of its ownership stake in Pliva d.d.

The beginning of the fourth quarter was also marked by the beginning of implementation of the September decision on the widening of the base for the calculation of minimum required foreign currency claims, under which kuna liabilities with a currency clause were also included in foreign currency liabilities of banks. Banks' adjustment was seen in their increased foreign assets, while foreign liabilities saw an almost instantaneous arrest in the growth of kuna deposits with a currency clause and recovery in foreign currency and kuna deposits without a currency clause.

Uses of Instruments of Monetary Policy

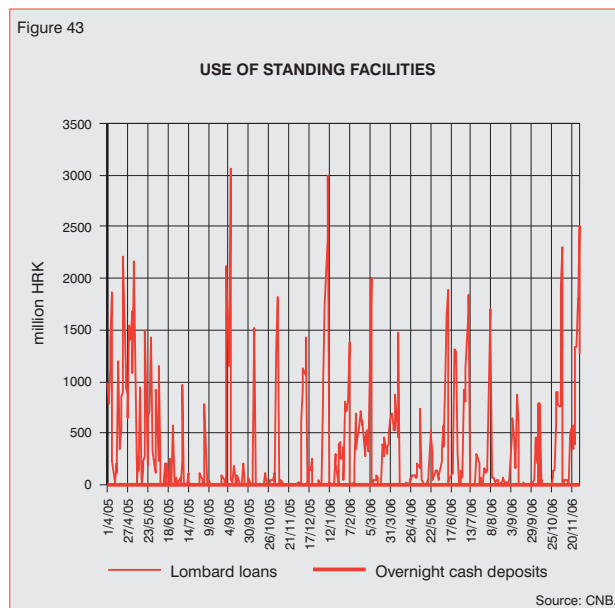
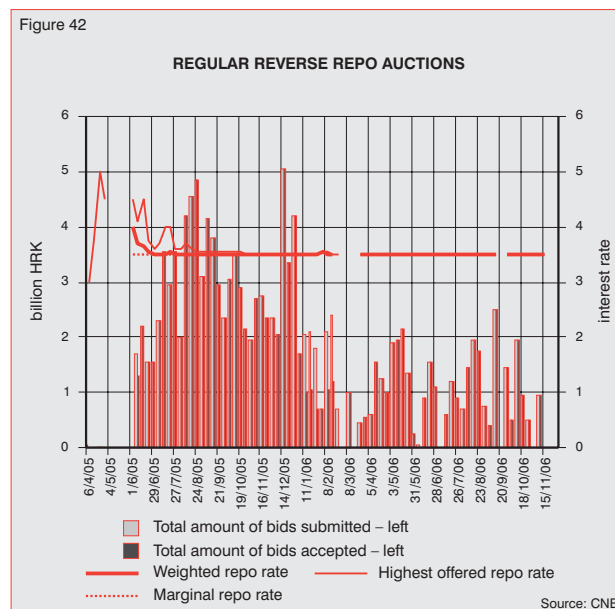
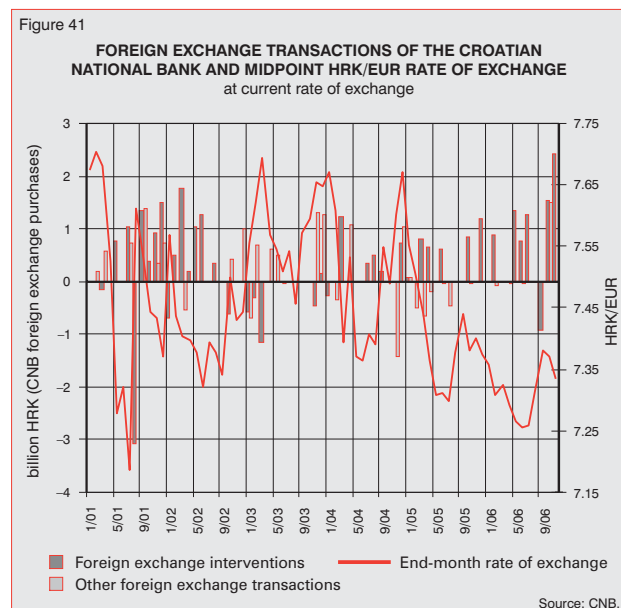
The central bank intervened in the foreign exchange market towards the end of October, early in November and late in November purchasing from the banks EUR 68.8m, EUR 217m and EUR 112.9m, respectively. Combined with the amount of bilateral foreign exchange transaction with one bank, associated with the transaction of Pliva d.d. takeover (EUR 208.9m), and the amount of foreign exchange intervention towards the end of September, whose value date was 3 October and which involved EUR 138.7m, a total of EUR 746.7m were purchased from the banks through foreign exchange transactions in the first two months of the fourth quarter which created HRK 5.5bn. Except for one smaller sale of foreign currency to the Ministry of Finance, involving EUR 4.3bn, there were no other significant foreign exchange transactions with the central government during that period.

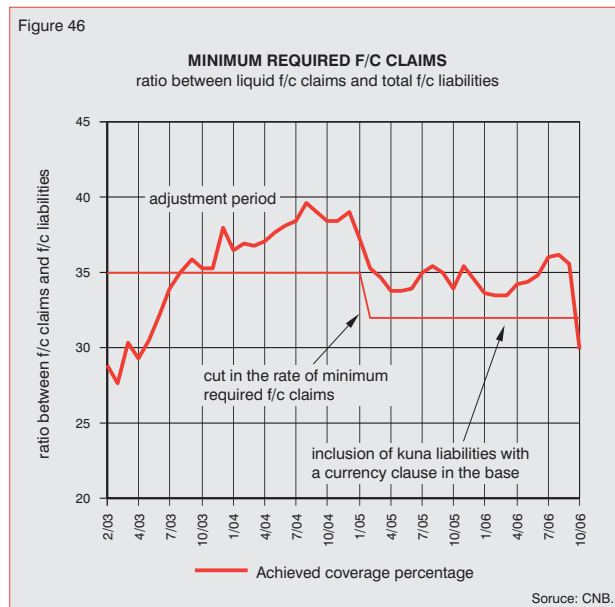
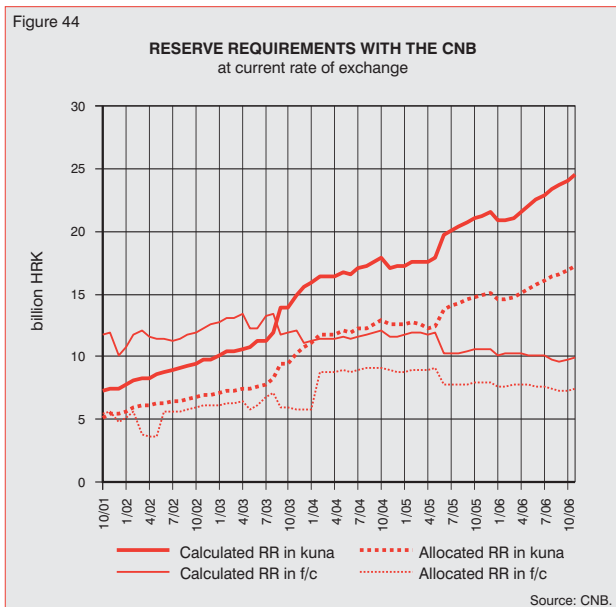
In its foreign exchange transactions with the banks and the Ministry of Finance in the first eleven months of 2006, the central bank purchased net EUR 1.2bn and created HRK 8.6bn, the largest absolute amount of kuna funds created through foreign exchange transactions in the past several years. Large capital inflows from abroad and the high level of euroisation characteristic of Croatia's monetary environment, determine the character of the country's monetary policy and call for frequent use of foreign exchange auctions as instruments for maintaining exchange rate stability.

High kuna liquidity created by means of foreign exchange transactions in October and November described above was reflected in an increase in free reserves, which rose from HRK 680m in October to HRK 1.2bn in November. Daily surplus liquidity was particularly large at the beginning of the reserve requirement maintenance period at mid-November, and stood at over HRK 2.5bn. This caused a fall in the interest rates on the money market and record low turnover at regular reverse repo auctions in 2006. The average amount of funds placed at regular reverse repo auctions fell from HRK 1.0bn in October to only HRK 0.2bn in Novem-

ber, owing to complete absence of turnover at the last two auctions in November. As usual, the banks again tended to accumulate surplus liquidity at the end of the reserve requirement maintenance period and at the beginning of the new allocation boosting largest demand for additional funds at reverse repo auctions during that period. The CNB accepted all the bids received from banks and the marginal repo rate did not change and stood at 3.5%.

In October and November, the banks made use of the overnight deposit facility with the CNB for their surplus liquidity immediately before the beginning of the new period of reserve requirement allocation. This was particularly evident one day before reserve requirement allocation in November (7 November) when overnight deposits reached a high HRK 2.3bn. The average daily balance of overnight deposits with the CNB stood at HRK 147m in October, rising to HRK 804m in November. As regards standing facilities, one Lombard loan was granted in October (HRK 785m), representing the first use of this instrument of monetary pol-





icy since August 2004. It was granted to one bank which used it to meet its reserve requirement maintenance obligation.

Rapid growth of kuna non-monetary deposits during the summer months and early in the fourth quarter caused an increase in the base for the calculation of kuna reserve requirements of banks. Total calculated kuna reserve requirements reached HRK 28.6bn in November, which was an increase of HRK 1bn compared with the end of the third quarter. Of that, the allocated part of the kuna reserve requirement rose by HRK 0.7bn, while the banks easily met the remaining part by means of average free reserve balances in the settlement accounts and in vaults. In the first eleven months, kuna reserve requirements rose by HRK 3.5bn or 13.9%, maintaining its role as the most significant instrument for surplus kuna liquidity sterilisation.

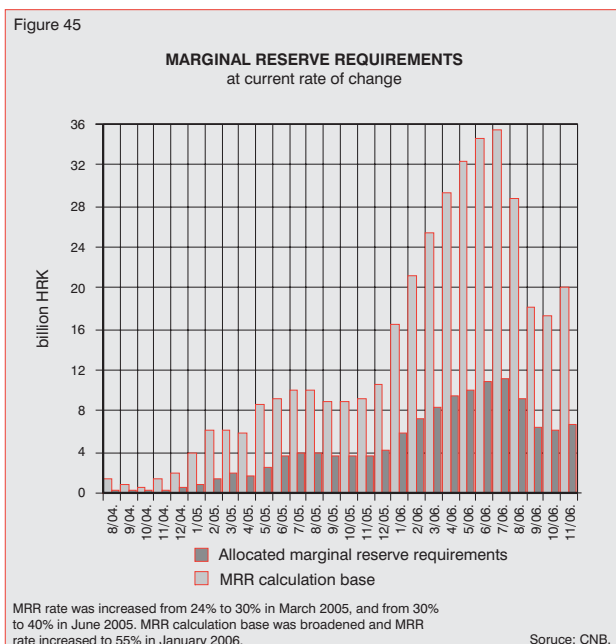
Following a decline in the foreign currency reserve requirement in the third quarter due to a fall in the foreign cur-

rency sources of banks, the inflow of foreign currency deposits into the banking sector in the months that followed the close of the main tourist season led to an increase in the base for the calculation of the foreign currency reserve requirement in October and November. The calculated foreign currency reserve requirement rose by HRK 0.4bn in November compared with the end of the previous quarter and stood at HRK 11.7bn. Looking at all eleven months, the calculated foreign currency reserve requirements shrank by HRK 0.8bn in kuna terms.

The banks also used the seasonal growth of domestic sources of funds during the summer months to reduce their foreign liabilities. This reflected on the marginal reserve requirements which almost halved during the third quarter, falling from HRK 11.1bn to HRK 6.4bn. However, as foreign liabilities of banks rose again early in the fourth quarter, the base for the calculation of the marginal reserve requirement rose by HRK 2.1bn or 11.9% in November compared with the end of the third quarter, forcing the banks to make an interest-free allocation of HRK 451m.

Of the total amount of the allocated marginal reserve requirement (HRK 6.8bn), the largest share went to funds received from non-residents and legal persons in a special relation with the bank (97% or HRK 6.6bn). The remaining share of the marginal reserve requirement (3% or HRK 0.2bn) can be attributed to allocations made by banks on the basis of funds collected from persons engaged in leasing, on the basis of guarantees and warranties for the account of non-residents used for foreign borrowing of domestic persons, and on the basis of funds received from non-residents and legal persons in a special relation with banks which are used for financing domestic persons by means of syndicated loans and mandated operations.

The Decision to include banks' kuna liabilities with a currency clause in the base for the calculation of minimum required foreign currency claims of 32% came into force early in October. As a result of its implementation, the total base for the calculation of minimum foreign currency coverage rose from HRK 135.5bn in September to HRK 174.4bn in



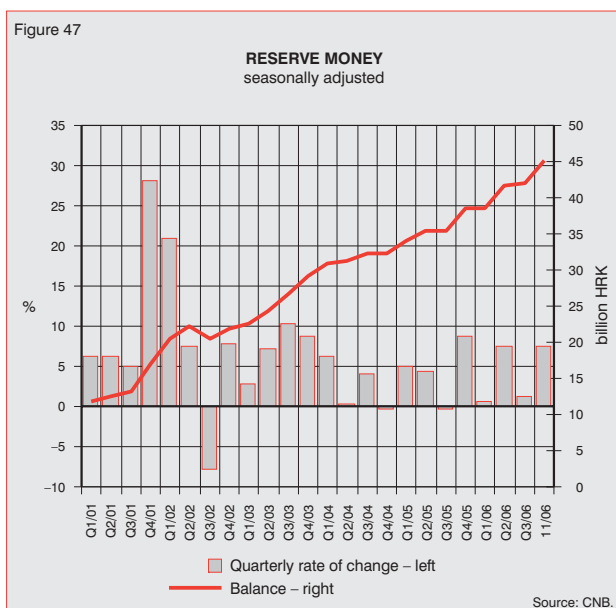
October, with kuna liabilities with a currency clause standing at HRK 35.6bn. Due to a large increase in the base, the decision provided for an adjustment period. More specifically, after initial minimum coverage requirement of 20% as at 2 November, the date of the Decision's implementation, the banks are required to gradually increase their coverage ratios by a minimum 2 percentage points per month, until their final adjustment with the prescribed 32% in March 2007.

The average rate of the system's minimum required foreign currency claims in October was 29.51%, with some banks meeting the 32% requirement even after the widening of the calculation base. The remaining banks, notably those that made more intensive use of the currency clause instrument in the previous period, will be undergoing adjustment in the following six months or less. In the first month of adjustment, only one bank failed to reach the minimum foreign currency liquidity, i.e. the minimum 20% coverage.

Reserve Money and International Reserves

Good kuna liquidity, as seen in banks' settlement accounts surpluses, and an increase in the kuna reserve requirement compensated for the seasonal fall in currency outside banks, and enabled further fast growth of reserve money (M0) in the first two months of the fourth quarter. Such developments were primarily influenced by bigger foreign currency purchases from the banks which created HRK 5.5bn in additional liquidity. At end November 2006, reserve money was HRK 44.9bn with its average balance in that month growing by 19.0% compared with its average balance in November 2005.

As regards the structure of reserve money in the first two months of the fourth quarter, bank deposits rose by HRK 3.4bn and stood at HRK 31.4bn at end-November. The increase in bank deposits with the central bank was due to increased settlement account and in vault balances (HRK 1.5bn), increased kuna reserve requirements (HRK 0.7bn) but also due to increased overnight deposits (HRK 1.2bn).



As regards the other component of reserve money, currency outside banks, its decline that started in mid-August 2006 continued into October and November. However, looking at its annual level, this monetary aggregate rose rapidly again in the fourth quarter. Standing at HRK 13.5bn at end-November, currency outside banks rose by 15.1% compared with the end of the same month previous year.

Central government deposits with the CNB were stable in the first two months of the fourth quarter. With usual slight oscillations reflecting short-term inflows and outflows, the average balance in the government accounts with the central bank in October and November was HRK 283m, almost equal to their balance in the previous quarter (HRK 282m). As regards the structure of government deposits, despite a slight November increase in foreign currency deposits from HRK 2.5m to HRK 36m, kuna deposits again accounted for the largest share of central government funds and stood at a high HRK 723m at end-November.

Following third quarter decline in international reserves of the CNB, as a result of outflows of foreign currency and marginal reserve requirements of banks, the first two months of the fourth quarter saw a rapid growth in international reserves. Their increase was mostly due to larger purchases of foreign currency from the banks which totalled EUR 747m. Contribution to international reserves growth was also provided by recovery in foreign currency allocations associated with the marginal (EUR 62m) and the foreign currency reserve requirement (EUR 40m). In the first eleven months of 2006, international reserves of the CNB rose by EUR 1,545m and stood at EUR 8,983 at end-November. During the same period, net usable international reserves rose by EUR 1,260m, standing at EUR 6,865m at end-November.

Monetary Developments

Monetary developments in the third and early fourth quarters were characterised by fast growth of domestic sources of funds which helped the banks to continue with

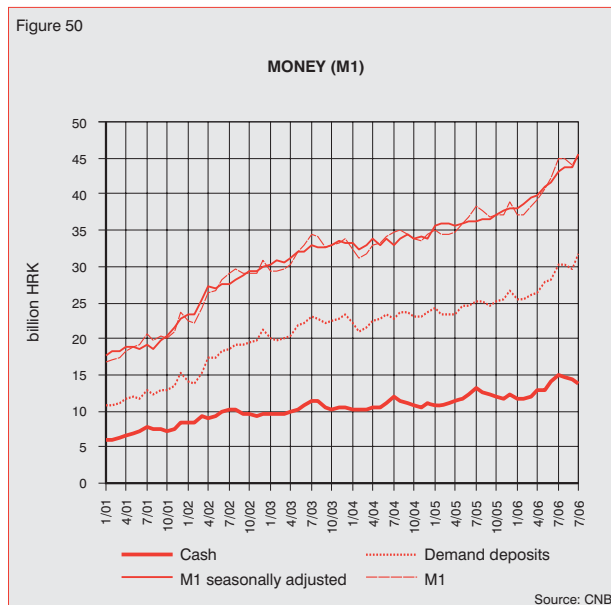
their further intensive lending to the non-banking sector and to improve significantly their net foreign assets. Accelerated growth of almost all monetary aggregates in 2006 notwithstanding, the largest contribution to fast growth of total liquid assets (M4) was provided by impressive growth of kuna non-monetary deposits, particularly those with a currency clause. Under September 2006 changes to the relevant central bank decision, the base for the calculation of minimum required foreign currency claims of 32%, now included not only foreign currency liabilities but also kuna liabilities with a currency clause so the majority of banks now have to adjust the volume of their foreign currency claims in accordance with the new definition of liabilities, both foreign and kuna with a currency clause. The adjustment of banks' foreign claims with their foreign liabilities can be seen primarily in their foreign assets growth, and in the change of the currency structure of non-monetary deposits early in the fourth quarter.

Total Liquid Assets

The growth of total liquid assets accelerated in the second half of 2006. Both components of the monetary aggregate M4, money and quasi money, grew at an exceptional rate. As regards the structure of quasi money, in addition to rapid growth of kuna non-monetary deposits, the third and early fourth quarters saw a recovery in the growth of foreign currency deposits. With a record increase of HRK 25.9bn in the first ten months of 2006, total liquid assets reached HRK 180.6bn at end-October, growing annually by a high 18.4%, which is an increase of 8.2 percentage points compared with their annual growth rate at the end of the same month previous year.

Money

Developments in money (M1) in the third quarter of 2006 were marked by strong seasonal growth. Fast growth of M1 can also be seen in the developments of its seasonally adjusted value. Increasing by HRK 1.5bn early in the fourth



quarter, money reached HRK 45.5bn at end-October, growing strong annually by a high 22.6%, almost a twofold increase compared with its growth in the same month previous year.

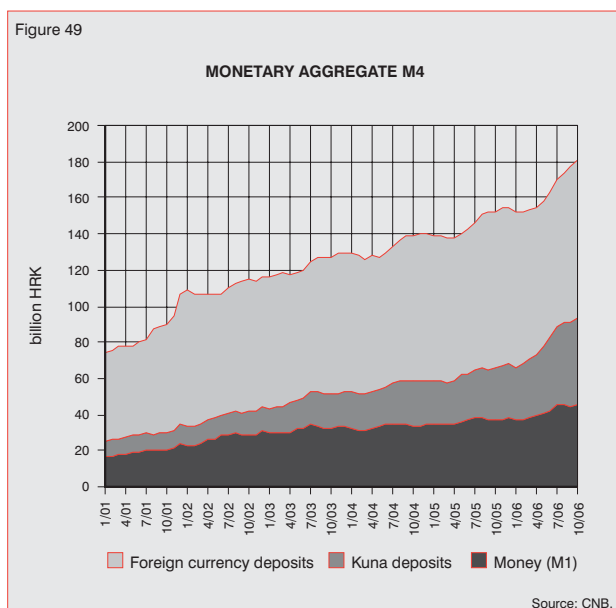
Against the backdrop of positive economic developments and fast growth of bank placements, the largest contribution to the growth of money in the third and early fourth quarters was provided by growing demand deposits. Of the total increase of HRK 1.5bn in giro and current account balances in the third quarter, the corporate and the household sectors accounted for HRK 1.1bn and HRK 0.4bn, respectively, while the fast growth of demand deposits of HRK 1.9bn in October was due mostly to increased balances in the accounts of other financial institutions following the completion of Pliva d.d. takeover transaction. At end-October, demand deposits reached HRK 31.6bn, growing annually by 25.7%.

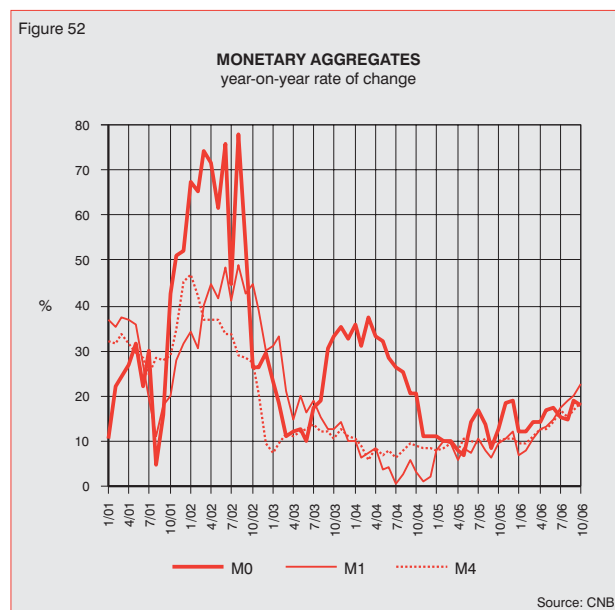
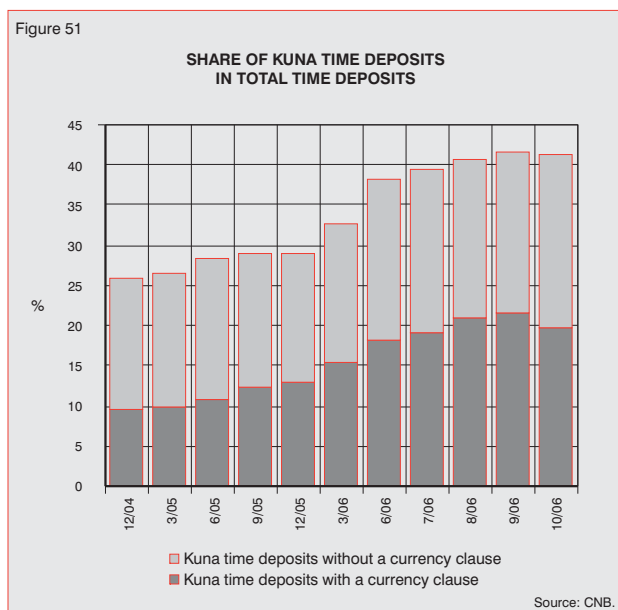
The other component of money, currency outside banks, reached this year's maximum during the summer season in mid-August when it reached over HRK 15.5bn. It fell later on in the third quarter and continued falling early in the fourth quarter. As a result, currency outside banks was down to HRK 13.9bn at end-October. However, its annual growth rate stood at a high level of 16.1%, an increase of 6.6 percentage points compared with the same month previous year.

Non-Monetary Deposits

Faced with further restrictions regarding foreign borrowing since early 2006, the banks took a number of measures to attract domestic savings. Particularly interesting for the banks were kuna deposits with a currency clause as until CNB introduced its new decision in September, the banks were not obligated to maintain in their foreign currency claims minimum 32% of these liabilities. The banks also made efforts during that period to replace some of their existing foreign currency sources with kuna sources with a currency clause.

The increase in total liquid assets in the first nine months





of 2006 was largely brought about by strong growth of kuna non-monetary deposits which rose by a high HRK 18.2bn during that period. Of that amount, HRK 11.5bn went to kuna time deposits with a currency clause. In the third quarter alone, kuna deposits rose by HRK 7.7bn (of which HRK 5.5bn were indexed to a foreign currency). Kuna deposits with a currency clause fell by HRK 1.4bn in October, while kuna deposits without a currency clause rose by HRK 2.0bn, causing a slight change in the structure of kuna non-monetary deposits in favour of deposits not indexed to a foreign currency. With October increase of HRK 0.7bn, total kuna non-monetary deposits reached HRK 46.8bn at the end of the month, while their annual growth rate held steady at a high 66.8%.

The largest impetus to kuna deposits growth in the third quarter 2006 was provided by the growth of household savings which, following accelerated growth in the first half of the year, gained additional momentum during the summer months. Household kuna deposits rose HRK 5.1bn in the third quarter, a fivefold increase compared with the same period previous year. Such developments influenced the annual growth rate which was up from 35.9% at end-2005 to record 70.6% at end-September 2006. This trend came to a halt in October, after household kuna deposits declined HRK 0.4bn. At end-October, household kuna deposits were HRK 24.4bn, still growing strong by a high 65.5% annually.

Unlike their rapid growth (HRK 3.0bn) in the second quarter of 2006, the growth of corporate kuna savings decelerated somewhat later on in the year. Following their HRK 2.0bn increase in the third and early fourth quarters, total corporate kuna deposits reached HRK 14.6bn at end-October, while at 65.5%, their annual growth rate equalled that of the household sector.

Recovery of foreign currency deposits in the third quarter (an increase of HRK 4.2bn) was not sufficient to compensate for their fall in the first half of the year, so that total foreign currency deposits fell by HRK 1.6bn in the first nine months of 2006. Such developments were the result of banks' efforts to replace their foreign currency sources with

kuna sources with a currency clause. On an annual level, the growth rate of foreign currency deposits declined steadily; from 6.1% at end-December 2005 to -1.9% at end-September 2006. Foreign currency deposits recovered in October as a result of their increase of HRK 1.7bn, standing at HRK 86.9bn at the end of the month and growing annually by 0.6%.

The growth of foreign currency deposits in the third and early fourth quarter was seen both in the household and the corporate sectors. Increasing by HRK 2.7bn compared with the end of the second quarter, household foreign currency deposits reached HRK 73.2bn at end-October, growing annually by 1.7%, which is a decline of 5.8 percentage points compared with the end of the same month previous year. Foreign currency deposits of the corporate sector during the third and early in the fourth quarter rose by HRK 2.2bn. Nevertheless, the annual rate of change of corporate foreign currency deposits, as a result of marked replacement of foreign currency deposits by kuna deposits with a currency clause in this sector in the first half of the year, was still negative and stood at -8.7% at end-October.

Developments in kuna and foreign currency deposits in the first ten months of 2006 caused a small change in the currency structure of total non-monetary deposits. If kuna deposits with a currency clause are added to foreign currency deposits, their share in total non-monetary deposits fell from 85.5% at end-December 2005 to 81.0% at end-October 2006, while the share of corporate kuna deposits without a currency clause rose from 14.5% at end-2005 to 19.0% at end-October 2006.

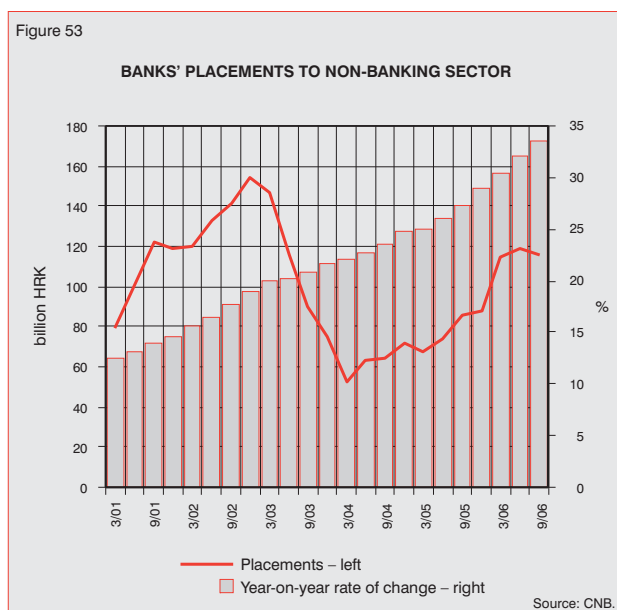
Placements

Bank placements to the non-banking sector grew rapidly in the third and early in the fourth quarter 2006. These developments were equally observable in the household and the corporate sectors. On an annual level, despite its slight fall early in the fourth quarter, the growth rate of bank placements to the non-banking sector stood at a still high 22.0% at end-October. Following their increase of HRK 7.7bn in

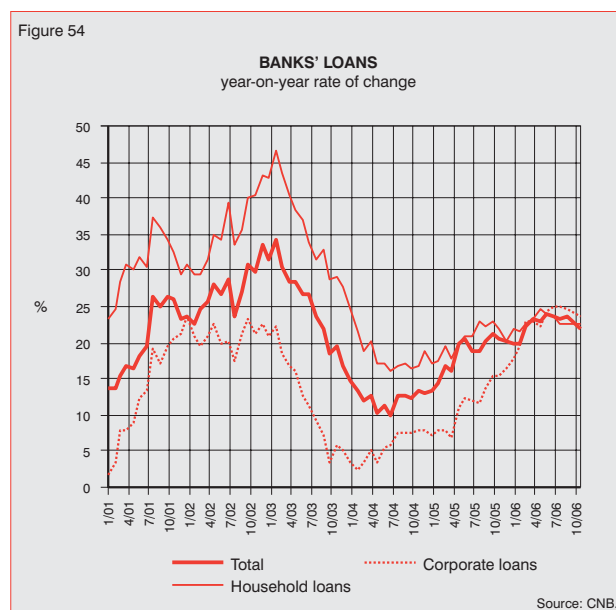
Table 3: Bank Loans to Households, end of period, in million HRK and %

	Balance					Structure					Year-on-year rate of change				
	12/05	3/06	6/06	9/06	10/06	12/05	3/06	6/06	9/06	10/06	12/05	3/06	6/06	9/06	10/06
Housing loans	27,571.1	29,498.7	31,925.4	34,709.0	35,588.8	35.1	36.2	36.9	37.8	38.1	28.8	34.9	37.4	35.0	35.7
Mortgage loans	2,595.0	2,586.0	2,687.2	2,645.1	2,667.0	3.3	3.2	3.1	2.9	2.9	-7.1	-4.4	1.8	-0.1	1.9
Car loans	8,705.3	8,747.5	8,928.9	9,120.4	9,166.7	11.1	10.7	10.3	9.9	9.8	6.3	7.2	7.5	6.3	6.5
Credit card loans	3,290.6	3,387.8	3,579.4	3,722.7	3,774.5	4.2	4.2	4.1	4.1	4.0	15.5	13.3	17.7	17.5	17.5
Other kuna loans to households	35,950.1	36,700.9	38,775.9	41,135.9	41,651.1	45.8	45.1	44.9	44.8	44.6	21.2	21.4	20.7	19.5	18.8
Loans to non-profit organisations	443.6	468.4	505.0	528.0	517.9	0.6	0.6	0.6	0.6	0.6	11.4	28.2	27.5	20.9	28.6
Total	78,555.7	81,389.3	86,401.7	91,861.1	93,366.0	100.0	100.0	100.0	100.0	100.0	20.3	22.7	23.9	22.5	22.7

Source: CNB.



Source: CNB.



Source: CNB.

the third and HRK 2.3bn early in the fourth quarter, total bank placements to the non-banking sector reached HRK 174.6bn at end-October.

The largest contribution to the increase in total bank placements to the non-banking sector still came from the household sector. Of the total increase in placements in the third quarter 2006, almost three fourths (HRK 5.5bn) went to loans to that sector. As regards the structure of household loans, housing loans continued to grow at an accelerated rate. Their average monthly increase in the first ten months of 2006 was HRK 800m and total housing loans reached HRK 35.6bn at end-October, with their annual growth rate steadily keeping above 30% throughout that period (standing at a high 35.7% at end-October). In addition to housing loans, other all-purpose loans (including current account overdraft facilities) and credit card loans also grew fast. These three types of loans (housing, other and credit card loans) accounted for 86.8%, or the largest share of total loans to households at end-October. The remaining share of loans to households went to car loans, mortgage loans and loans used through non-profit organisations. At end-October, total bank loans to households were HRK 93.4bn, growing annually by 22.7%, which is a fall of almost two percentage points compared with their this year's highest growth rate recorded at mid-year.

Fast growth of placements to the corporate sector in the first half of the year slowed down slightly in the third quarter. Following their increase of HRK 4.4bn in the first and HRK

3.3bn in the second quarter, bank placements to the corporate sector grew by HRK 2.1bn in the third quarter. Such developments influenced their annual growth rate which fell slightly towards the end of the third and early in the fourth quarter compared with the end of the first half of the year. Total bank placements to the corporate sector reached HRK 77.6bn at end-October, growing annually by 22.4%. As regards the structure of total bank placements to the corporate sector, granted loans still accounted for their major share (over 94%).

Placements to the Central Government

In the third and early fourth quarter, the central government greatly improved its position towards the banks. With its new July kuna bond issue of HRK 2.5bn, the government raised on the domestic market the funds needed to reduce its liabilities towards the banks. As a result, banks' claims on the central government fell by a net HRK 1.9bn in the third quarter based on reduced claims for loans (HRK 2.0bn), reduced claims based on money market instruments (HRK 0.1bn) and increased claims for subscribed government bonds (HRK 0.2bn; the remaining HRK 2.3bn worth of bonds were subscribed by other institutional investors). Banks' claims on the central government fell by further HRK 2.0bn in October. The largest share of this fall can be ascribed to the collection of a short-term loan of Hrvatska poštanska banka of HRK 1.0bn, that this bank had granted to the central government for the payment of the first instal-

ment of the debt to pensioners. The government secured the funds needed for the repayment of that loan through a sale of its package of shares in Pliva d.d. The government transferred the remaining balance of HRK 1.5bn from the sale of that company to the Pensioners' Fund, in that way excluding these monetary assets from government deposits with the banks. At end-October, banks' claims on the central government were HRK 29.4bn, a fall of 3.2% compared with the same month previous year.

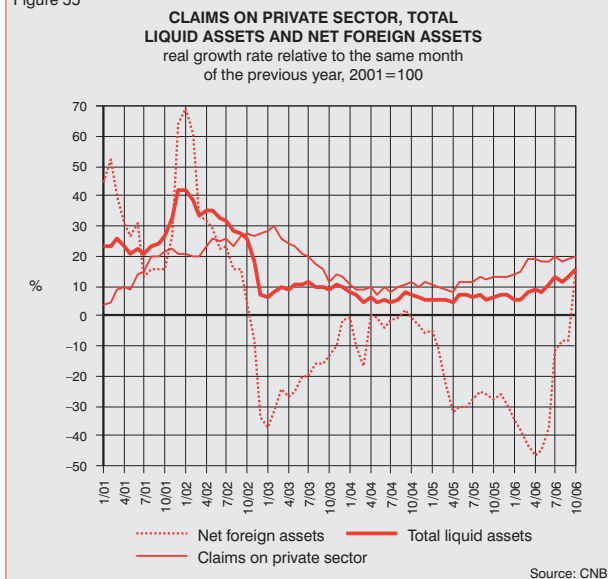
With a slight increase in government deposits with the banks and a decrease in liabilities, central government net position towards the banks improved in the third and early fourth quarters by a significant HRK 4.7bn. At end-October, banks' net claims on the central government were HRK 19.1bn, a fall of 7.5% compared with the same month previous year.

Foreign Assets and Liabilities

A downward trend in foreign assets of banks in the first half of the year came to a halt in the third quarter after foreign assets of banks rose by HRK 6.2bn (23.8%). Rapid growth of foreign assets of banks towards the end of the third and early in the fourth quarter, mainly as a result of banks' adjustment to the amendments to the Decision on the Minimum Required Amount of Foreign Currency Claims. Due to the widening of the banks' foreign currency liabilities base to include kuna liabilities with a currency clause, most of the banks had to, or still has to within the deadline provided for adjustment, increase their foreign currency claims. With an increase of HRK 4.1bn in October, foreign assets of banks reached HRK 36.5bn at the end of the month, their annual growth rate recovering to 4.9%.

The usual fall in foreign liabilities of banks during the

Figure 55



summer months was particularly noticeable in 2006. Foreign liabilities of banks fell by as much as HRK 8.7bn during the third quarter. However, early in the fourth quarter, foreign liabilities of banks rose by HRK 2.3bn compared with September, and stood at HRK 69.2bn at end-October, an increase of 11.9% compared with the same month previous year.

Such developments in foreign assets and foreign liabilities of banks in the third and early fourth quarter led to an improvement in the net assets of banks compared with the end of the first half of the year of as much as HRK 16.7bn. At end-October 2006, net foreign assets (NFA) of banks were HRK -32.7bn.

Box 2: Developments in the Prices of Dwellings¹² in Croatia as Measured by a New Hedonistic Index of Real Estate Prices Calculated in the CNB

In the past several years, much attention has been drawn to the importance of the need to monitor closely developments in the real estate market, particularly in view of their possible significant impact on total economic developments and in that context, the importance of appropriate monitoring of price developments in that sector. Residential assets account for a large share of total household assets, while residence-related expenditures (expenditures for rents and housing loans payments) account for a large share of total household expenditures. Therefore, changes in the prices of dwellings, rents and interest rates on household loans have a great impact on developments in the value of household assets and income and expenditures and accordingly on developments in aggregate demand and inflation. Developments in the prices of dwellings are sensitive to interest rate changes, i.e. to changes in the level

of monetary policy restrictiveness or expansiveness, and as such can affect the working of monetary policy transmission mechanism. In addition, rent price developments have to be followed closely, because it directly influences developments in consumer price inflation, as rents are included in the basket for the calculation of the consumer price index. In addition, analyses made in developed market economies, indicate that considerable fluctuations in the prices of residential assets have an impact on financial and business cycles and financial stability.

Greater methodological problems are encountered when calculating real estate price indices than any other price indices. The main reason for that is that it is not possible to ensure continuous monitoring of price developments for an individual dwelling unit. Dwelling price index should point to changes in the price of a fixed-quality dwelling at a certain location. However, given their extremely heterogeneous nature as regards the size and characteristics of dwellings in terms of quality and location, it is very difficult to use the principle of pure price comparison when calculating a dwelling price index.

Available indicators of real estate price developments in Croatia are scarce. The only available official indicator of

¹² The analysis comprises flat and house prices.

Table 4: Real Estate Price Indices in Croatia, year-on-year rate of change

	1998	1999	2000	2001	2002	2003	2004	2005	2006 ^a
Croatia – hedonistic index	4.6	1.8	-0.8	6.7	-0.7	1.8	11.7	8.9	11.7
– index of average price per 1m ²	9.2	0.2	-0.9	22.9	-5.6	-0.4	10.8	10.3	19.0
Zagreb – hedonistic index	5.5	2.4	0.7	-5.8	5.2	0.5	10.6	10.9	13.8
– index of average price per 1m ²	8.3	2.0	3.6	-1.5	3.8	2.9	7.4	8.5	18.4
Adriatic Coast – hedonistic index	-1.9	0.4	-8.9	32.5	0.9	10.1	9.3	16.1	4.6
– index of average price per 1m ²	4.9	-4.3	-1.5	30.3	8.8	6.1	8.1	23.5	6.5

^a Data covering the first six months. Source: CNB.

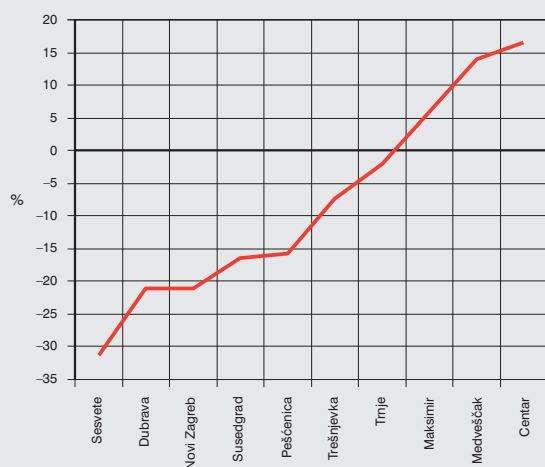
Table 5: Price Indices of Flats in Zagreb, year-on-year rate of change

	1998	1999	2000	2001	2002	2003	2004	2005	2006 ^a
Zagreb – hedonistic index	5.2	2.4	-0.8	-6.2	3.3	3.1	10.5	12.3	13.3
– index of average price per 1m ²	6.6	4.1	2.3	-1.8	-0.2	6.0	8.2	9.0	16.7

^a Data covering the first six months. Source: CNB.

Figure 56

IMPLICIT PRICES OF THE "PART OF THE TOWN" CHARACTERISTICS IN ZAGREB^a

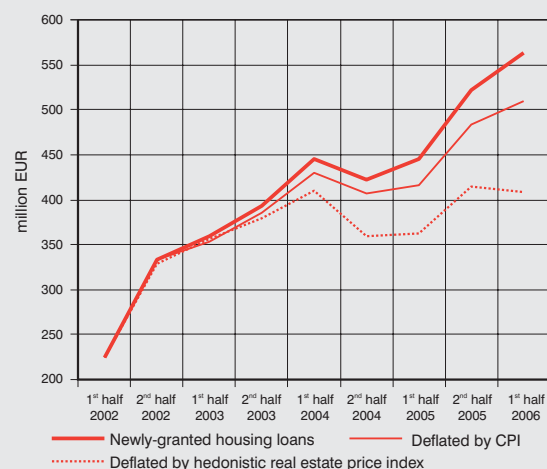


^a The values given are interpreted as departures from the part of the town known as Črnomerec.

Source: CNB.

Figure 57

NEWLY-GRANTED HOUSING LOANS IN CROATIA
semi-annual nominal and real^a amounts



^a Deflated by hedonistic real estate price index and consumer price index.

Source: CNB.

developments in the prices of dwellings covers the primary market only (newly built dwellings). The Central Bureau of Statistics calculates the price index of sold new flats by using the unit value method. Thus the average price per square meter of a sold new flat during a certain period is compared with the average price in the base period. As the index is not adjusted for structural differences, it does not show the amount of straight price increase but the change in average transaction value. Given that quality improvements are not appropriately excluded in index calculation, as a rule, the price index tends to have an upward bias.

One of the recommended and used methods for real estate price index calculation is hedonistic regression. As the basic supposition of this method is that individual product characteristics represent that which brings satisfaction to the buyer, it is essential to determine the prices of these characteristics (attributes), the so called implicit prices. After implicit prices are estimated, the hedonistic price of products can be deduced as a sum total of implicit prices of individual product characteristics. In terms of the real estate market, the objective is to express in monetary form the benefits that a buyer gets from, for instance the size of dwelling, balcony or location within a certain town. This method has been used in the Croatian National Bank in the calculation of new real estate price index. Comparison of

implicit prices of certain characteristics of a real estate can show more closely the structure of buyer preferences. This, for instance, can help us get answers to the questions such as: "How important is to the buyer the fact that the flat is situated in a particular part of the town, or how the buyer values the type of the flat (flat in flat buildings, or flat in a house, etc.)"

Calculation of Real Estate Price Index

Data base used for the calculation of the hedonistic real estate price index (HICN) in Croatia was purchased from Burza nekretnina. Since its establishment in 1996, Burza nekretnina has been collecting data on flats and houses put up for sale by real estate agencies on its internet site. Data collected for each real estate include the price (asking and achieved), date of sale and geographic and locational¹³ and qualitative¹⁴ features (attributes). Geographic distribution of observed data covers three groups. They are: Zagreb, the Adriatic Coast¹⁵ and others. The data base comprises a total of 12 670 transactions conducted between January

13 Region, county, town, part of town.

14 Area, number of rooms, age, type of heating, (non)existence of lifts, loggia/balcony, gas, etc.

15 Under "Adriatic Coast", we have included all real estate within 10 km from the coast.

1997 and June 2006, with Zagreb accounting for 65%, the Adriatic coast for 22% and the group “others” accounting for 13% of the total.

Here we show total hedonistic real estate price indices (flats and houses) for the whole of Croatia and separately for the Zagreb and the Adriatic Coast regions. In the data base of real estate prices in Croatia available to us, data for the Zagreb region are quantitatively best represented. As mentioned previously, 65% of all data relate to real estate transactions in the Zagreb region, with as much as 85% of that going to the purchase/sale transactions of flats. Therefore, we offer a separate analysis of price developments in the Zagreb flat market. We have compared the calculated real estate hedonistic price indices, i.e. the associated annual rates of change shown in tables below, with the index of average per square meter price of dwellings.

Rapid growth in real estate prices in Croatia as measured by HICN that took place in the past three years and stood at approximately 10% annually, led to their total in-

crease of 36% during that period. In contrast, between 1997 and 2003, real estate prices were up by a total of 14%. According to the hedonistic index of real estate prices in Zagreb,¹⁶ the increase was even more pronounced compared with the real estate price increase in the rest of the country and stood at approximately 40%.

More favourable housing loans,¹⁷ which boost demand, coupled with scarce supply of dwellings, particularly in bigger towns, have probably contributed to rising real estate prices in Croatia. The factors which contributed to rising real estate prices in the country include relatively restricted supply of residential facilities on the domestic market,¹⁸ growing interest of foreigners for the purchase of real estate in Croatia (most notably the Adriatic Coast) and expectations of further price growth, partly in connection with the processes underway for Croatia’s EU accession. As shown in Figure 57, fast growth of real estate prices in the past three years was accompanied by a trend of increase in the amount of newly-granted housing loans.

Money Market

High financial sector liquidity, which marked the third quarter of 2006, continued into October. Comfortable kuna liquidity was disturbed by neither the seasonally common pressures during the tourist season nor by a HRK 2.5bn worth seven-year government bond issue in July. These favourable trends were also supported by the CNB’s foreign exchange interventions from the previous quarter, resulting in the purchase of unusually large foreign exchange inflows related to the recapitalisation of domestic-owned banks during the first half of 2006. A considerable cash inflow from the central bank’s foreign exchange interventions during the Pliva takeover additionally fuelled the kuna money market liquidity in October. As a result, average central bank’s repo placements in the third quarter of 2006 almost equalled those in the second quarter, but declined in October. In the

same period, despite a slight increase in interest rates on overnight kuna loans on the money market, they held at relatively low levels between 1% and 3%. The total stock of subscribed MoF T-bills went down mildly over the third quarter, declining further in October.

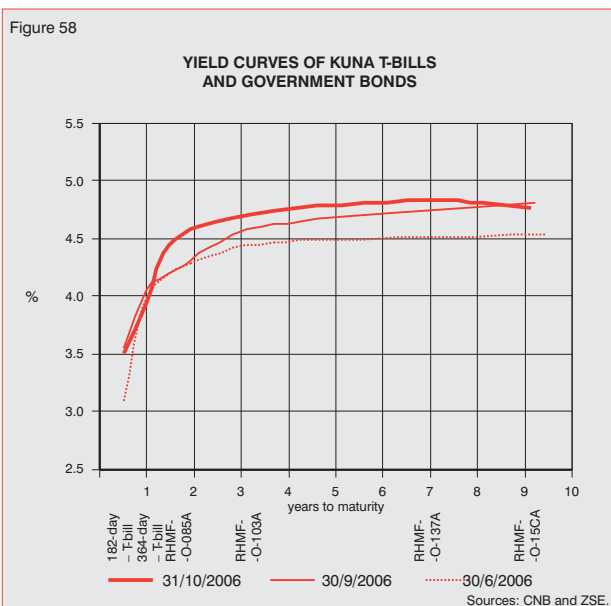
Bank interest rates on short-term corporate loans and short-term loans to households not indexed to foreign currency decreased in the third quarter of 2006, while interest rates on long-term foreign currency-indexed loans went up. Bank deposit rates generally rose in the period, with the exception of interest rates on foreign currency sight deposits, holding at the June level.

Money Market Interest Rates

According to the ZMM data, the average reported loan demand in the third quarter 2006, considerably exceeded that in the previous quarter, maintaining this high level in October. However, the reported loan supply also increased in the period, resulting in the growth of total ZMM turnover paralleled by an only mild rise in interest rates.

The weighted interest rate on overnight loans intermediated by the ZMM rose from 1.50% in June to 2.34% in September 2006, a record high since August 2005. In October, it fell again to 2.13%. The weighted interest rate on other loans intermediated by the ZMM dropped continuously over July and August, but rose again in the next two months, hitting 3.43% in October.

The total ZMM turnover increased markedly in the third quarter of 2006, to HRK 11.6bn, from HRK 7.4bn in the second quarter. The average daily turnover in overnight loans stood at HRK 131.1m in the third quarter, up HRK 48.2m on the previous quarter, and continued upwards,

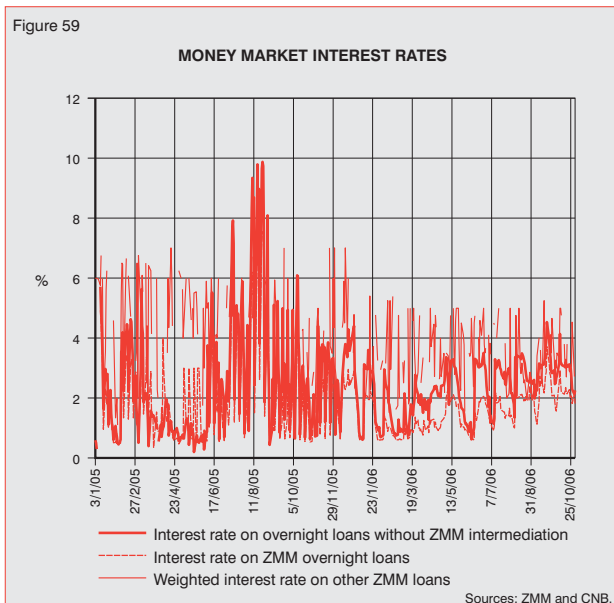


16 Which we consider to be the most representative of all the indices here calculated.

17 Lower interest rates, longer payment term, no guarantors needed.

18 Many construction firms did not survive the transition period, while private construction firms had as yet not developed sufficiently.

Figure 59

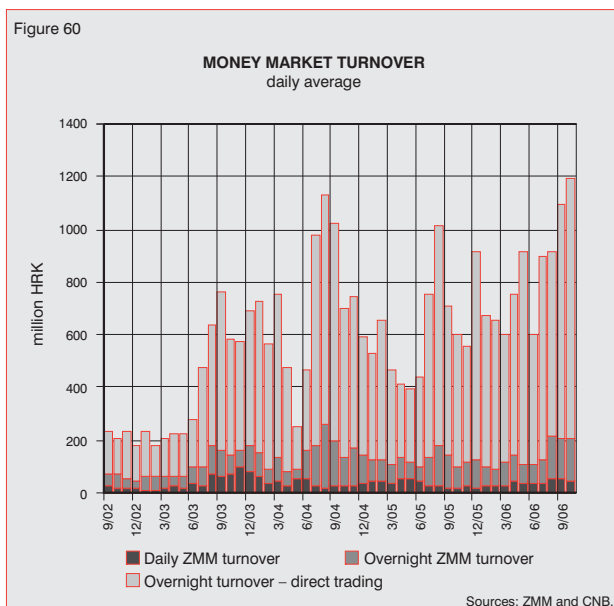


reaching HRK 163.5m in October. The average daily turnover in other loans rose from HRK 38.4m in the second quarter to HRK 49.2m in the third quarter, falling again to HRK 41.0m in October.

Participating with 73% over the third quarter of 2006, slightly up from 68% in the previous quarter, but down from 80% in October, overnight loans again predominated among ZMM-intermediated loans. The largest share in total other loans was that of one-month loans, which decreased from 74% in the second quarter to 62% in the third quarter, but rose again to 68% in October. The fall in the share of one-month loans in the third quarter was mainly due to increased turnover in one-week loans, participating with 27% in total other loans, up 11 percentage points on the previous quarter.

The daily turnover in interbank overnight lending without ZMM intermediation averaged HRK 791.5m in the third quarter of 2006, considerably exceeding its level in the second quarter (HRK 634.6m). In October 2006, these loans' average daily turnover was even higher, standing at HRK 987.6m. The weighted interest rate on direct interbank overnight lending rose from 2.34% in June to 3.12% in September, but fell to 2.93% in October.

Figure 60



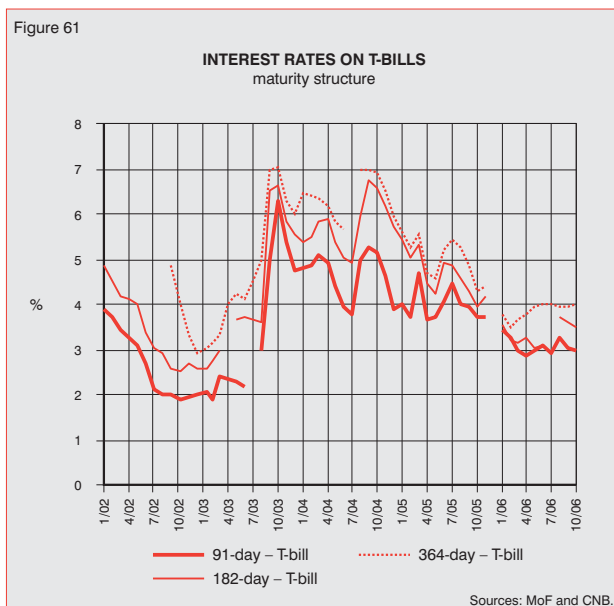
Interest Rates on the Short-Term Security Market

The stock of subscribed MoF T-bills decreased in the third quarter of 2006. With only four T-bill auctions held in September, the stock of subscribed MoF T-bills stood at HRK 11.9bn at the end of this month. However, following five auctions held in October, it declined mildly to HRK 11.7bn at the month's end.

Owing to high money market liquidity, the total amount of T-bill subscription bids received in the third quarter was almost double the amount recorded in the previous quarter. However, on average, only about 50% of the bids were accepted at auctions. One-year bills accounted for the largest share in total subscribed bills, 94.8% at the end of the third quarter. The second largest share was that of the bills with the shortest maturity, 2.8%, whereas the share of 182-day bills stood at 2.4%. In October 2006, the share of 364-day T-bills increased additionally, reaching a high of 96.1%. The 91-day and 182-day bills accounted for 1.7% and 2.2% of the total, respectively.

The weighted interest rates on 91-day and 364-day T-bills declined from 3.10% and 4.0% respectively in June to 3.02% and 3.93% respectively in September. The rate on 182-day bills was 3.59% in September, an increase relative to the June rate of 3.10%. The weighted interest rate on 91-day T-bills continued downwards during October, dropping to 3.00%. A slight decrease was also recorded in the rate on 182-day bills, standing at 3.50%, which were subscribed at only one auction in October. The weighted interest rate on 364-day T-bills rose to 3.99% in the same month.

Figure 61



Bank Interest Rates

Bank interest rates on short-term corporate and housing loans not indexed to foreign currency declined over the second quarter of 2006. The weighted interest rate on short-

term kuna corporate loans not indexed to foreign currency dropped only slightly, from 7.18% in June to 7.14% in September. A much sharper decline was observed in the weighted interest rate on short-term loans to households not indexed to foreign currency, from 12.37% in June to 11.00% in September, a record low since the introduction of the new interest rate reporting methodology in January 2002. This fall was caused by a drop in the share of overdraft facilities to households, usually involving the highest interest rates, from 88.8% in June to 72.5% in September, and by a noticeable decline in the interest rate on other short-term loans to households, from 7.18% in June to 5.02% in September. However, the share of these loans in total short-term kuna loans to households not indexed to foreign currency increased from 4.0% in June to 21.6% in September 2006.

By contrast, the weighted interest rate on long-term corporate loans indexed to foreign currency grew from 5.74% in June to 5.8% in September. The weighted interest rate on long-term loans to households indexed to foreign currency

also increased, from 6.52% in June to 6.72% in September. These trends in interest rates on long-term kuna loans to households indexed to foreign currency were due to a mild rise in interest rates on all types of these loans. The largest increase was recorded in the weighted interest rate on other long-term kuna loans indexed to foreign currency, which typically involve higher interest rates than other similar loans (home loans, mortgage loans, car purchase loans and credit card loans), 8.49% in September compared with 8.15% in June. The growth in the weighted interest rate on long-term loans to households was, in part, induced by a rise in the weighted interest rate on home loans, from 4.75% in June to 4.88% in September.

Bank deposit rates generally grew in the third quarter of 2006. The weighted interest rate on kuna time deposits not indexed to foreign currency increased from 3.28% in June to 3.46% in September. A similar trend was observed in the weighted rate on foreign currency time deposits, which went up from 3.40% in June to 3.53% in September. The weigh-

Figure 62

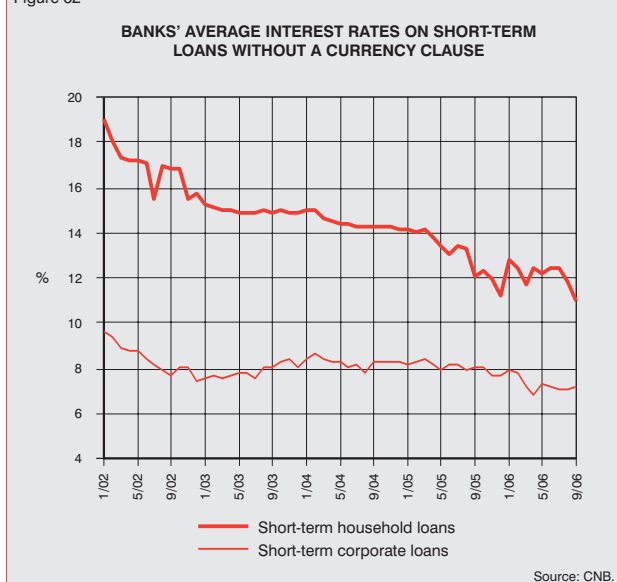


Figure 64

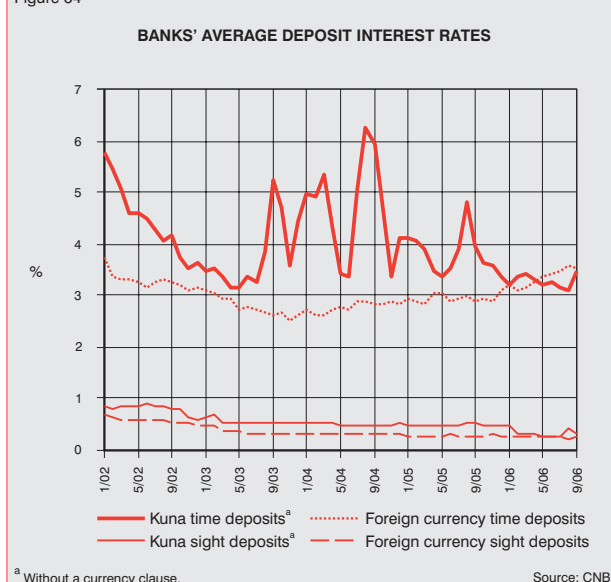


Figure 63

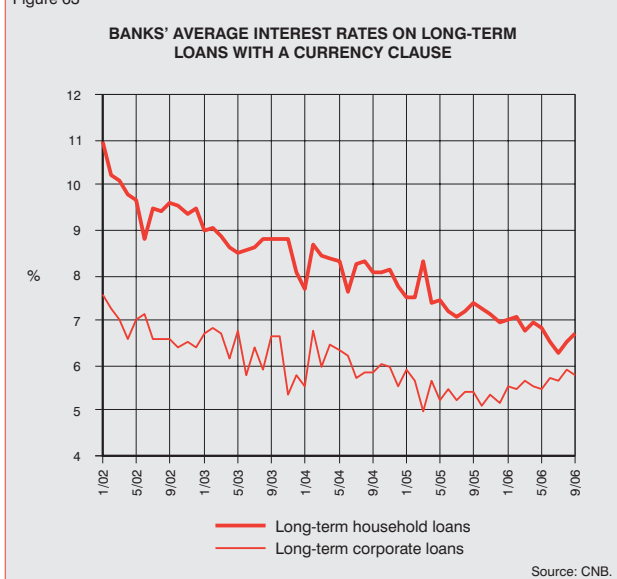
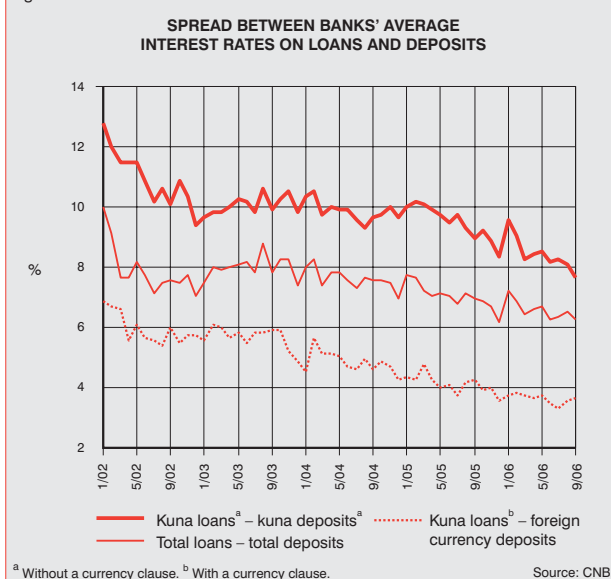
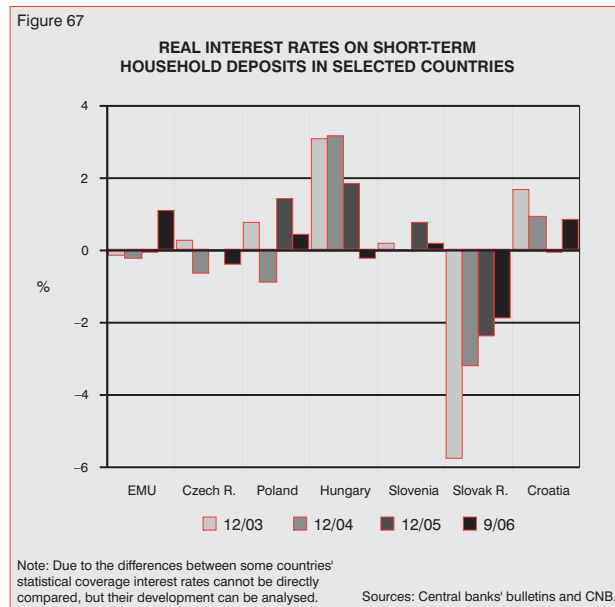
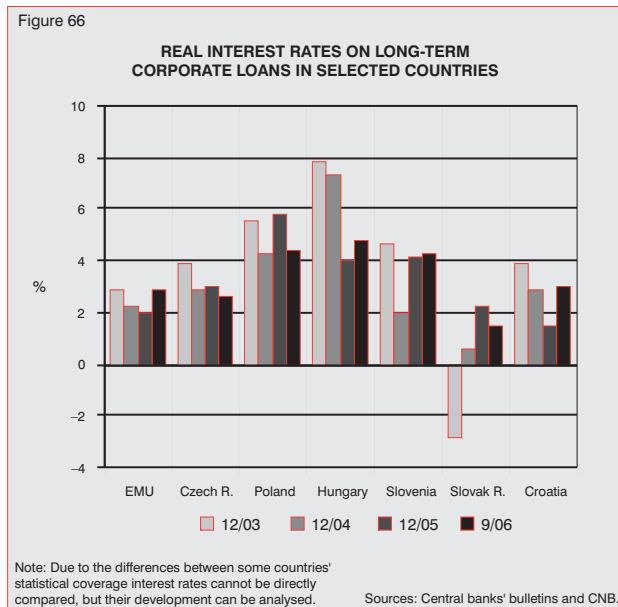


Figure 65





ted rate on foreign currency sight deposits held at the June level of 0.25%, whereas the weighted rate on kuna savings deposits rose from 0.27% in June to 0.31% in September.

The spreads between bank lending and deposit rates largely narrowed in the third quarter of 2006 compared with the second quarter, except for the spread between interest rates on kuna foreign currency-indexed loans and interest rates on foreign currency deposits. The spread between the weighted interest rate on total loans and that on total deposits narrowed from 6.28 percentage points in June to 6.26 percentage points in September, a record low for 2006. Due to a fall in the weighted interest rate on kuna loans not indexed to foreign currency concurrent with a mild rise in the weighted interest rate on kuna deposits not indexed to foreign currency, the spread between these two rates narrowed from 8.20 percentage points in June to 7.66 percentage points in September, hitting a record low since early 2002. By contrast, the spread between the weighted interest rate on foreign currency-indexed kuna loans and that on foreign currency deposits widened in the observed quarter. Having decreased to 3.51 percentage points at end-June, the spread increased again to 3.61 percentage points in September.

Despite the said rise in weighted nominal interest rates on long-term corporate loans indexed to foreign currency, accounting for the largest share in long-term corporate loans, interest rates on total kuna corporate loans with maturity over three years declined mildly. However, given the sharper fall in inflation, real interest rates on long-term corporate loans in Croatia rose in the third quarter of 2006. Due to the growth in nominal interest rates on long-term corporate loans and the concurrent decline of inflation, real interest rates on long-term corporate loans also rose in the EMU, Czech Republic and Slovenia, as well as in Slovakia, in which the nominal interest rates on long-term corporate loans grew faster than inflation. In contrast to this, in Hungary and Poland, real interest rates on long-term corporate loans dropped, mainly owing to a rise in inflation, as the nominal interest rates on long-term corporate loans dropped only slightly in Poland and even rose in Hungary.

Negative real interest rates on household deposits in Croatia from the second quarter of 2006 again became positive in the third quarter of 2006, due to a decline in inflation paralleled by a rise in the nominal interest rate on household deposits. Similar trends in real interest rates on household deposits were observed in the EMU and the Czech Republic. Slovenia was the only country reporting a drop in nominal interest rates on household deposits in the third quarter of 2006. However, due to a marked inflation decline in this country, its real interest rates on household deposits also went up. The growth in nominal interest rates on household deposits in Poland, Hungary and Slovakia was slower than inflation growth in these countries, resulting in reduced real interest rates on household deposits. These rates have been negative in Slovakia ever since 2002, while Hungary recorded the negative rates for the first time since June 2001.

Capital Market

Croatian stock exchange trading decreased slightly in the third quarter 2006 from the second quarter, both in terms of the number of transactions and total share turnover. This was to some extent due to seasonal factors in July and August and to expectations regarding the Pliva d.d. takeover. With investor interest focused on Actavis and Barr bidding for the acquisition of Pliva in the third quarter and in October 2006, the two companies' offers to Pliva shareholders affected most other share prices. Actavis dropped out of the bidding process in September, but uncertainty remained about whether Barr would acquire over 50% of Pliva shares in order for its bid to be valid and whether Actavis would resume bidding. Since Actavis failed to do so and Barr acquired over 90% of Pliva shares, as established after the bid's expiry, these were transferred to the new owner. Both Croatian stock exchange indices hit all-time highs in the third quarter and all stock exchange indices in comparable Central European countries rose as well. Bond turnover also dropped in the third quarter 2006, despite a HRK 2.5bn

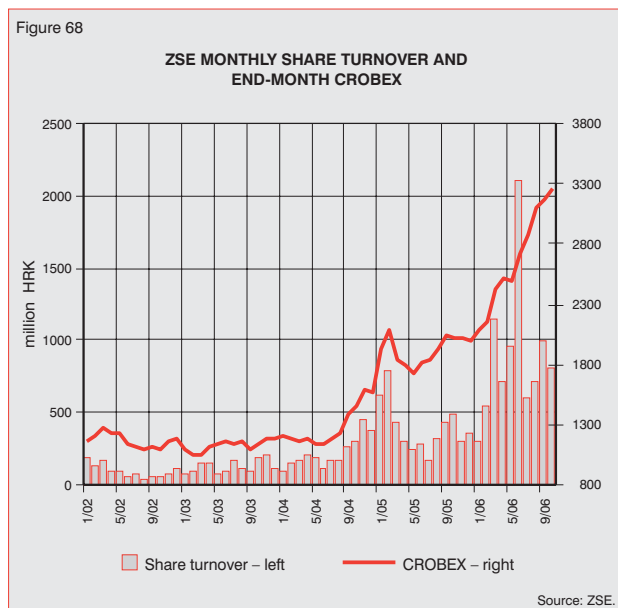
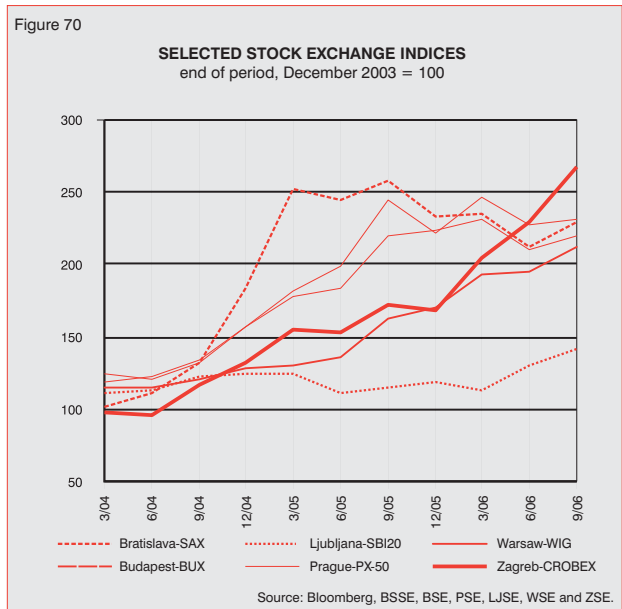
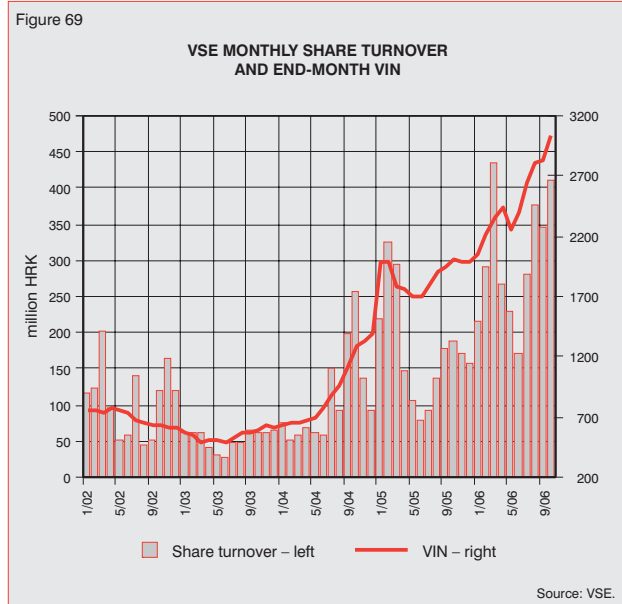
seven-year bond issue by the MoF, two municipal and two corporate bond issues. The spreads between Croatian euro-bonds and benchmark German bonds narrowed due to a sharper decrease in the required yield on Croatian euro-bonds compared with benchmark German bonds in the third quarter 2006.

Equity Securities Market

Due to the Croatian capital market slowdown in the third quarter 2006, the ZSE share turnover reduced by 39% from the second quarter, to HRK 2.3bn, while remaining 251% higher than in the same period last year. Despite trading being dominated by expectations related to the Pliva takeover in the third quarter, Pliva share trading decreased significantly compared with the second quarter, generating a total turnover of HRK 501.1m. Although the takeover process was nearing completion, the Pliva share price continued to grow, increasing by 6% at the third quarter end from June and drifting only slightly lower in October. In addition to Pliva shares, which accounted for 22% of the total turnover, the most traded shares in the third quarter 2006 were those of Adris grupa d.d. (14%), Privredna banka Zagreb d.d. (4%) and Podravka prehrambena industrija d.d. (4%). The heaviest trading in October was in Adris grupa d.d. shares, while trading in Pliva shares came second. The ZSE share turnover totalled HRK 805.4m in that month.

As a result of these developments, the CROBEX continued to improve, reaching 3164 points at the third quarter end and an all-time high of 3259 points in October. The CROBEX increased by over 63% from January to end October 2006.

Due primarily to the price rise of most shares, the ZSE market capitalisation was at HRK 132bn 19.2% higher at the third quarter end than at the previous quarter end. The sharp rise also resulted from a considerable increase in some shares' liquidity.¹⁹ The market capitalisation grew by an additional 1.7% over October, standing at HRK 134bn at the month's end.



Amounting to HRK 50.4bn at the end of the third quarter 2006, the VSE market capitalisation rose by HRK 11.4bn from the previous quarter end and grew further to HRK 52.7bn in October. The share turnover totalled HRK 1.0bn in the third quarter, an increase of 49.8% over the previous quarter and of 247% over the same period in 2005. Trading in public companies' shares made up about 52% of the third quarter turnover, while Free Market trading accounted for about 40%. The most traded shares were those of Ericsson Nikola Tesla d.d., AD Plastik d.d., Đuro Đaković Holding d.d. and Belje d.d. The Second Quotation, with only one share listed, has long had a negligible turnover, while in the Quotation of Rights, comprising trading in the rights of the former Ministry of Public Works, Reconstruction and Con-

¹⁹ The overall ZSE market capitalisation is calculated including the total market capitalisation of shares traded regularly in the previous three months, half of the market capitalisation of shares not traded in the previous month and a quarter of the market capitalisation of shares not traded in the previous three months.

Table 6: Comparison of Capital Market Indicators

September 2006	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million EUR)	0.9	85.6	3.4	107.3	286.4	10.4
Average daily turnover, bonds (million EUR)	159.3	3.6	0.3	75.7	2.3	18.9
Turnover ^a /GDP ^c , annual level (%)	0.5	24.6	3.1	26.2	30.0	8.5
Turnover ^b /GDP ^c , annual level (%)	97.4	1.0	0.3	18.5	0.2	15.5
Turnover velocity ^d	4.8	79.8	10.1	48.5	....	14.6
Market capitalisation ^a (million EUR), end month	4,208	27,050	8,421	53,155	....	17,946
Market capitalisation ^b (million EUR), end month	11,281	36,110	6,582	....	....	5,137
Market capitalisation ^a /GDP ^c , end month (%)	11.3	30.8	30.8	54.0	....	58.3
Market capitalisation ^b /GDP ^c , end month (%)	30.2	41.1	24.0	....	....	16.7
Index movement from the beginning of the year (%)	-1.6	4.7	21.0	-1.7	23.7	58.4
Index movement from the beginning of the month (%)	0.5	-1.7	2.8	0.1	1.6	2.1

^a Shares, ^b Bonds, ^c 2006, ^d Annualised monthly share turnover × 100/market capitalisation of shares.
Sources: Bloomberg and reports from BSSE, BSE, PSE, LJSE, WSE and ZSE.

struction and the Ministry of Finance, the turnover was slightly higher than usual (HRK 53.2m), accounting for less than 5% of the total VSE turnover.

The VIN was up 17.9% to 2820 points in the third quarter from the previous quarter end. The index rose further in October, for the first time over 3000 points, to a record high of 3026 points.

Stock exchange indices in the selected CEE countries increased at the end of the third quarter 2006. The ZSE share index, CROBEX, rose the most, going up 16.6% from the previous quarter, while the indices of the Ljubljana, Warsaw, Bratislava, Prague and Budapest Stock Exchange went up 10.0%, 8.4%, 7.8%, 4.1% and 1.6% respectively.

The increases in stock exchange indices were accompanied by a growth of share market capitalisation on the observed stock exchanges in the period from June to end-September 2006, and a rise in bond market capitalisation in the countries for which data for September 2006 are available. The ZSE has the highest share market capitalisation to GDP ratio of all the observed stock exchanges, and the lowest bond market capitalisation to GDP ratio. Share turnover was up only on the Bratislava and Ljubljana Stock Exchanges, while the Bratislava, Prague and Zagreb Stock Exchange saw an increase in bond turnover. The Bratislava Stock Exchange as usual recorded a weaker share turnover than the ZSE, and so did Ljubljana Stock Exchange in the first three quarters of 2006. Of all the observed stock exchanges, only the Bratislava and Prague Stock Exchange bond turnover exceeded the ZSE bond turnover in September 2006.

Debt Securities Market

Croatia's long-term debt securities market saw one government, two municipal and two corporate bond issues in the third quarter 2006. In July, the MoF issued a HRK 2.5bn seven-year bond with a coupon rate of 4.50%. Also in July, a EUR 8.19m municipal bond was issued by the City of Rijeka, with a coupon rate of 4.125%, while the City of Split issued a EUR 4m bond at a coupon rate of 4.563%.

Even though Croatian companies commonly rely on bank financing, financing through issuance of short-term and long-term securities surged last year. As concerns corporate bonds, Metronet telekomunikacije d.d. issued a HRK 120m three-year bond, at a coupon rate of 8.50%, in July 2006, while Hospitalija trgovina d.o.o. issued a three-year bond

worth HRK 75m in October, at a coupon rate of 8.25%. As far as short-term securities are concerned, there was a record high of twenty commercial paper issues listed on the ZSE at end-October 2006. Four one-year commercial paper issues, totalling HRK 130m, were listed on the market in the third quarter, and the same number was listed in October. Four October issues, worth a total of HRK 140m, comprised three one-year paper issues and one three-month paper issue.

Ten government bonds, four municipal bonds, one government agency bond (CBRD) and thirteen corporate bonds were listed on the domestic stock exchanges at end-October 2006, a total of 28 bond issues.

Standing slightly below EUR 4bn, market capitalisation of government and municipal bonds, including the CBRD bond, accounted for 11.7% of the GDP estimate for 2006, whereas market capitalisation of corporate bonds was EUR 695.5m, an approximate 2.1% of the GDP estimate for 2006, an increase of about 0.1 percentage points over the previous quarter end.

Bond trading on the ZSE declined in the third quarter 2006 compared with the previous four quarters. The turnover of HRK 7.5bn was HRK 2.2bn (22.5%) lower than that in the second quarter 2006 and it dropped further to HRK 1.6bn in October. The largest share of the turnover customarily went to more recent and longer-term bond issues. Spe-

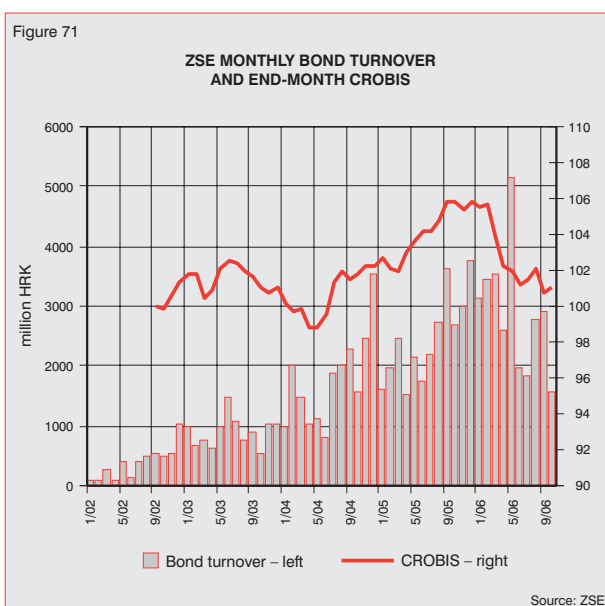


Table 7: Bond Issues in the Domestic Market

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price ^a	Current yield 31/10/2006
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	104.95	6.551%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	111.25	6.180%
RHMF-O-085A	Republic of Croatia	28/5/2003	28/5/2008	HRK	1,000,000,000	6.125%	102.50	5.976%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	106.00	5.189%
RHMF-O-077A	Republic of Croatia	7/7/2004	7/7/2007	EUR	400,000,000	3.875%	99.50	3.894%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	200,000,000	5.375%	110.20	4.877%
RHMF-O-103A	Republic of Croatia	8/3/2005	8/3/2010	HRK	3,000,000,000	6.750%	106.30	6.350%
RHMF-O-157A	Republic of Croatia	14/7/2005	14/7/2015	EUR	350,000,000	4.250%	99.40	4.276%
RHMF-O-15CA	Republic of Croatia	15/12/2005	15/12/2015	HRK	5,500,000,000	5.250%	103.50	5.072%
RHMF-O-137A	Republic of Croatia	11/7/2006	11/7/2013	HRK	2,500,000,000	4.500%	98.65	4.562%
GDKC-O-116A	City of Koprivnica	29/6/2004	29/6/2011	HRK	60,000,000	6.500%	101.80	6.385%
GDZD-O-119A	City of Zadar	1/9/2004	1/9/2011	EUR	18,500,000	5.500%	102.55	5.363%
GDRI-O-167A	City of Rijeka	18/7/2006	18/7/2016	EUR	8,191,504	4.125%	–	–
GDST-O-137A	City of Split	24/7/2006	24/7/2013	EUR	4,000,000	4.563%	–	–
HBOR-O-112A	CBRD	11/2/2004	11/2/2011	EUR	300,000,000	4.875%	–	–
BLSC-O-051A	Belišće d.d.	14/1/2005	14/1/2009	EUR	8,000,000	5.500%	101.60	5.413%
HYBA-O-086A	Hypo-Alpe-Adria Bank d.d.	6/6/2003	6/6/2008	HRK	150,000,000	6.500%	103.85	6.259%
BNAI-O-22CA	Bina Istra d.d.	15/12/2002	15/12/2022	EUR	210,000,000	8.000%	100.00	–
PODR-O-072A	Podravka d.d.	20/2/2004	20/2/2007	EUR	27,000,000	5.000%	100.00	5.000%
AGRK-O-074A	Agrokor d.d.	3/4/2002	3/4/2007	EUR	230,000,000	11.000%	104.45	10.531%
PLVA-O-115A	Pliva d.d.	12/5/2004	12/5/2011	EUR	75,000,000	5.750%	103.50	5.556%
ATGR-O-077A	Atlantic Grupa d.o.o.	15/7/2004	15/7/2007	EUR	15,000,000	5.750%	100.80	5.704%
MDKA-O-087A	Medika d.d.	11/7/2005	11/7/2008	EUR	16,500,000	4.500%	101.35	4.440%
RBA-O-112A	Raiffeisen Bank Austria d.d.	10/2/2006	10/2/2011	HRK	600,000,000	4.125%	97.60	4.226%
PODR-O-115A	Podravka d.d.	17/5/2006	17/5/2011	HRK	375,000,000	5.125%	–	–
NEXE-O-116A	Nexe grupa d.d.	14/6/2006	14/6/2011	HRK	750,000,000	5.500%	–	–
MTEL-O-097A	Metronet telekomunikacije d.d.	28/7/2006	28/7/2009	HRK	120,000,000	8.500%	102.85	8.264%
HOTR-O-941A	Hospitallija trgovina d.o.o.	5/10/2006	5/10/2009	HRK	75,000,000	8.250%	–	–

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

Table 8: Republic of Croatia International Bond Issues

Bond	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread ^a 31/12/2005	Spread ^a 31/3/2006	Spread ^a 30/6/2006	Spread ^a 30/9/2006
London Club A, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.	–	–	105	99	89	100
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.75%	6.90%	215	37	39	65	53
Eurobonds, 2009	11/2/2002	EUR	500,000,000	6.25%	6.45%	158	34	38	58	52
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	4.65%	102	34	38	58	50
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	33	36	58	54
Samurai bonds, 2007	11/7/2000	JPY	40,000,000,000	3.00%	3.00%	135	33	37	31	59
Samurai bonds, 2008	26/6/2002	JPY	25,000,000,000	2.15%	2.15%	144	42	51	46	48
Samurai bonds, 2009	26/6/2003	JPY	25,000,000,000	1.23%	1.23%	99	53	62	59	50

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

cifically, Republic of Croatia kuna bonds due 2015 and 2010 accounted for over a half of the third quarter turnover, while total government bonds made up 97% of the overall quarterly bond turnover. The kuna government bond with the longest maturity was also the most traded one in October, and trading was strong in EUR-denominated bonds due 2012, 2014 and 2015.

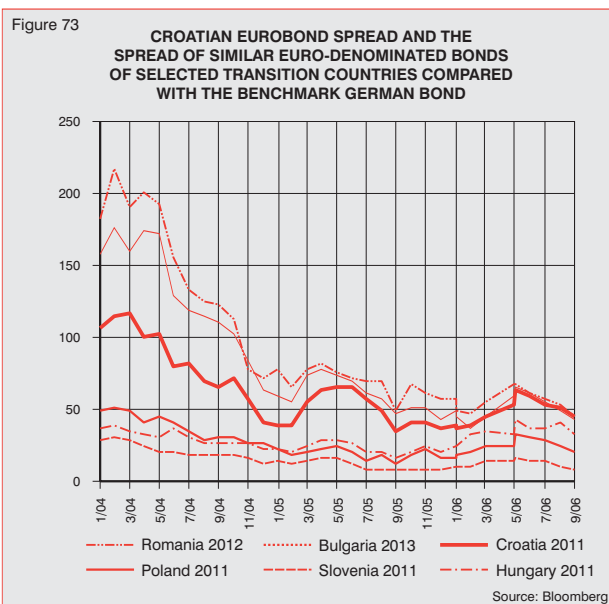
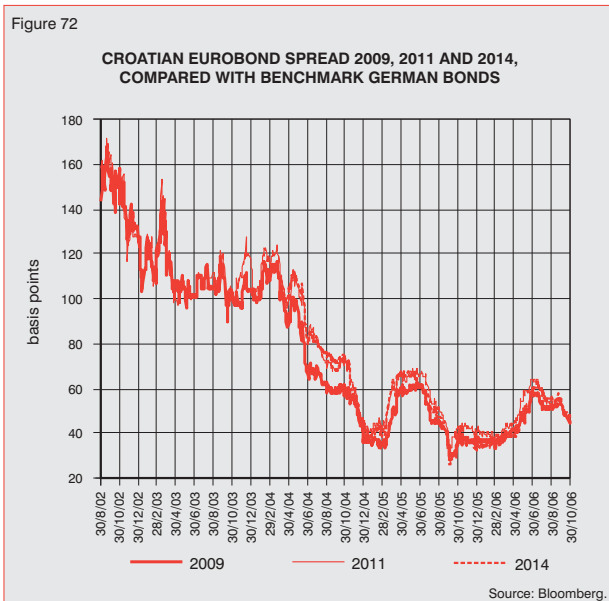
The decrease in bond prices in the third quarter led to a further decline in the ZSE bond index, CROBIS, which was down to 100.8 points at end-September, a record low since July 2004, and drifted only slightly higher to 101.0 points in October.

In line with the domestic borrowing policy, the Republic of Croatia made foreign bond issues neither in the third quarter nor in October 2006. There were eight Croatian bond issues listed on foreign markets at end-October, one less than at the second quarter end. This was because a bond issue representing the debt owed to the London Club (series B), worth USD 604.4m (approximately HRK 3.5bn), matured in July 2006, leaving only one such bond listed. Of the remaining international bonds of the RC, four are EUR and three JPY denominated. The total nominal value of the eight

Croatian eurobond issues was HRK 26.0bn at end-October 2006.

Having widened in the second quarter 2006, the spreads between Croatian eurobonds and benchmark German bonds narrowed over the third quarter 2006, due to the required yield on domestic bonds decreasing at a faster rate than that on developed countries' bonds. The spreads between Croatian eurobonds due in 2009, 2011 and 2014 were 52, 53 and 54 basis points respectively, a decrease of between 4 and 12 basis points compared with end-June, when the spreads for the same eurobonds were 58, 65 and 58 basis points respectively. Due to the ECB's key interest rate rise, yields on benchmark German bonds inched wider in October, whilst Croatian bond yields held at their end-September levels, with the result that the spreads for the bonds maturing in 2009, 2011 and 2014 fell further to 46, 47 and 47 basis points respectively in October.

As was the case with Croatian eurobonds, yields on new EU members and EU candidates' eurobonds also decreased at a somewhat faster rate than benchmark German bond yields, with the result that their spreads narrowed. Due to the progress in the EU accession process, candidate coun-



tries' spreads failed to exceed considerably those of new EU members in 2006. The spread of the Croatian eurobond due 2011 came close to the spreads of comparable Romanian and Bulgarian eurobonds at the end of the second quarter 2006. At end-September, however, the spread between the said Bulgarian bond and the benchmark German bond was for the first time lower than the spread of the benchmark Croatian bond relative to the benchmark German bond. These developments were due to Bulgaria and Romania's then forthcoming access to the EU.

International Transactions

International economic relations in the third quarter of 2006 were marked by a slight year-on-year decrease in the positive current account balance and a significant quarter-on-quarter reduction in the external debt. The current account surplus fell primarily on account of a further deteri-

oration in foreign trade balance. Concurrently, net exports of services, which are predominantly determined by the movements in revenues from services rendered in tourism, increased in the reference period. The negative factor income balance also went down, while no significant changes were registered in net inflows from current transfers.

The decrease in the overall external debt in the third quarter of 2006 is mainly attributed to the decrease in external debt of banks which used larger inflow of foreign currencies in the summer months for servicing their foreign liabilities. However, both enterprises and banks increased their external debt in October. Liquidity in international payments, measured by the index of exchange market pressure, remained within the limits which did not indicate possible external liquidity problems of domestic sectors.

Current Account

According to the preliminary data, the current account yielded a surplus of EUR 2.2bn in the third quarter of 2006, down 2.7% over the same period last year. These developments were largely due to an additional increase in the foreign trade deficit. The foreign trade deficit, according to the balance of payments data, went up by 15.0% in the third quarter of 2006 over the same period last year, with accelerated growth rates being recorded both in exports and imports. Like in the previous quarter period, deterioration of foreign trade balance in the third quarter of 2006 was largely affected by a continued relatively strong growth of the value of imports of energy products, primarily oil and refined petroleum products, despite the fact that prices of crude oil have stabilised in the world markets. Furthermore, imports of road vehicles and capital goods grew additionally. Exports also recorded a relatively large growth, primarily due to increased exports of energy products and ships.

Net revenues from foreign trade in services increased slightly in the third quarter of 2006 over the same period last year, mostly due to an increase in net revenues from travel services (tourism). Net exports of transport services grew as

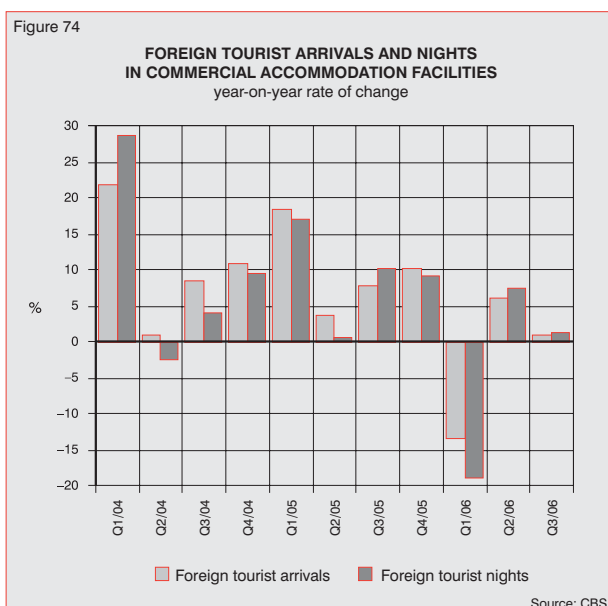


Table 9: Current Account, in million EUR

	Jan.–Jun. 2005	Jul.–Sep. 2005	Jan.–Jun. 2006	Jul.–Sep. 2006 ^a	Indices	
					Jan.–Jun. 06/Jan.–Jun. 05	Jul.–Sep. 06 ^a /Jul.–Sep. 05
CURRENT ACCOUNT	-2,722	2,237	-3,353	2,176	123.2	97.3
1. Goods	-3,680	-1,872	-4,209	-2,152	114.4	115.0
1.1. Credit (f.o.b.)	3,389	1,848	3,977	2,081	117.3	112.6
1.2. Debit (f.o.b.)	-7,069	-3,720	-8,186	-4,233	115.8	113.8
2. Services	1,132	3,968	1,255	4,135	110.8	104.2
2.1. Credit	2,444	4,671	2,682	4,816	109.8	103.1
2.2. Debit	-1,312	-703	-1,428	-681	108.9	96.9
3. Income	-798	-129	-985	-77	123.5	59.8
3.1. Credit	329	168	372	248	112.9	147.7
3.2. Debit	-1,127	-296	-1,357	-325	120.4	109.6
4. Current transfers	624	270	587	271	94.1	100.3
4.1. Credit	831	388	840	402	101.1	103.5
4.2. Debit	-207	-118	-254	-131	122.4	110.8

^a Preliminary data. Source: CNB.

well, especially exports of passenger transport and goods transport services. Positive developments were also registered in other services whose net imports decreased largely. Net revenues from telecommunication services and from trade and related services grew the most, while expenditures on research and development services went downwards.

Tourism revenues stood at EUR 4.2bn in the third quarter of 2006, 1.9% more than in the third quarter of 2005. Owing to a concurrent decrease in Croatian tourists' expenditures abroad, the growth in the positive balance in the account of travel was much higher and stood at 2.5%.

The third-quarter growth in tourism revenues can be attributed to an increased number of arrivals of foreign tourists, which was not at the same time accompanied by a similar movement in their average spending. According to the CBS data on guests staying in paid accommodation (revenues from tourism include revenues from guests in paid accommodation, guests in non-paid accommodation and one-day visitors), the number of foreign tourist arrivals in commercial accommodation facilities went up by 0.9% and the number of foreign tourist nights by 1.2%, with relatively good performance results being recorded only in September. The significant slowdown in these indicators in the third quarter of 2006 may be attributed to relatively strong growth of the volume indicators in the base period (the number of foreign tourist arrivals and foreign tourist nights stood at 7.7% and 10.1% respectively in the third quarter of 2005), and to limited accommodation capacities which to some degree has an adverse affect on the growth in the number of nights. Broken down by individual countries, the number of nights stayed by tourists from Slovakia, Russia and Poland grew substantially in the third quarter of 2006, contributing to an increase in their shares in the total number of nights stayed by foreign tourists. In contrast, the number of nights stayed by tourist from Germany, Italy and Hungary decreased considerably in the reference period, especially in August, contributing to a decrease in their shares in the total number of nights stayed by foreign tourists.

The negative factor income balance fell in the third quarter of 2006 over the same period last year, which in large part may be attributed to a significant increase in revenues from compensation of employees. Another positive contributor to factor income account developments was a rise in income earned by the CNB on the basis of investments of reserve as-

sets abroad (EUR 85m). On the other hand, net expenditures on direct equity investment (dividends and retained earnings) grew slightly in the third quarter. In addition, changes were registered in the structure of expenditures, while the share of retained earnings rose substantially. In the third quarter of 2006, almost 90% of expenditures on direct equity investment were accounted for by retained earnings, in contrast to 50% in the same period last year. Increased foreign borrowings of domestic sectors continued to contribute to the growth in foreign interest service burden.

Owing to an equally strong growth in revenues and expenditures, the balance in the account of current transfers remained stagnant in the third quarter of 2006 relative to the same period last year. The revenue side of this account was marked by increased government transfers, while a decrease in workers' remittances contributed to the fall in transfers of

Table 10: Foreign Tourist Arrivals and Nights in Commercial Accommodation Facilities by Country of Residence, in %

Grouping of countries	2004	2005	Jan.–Sep. 2005	Jan.–Sep. 2006
Old EU Member States	59.7	60.7	60.5	58.8
Italy	15.6	14.8	15.0	14.4
Germany	20.0	18.6	18.4	17.8
Austria	9.4	8.8	8.7	9.0
New EU Member States ^a	30.3	28.5	29.4	29.2
Czech R.	8.4	7.3	7.6	7.2
Hungary	5.1	5.4	5.5	4.8
Slovakia	2.2	2.2	2.3	2.6
Slovenia	11.2	10.4	10.6	10.8
Bosnia and Herzegovina	2.1	2.0	1.9	2.1
Russian Federation	0.9	0.9	1.0	1.3
USA	1.2	1.4	1.2	1.6
Other	5.9	6.6	6.0	7.1
Total	100.0	100.0	100.0	100.0
Grouping of countries	2004	2005	Jan.–Sep. 2005	Jan.–Sep. 2006
Old EU Member States	60.2	60.9	60.5	59.0
Italy	12.6	12.4	12.6	11.8
Germany	25.6	23.9	23.7	23.2
Austria	8.6	8.2	8.1	8.6
New EU Member States ^a	32.4	30.9	31.7	31.6
Czech R.	9.8	8.8	9.1	8.6
Hungary	4.9	5.2	5.3	4.8
Slovakia	2.6	2.6	2.6	3.1
Slovenia	11.8	11.1	11.3	11.4
Bosnia and Herzegovina	1.8	1.8	1.8	2.0
Russian Federation	1.4	1.5	1.5	2.0
USA	0.6	0.6	0.6	0.7
Other	3.6	4.2	4.0	4.6
Total	100.0	100.0	100.0	100.0

^a Excluding Malta and Cyprus. Source: CBS.

other sectors. Increased expenditures are attributed to the growth in outflows of other sectors, while outflows of the government sector remained unchanged relative to the same period last year.

Merchandise Trade

In the first nine months of 2006, the year-on-year foreign trade deficit grew the most in the first quarter, narrowed substantially in the second quarter, and notwithstanding good exports performance, surged again in the third quarter, which was in consequence of strong import growth, especially oil and refined petroleum products. In the January-September period of 2006, total exports of goods amounted to USD 7.4bn (f.o.b.) and imports of goods to USD 15.7bn (c.i.f.). Measured in current exchange rate terms, the foreign trade deficit slowed down from 16.4% year-on-year in the first nine months of 2005 to 14.2% year-on-year in the same period of 2006. With exports growing at the same rate as imports, the imports/exports coverage rate remained at 46.9%.

However, measured in constant exchange rate terms, the year-on-year foreign trade deficit went up from 14.6% in the first nine months of 2005 to 16.9% in the same period of 2006. More specifically, the strengthening of the US dollar-euro exchange rate in the first nine months of 2006 contributed positively to the fall in the US dollar value of the foreign trade deficit (measured in current exchange rate terms) and thus to the reduction in its year-on-year rate of growth.

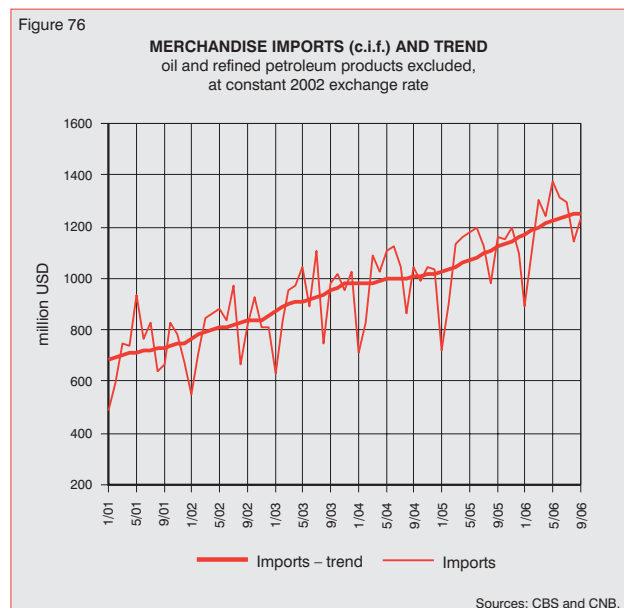
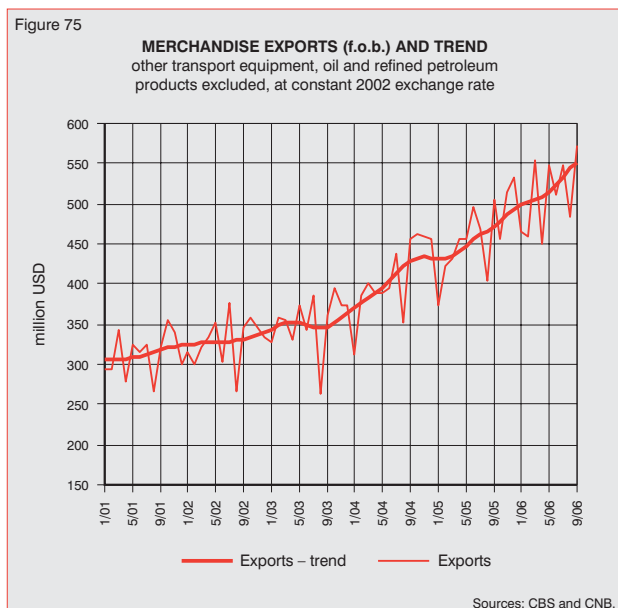
Measured at constant exchange rates, total exports of goods accelerated from 9.7% year-on-year in the first nine months of 2005 to 15.2% year-on-year in the same period of 2006. To a large extent, this was due to increased exports of energy products (natural and manufactured gas and oil and refined petroleum products). Energy products accounted for almost one third of total export growth in the reference period, whereas the growth in the export value was largely affected by a further increase in their prices on the world market which was less pronounced in the reference period

than in the first nine months of 2005. The contribution of natural and manufactured gas exports, which grew at a substantial year-on-year rate in the first nine months and especially in the third quarter of 2006, to total export growth exceeded that of oil and refined petroleum products. Moreover, another positive contribution to total export growth came from other transport equipment exports (mostly ships), which grew at a year-on-year rate of 13.0%. When interpreting these results, one should keep in mind the base period effects, i.e. the significant fall in this division's exports in the first nine months of 2005 (-22.0%).

Excluding the exports of ships, oil and refined petroleum products from the data on total exports of goods, exports of other SITC divisions, taken together, stagnated at last year's level (they went up by 14.3% in the first nine months of 2006, or at approximately the same rate as in the same period last year). However, exports of electrical machinery, apparatus and appliances performed well, especially in the third quarter. Exports of coffee, tea, cocoa and spices doubled in value and exports of fabricated metal products, metal ores and metal scrap grew strongly in the first nine months of 2006. Notwithstanding weaker export performance in the third quarter of 2006, fish and preparations remained one of the fastest-growing export categories.

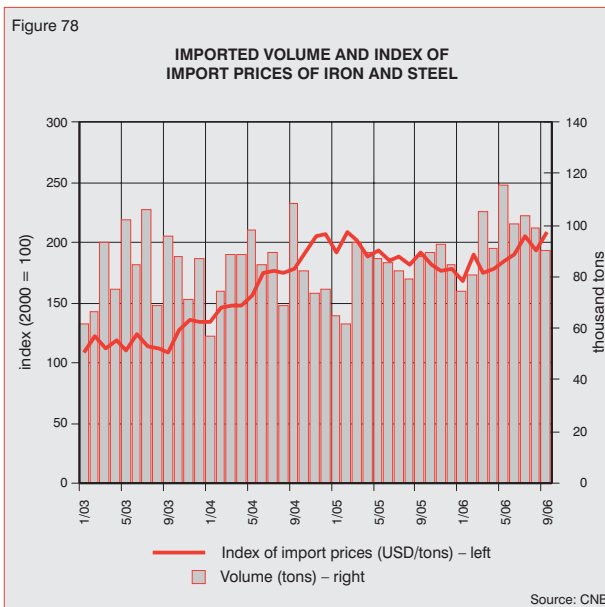
In contrast to these divisions, considerably weaker export growth in the first nine months of 2006 in relation to the same period last year was seen in exports of wearing apparel, which have started to trend downwards early in 2005 (year-on-year), and in exports of tobacco and tobacco manufactures, which have started to trend downwards early in 2006. In addition, weaker export growth was also registered in exports of parts and accessories for motor vehicles and exports of machinery specialised for particular industries. In both cases, the base period effect has to be taken into account, i.e. the strong growth in exports of these divisions in the first nine months of 2005.

Total imports of goods accelerated from 12.2% (expressed at constant exchange rates) in the first nine months of 2005 to 16.1% in the same period of 2006. This was



largely due to an increase in crude oil prices, which marked the most of the reference period. As the import volume of oil and refined petroleum products grew only slightly in the reference period, almost one-fifth of the total growth in imports of goods in the first nine months of 2006 was accounted for by the growth in the import value of oil and refined petroleum products, which was almost entirely the consequence of the increase in their prices. However, it should be noted that the contribution of oil and refined petroleum products to total import growth in the first nine months of 2006 was considerably lower than that seen in the same period last year owing to substantially lower growth in their prices. The positive influence of the slowdown in oil prices on the reduction of this contribution was the strongest in the third quarter, although to a large extent it was compensated by the growth in the imported volumes.

Excluding oil and refined petroleum products from the data on total imports of goods, imports of other SITC divisions, taken together, were twice faster in the first nine months of 2006 compared with the same period last year (14.2%, expressed at constant exchange rates, vs. 7.9%). Broken down by individual SITC divisions, imports grew the most in the division of road vehicles, especially in August and September. Moreover, strong imports were also registered in the division of natural and manufactured gas, and in the division of manufactured goods classified chiefly by material (including raw materials such as iron, steel and non-ferrous metals). The growth in imports of iron and steel was largely accounted for by the increase in their import volume, as their import prices stabilised during the period in question. Increased imports of raw materials were accompanied by twice faster imports of capital goods in the reference period over the same period last year (13.6% vs. 6%). As regards those SITC divisions which may be viewed in a simplified manner as capital goods (machinery and transport equipment excluding other transport equipment and road vehicles), the acceleration in the year-on-year growth of imports was seen in almost all divisions in the first nine months of 2006, with the strongest growth rates of imports being observed in the



divisions of electrical machinery, apparatus and appliances and the divisions of office machines. In contrast, the fall in imports was registered only in the division of power generating machinery and equipment.

Only several SITC divisions witnessed lower rates of imports in the January-September period of 2006 relative to the same period last year. More specifically, the most substantial reductions were registered in imports of meat and meat preparations (after growing strongly in previous years, they fell by 13.2%, expressed at current exchange rates, in the first nine months of 2006). Imports of leather, leather

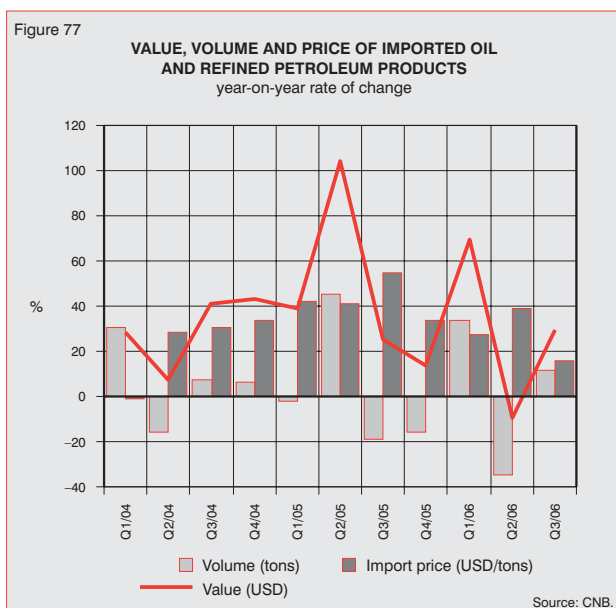


Table 11: Exports and Imports by Economic Classification of Countries, in %

Export	2004	2005	Jan.-Sep. 2005	Jan.-Sep. 2006 ^a
Developed countries	71.7	69.3	69.4	72.1
EU-25	64.6	62.0	63.3	64.3
Slovenia	7.5	8.1	8.0	8.3
Hungary	1.3	1.6	1.5	1.6
EU-15	51.4	48.1	49.6	49.8
Austria	9.4	7.2	7.3	6.5
Italy	22.9	21.2	22.3	23.1
Germany	11.2	10.7	10.4	10.4
EFTA	1.0	1.1	1.2	1.6
Developing countries	28.3	30.7	30.6	27.9
CEFTA	1.2	1.4	1.4	1.0
Bosnia and Herzegovina	14.4	14.3	13.8	12.6
Serbia and Montenegro	3.7	4.5	4.3	5.4
Russia	1.4	1.3	1.4	1.1
Import	2004	2005	Jan.-Sep. 2005	Jan.-Sep. 2006 ^a
Developed countries	77.4	73.8	74.1	72.4
EU-25	69.5	65.6	65.9	64.9
Slovenia	7.1	6.8	7.0	6.4
Hungary	3.1	3.1	3.1	3.1
EU-15	54.2	50.6	50.8	49.7
Austria	6.8	5.8	5.9	5.4
Italy	17.0	16.0	15.8	16.5
Germany	15.5	14.8	14.8	14.4
EFTA	1.6	1.7	1.7	1.7
Developing countries	22.6	26.2	25.9	27.6
CEFTA	1.5	2.4	2.4	2.4
Bosnia and Herzegovina	2.1	2.4	2.4	2.7
Serbia and Montenegro	0.8	0.9	0.9	1.1
Russia	7.3	9.2	8.6	10.3

^a Preliminary data. Source: CBS.

manufactures and dressed fur skins and imports of dairy products and eggs continued to trend downwards.

Croatia's share of exports to developed countries continued to trend upward in the January-September period of 2006, especially to old EU Member States. Exports to Italy grew the most, mainly on account of strong increase in exports of natural and manufactured gas. Moreover, good export results were achieved in exports to Sweden and Germany, mostly due to increased exports of ship. On the other hand, the decrease in ship exports was the major contributor to the fall in total goods exports to Greece. Exports to Austria recovered slightly in the reference period, after trending downwards in the past two years. Croatia also achieved a substantial growth in exports to new EU Member States, especially to Slovenia, Poland and the Czech Republic. As for other developed countries, there was an increase in exports to the Great Britain (ship deliveries) and to Japan (tuna fish).

However, exports to developing countries slowed down significantly in the first nine months of 2006 over the same period last year, reducing consequently their share in the structure of total Croatian exports of goods. To a large extent, this was due to the fall in exports to Liberia (exports of ship were considerably lower in the reference period than in the same period last year), Nigeria (oil and refined petroleum products) and Romania (cigarettes). In addition, trade with neighbouring countries, including Serbia, Montenegro and Bosnia and Herzegovina, intensified in the reference period, while larger quantities of goods were exported to Albania.

In contrast to goods exports, the share of imports from developed countries trended downwards, with imports from developed countries being twice lower than that from developing countries. Nevertheless, developed countries continued to account for a large share in total imports (72.4%). The registered slowdown in imports was due in large part to reduced imports from the Netherlands (machinery and transport equipment) and the USA (power generating machinery and equipment). On the other hand, imports from Italy and Germany grew strongly, in part due to increased demand for road vehicles. Imports grew strongly also from new EU Member States, especially from Slovakia (oil and refined petroleum products and electrical energy) and Hun-

gary (road vehicles and accessories).

The share of imports from developing countries continued to grow in consequence of increased imports from Russia which, helped by growing prices of energy products, exceeded one-tenth of total Croatian imports. Although at a somewhat reduced intensity, imports from China continued on their strong upward trend in the first nine months of 2006. In addition, imports from Bulgaria doubled, accompanied by a significant increase in imports from Bosnia and Herzegovina, and Serbia and Montenegro (raw materials and energy products). In contrast, there was a noticeable decrease in imports from Syria, Romania and Liberia, comprising mainly imports of oil and refined petroleum products.

Capital and Financial Transactions

Developments in capital and financial transactions showed no significant changes in net foreign direct investment in the third quarter of 2006 compared with the same period of 2005. The account of portfolio investment showed strong increase in equity investment, while the account in which transactions arising from other investment are recorded showed both a considerable increase in foreign assets and a decrease in foreign liabilities, especially those of banks. Gross international reserves went down in the third quarter of 2006.

Net foreign direct investment stood at EUR 0.3bn in the third quarter of 2006, down by 1.9% compared with the same period of 2005. Within this, outward foreign direct investment went upwards, mostly on account of the growth in retained earnings attributed to domestic investors. Inward foreign direct investment grew slightly in the reference period, mainly thanks to the growth in retained earnings attributed to foreign owners of domestic companies. Concurrently, equity investment and other investment trended downwards.

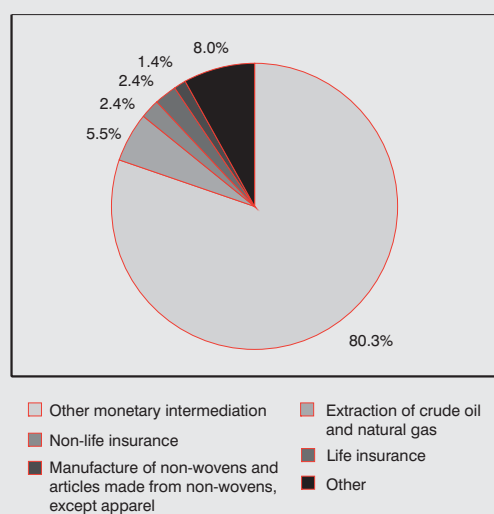
Other monetary intermediation (i.e. recapitalisation of several banks in foreign ownership and takeover of Gospodarsko-kreditna banka) predominated in the structure of direct equity investment. In addition, investment were made in crude oil and natural gas extraction and insurance, while a portion of direct equity investment was also accounted for by

Table 12: Capital and Financial Account, in million EUR

	Jan.–Jun. 2005	Jul.–Sep. 2005	Jan.–Jun. 2006	Jul.–Sep. 2006 ^a	Indices	
					Jan.–Jun. 06/Jan.–Jun. 05	Jul.–Sep. 06 ^a /Jul.–Sep. 05
CAPITAL AND FINANCIAL ACCOUNT	2,480	-500	3,209	-156	129.4	31.3
1. Capital account	4	4	-160	6	-	158.2
2. Financial account, excl. reserves	2,946	-571	4,739	-759	160.9	132.9
2.1. Direct investment	829	329	1,335	322	161.1	98.1
2.1.1. Abroad	-117	-24	-57	-41	48.4	172.3
2.1.2. In Croatia	946	353	1,392	363	147.1	103.1
2.2. Portfolio investment	-600	-415	-325	363	54.2	-
2.2.1. Assets	-150	-302	15	55	-	-
2.2.2. Liabilities	-450	-114	-339	309	75.5	-
2.3. Financial derivatives	-88	0	0	0	-	-
2.4. Other investment	2,805	-484	3,729	-1,444	132.9	298.2
2.4.1. Assets	1,305	-262	1,145	-897	87.7	342.8
2.4.2. Liabilities	1,501	-223	2,584	-547	172.2	245.8
3. Reserve assets (CNB)	-470	68	-1,370	596	291.1	882.6

^a Preliminary data. Source: CNB.

Figure 79

**STRUCTURE OF DIRECT EQUITY INVESTMENT
IN THE REPUBLIC OF CROATIA IN Q3 2006**


the investment in manufacture of non-wovens and articles made from non-wovens, except apparel.

Portfolio investment generated a net inflow of financial assets in the third quarter of 2006, which was chiefly the result of the increase in liabilities from equity investment. The growth in inward equity portfolio investment was to a large extent accounted for by the purchase and sale of Pliva shares between residents and non-residents and by EBRD investment which resulted in the acquisition of a 8.3% stake in Agrokor share capital. In contrast, liabilities from debt investment went downwards due to regular repayments to the London Club by the central government and the repayment of Agrokor's bonds exceeding the value of newly-issued CBRD bonds. Foreign assets of domestic sectors, which are generated through the portfolio investment, went downwards, reflecting a reduction in banks' investment in foreign debt securities.

Net outflow of financial assets from the account of other investment (credits, trade credits, currency and deposits) in the third quarter of 2006 was in consequence of strong growth in foreign assets of domestic sectors, mostly currency and deposits of banks. Account should also be taken of the growth in assets arising from other types of investment; this comprised reverse repo transactions between domestic banks and their parent banks which contributed to the short-term increase in banks' foreign assets. Liabilities from other investment decreased substantially, mostly on account of the decrease in banks' liabilities from currency and depos-

Table 13: Composition of CNB Reserve Assets, end of period, in million EUR and %

	2003	2004	2005	9/2006
Balance	6,554	6,436	7,438	8,135
Share				
1. Foreign currency reserves	87.6	96.9	98.6	91.4
a) Securities	48.9	50.7	48.4	48.8
b) Total currency and deposits with:	38.6	46.2	50.2	42.6
i) other national central banks, BIS and IMF	4.1	3.6	5.5	2.5
ii) banks headquartered outside Croatia	34.5	42.6	44.7	40.1
2. IMF reserve position	0.0	0.0	0.0	0.0
3. SDRs	0.0	0.0	0.0	0.0
4. Gold	0.0	0.0	0.0	0.0
5. Reverse repo	12.4	3.1	1.3	8.6

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

its and the decrease in other sectors' liabilities from trade credits. In contrast, total liabilities on loans went upwards as enterprises' liabilities on loans increased more than banks' liabilities.

According to the balance of payments data, international reserves went down EUR 596m in the third quarter of 2006. Above all, this was the result of the fall in banks' foreign liabilities in the summer months, which in turn had for consequence the decrease in the allocation of reserve requirements (marginal reserve requirements included). As stronger appreciation pressures were absent throughout the most of the reference period, the CNB's foreign exchange interventions made only a slight positive contribution to the change in international reserves. According to the monetary statistics data (cross-currency changes included), international reserves stood at EUR 8.1bn at end-September, down 7% from end-June 2006 but still up by 16.2% from end-September 2005. The growth in allocated foreign currency reserve requirements (marginal reserve requirements included) and the CNB's interventions in the foreign exchange market pushed up the level of international reserves by EUR 0.4bn in October 2006.

External Debt

Croatia's external debt stood at EUR 27.7bn at end-October 2006, a rise of EUR 2.1bn from end-2005. During the reference period, external debt increased mostly due to new borrowings (investment included) by domestic enterprises, which represent the largest sector within other domestic sectors. The contribution of banks to external debt growth was much smaller while that of the government sector remained negative. The intensity of external debt growth varied in the first ten months of 2006. Following its strong growth in the first half of the year and seasonal decrease in the summer

Table 14: Gross External Debt by Domestic Sectors, end of period, in million EUR and %

	2003	2004	2005	10/2006	Structure		Indices	
					2005	10/2006	2005/2004	10/2006 / 2005
1. Government	6,601	7,252	7,047	6,676	27.6	24.1	97.2	94.7
2. Central bank (CNB)	366	2	3	2	0.0	0.0	111.8	68.7
3. Banks	6,121	7,702	8,993	9,257	35.2	33.4	116.8	102.9
4. Other sectors	4,878	5,809	7,156	9,084	28.0	32.8	123.2	126.9
5. Direct investment	1,845	2,016	2,341	2,664	9.2	9.6	116.1	113.8
o/w: Hybrid and subordinated instruments	391	314	214	163	0.8	0.6	68.1	76.1
Total (1+2+3+4+5)	19,811	22,781	25,541	27,683	100.0	100.0	112.1	108.4

Source: CNB.

Table 15: Actual and Potential Government External Debt, end of period, in million EUR and %

	2003	2004	2005	10/2006	Structure		Indices	
					2005	10/2006	2005/2004	10/2006 / 2005
1. Public sector debt	8,334	8,560	8,428	8,210	33.0	29.7	98.5	97.4
2. Publicly guaranteed private sector debt	429	320	306	210	1.2	0.8	95.6	68.6
3. Non-publicly guaranteed private sector debt	11,048	13,900	16,806	19,263	65.8	69.6	120.9	114.6
Total (1+2+3)	19,811	22,781	25,541	27,683	100.0	100.0	112.1	108.4

Source: CNB.

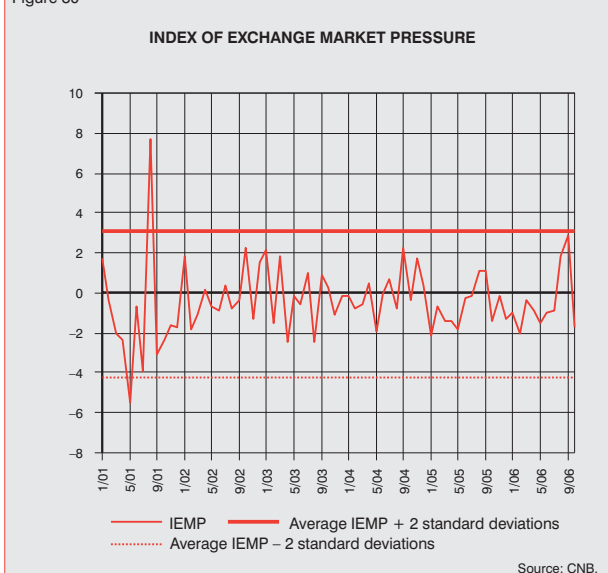
months, external debt continued to trend upwards in September and October, with its growth dynamics resembling that from the first half of the year. The September growth in external debt was mainly accounted for by enterprises (EUR 0.2bn; investment included), while its October growth was accounted for by both banks and enterprises (EUR 0.5bn).

External debt of banks (hybrid and subordinated instruments included) was EUR 9.4bn at end-October, or EUR 0.2bn more than at end-2005, while its year-on-year growth slowed down from 14.9% at end-2005 to 11.4% at end-October. Banks' external debt grew strongly in the first five months of 2006 (by an average 22.7% year-on-year), trended downward by EUR 1.4bn from June to October (the period in which banks used foreign exchange inflows from tourism to reduce their external indebtedness) and grew by EUR 0.3bn again in October. Although still strong, banks' external debt (hybrid and subordinated instruments included) grew less than total external debt, decreasing its share to 34.0%. Broken down by debt instruments, the major contributors to external debt growth in October were long-term and short-term currency and deposits, and short-term loans. Compared with its structure at the end of 2005, banks' external debt grew mostly on account of the debt arising from long-term currency and deposits, and loans, whereas the debt arising from short-term loans decreased, largely during the summer months.

External debt of enterprises went up by EUR 1.9bn in the first ten months of 2006. With an additional EUR 0.4bn of the enterprise debt increase being accounted for by direct investment, external debt of enterprises reached EUR 11.6bn at end-October. Moreover, its year-on-year growth accelerated to 30.3%, while its share in the overall external debt rose to 41.9%. It should be noted that external debt of enterprises, in contrast to the external debt of banks, was the fastest-growing debt category in the summer months, especially in July. Although at somewhat reduced intensity, enterprises' external debt continued to trend upwards after the summer period, while its October movements were largely affected by a reduction in direct debt investment in enterprises.

The government sector (central government, central government funds, CBRD and local government) reduced its external liabilities by EUR 0.4bn in the first ten months of 2006. As a result, government external debt stood at EUR 6.7bn at end-October, reducing its share in the overall external debt to 24.1%. This was due to external debt repayments exceeding new disbursements in the reference period, with the largest repayments being accounted for by repayments of Samurai bonds and eurobonds, and two regular repayments due to the London Club. Among new external debt disbursements, the most important were the disbursement of the

Figure 80



Source: CNB.

World Bank PAL1 loan and the issuance of bonds by CBRD. External debt of the public sector, which in addition to the government sector includes the debt of public and mixed enterprises and the debt of the CNB, also trended downwards. The same trend was observed in the contingent government debt, i.e. in the publicly guaranteed private sector debt.

International Liquidity

The IEMP²⁰ remained favourable in the third quarter of 2006, with the kuna exchange rate depreciation and the decrease in international reserves favouring its growth. The index level was the highest in September due to strong depreciation of the kuna exchange rate, generated by rising corporate demand for foreign currency, and a large fall in international reserves. The September fall in international reserves, coupled with lower allocations of reserve requirements (including the marginal reserve requirement), was brought about by the CNB's sale of EUR 126m to banks. The index value fell in October as a result of the exchange rate appreciation and the growth in international reserves, but it still remained within the critical limits.²¹

20 IEMP is calculated as a weighted average of the monthly growth rate of the kuna/euro exchange rate (at end-period) and the monthly growth rate of gross international reserves (in euro terms), using standard deviations as weights.

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

Box 3: Foreign Borrowing with Leading Banks in the Region

Croatia's gross external debt continued to grow steadily throughout 2006. Compared with the previous years, there were certain changes in its structure with the most significant boost to external debt growth coming from foreign borrowing of domestic companies, whose foreign liabilities increased steadily and almost reached the level of banks' debt. When direct debt investment in the corporate sector is added to total corporate debt stock, it is evident that total corporate external debt was higher already at end-2005 than that of the banking sector which had itself taken over the first place, in terms of total external debt, from the government sector in 2003.

Looking back, banks' rapid debt growth since 2002 was followed by corporate sector debt growth, though in a much smaller absolute amount in the first few years. After the central bank introduced measures in 2003 to slow down credit activities of banks, the banks, in an effort to circumvent these measures, transferred a part of their credit transactions to their ownership-related companies and re-directed some of their client base to direct borrowing with their parent banks or other ownership-related financial institutions abroad. The "boom" in direct foreign borrowing of domestic companies continued steadily in the years that followed, gaining particular momentum in the past two years, as a result of banks' efforts to set off the effects of new CNB measures²² aimed at slowing down foreign borrowing of banks by encouraging their clients to borrow abroad.

By contrast, government debt has been decreasing for the second year in a row and there are indications that banks' debt is also growing at a slower pace. However, the inflow of foreign capital into domestic banks has not come to a complete stop as the struggle for survival and the need to increase the existing market shares prompts the banks to look for additional source of financing. Given that foreign borrowing implies high costs, foreign parent banks are increasingly deciding on recapitalisation of their subsidiary banks in Croatia. In this way they can place their funds in Croatia at much higher yields than in EU countries, while avoiding at the same time high costs associated with the marginal reserve requirement on each debt inflow of funds into the Croatian banks. Current indications are that the total amount of foreign recapitalisation in 2006 might reach around EUR 650m, a several-fold increase compared with the previous years. The largest recapitalisation, involving EUR 208m took place in 2005, which was a several-fold increase compared with the preceding years.

As shown in the Analysis of the External Debt of the Republic of Croatia (CNB, April 2006), the selected six largest Croatian banks (banking groups) are more profitable than foreign banking groups they belong to, showing that

Croatian market represents an important business segment for those international financial groups. An argument which speaks in favour of this fact is that the Croatian banks within the observed groups have sufficient room left for further foreign borrowing to increase additionally their market shares, even to the detriment of profitability and that parent banks, in the interest of profitability, tend to resort to other circumventing measures to place their funds in Croatia. To examine in more detail the behaviour of parent banks, we have analysed the stock of gross external debt of the domestic sectors, by loans, trade credits and securities, towards selected groups of foreign financial institutions to which Croatia's six largest banking groups belong.

In the past few years, these banks increased their market shares in Croatia and domestic sectors' exposure towards foreign financial institutions in the same groups also increased. Table 16 shows the share of domestic sectors' external debt, by obligations arising from loans, trade credits and securities, towards the said group of foreign creditors in total debt of individual sectors based on the same instruments. The table shows that, since 2000, the share of external debt of all domestic sectors towards this group of financial institutions alone, rose from 18.0% to 32.8% of total debt of the RoC at end-September 2006. A considerable increase in exposure towards the selected group of foreign creditors was largely due to their large-scale domestic corporate financing (the household sector accounts for only a small share of the total): at end-September 2006, other domestic sectors' debt towards the selected group of foreign creditors accounted for one half of this sector's total debt. It should be stressed that total loans granted to the Croatian corporate sector by only one foreign group over the years exceeded the amount of total loans to the corporate sector granted by all other groups of financial institutions observed in this text. In addition, entire group direct debt investment accounted for one fourth of total direct-investment related debt, while their entire amount can almost fully be attributed to investment in non-banking financial institutions related in terms of ownership with the creditors, most notably non-deposit financial institutions (leasing companies and various funds).

Developments described above indicate that the selected groups of banks, in addition to direct lending in Croatia, are increasingly turning towards financial disintermediation, moving away from the banking to the direct financial market. In this way, the banks make it possible for domes-

Table 16: Domestic Sectors' Exposure Towards a Group of Selected Foreign Creditors, in %

	2000	2001	2002	2003	2004	2005	9/2006
Banks ^a	45,2	38,1	40,1	33,5	34,1	35,5	43,0
Government	4,4	2,5	1,9	2,3	1,7	2,3	2,1
Other sectors	25,9	26,9	28,6	39,9	43,2	49,8	51,0
Direct investment	15,2	20,0	22,6	26,7	24,6	26,2	26,1
Total all sectors	18,0	16,0	17,2	21,9	23,4	28,0	31,9

^a Short-term loans based on repo transactions excluded.
Source: CNB.

Note: Exposure is a share of external debt of an individual domestic sector (or all sectors together) towards a group of selected foreign creditors in total external debt of an individual domestic sector (or all sectors together) arising from loans, trade credits and securities.

²² The instrument of marginal reserve requirement is designed to deter banks from any extensive foreign borrowing because it decreases the profit earned by banks on large interest rate spreads between the funds obtained abroad and the funds placed on the domestic market.

Table 17: Share of Domestic Sector Liabilities Towards Selected Group of Foreign Creditors, as % of GDP

	2000	2001	2002	2003	2004	2005	9/2006 ^a
Banks ^b	3.9	3.1	3.1	4.3	5.4	6.2	6.7
o/w: Direct debt investment	2.2	1.8	2.0	2.9	3.1	4.3	3.4
Non-banking financial institutions – direct investment	0.2	0.9	1.2	1.8	1.7	1.8	2.0
Other sectors	5.6	4.7	4.6	7.4	8.7	11.2	13.0
Non-banking financial institutions	0.1	0.3	0.7	1.8	2.2	2.4	3.3
Other companies and households	4.3	3.8	3.5	5.0	6.0	8.2	9.3
Government	1.2	0.7	0.5	0.6	0.4	0.5	0.4
Equity investment in banks (recapitalisation) ^c	0.1	0.0	0.5	0.1	0.4	0.6	1.6
Foreign credit to private sector ^d	4.9	4.9	5.4	8.7	10.1	12.5	14.7
Domestic credit to private sector ^d	24.1	30.6	39.3	42.2	45.8	50.9	55.7

^a The value of GDP used for the calculation equals the sum of outturn and evaluation in the past four quarters (Q4/2005 to Q3/2006).

^b Gross external debt excluding liabilities arising from cash, deposits and repo transactions.

^c For 2006, an estimate of total recapitalisations throughout the year.

^d Non-banking financial institutions, the corporate and the household sectors.

Source: CNB.

Table 18: Structure of Total (Domestic and Foreign) Lending to the Private Sector in the Republic of Croatia, in %

	2000	2001	2002	2003	2004	2005	9/2006 ^a
Total loans to the private sector ^b in the RoC (as % of GDP)	50.5	56.1	66.3	73.7	79.9	87.8	98.5
Structure							
Selected group	57.4	63.4	67.5	69.2	70.1	72.2	71.5
Others	42.6	36.6	32.5	30.8	29.9	27.8	28.5

^a The value of GDP used for the calculation equals the sum of outturn and evaluation in the past four quarters (Q4/2005 to Q3/2006).

^b Non-banking financial institutions, the corporate and the household sectors.

Source: CNB.

tic debtors to establish direct links with non-banking financial institutions in the country (leasing companies), whose development is being increasingly boosted by foreign investment or direct links with foreign creditors (lending by foreign banks and other financial institutions in the same group).

Also worth noting is the increased inflow of foreign funds into Croatia in the past several years, most notably from foreign financial institutions conducting business in Croatia. Table 17 shows external debt stock of individual domestic sectors based on loans, trade credits and securities towards the selected group of foreign creditors, as well as their new equity investment into Croatian banks, expressed as a percentage of GDP. As regards the inflow of funds from the selected group of creditors into domestic banks, it should be noted that over one half of the debt arising from investment into banks in the observed period can be attributed to direct investment of foreign parent banks in support of their strong credit activities in Croatia. Similarly, parent banks and the financial institutions associated with these banks invested in their non-banking financial institutions in Croatia to expand their business operations after they became considerably limited in the banking sector as a result of central bank measures. However, the most significant development was seen in direct lending to the corporate sector whose growth in the past several years exceeded several times over the nominal increase in gross domestic product. As a result, corporate debt towards the selected group of foreign banks even exceeded in the past two years the amount of debt arising from loans granted by foreign banks to their subsidiaries, both banks and other financial institutions.

Total private sector financing in Croatia by selected groups of foreign financial institutions is shown at the bottom of Table 17 which shows credit activities of these groups in Croatia through their domestic subsidiaries but also through direct foreign financing. In addition to the corporate and the household sectors, the private sector also includes non-banking financial institutions, to provide an indirect means, through the channel of the sources of funds, for the assessment of their activities on the Croatian financial market. Table 18 shows total liabilities of the private sector in the RoC arising from loans and securities (non-banking financial institutions, the corporate and the household sectors) towards all domestic banks and foreign financial institutions. At end-September 2006, they almost equalled the nominal value of GDP, with over two thirds going to domestic and foreign loans of the selected group of financial institutions, with less than one third going to other domestic and foreign financial institutions. Note should be taken of the trend present since 2000, involving an increase in the market share of the selected group of financial institutions, either through domestic lending and direct lending from abroad, and the diminishing significance of other creditors.

Data shown indicate that the selected group of financial institutions played a major role in the process of Croatian financial market deepening, mainly through credit business of domestic banks. Even though direct foreign lending to the private sector is several times smaller than that through the domestic banking system, its steady growth since 2003 shows that, had it not been for the CNB measures, credit activities of major Croatian banks would have been even stronger.

Government Finance

Fiscal Policy Features in the Third Quarter 2006

Despite faster growth in consolidated general government revenues than in expenditures in the third quarter 2006 and a strong annual growth in the acquisition of non-financial assets, fiscal trends in the first nine months of 2006 can be considered positive. Consolidated general government revenues rose almost twice as fast as expenditures in the January to September period, whereas government investment activity remained unchanged from last year. These developments resulted in a deficit that was twice smaller than in the same period in 2005. The sharp drop in the deficit and its being partially financed by the disposal of non-financial assets reduced borrowing requirements, with the result that general government debt rose at a considerably slower rate in the observed period than in the same period last year, with domestic debt continuing to grow and external debt dropping further.

The Stand-By Arrangement concluded by Croatian authorities with the IMF in August 2004 expired in mid-November. The main objectives of the arrangement were to limit external vulnerability arising from a relatively high current account deficit and external debt-to-GDP ratio, and to prepare Croatia for EU accession. The achievement of these objectives relied on the significant fiscal adjustment and implementation of structural reforms to reduce the government's role in the economy and its borrowing requirements. Most progress was made in public finances, as the consolidated general government deficit was reduced during the two-year programme from 4.8% of GDP in 2004 to 3% of GDP planned in 2006. Advances were made in the area of structural reforms, despite delays in the privatisation of Ina and T-HT and in setting the shipyard restructuring plan (see Box 4).

Consolidated General Government Revenues

As shown by MoF data, consolidated general government revenues reached HRK 82bn in the first nine months of 2006, which was 73.7% of the amount planned for the year. The 10% annual revenue growth was primarily due to rising revenues from VAT, social contributions and profit tax. The largest share of total revenues (60%) again went to tax revenues, social contributions had a share of 30%, and the remaining share was made up of other revenues, comprising revenues from the sale of goods and services (administrative fees for the most part), property income and miscellaneous and unidentified revenues.

With an annual growth rate of 10.4%, tax revenues reached HRK 49.2bn in the first nine months of 2006. VAT revenues were HRK 25.7bn, a rise of 9% from the same period in 2005. Due to base effects, the growth was at 21.8% especially prominent in the first quarter (the first quarter of 2005 saw a drop of 1.3%), while it slowed down considerably in the remaining part of the year, standing at 3.6% in the second and 5.1% in the third quarter, which might be linked

to a slower rise in goods and services imports and retail trade turnover. Income tax generated HRK 6.3bn in the January to September period, an increase of 11.3% compared with the same period in the previous year. This was in consequence of an increase of 5.7% in the average monthly gross wage and a rise of 2.9% in the number of the insured with the CPIA. Profit tax generated HRK 5.6bn from January to September 2006, as much as 29% more than in the same period in 2005. These revenues continued on a strong upward trend, driven by a sharp increase in pre-tax profit of profit taxpayers in 2005. This was, inter alia, in consequence of a new profit tax act, whose implementation started in early 2005, which forbids one-time write-offs of property, reduces tax rates for taxpayers in the areas of special state concern and abolishes corporate dividend tax.

Excise revenues rose annually by 5.6% in the first nine months of 2006, reaching HRK 8.6bn. However, the share of excises in consolidated general government revenues dipped because of a stronger growth of other revenue categories. The key contributors to the growth of total excise revenues were revenues from excises on tobacco products, accounting for about one quarter of the total and generating HRK 2.1bn in the observed period, 8.7% more than in the same period in 2005. In addition, excises on cars amounted to a high HRK 1bn, which is an increase of 17.5% from the same period in 2005, whereas excises on refined petroleum products (including a levy for road building and maintenance) rose by 3.2% in the observed period, to HRK 4.7bn, making up 55% of total excise revenues.

Social contributions totalled HRK 25bn in the first nine months of 2006, 8.0% more than in the same period last year. Of this, HRK 12.5bn was made up by pension insurance contributions, HRK 11.3bn by health insurance contributions and the remaining amount by employment contributions. Trends in revenues from social contributions can be attributed to the said increases in the number of persons insured with the CPIA and the growth of the average monthly gross wage.

Increasing annually by 13.6%, other revenues generated HRK 7.9bn in the January to September period. The highest rise was observed in administrative fee revenues, up by as much as 22.7% (HRK 634.2m) from the same period in the previous year.

Revenues of local and regional self-government units reached HRK 9.6bn, rising by 10.4% over the same period in 2005, mostly due to profit tax and income tax revenues, which accounted for almost 60% of total revenues. Also significant were revenues from administrative fees and taxes on financial and capital transactions (the property sale tax).

Consolidated General Government Expenditures

Consolidated general government expenditures were HRK 77.7bn in the first nine months of 2006, an increase of 5.4% over the same period in the previous year. Expenditures fell annually by 1.3% in the first quarter (due to base effects from a sharp expenditure increase in the same period last year), exhibiting somewhat stronger growth in the second and third quarters, 9.8% and 8.2% respectively. As in

Table 19: Operating Balance, Transactions in Non-Financial Assets and Transactions in Financial Assets and Liabilities, GFS 2001, in million HRK

	Consolidated general government		
	Jan.–Sep. 2005	Jan.–Sep. 2006	Jan.–Sep. 2006 / Jan.–Sep. 2005
1. Change in net worth (net operating balance)	898.6	4,356.6	
1.1. Revenue	74,582.5	82,012.0	110.0
1.2. Expense	73,683.9	77,655.4	105.4
2. Change in net non-financial assets	6,352.4	5,992.8	
2.1. Acquisition of non-financial assets	6,950.8	6,681.4	96.1
2.2. Disposal of non-financial assets	598.4	688.6	115.1
3. Net lending (+) / borrowing (-) (1-2)	-5,453.9	-1,636.2	
3. Financing (5-4) Transactions in financial assets and liabilities	5,453.9	1,636.2	
4. Change in financial assets	1,733.4	172.7	
4.1. Domestic	1,738.2	170.0	
4.2. Foreign	-4.9	2.7	
5. Change in liabilities	7,187.3	1,809.0	
5.1. Domestic	11,342.9	5,362.7	
5.2. Foreign	-4,155.6	-3,553.7	

Note: On a cash basis. Source: MoF.

the previous years, social benefits, compensation of employees and the use of goods and services prevailed in the expenditure structure.

Expenditures on social benefits rose by 4.3% in the first nine months of 2006, reaching HRK 33.1bn. Of this amount, HRK 23.2bn referred to social security benefits, which include the majority of pensions and health care expenditures. Expenditures on social security benefits increased at an annual rate of 3.1% in the first nine months of 2006, largely due to a 1.5% rise in the number of pensioners and a 2.8% increase in the average pension. Social assistance benefits, comprising disability pensions, child allowance, Croatian war veteran's permanent rights and pension supplement, were HRK 9.9bn in the January to September period, an annual increase of 8.1%.

Expenditures on compensation of employees stood at HRK 20.9bn in the first nine months of 2006, up 5.9% over the same period in 2005. This increase was in consequence of a 0.7% rise in the number of civil servants and employees and a 4.8% growth in the average monthly gross wage of public sector employees. The number of employees increased the most within the education sector, whereas the average gross wage rose the most in public administration and defence.

Expenditures on the use of goods and services (comprising the use of telephone, postal services, transport, energy, as well as intellectual and personal services) went up 13.6% in the first nine months of 2006, to HRK 8.8bn. These expenditures' growth rate fluctuated sharply in the observed period, between a relatively low 3.9% in the first quarter and a high 19.6% and 17.7% in the second and third quarter respectively.

Expenditures on subsidies stood at HRK 4.7bn in the first nine months of 2006, rising by 10.5% from the same period in the previous year, due to the growth of subsidies to private enterprises, which were, at HRK 2.2bn, 24% higher than in the first nine months of 2005. The majority of subsidies were extended to farmers, craftsmen and SMEs, while subsidies to public corporations held at HRK 2.5bn, the level from the same period in 2005.

Interest expense amounted to HRK 4.2bn in the observed period, up 3.7% from the same period in the previous year. Down at an annual rate of 4.9%, foreign interest was HRK

2bn, whereas domestic interest rose by 12.8%, reaching HRK 2.2bn in the observed period. These interest expense developments were a reflection of the government's policy to reorient its borrowing to the domestic market.

Local government expenditures stood at HRK 7.4bn, which is an increase HRK 0.5bn from the same period in 2005. The highest increase was in expenditures on the use of goods and services, compensation of employees and subsidies.

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

The net operating balance, representing the difference between consolidated general government revenues and expenditures, was at HRK 4.4bn almost five times higher than in the same period in 2005. Nevertheless, this was insufficient to finance government's strong capital investments (net acquisition of non-financial assets was HRK 6bn in the observed period), with the result that the consolidated general government had net borrowings of HRK 1.6bn in the observed period, which was financed on the domestic market.

The acquisition of non-financial assets at the consolidated general government level stood at HRK 6.7bn in the period January to September 2006, a slightly lower figure than last year. Of this amount, over 80% went to the acquisition of buildings and structures, which, in accordance with GFS 2001, include residential buildings, office buildings, schools, hospitals, highways, roads, bridges, tunnels, railways, harbours and dams.

Standing at HRK 0.7bn in the observed period, the disposal of non-financial assets at the consolidated general government level grew by 15.1% compared with the same period in 2005. About 60% of the said amount referred to the disposal of buildings and structures, inclusive of, inter alia, the sale of public flats. The land was disposed of in the amount of HRK 0.2bn, almost completely by local and regional self-government units.

As shown by MoF data, consolidated general government financial assets increased by HRK 0.2bn in the first nine months of 2006, completely due to the growth of domestic

Table 20: Consolidated General Government Balance, on a cash basis, in million HRK

	Jan.–Sep. 2006				
	Government budget	Extrabudgetary users	Consolidated central government	Units of local and regional self-government	Consolidated general government
Revenue ^a	70,103.3	6,418.4	73,483.2	9,611.3	82,012.0
Total expenditure and net lending	71,539.3	8,052.9	76,553.7	9,692.1	85,163.3
Expense ^a	69,798.3	4,605.6	71,365.4	7,372.6	77,655.4
Acquisition of non-financial assets ^a	984.1	3,361.8	4,345.9	2,335.5	6,681.4
Net acquisition of financial assets – loans ^a	585.1	82.5	667.6	–33.8	633.8
Acquisition of shares and other equity ^a	171.8	3.0	174.8	15.4	190.2
Acquisition of securities other than shares ^a	0.0	0.0	0.0	0.2	0.2
Acquisition of other accounts receivable ^a	0.0	0.0	0.0	2.3	2.3
GFS 1986 balance	–1,436.0	–1,634.5	–3,070.5	–80.8	–3,151.3

^a GFS 2001. Source: MoF.

financial assets in the form of loans granted and shares (mostly comprised by the paid in capital of the CBRD). Currency and government deposits held with the CNB and banks reduced by HRK 0.5bn in the same period.

Due to a strong growth in revenues, coupled by a moderate increase in expenditures, and with the same level of investment activity, government's financing needs reduced significantly in the observed period compared with the same period last year, so that it relied less on borrowing. Consolidated general government liabilities went up by HRK 1.8bn in the first nine months, which is as much as HRK 5.4bn below the increase in the same period in 2005. Domestic liabilities rose by HRK 5.4bn due to new bond issues and use of loans granted by domestic banks, while foreign liabilities dropped by HRK 3.6bn.

Consolidated General Government Balance on a Cash Basis

The consolidated general government deficit, exclusive of capital revenues (shown on a cash basis, in accordance with GFS 1986) amounted to HRK 3.2bn in the first nine months of 2006. Of this, HRK 1.4bn was accounted for by the budgetary central government, HRK 1.6bn by extrabudgetary users and HRK 0.1bn by local and regional self-government units.

The consolidated general government deficit narrowed by a substantial HRK 3.6bn (53.4%) compared with the same period in 2005. The largest fiscal adjustment was a HRK 3.1bn reduction in the budgetary central government

deficit, which was completely due to revenue growth outstripping expenditure growth. The deficit at the level of extrabudgetary users, exceeding the budgetary central government deficit in the observed period, narrowed by HRK 0.5bn, mainly as a result of a reduction in the acquisition of non-financial assets. The local government budget deficit also dropped sharply, by 38.2%.

Government Debt

According to CNB data, general government debt reached HRK 103.8bn at end-September, an increase of HRK 2.4bn from end-2005. By way of comparison, this debt expanded by HRK 7.8bn in the same period in 2005. The sharp slowdown resulted from a marked decrease in the general government deficit (GFS 1986) and its partial financing by the disposal of non-financial assets (buildings and structures and land). In addition, with the kuna exchange rate appreciating versus the US dollar and Swiss franc, the debt stock, expressed in kuna, declined in statistical terms. Because of government's consistent reliance on domestic borrowing to finance the deficit and repay outstanding loan principals, the share of domestic debt in total general government debt expanded continuously, while the share of external debt proportionally declined.

Completely generated by foreign borrowing, CBRD debt reached HRK 7.4bn at end-September 2006. The HRK 0.3bn increase from the end of 2005 was a result of a rise in foreign liabilities, as CBRD domestic liabilities dropped. Included in this is a new ten-year bond issue worth EUR

Table 21: Public Debt of the Republic of Croatia, end of period, in million HRK

	Stock				Change	
	Dec. 2004	Sep. 2005	Dec. 2005	Sep. 2006	Jan.–Sep. 2005	Jan.–Sep. 2006
A. General government debt (1 + 2)	92,987.7	100,779.4	101,424.3	103,805.6	7,791.7	2,381.3
1. General government domestic debt	42,721.0	55,052.1	56,046.5	61,888.7	12,331.1	5,842.2
1.1. Domestic debt of the Republic of Croatia	37,223.7	47,583.2	50,559.5	56,083.8	10,359.5	5,524.3
1.2. Domestic debt of central government funds	3,911.2	5,975.7	3,935.0	4,336.9	2,064.5	401.9
1.3. Domestic debt of local government	1,586.2	1,493.2	1,551.9	1,467.9	–93.0	–84.0
2. General government external debt	50,266.6	45,727.2	45,377.8	41,916.9	–4,539.4	–3,460.9
2.1. External debt of the Republic of Croatia	42,095.7	36,884.0	36,433.6	32,849.1	–5,211.7	–3,584.5
2.2. External debt of central government funds	7,925.3	8,620.5	8,725.8	8,937.6	695.2	211.8
2.3. External debt of local government	245.7	222.7	218.5	130.2	–23.0	–88.3
B. CBRD debt (1 + 2)	5,745.6	6,523.4	7,135.5	7,427.6	777.8	292.2
1. CBRD domestic debt	382.2	311.5	534.2	208.7	–70.7	–325.5
2. CBRD external debt	5,363.5	6,211.9	6,601.2	7,219.0	848.5	617.7
Supplement:						
C. Total guarantees issued by the Republic of Croatia	12,134.5	12,314.6	12,383.8	13,725.7	180.1	1,341.9
1. Domestic	4,542.2	5,057.3	5,268.5	6,736.4	515.1	1,467.9
2. Foreign	7,592.3	7,257.3	7,115.3	6,989.3	–335.0	–126.0

Source: CNB.

Table 22: Domestic Debt of General Government, end of period, in million HRK

	Stock				Change	
	Dec. 2004	Sep. 2005	Dec. 2005	Sep. 2006	Jan.–Sep. 2005	Jan.–Sep. 2006
1. Domestic debt of general government	42,721.0	55,052.1	56,046.5	61,888.7	12,331.1	5,842.2
1.1. Domestic debt of the Republic of Croatia	37,223.7	47,583.2	50,559.5	56,083.8	10,359.5	5,524.3
Treasury bills	9,022.5	12,820.5	12,533.4	12,254.5	3,798.1	-278.9
Bonds	23,080.1	27,299.9	30,716.0	33,643.9	4,219.7	2,927.9
Money market instruments	–	0.7	0.9	–	0.7	-0.9
Credits from banks	5,121.1	7,462.1	7,309.2	10,185.3	2,341.0	2,876.1
1.2. Domestic debt of central government funds	3,911.2	5,975.7	3,935.0	4,336.9	2,064.5	401.9
Bonds	1,726.0	1,673.7	–	–	-52.3	–
Credits from banks	2,185.1	4,302.0	3,935.0	4,336.9	2,116.9	401.9
1.3. Domestic debt of local government	1,586.2	1,493.2	1,551.9	1,467.9	-93.0	-84.0
Supplement: Issued guarantees	4,542.2	5,057.3	5,268.5	6,736.4	515.1	1,467.9

Source: CNB.

Table 23: External Debt of General Government, end of period, in million HRK

	Stock				Change	
	Dec. 2004	Sep. 2005	Dec. 2005	Sep. 2006	Jan.–Sep. 2005	Jan.–Sep. 2006
1. External debt of general government	50,266.6	45,727.2	45,377.8	41,916.9	-4,539.4	-3,460.9
1.1. External debt of the Republic of Croatia	42,095.7	36,884.0	36,433.6	32,849.1	-5,211.7	-3,584.5
Bonds	32,899.3	27,335.0	27,112.3	22,924.1	-5,564.2	-4,188.3
Credits	9,196.4	9,549.0	9,321.2	9,925.0	352.5	603.8
1.2. External debt of central government funds	7,925.3	8,620.5	8,725.8	8,937.6	695.2	211.8
Credits	7,925.3	8,620.5	8,725.8	8,937.6	695.2	211.8
1.3. External debt of local government	245.7	222.7	218.5	130.2	-23.0	-88.3
Credits	245.7	222.7	218.5	130.2	-23.0	-88.3
Supplement: Issued guarantees	7,592.3	7,257.3	7,115.3	6,989.3	-335.0	-126.0

Source: CNB.

150m, to be used for funding CBRD credit programmes.

Contingent government debt arising from issued government guarantees was HRK 13.7bn. HRK 6.7bn of this amount were domestic guarantees. Issued government guarantees rose by HRK 1.3bn in consequence of an increase in issued domestic guarantees, while issued foreign guarantees reduced in the same period.

Domestic General Government Debt

Domestic debt of the general government (exclusive of CBRD debt) stood at HRK 61.9bn at end-September 2006, a rise of HRK 5.8bn from end-2005. The rise was fully accounted for by issued bonds and bank loans, while outstanding T-bills decreased. In February 2006, the MoF issued the second tranche of a ten-year government bond worth HRK 2bn in the domestic market. The first tranche of HRK 3.5bn was issued in December 2005. The government also issued a seven-year bond at the value of HRK 2.5bn in July 2006. It can be concluded that the largest part of the issue was bought by pension funds and other participants in the domestic capital market, as bank claims on the government arising from issued guarantees dropped in the observed period. In addition to bond issuance, the government met its financing needs by bank loans, including a EUR 400m loan

granted by a Croatian bank syndicate, based on an agreement concluded in March, which is to be used for the repayment of eurobonds due. The loan, maturing late in 2006, will be repaid by privatisation proceeds.

External General Government Debt

External debt of the general government stood at HRK 41.9bn at end-September 2006, decreasing by HRK 3.5bn from end-2005. The largest decrease of HRK 3.6bn was in the Republic of Croatia borrowing due to the repayment of Samurai bonds in February and eurobonds in March. In addition, two regular repayments due to the London Club, representing the servicing of interest and principal commitments on series A and series B bonds issued in 1996, were made in January and July. Series B bonds, amounting to USD 604.4m, were paid off in July 2006, while series A bond repayments are to be continued on schedule until July 2010. External debt of central government funds increased by HRK 211.8m, mostly due to new foreign borrowings by the CM, CR and to a smaller extent by Croatian Waters. Local government external debt was HRK 130.2m at end-September 2006, a decrease of HRK 88.3m from the end of the previous year, which was due the repayment of long-term loans falling due.

Box 4: Expiry of the Stand-By Arrangement with the IMF

The Stand-By Arrangement concluded between the Croatian authorities and the IMF in August 2004, expired in mid-November this year. The 20-month arrangement for an amount equivalent to 97 million SDR (special drawing rights), or 26.6% of Republic of Croatia's quota, was extended for seven months, and augmented to an amount equivalent to 99 million SDR. The Arrangement was approved on the basis of the country's economic programme set out in the Memorandum of Economic and Financial Policies (MEFP), jointly prepared by the Croatian Government and the Croatian National Bank. The main objectives of the programme were to limit external vulnerability arising from a relatively large current account deficit and a high external debt-to-GDP ratio, as well as to prepare Croatia for the accession to the EU. The strategy for achieving these goals was based on fiscal and quasi-fiscal adjustments,²³ taking measures to safeguard financial system stability and implementation of a series of structural reforms. The Republic of Croatia concluded this stand-by arrangement primarily as a precautionary measure and did not, like in the previous arrangement concluded with the IMF, draw any funds approved under the credit.

The most significant progress over the two-year implementation of the programme was achieved in public finances. The consolidated general government deficit was reduced from 4.8% of GDP in 2004 to the targeted rate of 3% of GDP in 2006, and the CBRD's deficit was halved in the same period. The achieved fiscal consolidation was due to slower wage bill growth, lower transfers²⁴ and public investment and, to a large extent, to faster growth of revenues, which resulted from much stronger than expected economic growth, as well as legislative changes in the tax system (e.g. higher excise taxes on passenger cars and tobacco products, the new profit tax and income tax acts and elimination of zero VAT rate on services related to organised tourist stays paid by bank transfers from abroad), and technical improvements in tax collection. Moreover, government borrowing on international financial markets was reduced significantly, enabling the government to contribute directly to external debt contraction.

In the monetary policy area, the central bank supported the programme by pursuing its policy of broad exchange rate stability of the kuna against the euro, maintaining adequate international reserves and preventing an inappropriate domestic liquidity expansion. Moreover, the CNB continued to take measures towards arresting external debt growth, so that, during the two-year implementation of the programme the marginal reserve requirement was raised three times, and its base broadened. In the bank supervi-

sion area, measures have been adopted to strengthen bank risk management, including raising capital-adequacy risk weights on foreign currency loans to unhedged borrowers. In addition, the CNB strongly encouraged the introduction of a credit registry, which so far only covered banks. However, subject to the necessary adjustments of the legal framework, non-banking institutions could also be allowed to participate in providing the input to and using the credit registry by end-2006. Finally, considerable efforts were made to strengthen the supervision of non-bank financial institutions, particularly by establishing a Croatian Financial Services Supervisory Agency (HANFA).

Progress was also made in structural reforms. At end-July, a package of laws on health reform was adopted with a view to reducing medium-term government spending on health. The plan for the privatisation of Croatia osiguranje d.d. was finalised (including the merger of this company with Hrvatska poštanska banka d.d.). However, there have been delays in the privatisation of the oil company Ina and of the remaining state shares in the telecommunications company T-HT as well as in the Government's approval of the shipyards restructuring plan. The second phase of privatisation of the national oil company was scheduled for end-November 2006, while the privatisation of state shares in the T-HT, postponed due to a dispute over the ownership of distribution pipelines and telecommunication channels, is to be continued in 2007. The shipyard restructuring plan, prepared in close co-operation between an appointed consultancy firm and the European Commission, should be adopted by end-November. In the steel sector, the Croatian Privatisation Fund issued tenders for the shares of steel companies Željezara Split, d.d. and Valjaonica cijevi Sisak, d.o.o.

The growth of external debt-to-GDP ratio slowed down markedly, but was not stopped. Thus, the external debt-to-GDP ratio rose by 14 percentage points annually in 2003, but fell by 4.7 percentage points as early as 2004 and 2 percentage points in 2005. This was paralleled with a change in the shares of individual sectors in external debt, with banks and other domestic sectors (primarily enterprises and non-banking financial institutions) assuming the largest shares, while the government's share in total external debt fell below one fourth.

The expiry of the current Stand-By Arrangement and the decision not to conclude another stand-by arrangement opens a new phase of relations between Croatia and the IMF. Croatia is offered an opportunity to confirm its credibility and consistency in the implementation of the adopted economic policy, particularly concerning fiscal discipline and carrying out of the remaining structural reforms. Given that 2007 is an election year, persistence in the implementation of the reforms already launched and those planned is of special importance. It can therefore be concluded that the recently presented proposal for the 2007 budget, setting a general government deficit target of 2.8% of GDP, down 0.2 percentage points from 2006, and the medium-term plan to reduce the general government deficit to 2.4% by 2009, show the Government's commitment to implementing the envisaged economic policy.

²³ The quasi-fiscal adjustment relates to reducing CBRD's net lending.

²⁴ The pension indexation formula involving the adjustment of pensions to nominal wage growth was replaced by a composite formula of pension indexation to the cost of living growth (measured by consumer price index) and the growth of average gross wage. The new, so-called Swiss formula was introduced in 2006.

Statistical Survey

Classification and Presentation of Data on Claims and Liabilities

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

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

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

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

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

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

Foreign sector includes foreign legal and natural persons.

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

Table A1: Monetary and Credit Aggregates

end of period, million kuna and %

Year	Month	Reserve money	Money M1	Money M1	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth					
								Reserve money	Money M1	Money M1	Broadest money M4	Net domestic assets	Domestic credit
1994	December	4,714.2	6,642.6	6,996.7	17,679.9	16,540.1	27,661.5	11.73	2.20	3.83	2.26	11.84	3.45
1995	December	6,744.1	8,234.9	8,503.2	24,623.0	21,576.3	32,819.5	2.97	0.89	1.54	3.41	1.00	1.88
1996	December	8,770.4	11,368.9	11,494.9	36,701.1	24,960.4	33,831.2	11.35	7.83	7.67	4.88	-5.41	-11.61
1997	December	10,346.1	13,731.4	13,848.8	50,742.0	33,829.0	48,863.4	7.86	3.93	3.85	2.16	4.98	4.96
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25
1999	December ^a	10,310.0	13,858.9	13,965.7	56,659.3	40,003.8	55,875.8	4.53	5.46	5.48	2.28	0.35	-4.58
2000	December	11,717.3	18,030.3	18,256.4	73,061.1	44,043.9	60,883.8	7.32	10.04	9.89	3.66	10.46	2.66
2001	December	17,803.2	23,703.5	23,936.5	106,071.4	57,410.0	74,964.5	8.01	13.00	11.96	11.65	3.40	1.16
2002	December	23,027.9	30,869.8	31,876.7	116,141.8	83,324.4	97,463.7	10.72	6.11	6.79	1.65	7.92	2.15
2003	December	30,586.2	33,888.7	34,630.9	128,893.1	96,121.7	111,661.4	8.90	1.78	1.93	0.14	3.11	0.66
2004	December	33,924.4	34,562.1	35,186.5	139,947.7	108,205.1	127,308.6	8.69	2.86	2.68	0.23	2.15	1.99
2005	November	36,927.6	37,204.1	38,371.2	154,677.8	128,971.3	146,322.5	0.39	0.27	0.33	1.42	1.58	2.28
	December	40,390.8	38,817.1	39,855.4	154,647.0	131,343.2	149,168.3	9.38	4.34	3.87	-0.02	1.84	1.94
2006	January	36,629.2	37,216.7	38,157.5	152,000.6	131,715.3	150,544.7	-9.31	-4.12	-4.26	-1.71	0.28	0.92
	February	36,484.1	37,169.6	38,104.0	151,719.7	134,057.4	152,635.8	-0.40	-0.13	-0.14	-0.18	1.78	1.39
	March	37,767.9	38,186.4	39,118.2	153,573.5	140,596.4	156,579.7	3.52	2.74	2.66	1.22	4.88	2.58
	April	38,079.2	39,222.7	40,055.6	155,073.1	143,428.3	159,083.2	0.82	2.71	2.40	0.98	2.01	1.60
	May	38,796.4	40,771.5	41,601.8	158,103.8	146,241.6	161,921.6	1.88	3.95	3.86	1.95	1.96	1.78
	June	41,644.9	42,226.5	42,853.9	163,106.8	149,113.2	164,644.0	7.34	3.57	3.01	3.16	1.96	1.68
	July	42,693.7	45,004.2	45,714.7	170,326.0	149,108.3	166,667.1	2.52	6.58	6.68	4.43	0.00	1.23
	August	42,209.3	44,993.8	45,802.5	174,210.4	148,688.1	168,830.8	-1.13	-0.02	0.19	2.28	-0.28	1.30
	September	42,368.1	44,047.0	44,822.7	176,751.9	151,194.8	172,299.2	0.38	-2.10	-2.14	1.46	1.69	2.05
	October	43,414.6	45,502.0	46,358.9	180,585.5	150,555.8	174,595.6	2.47	3.30	3.43	2.17	-0.42	1.33

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

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

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

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

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

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

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

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' share in monetary aggregate M1 amounted to 259.5 million kuna and in monetary aggregate M4 amounted to 4,055.8 million kuna. Data for June 1999 are comparable with data for July 1999 if Domestic credit is increased by 3,513.5 million kuna.

Table B1: Monetary Survey

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec. ^a	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
ASSETS											
1. Foreign assets (net)	48,661.3	32,817.4	32,771.4	31,742.6	23,303.8	12,977.12	13,993.65	21,217.68	25,522.22	25,557.07	30,029.7
2. Domestic credit	87,637.6	112,518.9	126,371.6	141,278.1	168,427.7	178,596.65	188,399.21	188,521.91	189,902.84	193,614.01	193,687.2
2.1. Claims on central government and funds (net)	12,673.1	15,055.2	14,710.1	13,969.6	19,259.4	22,016.95	23,755.24	21,854.81	21,072.03	21,314.82	19,091.6
2.2. Claims on other domestic sectors	74,513.0	96,329.0	110,467.8	125,790.7	147,414.3	154,491.49	162,862.11	164,778.89	167,235.27	170,400.25	172,776.2
2.3. Claims on other banking institutions	170.2	219.5	431.8	624.0	592.2	493.66	442.32	529.19	437.91	434.70	676.8
2.4. Claims on non-banking financial institutions	281.4	915.3	761.8	893.9	1,161.8	1,594.55	1,339.55	1,359.02	1,157.63	1,464.23	1,142.6
Total (1+2)	136,298.9	145,336.3	159,143.0	173,020.7	191,731.5	191,573.77	202,392.86	209,739.59	215,425.07	219,171.08	223,716.9
LIABILITIES											
1. Money	23,703.5	30,869.8	33,888.7	34,562.1	38,817.1	38,186.45	42,226.48	45,004.15	44,993.78	44,047.02	45,502.0
2. Savings and time deposits	10,213.1	13,001.1	18,370.7	22,479.2	27,992.1	31,554.48	38,442.98	41,421.22	44,092.16	46,155.80	46,819.6
3. Foreign currency deposits	71,836.9	72,054.6	76,035.3	81,742.9	86,760.8	82,426.51	81,019.46	82,112.16	83,622.98	85,173.04	86,894.2
4. Bonds and money market instruments	317.8	216.3	598.4	1,163.5	1,077.0	1,406.06	1,417.90	1,788.43	1,501.43	1,376.04	1,369.7
5. Restricted and blocked deposits	1,926.2	1,729.5	1,721.6	2,067.0	2,092.3	2,379.25	2,292.71	2,326.48	2,477.48	2,603.81	2,608.7
6. Other items (net)	28,301.4	27,465.1	28,528.2	31,006.1	34,992.2	35,621.01	36,993.33	37,087.15	38,737.23	39,815.37	40,522.7
Total (1+2+3+4+5+6)	136,298.9	145,336.3	159,143.0	173,020.7	191,731.5	191,573.77	202,392.86	209,739.59	215,425.07	219,171.08	223,716.9

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

Table B1: Monetary Survey

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

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

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

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

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

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

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

Year	Month	Total number of reporting banks	Reporting banks classified according to their total assets						Total number of reporting savings banks	Savings banks classified according to their total assets		
			Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over		Less than 10 million kuna	10 million kuna to less than 100 million kuna	100 million kuna and over
1	2	3	4	5	6	7	8	9	10	11	12	13
1994	December	50	13	21	6	6	2	2	33	22	9	2
1995	December	53	15	20	7	7	2	2	21	7	13	1
1996	December	57	10	26	6	9	4	2	22	10	11	1
1997	December	60	4	28	9	8	9	2	33	12	18	3
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	December	46	4	13	7	9	8	5	10	3	5	2
2003	December	42	2	13	8	5	8	6	7	3	2	2
2004	December	39	1	12	9	6	5	6	6	3	3	–
2005	November	36	1	10	9	5	5	6	3	2	1	–
	December	36	1	10	6	8	5	6	3	2	1	–
2006	January	36	1	10	8	6	5	6	3	2	1	–
	February	36	2	9	7	7	5	6	3	2	1	–
	March	36	2	9	8	6	5	6	3	2	1	–
	April	36	2	9	7	7	5	6	3	2	1	–
	May	36	2	9	8	6	5	6	3	2	1	–
	June	36	2	8	7	8	4	7	3	2	1	–
	July	35	2	7	5	9	5	7	3	2	1	–
	August	35	2	7	6	8	4	8	3	2	1	–
	September	35	2	7	7	7	4	8	3	2	1	–
	October	35	2	7	4	10	4	8	3	2	1	–

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

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

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

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

Table C1: Monetary Authorities Accounts

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
ASSETS											
1. Foreign assets	39,308.9	42,058.8	50,118.6	49,373.4	54,862.5	59,236.6	63,451.8	65,136.0	63,433.0	60,049.2	62,759.8
1.1. Gold	–	–	–	–	–	–	–	–	–	0.0	–
1.2. Holdings of SDRs	905.8	17.4	5.0	4.8	6.3	5.2	5.5	8.8	4.8	4.8	9.1
1.3. Reserve position in the IMF	1.8	1.6	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
1.4. Currency and demand deposits with foreign banks	6.1	6.4	5.8	5.7	7.7	8.3	9.2	9.3	8.1	7.8	8.5
1.5. Time deposits with foreign banks	25,565.9	28,183.2	25,580.7	24,337.7	28,274.1	32,260.2	35,296.1	35,954.3	34,061.7	30,723.0	31,738.6
1.6. Securities in f/c	12,829.3	13,850.0	24,525.5	25,023.7	26,573.0	26,961.5	28,139.6	29,162.2	29,357.1	29,312.1	31,002.2
1.7. Non-convertible foreign exchange	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	–	0.5	1.4	3.3	1.4	–	–	–	–	–	–
2.1. Claims in kuna	–	0.5	1.4	3.3	1.4	–	–	–	–	–	–
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	229.2	110.6	93.6	82.9	73.4	73.4	73.4	73.4	73.4	73.4	73.4
4. Claims on banks	18.5	17.9	972.0	408.9	4,215.6	564.1	2,155.4	1,881.3	1,736.4	2,511.3	516.3
4.1. Credits to banks	16.6	17.6	968.9	408.9	4,215.6	564.1	2,155.4	1,881.3	1,736.4	2,511.3	516.3
Lombard credits	–	–	954.4	–	–	–	–	–	–	–	–
Short-term liquidity credits	–	–	–	–	–	–	–	–	–	–	–
Other credits	16.6	17.6	14.5	15.0	14.5	14.5	14.3	14.3	14.5	14.6	14.6
Reverse repo transactions	–	–	–	394.0	4,201.1	549.6	2,141.1	1,866.9	1,722.0	2,496.7	501.7
4.2. Overdue claims	1.9	0.3	3.1	–	–	–	–	–	–	–	–
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	39,556.6	42,187.7	51,185.6	49,868.5	59,153.0	59,874.1	65,680.6	67,090.7	65,242.8	62,633.9	63,349.5
LIABILITIES											
1. Reserve money	17,803.2	23,027.9	30,586.2	33,924.4	40,390.8	37,767.9	41,644.9	42,693.7	42,209.3	42,368.1	43,414.6
1.1. Currency outside banks	8,507.4	9,680.9	10,573.1	10,955.6	12,163.8	12,091.2	14,003.2	14,909.9	14,618.1	14,330.6	13,869.0
1.2. Banks' cash in vaults	538.8	1,214.8	1,683.2	1,871.0	2,210.7	1,942.0	2,685.5	2,448.0	2,240.0	2,244.4	2,107.4
1.3. Banks' deposits	8,741.5	12,109.4	18,329.3	21,082.6	26,016.3	23,734.7	24,956.2	25,335.8	25,351.2	25,793.1	27,438.2
Settlement accounts	2,450.1	3,923.4	5,616.0	6,408.2	8,411.1	5,740.0	6,223.4	6,291.8	6,039.5	6,315.2	6,767.3
Statutory reserves	6,291.4	8,186.0	12,603.9	14,674.4	17,605.2	17,354.7	18,595.8	18,874.0	19,274.1	19,457.9	19,783.9
CNB bills on obligatory basis	–	–	109.4	–	–	–	–	–	–	–	–
Overnight deposits	–	–	–	–	–	640.0	137.0	170.0	37.7	20.0	887.0
1.4. Deposits of other banking institutions	15.5	19.1	–	–	–	–	–	–	–	–	–
1.5. Deposits of other domestic sectors ⁵	0.1	3.5	0.6	15.1	–	–	–	–	–	–	–
2. Restricted and blocked deposits	6,030.5	7,091.2	6,699.2	10,777.1	13,551.8	17,366.6	19,831.8	20,136.8	17,996.5	14,890.2	14,504.3
2.1. Statutory reserve in f/c	5,705.1	7,042.3	6,686.6	10,764.7	13,495.9	17,306.0	19,808.7	20,107.6	17,951.5	14,833.3	14,445.8
2.2. Restricted deposits	325.4	49.0	12.6	12.4	55.9	60.6	23.1	29.1	45.0	56.9	58.5
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,597.5	195.7	2,798.0	18.1	18.9	14.8	24.6	16.8	15.6	14.7	13.4
3.1. Use of IMF credit	1,025.5	2.8	0.0	–	–	0.0	–	–	–	–	–
3.2. Liabilities to international organisations	12.2	12.6	19.6	18.1	18.9	14.7	18.0	16.6	15.6	14.7	13.4
3.3. Liabilities to foreign banks ⁶	559.8	180.2	2,778.5	–	–	0.0	6.5	0.2	–	–	–
4. Central government and funds' deposits	1,752.1	768.1	1,551.1	263.2	332.2	162.7	249.8	221.4	560.7	245.8	302.3
4.1. Demand deposits	1,752.1	608.3	600.2	228.0	319.0	159.1	245.3	216.9	559.0	244.0	269.3
Central government demand deposits	1,564.8	569.5	548.5	123.0	246.3	117.2	183.6	170.1	457.6	218.5	146.6
Central government funds' demand deposits	187.3	38.7	51.7	105.0	72.7	41.8	61.7	46.9	101.4	25.5	122.7
4.2. Central government f/c deposits	–	–	950.9	35.2	13.2	3.6	4.5	4.5	1.8	1.8	33.0
4.3. CNB bills	–	159.9	–	–	–	–	–	–	–	–	–
5. CNB bills	6,372.3	6,212.4	4,920.2	–	–	–	–	–	–	–	–
5.1. CNB bills in kuna	3,458.9	4,986.2	–	–	–	–	–	–	–	–	–
5.2. CNB bills in f/c	2,913.4	1,226.3	4,920.2	–	–	–	–	–	–	–	–
6. Capital accounts	6,425.2	5,353.5	5,039.0	5,096.5	5,357.4 ^a	5,060.0	4,447.6	4,539.9	4,977.3	5,629.3	5,631.7
7. Other items (net)	–424.2	–461.1	–408.1	–210.8	–498.2 ^b	–497.8	–518.1	–517.8	–516.6	–514.2	–516.8
Total (1+2+3+4+5+6+7)	39,556.6	42,187.7	51,185.6	49,868.5	59,153.0	59,874.1	65,680.6	67,090.7	65,242.8	62,633.9	63,349.5

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

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

Table C1: Monetary Authorities Accounts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table D1: Banks' Accounts

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
ASSETS											
1. Reserves with the CNB	15,002.7	20,373.5	26,783.7	33,718.2	41,775.2	43,030.5	47,461.6	47,920.0	45,548.6	42,878.4	43,993.2
1.1. In kuna	9,306.2	13,340.0	20,103.4	22,962.9	28,283.1	25,730.7	27,656.7	27,817.7	27,603.8	28,049.7	29,553.5
1.2. In f/c	5,696.5	7,033.5	6,680.2	10,755.3	13,492.1	17,299.8	19,804.8	20,102.3	17,944.9	14,828.7	14,439.7
2. Foreign assets	32,807.6	25,977.8	35,382.9	43,551.0	35,572.5	27,119.1	26,150.5	26,518.4	28,695.2	32,381.1	36,482.3
3. Claims on central government and funds	20,059.9	21,917.7	21,543.6	21,051.3	28,877.2	31,084.2	33,198.1	31,154.5	31,173.4	31,326.9	29,361.3
4. Claims on other domestic sectors	74,283.8	96,218.4	110,374.3	125,707.9	147,340.9	154,418.1	162,788.7	164,705.5	167,161.9	170,326.9	172,702.8
4.1. Claims on local government	1,280.0	1,422.4	1,563.1	1,787.9	1,767.2	1,608.7	1,680.0	1,696.7	1,721.0	1,669.1	1,700.3
4.2. Claims on enterprises	42,882.0	51,723.4	53,809.8	58,643.3	67,017.9	71,420.1	74,707.0	75,057.0	75,882.9	76,796.7	77,626.3
4.3. Claims on households	30,121.9	43,072.6	55,001.4	65,276.7	78,555.7	81,389.3	86,401.7	87,951.8	89,558.0	91,861.1	93,376.1
5. Claims on other banking institutions	170.2	219.5	431.8	624.0	592.2	493.7	442.3	529.2	437.9	434.7	676.8
6. Claims on non-banking financial institutions	281.4	915.3	761.8	893.9	1,161.8	1,594.5	1,339.5	1,359.0	1,157.6	1,464.2	1,142.6
Total (1+2+3+4+5+6)	142,605.6	165,622.2	195,278.0	225,546.2	255,319.8	257,740.1	271,380.7	272,186.6	274,174.6	278,812.1	284,359.0
LIABILITIES											
1. Demand deposits	15,180.6	21,166.2	23,315.0	23,591.3	26,653.3	26,095.3	28,223.3	30,094.3	30,375.6	29,716.4	31,633.0
2. Savings and time deposits	10,213.1	13,001.1	18,370.7	22,479.2	27,992.1	31,554.5	38,443.0	41,421.2	44,092.2	46,155.8	46,819.6
3. Foreign currency deposits	71,836.9	72,054.6	76,035.3	81,742.9	86,760.8	82,426.5	81,019.5	82,112.2	83,623.0	85,173.0	86,894.2
4. Bonds and money market instruments	317.8	216.3	598.4	1,163.5	1,077.0	1,406.1	1,417.9	1,788.4	1,501.4	1,376.0	1,369.7
5. Foreign liabilities	21,857.8	35,023.5	49,932.0	61,163.7	67,112.3	73,363.8	75,584.1	70,420.0	66,590.4	66,858.5	69,198.9
6. Central government and funds' deposits	5,634.7	6,094.9	5,283.3	6,821.8	9,287.0	8,904.6	9,193.1	9,078.2	9,540.6	9,766.3	9,967.4
7. Credit from central bank	16.6	17.6	968.9	408.9	4,215.6	564.1	2,155.4	1,881.3	1,736.4	2,511.3	516.3
8. Restricted and blocked deposits	1,600.8	1,680.5	1,709.0	2,054.6	2,036.4	2,318.6	2,269.6	2,297.4	2,432.5	2,546.9	2,550.2
9. Capital accounts	25,455.1	26,323.2	27,389.5	28,666.4	32,665.7	33,276.9	35,475.1	35,856.1	36,982.1	37,553.3	37,978.3
10. Other items (net)	-9,507.8	-9,955.6	-8,324.2	-2,546.3	-2,480.4	-2,170.2	-2,400.2	-2,762.4	-2,699.5	-2,845.5	-2,568.8
Total (1+2+3+4+5+6+7+8+9+10)	142,605.6	165,622.2	195,278.0	225,546.2	255,319.8	257,740.1	271,380.7	272,186.6	274,174.6	278,812.1	284,359.0

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

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

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

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

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

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

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

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

time and notice deposits.

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

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

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

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

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

Capital accounts are share capital, profit or loss for the previous and current year, retained earnings (loss), legal reserves, reserves provided for by the articles of association and other capital reserves, hedging reserves, unrealised gains (losses) from financial assets clas-

sified as available-for-sale assets, value adjustments and specific reserves for unidentified losses.

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

Tables: D2 – D12

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

Table D2: Banks' Foreign Assets

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 D2: Banks' Foreign Assets

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Foreign assets in f/c	32,763.6	25,924.4	35,261.9	43,428.1	35,457.9	26,999.3	25,693.2	26,132.1	28,289.1	32,196.7	36,317.9
1.1. Claims on foreign financial institutions	31,660.3	21,333.5	31,877.6	35,911.0	27,228.5	18,877.5	17,093.7	17,694.2	19,977.8	23,819.4	27,703.1
Foreign currencies	7,324.7	1,019.8	1,268.6	1,190.0	1,136.1	1,006.8	1,211.6	1,584.3	1,290.8	1,173.6	1,040.3
Demand deposits	1,231.9	757.7	1,057.0	906.2	860.2	761.9	1,109.1	1,483.7	1,066.0	1,004.9	758.5
Time and notice deposits	21,765.2	17,569.8	27,969.4	30,943.7	20,874.6	12,623.9	10,299.4	10,035.2	13,300.5	16,345.5	20,744.8
Securities	1,008.5	1,690.2	1,364.2	2,674.1	4,197.0	4,224.2	4,174.7	4,002.4	4,012.4	4,055.9	4,137.8
Loans and advances	290.3	278.7	203.1	189.0	152.9	253.0	287.4	576.9	296.3	1,227.6	1,009.9
Shares and participations	39.7	17.2	15.4	8.1	7.8	7.7	11.6	11.6	11.7	11.8	11.8
1.2. Claims on foreign non-banks	1,103.3	4,590.8	3,384.4	7,517.1	8,229.4	8,121.7	8,599.5	8,437.8	8,311.3	8,377.4	8,614.8
Claims on foreign governments	596.2	3,855.5	2,905.0	7,066.6	7,735.7	7,600.0	7,863.2	7,764.7	7,540.1	7,606.4	7,840.3
Claims on other non-residents	505.5	733.7	478.9	450.2	493.1	521.2	702.2	646.4	744.6	743.1	745.3
Securities	72.1	191.3	32.1	77.4	68.0	74.9	199.6	160.6	155.3	144.9	184.6
Loans and advances	433.4	542.4	446.8	372.8	425.2	446.3	502.6	485.8	589.3	598.2	560.7
Shares and participations	1.6	1.6	0.4	0.3	0.5	0.5	34.1	26.7	26.7	27.9	29.2
2. Foreign assets in kuna	44.1	53.4	120.9	122.9	114.6	119.9	457.2	386.3	406.1	184.3	164.4
2.1. Claims on foreign financial institutions	29.2	19.6	99.1	77.8	71.3	80.1	388.5	317.8	337.5	113.3	92.5
2.2. Claims on foreign non-banks	14.8	33.8	21.9	45.1	43.4	39.7	68.7	68.5	68.5	71.0	71.9
o/w: Loans and advances	13.9	33.0	21.0	44.3	42.6	38.8	68.1	67.9	67.9	70.4	71.3
Total (1+2)	32,807.6	25,977.8	35,382.9	43,551.0	35,572.5	27,119.1	26,150.5	26,518.4	28,695.2	32,381.1	36,482.3

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

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. In kuna	17,778.7	18,444.4	18,007.1	16,270.2	20,532.7	20,324.0	23,239.2	22,549.4	22,562.0	22,706.1	20,713.9
1.1. Claims on central government	16,230.2	16,443.4	16,032.6	14,465.6	17,352.6	17,383.5	19,286.5	19,344.9	19,195.6	19,103.4	17,114.5
Securities	15,403.2	13,989.1	11,770.0	11,779.1	16,037.7	15,920.9	14,996.2	15,492.7	15,340.7	15,259.6	14,148.9
o/w: Bonds (c'part to f/c savings deposits)	3,420.1	2,473.5	1,531.9	532.0	20.6	21.3	5.8	7.9	7.6	6.9	7.1
Loans and advances	826.9	2,454.3	4,262.6	2,686.5	1,314.9	1,462.6	4,290.3	3,852.2	3,854.8	3,843.8	2,965.6
1.2. Claims on central government funds	1,548.5	2,001.0	1,974.5	1,804.6	3,180.1	2,940.5	3,952.8	3,204.5	3,366.5	3,602.6	3,599.4
Securities	560.1	560.7	723.6	621.1	–	–	3.6	5.5	–	–	–
Loans and advances	988.4	1,440.3	1,250.9	1,183.5	3,180.1	2,940.5	3,949.2	3,199.0	3,366.5	3,602.6	3,599.4
2. In f/c	2,281.2	3,473.3	3,536.4	4,781.1	8,344.5	10,760.2	9,958.9	8,605.1	8,611.3	8,620.8	8,647.4
2.1. Claims on central government	1,390.9	2,359.1	3,196.9	3,548.4	7,241.0	9,693.9	9,295.7	7,965.2	7,980.4	8,081.0	8,114.4
Securities	1,065.5	1,733.4	1,805.4	1,117.0	1,248.1	826.4	553.7	483.6	481.6	458.9	473.3
Loans and advances	325.5	625.7	1,391.5	2,431.3	5,992.8	8,867.5	8,742.0	7,481.5	7,498.8	7,622.1	7,641.0
2.2. Claims on central government funds	890.3	1,114.2	339.5	1,232.8	1,103.5	1,066.3	663.2	639.9	630.9	539.8	533.0
Securities	75.4	195.0	96.4	163.1	144.2	126.1	112.8	112.5	102.4	103.5	103.1
Loans and advances	814.8	919.2	243.1	1,069.7	959.3	940.2	550.4	527.4	528.5	436.3	429.9
Total (1+2)	20,059.9	21,917.7	21,543.6	21,051.3	28,877.2	31,084.2	33,198.1	31,154.5	31,173.4	31,326.9	29,361.3

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

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

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

Table D4: Banks' Claims on Other Domestic Sectors

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Claims in kuna	66,626.8	85,418.7	100,365.0	114,635.7	133,603.5	140,195.6	148,311.5	150,417.4	152,564.5	155,587.9	158,202.1
1.1. Money market instruments	544.7	1,394.7	1,314.1	2,510.0	2,329.9	2,513.3	1,724.2	1,777.0	1,706.7	1,685.6	1,728.6
1.2. Bonds	7.7	72.4	56.2	559.8	361.6	412.9	838.0	872.1	795.0	801.9	822.8
1.3. Loans and advances	62,180.6	80,887.6	96,081.7	109,523.9	128,882.3	135,172.6	143,505.0	145,681.1	147,981.8	151,017.7	153,685.4
1.4. Shares and participations	3,893.8	3,064.0	2,912.9	2,042.0	2,029.6	2,096.8	2,244.2	2,087.2	2,080.9	2,082.7	1,965.4
2. Claims in f/c	7,657.0	10,799.8	10,009.3	11,072.2	13,737.4	14,222.5	14,477.2	14,288.1	14,597.4	14,739.0	14,500.7
2.1. Securities	126.6	243.2	130.6	213.5	307.6	331.6	124.5	69.6	65.9	86.2	79.1
2.2. Loans and advances	7,530.5	10,556.6	9,878.7	10,858.6	13,429.8	13,890.9	14,352.7	14,218.6	14,531.5	14,652.8	14,421.6
Total (1+2)	74,283.8	96,218.4	110,374.3	125,707.9	147,340.9	154,418.1	162,788.7	164,705.5	167,161.9	170,326.9	172,702.8

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 forfaiting since

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

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

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

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
LOANS IN KUNA											
1. Loans to central government and funds	1,815.4	3,894.6	5,513.5	3,870.0	4,495.0	4,403.1	8,239.4	7,051.2	7,221.3	7,446.4	6,565.0
1.1. Loans to central government	826.9	2,454.3	4,262.6	2,686.5	1,314.9	1,462.6	4,290.3	3,852.2	3,854.8	3,843.8	2,965.6
1.2. Loans to central government funds	988.4	1,440.3	1,250.9	1,183.5	3,180.1	2,940.5	3,949.2	3,199.0	3,366.5	3,602.6	3,599.4
2. Loans to local government	1,069.1	1,202.9	1,485.1	1,701.9	1,613.9	1,541.0	1,581.4	1,568.8	1,591.6	1,534.2	1,558.2
3. Loans to enterprises	31,049.4	36,708.1	39,777.4	42,844.7	49,105.9	52,667.1	55,911.1	56,551.2	57,226.0	58,014.4	59,122.0
4. Loans to households	30,062.1	42,976.6	54,819.3	64,977.2	78,162.4	80,964.6	86,012.5	87,561.2	89,164.2	91,469.1	93,005.1
o/w: Housing loans	9,450.0	12,363.4	16,896.2	21,397.9	27,571.1	29,498.7	31,925.4	32,771.0	33,734.6	34,709.0	35,584.7
5. Loans to other banking institutions	34.7	17.6	82.3	154.5	46.5	36.4	48.3	72.0	56.5	50.5	307.3
6. Loans to non-banking financial institutions	240.9	521.3	427.9	558.0	591.8	1,100.6	732.4	753.6	565.1	839.8	636.3
A. Total (1+2+3+4+5+6)	64,271.6	85,321.1	102,105.4	114,106.4	134,015.6	140,712.7	152,525.2	153,557.9	155,824.8	159,354.4	161,194.0
LOANS IN F/C											
1. Loans to central government and funds	1,140.3	1,544.9	1,634.7	3,501.0	6,952.1	9,807.8	9,292.4	8,008.9	8,027.3	8,058.4	8,070.9
1.1. Loans to central government	325.5	625.7	1,391.5	2,431.3	5,992.8	8,867.5	8,742.0	7,481.5	7,498.8	7,622.1	7,641.0
1.2. Loans to central government funds	814.8	919.2	243.1	1,069.7	959.3	940.2	550.4	527.4	528.5	436.3	429.9
2. Loans to local government	179.1	152.3	47.1	31.9	63.0	18.6	18.4	11.2	11.3	11.4	11.4
3. Loans to enterprises	7,291.7	10,308.3	9,649.4	10,527.3	12,973.5	13,447.6	13,945.0	13,816.7	14,126.4	14,249.5	14,039.3
4. Loans to households	59.7	96.0	182.1	299.5	393.3	424.7	389.3	390.7	393.8	391.9	371.0
5. Loans to other banking institutions	–	1.2	174.3	52.9	19.9	–	21.8	100.5	7.3	7.6	26.1
6. Loans to non-banking financial institutions	–	28.3	58.8	255.3	512.3	396.0	518.2	509.2	481.3	535.8	411.1
B. Total (1+2+3+4+5+6)	8,670.7	12,131.0	11,746.4	14,667.8	20,914.1	24,094.7	24,185.0	22,837.3	23,047.4	23,254.7	22,929.8
TOTAL (A+B)	72,942.3	97,452.1	113,851.8	128,774.2	154,929.7	164,807.5	176,710.2	176,395.2	178,872.1	182,609.1	184,123.7

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

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

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

Table D6: Demand Deposits with Banks

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Local government	907.0	1,910.4	2,006.2	2,020.7	1,688.7	1,300.2	1,446.1	1,417.0	1,726.2	1,508.4	1,649.1
2. Enterprises	8,981.6	12,344.5	12,872.9	12,036.9	13,344.2	12,381.7	12,642.9	13,898.4	13,824.6	13,616.7	14,287.4
3. Households	4,872.0	6,307.4	7,873.1	8,773.0	10,728.3	11,395.0	13,217.8	13,577.3	13,641.2	13,628.2	13,816.6
4. Other banking institutions	17.0	42.1	98.9	245.4	322.1	360.8	296.9	456.3	400.0	331.1	439.2
5. Non-banking financial institutions	407.1	568.1	468.1	517.5	571.3	658.5	621.3	746.6	785.2	633.3	1,441.8
6. Less: Checks of other banks and checks in collection	-4.2	-6.4	-4.2	-2.2	-1.3	-0.9	-1.8	-1.3	-1.6	-1.3	-1.1
Total (1+2+3+4+5+6)	15,180.6	21,166.2	23,315.0	23,591.3	26,653.3	26,095.3	28,223.3	30,094.3	30,375.6	29,716.4	31,633.0

Table D6: Demand Deposits with Banks

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

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

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

Table D7: Time and Savings Deposits with Banks

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Savings deposits	2,006.8	2,236.2	2,527.9	2,233.9	2,493.6	2,580.3	2,685.8	2,891.3	2,979.0	2,877.0	2,765.4
1.1. Local government	118.3	14.8	14.4	4.6	2.7	4.1	3.4	3.4	3.6	3.5	3.6
1.2. Enterprises	88.0	213.3	190.5	38.8	101.6	120.4	115.4	170.5	179.6	193.1	77.8
1.3. Households	1,712.2	1,996.3	2,288.8	2,190.5	2,388.3	2,455.9	2,567.0	2,717.4	2,795.8	2,676.4	2,684.0
1.4. Other banking institutions	20.8	0.0	–	–	–	–	–	–	–	–	–
1.5. Non-banking financial institutions	67.5	11.8	34.2	0.0	1.0	–	–	–	0.0	4.1	0.0
2. Time and notice deposits	8,206.3	10,764.9	15,842.9	20,245.4	25,498.4	28,974.2	35,757.2	38,529.9	41,113.2	43,278.8	44,054.2
2.1. Local government	340.7	482.8	551.6	550.8	508.7	778.5	850.0	951.0	931.1	1,008.9	1,049.0
2.2. Enterprises	3,618.3	4,633.6	7,165.3	8,698.5	8,222.5	9,887.6	12,850.8	13,793.3	14,476.3	14,708.8	14,809.5
2.3. Households	2,554.1	3,793.8	6,194.5	9,321.4	13,254.9	14,507.4	17,037.6	18,854.9	20,609.4	22,049.9	21,679.2
2.4. Other banking institutions	24.7	58.4	129.3	215.9	931.9	935.9	1,233.9	1,246.3	1,289.6	1,581.1	1,957.2
2.5. Non-banking financial institutions	1,668.5	1,796.3	1,802.2	1,458.8	2,580.4	2,864.7	3,784.9	3,684.4	3,806.8	3,930.0	4,559.3
Total (1+2)	10,213.1	13,001.1	18,370.7	22,479.2	27,992.1	31,554.5	38,443.0	41,421.2	44,092.2	46,155.8	46,819.6

Table D7: Time and Savings Deposits with Banks

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

Table D8: Foreign Currency Deposits with Banks

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Savings deposits	23,748.8	21,074.4	21,547.0	22,144.6	22,641.0	21,770.9	21,866.3	22,807.4	23,506.1	23,790.7	23,718.7
1.1. Local government	13.2	12.2	14.7	15.6	11.9	10.7	18.0	16.6	16.7	16.8	17.0
1.2. Enterprises	2,884.2	3,346.7	3,620.2	4,273.2	4,408.3	4,083.8	4,378.8	4,879.8	4,945.2	4,861.9	4,991.3
1.3. Households	20,688.3	17,537.3	17,690.2	17,708.9	17,933.6	17,500.3	17,196.2	17,645.7	18,201.9	18,527.3	18,181.8
1.4. Other banking institutions	23.9	34.7	9.0	15.4	116.0	33.5	80.9	61.7	89.1	171.5	261.3
1.5. Non-banking financial institutions	139.2	143.5	212.9	131.6	171.3	142.5	192.4	203.7	253.2	213.2	267.4
2. Time deposits	48,088.1	50,980.3	54,488.4	59,598.3	64,119.7	60,655.7	59,153.1	59,304.7	60,116.9	61,382.4	63,175.5
2.1. Local government	1.7	9.5	3.8	0.3	3.2	2.0	2.0	1.9	1.9	2.0	2.0
2.2. Enterprises	4,619.1	6,009.6	7,154.0	8,518.6	8,154.2	5,807.5	5,316.5	5,522.5	5,919.3	6,336.5	6,904.7
2.3. Households	42,705.4	44,159.2	46,805.1	50,636.0	55,036.1	54,312.5	53,303.1	53,038.6	53,105.2	53,860.0	55,015.6
2.4. Other banking institutions	11.5	41.5	21.7	20.7	242.0	137.8	75.9	193.5	254.1	241.1	259.6
2.5. Non-banking financial institutions	750.3	760.5	503.7	422.7	684.2	395.7	455.7	548.2	836.4	942.7	993.7
Total (1+2)	71,836.9	72,054.6	76,035.3	81,742.9	86,760.8	82,426.5	81,019.5	82,112.2	83,623.0	85,173.0	86,894.2

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, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Money market instruments (net)	–	5.1	–	–	–	–	0.8	0.8	0.8	0.8	0.8
2. Bonds (net)	104.4	92.8	151.9	170.5	164.9	593.9	407.7	417.3	374.5	373.3	351.3
3. Other domestic borrowing	213.4	118.4	446.5	993.0	912.1	812.1	1,009.4	1,370.3	1,126.1	1,001.9	1,017.6
3.1. Local government	–	–	0.9	–	–	–	–	–	–	–	–
3.2. Enterprises	158.1	46.3	92.7	40.3	40.8	41.0	40.9	41.0	41.0	41.0	41.1
3.3. Other banking institutions	4.6	10.0	222.1	842.8	828.1	652.6	865.2	1,036.8	795.7	867.0	710.4
3.4. Non-banking financial institutions	50.7	62.0	130.9	109.9	43.2	118.6	103.2	292.5	289.4	94.0	266.0
Total (1+2+3)	317.8	216.3	598.4	1,163.5	1,077.0	1,406.1	1,417.9	1,788.4	1,501.4	1,376.0	1,369.7

Table D9: Bonds and Money Market Instruments

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

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

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

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

Table D10: Banks' Foreign Liabilities

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Foreign liabilities in f/c	21,692.7	34,198.5	44,574.3	54,536.7	52,073.3	55,271.5	54,219.8	50,037.7	48,260.0	48,258.8	50,069.4
1.1. Liabilities to foreign financial institutions	16,407.4	28,662.3	38,623.1	48,967.5	45,747.7	48,921.5	47,896.6	43,721.7	41,952.4	41,894.4	43,483.4
Demand deposits	147.1	130.9	266.6	127.6	156.3	113.0	298.6	100.4	127.1	129.1	105.1
Time and notice deposits	1,208.3	9,002.9	14,875.4	16,056.8	12,523.1	13,456.2	14,326.6	12,242.0	11,794.2	11,927.9	12,989.1
Loans and advances	15,052.1	19,528.5	23,481.2	29,369.5	29,775.6	32,073.1	30,029.5	28,136.6	26,763.1	26,536.5	27,093.6
o/w: Subordinated and hybrid instruments	2,558.3	2,801.4	2,949.2	2,399.4	1,167.4	1,159.1	781.8	781.9	788.0	795.3	793.9
Bonds	–	–	–	3,413.6	3,292.6	3,279.2	3,241.9	3,242.7	3,268.1	3,300.9	3,295.6
1.2. Liabilities to foreign non-banks	5,285.2	5,536.2	5,951.2	5,569.2	6,325.6	6,350.0	6,323.2	6,316.0	6,307.6	6,364.4	6,585.9
Savings and time deposits	3,777.8	4,160.2	4,753.2	5,002.2	5,846.3	5,940.7	5,918.4	5,956.5	5,945.5	6,000.4	6,222.5
Sight deposits	873.7	875.6	898.6	1,052.5	1,172.9	1,246.6	1,311.4	1,343.5	1,311.9	1,352.1	1,549.3
Time and notice deposits	2,904.1	3,284.6	3,854.6	3,949.6	4,673.4	4,694.2	4,607.0	4,612.9	4,633.7	4,648.2	4,673.2
Loans and advances	1,507.4	1,376.0	1,198.0	567.1	479.3	409.3	404.8	359.5	362.0	364.0	363.5
o/w: Subordinated and hybrid instruments	39.3	39.7	39.1	0.2	–	–	–	–	–	–	–
2. Foreign liabilities in kuna	165.1	825.0	5,357.7	6,627.0	15,039.1	18,092.3	21,364.3	20,382.3	18,330.3	18,599.6	19,129.6
2.1. Liabilities to foreign financial institutions	46.9	690.9	5,087.8	6,103.9	14,099.6	17,265.4	20,387.0	19,312.6	17,485.8	17,697.4	18,101.2
Demand deposits	38.2	53.6	86.4	145.1	179.6	353.1	520.4	490.9	501.8	538.9	1,029.8
Time and notice deposits	4.2	635.8	2,664.1	2,846.9	6,979.5	8,788.0	9,122.2	8,629.4	8,110.7	8,223.7	8,143.9
Loans and advances	4.5	1.5	2,337.3	3,111.9	6,940.5	8,124.3	10,744.4	10,192.2	8,873.3	8,934.8	8,927.6
o/w: Subordinated and hybrid instruments	–	–	–	–	405.7	402.8	399.1	399.2	402.3	406.0	405.3
2.2. Liabilities to foreign non-banks	118.2	134.1	269.9	523.1	939.5	826.9	977.3	1,069.8	844.5	902.2	1,028.3
Demand deposits	60.1	56.2	76.8	95.9	180.3	221.7	311.6	382.5	146.4	192.5	281.9
Time and notice deposits	58.1	77.9	191.4	419.2	755.2	601.3	661.7	683.3	694.2	709.7	746.5
Loans and advances	–	–	1.7	8.0	4.0	4.0	3.9	3.9	3.9	–	–
o/w: Subordinated and hybrid instruments	....	....	1.7	8.0	4.0	4.0	3.9	3.9	3.9	–	–
Total (1+2)	21,857.8	35,023.5	49,932.0	61,163.7	67,112.3	73,363.8	75,584.1	70,420.0	66,590.4	66,858.5	69,198.9

Table D10: Banks' Foreign Liabilities

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

Banks' foreign liabilities comprise foreign currency liabilities and

foreign kuna liabilities.

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

Table D11: Central Government and Funds' Deposits with Banks

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.*	Oct.
1. In kuna	3,335.1	4,036.8	4,104.4	5,627.2	7,596.1	7,717.3	8,332.7	8,094.9	8,403.2	8,729.5	8,802.8
1.1. Central government deposits	295.9	634.3	506.4	445.1	605.0	549.3	433.5	444.1	468.8	461.7	526.4
Demand deposits	33.9	476.4	448.0	373.3	458.1	419.4	301.4	308.7	334.2	351.1	393.1
Savings deposits	41.6	3.3	3.0	4.2	1.8	1.3	1.4	1.9	1.9	1.9	1.6
Time and notice deposits	217.6	153.6	54.2	66.5	144.0	127.6	129.6	132.5	131.6	107.6	130.6
Loans and advances	2.8	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
1.2. Central government funds' deposits	3,039.2	3,402.5	3,598.0	5,182.2	6,991.1	7,168.0	7,899.2	7,650.7	7,934.4	8,267.8	8,276.4
Demand deposits	214.6	553.2	294.8	266.3	580.2	512.4	326.0	401.8	474.5	424.5	463.8
Savings deposits	10.8	0.0	0.3	3.5	1.9	10.2	10.2	10.2	10.2	10.2	20.2
Time and notice deposits	195.2	144.3	156.2	262.3	251.7	232.1	339.0	205.0	338.9	299.6	286.1
Loans and advances	2,618.6	2,705.0	3,146.7	4,650.0	6,157.3	6,413.3	7,224.0	7,033.7	7,110.9	7,533.5	7,506.3
2. In f/c	2,299.6	2,058.1	1,178.9	1,194.6	1,690.9	1,187.3	860.4	983.4	1,137.4	1,036.8	1,164.6
2.1. Central government deposits	2,275.0	1,938.9	1,158.2	891.0	906.2	768.7	680.0	532.0	512.6	641.2	625.1
Savings deposits	329.8	263.0	198.5	189.7	340.6	287.7	228.9	188.0	167.0	221.1	206.9
Time and notice deposits	55.8	293.1	–	23.2	38.7	77.0	65.3	65.3	67.6	136.1	135.9
Refinanced loans and advances	1,889.5	1,382.8	959.6	678.1	527.0	404.1	385.8	278.8	278.0	284.0	282.3
2.2. Central government funds' deposits	24.5	119.2	20.8	303.6	784.7	418.6	180.3	451.4	624.8	395.5	539.5
Savings deposits	22.9	114.1	20.8	156.5	139.4	126.4	144.1	106.6	110.6	107.7	201.2
Time and notice deposits	1.6	5.0	–	147.1	25.8	–	–	344.8	433.8	96.0	98.7
Loans	–	–	–	–	619.6	292.2	36.3	–	80.5	191.9	239.5
Total (1+2)	5,634.7	6,094.9	5,283.3	6,821.8	9,287.0	8,904.6	9,193.1	9,078.2	9,540.6	9,766.3	9,967.4

Table D11: Central Government and Funds' Deposits with Banks

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

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

Table D12: Restricted and Blocked Deposits with Banks

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. Restricted deposits	830.6	1,361.2	1,541.2	2,014.6	2,036.4	2,318.6	2,269.6	2,297.4	2,432.5	2,546.9	2,550.2
1.1. In kuna	100.3	789.6	730.1	1,267.4	1,277.1	1,338.1	1,328.1	1,439.1	1,526.1	1,472.7	1,530.7
1.2. In f/c	730.3	571.6	811.1	747.2	759.3	980.5	941.6	858.3	906.4	1,074.3	1,019.5
2. Blocked f/c deposits of households	770.2	319.3	167.8	40.0	–	–	–	–	–	–	–
Total (1+2)	1,600.8	1,680.5	1,709.0	2,054.6	2,036.4	2,318.6	2,269.6	2,297.4	2,432.5	2,546.9	2,550.2

Table D12: Restricted and Blocked Deposits with Banks

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

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

foreign currency deposits.

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

Figure D1

DISTRIBUTION OF BANKS' LOANS BY DOMESTIC INSTITUTIONAL SECTORS

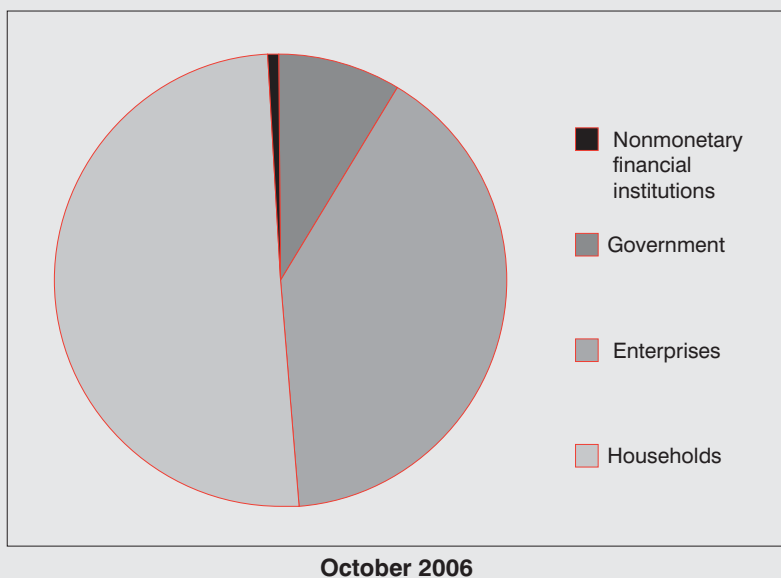
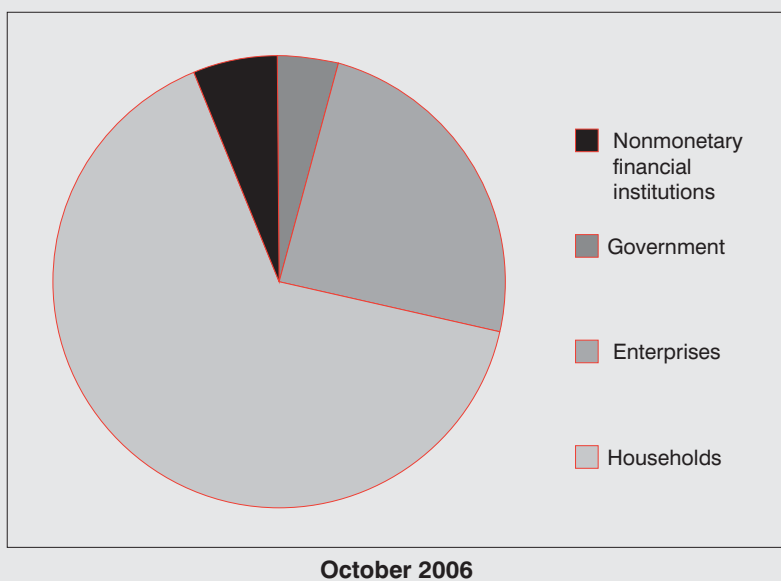


Figure D2

DISTRIBUTION OF BANKS' DEPOSITS BY DOMESTIC INSTITUTIONAL SECTORS



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

Table E1: Housing Savings Banks' Accounts

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
ASSETS											
1. Reserves with the CNB	15.5	19.1	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	1,208.8	1,983.9	3,033.5	3,779.1	4,274.3	4,631.6	4,435.7	4,462.5	4,545.6	4,524.8	4,630.2
3. Claims on other domestic sectors	11.6	93.3	187.9	373.2	575.5	718.3	925.3	993.4	1,056.1	1,128.2	1,190.4
o/w: Claims on households	11.6	91.3	187.9	373.2	575.5	718.3	925.3	993.4	1,056.1	1,128.2	1,190.4
4. Claims on banks	18.1	37.2	247.2	824.2	994.4	187.3	130.4	94.6	96.3	91.2	106.9
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	1,254.0	2,133.6	3,468.6	4,976.6	5,844.2	5,537.3	5,491.4	5,550.6	5,698.1	5,744.1	5,927.5
LIABILITIES											
1. Time deposits	1,137.5	2,012.9	3,265.2	4,728.2	5,514.7	5,326.5	5,239.5	5,242.0	5,306.8	5,387.0	5,580.2
2. Bonds and money market instruments	10.0	–	11.1	10.7	10.3	10.3	60.9	61.0	61.4	62.0	61.9
3. Capital accounts	124.0	141.1	159.7	206.7	258.0	202.0	168.3	211.8	248.7	240.1	241.0
4. Other items (net)	–17.5	–20.4	32.6	30.8	61.1	–1.4	22.7	35.8	81.1	55.1	44.5
Total (1+2+3+4)	1,254.0	2,133.6	3,468.6	4,976.6	5,844.2	5,537.3	5,491.4	5,550.6	5,698.1	5,744.1	5,927.5

Table E1: Housing Savings Banks' Accounts

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

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

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

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

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

lar operations with banks.

Claims on other banking institutions include investments in investment funds.

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

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

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

Table F1: Credit Rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	CNB discount rate	CNB repo rate ^a	Credit rates					
				On lombard credits ^a	On intervention credits	On intra-day refinancing facility ^b	On short-term liquidity credits	On inaccurately calculated statutory reserves ^a	On arrears
1	2	3	4	5	6	7	8	9	10
1994	December	8.50	–	18.00	19.00	17.00	14.00	19.00	22.00
1995	December	8.50	–	25.49	19.00	17.00	–	19.00	22.00
1996	December	6.50	–	11.00	19.00	17.00	–	19.00	18.00
1997	December	5.90	–	9.50	19.00	17.00	–	19.00	18.00
1998	December	5.90	–	12.00	19.00	7.00	14.00	19.00	18.00
1999	December	7.90	–	13.00	19.00	–	14.00	19.00	18.00
2000	December	5.90	–	12.00	18.00	–	13.00	18.00	18.00
2001	December	5.90	–	10.00	–	–	11.00	15.00	18.00
2002	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2003	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2004	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	November	4.50	3.50	9.50	–	–	10.50	15.00	15.00
	December	4.50	3.50	7.50 ^c	–	–	c 8.50 ^c	15.00	15.00
2006	January	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	February	4.50	3.51	7.50	–	–	8.50	15.00	15.00
	March	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	April	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	May	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	June	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	July	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	August	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	September	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	October	4.50	3.50	7.50	–	–	8.50	15.00	15.00

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

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

^c Since 14 December 2005.

Table F1: Credit Rates of the Croatian National Bank

The table shows interest rates used by the CNB to calculate and charge interest on credits from the primary issue and on all other claims.

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

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

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

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

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

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

Table F2: Deposit Rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis ^a				Interest rates on f/c CNB bills on a voluntary basis					Interest rates on overnight deposits
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	December	5.15	–	9.00	12.00	14.00	–	–	–	–	–	–	–
1995	December	5.50	16.50	12.00	25.54	27.00	–	–	–	–	–	–	–
1996	December	5.50	–	–	8.00	9.50	–	–	–	–	–	–	–
1997	December	4.50	–	–	8.00	9.00	10.00	–	–	–	–	–	–
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–	–
2002	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–	–
2003	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–	–
2004	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	November	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2006	January	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	February	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	March	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	April	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	May	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	June	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	July	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	August	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	September	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	October	0.75	–	–	–	–	–	–	–	–	–	–	0.50

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

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

From November 1994 through January 2001, columns 7 and 8 report interest rates on CNB bills on a voluntary basis due in 91 and 182 days respectively.

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

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

Table F3: Banks' Reserve Requirements

daily averages and percentages, million kuna and %

Year	Month	Weighted average res. requirement in % on res. base	Reserve requirement (RR)			Other obligatory deposits with the CNB	Statutory reserves deposited with the CNB		Weighted avg. remuneration rate on immobilized funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
1994	December	26.20	1,826.0	1,826.0	–	188.3	1,779.2	–	5.63	–
1995	December	30.90	2,431.8	2,431.8	–	826.5	2,215.9	–	7.93	–
1996	December	35.91	3,652.9	3,652.9	–	–	3,312.0	–	4.99	–
1997	December	32.02	4,348.8	4,348.8	–	–	3,914.2	–	4.05	–
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.06	....
2001	December	19.67	21,187.1	8,691.5	12,495.5	–	6,287.8	5,950.0	1.97	2.73
2002	December	19.00	25,985.1	11,447.1	14,538.0	–	8,156.7	7,139.9	1.72	2.16
2003	December	19.00	31,009.4	18,023.8	12,985.6	109.4	12,459.8	6,850.2	1.17	1.47
2004	December	18.00	33,615.7	20,040.9	13,574.8	430.1	14,664.1	10,171.3	1.22	1.36
2005	November	18.00	37,147.1	24,741.3	12,405.8	3,631.8	17,318.0	9,254.3	0.52	0.68
	December	18.00	37,424.5	24,997.9	12,426.6	3,940.2	17,497.7	9,271.4	0.52	0.92
2006	January	17.32	36,676.0	24,644.6	12,031.4	5,047.4	17,250.3	8,988.8	0.52	0.74
	February	17.00	36,313.4	24,426.5	11,886.9	6,560.7	17,097.8	8,918.7	0.52	0.67
	March	17.00	36,422.3	24,514.4	11,907.9	7,993.3	17,159.5	8,990.3	0.52	0.61
	April	17.00	36,824.5	24,924.1	11,900.4	8,978.4	17,446.3	9,026.1	0.52	0.79
	May	17.00	37,413.7	25,548.1	11,865.6	9,983.6	17,883.1	9,026.2	0.52	0.54
	June	17.00	37,852.6	26,033.4	11,819.2	10,560.0	18,223.0	9,006.0	0.52	0.75
	July	17.00	38,354.9	26,580.6	11,774.3	11,102.4	18,606.1	8,985.3	0.52	0.63
	August	17.00	38,710.4	27,188.0	11,522.5	10,154.3	19,031.3	8,725.3	0.52	0.63
	September	17.00	38,846.4	27,505.8	11,340.6	8,182.6	19,253.8	8,510.9	0.52	0.91
	October	17.00	39,293.6	27,951.4	11,342.1	6,324.0	19,565.8	8,450.1	0.52	0.91

Table F3: Banks' Reserve Requirements

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

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

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

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

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

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

Column 7 shows the total amount of other obligatory deposits with the CNB, including CNB bills on an obligatory basis, those CNB bills on a voluntary basis used by banks to maintain the prescribed minimal liquidity (LAR), special statutory reserves until July 1995, special reserve requirement on liabilities arising from issued securities from March 2006, statutory reserves on f/c deposits, f/c credits from foreign banks and guarantees for such credits and marginal reserve requirement (from August 2004).

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

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

Table F4: Banks' Liquidity Indicators

daily averages and percentages, million kuna and %

Year	Month	Free reserves		Primary liquidity ratio (in %)	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna MoF treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
1994	December	119.5	....	1.72	393.7	210.2	–	–
1995	December	49.4	....	0.63	199.4	218.7	–	–
1996	December	267.9	....	2.63	98.5	780.9	–	183.8
1997	December	396.3	....	2.92	32.7	728.9	–	260.7
1998	December	221.9	....	1.65	445.5	850.4	1,377.4	141.3
1999	December	179.6	....	1.30	1,183.6	1,311.1	1,507.6	373.9
2000	December	638.8	10,721.4	3.32	80.1	2,485.3	1,692.7	2,006.5
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,360.9
2002	December	1,225.0	10,398.0	3.53	0.6	4,965.5	1,273.9	4,279.5
2003	December	451.6	20,561.4	0.98	501.6	0.0	4,316.0	3,073.2
2004	December	1,495.5	26,126.1	2.64	0.0	0.0	0.0	4,581.7
2005	November	354.4	20,976.2	0.52	0.0	0.0	0.0	5,014.3
	December	672.5	20,493.4	0.96	0.2	0.0	0.0	4,163.3
2006	January	579.6	18,833.0	0.80	0.1	0.0	0.0	5,954.5
	February	465.0	16,852.9	0.63	0.0	0.0	0.0	6,439.9
	March	375.8	13,813.2	0.51	0.0	0.0	0.0	6,927.0
	April	394.7	13,090.1	0.52	0.1	0.0	0.0	5,864.8
	May	423.1	12,282.9	0.53	0.0	0.0	0.0	5,417.2
	June	496.4	13,253.2	0.59	0.0	0.0	0.0	6,206.9
	July	496.9	12,721.5	0.57	0.0	0.0	0.0	5,560.5
	August	370.5	14,507.7	0.40	0.0	0.0	0.0	4,733.5
	September	308.9	17,278.4	0.32	0.0	0.0	0.0	5,322.3
	October	403.0	20,011.2	0.41	25.3	0.0	0.0	5,196.8

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 immobilized kuna funds which include reserve requirements and other obligatory deposits with the CNB.

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

Table F4: Banks' Liquidity Indicators

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

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

Column 4 shows free reserves in foreign currency, defined as

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

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

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

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

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

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

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

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

Year	Month	Money market interest rates			Interest rates on kuna credits not indexed to foreign currency								
		On overnight credits	On other credits	Total average	On short-term credits						On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households	
							Total average	Credit lines	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	
1994	December	8.50	17.76	15.39	15.43	....	....	....	....	13.82	....	....
1995	December	27.26	27.15	22.32	22.56	22.23	23.81	23.75	25.58	13.48	13.39	14.38	
1996	December	9.66	10.72	18.46	19.35	19.18	20.18	19.90	23.12	11.51	11.29	14.28	
1997	December	8.46	9.49	14.06	14.12	13.17	19.26	19.34	18.11	13.24	12.98	13.75	
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16	
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16	
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97	
2001	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14	
2002	December	1.58	1.89	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88	
2003	December	5.47	7.02	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69	
2004	December	3.55	6.02	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16	
2005	November	2.29	3.95	10.54	10.56	7.71	11.96	13.77	5.37	10.08	7.61	11.02	
	December	2.29	4.03	9.91	9.99	7.71	11.26	13.18	5.35	8.75	6.48	10.35	
2006	January	1.60	3.30	11.16	11.23	7.86	12.84	13.51	6.59	10.01	7.14	10.91	
	February	0.88	3.15	10.62	10.81	7.76	12.48	13.31	6.01	8.67	5.94	10.66	
	March	0.91	3.23	9.83	9.98	7.16	11.75	13.68	5.29	8.62	6.21	10.04	
	April	1.09	3.37	10.10	10.26	6.85	12.37	13.64	5.71	8.72	5.77	10.12	
	May	1.69	3.36	10.17	10.34	7.27	12.20	13.68	4.41	9.20	6.46	10.29	
	June	1.50	3.46	9.88	10.13	7.18	12.37	13.36	4.54	8.51	6.05	9.93	
	July	1.51	3.41	9.98	10.25	7.08	12.47	13.60	4.18	8.43	5.96	9.98	
	August	1.96	3.06	9.83	10.01	7.05	11.78	13.21	4.25	8.69	6.16	10.04	
	September	2.34	3.26	9.45	9.62	7.14	11.00	13.44	4.59	8.52	5.97	9.91	
	October	2.13	3.43	9.61	9.86	6.94	11.60	13.54	4.58	8.12	6.09	9.75	
Relative significance ^a		–	–	72.97	62.73	23.52	39.21	30.73	8.48	10.25	4.56	5.69	

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros			
		On short-term credits						On long-term credits			Total average	On short-term credits	On long-term credits	
		Total average	Enterprises		Households		Total average	Households						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1994	December	11.99	12.38	....	....	11.65	....	....	....	....	....	....	....	....
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	....	5.91	6.66	5.44
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	....	5.62	6.22	5.18
2004	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	November*	6.51	6.77	6.64	7.69	6.43	5.36	7.15	4.98	8.20	....	4.84	4.94	4.70
	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	January*	6.40	6.24	6.01	8.00	6.44	5.54	7.04	4.91	8.23	....	4.81	5.37	4.51
	February*	6.41	6.32	6.29	6.45	6.43	5.47	7.07	4.89	8.18	....	5.27	5.80	5.00
	March*	6.45	6.75	6.69	7.20	6.37	5.64	6.79	4.90	7.85	....	5.38	5.68	5.10
	April*	6.38	6.37	6.21	7.41	6.38	5.55	6.94	4.84	8.09	....	5.61	5.62	5.60
	May*	6.33	6.73	6.71	6.86	6.26	5.45	6.82	4.81	8.01	....	5.58	5.58	5.57
	June*	6.23	6.50	6.32	7.56	6.16	5.74	6.52	4.73	7.78	....	5.19	5.38	5.09
	July*	6.01	6.00	5.82	7.30	6.01	5.64	6.29	4.74	7.60	....	5.31	5.57	5.16
	August*	6.31	6.34	6.20	7.04	6.31	5.91	6.52	4.76	7.89	....	5.42	5.45	5.40
	September*	6.40	6.31	6.09	7.36	6.42	5.80	6.73	4.86	8.15	....	5.22	5.24	5.19
	October	6.38	6.79	6.33	7.98	6.26	6.18	6.31	4.84	7.81	....	5.52	5.24	5.75
Relative significance ^a		22.09	5.37	3.88	1.48	16.72	6.70	10.02	5.07	4.96	....	4.94	2.26	2.68

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	On time deposits						
				Total average	On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
1994	December	5.03	3.55	9.65	....	....	....	....	....	....
1995	December	6.10	3.88	13.65	13.80	10.56	14.28	9.88	10.67	9.62
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	November	1.71	0.63	3.60	3.56	3.97	3.47	4.86	5.73	3.70
	December	1.58	0.61	3.36	3.34	3.89	3.23	4.12	5.04	3.49
2006	January	1.56	0.61	3.20	3.17	4.00	2.98	4.35	5.09	3.50
	February	1.56	0.59	3.38	3.35	3.93	3.14	3.99	4.79	3.40
	March	1.60	0.58	3.43	3.41	4.07	3.12	3.80	4.77	3.09
	April	1.64	0.58	3.34	3.29	4.02	3.03	4.50	5.23	3.53
	May	1.64	0.56	3.23	3.19	4.05	2.92	4.38	5.08	2.79
	June	1.68	0.55	3.27	3.24	3.78	3.03	4.29	4.94	2.95
	July	1.70	0.57	3.16	3.12	3.96	2.82	4.46	4.91	3.00
	August	1.76	0.55	3.13	3.10	3.92	2.89	4.09	4.94	2.77
	September	1.79	0.54	3.45	3.43	4.05	3.27	4.04	4.82	2.60
	October	1.84	0.55	3.53	3.51	4.10	3.33	4.36	4.80	3.13
Relative significance ^a		48.09	32.94	11.74	11.44	2.63	8.81	0.30	0.22	0.08

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

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on savings and time deposits indexed to f/c				Interest rates on foreign currency deposits						
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits						
						Total average	Households		Enterprises		EUR	USD
							EUR	USD	EUR	USD		
1	2	3	4	5	6	7	8	9	10	11		
1994	December	6.95	....	....	....	....	....	....	....	....
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53		
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39		
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40		
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74		
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30		
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29		
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40		
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38		
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15		
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21		
2005	November	4.06	3.71	4.68	2.50	0.30	0.32	0.17	0.30	0.59		
	December	3.99	3.63	4.77	2.61	0.27	0.27	0.17	0.27	0.76		
2006	January	3.97	3.50	4.75	2.65	0.26	0.25	0.17	0.32	0.63		
	February	4.23	3.55	4.97	2.59	0.25	0.25	0.17	0.28	0.58		
	March	4.14	3.60	4.61	2.67	0.26	0.25	0.17	0.31	0.50		
	April	3.93	3.72	4.67	2.69	0.26	0.25	0.17	0.32	0.63		
	May	4.05	3.70	4.61	2.60	0.26	0.24	0.17	0.31	0.76		
	June	4.43	3.96	4.77	2.72	0.25	0.24	0.17	0.30	0.72		
	July*	4.08	3.80	4.70	2.72	0.26	0.24	0.17	0.31	0.76		
	August*	4.37	3.86	4.77	2.72	0.25	0.23	0.16	0.30	0.58		
	September*	4.46	3.88	5.05	2.78	0.25	0.23	0.16	0.33	0.63		
	October	4.21 ^b	3.50	5.66	2.87	0.26	0.23	0.17	0.36	0.69		
Relative significance ^a		4.95	2.33	2.61	46.96	26.72	18.48	2.64	5.04	0.56		

^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, 27.23 percent refers to enterprises.

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

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

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

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

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

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

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

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

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

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

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

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

Relative significance of particular interest rates (reported in the

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

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

Year	Month	Interest rates on foreign currency deposits										
		On time deposits										
		Total average	On short-term deposits				Total average	On long-term deposits				
			Households		Enterprises			Households		Enterprises		
		EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	
1	2	12	13	14	15	16	17	18	19	20	21	22
1994	December	....	....	....	....	....	....	....	....	....	....	....
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65
2005	November	2.91	2.86	3.02	1.80	2.51	3.98	3.45	3.48	3.05	3.13	4.31
	December	3.07	2.94	2.99	1.76	2.63	4.34	3.69	4.25	0.48	4.39	-
2006	January	3.22	2.99	2.97	1.77	2.62	4.46	4.34	4.30	1.38	4.77	2.25
	February	3.08	2.98	3.05	1.82	2.69	4.62	3.92	4.26	2.24	1.83	-
	March	3.16	3.06	3.00	1.86	2.97	5.10	4.02	4.37	2.05	3.52	5.77
	April	3.25	3.21	3.02	1.85	3.17	5.12	3.59	4.33	1.16	2.21	5.06
	May	3.35	3.33	2.98	1.80	3.30	5.31	3.50	3.89	1.22	2.80	6.22
	June	3.40	3.31	2.95	1.86	3.44	5.58	4.15	4.35	2.58	4.59	3.37
	July	3.46	3.33	3.04	1.81	3.53	5.83	4.42	4.49	3.54	3.85	5.19
	August	3.59	3.49	3.06	1.81	3.62	5.57	4.38	4.43	3.77	3.98	6.30
	September	3.53	3.50	3.09	1.89	3.83	5.66	3.74	4.55	1.01	4.06	-
	October	3.71	3.63	3.19	2.02	3.99	5.68	4.25	4.58	2.07	4.37	6.86
Relative significance ^a		20.24	17.90	8.78	0.80	7.01	1.32	2.33	1.84	0.31	0.17	0.02

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

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

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

Table G5: Banks' Trade with Foreign Exchange

million euros, current exchange rate

	2001	2002	2003	2004	2005	2006						
						Mar.	Jun.	Jul.	Aug.	Sep.	Oct. ^b	Nov. ^a
A. Purchase of foreign exchange												
1. Legal persons	5,012.4	4,727.8	6,433.1	7,465.3	8,443.5	750.2	1,180.2	1,241.4	1,014.0	1,213.7	2,469.0	1,488.6
2. Natural persons	3,339.9	3,342.6	3,571.6	3,934.4	4,931.8	584.6	432.4	618.5	685.2	680.8	544.3	432.0
2.1. Residents	2,684.5	2,842.0	3,103.3	3,586.1	4,662.6	576.8	398.0	541.2	608.2	633.7	518.2	–
2.2. Non-residents	655.4	500.7	468.2	348.3	269.2	7.9	34.3	77.3	77.1	47.1	26.1	–
3. Domestic banks	3,985.8	4,104.5	6,324.4	10,799.3	9,069.9	1,131.8	1,133.1	1,243.2	1,206.3	1,724.8	1,533.2	1,503.5
4. Foreign banks	–	697.9	1,430.6	1,426.2	2,602.3	347.9	651.7	281.7	307.6	471.3	710.5	908.7
5. Croatian National Bank	481.7	294.3	438.3	33.0	0.0	–	–	–	–	125.5	–	–
Total (1+2+3+4)	12,819.8	13,167.1	18,197.9	24,110.1	25,106.0	2,814.5	3,397.3	3,384.9	3,384.9	4,216.0	5,257.1	4,332.7
B. Sale of foreign exchange												
1. Legal persons	8,534.2	9,029.3	10,852.4	11,280.3	13,022.3	1,213.3	1,489.8	1,823.2	1,521.6	1,700.8	1,427.3	1,700.6
2. Natural persons	1,253.5	1,333.6	1,403.1	1,671.1	2,722.5	404.8	260.7	334.8	389.8	507.9	421.1	295.6
2.1. Residents	1,252.3	1,329.7	1,393.1	1,654.5	2,693.9	400.8	257.8	331.1	384.8	500.9	414.3	–
2.2. Non-residents	1.2	3.9	10.0	16.6	28.6	4.1	3.0	3.7	5.0	7.1	6.9	–
3. Domestic banks	3,985.8	4,104.5	6,324.4	10,799.3	9,069.9	1,131.8	1,133.1	1,243.2	1,206.3	1,724.8	1,533.2	1,503.5
4. Foreign banks	–	334.3	765.3	1,001.1	1,407.1	114.8	437.6	353.6	398.6	287.3	577.9	498.1
5. Croatian National Bank	915.7	745.3	84.5	543.2	670.8	–	104.3	175.3	–	138.7	277.7	330.3
Total (1+2+3+4)	14,689.2	15,547.0	19,429.7	25,295.0	26,892.7	2,864.7	3,425.5	3,930.1	3,516.3	4,359.5	4,237.3	4,328.0
C. Net purchase (A-B)												
1. Legal persons	-3,521.8	-4,301.5	-4,419.4	-3,815.1	-4,578.8	-463.1	-309.7	-581.7	-507.6	-487.1	1,041.8	-212.0
2. Natural persons	2,086.4	2,009.0	2,168.4	2,263.3	2,209.3	179.8	171.6	283.7	295.4	172.8	123.1	136.4
2.1. Residents	1,432.2	1,512.3	1,710.2	1,931.6	1,968.7	176.0	140.2	210.1	223.3	132.8	103.9	–
2.2. Non-residents	654.2	496.7	458.2	331.7	240.6	3.8	31.4	73.6	72.0	40.0	19.2	–
3. Foreign banks	–	363.6	665.3	425.1	1,195.2	233.1	214.1	-71.9	-91.0	184.0	132.7	410.6
4. Croatian National Bank	-434.0	-451.0	353.8	-510.2	-670.8	–	-104.3	-175.3	–	-13.2	-277.7	-330.3
Total (1+2+3)	-1,869.4	-2,379.9	-1,231.8	-1,636.9	-1,845.2	-50.2	-28.3	-545.2	-303.3	-143.5	1,019.8	4.7
Memo items: Other Croatian National Bank transactions												
Purchase of foreign exchange	536.8	197.5	570.9	145.1	0.0	–	–	–	–	0.0	–	–
Sale of foreign exchange	2.6	3.4	94.9	239.3	167.6	–	4.8	–	–	2.3	4.3	–

^a Preliminary data. ^b Revised data.

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

Table G5: Banks' Trade with Foreign Exchange

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

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

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

Table H1: Balance of Payments – Summary

million euros

	2001	2002	2003	2004	2005 ^b	2006		
						Q1 ^b	Q2 ^b	Q3 ^a
A. CURRENT ACCOUNT (1+6)	-817.6	-2,095.3	-1,865.7	-1,404.2	-1,994.5	-2,053.8	-1,299.7	2,176.4
1. Goods, services, and income (2+5)	-1,917.1	-3,247.5	-3,110.2	-2,596.0	-3,178.3	-2,344.2	-1,595.9	1,905.9
1.1. Credit	11,272.6	11,585.7	13,588.3	14,897.2	15,940.6	2,829.0	4,201.4	7,145.3
1.2. Debit	-13,189.7	-14,833.2	-16,698.5	-17,493.2	-19,118.9	-5,173.1	-5,797.3	-5,239.4
2. Goods and services (3+4)	-1,301.0	-2,675.6	-2,041.2	-1,958.9	-2,204.0	-1,904.2	-1,050.4	1,982.7
2.1. Credit	10,800.1	11,125.4	13,137.6	14,239.8	15,269.2	2,667.4	3,991.5	6,897.3
2.2. Debit	-12,101.1	-13,801.0	-15,178.7	-16,198.8	-17,473.2	-4,571.5	-5,041.9	-4,914.6
3. Goods	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-7,521.7	-1,861.0	-2,348.2	-2,152.0
3.1. Credit	5,318.8	5,293.1	5,571.7	6,603.1	7,216.6	2,004.1	1,972.4	2,081.2
3.2. Debit	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-3,865.1	-4,320.6	-4,233.2
4. Services	3,302.8	3,284.8	4,933.0	4,768.9	5,317.7	-43.2	1,297.8	4,134.7
4.1. Credit	5,481.3	5,832.3	7,565.9	7,636.7	8,052.6	663.2	2,019.0	4,816.1
4.2. Debit	-2,178.5	-2,547.5	-2,632.8	-2,867.8	-2,734.9	-706.4	-721.3	-681.4
5. Income	-616.1	-571.9	-1,069.0	-637.0	-974.3	-440.0	-545.5	-76.9
5.1. Credit	472.5	460.3	450.8	657.4	671.4	161.6	209.9	247.9
5.2. Debit	-1,088.6	-1,032.2	-1,519.8	-1,294.4	-1,645.7	-601.6	-755.4	-324.8
6. Current transfers	1,099.5	1,152.2	1,244.5	1,191.8	1,183.8	290.4	296.2	270.5
6.1. Credit	1,333.3	1,453.2	1,538.7	1,584.6	1,628.4	401.0	439.5	401.8
6.2. Debit	-233.8	-301.1	-294.2	-392.8	-444.6	-110.6	-143.3	-131.3
B. CAPITAL AND FINANCIAL ACCOUNT	1,064.3	2,739.4	2,977.3	2,341.7	3,032.4	1,712.9	1,496.6	-156.3
B1. Capital account	154.1	501.2	72.4	23.1	50.9	-163.7	3.5	5.9
B2. Financial account, excl. reserves	2,459.2	2,980.0	4,140.3	2,361.7	3,803.3	2,549.1	2,190.3	-758.7
1. Direct investment	1,329.2	595.4	1,678.4	708.4	1,229.2	498.5	836.7	322.3
1.1. Abroad	-173.3	-601.3	-106.1	-281.9	-191.9	-22.8	-34.1	-41.2
1.2. In Croatia	1,502.5	1,196.8	1,784.5	990.4	1,421.1	521.2	870.8	363.5
2. Portfolio investment	666.0	-440.2	868.8	244.5	-1,077.3	-447.9	123.1	363.3
2.1. Assets	-143.2	-650.6	121.3	-752.5	-513.2	-45.4	59.9	54.7
2.2. Liabilities	809.2	210.4	747.5	997.1	-564.1	-402.5	63.2	308.6
3. Financial derivatives	0.0	0.0	0.0	0.0	-88.4	0.0	0.0	0.0
4. Other investment	464.1	2,824.8	1,593.1	1,408.7	3,739.8	2,498.6	1,230.5	-1,444.2
4.1. Assets	405.2	461.0	-2,216.2	-420.9	987.0	1,063.3	81.4	-897.2
4.2. Liabilities	58.9	2,363.8	3,809.3	1,829.5	2,752.8	1,435.3	1,149.1	-547.1
B3. Reserve assets (CNB)	-1,549.0	-741.9	-1,235.5	-43.0	-821.8	-672.6	-697.2	596.4
C. NET ERRORS AND OMISSIONS	-246.7	-644.1	-1,111.6	-937.6	-1,038.0	340.9	-196.9	-2,020.1

^a Preliminary data. ^b Revised data.

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

Table H1-H6: Balance of Payments

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

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

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

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

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

Table H2: Balance of Payments – Goods and Services

million euros

	2001	2002	2003	2004	2005 ^b	2006		
						Q1 ^b	Q2 ^b	Q3 ^a
Goods	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-7,521.7	-1,861.0	-2,348.2	-2,152.0
1. Credit	5,318.8	5,293.1	5,571.7	6,603.1	7,216.6	2,004.1	1,972.4	2,081.2
1.1.Exports (f.o.b.) in trade statistics	5,214.1	5,188.2	5,464.4	6,453.8	7,069.4	1,970.7	1,931.6	2,022.0
1.2. Adjustments for coverage	104.7	105.0	107.3	149.3	147.2	33.4	40.8	59.3
2. Debit	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-3,865.1	-4,320.6	-4,233.2
2.1. Imports (c.i.f.) in trade statistics	-10,244.8	-11,327.0	-12,538.0	-13,354.4	-14,949.5	-3,956.2	-4,408.9	-4,265.6
2.2. Adjustments for coverage	-405.3	-348.9	-475.6	-474.7	-346.4	-56.4	-76.1	-126.7
2.3. Adjustments for classification	727.4	422.5	467.7	498.1	557.6	147.6	164.5	159.1
Services	3,302.8	3,284.8	4,933.0	4,768.9	5,317.7	-43.2	1,297.8	4,134.7
1. Transportation	186.1	172.0	252.2	299.3	376.1	79.4	116.1	153.1
1.1. Credit	658.6	622.8	696.3	791.3	880.3	196.7	260.9	306.2
1.2. Debit	-472.5	-450.8	-444.1	-492.0	-504.2	-117.3	-144.8	-153.1
2. Travel	3,072.9	3,138.6	4,976.6	4,822.3	5,394.9	74.4	1,280.3	3,987.1
2.1. Credit	3,749.3	3,960.8	5,572.7	5,505.6	5,998.9	187.5	1,429.1	4,150.9
2.1.1. Business	305.8	341.2	260.9	328.2	504.0	47.9	156.1	100.9
2.1.2. Personal	3,443.6	3,619.7	5,311.8	5,177.4	5,494.9	139.5	1,272.9	4,050.1
2.2. Debit	-676.5	-822.2	-596.1	-683.3	-604.1	-113.0	-148.7	-163.9
2.2.1. Business	-322.7	-482.6	-292.3	-297.3	-267.4	-50.0	-60.3	-47.7
2.2.2. Personal	-353.8	-339.6	-303.8	-386.0	-336.7	-63.1	-88.4	-116.2
3. Other services	43.9	-25.9	-295.8	-352.7	-453.3	-197.0	-98.7	-5.5
3.1. Credit	1,073.4	1,248.6	1,296.9	1,339.8	1,173.4	279.1	329.1	358.9
3.2. Debit	-1,029.5	-1,274.5	-1,592.7	-1,692.5	-1,626.6	-476.1	-427.7	-364.4

^a Preliminary data. ^b Revised data.

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

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

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

countries contained in the CBS Report on tourism, in order to assess the corresponding balance of payment items.

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

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

Current transfers are reported separately for the general government sector and other sectors. The ITRS is used as the main data source on current transfers for both sectors. In addition to taxes and excise duties, pensions, monetary support and donations, which are included in current transfers of both sectors, the government sector also encompasses data on multilateral co-operation, whereas other sectors include data on workers' remittances. Current transfers of the general government sector also include data on exports and imports of goods without a payment obligation, provided by the CBS. In the 1993-1998 period, current transfers of other sectors also encom-

Table H3: Balance of Payments – Income and Current Transfers

million euros

	2001	2002	2003	2004	2005 ^b	2006		
						Q1 ^b	Q2 ^b	Q3 ^a
Income	-616.1	-571.9	-1,069.0	-637.0	-974.3	-440.0	-545.5	-76.9
1. Compensation of employees	143.1	167.6	183.9	233.9	259.7	67.3	78.5	109.7
1.1. Credit	157.4	187.2	217.3	268.3	289.2	76.5	86.3	116.1
1.2. Debit	-14.3	-19.5	-33.4	-34.4	-29.5	-9.2	-7.8	-6.4
2. Direct investment income	-357.8	-353.4	-839.5	-431.6	-733.2	-270.5	-522.1	-127.4
2.1. Credit	22.9	23.8	37.9	174.7	110.0	6.6	28.6	28.7
o/w: Reinvested earnings	17.1	7.4	34.8	165.8	63.9	3.9	20.3	27.8
2.2. Debit	-380.6	-377.2	-877.4	-606.3	-843.2	-277.1	-550.7	-156.1
o/w: Reinvested earnings	-188.4	-161.8	-588.9	-291.4	-568.2	-95.7	-469.7	-130.6
3. Portfolio investment income	-241.8	-214.8	-239.6	-256.6	-306.4	-183.2	-27.9	-41.0
3.1. Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2. Debit	-241.9	-214.9	-239.6	-256.6	-306.4	-183.2	-27.9	-41.0
4. Other investment income	-159.6	-171.3	-173.9	-182.8	-194.5	-53.6	-73.9	-18.1
4.1. Credit	292.2	249.3	195.5	214.3	272.2	78.5	95.0	103.2
4.2. Debit	-451.8	-420.6	-369.4	-397.1	-466.7	-132.2	-168.9	-121.3
Current transfers	1,099.5	1,152.2	1,244.5	1,191.8	1,183.8	290.4	296.2	270.5
1. General government	65.3	32.2	70.5	2.6	9.7	-1.1	-36.4	3.5
1.1. Credit	142.7	143.4	213.1	180.1	219.6	47.3	47.2	67.5
1.2. Debit	-77.4	-111.2	-142.6	-177.5	-209.9	-48.4	-83.6	-64.0
2. Other sectors	1,034.2	1,120.0	1,174.0	1,189.2	1,174.1	291.5	332.6	267.0
2.1. Credit	1,190.6	1,309.8	1,325.6	1,404.5	1,408.8	353.8	392.3	334.3
2.2. Debit	-156.4	-189.8	-151.6	-215.3	-234.6	-62.3	-59.6	-67.3

^a Preliminary data. ^b Revised data.

passed an estimate of unregistered foreign currency remittances, which accounted for 15% of the positive difference between unclassified inflows and outflows of the household sector. From 1993 to the second quarter of 1996, the CNB also assessed a portion of the outflow based on current transfers. Since 2002, inflows and outflows based on current transfers of other sectors are supplemented by the data of the CNB special statistical research on international transactions related to insurance services.

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

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

Data on equity portfolio investments are collected from the same data source as the data on direct investments. Debt portfolio investments include all investments in short-term and long-term debt securities that cannot be classified under direct investments. In the 1997-1998 period, these data were collected through the CNB Research on direct and portfolio investments, and since 1999 data on external debt relations and monetary statistics data for bank investment have been used. Starting from 2002 and 2004, this position has

also been compiled for investment funds and pension funds, respectively.

Other investment encompasses all other debt investments that have not been mentioned, apart from investment constituting reserve assets. Other investments are classified by instruments, maturity and sectors. Trade credits, in the 1996–2002 period, included the CNB estimates of advance payment and deferred payments, made on the basis of the sample of the largest and large importers and exporters. Data on advance payments have been estimated since 1996, while data on short-term deferred payments (first up to 90 days, then up to 150 days, and today from 8 days to 1 year) have been collected since 1999. In 2003 this research was replaced by a new one, where the selected companies, regardless of their size (stratified sample), are obliged to submit data. Data on deferred payments with the original maturity of more than one year are adopted from the CNB foreign credit relations statistics. Credits granted by residents to non-residents, i.e. foreign loans utilised by residents and granted by non-residents, which cannot be classified into direct investments or trade credits, are classified by the institutional sector and maturity under the corresponding positions of other investment. The CNB foreign credit relations statistics represent the data source for these positions. Currency and deposit position shows residents' claims on foreign countries for foreign cash and deposits with foreign banks, as well as obligations of the Croatian banks for deposits owned by non-residents. Monetary statistics represent a data source for the general government sector and banks sector. Data on balance and currency structure of foreign assets and liabilities, contained in monetary statistics, are used to assess transactions from which the exchange rate effect was eliminated. In the 1993-1998 period, data on other sectors' claims under this position were compiled on the basis of the CNB estimate of a portion of net foreign currency inflows of the household sector which is not classified under current transfers. Since 1999 this position has included only the data based on the Bank for International Settlement quarterly data, while data in the fourth quarter of 2001 and in the first two quarters of 2002 relate to the effect of the EMU countries' currencies changeover to the euro.

Table H4: Balance of Payments – Direct and Portfolio Investments

million euros

	2001	2002	2003	2004	2005 ^b	2006		
						Q1 ^b	Q2 ^b	Q3 ^a
Direct investment	1,329.2	595.4	1,678.4	708.4	1,229.2	498.5	836.7	322.3
1. Abroad	-173.3	-601.3	-106.1	-281.9	-191.9	-22.8	-34.1	-41.2
1.1. Equity capital and reinvested earnings	-139.4	-594.1	-101.9	-259.4	-118.4	-57.2	-45.8	-32.5
1.1.1. Claims	-139.4	-597.0	-101.9	-259.7	-119.7	-57.2	-45.8	-32.5
1.1.2. Liabilities	0.0	2.9	0.0	0.4	1.3	0.0	0.0	0.0
1.2. Other capital	-33.9	-7.2	-4.3	-22.6	-73.4	34.4	11.7	-8.7
1.1.1. Claims	7.9	-9.9	-16.5	-27.3	-63.0	23.2	9.7	-11.5
1.2.2. Liabilities	-41.7	2.7	12.2	4.7	-10.4	11.3	2.0	2.8
2. In Croatia	1,502.5	1,196.8	1,784.5	990.4	1,421.1	521.2	870.8	363.5
2.1. Equity capital and reinvested earnings	1,087.8	873.8	1,345.1	605.1	1,346.3	374.5	738.4	248.8
2.1.1. Claims	-8.0	0.0	-1.2	-25.0	0.0	-0.1	0.0	0.0
2.1.2. Liabilities	1,095.8	873.8	1,346.4	630.1	1,346.4	374.5	738.4	248.8
2.2. Other capital	414.6	322.9	439.4	385.3	74.7	146.8	132.4	114.7
2.2.1. Claims	0.1	-0.3	-1.5	-17.4	1.5	-0.6	17.5	-0.1
2.2.2. Liabilities	414.5	323.3	440.9	402.7	73.3	147.4	114.9	114.8
Portfolio investment	666.0	-440.2	868.8	244.5	-1,077.3	-447.9	123.1	363.3
1. Assets	-143.2	-650.6	121.3	-752.5	-513.2	-45.4	59.9	54.7
1.1. Equity securities	0.3	-78.4	-58.0	-32.9	-178.2	-54.3	38.5	-5.3
1.1.1. General government	0.0	-2.9	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1. Banks	0.4	-2.8	0.3	0.0	0.0	0.0	0.0	2.6
1.1.1.2. Other sectors	-0.1	-72.7	-58.3	-32.9	-178.2	-54.3	38.5	-7.8
1.1.2. Debt securities	-143.5	-572.2	179.4	-719.6	-335.0	8.9	21.4	60.0
1.2.1. Bonds	-128.8	-586.9	165.9	-585.0	-359.1	-14.3	280.9	64.0
1.2.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2. Banks	-128.8	-566.6	180.1	-592.9	-322.8	-9.2	268.5	64.0
1.2.1.3. Other sectors	0.0	-20.3	-14.1	7.9	-36.3	-5.1	12.4	0.0
1.2.2. Money market instruments	-14.8	14.7	13.5	-134.6	24.1	23.2	-259.5	-4.0
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	-14.8	20.9	7.3	-134.7	24.1	23.2	-259.5	-4.0
1.2.2.3. Other sectors	0.0	-6.2	6.2	0.0	0.0	0.0	0.0	0.0
1.2. Liabilities	809.2	210.4	747.5	997.1	-564.1	-402.5	63.2	308.6
2.1. Equity securities	15.1	44.2	13.5	141.6	89.2	30.8	9.2	395.2
2.1.1. Banks	-5.2	4.7	-2.1	-0.4	-13.5	-0.1	0.5	47.3
2.1.2. Other sectors	20.3	39.5	15.6	142.0	102.7	30.9	8.7	347.9
2.2. Debt securities	794.1	166.2	734.0	855.5	-653.3	-433.4	54.0	-86.7
2.2.1. Bonds	774.2	197.2	700.0	889.3	-653.3	-433.4	54.0	-86.7
2.2.1.1. General government	774.2	67.2	527.3	417.8	-654.1	-437.5	47.4	102.0
2.2.1.2. Banks	0.0	0.0	0.0	444.4	3.3	1.2	-1.2	0.4
2.2.1.3. Other sectors	0.0	130.0	172.6	27.2	-2.5	3.0	7.7	-189.1
2.2.2. Money market instruments	19.9	-30.9	34.0	-33.8	0.0	0.0	0.0	0.0
2.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.3. Other sectors	19.9	-30.9	34.0	-33.8	0.0	0.0	0.0	0.0

^a Preliminary data. ^b Revised data.

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

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

Table H5: Balance of Payments – Other Investment

million euros

	2001	2002	2003	2004	2005 ^b	2006		
						Q1 ^b	Q2 ^b	Q3 ^a
Other investment (net)	464.8	2,824.8	1,593.1	1,408.7	3,739.8	2,498.6	1,230.5	-1,444.2
1. Assets	405.9	461.0	-2,216.2	-420.9	987.0	1,063.3	81.4	-897.2
1.1. Trade credits	58.4	-79.2	-168.5	-188.7	-131.5	-9.1	-15.3	27.0
1.1.1. General government	0.0	0.0	0.0	0.0	-0.3	0.0	0.0	0.0
1.1.1.1. Long-term	0.0	0.0	0.0	0.0	-0.3	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	58.4	-79.2	-168.5	-188.7	-131.3	-9.1	-15.3	27.0
1.1.2.1. Long-term	0.0	-6.5	-24.4	17.4	14.0	-3.0	0.7	-0.3
1.1.2.2. Short-term	58.4	-72.7	-144.1	-206.1	-145.3	-6.1	-16.0	27.3
1.2. Loans	50.2	-54.7	-85.6	43.9	-115.0	-39.2	-41.5	-21.8
1.2.1. General government	-3.4	0.6	-1.0	-1.7	-1.5	0.4	0.2	0.3
1.2.1.1. Long-term	-3.4	0.6	-1.0	-1.7	-1.5	0.4	0.2	0.3
1.2.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2. Banks	1.7	-21.8	3.6	3.8	-22.0	-23.7	-29.2	-14.4
1.2.2.1. Long-term	3.8	-20.3	4.4	-0.1	-14.0	-11.4	-26.0	-12.5
1.2.2.2. Short-term	-2.1	-1.5	-0.8	3.9	-8.0	-12.3	-3.2	-2.0
1.2.3. Other sectors	51.9	-33.4	-88.2	41.9	-91.5	-15.9	-12.5	-7.7
1.2.3.1. Long-term	51.9	-33.3	-88.2	43.2	-92.8	-16.0	-12.8	-7.7
1.2.3.2. Short-term	0.0	-0.1	0.1	-1.3	1.2	0.0	0.2	0.0
1.3. Currency and deposits	297.3	594.9	-1,962.1	-276.1	1,233.5	1,111.6	162.8	-795.6
1.3.2. General government	-18.1	-24.2	30.3	72.7	-44.4	13.9	-26.2	-39.3
1.3.3. Banks	-1,790.9	1,516.5	-1,964.5	-368.7	1,313.5	1,113.4	193.0	-756.3
1.3.4. Other sectors	2,106.3	-897.4	-27.9	19.8	-35.6	-15.8	-4.0	0.0
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	-24.6	-106.8
2. Liabilities	58.9	2,363.8	3,809.3	1,829.5	2,752.8	1,435.3	1,149.1	-547.1
2.1. Trade credits	96.3	501.3	-226.9	-54.5	10.0	42.6	221.9	-115.6
2.1.1. General government	1.2	-0.1	1.5	-0.3	0.4	-0.2	-0.1	-0.2
2.1.1.1. Long-term	1.2	-0.1	1.5	-0.3	0.4	-0.2	-0.1	-0.2
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	95.1	501.4	-228.4	-54.3	9.6	42.8	222.0	-115.5
2.1.2.1. Long-term	-22.1	-1.2	-47.4	-16.7	26.5	1.1	0.9	-8.5
2.1.2.2. Short-term	117.2	502.6	-181.0	-37.5	-16.9	41.7	221.1	-107.0
2.2. Loans	-260.5	653.8	2,896.1	1,636.5	2,372.6	952.2	633.5	111.0
2.2.1. Croatian National Bank	-4.1	-177.2	354.2	-369.6	0.0	0.0	0.9	-0.9
2.2.1.1. o/w: IMF	-34.3	-129.5	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	-34.3	-129.5	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2. Short-term	30.3	-47.6	354.2	-369.6	0.0	0.0	0.9	-0.9
2.2.2. General government	-212.2	433.9	502.9	411.7	241.8	149.7	-43.3	-34.0
2.2.2.1. Long-term	185.4	433.9	502.9	411.7	241.8	149.7	-43.3	-34.0
2.2.2.1.1. Drawings	363.2	598.2	697.8	706.8	484.5	218.6	30.3	32.8
2.2.2.1.2. Repayments	-177.8	-164.3	-194.9	-295.1	-242.8	-68.9	-73.6	-66.8
2.2.2.2. Short-term	-397.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	87.2	79.3	1,005.7	647.4	842.1	496.6	180.5	-810.9
2.2.3.1. Long-term	93.0	81.6	927.2	737.9	276.5	453.6	55.5	-307.7
2.2.3.1.1. Drawings	829.3	656.9	1,644.7	1,165.8	1,135.6	542.0	1,024.3	32.8
2.2.3.1.2. Repayments	-736.3	-575.3	-717.5	-427.8	-859.1	-88.4	-968.8	-340.6
2.2.3.2. Short-term	-5.8	-2.3	78.5	-90.6	565.7	43.0	124.9	-503.1
2.2.4. Other sectors	-131.5	317.8	1,033.4	947.0	1,288.7	305.9	495.4	956.7
2.2.4.1. Long-term	-133.6	335.4	983.0	909.0	1,082.6	217.5	341.0	788.6
2.2.4.1.1. Drawings	818.1	1,326.0	1,962.1	2,046.4	2,255.1	541.0	683.4	1,054.6
2.2.4.1.2. Repayments	-951.7	-990.7	-979.1	-1,137.4	-1,172.5	-323.5	-342.5	-265.9
2.2.4.2. Short-term	2.1	-17.6	50.4	38.0	206.0	88.4	154.5	168.1
2.3. Currency and deposits	223.2	1,209.5	1,140.8	244.5	367.5	439.9	293.1	-543.1
2.3.1. General government	0.2	0.1	0.1	0.0	-0.1	7.0	21.9	-28.0
2.3.2. Banks	223.0	1,209.4	1,140.7	244.5	367.5	432.9	271.2	-515.1
2.4. Other liabilities	-0.1	-0.9	-0.7	3.0	2.8	0.6	0.6	0.7

^a Preliminary data. ^b Revised data.

Table H6: Balance of Payments – Summary

million kuna

	2001	2002	2003	2004	2005 ^b	2006.		
						Q1 ^b	Q2 ^b	Q3 ^a
A. CURRENT ACCOUNT (1+6)	-6,082.7	-15,740.3	-14,498.6	-10,975.1	-14,978.0	-15,073.6	-9,487.0	15,823.5
1. Goods, services, and income (2+5)	-14,275.6	-24,271.6	-23,912.2	-19,901.8	-23,736.1	-17,205.3	-11,642.8	13,845.7
1.1. Credit	84,084.6	85,578.6	102,470.4	111,108.2	117,627.5	20,770.6	30,574.3	52,102.0
1.2. Debit	-98,360.3	-109,850.2	-126,382.6	-131,010.1	-141,363.6	-37,975.9	-42,217.1	-38,256.3
2. Goods and services (3+4)	-9,950.0	-20,004.4	-15,694.7	-15,110.6	-16,535.6	-13,981.0	-7,659.4	14,400.2
2.1. Credit	80,321.0	82,188.2	99,169.2	106,198.2	112,666.2	19,584.0	29,046.5	50,288.7
2.2. Debit	-90,270.9	-102,192.6	-114,863.9	-121,308.8	-129,201.8	-33,565.0	-36,705.9	-35,888.5
3. Goods	-34,323.1	-44,135.8	-52,782.7	-50,354.9	-55,595.6	-13,662.3	-17,096.5	-15,714.8
3.1. Credit	39,695.8	39,198.3	42,167.2	49,480.4	53,370.2	14,714.2	14,358.9	15,198.7
3.2. Debit	-74,018.9	-83,334.1	-94,949.9	-99,835.3	-108,965.8	-28,376.5	-31,455.4	-30,913.5
4. Services	24,373.1	24,131.4	37,088.0	35,244.3	39,060.0	-318.7	9,437.1	30,115.0
4.1. Credit	40,625.2	42,989.9	57,002.0	56,717.8	59,296.0	4,869.8	14,687.6	35,090.0
4.2. Debit	-16,252.1	-18,858.5	-19,914.0	-21,473.5	-20,236.0	-5,188.5	-5,250.5	-4,975.0
5. Income	-4,325.7	-4,267.2	-8,217.6	-4,791.2	-7,200.5	-3,224.3	-3,983.4	-554.5
5.1. Credit	3,763.6	3,390.4	3,301.2	4,910.0	4,961.3	1,186.6	1,527.8	1,813.3
5.2. Debit	-8,089.3	-7,657.6	-11,518.7	-9,701.2	-12,161.8	-4,410.9	-5,511.2	-2,367.9
6. Current transfers	8,192.9	8,531.3	9,413.6	8,926.8	8,758.1	2,131.7	2,155.9	1,977.9
6.1. Credit	9,934.0	10,761.2	11,639.9	11,872.9	12,047.2	2,944.2	3,199.5	2,936.5
6.2. Debit	-1,741.1	-2,229.9	-2,226.3	-2,946.1	-3,289.1	-812.5	-1,043.7	-958.6
B. CAPITAL AND FINANCIAL ACCOUNT	7,419.6	20,263.4	22,705.4	17,726.7	22,558.2	12,595.1	10,873.3	-978.0
B1. Capital account	1,145.1	3,695.6	546.9	172.8	375.8	-1,200.1	25.5	43.5
B2. Financial account, excl. reserves	17,771.5	22,056.2	31,510.9	17,890.4	28,257.8	18,733.6	15,921.0	-5,428.2
1. Direct investment	9,832.8	4,421.2	12,699.3	5,335.0	9,053.3	3,656.1	6,116.9	2,489.2
1.1. Abroad	-1,259.0	-4,444.0	-813.0	-2,099.1	-1,411.9	-169.4	-248.7	-301.6
1.2. In Croatia	11,091.8	8,865.1	13,512.3	7,434.1	10,465.3	3,825.5	6,365.5	2,790.8
2. Portfolio investment	4,978.9	-3,227.3	6,669.8	1,747.5	-7,926.6	-3,261.3	900.0	2,655.9
2.1. Assets	-1,081.7	-4,839.8	936.8	-5,688.0	-3,760.5	-335.0	437.7	394.8
2.2. Liabilities	6,060.6	1,612.6	5,733.0	7,435.4	-4,166.1	-2,926.3	462.2	2,261.1
3. Financial derivatives	0.0	0.0	0.0	0.0	-659.4	0.0	0.0	0.0
4. Other investment	2,959.8	20,862.4	12,141.7	10,807.9	27,790.5	18,338.9	8,904.2	-10,573.3
4.1. Assets	2,650.7	3,329.5	-16,852.3	-3,088.0	7,459.4	7,809.4	586.9	-6,581.8
4.2. Liabilities	309.0	17,532.9	28,994.0	13,895.9	20,331.1	10,529.5	8,317.3	-3,991.5
B3. Reserve assets (CNB)	-11,497.0	-5,488.5	-9,352.4	-336.5	-6,075.4	-4,938.5	-5,073.3	4,406.7
C. NET ERRORS AND OMISSIONS	-1,336.9	-4,523.0	-8,206.8	-6,751.6	-7,580.2	2,478.5	-1,386.3	-14,845.5

^a Preliminary data. ^b Revised data.

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

Table H7: International Reserves and Banks' Foreign Exchange Reserves

end of period, million euros

Year	Month	International reserves of the Croatian National Bank							Banks' foreign exchange reserves
		Total	Special drawing rights	Reserve position in the Fund	Gold	Foreign exchange			
						Total	Currency and deposits	Bonds and notes	
1994	December	1,145.7	3.7	–	–	1,142.0	1,142.0	–	716.6
1995	December	1,479.0	109.1	–	–	1,369.9	1,288.4	81.4	1,038.1
1996	December	1,867.7	101.3	0.0	–	1,766.3	1,627.6	138.7	1,549.2
1997	December	2,303.7	133.4	0.1	–	2,170.2	1,825.2	345.0	2,078.9
1998	December	2,400.2	197.1	0.1	–	2,203.0	1,642.6	560.4	1,607.0
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	November	7,220.4	0.8	0.2	–	7,219.3	3,781.1	3,438.2	3,242.7
	December	7,438.4	0.9	0.2	–	7,437.3	3,834.5	3,602.8	2,938.4
2006	January	7,627.8	1.2	0.2	–	7,626.4	4,006.9	3,619.5	2,680.5
	February	7,934.0	0.8	0.2	–	7,933.0	4,230.3	3,702.7	2,446.1
	March	8,088.5	0.7	0.2	–	8,087.6	4,406.1	3,681.5	1,926.8
	April	8,205.0	1.2	0.2	–	8,203.6	4,587.5	3,616.1	1,941.6
	May	8,502.2	0.7	0.2	–	8,501.3	4,718.2	3,783.1	1,783.4
	June	8,743.6	0.8	0.2	–	8,742.6	4,865.0	3,877.6	1,706.0
	July	8,974.2	1.2	0.2	–	8,972.8	4,954.9	4,017.9	1,672.4
	August	8,672.1	0.7	0.2	–	8,671.3	4,657.8	4,013.5	1,985.5
	September	8,134.8	0.7	0.2	–	8,133.9	4,163.1	3,970.9	2,413.4
	October	8,516.3	1.2	0.2	–	8,514.9	4,308.0	4,206.9	2,953.5
	November ^a	8,983.7	0.7	0.2	–	8,982.8	4,537.8	4,445.0	2,915.8

^a Preliminary data.

Table H7: International Reserves and Banks' Foreign Exchange Reserves

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

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

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

Table H8: International Reserves and Foreign Currency Liquidity

end of period, million euros

	2001	2002	2003	2004	2005	2006					
	Dec. ^b	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.	Sep.	Dec.
I. Official reserve assets and other f/c assets (approximate market value)											
A. Official reserve assets	5,333.6	5,651.3	6,554.1	6,436.2	7,438.4	8,088.5	8,743.6	8,974.2	8,672.1	8,134.8	8,516.3
(1) Foreign currency reserves (in convertible f/c)	3,877.9	4,246.9	5,740.1	6,235.4	7,337.3	7,487.6	7,942.6	8,223.2	7,981.3	7,434.1	7,814.9
(a) Securities	1,740.7	1,861.0	3,207.2	3,262.0	3,602.8	3,681.5	3,877.6	4,017.9	4,013.5	3,970.9	4,206.9
o/w: Issuer headquartered in reporting country but located abroad	-	-	-	-	-	-	-	-	-	-	-
(b) Total currency and deposits with:	2,137.2	2,385.9	2,532.9	2,973.3	3,734.5	3,806.1	4,065.0	4,205.3	3,967.8	3,463.2	3,608.0
(i) other national central banks, BIS and IMF	461.3	325.1	271.1	233.1	407.3	205.4	202.5	201.7	200.7	201.5	201.4
(ii) banks headquartered in the reporting country	-	-	-	-	-	-	-	-	-	-	-
o/w: Located abroad	-	-	-	-	-	-	-	-	-	-	-
(iii) banks headquartered outside the reporting country	1,675.9	2,060.8	2,261.8	2,740.3	3,327.2	3,600.7	3,862.5	4,003.7	3,767.1	3,261.6	3,406.6
o/w: Located in the reporting country	-	-	-	-	-	-	-	-	-	-	-
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	122.9	2.3	0.7	0.6	0.9	0.7	0.8	1.2	0.7	0.7	1.2
(4) gold	-	-	-	-	-	-	-	-	-	-	-
(5) other reserve assets	1,332.6	1,401.9	813.1	200.0	100.0	600.0	800.0	749.6	690.0	699.9	700.0
– reverse repo	1,332.6	1,401.9	813.1	200.0	100.0	600.0	800.0	749.6	690.0	699.9	700.0
B. Other foreign currency assets (specify)	-	-	-	-	-	-	-	-	-	-	-
– time deposits	-	-	-	-	-	-	-	-	-	-	-
C. Total (A+B)	5,333.6	5,651.3	6,554.1	6,436.2	7,438.4	8,088.5	8,743.6	8,974.2	8,672.1	8,134.8	8,516.3
II. Predetermined short-term net drains on f/c assets (nominal value)											
1. F/c loans, securities, and deposits (total net drains up to one year)	-1,350.7	-740.9	-1,538.0	-988.6	-899.7	-415.1	-406.6	-338.2	-658.0	-662.8	-667.8
(a) Croatian National Bank	-443.4	-167.4	-646.9	-1.8	-1.1	-1.6	-1.3	-1.4	-1.8	-1.4	-1.5
Up to 1 month	Principal	-196.1	-136.9	-355.9	-	-	-	-	-	-	-
Interest	-3.2	-2.2	-1.9	-1.8	-1.1	-1.6	-1.3	-1.4	-1.8	-1.4	-1.5
More than 1 and up to 3 months	Principal	-203.7	-26.5	-288.3	-	-	-	-	-	-	-
Interest	-2.1	-0.1	-0.7	-	-	-	-	-	-	-	-
More than 3 months and up to 1 year	Principal	-34.5	-1.6	-	-	-	-	-	-	-	-
Interest	-3.8	-0.1	-	-	-	-	-	-	-	-	-
(b) Central government (excl. central government funds)	-907.4	-573.5	-891.1	-986.8	-898.6	-413.5	-405.3	-336.9	-656.3	-661.5	-666.4
Up to 1 month	Principal	-101.7	-98.1	-85.9	-76.5	-77.9	-2.7	-74.8	-12.1	-9.7	-4.8
Interest	-55.6	-42.8	-34.4	-13.8	-	-	-	-	-	-	-
More than 1 and up to 3 months	Principal	-351.6	-8.6	-9.3	-510.1	-603.0	-84.5	-63.5	-82.3	-88.0	-126.0
Interest	-125.7	-148.1	-168.3	-169.0	-	-	-	-	-	-	-
More than 3 months and up to 1 year	Principal	-170.8	-176.2	-495.2	-143.7	-160.2	-186.5	-139.0	-133.3	-447.0	-391.9
Interest	-102.0	-99.7	-98.0	-73.8	-57.5	-139.8	-128.0	-109.2	-111.5	-101.6	-84.5
2. Aggregate short and long positions in forwards and futures in f/c vis-a-vis the domestic currency (including the forward leg of currency swaps)	-	-	-	-	-	-	-	-	-	-	-
(a) Short positions (-)	-	-	-	-	-	-	-	-	-	-	-
Up to 1 month	-	-	-	-	-	-	-	-	-	-	-
More than 1 and up to 3 months	-	-	-	-	-	-	-	-	-	-	-
More than 3 months and up to 1 year	-	-	-	-	-	-	-	-	-	-	-
(b) Long positions (+)	-	-	-	-	-	-	-	-	-	-	-
Up to 1 month	-	-	-	-	-	-	-	-	-	-	-
More than 1 and up to 3 months	-	-	-	-	-	-	-	-	-	-	-
More than 3 months and up to 1 year	-	-	-	-	-	-	-	-	-	-	-
3. Other	-75.2	-21.5	-363.5	-	-	-	-	-	-	-	-
– outflows related to repos (-)	-75.2	-21.5	-363.5	-	-	-	-	-	-	-	-
Up to 1 month	Principal	-75.1	-21.5	-363.1	-	-	-	-	-	-	-
Interest	-0.1	0.0	-0.4	-	-	-	-	-	-	-	-
More than 1 and up to 3 months	Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
More than 3 months and up to 1 year	Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
4. Total predetermined short-term net drains on foreign currency assets (1+2+3)	-1,426.0	-762.4	-1,901.5	-988.6	-899.7	-415.1	-406.6	-338.2	-658.0	-662.8	-667.8
III. Contingent short-term net drains on f/c assets (nominal value)											
1. Contingent liabilities in foreign currency	-1,088.8	-1,631.0	-1,300.4	-1,772.9	-2,273.1	-2,817.2	-3,182.6	-3,190.2	-2,922.0	-2,476.4	-2,437.3
(a) Collateral guarantees on debt falling due within 1 year	-315.9	-685.9	-426.8	-370.9	-443.8	-455.0	-453.5	-420.6	-468.7	-467.5	-477.9
– Croatian National Bank	-	-	-	-	-	-	-	-	-	-	-
– Central government (excl. central government funds)	-315.9	-685.9	-426.8	-370.9	-443.8	-455.0	-453.5	-420.6	-468.7	-467.5	-477.9
Up to 1 month	-49.4	-52.3	-55.8	-62.7	-59.6	-41.4	-55.3	-28.7	-57.6	-70.9	-13.5

More than 1 and up to 3 months	-24.7	-35.2	-94.9	-33.9	-53.0	-67.1	-86.4	-91.4	-71.7	-92.6	-143.0
More than 3 months and up to 1 year	-241.7	-598.3	-276.1	-274.4	-331.2	-346.5	-311.8	-300.6	-339.4	-304.0	-321.4
(b) Other contingent liabilities	-772.9	-945.1	-873.6	-1,402.0	-1,829.3	-2,362.2	-2,729.1	-2,769.6	-2,453.3	-2,008.8	-1,959.4
– Croatian National Bank	-772.9	-945.1	-873.6	-1,402.0	-1,829.3	-2,362.2	-2,729.1	-2,769.6	-2,453.3	-2,008.8	-1,959.4
Up to 1 month	-	-	-	-	-	-	-	-	-	-	-
More than 1 and up to 3 months	-772.9	-945.1	-873.6	-1,402.0	-1,829.3	-2,362.2	-2,729.1	-2,769.6	-2,453.3	-2,008.8	-1,959.4
More than 3 months and up to 1 year	-	-	-	-	-	-	-	-	-	-	-
– Central government (excl. central government funds)	-	-	-	-	-	-	-	-	-	-	-
2. F/c sec. issued with embedded options (puttable bonds)	-	-	-	-	-	-	-	-	-	-	-
3. Undrawn, unconditional credit lines provided by	170.8	-	-	-	-	-	-	-	-	-	-
– BIS (+)	-	-	-	-	-	-	-	-	-	-	-
– IMF (+)	170.8	-	-	-	-	-	-	-	-	-	-
4. Aggregate short and long positions of options in foreign currencies vis-a-vis the domestic currency	-	-	-	-	-	-	-	-	-	-	-
5. Total contingent short-term net drains on f/c assets (1+2+3+4)	-918.0	-1,631.0	-1,300.4	-1,772.9	-2,273.1	-2,817.2	-3,182.6	-3,190.2	-2,922.0	-2,476.4	-2,437.3
IV. Memo items											
(a) short-term domestic currency debt indexed to the exchange rate	-	-	-	-	-	-	-	-	-	-	-
o/w: Central government (excl. central government funds)	-	-	-	-	-	-	-	-	-	-	-
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	-	-	-	-	-	-	-	-	-	-	-
(c) pledged assets	-	-	-	-	-	-	-	-	-	-	-
(d) securities lent and on repo	-	-	-	-	-	-	-	-	-	-	-
– lent or repored and included in Section I	-70.0	-20.0	-351.0	-	-	-	-	-1.0	-2.6	-0.7	-
– lent or repored but not included in Section I	-	-	-	-	-	-	-	-	-	-	-
– borrowed or acquired and included in Section I	-	-	-	-	-	-	-	-	-	-	-
– borrowed or acquired but not included in Section I	1,235.1	1,330.3	785.1	180.7	88.5	576.8	780.5	740.6	667.7	685.1	661.2
(e) financial derivative assets (net, marked to market)	-	-	-	-	-	-	-	-	-	-	-
(f) currency composition of official reserves assets ^a	-	-	-	-	-	-	-	-	-	-	-
– currencies in SDR basket	5,333.6	5,651.3	6,554.1	6,436.2	7,438.1	8,088.2	8,743.3	8,973.9	8,671.8	8,134.5	8,516.0
– currencies not in SDR basket	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.3	0.3	0.3	0.3
– by individual currencies											
USD	1,738.4	1,600.8	1,937.6	1,609.1	1,104.5	1,160.9	1,147.1	1,163.3	1,144.9	1,152.2	1,215.7
EUR	3,471.6	4,047.9	4,615.6	4,826.3	6,332.5	6,926.3	7,595.2	7,809.2	7,526.0	6,981.4	7,298.9
Other	123.6	2.6	0.9	0.8	1.3	1.2	1.3	1.8	1.2	1.2	1.8

Table H8: International Reserves and Foreign Currency Liquidity

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

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

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

with foreign negotiable debt securities.

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

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

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		7.087680	0.524825	1.079616	0.371511	4.381907	9.166621	5.994736	3.692176
1995		6.757247	0.518724	1.047746	0.321349	4.425013	8.250868	5.229850	3.649215
1996		6.805527	0.513812	1.062870	0.352204	4.407070	8.476847	5.433979	3.614716
1997		6.960719	0.505335	1.056368	0.362049	4.248502	10.089408	6.161849	3.556098
1998		7.139159	0.514631	1.080018	0.366853	4.396452	10.537622	6.362284	3.620795
1999		7.582148	0.551017	1.155889	0.391585	4.740183	11.517667	7.123688	3.876694
2000		7.634776	0.554841	1.163914	0.394303	4.901967	12.529527	8.280192	3.903599
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	
2005	November	7.375109				4.774768	10.859694	6.252416	
	December	7.390093				4.775699	10.882141	6.232461	
2006	January	7.378070				4.761345	10.750120	6.099054	
	February	7.326746				4.705642	10.722253	6.128460	
	March	7.325951				4.671319	10.640575	6.100190	
	April	7.314826				4.644855	10.530527	5.975500	
	May	7.273472				4.671209	10.637740	5.699769	
	June	7.255173				4.651643	10.567474	5.722947	
	July	7.245768				4.620172	10.529897	5.714387	
	August	7.276358				4.614575	10.741034	5.679723	
	September	7.385597				4.665362	10.940363	5.795937	
	October	7.393049				4.649986	10.983203	5.861821	
	November	7.344346				4.612789	10.901289	5.710001	

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 1988 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	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		6.902400	0.516285	1.052510	0.346500	4.288893	8.784200	5.628700	3.632100
1995		6.812200	0.526742	1.085365	0.335800	4.618693	8.234500	5.316100	3.705900
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.514000
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2003		7.646909				4.901551	10.860544	6.118506	
2004		7.671234				4.971314	10.824374	5.636883	
2005		7.375626				4.744388	10.753209	6.233626	
2005	November	7.400190				4.783575	10.803197	6.264446	
	December	7.375626				4.744388	10.753209	6.233626	
2006	January	7.359333				4.733603	10.752970	6.092667	
	February	7.307577				4.674157	10.725931	6.164651	
	March	7.323554				4.648695	10.548112	6.065055	
	April	7.291280				4.638514	10.498603	5.807934	
	May	7.264151				4.659494	10.601505	5.650837	
	June	7.256979				4.640012	10.500621	5.790297	
	July	7.258119				4.617124	10.648649	5.719107	
	August	7.314609				4.640955	10.842883	5.702954	
	September	7.381777				4.644380	10.897220	5.827105	
	October	7.369343				4.636848	11.003947	5.792143	
	November	7.333542				4.613451	10.861289	5.574718	

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 ex-

change 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 2001 = 100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator	
			Indices of producers' prices	Retail price index
1997	December	87.73	93.01	98.79
1998	December	91.08	95.99	95.39
1999	December	99.23	102.76	102.08
2000	December	101.51	99.96	101.79
2001	December	99.07	98.63	98.89
2002	December	95.97	95.63	96.24
2003	December	94.09	94.46	94.62
2004	December	90.43	90.61	90.85
2005	November	91.47	93.96	91.59
	December	91.52	94.33	90.98
2006	January	90.88	94.24	89.97
	February	90.53	93.11	89.20
	March	90.38	93.01	89.42
	April	89.75	93.09	89.08
	May	88.27	91.63	87.59
	June	88.23	92.06	87.68
	July	88.08	92.45	88.25
	August	88.24	92.69	88.56
	September	89.66	93.73 ^a	89.86 ^a
	October	90.00	93.53 ^a	90.16 ^a
	November	88.96		

^a Preliminary data.

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

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

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

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

Table H12: Gross External Debt by Domestic Sectors

million euros

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.*	Jun.*	Jul.*	Aug.*	Sep.*	Oct.
1. Government	5,942.4	5,900.3	6,600.6	7,251.8	7,047.4	6,628.0	6,597.6	6,608.4	6,604.5	6,656.4	6,675.9
Short-term	0.3	0.9	0.9	2.6	2.1	0.0	0.0	0.1	0.1	0.2	1.1
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.3	0.9	0.9	2.6	2.1	0.0	0.0	0.1	0.1	0.2	1.1
Principal arrears	0.3	0.9	0.9	2.4	1.7	0.0	0.0	0.0	0.0	0.0	0.1
Interest arrears	0.0	0.0	0.1	0.2	0.4	0.0	0.0	0.1	0.1	0.2	1.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,942.1	5,899.5	6,599.6	7,249.2	7,045.3	6,628.0	6,597.5	6,608.3	6,604.5	6,656.2	6,674.7
Bonds	4,268.2	3,947.6	4,310.9	4,648.1	4,065.5	3,495.7	3,532.3	3,627.3	3,625.7	3,643.3	3,655.6
Credits	1,672.7	1,950.8	2,286.4	2,599.0	2,977.2	3,129.9	3,063.0	2,978.9	2,976.7	3,010.8	3,017.1
Trade credits	1.3	1.1	2.3	2.1	2.6	2.4	2.3	2.1	2.1	2.1	2.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	215.5	23.2	365.7	2.4	2.6	2.0	3.4	2.3	2.1	2.0	1.8
Short-term	75.1	21.5	363.1	0.0	2.6	2.0	3.4	2.3	2.1	2.0	1.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	75.1	21.5	363.1	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	2.6	2.0	3.4	2.3	2.1	2.0	1.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	140.3	1.7	2.6	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	138.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1.7	1.7	2.6	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	2,547.1	3,789.6	6,121.1	7,701.6	8,993.5	9,847.4	10,298.3	9,567.2	8,977.1	8,926.7	9,256.9
Short-term	18.0	14.3	617.1	1,964.8	2,512.0	2,859.8	3,107.2	2,699.2	2,393.3	2,150.6	2,328.3
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	2.6	0.3	604.2	513.6	1,079.7	1,097.1	1,222.1	976.2	753.4	719.5	802.0
Currency and deposits	0.0	0.0	0.0	1,438.9	1,429.3	1,762.8	1,885.0	1,722.9	1,639.7	1,430.8	1,526.1
Other debt liabilities	15.4	14.0	12.9	12.4	3.0	0.0	0.2	0.2	0.2	0.2	0.2
Principal arrears	15.4	14.0	12.9	12.4	3.0	0.0	0.0	0.0	0.0	0.1	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,529.1	3,775.3	5,503.9	5,736.7	6,481.5	6,987.6	7,191.0	6,868.0	6,583.8	6,776.1	6,928.6
Bonds	0.0	0.0	0.0	444.4	456.7	462.7	466.3	448.5	450.2	452.1	453.7
Credits	1,810.8	1,878.4	2,767.7	3,512.3	3,844.8	4,263.1	4,316.0	4,217.7	4,038.3	3,999.3	3,995.4
Currency and deposits	718.3	1,896.9	2,736.2	1,780.1	2,180.0	2,261.8	2,408.8	2,201.7	2,095.3	2,324.7	2,479.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other sectors	3,661.8	3,934.7	4,878.4	5,809.2	7,156.4	7,505.9	7,989.2	8,405.0	8,591.4	8,746.6	9,084.4
Short-term	434.9	460.7	523.2	530.3	856.2	810.1	977.5	1,154.3	1,166.4	1,155.9	1,244.1
Money market instruments	31.1	0.0	33.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	53.9	27.2	70.1	100.2	291.2	287.7	432.4	594.9	611.7	595.3	641.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	40.4	47.5	22.2	23.2	27.8	37.0	36.6	36.0	34.7	32.9	31.4
Other debt liabilities	309.6	386.0	397.4	407.0	537.2	485.4	508.5	523.5	520.0	527.7	571.4
Principal arrears	293.0	365.4	369.9	376.6	490.6	454.7	474.7	486.8	482.6	485.7	523.8
Interest arrears	16.6	20.7	27.6	30.3	46.6	30.8	33.9	36.7	37.3	42.1	47.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,226.9	3,474.0	4,355.3	5,278.8	6,300.1	6,695.8	7,011.6	7,250.6	7,425.0	7,590.7	7,840.2
Bonds	31.2	161.2	345.3	380.6	378.1	391.2	383.5	189.4	190.7	191.8	193.1
Credits	2,969.0	3,103.0	3,858.3	4,769.7	5,764.1	6,146.9	6,484.5	6,920.5	7,093.5	7,250.4	7,496.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	226.7	209.9	151.7	128.5	158.0	157.7	143.7	140.7	140.8	148.5	150.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

5. Direct investment	1,091.4	1,407.0	1,844.8	2,015.7	2,340.9	2,501.3	2,629.3	2,718.0	2,769.9	2,807.3	2,664.3
Short-term	49.0	73.2	124.0	120.3	206.2	218.8	280.0	299.1	300.1	316.4	313.2
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	4.4	30.0	43.9	36.1	59.8	57.7	85.2	95.4	89.5	98.4	91.1
Trade credits	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	43.0	43.1	80.1	84.2	146.4	161.1	194.8	203.7	210.6	218.0	222.1
Principal arrears	41.7	41.0	75.9	76.5	132.6	148.0	179.8	188.5	194.9	201.0	204.8
Interest arrears	1.3	2.1	4.2	7.6	13.8	13.1	15.0	15.2	15.7	17.0	17.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,042.4	1,333.8	1,720.8	1,895.5	2,134.7	2,282.5	2,349.3	2,418.9	2,469.8	2,490.9	2,351.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,020.9	1,300.0	1,689.7	1,866.5	2,104.0	2,252.2	2,320.1	2,390.0	2,444.4	2,465.9	2,326.5
Trade credits	21.5	33.8	31.1	28.9	30.7	30.3	29.2	28.9	25.4	25.0	24.5
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	13,458.3	15,054.8	19,810.6	22,780.6	25,540.8	26,484.6	27,517.7	27,300.8	26,945.1	27,139.0	27,683.2

Table H12: Gross External Debt by Domestic Sectors

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

External debt by domestic sectors is shown in the same manner as in the Capital and Financial Account of the BOP. Item Government shows external debt of the general government, which includes the Republic of Croatia, central government funds (including the Croatian Bank for Reconstruction and Development, the State Agency for Deposit Insurance and Bank Rehabilitation, the Croatian Roads and the Croatian Highways), and local government. Item Croatian National Bank shows the central bank debts. Item Banks shows debts of banks. Item Other sectors shows debts of other banking institutions, non-banking financial institutions, enterprises, non-profit institutions and households, including craftsmen. Item Direct investment shows borrower – lender transactions of other sectors that are interrelated by ownership (borrower or lender owns more than 10 percent of the other).

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

rears, as well as accrual interest and future principal payments.

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

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

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

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

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

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

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

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

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

million euros

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.*	Jun.*	Jul.*	Aug.*	Sep.*	Oct.
1. Public sector	7,486.1	7,215.3	8,334.0	8,560.2	8,428.2	8,093.8	8,024.3	8,015.8	8,024.6	8,160.3	8,210.3
Short-term	170.3	54.8	409.5	26.8	69.0	33.4	41.3	40.2	35.9	28.6	72.1
Money market instruments	25.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	98.3	21.9	390.9	0.7	48.1	16.6	11.2	11.1	11.0	11.1	53.9
Currency and deposits	0.0	0.0	0.0	0.0	2.6	2.0	3.4	2.3	2.1	2.0	1.8
Trade credits	25.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	20.5	32.9	18.6	26.1	18.3	14.8	26.7	26.8	22.7	15.6	16.4
Principal arrears	20.5	32.9	18.6	25.8	16.9	14.7	26.6	26.7	22.5	15.2	15.1
Interest arrears	0.0	0.0	0.1	0.3	1.3	0.1	0.1	0.1	0.1	0.4	1.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	7,315.2	7,160.0	7,924.2	8,533.2	8,359.2	8,060.3	7,983.0	7,975.6	7,988.7	8,131.7	8,138.1
Bonds	4,268.2	3,947.6	4,310.9	4,648.1	4,065.5	3,495.7	3,532.3	3,627.3	3,625.7	3,643.3	3,655.6
Credits	2,954.4	3,130.2	3,560.7	3,829.0	4,188.7	4,451.1	4,326.7	4,256.0	4,269.2	4,389.0	4,379.2
Currency and deposits	1.7	1.7	2.6	2.4	0.0	7.0	28.0	0.0	0.0	0.0	0.0
Trade credits	91.0	80.5	50.0	53.7	105.1	106.4	96.0	92.3	93.9	99.4	103.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.6	0.5	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Publicly guaranteed private sector	565.8	500.1	428.6	320.0	306.1	239.4	234.6	210.7	210.9	210.0	209.8
Short-term	9.1	22.3	32.0	26.5	39.9	17.9	16.2	17.2	17.1	17.2	16.6
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	9.1	22.3	32.0	26.5	39.9	17.9	16.2	17.2	17.1	17.2	16.6
Principal arrears	7.0	16.7	23.3	18.8	30.5	14.9	13.7	14.7	14.6	14.7	14.1
Interest arrears	2.1	5.6	8.7	7.7	9.4	3.0	2.5	2.5	2.5	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	0.0
Long-term	556.8	477.8	396.6	293.5	266.2	221.6	218.4	193.5	193.8	192.8	193.2
Bonds	31.2	31.2	31.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	519.7	442.6	362.9	292.0	264.4	220.1	216.2	191.4	191.8	190.8	191.2
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
Trade credits	5.9	4.0	2.5	1.5	1.8	1.5	2.2	2.1	2.0	2.0	2.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Non-publicly guaranteed private sector	5,406.4	7,339.4	11,048.1	13,900.4	16,806.5	18,151.5	19,258.8	19,074.3	18,709.6	18,768.7	19,263.1
Short-term	348.9	420.3	1,062.9	2,444.5	3,264.1	3,620.6	4,030.7	3,798.5	3,508.9	3,262.9	3,486.6
Money market instruments	5.6	0.0	33.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	33.3	27.1	646.6	613.0	1,322.8	1,368.1	1,643.4	1,560.0	1,354.1	1,303.8	1,389.4
Currency and deposits	0.0	0.0	0.0	1,438.9	1,429.3	1,762.8	1,885.0	1,722.9	1,639.7	1,430.8	1,526.1
Trade credits	14.5	47.5	22.2	23.2	27.8	37.0	36.6	36.0	34.7	32.9	31.4
Other debt liabilities	295.5	345.7	360.7	369.4	484.2	452.8	465.8	479.7	480.5	495.4	539.7
Principal arrears	281.1	330.6	341.8	346.8	448.0	425.1	434.4	445.4	445.5	455.9	494.6
Interest arrears	14.4	15.1	18.9	22.6	36.3	27.7	31.4	34.2	34.9	39.5	45.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,966.7	5,512.6	8,140.6	9,440.4	11,201.5	12,029.6	12,598.8	12,557.8	12,430.8	12,698.6	13,112.3
Bonds	0.0	130.0	314.1	824.9	834.8	853.8	849.7	637.9	640.9	643.9	646.8
Credits	3,117.0	3,359.3	4,988.8	6,760.0	8,132.9	8,861.7	9,292.6	9,669.9	9,647.6	9,680.8	9,938.7
Currency and deposits	718.3	1,896.9	2,736.2	1,780.1	2,180.0	2,261.8	2,408.8	2,201.7	2,095.3	2,324.7	2,479.5
Trade credits	131.4	126.4	101.5	75.4	53.8	52.2	47.7	48.4	47.0	49.2	47.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	1,090.9	1,406.5	1,844.6	2,015.5	2,340.9	2,501.3	2,629.3	2,718.0	2,769.9	2,807.3	2,664.2
Total (1+2+3)	13,458.3	15,054.8	19,810.6	22,780.6	25,540.8	26,484.6	27,517.7	27,300.8	26,945.1	27,139.0	27,683.2

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

million euros

	Outstanding debt 31/10/2006	Immediate	Projected future principal payments												
			Q4/06	Q1/07	Q2/07	Q3/07	2006	2007	2008	2009	2010	2011	2012	2013	Other
1. Government	6,675.9	1.1	200.1	94.6	99.6	363.3	200.1	661.6	715.1	1,053.5	834.5	1,435.6	254.2	206.2	1,313.8
Short-term	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,674.7	0.0	200.1	94.6	99.6	363.3	200.1	661.6	715.1	1,053.5	834.5	1,435.6	254.2	206.2	1,313.8
Bonds	3,655.6	0.0	109.2	26.4	0.0	294.0	109.2	320.4	234.8	730.5	562.2	1,051.4	45.2	28.2	573.6
Credits	3,017.1	0.0	90.7	68.0	99.4	69.1	90.7	340.5	479.8	322.9	272.2	384.1	208.9	177.9	740.0
Trade credits	2.0	0.0	0.1	0.2	0.2	0.2	0.1	0.7	0.5	0.1	0.1	0.1	0.1	0.1	0.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	1.8	0.0	1.8	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	1.8	0.0	1.8	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1.8	0.0	1.8	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	9,256.9	0.2	2,091.8	488.9	646.5	487.9	2,091.8	1,803.1	1,049.7	1,460.9	278.6	780.9	126.3	56.0	1,609.6
Short-term	2,328.3	0.2	1,758.3	301.5	179.8	88.5	1,758.3	569.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	802.0	0.0	682.0	70.0	50.0	0.0	682.0	120.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1,526.1	0.0	1,076.3	231.5	129.8	88.5	1,076.3	449.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,928.6	0.0	333.5	187.4	466.7	399.4	333.5	1,233.2	1,049.7	1,460.9	278.6	780.9	126.3	56.0	1,609.6
Bonds	453.7	0.0	5.8	0.0	0.0	0.0	5.8	0.0	0.0	447.9	0.0	0.0	0.0	0.0	0.0
Credits	3,995.4	0.0	222.3	62.0	362.1	294.8	222.3	789.4	640.3	824.0	278.6	780.9	126.3	56.0	277.7
Currency and deposits	2,479.5	0.0	105.3	125.4	104.5	104.5	105.3	443.8	409.4	189.1	0.0	0.0	0.0	0.0	1,331.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other sectors	9,084.4	571.4	615.7	396.5	355.8	449.9	615.7	1,473.7	1,227.3	1,188.3	968.5	959.0	296.1	241.9	1,542.4
Short-term	1,244.1	571.4	299.6	117.0	65.6	184.0	299.6	373.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	641.3	0.0	299.6	117.0	34.2	184.0	299.6	341.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	31.4	0.0	0.0	0.0	31.4	0.0	0.0	31.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	571.4	571.4	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	523.8	523.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	47.6	47.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	7,840.2	0.0	316.1	279.5	290.2	265.8	316.1	1,100.6	1,227.3	1,188.3	968.5	959.0	296.1	241.9	1,542.4
Bonds	193.1	0.0	13.4	0.0	0.0	0.0	13.4	0.0	6.3	6.3	7.2	7.2	9.0	9.0	134.8
Credits	7,496.5	0.0	276.9	257.7	272.0	256.3	276.9	1,039.4	1,187.9	1,157.5	956.4	951.1	287.0	232.8	1,407.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	150.7	0.0	25.9	21.8	18.3	9.5	25.9	61.2	33.1	24.5	4.8	0.7	0.1	0.1	0.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

5. Direct investment	2,664.3	222.1	145.1	179.9	75.1	58.5	145.1	410.6	241.9	270.8	176.4	251.0	40.1	41.1	865.2
Short-term	313.2	222.1	29.0	39.6	10.0	12.2	29.0	62.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	91.1	0.0	29.0	39.6	10.0	12.2	29.0	62.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	222.1	222.1	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	204.8	204.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	17.3	17.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,351.0	0.0	116.1	140.3	65.1	46.4	116.1	348.5	241.9	270.8	176.4	251.0	40.1	41.1	865.2
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	2,326.5	0.0	115.0	139.1	64.3	45.7	115.0	344.2	237.8	264.6	170.0	249.8	39.5	40.9	864.6
Trade credits	24.5	0.0	1.1	1.2	0.9	0.7	1.1	4.4	4.0	6.2	6.4	1.2	0.5	0.2	0.6
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)	27,683.2	794.9	3,054.5	1,160.0	1,177.0	1,359.6	3,054.5	4,349.1	3,234.0	3,973.5	2,258.0	3,426.5	716.7	545.2	5,331.0
Supplement: Projected interest payments		0.0	25.4	239.9	178.9	146.0	25.4	737.1	649.2	565.3	424.6	334.1	179.9	173.2	621.7

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

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

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

Estimated interest payments do not include interest on deposits from non-residents, repo transactions and hybrid and subordinated instruments, as well as late interest on these instruments. Future interest payments are estimated at the interest rates at the contracting time and do not reflect changes of variable interest rates.

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

Table H15: International Investment Position – Summary

million euros

	2001	2002	2003	2004	2005 ^b	2006		
						Q1 ^b	Q2 ^b	Q3 ^a
1. International investment position (net)	-4,204.4	-7,225.7	-10,149.1	-15,369.1	-20,415.5	-24,069.1	-26,386.1	-28,204.2
2. Assets	12,720.6	12,417.0	14,802.9	14,877.3	15,583.5	15,188.9	15,729.9	15,910.9
2.1. Direct investment abroad	1,008.0	1,606.8	1,625.8	1,561.7	1,725.1	1,809.1	1,755.4	1,756.3
2.2. Portfolio investment	251.1	801.5	599.8	1,309.5	1,760.4	1,759.2	1,824.0	1,732.1
2.2.1. Equity securities	23.6	30.6	37.4	31.9	135.8	136.9	155.2	150.1
2.2.2. Debt securities	227.5	770.9	562.5	1,277.7	1,624.6	1,622.3	1,668.9	1,582.0
Bonds	196.4	761.0	560.0	1,142.5	1,508.4	1,528.5	1,291.7	1,207.2
Money market instruments	31.1	9.9	2.4	135.1	116.2	93.8	377.2	374.7
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	6,127.9	4,357.4	6,023.2	5,570.0	4,659.7	3,532.1	3,406.9	4,287.7
2.4.1. Trade credits	249.3	222.5	213.1	183.5	190.0	190.9	185.4	116.5
2.4.2. Loans	95.6	108.9	101.0	100.9	143.0	170.8	226.9	182.8
2.4.3. Currency and deposits	5,782.9	4,026.0	5,709.2	5,285.6	4,326.7	3,170.3	2,945.4	3,726.0
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.1	49.3	262.5
2.5. Reserve assets (CNB)	5,333.6	5,651.3	6,554.1	6,436.1	7,438.4	8,088.5	8,743.6	8,134.8
3. Liabilities	16,925.0	19,642.7	24,952.0	30,246.5	35,999.0	39,258.0	42,116.0	44,115.1
3.1. Direct investment in Croatia	4,414.0	5,790.8	6,790.3	9,074.6	12,242.1	14,510.4	16,431.2	18,430.0
3.2. Portfolio investment	4,474.5	4,312.8	4,885.6	5,880.1	5,457.4	5,113.8	5,178.5	5,640.6
3.2.1. Equity securities	144.1	204.1	196.0	407.0	557.1	764.2	796.5	1,353.4
3.2.2. Debt securities	4,330.4	4,108.7	4,689.7	5,473.1	4,900.3	4,349.6	4,382.0	4,287.2
Bonds	4,299.3	4,108.7	4,656.2	5,473.1	4,900.3	4,349.6	4,382.0	4,287.2
Money market instruments	31.1	0.0	33.5	0.0	0.0	0.0	0.0	0.0
3.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.4. Other investment	8,036.5	9,539.1	13,276.1	15,291.8	18,299.6	19,633.8	20,506.4	20,044.5
3.4.1. Trade credits	268.4	258.4	176.1	153.8	188.3	197.1	182.5	183.5
3.4.2. Loans	6,722.9	6,981.2	9,949.9	11,494.7	13,957.0	14,924.7	15,518.0	15,575.4
3.4.3. Currency and deposits	719.9	1,898.6	2,738.7	3,221.4	3,611.9	4,026.6	4,297.1	3,757.5
3.4.4. Other liabilities	325.3	400.9	411.3	421.9	542.4	485.4	508.7	528.2

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

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

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

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

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

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

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

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

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

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

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

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

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

Table H16: International Investment Position – Direct Investment

million euros

	2001	2002	2003	2004	2005 ^b	2006		
						Q1 ^b	Q2 ^b	Q3 ^a
Direct investment (net)	-3,406.0	-4,183.9	-5,164.5	-7,512.9	-10,517.0	-12,701.4	-14,675.8	-16,673.6
1. Abroad	1,008.0	1,606.8	1,625.8	1,561.7	1,725.1	1,809.1	1,755.4	1,756.3
1.1. Equity capital and reinvested earnings	975.0	1,569.1	1,587.0	1,502.3	1,610.4	1,715.3	1,661.6	1,644.2
Claims	975.0	1,569.1	1,587.0	1,502.3	1,610.4	1,715.3	1,661.6	1,644.2
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	33.0	37.7	38.8	59.5	114.6	93.8	93.8	112.1
Claims	43.4	49.9	62.3	87.4	132.7	123.1	124.9	146.0
Liabilities	10.4	12.2	23.5	28.0	18.1	29.2	31.1	33.9
1.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	4,414.0	5,790.8	6,790.3	9,074.6	12,242.1	14,510.4	16,431.2	18,430.0
2.1. Equity capital and reinvested earnings	3,339.4	4,400.6	4,972.7	7,116.4	9,920.6	12,090.6	14,042.1	15,907.7
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	3,339.4	4,400.6	4,972.7	7,116.4	9,920.6	12,090.6	14,042.1	15,907.7
2.2. Other capital	1,074.7	1,390.2	1,817.6	1,958.2	2,321.4	2,419.9	2,389.1	2,522.3
Claims	0.0	0.3	1.8	19.2	17.8	18.4	0.9	0.9
Liabilities	1,074.7	1,390.5	1,819.4	1,977.5	2,339.2	2,438.2	2,389.9	2,523.2
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data. ^b Revised data.

Table H17: International Investment Position – Portfolio Investment

million euros

	2001	2002	2003	2004	2005 ^b	2006		
						Q1 ^b	Q2 ^b	Q3 ^a
Portfolio investment (net)	-4,223.3	-3,511.3	-4,285.8	-4,568.2	-3,697.0	-3,354.6	-3,354.5	-3,908.5
1. Assets	251.1	801.5	599.8	1,311.8	1,760.4	1,759.2	1,824.0	1,732.1
1.1. Equity securities	23.6	30.6	37.4	34.2	135.8	136.9	155.2	150.1
Banks	7.5	7.4	4.7	5.1	5.9	5.3	9.4	6.7
Other sectors	16.2	23.2	32.6	29.1	129.9	131.6	145.8	143.4
1.2. Debt securities	227.5	770.9	562.5	1,277.7	1,624.6	1,622.3	1,668.9	1,582.0
2. Liabilities	4,474.5	4,312.8	4,885.6	5,880.1	5,457.4	5,113.8	5,178.5	5,640.6
2.1. Equity securities	144.1	204.1	196.0	407.0	557.1	764.2	796.5	1,353.4
Banks	40.7	44.5	46.3	64.7	84.0	114.1	138.9	200.9
Other sectors	103.4	159.6	149.6	342.3	473.1	650.1	657.6	1,152.5
2.2. Debt securities	4,330.4	4,108.7	4,689.7	5,473.1	4,900.3	4,349.6	4,382.0	4,287.2
Bonds	4,299.3	4,108.7	4,656.2	5,473.1	4,900.3	4,349.6	4,382.0	4,287.2
General government	4,268.2	3,947.6	4,310.9	4,648.1	4,065.5	3,495.7	3,532.3	3,643.3
Banks	0.0	0.0	0.0	444.4	456.7	462.7	466.3	452.1
Other sectors	31.2	161.2	345.3	380.6	378.1	391.2	383.5	191.8
Money market instruments	31.1	0.0	33.5	0.0	0.0	0.0	0.0	0.0
Other sectors	31.1	0.0	33.5	0.0	0.0	0.0	0.0	0.0

^a Preliminary data. ^b Revised data.

Table H18: International Investment Position – Other Investment

million euros

	2001	2002	2003	2004	2005 ^b	2006		
						Q1 ^b	Q2 ^b	Q3 ^a
Other investment (net)	-1,907.7	-5,180.7	-7,250.9	-9,720.1	-13,637.9	-16,100.3	-17,096.7	-15,754.8
1. Assets	6,127.1	4,356.7	6,022.6	5,569.4	4,659.1	3,531.5	3,406.3	4,287.7
1.1. Trade credits	249.3	222.5	213.1	183.5	190.0	190.9	185.4	116.5
1.1.1. General government	0.0	0.0	0.0	0.0	0.3	0.3	0.2	0.0
Long-term	0.0	0.0	0.0	0.0	0.3	0.3	0.2	0.0
1.1.2. Other sectors	249.3	222.5	213.0	183.5	189.7	190.6	185.1	116.5
Long-term	243.3	216.3	208.4	179.1	184.9	185.9	180.5	115.4
Short-term	6.0	6.2	4.6	4.4	4.8	4.8	4.7	1.0
1.2. Loans	94.9	108.2	100.4	100.3	142.4	170.2	226.3	182.8
1.2.1. General government	6.1	4.8	5.2	6.8	8.6	8.1	7.7	25.4
Long-term	6.1	4.8	5.2	6.8	8.6	8.1	7.7	25.4
1.2.2. Banks	83.4	97.5	86.6	81.0	105.9	128.9	182.0	140.6
Long-term	58.3	72.9	62.6	61.9	78.0	88.8	114.4	8.7
Short-term	25.1	24.6	23.9	19.0	27.9	40.1	67.5	131.9
1.2.3. Other sectors	5.4	5.9	8.6	12.5	27.9	33.2	36.5	16.8
Long-term	5.4	5.8	8.6	11.2	27.8	32.9	36.5	16.8
Short-term	0.0	0.1	0.0	1.3	0.1	0.3	0.1	0.0
1.3. Currency and deposits	5,782.9	4,026.0	5,709.2	5,285.6	4,326.7	3,170.3	2,945.4	3,726.0
1.3.2. General government	94.7	115.7	81.9	8.9	54.2	39.8	65.8	104.9
1.3.3. Banks	4,438.8	2,754.3	4,551.9	4,317.0	3,110.4	1,976.0	1,763.3	2,516.7
1.3.4. Other sectors	1,249.4	1,156.0	1,075.4	959.7	1,162.1	1,154.5	1,116.3	1,104.4
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.1	49.3	262.5
2. Liabilities	8,034.9	9,537.5	13,273.6	15,289.5	18,296.9	19,631.8	20,503.0	20,042.5
2.1. Trade credits	268.4	258.4	176.1	153.8	188.3	197.1	182.5	183.5
2.1.1. General government	1.3	1.1	2.3	2.1	2.6	2.4	2.3	2.1
Long-term	1.3	1.1	2.3	2.1	2.6	2.4	2.3	2.1
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	267.1	257.4	173.8	151.7	185.7	194.7	180.2	181.4
Long-term	226.7	209.9	151.7	128.5	158.0	157.7	143.7	148.5
Short-term	40.4	47.5	22.2	23.2	27.8	37.0	36.6	32.9
2.2. Loans	6,722.9	6,981.2	9,949.9	11,494.7	13,957.0	14,924.7	15,518.0	15,575.4
2.2.1. Croatian National Bank	213.8	21.5	363.1	0.0	0.0	0.0	0.0	0.0
o/w: IMF	138.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	1,672.7	1,950.8	2,286.4	2,599.0	2,977.2	3,129.9	3,063.0	3,010.8
Long-term	1,672.7	1,950.8	2,286.4	2,599.0	2,977.2	3,129.9	3,063.0	3,010.8
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,813.5	1,878.7	3,372.0	4,025.8	4,924.5	5,360.2	5,538.1	4,718.9
Long-term	1,810.8	1,878.4	2,767.7	3,512.3	3,844.8	4,263.1	4,316.0	3,999.3
Short-term	2.6	0.3	604.2	513.6	1,079.7	1,097.1	1,222.1	719.5
2.2.4. Other sectors	3,022.9	3,130.1	3,928.5	4,869.9	6,055.3	6,434.7	6,917.0	7,845.8
Long-term	2,969.0	3,103.0	3,858.3	4,769.7	5,764.1	6,146.9	6,484.5	7,250.4
Short-term	53.9	27.2	70.1	100.2	291.2	287.7	432.4	595.3
2.3. Currency and deposits	718.3	1,896.9	2,736.2	3,219.0	3,609.2	4,024.5	4,293.7	3,755.5
2.3.1. Banks	718.3	1,896.9	2,736.2	3,219.0	3,609.2	4,024.5	4,293.7	3,755.5
2.4. Other liabilities	325.3	400.9	411.3	421.9	542.4	485.4	508.7	528.2

^a Preliminary data. ^b Revised data.

Table I1: Consolidated Central Government According to Government Level

million kuna

	2004	2005	2006						
			Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
1. REVENUE (A + B)	87,019.3	92,642.5	7,043.6	7,394.4	7,628.9	8,602.1	8,325.0	8,246.0	8,756.1
A) Budgetary central government	80,463.5	85,653.0	6,732.4	7,066.4	7,356.8	8,303.1	7,959.0	7,864.6	8,301.3
B) Extrabudgetary users	6,555.8	6,989.5	311.2	328.0	272.0	299.0	366.0	381.4	454.8
1. Croatian Pension Insurance Administration	129.9	38.0	35.2	4.5	0.0	0.9	4.6	8.4	1.1
2. Croatian Institute for Health Insurance	663.1	863.9	77.5	47.3	75.7	62.6	57.1	105.8	63.5
3. Croatian Employment Service	15.5	18.9	0.5	0.2	1.4	1.0	0.2	0.6	0.2
4. Croatian Waters	1,224.4	1,227.8	99.9	64.1	61.8	86.8	93.2	88.6	172.7
5. Fund for Environmental Protection and Energy Efficiency	170.7	214.7	17.2	24.0	53.0	33.3	46.0	39.8	41.9
6. Croatian Motorways Ltd.	2,295.4	2,547.0	62.8	79.7	71.2	88.8	97.2	118.2	157.1
7. Croatian Roads Ltd.	1,417.8	1,474.7	3.0	2.4	6.8	2.6	6.4	14.6	3.4
8. State Agency for Deposit Insurance and Bank Rehabilitation	575.9	367.4	8.4	102.2	1.5	21.9	59.3	2.8	10.4
9. Croatian Privatization Fund	62.9	237.0	6.9	3.5	0.6	1.2	2.0	2.7	4.4
2. EXPENSE (A + B)	86,941.4	92,332.1	7,530.0	7,905.1	8,280.1	8,261.0	7,862.7	7,736.7	8,091.8
A) Budgetary central government	81,861.2	86,715.6	7,122.7	7,616.2	7,806.1	7,815.0	7,293.6	7,158.1	7,552.0
B) Extrabudgetary users	5,080.3	5,616.5	407.3	288.9	474.0	446.0	569.1	578.5	539.9
1. Croatian Pension Insurance Administration	587.4	382.2	27.9	33.2	33.7	30.9	33.9	39.9	36.3
2. Croatian Institute for Health Insurance	831.3	914.3	69.6	74.1	76.9	77.4	75.9	87.8	79.6
3. Croatian Employment Service	141.3	145.9	13.3	12.1	12.6	12.5	13.3	12.5	13.2
4. Croatian Waters	1,426.3	1,489.5	105.1	24.6	109.2	81.6	90.7	150.3	170.5
5. Fund for Environmental Protection and Energy Efficiency	32.4	172.0	11.0	4.0	58.0	70.1	50.2	59.8	54.2
6. Croatian Motorways Ltd.	752.3	1,085.1	75.9	70.9	85.6	103.3	146.6	115.7	88.9
7. Croatian Roads Ltd.	934.6	1,062.4	94.3	63.0	88.0	62.5	151.7	101.4	89.9
8. State Agency for Deposit Insurance and Bank Rehabilitation	314.5	183.0	5.5	1.7	3.3	1.3	1.6	1.1	2.1
9. Croatian Privatization Fund	60.1	182.1	4.7	5.4	6.7	6.4	5.2	10.0	5.2
NET/GROSS OPERATING BALANCE (1 – 2)	77.8	310.3	-486.4	-510.7	-651.3	341.1	462.3	509.3	664.3
3. CHANGE IN NET WORTH: TRANSACTIONS (3.1. + 3.2. – 3.3.)	77.8	310.3	-486.4	-510.7	-651.3	341.1	462.3	509.3	664.3
3.1. CHANGE IN NET ACQUISITION OF NON-FINANCIAL ASSETS	8,373.5	6,699.4	222.6	289.6	281.2	604.6	682.9	412.4	473.7
Acquisition	8,648.4	7,024.2	252.2	306.3	351.6	644.7	722.3	456.2	505.5
A) Budgetary central government	1,663.9	1,828.8	58.6	83.5	93.5	146.2	106.5	97.9	185.4
B) Extrabudgetary users	6,984.5	5,195.4	193.6	222.8	258.1	498.5	615.8	358.4	320.1
Disposals	274.9	324.8	29.6	16.6	70.4	40.1	39.4	43.8	31.8
A) Budgetary central government	244.4	275.1	19.8	16.5	32.9	34.9	39.6	37.5	31.5
B) Extrabudgetary users	30.5	49.6	9.7	0.1	37.5	5.2	-0.2	6.3	0.3
Net lending/borrowing (1 – 2 – 3.1.)	-8,295.6	-6,389.1	-709.0	-800.3	-932.4	-263.5	-220.6	96.9	190.6
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING) (3.3. – 3.2.)	8,295.6	6,389.1	709.0	800.3	932.4	263.5	220.6	-96.9	-190.6
3.2. CHANGE IN NET ACQUISITION OF FINANCIAL ASSETS	28.4	1,609.8	252.9	-341.4	-352.0	56.3	162.2	-307.8	6.7
3.2.1. Domestic	18.6	1,614.6	252.9	-341.4	-352.0	56.3	162.2	-310.5	6.7
A) Budgetary central government	138.6	1,747.7	242.6	-451.1	-308.7	-52.3	190.0	-125.1	50.0
B) Extrabudgetary users	-120.0	-133.1	10.3	109.7	-43.3	108.6	-27.8	-185.4	-43.3
3.2.2. Foreign	9.8	-4.9	0.0	0.0	0.0	0.0	0.0	2.7	0.0
A) Budgetary central government	9.8	-4.9	0.0	0.0	0.0	0.0	0.0	2.7	0.0
B) Extrabudgetary users	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. CHANGE IN NET INCURRENCE OF LIABILITIES	8,324.0	7,998.8	961.9	459.0	580.5	319.7	382.8	-404.7	-183.9
3.3.1. Domestic	4,107.7	12,041.7	528.2	1,755.3	2,575.9	282.5	438.4	-276.1	497.6
A) Budgetary central government	4,038.7	10,591.6	528.7	1,757.8	2,597.4	-120.4	-0.5	-335.5	395.1
B) Extrabudgetary users	69.0	1,450.1	-0.5	-2.4	-21.5	402.8	438.8	59.5	102.6
3.3.2. Foreign	4,216.3	-4,042.8	433.7	-1,296.4	-1,995.4	37.3	-55.6	-128.7	-681.6
A) Budgetary central government	270.3	-5,080.6	398.7	-1,374.3	-2,154.5	-23.1	-62.1	-127.9	-601.8
B) Extrabudgetary users	3,946.0	1,037.8	35.0	77.9	159.1	60.4	6.5	-0.8	-79.8

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

Table I2: Budgetary Central Government Operations

million kuna

	2004	2005	2006						
			Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
1. REVENUE	80,463.5	85,653.0	6,732.4	7,066.4	7,356.8	8,303.1	7,959.0	7,864.6	8,301.3
1.1. Taxes	47,149.9	50,687.6	3,912.6	4,249.2	4,417.1	5,138.1	4,951.8	4,826.4	5,202.1
1.2. Social contributions	29,477.6	31,301.3	2,622.4	2,628.1	2,703.8	2,713.8	2,819.3	2,843.8	2,912.4
1.3. Grants	10.1	27.5	0.9	1.4	1.2	0.0	2.5	8.5	1.4
1.4. Other revenue	3,825.9	3,636.6	196.6	187.6	234.7	451.1	185.4	185.9	185.3
2. EXPENSE	83,131.1	87,857.5	7,378.5	7,834.0	8,047.8	8,100.6	7,639.7	7,463.2	7,890.7
2.1. Compensation of employees	22,268.3	23,182.6	1,998.5	2,006.2	1,960.8	2,004.6	1,981.0	1,993.6	2,184.0
2.2. Use of goods and services	4,358.7	4,951.9	453.6	377.9	465.8	427.1	451.6	390.9	435.7
2.3. Consumption of fixed capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Interest	3,972.5	4,387.0	352.3	668.4	803.5	347.5	290.2	361.1	362.7
2.5. Subsidies	4,968.1	5,248.7	336.4	637.6	659.5	607.7	436.9	334.1	388.7
2.6. Grants	3,420.3	3,796.8	534.0	335.8	371.5	501.1	507.1	435.0	577.3
2.7. Social benefits	39,730.9	41,358.5	3,446.7	3,501.4	3,497.5	3,794.7	3,639.9	3,545.3	3,586.2
2.8. Other expense	4,412.4	4,931.9	257.1	306.7	289.1	418.0	332.9	403.4	356.2
3. CHANGE IN NET WORTH: TRANSACTIONS	-2,667.6	-2,204.5	-646.1	-767.6	-690.9	202.5	319.3	401.4	410.6
3.1. Change in net acquisition of non-financial assets	1,419.5	1,553.7	38.7	67.0	60.6	111.3	66.8	60.4	153.9
3.1.1. Fixed assets	1,384.6	1,517.0	38.6	72.8	62.5	118.2	82.4	70.7	162.2
3.1.2. Inventories	0.0	0.0	0.0	-8.0	-3.7	-12.1	-14.2	-11.1	-9.0
3.1.3. Valuables	7.5	7.2	0.2	0.3	1.1	0.4	0.8	0.3	0.9
3.1.4. Non-produced assets	27.3	29.5	0.0	1.9	0.7	4.8	-2.2	0.5	-0.3
3.2. Change in net acquisition of financial assets	222.0	1,752.8	242.6	-451.1	-308.7	-52.3	190.0	-122.4	50.0
3.2.1. Domestic	212.2	1,757.7	242.6	-451.1	-308.7	-52.3	190.0	-125.1	50.0
3.2.2. Foreign	9.8	-4.9	0.0	0.0	0.0	0.0	0.0	2.7	0.0
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. Change in net incurrence of liabilities	4,309.0	5,510.9	927.4	383.5	442.8	-143.5	-62.5	-463.4	-206.7
3.3.1. Domestic	4,038.7	10,591.6	528.7	1,757.8	2,597.4	-120.4	-0.5	-335.5	395.1
3.3.2. Foreign	270.3	-5,080.6	398.7	-1,374.3	-2,154.5	-23.1	-62.1	-127.9	-601.8

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

Table I3: Central Government Debt

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec. ^a	Dec.	Dec.	Dec.	Mar.	Jun.*	Jul.*	Aug.*	Sep.*	Oct.
1. Domestic debt of central government	24,907.3	31,421.5	34,736.4	41,517.0	55,028.8	58,914.2	60,395.9	60,406.0	60,557.7	60,629.4	59,655.3
1.1. Domestic debt of the Republic of Croatia	21,467.9	23,320.0	28,160.8	37,223.7	50,559.5	54,563.3	55,440.1	56,221.8	56,217.5	56,083.8	55,121.1
Treasury bills	4,892.3	5,632.7	6,548.1	9,022.5	12,533.4	12,518.7	12,647.4	12,719.0	12,657.3	12,254.5	12,165.5
Money market instruments	7.4	0.1	0.3	–	0.9	–	–	–	–	–	–
Bonds	15,415.8	15,887.9	17,422.0	23,080.1	30,716.0	31,714.5	31,025.6	33,444.0	33,486.2	33,643.9	33,626.0
Credits from the CNB	–	0.5	1.4	3.3	1.4	–	–	–	–	–	–
Credits from banks	1,152.4	1,798.8	4,189.1	5,117.8	7,307.8	10,330.2	11,767.1	10,058.8	10,074.0	10,185.3	9,329.6
1.2. Domestic debt of central government funds	3,439.4	8,101.5	6,575.5	4,293.3	4,469.2	4,350.9	4,955.8	4,184.2	4,340.2	4,545.6	4,534.2
Money market instruments	–	–	–	–	–	–	–	–	–	–	–
Bonds	1,636.1	4,460.7	3,616.4	2,040.1	176.9	159.8	145.9	145.6	135.5	194.6	194.3
Credits from banks	1,803.3	3,640.7	2,959.1	2,253.2	4,292.3	4,191.1	4,809.9	4,038.6	4,204.7	4,351.0	4,339.9
2. External debt of central government	43,319.1	43,517.5	50,137.9	55,384.4	51,760.6	48,372.3	47,721.3	47,832.9	48,176.4	49,005.6	49,039.0
2.1. External debt of the Republic of Croatia	39,487.3	37,388.3	41,048.8	42,095.7	36,433.6	33,087.3	32,653.5	32,079.6	32,279.4	32,849.1	32,865.8
Money market instruments	–	–	–	–	–	–	–	–	–	–	–
Bonds	30,746.7	28,694.2	32,144.8	32,899.3	27,112.3	22,803.5	22,811.9	22,403.1	22,541.5	22,924.1	22,963.1
Credits	8,740.6	8,694.1	8,904.1	9,196.4	9,321.2	10,283.7	9,841.7	9,676.5	9,738.0	9,925.0	9,902.8
2.2. External debt of central government funds	3,831.8	6,129.2	9,089.1	13,288.7	15,327.0	15,285.1	15,067.8	15,753.3	15,897.0	16,156.6	16,173.2
Money market instruments	–	–	–	–	–	–	–	–	–	–	–
Bonds	709.7	684.6	820.6	2,757.7	2,873.3	2,797.6	2,822.0	3,924.2	3,978.8	3,970.0	3,976.3
Credits	3,122.1	5,444.6	8,268.6	10,531.0	12,453.7	12,487.4	12,245.8	11,829.1	11,918.2	12,186.6	12,196.9
3. Total (1+2)	68,226.4	74,939.0	84,874.3	96,901.5	106,789.4	107,286.5	108,117.3	108,238.9	108,734.1	109,635.1	108,694.3
Supplement: Central government guaranteed debt											
– guarantees for domestic debt	6,025.6	7,528.1	6,895.4	4,632.4	5,345.9	5,720.9	6,481.5	6,558.7	6,633.6	6,798.8	6,617.4
– guarantees for external debt	8,813.6	8,261.9	8,618.5	7,671.4	7,179.6	6,793.0	6,452.9	6,357.0	6,407.8	7,023.2	7,015.8

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

Table I3: Central Government Debt

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

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

Table J1: Consumer Price and Producer Price Indices

Year	Month	Basic indices, 2001 = 100			Chain indices				Monthly year-on-year indices			
		Consumer price indices			Consumer price indices ^a			Producer prices	Consumer price indices ^a			Producer prices
		Total	Goods	Services	Total	Goods	Services		Total	Goods	Services	
1994	December	....	....	....	100.2	100.1	100.8	100.2	97.0	95.0	108.1	94.5
1995	December	....	....	....	100.2	100.2	99.8	100.5	103.7	102.4	109.3	101.6
1996	December	....	....	....	100.0	100.2	99.5	100.3	103.4	102.3	108.7	101.5
1997	December	....	....	....	100.7	100.3	102.3	99.9	103.8	102.7	108.2	101.6
1998	December	89.6	90.6	86.2	100.3	100.4	100.0	100.0	105.4	104.3	109.2	97.9
1999	December	93.1	93.4	91.8	100.6	100.8	100.0	100.3	103.9	103.1	106.5	105.9
2000	December	98.2	98.5	96.9	100.4	100.4	100.1	100.2	105.5	105.5	105.5	111.2
2001	December	100.5	99.8	103.5	100.4	100.4	100.5	99.0	102.4	101.3	106.8	96.9
2002	December	102.4	100.9	108.3	100.4	100.6	99.6	99.9	101.8	101.1	104.6	102.3
2003	December	104.1	102.5	110.6	100.3	100.2	100.5	100.0	101.7	101.6	102.2	101.0
2004	December	106.9	105.0	114.6	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	November	110.2	108.1	118.7	100.2	100.1	100.7	100.0	103.8	103.8	103.8	102.3
	December	110.8	108.7	119.3	100.5	100.5	100.5	99.7	103.6	103.5	104.1	102.7
2006	January	111.5	109.1	120.8	100.6	100.4	101.3	100.5	103.9	103.6	105.2	103.2
	February	112.4	109.8	122.4	100.8	100.7	101.3	100.7	103.6	102.8	106.2	103.6
	March	112.5	110.0	122.4	100.1	100.2	100.0	100.3	103.0	102.1	106.1	103.6
	April	112.8	110.3	122.3	100.2	100.3	99.9	100.1	103.5	102.8	105.6	103.4
	May	113.3	111.0	122.7	100.5	100.6	100.4	100.4	104.0	103.5	105.6	103.7
	June	113.2	110.6	123.4	99.9	99.7	100.6	99.8	104.0	103.6	105.6	103.7
	July	112.3	109.1	124.3	99.2	98.7	100.7	100.1	103.4	102.8	105.3	103.0
	August	112.4	109.0	125.2	100.1	99.9	100.7	100.2	103.4	102.7	105.9	103.1
	September	112.4	109.2	124.4	100.0	100.2	99.3	99.7	102.8	101.8	106.3	102.0
	October	112.3	109.3	123.8	100.0	100.1	99.6	100.0	102.1	101.2	105.1	101.5
	November	113.0	110.2	124.1	100.6	100.8	100.2	100.1	102.5	101.9	104.5	101.6

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

Table J1: Consumer Price and Producer Price Indices

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

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

Table J2: Core Consumer Price Indices

Year	Month	Basic indices, 2001 = 100			Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1998	December	93.2	93.7	90.6	99.9	99.9	100.0	....	....	....
1999	December	95.9	96.4	93.3	100.1	100.1	100.1	102.9	102.9	103.0
2000	December	99.1	99.3	98.0	100.4	100.4	100.2	103.3	103.0	105.0
2001	December	100.3	100.1	101.8	99.8	99.7	100.3	101.2	100.8	103.8
2002	December	101.5	101.1	104.2	100.0	100.1	99.4	101.2	101.0	102.4
2003	December	102.7	102.0	107.3	100.2	100.1	101.0	101.2	100.9	103.0
2004	December	105.1	104.2	110.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	November	108.2	107.3	114.0	100.3	100.4	100.0	103.1	103.0	103.6
	December	108.3	107.2	114.5	100.1	100.0	100.5	103.0	102.9	103.7
2006	January	107.7	106.5	114.8	99.5	99.3	100.3	102.8	102.7	103.8
	February	108.0	106.9	115.3	100.3	100.3	100.4	102.7	102.5	103.6
	March	108.4	107.4	114.5	100.3	100.5	99.3	102.6	102.4	103.4
	April	108.9	107.9	114.9	100.5	100.5	100.3	102.3	102.2	102.9
	May	109.5	108.5	115.8	100.6	100.6	100.8	102.6	102.5	102.9
	June	110.0	108.9	117.3	100.5	100.3	101.3	102.7	102.6	103.2
	July	109.6	108.0	119.4	99.6	99.2	101.7	102.2	102.1	102.6
	August	109.5	107.8	119.9	99.9	99.8	100.5	102.2	102.1	102.8
	September	110.3	109.0	118.0	100.7	101.1	98.4	102.7	102.6	103.5
	October	110.8	109.8	116.9	100.4	100.7	99.1	102.7	102.7	102.6
	November	110.9	109.9	117.0	100.1	100.1	100.1	102.5	102.5	102.7

Source: Central Bureau of Statistics.

Table J2: Core Consumer Price Indices

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

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

Table J3: Average Monthly Net Wages

in current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1994	December	1,646.0	119.0	153.4	233.2
1995	December	1,883.0	99.4	114.4	145.7
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	December	3,839.0	98.0	107.2	105.0
2003	December	4,045.0	99.8	105.4	105.9
2004	December	4,312.0	99.1	106.6	105.9
2005	November	4,595.0	105.9	105.6	105.0
	December	4,473.0	97.3	103.7	104.9
2006	January	4,458.0	99.7	105.2	105.2
	February	4,405.0	98.8	105.0	105.1
	March	4,602.0	104.5	104.8	105.0
	April	4,494.0	97.7	104.8	105.0
	May	4,686.0	104.3	105.6	105.1
	June	4,640.0	99.0	104.7	105.0
	July	4,557.0	98.2	104.7	105.0
	August	4,633.0	101.7	104.9	105.0
	September	4,542.0	98.0	104.4	104.9

Source: Central Bureau of Statistics.

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

index points, original data

Year	Month	Composite indices			Response indices (I)						
		Consumer confidence index	Consumer expectations index	Consumer sentiment index	I1	I2	I3	I4	I7	I8	I11
1999	October	-33.7	-14.9	-46.3	-38.4	-12.1	-49.9	-17.6	35.5	-50.7	-69.7
2000	October	-20.9	3.5	-32.2	-26.2	1.2	-22.0	5.7	26.9	-48.3	-63.6
2001	October	-27.0	-11.4	-35.6	-29.6	-10.0	-35.9	-12.7	22.9	-41.3	-62.3
2002	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	November	-23.0	-9.1	-23.1	-17.0	-4.0	-28.8	-14.1	23.1	-23.5	-50.6
	December	-26.4	-13.7	-25.6	-16.4	-5.9	-34.4	-21.5	27.6	-25.9	-50.6
2006	January	-23.7	-8.4	-23.6	-14.5	-3.7	-26.6	-13.0	19.7	-29.6	-58.2
	February	-26.4	-11.6	-25.3	-20.3	-6.7	-29.5	-16.5	24.8	-26.0	-57.4
	March	-25.3	-13.0	-25.4	-18.7	-5.9	-33.4	-20.0	22.1	-24.0	-53.3
	April	-23.8	-11.1	-26.6	-19.4	-7.1	-30.5	-15.0	20.3	-30.0	-52.7
	May	-23.7	-11.4	-25.3	-18.7	-6.1	-32.8	-16.7	18.9	-24.3	-52.9
	June	-20.2	-7.0	-20.8	-13.4	-1.3	-25.5	-12.6	14.8	-23.5	-51.9
	July	-19.4	-5.3	-20.3	-16.1	-0.9	-24.5	-9.6	17.4	-20.2	-49.7
	August	-23.1	-8.8	-19.4	-16.3	-5.2	-25.1	-12.4	21.1	-16.7	-53.5
	September	-20.9	-6.4	-19.3	-16.6	-2.6	-25.7	-10.2	20.2	-15.5	-50.7
	October	-19.2	-6.2	-18.8	-11.6	-3.2	-22.7	-9.1	15.0	-22.1	-49.3
	November	-20.0	-7.6	-18.1	-12.5	-2.3	-21.6	-12.9	15.7	-20.2	-49.0

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The components of composite indices are as follows:

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

CEI: I2, I4

CSI: I1, I3, I8

List of Banks & Savings Banks

1 December 2006

Licensed Banks

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

Licensed Housing Savings Banks

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

Other Licensed Institutions with Full Authorization

1. Hrvatska banka za obnovu i razvitak, Zagreb

Representative Offices of Foreign Banks

1. Bank für Kärnten und Steiermark AG, Zagreb

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

Banks and Savings Banks under Bankruptcy Proceedings

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

Banks and Savings Banks under Liquidation Proceedings

Name of bank/savings bank	Date of liquidation proceedings initiation
1. Investicijsko-komercijalna štedionica d.d., Zagreb	31/05/2000
2. Križevačka banka d.d., Križevci	03/01/2005
3. Primus banka d.d., Zagreb	23/12/2004
4. Štedionica Dora d.d., Zagreb	01/01/2002
5. Štedionica SA-GA d.d., Zagreb	31/12/2001
6. Štedionica Zlatni vrutak d.d., Zagreb	28/12/2001

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

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

Management of the Croatian National Bank

1 December 2006

Members of the Council of the Croatian National Bank

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

Management of the CNB

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

Executive Directors

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

