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BULLETIN

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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)	-755	-2,192	-1,305	-1,312	-47	-818	-2,095	-1,866	-1,404	-1,985
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)	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)	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) ^c	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) ^{c,d}	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	7.5818	7.6339	7.4710	7.4070	7.5642	7.4957	7.4000
Average exchange rate (HRK : 1 USD)	5.4338	6.1571	6.3623	7.1220	8.2874	8.3392	7.8725	6.7044	6.0312	5.9500
Consolidated central government balance (as % of GDP) ^e	....	....	....	-7.1	-7.5	-6.8	-4.9	-6.2	-4.8	-4.1
Public debt (as % of GDP) ^f	....	....	....	....	48.2	49.4	48.6	48.6	49.4	49.7
Unemployment rate (ILO, persons above 15 years of age) ^g	10.0	9.9	11.4	13.6	16.1	15.8	14.8	14.3	13.8	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 From 1996 to 1998, the rate of inflation was measured by the retail price index. From 1999 on, it is measured by the consumer price index.

^c External debt indicators for the period 1998-2005 are shown on a gross basis, while the indicators for the period up to 1997 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.

^d 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.

^e Total balance excluding capital revenues (GFS 1986) in the period from 1999 to 2001 is shown on a cash basis. From 2001 on, total balance is shown on a modified accrual basis and includes CM, CR CPF and DAB.

^f Public debt includes general government debt and issued government guarantees.

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

Sources: CBS, MoF and CNB.

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Quarterly Report

Introduction

Real GDP growth accelerated to 4.7% in the third quarter of 2006, mainly due to upswings in personal consumption and investment. The available economic indicators for the fourth quarter suggest a continuation of strong growth, with foreign demand also picking up.

Domestic demand contributed some 6.4 percentage points to real GDP growth in the third quarter, with gross fixed capital formation growing at a 9.3% rate year-on-year, and personal consumption growing 3.9%. Strong growth in construction, particularly construction of buildings, in October and November, continuing rapid growth in housing loans, and growth in both the production and import of capital goods at the end of 2006 suggest high levels of investment in the fourth quarter. Government investment appears to have increased mildly towards the end of the year, although it may end up showing real decrease for the year as a whole.

Personal consumption growth accelerated sharply from 1.3% in the second quarter to 3.9% in the third quarter. Real retail trade turnover accelerated in the last quarter, as did the total volume of production and nominal imports of consumer goods. Also, increased VAT receipts suggest strong consumption. Bank loans to households (excluding housing loans) grew strongly, and moderate increases in wages and employment bolstered disposable household income. Additionally, the payment of the second tranche of the “pensioners’ debt” added a further stimulus to consumption.

Despite clear signs of faster growth in the European Union in the third quarter of 2006, Croatia’s annual exports of goods and services did not increase noticeably in this period. However, Croatia’s annual imports of goods and services grew strongly in the third quarter, with the contribution of foreign demand to real GDP growth standing at –1.7 percentage points in the quarter. Still, a noticeable growth in annual exports of goods is expected to bolster GDP growth.

Government consumption has made a modest positive contribution to GDP growth during 2005 and 2006. During the first nine months of 2006, government consumption added a bit less than 0.5 percentage points to GDP growth. Real government consumption growth in the fourth quarter is likely to be higher, due to expected growth in outlays on goods and services, and falling inflation.

Turning to the production side, gross value added in industry grew by some 6.2% year-on-year in the third quarter. In the last quarter, the seasonally-adjusted total volume of industrial production grew by 6.8% over the same period in 2005, 1 percentage point more than in the third quarter of 2006. Manufacturing industry, by far the largest of the three subcategories of industry, grew 7.5%, while mining and extraction grew by 15.2%, its largest increase since the end of 2002.

Gross value added in the trade sector grew 3.4% year-on-year in the third quarter. Real retail trade turnover grew by 2.3% in the third quarter and 4.5% in the fourth quarter, indicating acceleration of GVA growth in this activity at the end of the year.

Total volume of construction works was up some 8.7% in

October and November 2006 compared to the same months the year before. Good weather certainly played a role in this increase. The strong growth in mining and extraction provides further confirmation of strong construction growth.

Growth of gross value added in the hotel and restaurant sector, which is only a partial reflection of tourism activity, was only 3.1% in the third quarter, down from 9.3% in the second quarter. In the last quarter, the number of tourist arrivals grew by 12.3% and night-stays rose by 7.8% year-on-year. Nominal tourism revenues were up by some 20.0% in the fourth quarter. However, it should be noted that total tourism revenues in the fourth quarter are only a small fraction of those incurred in the third quarter.

Finally, gross value added in transport, storage and communications grew by some 8.2% in the third quarter over the same period last year. The fourth quarter of 2006 saw strong growth in the number of transported goods and passengers, and positive developments in postal and telecommunication services.

Although normal seasonal factors led to increases in monthly unemployment data during the last quarter, sustained economic growth has led to steady year-on-year decreases in registered unemployment. Employment from the CES register grew by 21.9% year-on-year in the fourth quarter of 2006, while the number of the newly registered rose by 9.6%. This contributed to the continuation of the upward trend in employment from the CES register, which has been present during the entire 2006. Total unemployment averaged 291 600 in 2006, 5.5% less than in 2005, and the average unemployment rate fell by 1 percentage point to 16.9%.

According to the preliminary CBS data and the number of insured with the CPIA, total employment grew in the third quarter of 2006 compared with the same period last year. The number of insured with the CPIA grew by 2.6% year-on-year in the fourth quarter, the same as in the third quarter of 2006, while total employment rose by 0.6%. Positive contributions to total employment growth, like in the third quarter, came from real estate and other business activities (3.8%), construction (2.8%), and financial intermediation (2.7%). The fall of employment in industry (0.5%), accompanied by the growth in gross value added, contributed to a 6.9% increase in labour productivity.

Real gross and net wages grew faster in the fourth quarter, partly due to a nominal increase in gross and net wages and partly due to stronger slowdown in the consumer price index. Real gross wages accelerated from 2.3% year-on-year in the third quarter to 4.2% in the fourth quarter, and the accelerated growth in real gross wages in industry has thus far not led to increased inflationary pressure from the labour market.

Inflation decelerated considerably in the second half of 2006, largely due to decreases in domestic refined petroleum products’ prices, and decreases in agriculture products’ prices. For the year as a whole, the average consumer price inflation only decreased slightly from 3.3% in 2005 to 3.2% in 2006. However, the year-on-year rate of consumer price inflation fell from 3.6% in December 2005 to 2.0% in December 2006.

Administrative price increases fell especially strongly, from 6.1% in December 2005 to 2.0% in December 2006,

with domestic refined petroleum products' prices playing the key role. In addition, prices of electric energy, medical services and housing rents also grew much slower, as large monthly increases in the second half of 2005 no longer affected the year-on-year growth rates in 2006.

Core inflation also decelerated, falling from 3.0% in December 2005 to 2.3% in December 2006. The most noteworthy factor behind falling core inflation was a decrease in the year-on-year rate of change of meat price from 6.1% in December 2005 to -0.5% in December 2006. By contrast, the year-on-year rate of change of automobile prices rose from -7.9% to 3.2% in the same period. Agricultural prices also helped keep inflation down, with their growth rate falling from 1.2% to -1.3% in the same period.

Imported inflation pressures eased substantially in the second half of the year. Although the average crude oil prices per barrel were 8.1% higher at the end of 2006 than they had been at the end of 2005, appreciation of the nominal exchange rate of the kuna against the dollar resulted in a 3.5% decrease in crude oil prices in kuna terms between December 2005 and December 2006. Refined petroleum products' prices on the local market fell steadily from September 2006 through the end of the year, and by year-end the annual rate of change of these prices was -1.9%. World market prices of other raw materials continued to rise during 2006, with the HWWI index, excluding energy, up 30.6% in US dollar terms. Non-ferrous metals' prices rose especially sharply, some 52.5%, fuelled by strong demand from China.

In keeping with the Croatian National Bank's policy of maintaining broad exchange rate stability, during 2006 the average daily kuna-euro exchange rate appreciated by 1.0% in nominal terms, helping to contain inflationary pressures. Appreciation pressures were felt throughout the most of 2006, due to steady growth in domestic lending financed by foreign borrowing, direct borrowing from abroad by enterprises, and a rise in demand for the kuna related to the continuation of the government borrowing on the domestic market. In addition, appreciation pressures on the kuna/euro exchange rate in the second half of the year also arose from foreign exchange inflows for the purchase of Pliva d.d. shares and from the decisions of some foreign parent banks to recapitalise subsidiary banks in Croatia.

The central bank attempted to ease these appreciation pressures by foreign exchange purchases. Net purchases from banks amounted to some EUR 995.0m in 2006. With an additional EUR 208.9m, purchased by the CNB from Zagrebačka banka d.d., as required for the transactions related to the Pliva d.d. takeover, the total net amount issued in 2006 reached HRK 8.8bn. This was substantially above the levels of monetary creation seen in 2004 and 2005, when HRK 3.8bn and HRK 5.0bn were created respectively. This net monetary effect was partly offset by the sale of EUR 438.3m (net) worth of foreign currency to the MoF, withdrawing from circulation HRK 3.2bn.

The kuna/euro exchange rate appreciated nominally by 0.5% in the last quarter of 2006, rising from HRK 7.38/EUR on 30 September to HRK 7.35/EUR on 31 December. This period saw five central bank's foreign exchange interventions aimed at curbing the appreciation of

the kuna exchange rate, with the resulting EUR 746.7m purchased from banks. Of this amount, EUR 537.8m represented central bank purchases from banks at foreign exchange auctions. In addition, the CNB purchased EUR 208.9m worth of foreign currency from Zagrebačka banka d.d. in October, in order to ensure for the Pliva d.d. takeover to proceed smoothly while unaffffecting liquidity. In the last quarter of 2006, including the bilateral transaction with Zagrebačka banka, the CNB issued a total of HRK 5.5bn through foreign exchange interventions. The CNB sold also net EUR 417.1m to the MoF in the same period. These transactions and pressures on the market in the last quarter of 2006 slightly increased the kuna-euro exchange rate variability.

The kuna/euro exchange rate was relatively stable in the first two months of 2007, standing at HRK 7.35/EUR at end-February, the same level as at end-December 2006. On 25 January, the CNB sold EUR 57.0m worth of foreign currency to the MoF for the purpose of repayment of the debt owed to the London and Paris Clubs.

The nominal kuna/US dollar exchange rate strengthened by 10.5% in 2006, primarily due to the weakening of the US dollar against the euro on foreign currency exchanges. The exchange rate strengthened by a total of 0.3% over the first two months in 2007, while the index of the nominal effective exchange rate of the kuna appreciated by 0.1%.

The nominal effective exchange rate appreciated some 3.4% during the year, mainly due to the appreciation against the dollar. The kuna also appreciated in real terms in 2006. Even though producer price inflation was higher in the eurozone than in Croatia, the real effective exchange rate calculated by producer prices appreciated by 2.0%. Similarly, the real effective exchange rate calculated by consumer prices appreciated 3.3%.

Although inflation decreased in the last quarter of 2006, the central bank continued to be faced with strong appreciation pressures, strong growth in bank lending and increasing external debt. Increased demand for kuna and the associated appreciation pressures, which the central bank alleviated by purchasing foreign exchange from banks, was reflected in strong growth of reserve money in 2006. This led to further growth in bank placements, additionally stimulating aggregate demand and imports. Increased demand for funds continued to be financed by increased foreign borrowing of banks, and by direct borrowing of enterprises from abroad.

The central bank increased the marginal reserve requirement to 55% as early as in December 2005. However, this did not prevent further growth of bank foreign borrowing, which was especially strong in December 2006. In January 2007, the marginal reserve requirement base grew by some HRK 6.8bn. Owing to further increase in bank foreign borrowing in January, the allocated marginal reserves grew by as much as HRK 4.3bn in the first two months of 2007 – more than the 3.5 billion kuna increase for the whole of 2006.

In December, the CNB issued a Decision on the purchase of compulsory CNB bills, restricting the "allowed" bank placements growth to 12% in 2007. The Decision was amended in February, ensuring for the banks greater flexi-

bility in terms of planning their annual credit growth dynamics. The base for calculating the amount of compulsory CNB bills to be purchased consists of any increase in placements above the permitted level, with the rate of purchase of compulsory CNB bills standing at 50%.

In September 2006, the Croatian National Bank amended its Decision on the minimum required amount of foreign currency claims by including kuna liabilities with a currency clause in total foreign currency liabilities. Banks were given until March 2007 to comply fully, and were required to increase their coverage ratio by 2 percentage points per month until in compliance. At end-January, coverage at the banking system level stood at 32.5%, while the coverage ratio of six banks was below 32%.

All monetary aggregates grew rapidly in 2006. Reserve money (M0) grew 14.7% year-on-year. Deposits with the central bank grew strongly, as did currency in circulation. Despite normal seasonal decreases in M0 at the beginning of the year (HRK 2.0bn in January and February of 2007), at the end of February 2007, M0 was some 21.4% above its level from February 2006.

The money supply (M1) grew by 25.0% in 2006, more than twice as fast as in 2005. At end-January 2007, M1 was about HRK 46.0bn, while its year-on-year growth remained at a high 23.5%. Demand deposits grew rapidly in the fourth quarter. At end-January, total current and giro account balances stood at HRK 32.1bn, while the year-on-year growth rate of demand deposits stood at 25.7%.

The big story of monetary aggregates in 2006 was the spectacular growth in kuna non-monetary deposits, 60.2% year-on-year. The main factor here was the growth in foreign exchange indexed kuna deposits in the first nine months of the year. In the fourth quarter, after the central bank amended the foreign exchange liquidity requirement, indexed kuna deposits fell by some HRK 6.7bn.

Nonetheless, household kuna non-monetary deposits rose some 50.5% in 2006. Corporate kuna deposits grew by 81.4%, and were almost all "pure" kuna, as opposed to indexed, deposits. Unsurprisingly, growth in foreign currency deposits, which had been almost non-existent through September 2006, revived thereafter. By January 2007, the growth rate of foreign currency deposits had risen to 5.1%. The 2006 developments in kuna and foreign currency deposits led to a change in the currency structure of total non-monetary deposits. If kuna deposits with a currency clause were added to foreign currency deposits, their share in total non-monetary deposits recorded a fall from 85.5% at end-2005 to 78.5% at end-2006.

As a result of the strong growth of both M1 and quasi-money, the broadest monetary aggregate, M4, went up by as much as HRK 27.8bn or 18.0% in 2006, which is almost twice more than in 2005 (HRK 14.7bn or 10.5%). The growth rate accelerated to 20.4% at the end of January 2007.

Against this monetary background, bank lending grew steadily and rapidly in 2006. Total bank lending to the non-banking sector, adjusted for exchange rate changes, grew 24.7% in 2006. Lending to enterprises grew 24.4%, up 10.1 percentage points from 2005. Notably, enterprise lending grew faster than household lending for the first time

since 1995.

Household lending, however, was not far behind, growing 21.8%. The most dynamic area within household lending was housing lending, whose growth rates remained above 30% during the whole year. The growth rate of household lending rose slightly to 22.3% in January 2007, while total loans to the household sector stood at HRK 97.0bn.

Preliminary data on the balance of payments for the fourth quarter of 2006 indicate a deficit of EUR 1.41bn (5.6% less than in the fourth quarter of 2007), and 7.7% of the estimated GDP in 2006. Exports of goods rose 19.7% in the quarter on the back of strong ship exports. At the same time, the annual growth in goods import slowed in the quarter. The current account was also bolstered by decreased net imports of other services (down 31.2% in the fourth quarter), and increased net tourism revenues of 13.5%. Additionally, net factor income was positive in the fourth quarter of 2006, rather than the negative number in the same quarter of 2005. Labour income realised abroad grew strongly, as did investment earnings of the central bank, and residents' earnings on investments abroad.

For the year as a whole, the significant worsening of the foreign trade deficit in the first three quarters was partly compensated by better performance in the fourth quarter. According to the CBS data, the foreign trade deficit grew 13.9% in 2006 at constant exchange rates, compared to 15.7% growth in 2005.

Goods exports grew 17.3%, up from 9.6% in 2005. The major contributors to this were exports of ships, up 30.2% in 2006, as compared to 15.9% in 2005, as well as exports of natural and manufactured gas, and oil and refined petroleum products. Excluding ships and oil and refined petroleum products, goods export growth accelerated only mildly in 2006, to 15.0% from 13.2% in 2005. Lower exports in 2006 were registered in the divisions of road vehicles (parts and accessories for motor vehicles), wearing apparel and tobacco and tobacco manufactures.

Goods import growth also sped up from 12.7% in 2005 to 15.5% in 2006 at constant exchange rates. Imports of oil and refined petroleum products rose 21.0%, a far cry from 2005's 41.3%. Excluding oil and refined petroleum products, import growth of other divisions rose from 9.3% in 2005 to 14.1% in 2006. Imports of road vehicles rose 16.6%, while the rise in metals prices on the world market contributed to the increase in the value of imports of iron and steel, other of manufactures of metals (n.e.c.) and non-ferrous metals. Capital goods imports (machinery and transport equipment excluding other transport equipment and vehicles) rose from 9.0% in 2005 to 11.3% in 2006.

On the capital and financial account, the fourth quarter saw very large direct investment inflows of some EUR 1bn. The Pliva takeover was the dominant transaction in the quarter, accounting for about EUR 750m. Also, the recapitalisation of Privredna banka d.d. (EUR 245m), Société Générale – Splitska banka d.d. (EUR 50m) and companies in the trade sector added to the total.

Portfolio investment registered net outflows of EUR 161m in the fourth quarter. This reflects purchases of foreign securities by domestic sectors, especially banks. On the

inflow side, a new bond issue of EUR 150m was placed by Agrokor d.d. Net inflows of EUR 0.9bn came from other investment, with liabilities of domestic sectors growing EUR 1.7bn, and their foreign assets growing EUR 0.8bn. Banks accounted for the lion's share of the increased liabilities. According to balance-of-payments data, which includes only transactions and not valuation changes, international reserves grew by EUR 639m in the last quarter of 2006.

Croatia's external debt was EUR 29bn at the end of 2006, up EUR 3.5bn or 13.5% on end-2005. This growth rate is slightly higher than 2005's 12.1%. The external debt of "other domestic sectors" (mostly enterprises) grew by some 30.7%, while bank external debt grew a more moderate 13.2%. The external debt of leasing companies grew especially rapidly, increasing by EUR 1.1bn, as compared to only EUR 0.3bn in 2005.

Data on fiscal outcomes are only available for the first eleven months of 2006, and only cover consolidated central government. Strong economic growth resulted in strong revenue growth during the period. Total consolidated central government revenues were 10.5% greater than in the same period last year. Tax revenues also grew 10.5%, with VAT revenues growing 10.1%, income tax revenues growing 11.4%, and profit tax growing some 28.6%. Social contributions grew at a slightly lower rate of 8.4%.

Total consolidated central government expenditures rose by 5.5%. Social benefits grew 4.5%, with social security benefits, including the majority of pensions, up 3.6%. Social assistance benefits, including disability pensions, child allowance, Croatian war veteran's permanent rights and pension supplement grew 7.3%. Expenditures on the use of goods and services grew some 22.4%, with especially strong growth in October and November. Compensation of employees increased 5%, and subsidies grew 6.4%. Notably, subsidies to enterprises outside the public sector grew 18.7%, while subsidies within the public sector fell due to decreased subsidies paid to Croatian Railways.

The net operational balance was a positive HRK 3.2bn in the period, after being negative in the same period last year (HRK 1bn). However, the government purchased HRK 5.4bn of non-financial assets, so that the net borrowing requirement was HRK 1.9bn. The purchase of non-financial assets included buildings and structures, equipment and land, and was 8.7% less than in the same period last year.

The deficit of consolidated central government, excluding capital revenues (shown on a cash basis, in accordance with GFS 1986), amounted to HRK 3.3bn in the first eleven months of 2006, of which HRK 1.9bn referred to extra-budgetary entities. Croatian Motorways and Croatian Roads appear to have incurred most of this deficit. The deficit decreased almost 60% compared to the same period last year.

Central government debt was HRK 101.4bn at the end of November 2006, or HRK 1.8bn more than at the end of 2005. The slow growth of the debt during 2006 was mainly due to fiscal consolidation, and to a lesser extent the result of the appreciation of the kuna against the currencies in which a larger portion of debt is denominated or indexed to. The domestic debt of central government was HRK 60bn at end-November, up HRK 5.5bn from the end of 2005, and

the external debt was HRK 41.5bn, down HRK 3.7bn. The debt of the Croatian Bank for Reconstruction and Development grew by HRK 103m in the January-November period of 2006, reaching HRK 7.2bn. Almost all of CBRD's debt is external debt.

During 2006, the government issued two tranches of a seven-year bond on the domestic market (HRK 2.5bn in July, and HRK 1.5bn in November) and the second tranche of a ten-year bond (in mid-December 2005). The rest of the increase in domestic central government debt came from bank loans. The external debt was decreased by the repayment of the Samurai and eurobonds, and two regular repayments due to the London Club on series A and series B bonds.

At the end, two noteworthy transactions made by the government should be noted. First, in October, the government transferred its shareholdings of 16.77% in Pliva to the Pensioners' Fund set up to repay pensioners' debt. The sale of these shares brought in HRK 2.5bn for the Pensioners' Fund, and served to repay the loan used to finance the first tranche of the pensioners' debt repayment. The remaining funds were to a large extent used in December for the settlement of the second tranche of the pensioners' debt. Second in November, the government made an initial public offering of 17% of Ina. HRK 2.7bn was collected, and this was used to repay a short-term foreign exchange loan extended by domestic banks in March 2006.

Demand

The third quarter of 2006 saw a continuation of the overall economic activity growth recorded since early 2006, resulting in an acceleration of its annual rate during the observed period. Thus, as suggested by the quarterly GDP estimate for the third quarter of 2006,¹ a recovery of personal consumption dynamics and strong investment growth led to a substantial increase in GDP by 4.7%. Such developments in the stated aggregate demand components also contributed to a slight rise in demand for imported goods, while the growth of goods and services exports slowed down, resulting in a negative contribution of net foreign demand to total real GDP growth (-1.7 percentage points) in this period. Owing to a mild slowdown in government consumption growth at the annual level, the contribution of this demand component to real GDP growth in the third quarter remained below 0.5 percentage points.

Taken cumulatively, in the first nine months of 2006 GDP at constant prices rose by 4.7% relative to the same period in the previous year, when total economic activity grew at a real rate of 4.1%.

Monthly economic activity indicators for the fourth quarter of 2006 point to further growth in domestic demand and a foreign demand recovery. According to the available nomi-

¹ CBS data on GDP for the period from the first quarter of 2004 to the third quarter of 2006 are provisional, i.e. not harmonised with the annual GDP calculation, and are based on quarterly GDP estimate. According to the CBS calendar of statistical data issue in 2006, quarterly GDP estimate for the fourth quarter will be available on 30 March 2007.

Figure 1

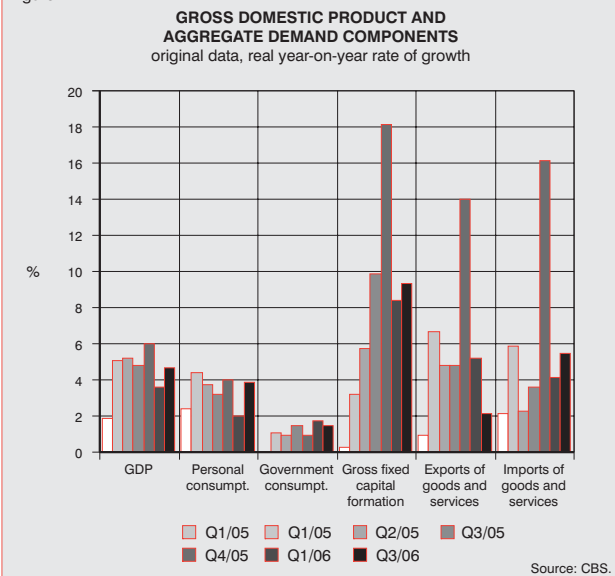


Figure 2

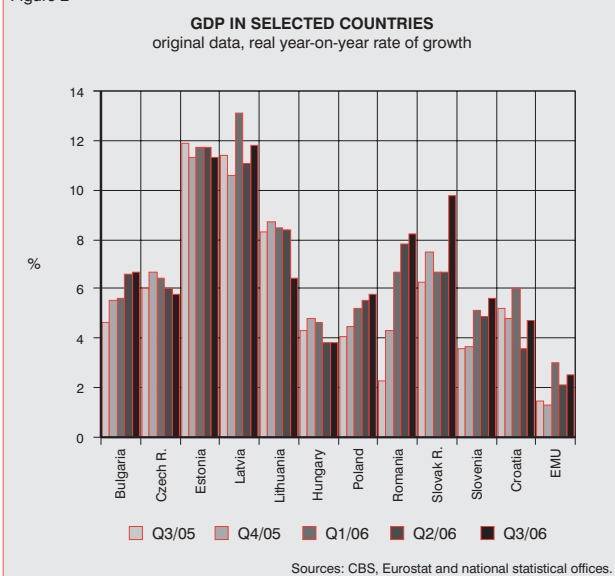


Figure 3



nal CBS data on merchandise trade, foreign demand apparently provided a strong impetus to domestic production growth in late 2006, while continued favourable trends in hotels and restaurants and transport and communications also suggest positive movements in services exports.

Economic growth acceleration in most Croatia's main trading partners over the third quarter of 2006 had no impact on the growth of demand for Croatian products, i.e. it did not strengthen Croatia's goods and services exports. This suggests that the demand in these countries over the observed period was satisfied by domestic production, but it may also be a sign of the temporary re-orientation of foreign trade to other countries. The available data from national bureaus of statistics and Eurostat for the third quarter of 2006 suggest a recovery of economic growth in the eurozone,² and the growth is estimated at 2.5%. Over the third quarter of 2006, GDP growth accelerated in the strongest economies of the eurozone: Italy, Germany and France, as well as in most countries in the environment. Sizeable real GDP growth was recorded in Slovakia (9.8%), Romania (8.2%), Poland (5.8%) and Slovenia (5.6%). Very high growth rates were reported by the Scandinavian countries, Latvia (11.8) and Estonia (11.3%), as well as in Bulgaria (6.7%), while Lithuania and Czech Republic saw a slowdown in GDP growth, but their real annual growth rates still exceeded 5%.

Eurostat's flash estimate for the fourth quarter of 2006 eurozone economic growth points to a further acceleration of economic activity at a rate of 3.3% (according to the same source, estimated growth rates for EU are similar). Eurostat's short-term GDP growth forecasts for 2007 suggest stable economic activity dynamics over the first half of the year relative to the same period in 2006, taking into account seasonal effects and different number of working days. Moreover, the latest results of the business and consumer confidence surveys for the European Union³ point to a stabilisation of business and consumer optimism at end-2006 and early in 2007, at a level considerably above their long-term average. Concurrently, slightly more favourable trends were observed in consumer expectations. All this said, Croatia can expect somewhat faster growth in goods and services exports towards the end of 2006, and their dynamics are likely to stabilise in early 2007.

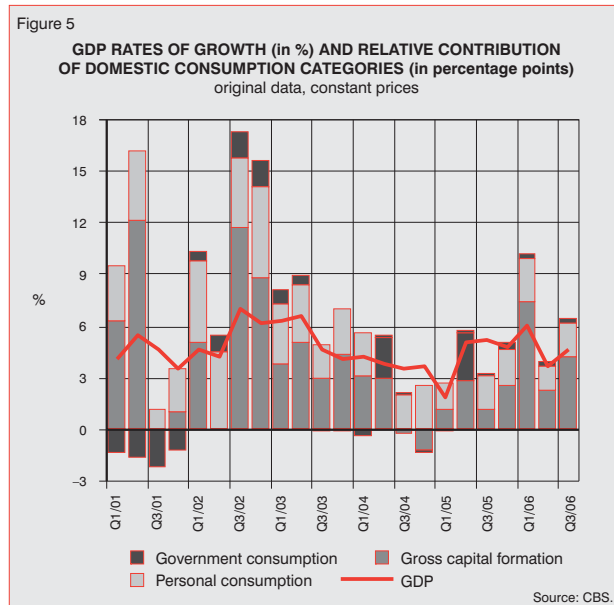
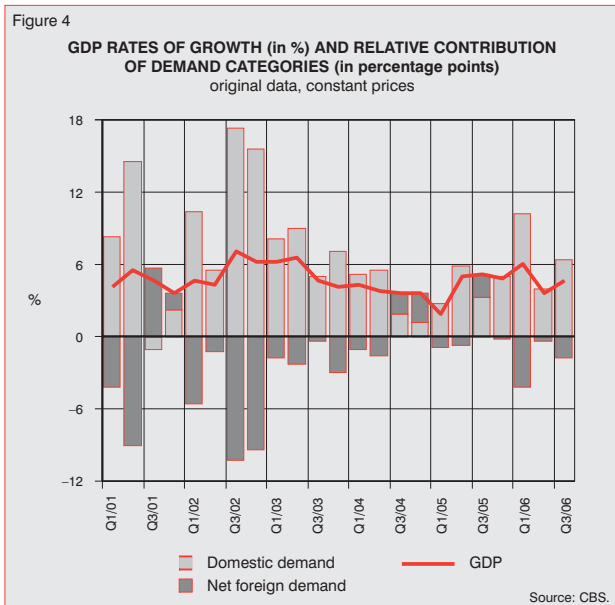
Foreign Demand

In the third quarter of 2006, the annual growth of goods and services exports lagged behind that of other aggregate demand components, excluding government consumption and change in inventories, which is unreliable owing to the statistical discrepancy⁴ included in this component. Real an-

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

3 Included are Bulgaria and Romania.

4 Statistical discrepancy arises from measurement differences between aggregate demand and output, i.e. the differences caused by the use of different GDP estimation methods. Annual data on statistical discrepancy are included in Eurostat data bases, while quarterly data are not publicly available.



nual growth of exports totalled 2.2% in this period, contributing 1.5 percentage points to overall GDP growth. Total imports growth rate (5.5%) was more than double the rate of total exports growth, which resulted in a negative contribution of net foreign demand to total GDP growth of - 1.7 percentage points. Thus, a negative influence of net foreign demand to GDP formation has been recorded since end-2005.

In the first nine months of 2006, goods and services exports grew at a rate of 5.7% in real terms, while the real growth rate of goods and services imports was higher, 8.1%. The indicators for these two categories point to an upturn in international trade over the period, particularly the trade in investment goods.

Seasonally adjusted nominal CBS data on merchandise trade suggest continued strengthening of foreign trade over the last quarter of 2006. Owing to the recovery of foreign demand, goods exports growth outpaced the growth of goods imports in this period. Such developments were mainly induced by the strengthening of foreign demand for capital goods and non-durable consumer goods. Similar trends were observed in these industrial groupings on the imports side. Moreover, the available volume indicators for the period point to the growth of GVA in hotels and restaurants, as well as in transport, storage and communications, which is most likely to have a positive impact on the growth of services exports.

Domestic Demand

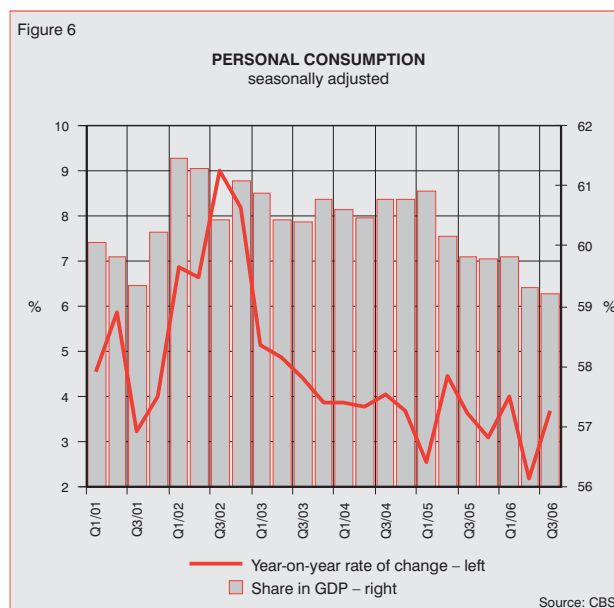
The contribution of domestic demand to estimated GDP growth of 4.7% was 6.4 percentage points in the third quarter of 2006. Domestic demand trends in this period were determined by strong annual growth in gross fixed capital formation and a noticeable recovery of personal consumption dynamics. Gross fixed capital formation rose at an annual rate as high as 9.3% over the third quarter, compared to its second-quarter growth rate of 8.4%, as a result of a short-term decline in investment consumption from its high level seen in the previous period. Personal consumption ac-

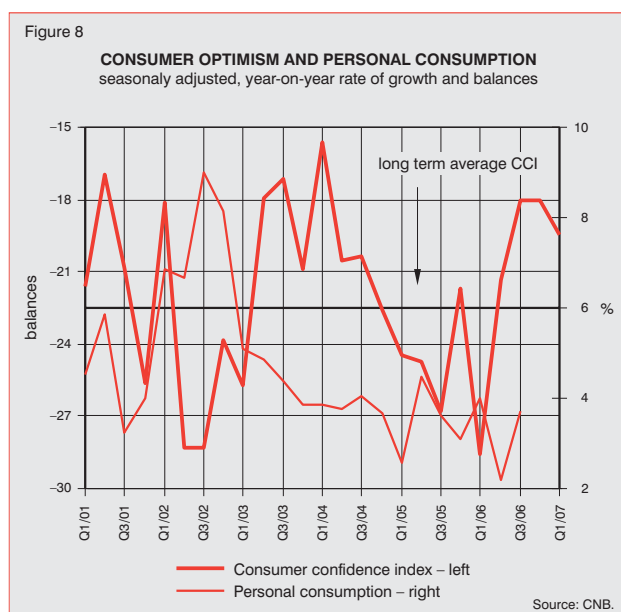
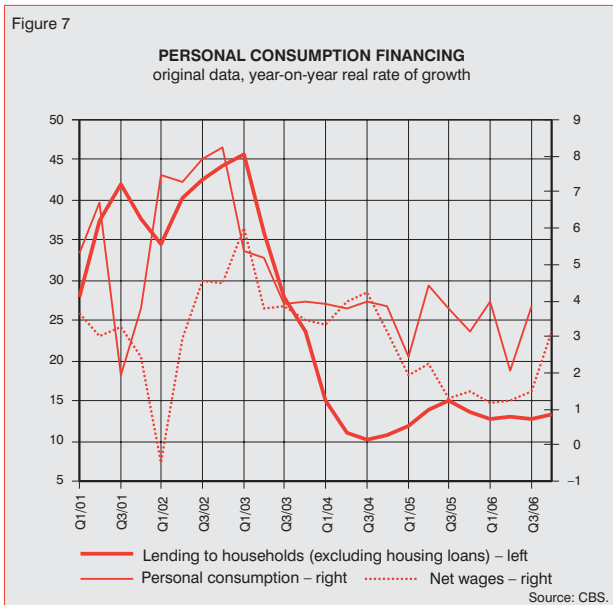
counted for almost half of the total economic activity dynamics during the third quarter of 2006. However, a sizeable contribution to total GDP formation early in the first half of 2006, was also made by the change in inventories.

Personal Consumption

Having accelerated from 1.3% in the second quarter to 3.9% in the third quarter of 2006, personal consumption – the most significant aggregate demand component – became the second largest, after investment consumption, contributor to real GDP growth. Taken cumulatively, in the first nine months of 2006 personal consumption rose by 3.3% relative to the same period in 2005, when its growth had only been slightly more pronounced.

As suggested by the available monthly indicators of personal consumption, this aggregate demand component continued to accelerate annually over the last quarter of 2006. Growth in retail trade turnover strengthened further in this period, as did the growth in production and imports of con-





sumer goods, as a result of stronger domestic demand for these products. A noticeable rise in value added tax revenues in the last quarter of 2006 also corroborated favourable trends in personal consumption during the period.

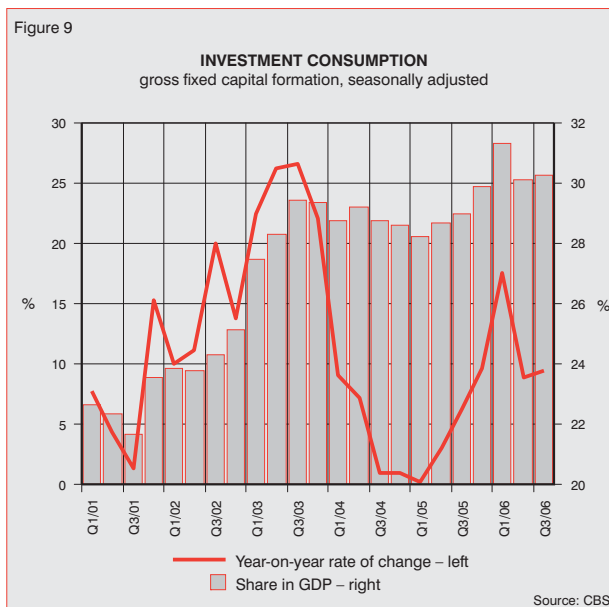
Changes in major regular and irregular sources of financing personal consumption point to accelerated growth in this aggregate demand component over the last quarter of 2006. At end-2006, bank placements to households, excluding housing loans, rose faster in real terms compared with the third quarter, reaching an annual rate as high as 13.2% (according to the average credit stock in the period). Favourable movements were also observed in the labour market. Stable employment growth according to administrative sources, i.e. preliminary CBS data, and according to the number of employed persons (CPIA data, which are considered as more reliable short-term indicators of employment dynamics) was paralleled with a boost in real net wages paid (3.1%). Thus, the wage bill movements at end-2006, supported by the growth in government transfers to households,

including the second instalment of the debt to pensioners paid in December, positively influenced the disposable household income. The semi-annual pension adjustment⁵ by 3.25% in September (starting from July pensions), as well as the Christmas bonus paid to pensioners in December had similar effect.

Pronounced growth in Consumer Confidence Index (CCI), recorded in mid-2006, stabilised at the end of the year (according to the October survey), owing to a mild decline in consumer optimism regarding the consumers' financial situation and overall economic situation in Croatia in the coming year. At the same time, consumer ratings of the overall economic situation in Croatia in the previous year were positive, and consumer expectations regarding employment dynamics and savings growth over the following 12 months improved. The results of the January survey suggest a decline in consumer optimism, despite high index values. The described changes in consumer optimism at end-2006 and early in 2007 can be partly accounted for by consumer dissatisfaction with the new health insurance regulations increasing the participation of patients in health services financing through co-payments for drugs. Accordingly, household consumption indicators are expected to be favourable at end-2006, but slightly more moderate in early 2007.

Investment Consumption

Gross fixed capital formation, making the bulk of gross capital formation, grew at accelerated annual rate over the third quarter of 2006, making the largest contribution to real GDP growth of all aggregate demand components, 2.6 percentage points. Despite its slowdown in the second quarter,



⁵ Pension indexation has been carried out since 2004, pursuant to the old Act on Amendments to the Pension Insurance Act (Official Gazette 30/2004). According to the new Act on Amendments to the Pension Insurance Act (Official Gazette 92/2005), which took effect on 31 December 2005, the semi-annual pension indexing is based on average semi-annual rate of change in consumer price index and average gross wage.

this aggregate demand component rose at an exceptionally high rate of 11.4% during the first nine months of 2006, thus being the main generator of economic growth in this period. Such developments were mainly due to the strengthening of investment activity in the private sector, which fully offset the decline in government capital investment during the period.

Investment goods production and imports indicators suggest continued growth in investment activity over the last quarter of 2006. In October and November 2006, positive movements were also recorded in construction, particularly construction of buildings, which was in line with home loan demand in the last quarter of 2006. A considerably higher level of planned real estate investment of households over the second half of 2006, relative to that early in the year (according to the consumer Confidence Survey results) was an additional proof of favourable trends and growth in private housing investment. The expected strengthening of overall private investment at the end of 2006 can also be accounted for by massive corporate crediting in this period. However, it should be noted that the corporate sector also made intensive use of other sources of financing.

A mild rise in government capital investments during October and November 2006, by 4.1% (according to the available budgetary data) points to an upturn in public investment towards the end of the year. However, it will probably not be sufficient to offset the negative trends observed throughout 2006.

Government Consumption

Following fiscal consolidation in 2004, government consumption generally rose at a moderate pace during 2005 and in the first nine months of 2006. According to the quarterly GDP estimate, government consumption went up 1.5% in the third quarter of 2006, relative to the same period in the year before, which approximately corresponded with its annual dynamics in the first nine months of 2006. The contribution of government consumption to GDP formation was larger in this period than in 2005, but still lower than the

contributions made by other aggregate demand components (below 0.5 percentage points).

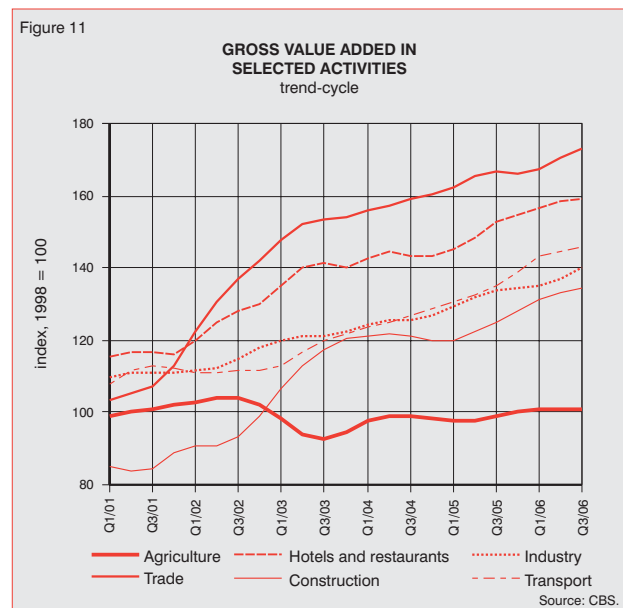
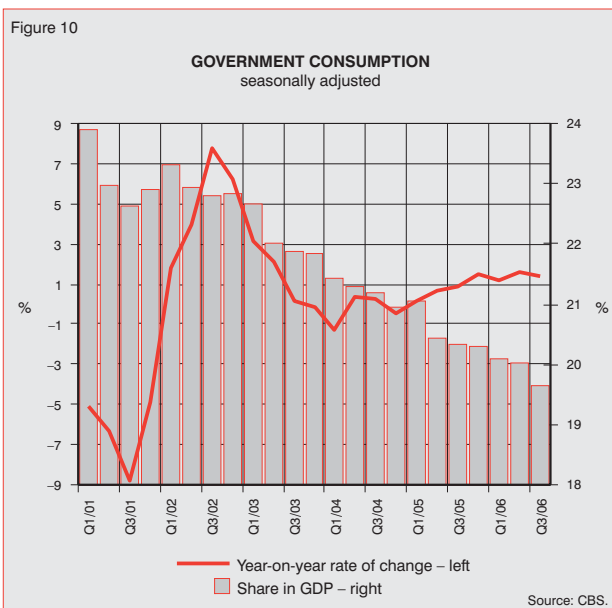
According to the nominal MoF data on consolidated general government revenue and expenditure (based on a cash principle) for October and November, compensation of public administration employees (including severance payments) slowed down annually. By contrast, expenditures for the use of goods and services (related to the use of pre-accession funds) grew at an accelerated rate, contributing strongly to overall government consumption growth. A decline in inflation during this period also points to a substantial real increase in government consumption as an aggregate demand component. However, stable and very moderate employment growth in public administration is likely to have a contrary effect on government consumption growth.

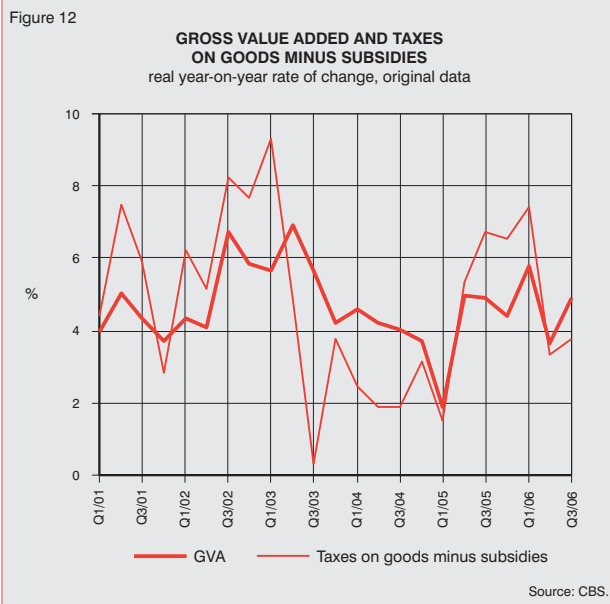
Output

As shown by quarterly GDP estimate according to the production method, GVA in all economic activities grew at an annual rate of 4.8% over the first nine months of 2006, the highest rate since 2004, when economic growth slowed down, according to the still preliminary data. The largest contributions to GVA growth in 2006 came from services and production sectors (2.7% and 2.1% respectively), particularly industry, financial intermediation, transport and communications and construction.

The third quarter of 2006 saw a noticeable recovery of GVA in industry and trade, and its strong growth in financial intermediation, as well as in transport, storage and communications, which led to considerable acceleration in overall GVA growth from 3.7% in the second quarter to 4.9% in the third quarter.

Favourable trends are likely to continue in the last quarter of 2006, as suggested by accelerated real growth in retail trade turnover, total volume of industrial production and construction activity, as well as a rise in the number of tourist arrivals and nights and in goods and passenger transport.



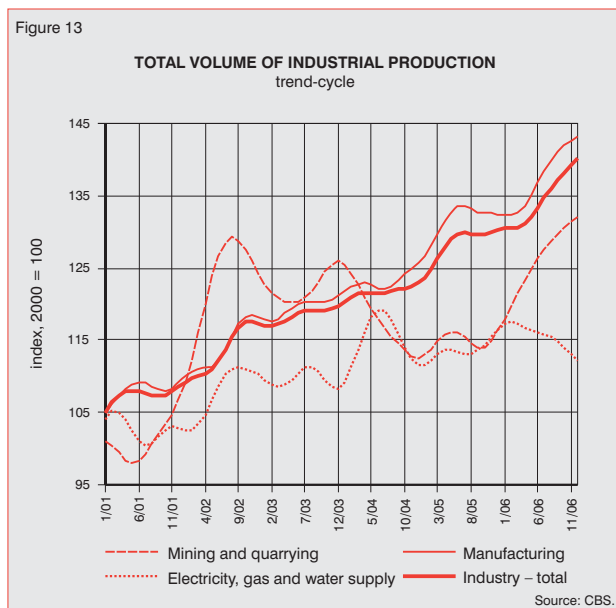


Such developments are in line with the rise in business optimism recorded at end-2006.

According to the National Accounts, net indirect taxes rose at a somewhat slower pace in mid-2006, compared with the previous 12-month period, slightly lagging behind the annual dynamics of real GVA. Thus, in the second and third quarters, GVA grew faster than GDP. However, the last quarter of 2006 could see a reversal of this relationship, owing to exceptionally sharp rise in indirect taxes less subsidies, corroborated by the latest MoF data on consolidated general government revenue and expenditure (on a cash basis, GFS 2001). Such fiscal developments late in the year were attributable to the expected tax system effects in a period of heightened economic activity, and were additionally fuelled by reduced subsidies to public enterprises.

Industry

The strongest growth of GVA over the third quarter of



2006 was recorded in industry (5.3 percentage points), reporting a 6.2% increase in GVA compared with the same period in 2005, the fastest annual GVA growth in this activity since the second quarter of 2005. The contribution of industry to overall real GVA growth thus amounted to 1.7 percentage points, the same as in early 2006.

Total volume of industrial production rose at a high rate of 6.8% in the last quarter of 2006, 0.1 percentage point faster than in the third quarter. These data are seasonally and calendar adjusted (the fourth quarter of 2006 had 1 working day less than the same period in 2005). Such growth was apparently fuelled by stronger demand for investment and consumer goods.

However, the described developments were not enough to stop the mild upward trend in inventories of finished industrial products at the end of the year, mainly arising from somewhat weaker demand for intermediate goods.

According to the NCEA, positive trends were observed in manufacturing at the end of 2006, which grew at an annual rate of 7.5%, and in mining and quarrying, recording annual production growth of 15.2% in this period, the strongest since end-2002. Only electricity, gas and water supply saw a continuation of negative trends observed since early 2006, which made a negative impact on its annual dynamics late in the year. The described developments were partly attributable to an unexpectedly mild winter.

For the entire 2006, industrial production rose by 4.7% compared with that in 2005. This was primarily due to strong growth of production in manufacturing, which makes the bulk of industrial production. The largest contributions in 2006 came from the manufacture of wood, printing and metal manufacturing industry. In contrast to this, a negative contribution to industrial production growth in 2006 was made by the manufacture of chemicals and chemical products, while the contribution of the manufacture of textiles and textile products was neutral. A sharp decline was recorded in the manufacture of refined petroleum products in the observed period. However, the growth of production in the extraction of crude petroleum and natural gas, and a de-

crease in the stocks of refined petroleum products over 2006 do not suggest the weakening of demand for oil industry products.

Labour productivity in industry rose continuously over 2006, and its short-term fluctuations were primarily caused by industrial production dynamics. In the entire 2006, labour productivity in industry grew by more than 5.0%. Concurrently, employment in industry went down at the annual level, for the third straight year. However, the negative trend was reduced noticeably in 2006. Given the preliminary nature of CBS data on employment, their revision, expected in April 2007, is likely to result in a downward adjustment of the annual labour productivity growth rate.

Trade

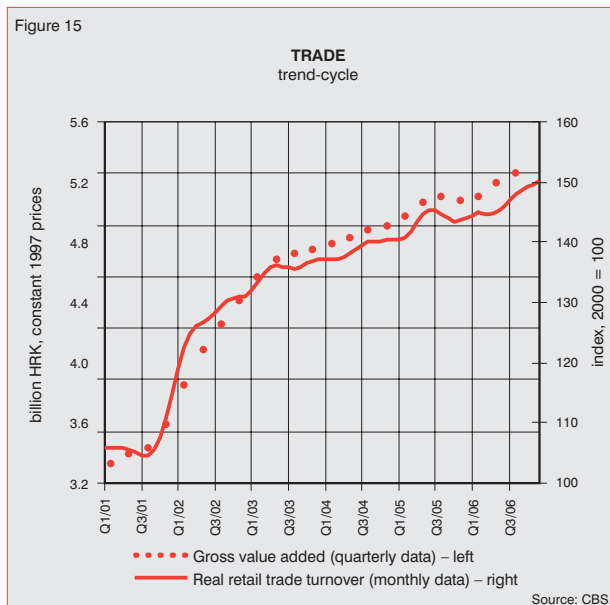
A recovery of personal consumption dynamics in the third quarter of 2006 reflected itself on GVA growth in trade. Having increased by 3.4% annually in the third quarter, GVA in trade contributed 0.6 percentage points to the real growth of overall GVA in this period. As suggested by the nominal CBS data on distributive trades, such growth was fuelled by favourable trends in both wholesale and retail trade.

According to the available monthly indicators, positive movements in trade continued into the last quarter of 2006, which could be attributed to a rise in business optimism in trade late in the year, suggested by the results of a business survey carried out by *Privredni vjesnik*. Thus, following a slowdown in the second quarter of 2006, seasonally adjusted, real annual growth in retail trade turnover accelerated from 2.3% in the third quarter to 4.5% in the fourth quarter.

Excluding the sale of motor vehicles, motor fuels and lubricants,⁶ retail trade grew at a somewhat faster annual pace at end-2006. The sale of motor fuels and lubricants rose sharply in real terms, and a slight slowdown was only recorded in the sale of motor vehicles. However, the sales of passenger cars should be assessed with caution. A rise in the number of passenger cars newly registered by natural persons does not point to a weakening in this segment of household consumption, which is also in line with a strong increase in road vehicle imports (at constant exchange rate) late in 2006. This is also supported by relatively stable nominal growth in car purchase loans (including leasing).

Looking at the entire 2006, retail trade turnover went up 2.5% in real terms compared with its level in 2005. The sale of food products and wearing apparel accounted for more than two thirds of the realised nominal growth in retail trade recorded last year.

6 Total retail trade turnover, excluding the sale of motor vehicles and motorcycles, i.e. the total turnover related to section 52 of the NCEA 2002, is more in line with the EUROSTAT's definition of retail trade turnover. The CBS has followed and published this data series since January 2004. The EUROSTAT's definitions and classifications related to retail trade are available at the following websites: <http://forum.europa.eu.int/irc/dsis/coded/info/data/coded/en/gl006847.htm>; <http://forum.europa.eu.int/irc/dsis/coded/info/data/coded/en/gl006956.htm>.

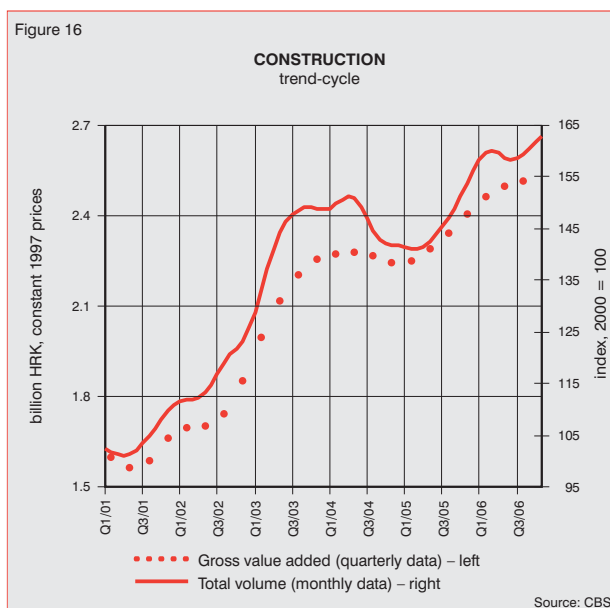


Construction

The downward trend in GVA growth in construction, caused by a contraction in the volume of road construction works during 2004 and 2005, was stopped last year, as a result of reduced (government) investment in traffic infrastructure. In the first nine months of 2006, this activity reported a high GVA growth rate of 8.9%, making a strong contribution to real economic activity growth in this period.

A recovery in the level of construction works, measured by the number of hours worked at building sites, was noticeable as early as the second half of 2005, while its brief decline was recorded at the beginning of 2006.

The latest available construction activity indicators suggest further growth of GVA in construction over the last quarter of 2006. Total volume of construction works, seasonally adjusted, rose by 8.7% in October and November 2006, compared with the same months in 2005. Particularly strong growth was observed in the works on buildings,



which is expected to continue in the remaining part of the year, as suggested by the trends in the value of net construction project orders over the second half of 2006.

Favourable weather conditions in the last quarter of 2006 also stimulated construction activity. Moreover, the growth of pessimism in this activity came to a standstill at the end of the year, which was encouraging given the afore mentioned expectations. Exceptionally favourable movements were observed in mining and quarrying, an activity closely related to construction. A boom in this activity in early 2006, announced the previously mentioned recovery in the volume of construction works, following its poor performance early in the year.

Hotels and Restaurants

Continued growth of GVA in hotels and restaurants, observed since end-2004, slowed down slightly in the third quarter, standing at 3.1%. Consequently, its annual level was lower relative to the first half of the year when it stood at 5.7%. However, it accelerated strongly in the second quarter, reaching 9.3%. Taken cumulatively, in the first nine months of 2006, GVA in hotels and restaurants grew at an above-average rate of 5.2%, compared with the same period in 2005. Given the relatively small share of this activity in overall GVA, its contribution to total GVA growth in 2006 is likely to remain at the level of 2005 (0.2 percentage points).

These results only partly reflect the trends in hotels and restaurants, because the direct and indirect impacts of this industry on overall economic activity outdo the aforementioned modest contribution of hotels and restaurants to overall GDP formation.

Volume indicators available prior to GDP estimation, which can show the trend in GVA in hotels and restaurants, also pointed to a slowdown in annual GVA growth during the third quarter of 2006. Given the strong annual growth in tourist arrivals (12.3%) and overnight stays (7.8%), positive movements in this activity are expected to continue in the third quarter of 2006. The described trends were paralleled

with exceptionally strong performance in transport, storage and communications.

Financial effects of foreign tourist overnight stays, recorded in the balance of payments during 2006, were in line with the volume indicators. Exceptionally strong nominal growth in revenues from tourism, 21.0% at the annual level, expressed in euros, additionally spurs favourable trend expectations in hotels and restaurants at the end of the year, although they are much less significant than in the main tourist season. However, it is worth noting that the tourist season was again extended last year.

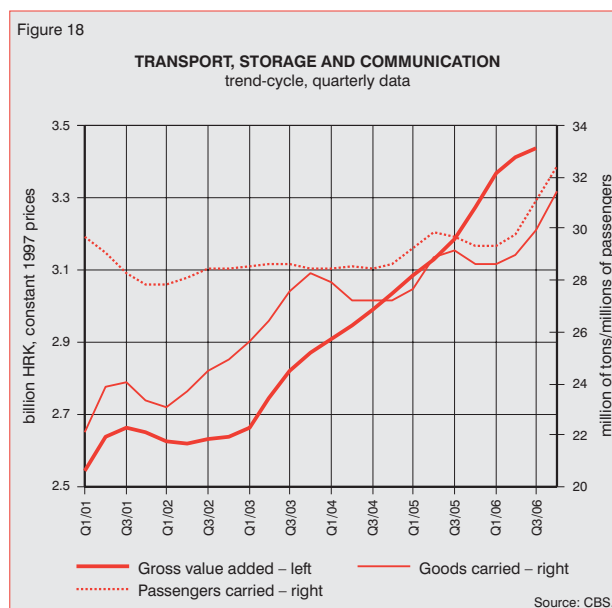
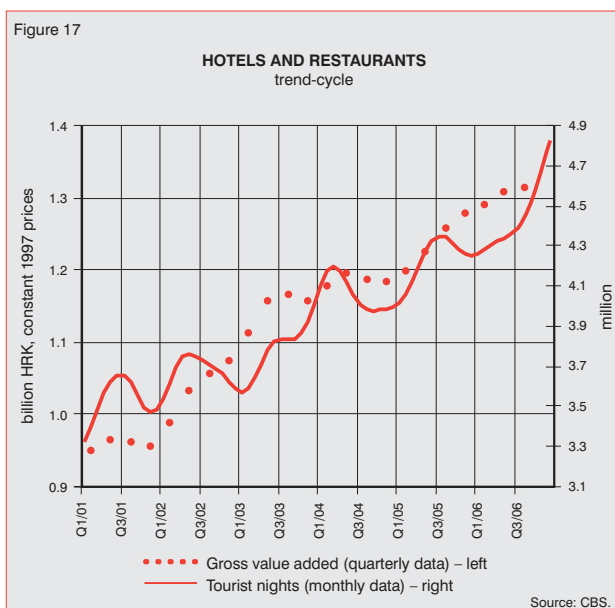
In 2006, tourists from Germany accounted for the largest number of tourist nights (23.4%), followed by tourists from Italy (11.6%), Slovenia (11.2%), Austria (8.7%) and Czech Republic (8.3%). The number of arrivals and nights of tourists from Eastern Europe and non-European countries rose sharply.

Transport and Communications

According to quarterly GDP estimate, the annual growth of GVA in transport, storage and communications, being a particularly fast-growing industry, slowed down from 10% in the first quarter to 8.5% in the second and to 8.2% in the third quarters of 2006. Taken cumulatively, in the first nine months of 2006, GVA in this activity rose at an average annual rate of 8.9%. Its contribution to real GVA growth of 4.8% was considerable in this period, 0.8 percentage points, up 0.2 percentage points on the previous year.

At the end of 2006, goods and passenger transport increased markedly. According to the seasonally adjusted data, it accelerated by about 12.0% in the last quarter of 2006 compared with the same period in 2005, suggesting a continuation of GVA growth in transport, storage and communications.

The available CBS volume indicators of transport, storage and communications for the fourth quarter of 2006, the strongest growth of goods and passenger transport was recorded in road transport, which also contributed to the an-



nual increase in the number of passenger-kilometres and tonne-kilometres passed. Rail transport, the second most important passenger transport, also recorded a rise in the number of passenger kilometres passed. Concerning goods transport, sizeable growth was recorded in rail goods transport, and a recovery in annual growth rates of sea transport.

Postal and telecommunication services generally reported favourable movements throughout 2006. The number of minutes spent in fixed network expectedly declined at the annual level, while minutes spent in mobile network grew continuously, reaching exceptionally high growth rates (over 40.0%). This was partly due to increasingly sharp competition in mobile telecommunications. Postal services grew at a moderate pace in 2006.

Labour Market

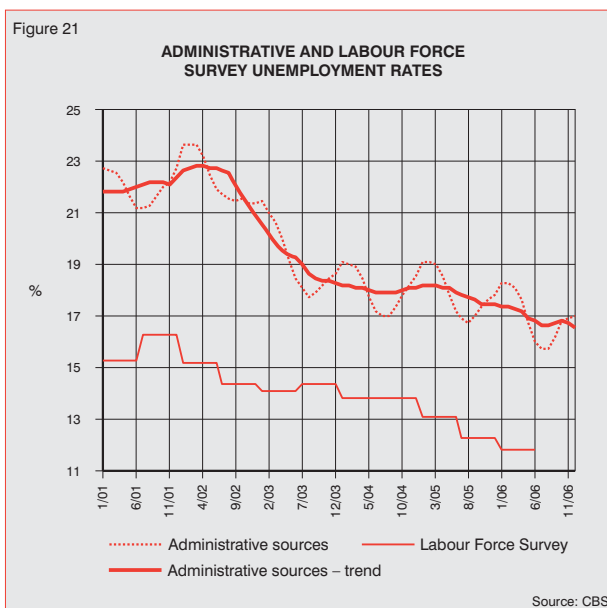
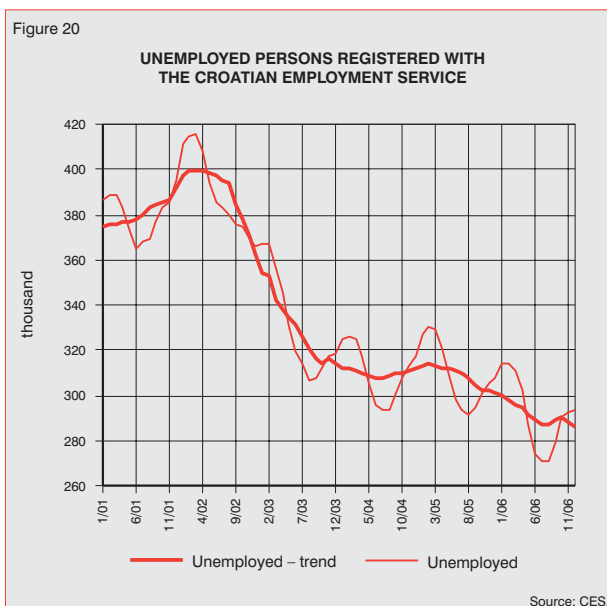
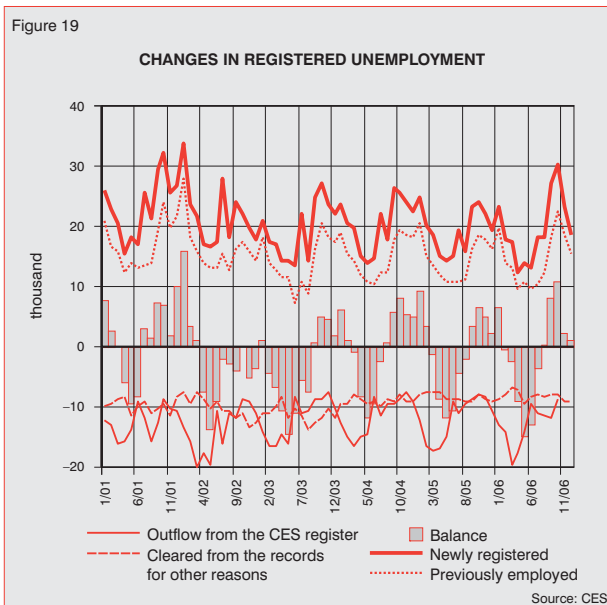
Favourable movements in the labour market were in keeping with heightened economic activity recorded in the fourth quarter of 2006. A downward trend in registered unemployment, observed since 2005, continued, primarily owing to stronger employment from the CES register. Despite a slowed decline in registered unemployment during the last quarter of 2006, total number of unemployed person (291 600) was 5.5% lower than a year before. Average registered unemployment rate stood at 16.9% in 2006, down 1 percentage point from 2005.

Preliminary CES employment data and the data on the number of persons insured with the CPIA point to a rise in total employment over the last quarter of 2006 relative to the same period in the previous year. Thus, the number of persons insured with the CPIA grew at an annual rate of 2.6% in this period, the same as in the third quarter, while, according to the preliminary CBS employment data, total employment rose by 0.6%. However, the preliminary CBS data on employment are likely to be revised upwards in April 2007.

The end of 2006 was marked by the growth in both real gross and net wages paid in this period, as a result of a sharper nominal increase in gross and net wages, owing to a decline in consumer price index. The annual growth rate of real gross wage paid in the last quarter was double the rate recorded in the first three quarters of 2006, 4.2%, while, owing to the tax progression effect, average real net wage rose at a lower annual rate of 3.1%.

Unemployment and Employment

In the last three months of 2006, the number of unemployed persons registered with the CES totalled 71 800, up 8 300 (13.1%) on the third quarter that year. Of the total number of the newly registered, 78.6% were persons with work experience, most of them coming from seasonal activities, primarily hotels and restaurants and trade, but also from manufacturing. Even though the second quarter inflows into the register were the lowest since 2003, their growth over the second half of 2006 contributed to an increase in the number of newly registered unemployed persons in 2006 relative to 2005.



Outflows from the register, covering persons employed from the register and those cleared from the records for non-employment reasons, declined in the last quarter of 2006. This was attributable to common seasonal effects of reduced employment at the end of the year. Compared with the same period in 2005, the number of the employed increased by 1 900 (21.9%) in the last quarter of 2006, which contributed markedly to the continued upward trend in employment from the CES register, observed since early 2006. In the fourth quarter and in the whole 2006, the number of clearings from the records for non-employment reasons, e.g. failing to report regularly to the CES, non-compliance with legal regulations, unregistration, military service, retirement, change of status, etc., remained at a low level which has not changed significantly ever since the end of 2004.

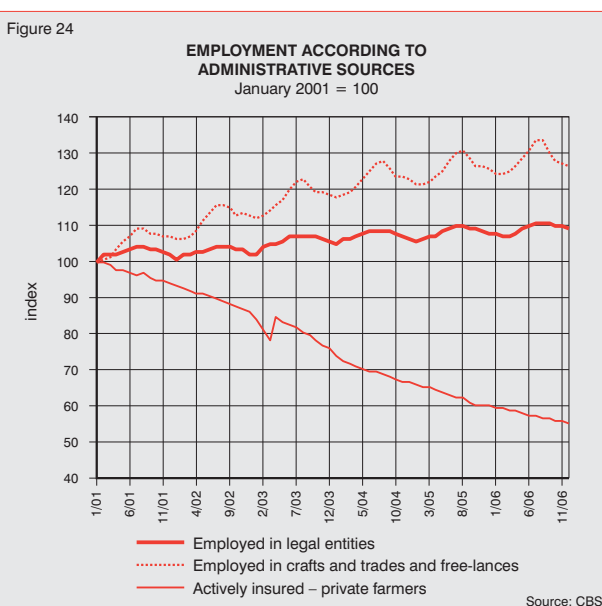
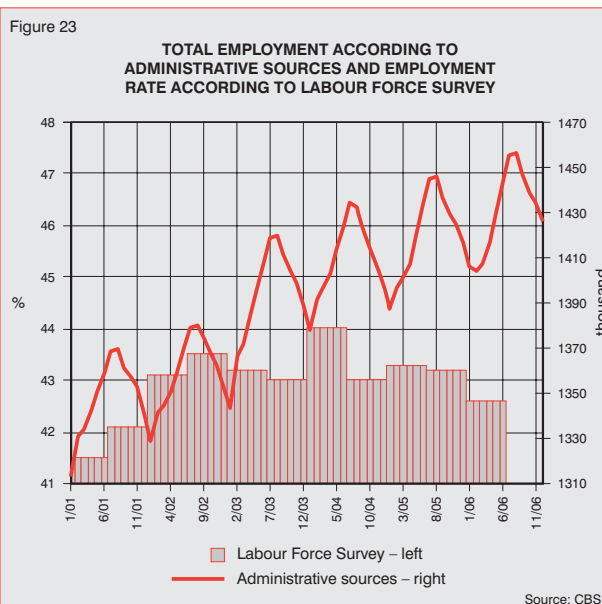
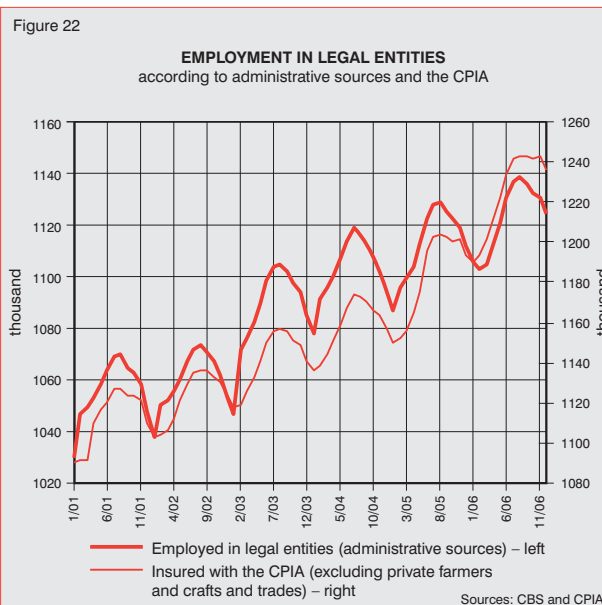
As a result of stronger inflows into and reduced outflows from the CES register, the downward trend in registered unemployment weakened in the last quarter of 2006, having, however, no significant influence on registered unemployment movements in the entire 2006. Thus, the total number of unemployed persons stood at 291 600 in 2006, down 17 100 (5.5%) from the previous year, suggesting a continuation of a favourable (downward) trend in unemployment, observed since early 2005. However, unlike in 2005, when reduced unemployment was mainly due to a drop in the number of the newly registered with the CES, in 2006, such movements resulted from stronger employment from the register.

Registered unemployment rate followed the trend in registered unemployment level. Over the last quarter of 2006, registered unemployment rate rose by 1 percentage point relative to the previous quarter, reaching 17.0% at end-2006. Owing to its downward trend over the first three quarters of 2006, average unemployment rate for the year stood at 16.9%, 1 percentage point below that in the previous year, tagging its lowest level since 1998. However, the Labour Force Survey employment and unemployment data for the second half of 2006, which can confirm the decline in unemployment over this period, will be available in May 2007. The Labour Force Survey unemployment rate for the first half of 2006 stood at 11.8%, compared with the rates of 13.1% and 12.3% recorded in the first and second halves of 2005 respectively.

Employment

In line with the CES data on the number of employed persons, the preliminary CBS data and the data on the number of insured persons with the CPIA point to an annual increase in total employment over the fourth quarter of 2006. Thus, the number of insured persons with the CPIA, being a reliable short-term indicator of employment, rose at an annual rate equal to that in the third quarter (2.6%). Despite a slow-down in the number of the insured with the CPIA over the second half of 2006, their number rose to 1.5 million over the entire year, up 42 100 (2.8%) on 2005.

According to the preliminary CBS data, employment rose at an annual rate of 0.6% in the fourth quarter, slowing down



mildly compared with the first three quarters. This annual growth rate is based on revised data on employment for the period ending January 2006, and preliminary data for the following period. Therefore, it is likely to be much higher after the revision of the preliminary employment data for 2006, expected in April 2007.

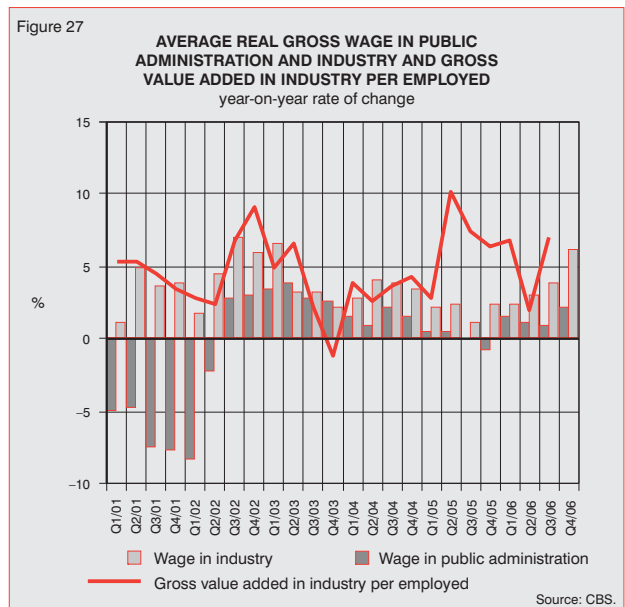
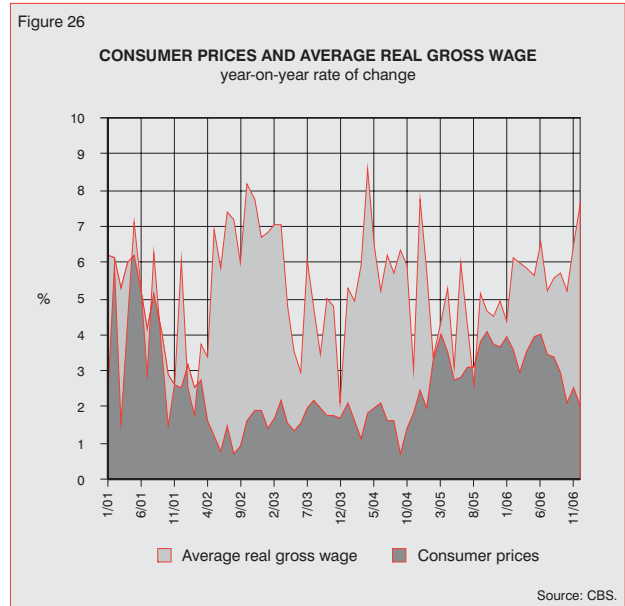
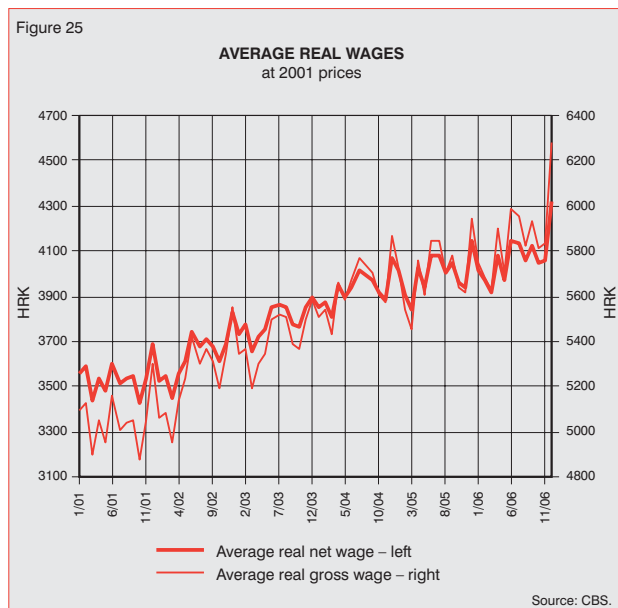
The last quarter of 2006 saw a continuation of the trends in all total employment components observed in the previous period. The largest contribution to total employment growth in the last quarter came from employment in legal entities. The number of private farmers actively insured with the CPIA continued downwards over the fourth quarter, thus fully offsetting the small but positive contribution of employment growth in crafts and trades and free lances to total employment.

Total employment analysis by activity shows that the sharpest annual decline in employment over the fourth quarter of 2006 was recorded in agriculture (600, or 2.0%). A decline in employment in industry (by 1 500 or 0.5%) resulted from employment reductions in all industrial activities. By contrast, positive contributions to total employment growth, like in the third quarter, came from real estate and other business services (3 500 or 3.8%), construction (3 400 or 2.8%) and financial intermediation (800 or 2.4%). An increase in employment in education and health care offset its decrease in the narrowly defined public administration. As a result, employment in overall public administration rose annually (by 2 200 or 0.8%) in the fourth quarter of 2006.

Wages and Labour Costs

The fourth quarter of 2006 saw an increase in real gross wages, at an annual rate of 4.2%, double the rate recorded in the first three quarters. Owing to the tax progression effects, average real net wage rose at a lower rate, 3.1%.

Average nominal gross wage paid in the fourth quarter grew at an annual rate of 6.6%, 1 percentage point above its growth in the previous quarter. Given the slower growth of nominal gross wages compared with real gross wages, the



annual growth acceleration of real gross wages was not only the result of a higher growth rate of nominal gross wages paid in the fourth quarter, but also of the impact of price growth deceleration on real wage growth in late 2006, which was roughly equal to the impact of the nominal wage acceleration.

Faster annual growth of average real gross wage was due to a considerable wage increase in all activities. Given its large share in overall industry, manufacturing made the largest positive contribution to average real gross wage growth in the fourth quarter and in the entire 2006 (1.3%). Higher annual rates of gross wage growth were reported by real estate and other business services (8.3%), electricity gas and water supply (7.9%) and agriculture (7.4%). However, owing to the small shares of these activities in overall employment, their impact on the real gross wage growth was not significant. The positive contribution of overall public administration to real gross wage growth increased at end-2006, primarily due to a stronger contribution of edu-

cation. The contributions of the narrowly defined public administration and health care remained the same as in the third quarter of 2006.

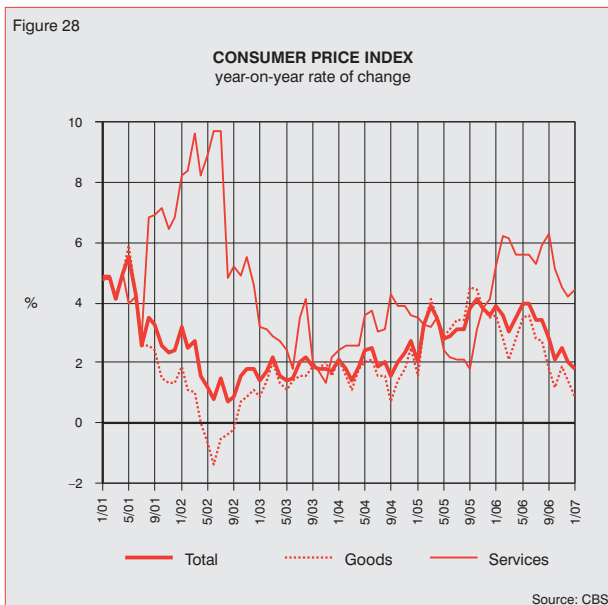
Annual growth in average real gross wage in industry accelerated from 3.9% in the third quarter to 6.2% in the fourth quarter of 2006. Labour productivity in industry, measured by the GVA dynamics in industry, at constant prices, per employee, grew at a rate of 6.9% in the third quarter, outpacing the growth of average real gross wage in this period. Moreover, as suggested by the available monthly economic activity indicators for the fourth quarter of 2006, labour productivity growth in industry is expected to outpace the growth of wages in industry, thus keeping price pressures from the labour market low.

Prices

All the basic price trend indicators in Croatia show a slowdown in prices in 2006. The average year-on-year rate of change in the CPI dropped by 0.1 percentage point, from 3.3% in 2005 to 3.2% in 2006. Core inflation, which excludes agricultural product prices and administrative prices, remained lower than overall consumer price inflation, with its average rate of change down from 3.1% in 2005 to 2.5% in 2006. Producer prices also decreased, so that the average year-on-year rate of change in the industrial producer price index fell from 3.0% in 2005 to 2.9% in 2006.

The year-on-year rate of change in the CPI at the end of period decreased by 1.6 percentage points, down from 3.6% in December 2005 to 2.0% in December 2006. The slowdown in the consumer price inflation rate in 2006 was to a significant degree due to a drop in the year-on-year rate of change of administrative prices (primarily domestic prices of refined petroleum products) and a slowdown in the year-on-year rate of change of food prices (meat and agricultural products). The year-on-year inflation rate recorded at end 2006 can be considered as relatively low; as it exceeded the 1.9% eurozone inflation rate only by 0.1 percentage point. There are several factors contributing to the low and stable inflation rate in the domestic economy, including a relatively stable kuna/euro exchange rate⁷ (which stabilises domestic inflationary expectations and has an impact on the stability of import prices of raw materials and final products from the eurozone) and a sharp appreciation of the kuna against the US dollar,⁸ which alleviates the growth of crude oil and other raw materials' prices on the world market. The stability of domestic prices was also due to a moderate nominal growth of the average monthly net wage of 5.0% in 2006 from 2005, which was slower than industrial productivity growth,⁹ and to a sharp competition in domestic retail trade spurred by the opening of new retail chains.

Of the CPI components, a key contribution to the slow-



down in the year-on-year consumer price inflation rate in 2006 was made by the year-on-year rate of change of administrative prices, dropping from 6.1% in December 2005 to 2.0% in December 2006. Administrative prices, having a great influence on overall consumer price inflation trends due to their high weight (23.8%) in the overall CPI basket, reduced their contribution to overall consumer price inflation by 0.9 percentage points in the observed period. Administrative prices rose at a slower rate in 2006, primarily due to the year-on-year rate of change of domestic refined petroleum prices dropping from 15.7% in December 2005 to -1.9% in December 2006. Due to a favourable base effect,¹⁰ 2006 saw a considerable decrease in the year-on-year rate of change in the prices of electric energy, health care services and rents, with the result that their contribution to overall consumer price inflation decreased sharply over the observed period.

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

	Weight 2007	12/05	3/06	6/06	9/06	12/06	1/07
Total	100.0	3.6	3.0	4.0	2.8	2.0	1.8
Food and non-alcoholic beverages	30.5	3.7	0.9	3.7	2.0	0.8	0.1
Alcoholic drinks and tobacco	5.5	1.1	1.3	2.0	1.8	1.9	1.6
Clothing and footwear	8.5	3.6	2.9	2.6	3.8	3.2	5.2
Housing, water, energy, gas and other fuels	14.5	5.4	9.1	9.0	6.9	5.4	4.9
Furniture, equipment and maintenance	5.4	2.9	2.4	2.5	2.1	2.5	2.0
Health	2.9	8.6	9.4	7.7	9.0	1.9	2.2
Transport	11.5	3.8	2.8	4.4	0.5	1.1	0.7
Communication	4.4	0.2	0.1	0.0	0.0	-0.1	-0.2
Recreation and culture	6.3	2.6	0.9	0.9	1.0	0.9	0.8
Education	1.0	6.2	5.8	5.8	0.3	0.2	0.1
Catering services	3.6	3.3	3.3	3.7	3.2	2.3	2.3
Miscellaneous goods and services	5.9	2.0	2.5	2.2	3.5	2.9	3.5
Goods	76.4	3.5	2.1	3.6	1.8	1.4	0.9
Services	23.6	4.1	6.1	5.6	6.3	4.2	4.4

Source: CBS.

7 The exchange rate of the kuna appreciated nominally by a slight 0.5% against the euro (December 2006 relative to December 2005).

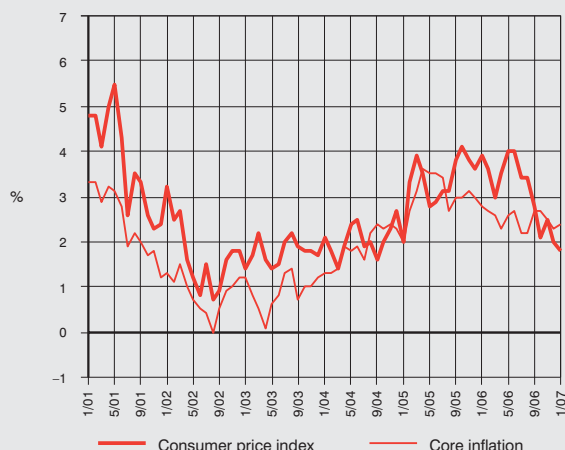
8 The average daily exchange rate of the kuna strengthened against the US dollar by 10.7% between December 2005 and December 2006.

9 According to seasonally adjusted data, industrial productivity growth was 5.7% in 2006 relative to the previous year.

10 Electric energy prices rose in September 2005, health care service prices in October 2005 and rent prices in November and December 2005 (all in comparison with the previous month).

Figure 29

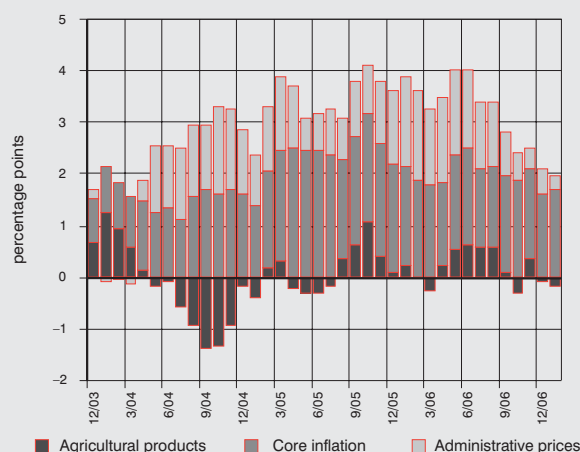
CONSUMER PRICE INDEX AND CORE INFLATION^a
year-on-year rate of change



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

Figure 30

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



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

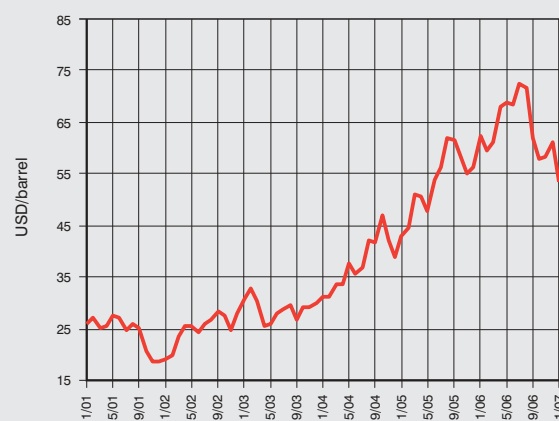
Consumer price inflation also slowed in 2006 because of the year-on-year rate of change of the core inflation rate, which dropped from 3.0% in December 2005 to 2.3% in December 2006. This was primarily due to the decrease in the year-on-year rate of change of meat prices, down from 6.1% in December 2005 to -0.5% in December 2006. As this group of products has a large weight of 14.2% in the core inflation basket, its contribution to core inflation decreased from 0.8 percentage points in December 2005 to -0.1 percentage point in December 2006. In contrast, car prices contribution to core inflation rose considerably in 2006, with the year-on-year rate of change up from -7.9% in December 2005 to 3.2% in December 2006. Car prices have been on the rise since mid-2006, possibly due to the metal price increase on the world market. In addition, based on the recommendation of the Eurostat, revisions have been made to the basket of cars used for the CPI calculation. The basket used to contain a few best-selling car models, while it now includes one model from each class. The year-on-year rate of change of agricultural products prices dropped from 1.2% in December 2005 to -1.3% in December 2006, reducing its contribution to overall year-on-year consumer price inflation by 0.2 percentage points.

The slowdown in consumer price inflation continued from the third into the fourth quarter in 2006, with the year-on-year consumer price inflation rate standing at 2.0% in December, a decrease of 0.8 percentage points compared with 2.8% in September. The inflation slowdown in the last quarter of 2006 was mainly due a drop in the year-on-year rate of change of administrative prices and to the core inflation slowdown. The contribution of agricultural products prices to overall inflation also reduced over the observed period.

The year-on-year rate of change of administrative prices decreased from 3.5% in September to 2.0% in December 2006. The marked slowdown in administrative prices in the fourth quarter was strongly affected by a drop in the prices of rents and health care services in December relative to

Figure 31

AVERAGE CRUDE OIL PRICES^a ON THE WORLD MARKET



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

September 2006, caused by a favourable base effect. The decrease in crude oil prices on the world market in the fourth quarter from the third and the strengthening of the kuna/US dollar exchange rate¹¹ had a positive impact on trends in domestic refined petroleum product prices. Refined petroleum product prices began to fall on the domestic market in September 2006, decreased for the month in October and November, but rebounded by 0.7% in December compared with the previous month.

Trends in core inflation were also favourable. The year-on-year rate of change decreased from 2.7% in September to 2.3% in December 2006. The slowdown in the core inflation rate in the observed period was mostly due to the fall in the year-on-year rate of change in the prices of food products and clothes and footwear. The increase in car prices had the opposite effect on core inflation trends as

¹¹ The average daily exchange rate of the kuna against the US dollar rose by 4.0% in December from September 2006.

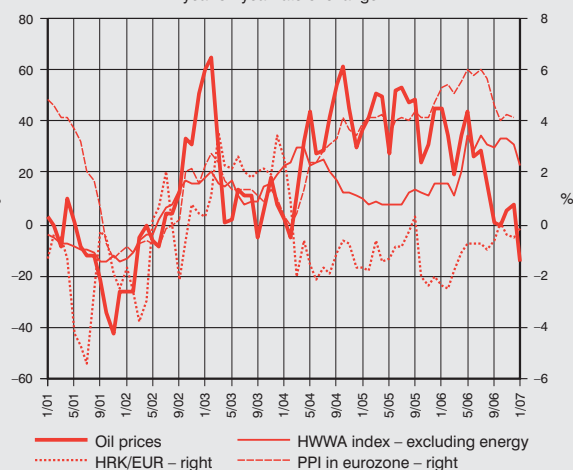
their year-on-year rate of change rose from 2.2% in September to 3.2% in December 2006.

CPI variability was mainly attributable to changes in agricultural product prices in the last quarter of 2006. The year-on-year rate of change of agricultural product prices dropped from 1.4% in September to -4.8% in October, rising to 5.5% in November and decreasing again to -1.3% in December. In addition to the price fall in agricultural products prices in October from September, their year-on-year rate of change was in October 2006 also influenced by a base effect from the rise in agricultural product prices in October 2005 compared with September. November saw agricultural product prices increasing by a sharp 9.6% for the month, which had the largest impact on these products' annual price rise. In December 2006, agricultural products prices rose at a monthly rate of 1.6%, while the decrease in their year-on-year rate of change derived from a favourable base effect (a price surge in agricultural products in December from November 2005). The absence of a sharp seasonal increase in agricultural products prices in December was presumably due to mild winter conditions.

Imported inflationary pressures on domestic prices, especially pronounced in the first half of 2006, primarily stemmed from the price growth of crude oil on world markets, which was a consequence of geopolitical tensions, including the dispute between US/EU and Iran over the uranium enrichment programme and the escalation of the Middle East crisis. Political turmoil in Venezuela and Russia and unrest in Nigeria limited crude oil supply. Additionally, due to expectations of recurring adverse weather conditions in the Mexican Gulf during summer months, and to short-term disturbances, as was the shutdown of an Alaskan oil field owing to technical deficiencies, crude oil prices per barrel surged on the world market.¹² The sharp monthly decrease in crude oil prices late in the third and early in the fourth quarter of 2006 (and the consequent marked decrease in their year-on-year rate of change) was mainly due to mild weather conditions, which contributed to a rise in US oil stocks, as well as to the easing of geopolitical tensions in the Middle East. In order to maintain the prices at an adequate level, OPEC countries, at a meeting held on 19 and 20 October 2006, decided to reduce the daily crude oil output by 1.2 million barrels as of 1 November 2006. Another factor limiting a further oil price increase was probably the weakening of the US dollar/euro exchange rate on the world's foreign exchange markets. In an effort to retain the purchasing power, OPEC countries, at the next meeting on 14 December 2006, decided to reduce the daily output for another 500 thousand barrels as of 1 February 2007.

Having surged by 44.5% (in US dollar terms) in 2005, crude oil prices continued to rise in 2006, although at a much slower pace, up by an average of 8.1% per barrel (from USD 56.4 in December 2005 to USD 61.0 in December 2006). In contrast with 2005, when the depreciation of the kuna /US dollar exchange rate considerably pushed up kuna prices of crude oil, the appreciation of the kuna/US dollar

Figure 32
IMPORTED INFLATION: OIL PRICES, THE HWWA RAW MATERIALS PRICES INDEX,^a THE AVERAGE KUNA/EURO EXCHANGE RATE AND PRODUCER PRICES IN THE EUROZONE
year-on-year rate of change



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

Sources: Bloomberg, HWWA, Eurostat and CNB.

exchange rate in December 2006 brought down the year-on-year rate of change of kuna crude oil prices by -3.5%. Oil price moderation on the world market in the last quarter of 2006 positively affected developments in domestic prices of refined petroleum products. The year-on-year rate of change of domestic refined petroleum product prices has been negative since September 2006. Having surged to 15.7% in December 2005 this rate dropped to -1.9% in December 2006.

Upward pressures on domestic consumer prices in 2006 stemmed from the price growth of other raw materials on the world market. As shown by the HWWI¹³ index, raw material prices on the world market (excluding energy, in US dollar terms) rose by 30.6%¹⁴ in 2006 (December 2006 compared with December 2005). Non-ferrous metal prices increased at an especially sharp rate (52.5%) due to a general rise in demand and in particular to a surge in China's demand. The year-on-year rate of change in eurozone producer prices dropped from 4.7% in December 2005 to 4.1% in December 2006, mostly due to a slowdown in the year-on-year rate of change in energy prices. The year-on-year rate of change of final producer prices in the eurozone remained at a relatively low level, standing at 1.7% for durable and 1.4% for non-durable consumer goods in December 2006. Accordingly, there are no indications that the earlier price rise in oil and other raw materials had a major effect on final producer prices.

According to the most recent data available from the CBS, the year-on-year consumer price inflation rate decreased from 2.0% in December 2006 to 1.8% in January 2007. The monthly CPI increase of 0.3% in January 2007 was primarily in consequence of the price growth of agricul-

¹² The daily price of Brent crude hit a record high of USD 78.6 per barrel on 7 August 2006.

¹³ The HWWI has published the index of raw material prices since end 2006.

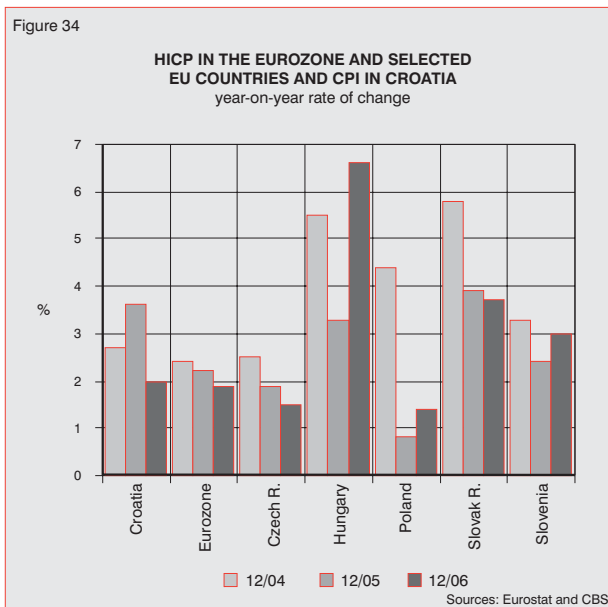
¹⁴ The HWWI index based on prices in euros shows a much lower rise of 17.2%.

tural products and utility services. Consumer price increase in January was also due to clothing and footwear prices decreasing seasonally from December 2006 and contributing -0.5 percentage points to overall consumer price inflation in that month. In addition to the 0.3% January price increase from the previous month, the said drop in the year-on-year consumer price inflation rate was also caused by a favourable base effect. Specifically, consumer prices rose at a half lower monthly rate this year relative to the monthly rate of 0.6% in January 2006.

The price slowdown in 2006 was confirmed by trends in the index of industrial producer prices. The year-on-year rate of change of producer prices fell by 0.8 percentage points, from 2.7% in December 2005 to 1.9% in December 2006. This was primarily as a result of the rate of change of energy prices plunging from 9.8% to 1.9% in the same period, due to a sharp drop in producer prices of refined petroleum products, whose year-on-year rate of change fell from 31.5% in December 2005 to -5.7% in December 2006. The year-on-year rate of change in producer prices of non-durable consumer goods was 2.0% in December 2006, while that of durable consumer goods amounted to -0.2%. This leads to the conclusion that the energy price rise did not spill over to final consumer goods prices to a large extent in 2006.

Industrial producer prices increased by an average of 0.8% in January 2007 over the previous month. Energy prices had the highest monthly increase of 1.8%. According to the new definition of the Main Industrial Groupings, MIGs 2001, these prices as of January 2006 include the price of water, rising by 18.9% in January 2007 from the previous month. Producer prices of refined petroleum products dropped by 1.9% in January from December 2006, while electric energy and gas prices held steady. In consequence of a sharp monthly increase, the year-on-year rate of change in the total industrial producer price index went up from 1.9% in December 2006 to 2.2% in January 2007.

Amounting to 1.4 percentage points in December 2005, the difference between Croatia's and the eurozone's year-on-year consumer price inflation rate narrowed to only 0.1

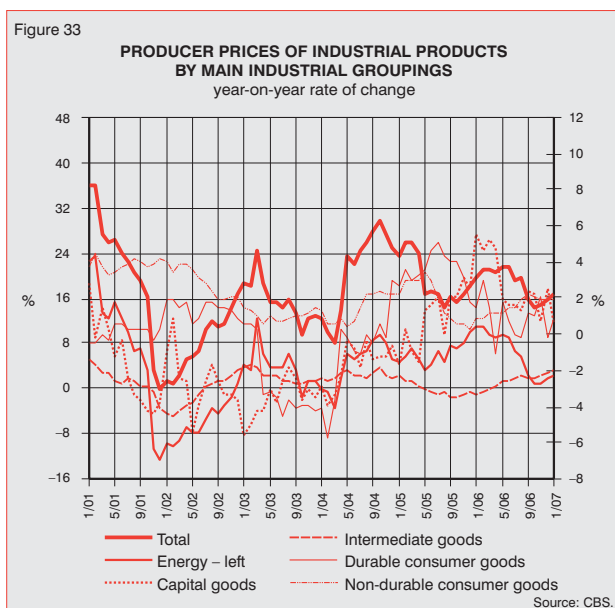


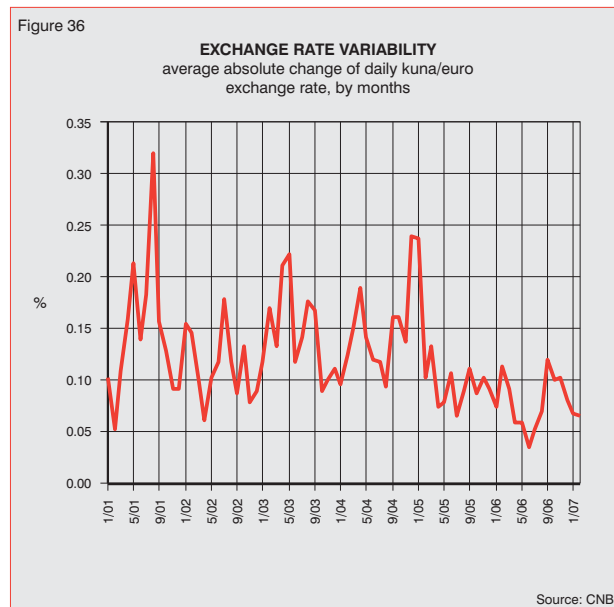
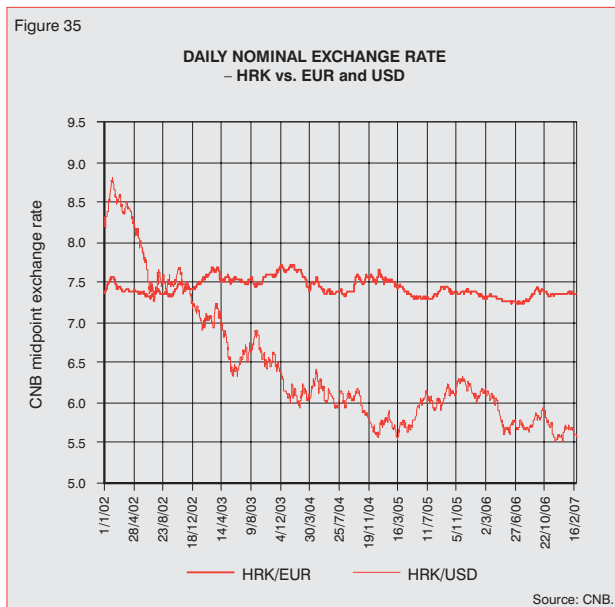
percentage point, with Croatia's rate standing at 2.0% and the eurozone's rate at 1.9%. The large difference between the two rates in December 2005 was caused by a strong contribution of the prices of food and non-alcoholic beverages to Croatia's CPI, which by 1.0 percentage point exceeded the contribution from this product group to the harmonised CPI in the eurozone. However, this contribution was in December 2006 0.1 percentage point lower in Croatia than in the eurozone. The year-on-year rate of change in the prices of food and non-alcoholic beverages stood at a mere 0.8% in December 2006 in Croatia and at a considerably higher 3.1% in the eurozone.

Exchange Rate

The kuna/euro exchange rate appreciated slightly by 0.4% in nominal terms in 2006, with the euro dropping from HRK 7.38 in late 2005 to HRK 7.35 in late 2006. Appreciation pressures felt throughout most of the year were due to several major factors, including continued external financing of bank domestic lending, foreign exchange inflows from enterprise foreign borrowing and a rise in demand for the kuna caused by a government bond issue on the domestic market. Appreciation pressures on the kuna/euro exchange rate in the second half of the year also arose from foreign exchange inflows for the purchase of Pliva d.d. shares and from the decisions of some foreign parent banks to recapitalise subsidiary banks in Croatia. Standing at HRK 7.32/EUR in 2006, the average daily exchange rate of the kuna was 1.0% higher than HRK 7.40/EUR in 2005. The daily exchange rate of the kuna ranged from HRK 7.24/EUR and HRK 7.43/EUR, remaining within a relatively narrow band between -1.2% and 1.5% in relation to the average daily exchange rate in 2006.

The central bank held twelve foreign exchange auctions in 2006, in an effort to alleviate appreciation pressures on the kuna/euro exchange rate continuing for the most part of the year. At eleven of the twelve auctions, the central bank pur-





chased foreign currency from banks¹⁵ in the net amount of EUR 995.0m. With an additional EUR 208.9m, purchased by the CNB from Zagrebačka banka d.d., as required for the transactions related to the Pliva d.d. takeover, the total net amount issued in 2006 reached HRK 8.8bn. This represents a marked increase over HRK 3.8bn and HRK 5.0bn, issued by the central bank through foreign exchange transactions with banks in 2004 and 2005 respectively. Purchasing a considerable amount of foreign currency to settle external liabilities directly from the CNB, the government alleviated foreign currency demand on the foreign exchange market. Specifically, the central bank net sold EUR 438.3m worth of foreign currency to the MoF, withdrawing from circulation HRK 3.2bn.

The kuna/euro exchange rate appreciated nominally by 0.5% in the last quarter of 2006, rising from HRK 7.38/EUR on 30 September to HRK 7.35/EUR on 31 December. This period saw five central bank's foreign exchange interventions¹⁶ aimed at curbing the appreciation of the kuna exchange rate, with the resulting EUR 746.7m purchased from banks. Of this amount, EUR 537.8m¹⁷ represented central bank purchases from banks at foreign exchange auctions. In addition, the CNB purchased EUR 208.9m worth of foreign currency from Zagrebačka banka d.d., releasing HRK 1.5bn required for the share purchase and sale transactions related to the Pliva d.d. takeover to proceed smoothly while unaffected liquidity. In the last quarter of 2006, CNB's issued HRK 5.5bn through foreign exchange interventions, including the bilateral transaction with Zagrebačka banka. The CNB also net sold EUR

417.1m to the MoF in the same period; the lion's share of this amount was used to repay a syndicated bank loan, and a smaller share was used for the repayment of World Bank loans¹⁸ extended to the Republic of Croatia.

The average absolute change in the daily exchange rate of the kuna, a measure of exchange rate volatility, amounted to 0.09% in the fourth quarter, only slightly exceeding the 2006 annual average of 0.08%.

The kuna/euro exchange rate was relatively stable in the first two months of 2007, standing at HRK 7.35/EUR at end-February, the same level as at end-December 2006. The kuna/euro exchange rate depreciated by 0.4% over January, which was in consequence of a rising demand for foreign currency required for the settlement of external government debt and short-term external liabilities of enterprises. Following a depreciation in January, the kuna/euro exchange rate began appreciating in February, exceeding on the last day of the month the end-January exchange rate of HRK 7.37/EUR by 0.4%. As no central bank auctions were held in the first two months of 2007, banks met their liquidity needs at regular reverse repo auctions. On 25 January, the CNB sold EUR 57.0m worth of foreign currency to the MoF for the purpose of repayment of the debt owed to the London and Paris Clubs.

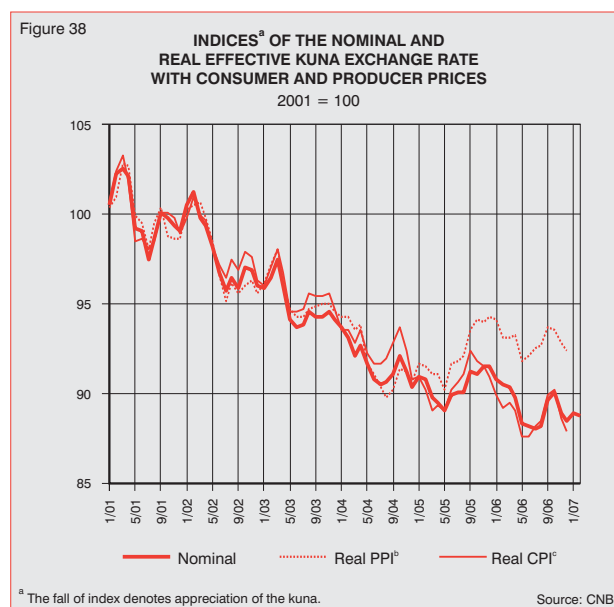
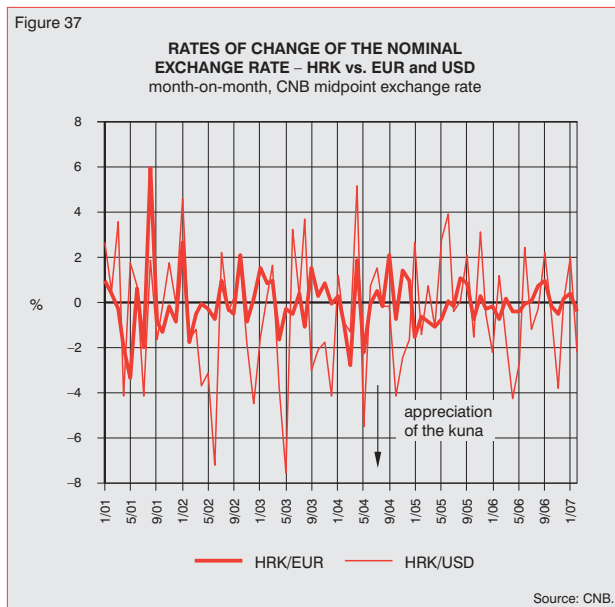
The nominal exchange rate of the kuna against the US dollar stopped depreciating in 2006, having weakened 10.6% in 2005. The kuna/US dollar exchange rate strengthened by 10.5% in 2006, from HRK 6.23/USD on 31 December 2005 to HRK 5.58/USD on 31 December 2006. The exchange rate strengthening was primarily due to the weakening of the US dollar against the euro on foreign currency exchanges. The movement in the US dollar exchange rate against the euro was primarily due to market expectations related to monetary policy trends in the US and eurozone. The said depreciation of the US dollar versus the euro was to a large degree a consequence of the narrowing of

15 Held on 28 December 2006, with the value date 2 January 2007 and a total of EUR 177.0m purchased from banks, the thirteenth auction produced a monetary effect (kuna issuance) in January 2007.

16 The analysis covers only the interventions producing a monetary effect in the last quarter of 2006, with the result that the total foreign currency amount purchased from banks in that period comprises the foreign exchange intervention of 29 September, value date 3 October, while it does not comprise the foreign exchange intervention held on 28 December, value date 2 January 2007.

17 EUR 138.7m was bought on 29 September, EUR 68.8m on 26 October and EUR 112.9m on 28 November.

18 SAL (Structural Adjustment Loan) and EFSAL (Enterprise and Financial Sector Adjustment Loan).



the interest rate spread between the US and the eurozone. The ECB raised its benchmark rate five times in 2006, whereas the FED increased its benchmark rate four times in the same period. The eurozone benchmark rate increased by 1.25 percentage points over 2006, up 2.25% to 3.50%, whereas the US benchmark rate rose by 1.0 percentage point, from 4.25% to 5.25%, in the same period. The weakening of the US dollar in 2006 was also due to a growing market concern over the high US trade deficit and some central banks' announcements regarding the reduction of the US dollar share in their foreign exchange reserves.

Reflecting primarily the movements in the US dollar/euro exchange rate on the world's foreign exchange market, the exchange rate of the kuna weakened by 2.0% versus the US dollar during January 2007 and strengthened by 2.3% in February. The exchange rate strengthened by a total of 0.3% over the first two months in 2007, from HRK 5.58/USD on 31 December 2006 to HRK 5.56/USD on 28 February. The increase in the value of the US dollar against the euro in January was in effect of favourable economic indicators released in the US in that month (suggesting, for example, industrial production growth, an unanticipated employment rise and a lower than expected trade deficit). The strengthening of the euro versus the US dollar in February could be attributed to favourable economic indicators released in that month (e.g. those suggesting a higher than expected GDP growth in the last quarter in Germany, France and Italy) and to expectations of a continued increase in the eurozone benchmark interest rate. The kuna nominally strengthened by 0.2% against the pound of sterling and by 0.7% against the Swiss franc in the first two months of 2007. In addition to the stagnant kuna/euro exchange rate and the appreciation of the kuna/US dollar exchange rate, these exchange rate trends also caused the index of the nominal effective exchange rate of the kuna¹⁹ to appreciate by 0.1% on 28 February 2007 relative to 31 December 2006.

Data on the movements in the index of the real effective exchange rate of the kuna in 2006²⁰ indicate a worsening of the indicator of exports price competitiveness. The index of the real effective exchange rate of the kuna deflated by consumer prices appreciated by 2.0% in 2006, strengthening at a slower pace than the index of the nominal effective exchange rate of the kuna (3.4%), due to a much faster growth of producer prices abroad (primarily in the eurozone) than on the domestic market in the observed period. The nominal appreciation of the effective exchange rate of the kuna primarily resulted from a strong nominal appreciation of the average daily exchange rate of the kuna against the US dollar, up 10.7% in December 2006 relative to December 2005. The index of the real effective exchange rate of the kuna deflated by consumer prices appreciated by 3.3% in 2006, in a reflection of a slightly slower growth of domestic consumer prices relative to foreign prices (in the USA, Slovenia and Great Britain).

Monetary Policy and Instruments

Monetary Environment

Increased demand for kuna and the associated appreciation pressures, which the central bank alleviated by purchasing foreign exchange from banks, characterised both the last quarter of 2006 and the year as a whole. This was reflected in strong growth of reserve money in 2006 and a lesser need for the creation of additional liquidity at reverse repo auctions. Notwithstanding large foreign currency inflows from

¹⁹ As Slovenia became a member of the European Monetary Union on 1 January 2007, the weight (share) of the Slovene tolar of 0.2%, previously

used in calculating the index of the nominal and real effective exchange rate of the kuna, was added to the euro's weight, which is now 70.8%, compared with the previous 70.6%. The weights of the other currencies used in the index calculation – US dollar (27.2%), pound sterling (1.0%) and Swiss franc (1.0%) – remained unaltered.
²⁰ December 2006 relative to December 2005.

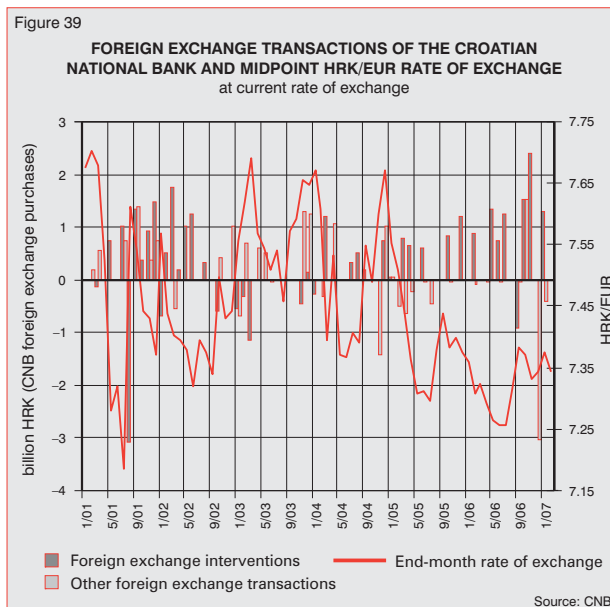
abroad, which were based on external debt growth, increased foreign direct investment, including larger recapitalisation of banks, the central bank attained the required level of liquidity thus ensuring not only exchange rate stability but also a high level of banks' free reserves. In the conditions of good kuna liquidity and growth of all monetary and credit aggregates, Croatian economic growth remained stable without disrupting the primary objective of the Croatian National Bank – achievement and maintenance of price stability. In early 2007, the kuna/euro exchange rate was stable so that the central bank did not intervene in the foreign exchange market, and the main instruments used to create reserve money were regular weekly reverse repo auctions.

Despite the stability of the domestic money and foreign exchange markets, low inflation and solid economic growth, external imbalances persisted in 2006, especially the current account deficit and external debt growth. Since commercial banks themselves were large contributors to external debt growth, and since the current account deficit is strongly related to the expansion of domestic sector loans that are used to finance consumption depending on imports, the central bank endeavoured, within its powers, to decrease these imbalances over the last years. The introduction of the marginal reserve requirement and its several modifications raised the price of banks' foreign borrowing. The October 2006 inclusion of kuna liabilities with a currency clause in the base for the calculation of the minimum required amount of foreign currency claims was to ensure the minimum foreign currency liquidity of the system and detain the increase in placements. Despite all this, 2006 saw an upsurge in bank loans, which was still partly financed by foreign sources and partly by the restructuring of bank liabilities, which was needed for their adjustment to the Decision on the minimum required amount of foreign currency claims. Hence, in December 2006, the Governor of the Croatian National Bank adopted the Decision on the purchase of compulsory CNB bills, which limits the "tax-exempt" growth of bank placements to 12% in 2007.²¹

Uses of Instruments of Monetary Policy

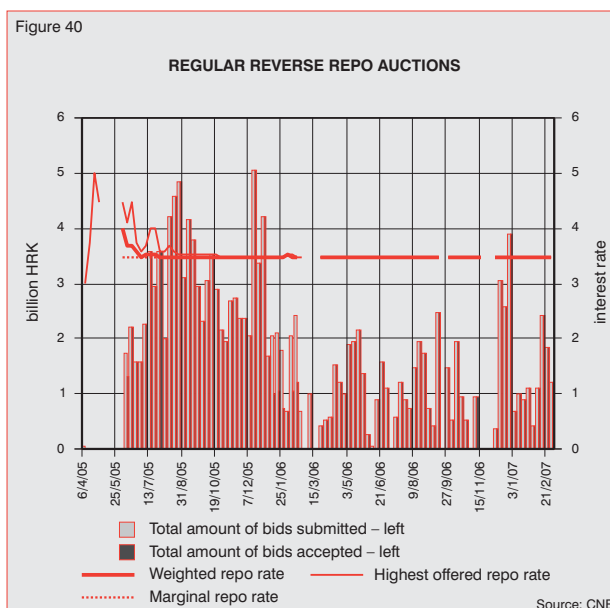
Commercial banks entered 2007 with a substantial surplus of kuna liquidity that was created in late 2006 in the situation of expanded demand for kuna. A record high level of currency in circulation, seasonal surge in retail trade turnover and enhanced credit activity of banks in December provided the boost to banks' demand for kuna. Hence, the largest average monthly turnover at reverse repo auctions in 2006 was recorded in December, of HRK 2.5bn, while it was HRK 0.9bn in the first eleven months of 2006.

The rise in kuna liquidity was also affected by the foreign exchange intervention of 28 December, whose value date was 2 January 2007, whereby a total of EUR 177m were purchased from the banks which created HRK 1.3bn in additional liquidity. Thus, the daily surplus liquidity in banks' settlement accounts and in vaults reached as much as HRK



4.3bn in early 2007. In such circumstances, banks' demand for additional funds diminished, whereas some surplus liquidity was withdrawn by placing fewer funds at central bank auctions held in January and February 2007. In these two months, the average amount of funds placed was HRK 1.2bn. As usual, the largest turnover was recorded at the beginning of the reserve requirement maintenance period; hence, under the impact of the rise in the calculated kuna reserve requirement, the auction was held on 14 February, the day of allocation, at which the largest turnover of HRK 2.4bn was made. In the first two months of 2007, the CNB accepted all the bids received from banks and the marginal repo rate held steady at 3.5%.

Comfortable kuna liquidity was not disturbed even by the foreign exchange transaction of 25 January 2007 when USD 65m and EUR 7m was sold to the Ministry of Finance for the repayment of due obligations to the Paris and London Clubs, whereby HRK 0.4bn was withdrawn from the system. Also, ample kuna liquidity of banks persisted during the subscrip-



21 For more details on the Decision on the purchase of compulsory CNB bills, see Box 1.

tion for the issue of new government bonds (dated 8 February) in the amount of HRK 2.5bn. This is contrary to past experience when, at the time of subscription for newly-issued government bonds, banks' demand for additional funds at reverse repo auctions usually increased and interest rates on the interbank money market were put under growing upward pressure. Banks' free reserves stood at HRK 814m in the first two months of 2007, which is only slightly more than their average level of HRK 781m in 2006.

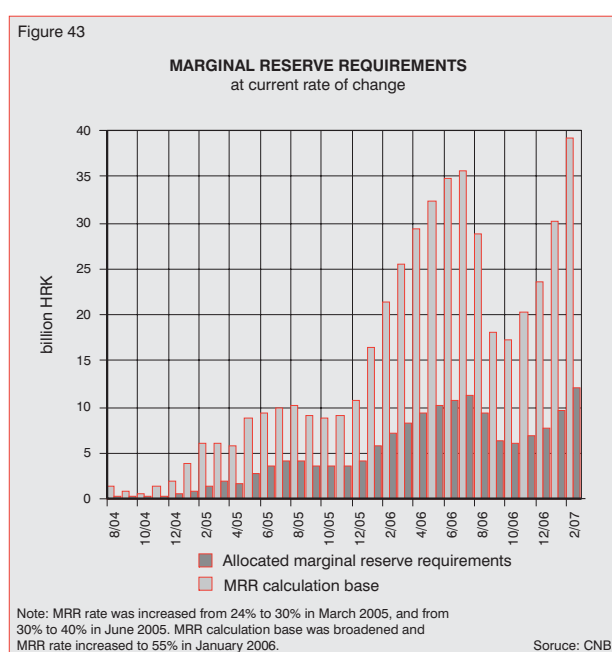
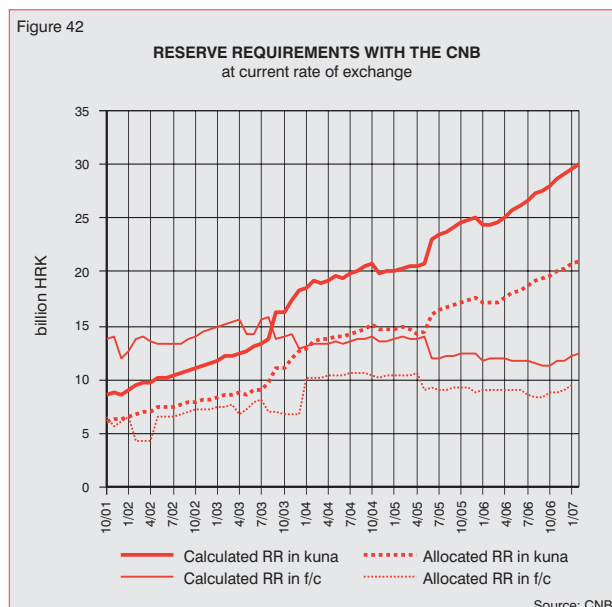
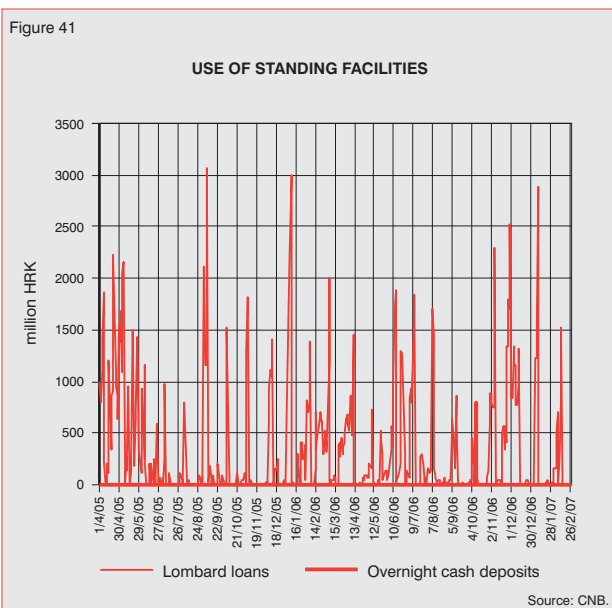
In 2007, banks continued with the practice to maintain higher balances in transaction accounts with the central bank in the first part of the reserve requirement maintenance period. In line with this, towards the end of the reserve requirement maintenance period, when they already attain the average level to be maintained, banks temporarily channel their liquidity surpluses into overnight deposits. Hence, on the days before reserve requirement allocation in January and February, overnight deposits surged to HRK 2.9bn and HRK 1.5bn respectively. The average daily balance of overnight deposits with the CNB was HRK 226m in the first two months of 2007, while it was HRK 358m in 2006 as a whole.

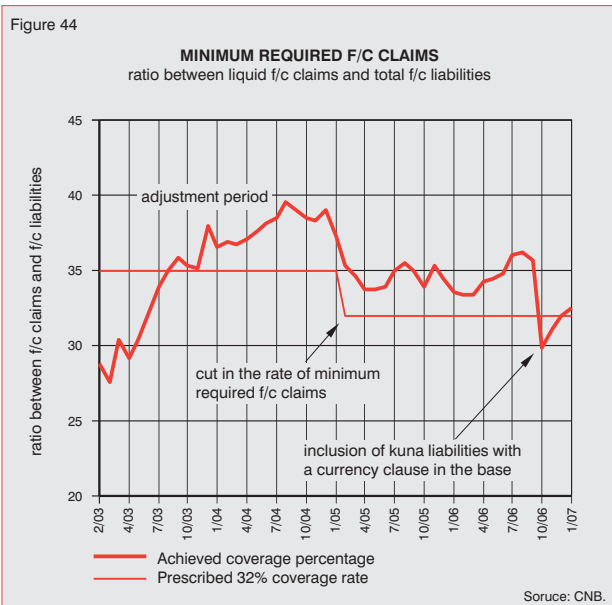
Near the end of 2006, in the conditions of growing domestic sources of funds, kuna and foreign currency reserve requirements recorded an upward trend which continued into early 2007. Looking at 2006, the calculated kuna reserve requirement went up by HRK 4.0bn, reaching HRK 29.2bn in December, whereas the foreign currency reserve requirement fell by HRK 0.6bn to HRK 11.8bn. Developments in kuna and foreign currency reserve requirements are the best indicators of the restructuring of banks' domestic sources of funds in 2006, which was marked by a huge upturn in kuna deposits (60.2%) and a slight increase in foreign currency deposits (1.7%).

The calculated kuna and foreign currency reserve requirements recorded a further increase in the first two months of 2007, of HRK 0.9bn and HRK 0.7bn respectively. The rise was fuelled by a seasonally uncommon growth in kuna and foreign currency deposits in early 2007, which led to the increase in the base for the reserve requirement calcu-

lation. Notwithstanding the effects of the base period and the cut in the reserve requirement rate from 18% to 17% in January 2006, steady growth in monetary aggregates led to stronger liquidity sterilisation by means of the reserve requirement instrument, so that reserve requirements rose on an annual level as well. The calculated kuna reserve requirement stood at HRK 30.1bn in February 2007, 23.2% more than a year ago, whereas the foreign currency reserve requirement, growing at the annual rate of 5.1%, reached HRK 12.5bn.

The rise in the marginal reserve requirement, which began in late 2006, sped up considerably early in 2007. This was mostly due to an upsurge in banks' foreign liabilities in December 2006, which raised the January base for the calculation of the marginal reserve requirement by as much as HRK 6.8bn. With the continued foreign borrowing of banks in 2007, the base rose by additional HRK 8.9bn in February. The result of such developments was a jump in the allocated





marginal reserve requirement of as much as HRK 4.3bn in the first two months of 2007, which was more than the increase of HRK 3.5bn recorded in 2006 as a whole.

Banks' funds allocated on the basis of the marginal reserve requirement reached HRK 12.1bn in February. Although banks' external debt grew at a slightly slower pace in 2006 than in 2005, the strong upswing in the marginal reserve requirement at the beginning of 2007 confirms that banks, regardless of developments in domestic funding sources, still opt for covering higher costs of foreign financing in order to attain loan growth targets.

The banks' adjustment to the amended Decision on the minimum required amount of foreign currency claims, under which kuna liabilities with a currency clause were as of October 2006 also included in the base for the calculation of minimum foreign currency coverage of 32%, was effected in the last quarter of 2006 and early 2007. In this period, due to a large increase in the base, banks were allowed to gradually increase their foreign currency coverage ratios by a minimum 2 percentage points per month, until their final adjustment to the prescribed 32% coverage in March 2007. Banks made the adjustment by increasing their foreign currency claims and decreasing their foreign currency liabilities, in particular kuna liabilities with a currency clause.²²

At end-January 2007, total foreign currency liabilities of banks under the Decision on the minimum required amount of foreign currency claims, including the liabilities with a currency clause, stood at HRK 172.4bn, while foreign currency claims were HRK 56.0bn. Hence, coverage at the system level exceeded the prescribed ratio, standing at 32.5%. Looking at individual banks, the coverage ratio of six banks was below 32%, so that their adjustment will continue in February and March.

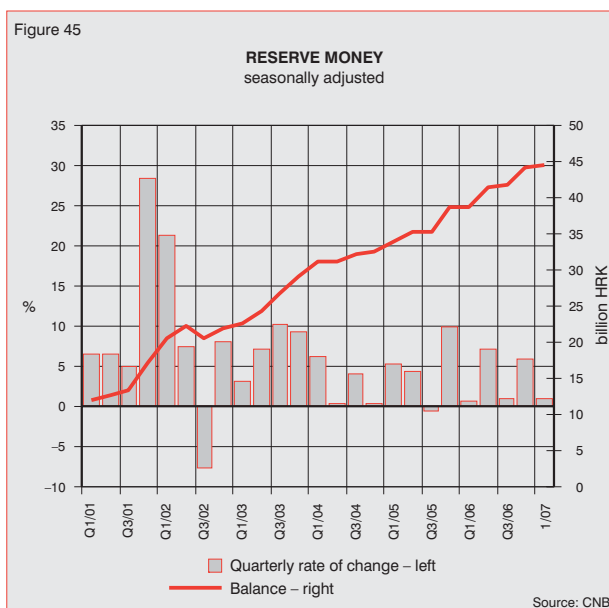
22 For more details on the banks' adjustment to the Amendments to the Decision on the minimum required amount of foreign currency claims, see Box 1.

Reserve Money and International Reserves

In 2006, reserve money (M0) grew by 14.7% or HRK 5.9bn in nominal terms. This increase was triggered by a HRK 3.5bn rise in bank deposits with the CNB, which was influenced by autonomous growth in the kuna reserve requirement. Hence, notwithstanding the cut in the reserve requirement rate from 18% to 17% early in 2006, intensified creation of reserve money by the central bank, which was spurred by appreciation pressures, and a strong increase in all monetary aggregates led to reserve money growth in the rest of the year. The other component of reserve money, currency in circulation, which grew by HRK 2.5bn, recorded a faster increase than in the previous years. An additional boost to M0 growth at the very end of 2006 was provided by a substantial liquidity surplus in banks' accounts with the CNB, so that reserve money rose by HRK 4.0bn in the fourth quarter.

Reserve money M0 was decreased by draining surplus kuna liquidity from the system and by withdrawing currency from circulation in early 2007. Thus, funds in settlement accounts and in bank vaults fell by HRK 2.1bn in January and February, while currency fell by HRK 0.7bn. Within the structure of reserve money, only the allocated kuna reserve requirement recorded a rise, of HRK 0.7bn. At end-February, reserve money stood at HRK 44.3bn, and notwithstanding the January and February decline, its annual growth rate kept at 21.4%, partly due to the base period effect, i.e. the effect of the January 2006 cut in the reserve requirement rate.

The average balance of government deposits with the CNB was HRK 355m in 2006, which is almost half less than the year before. Volatility of government deposits subdued in 2006 which, together with their lower average balance, suggests better liquidity management on the part of the central government. Government deposits remained stable in early 2007, with only one temporary leap in kuna deposits to HRK 2.0bn, which occurred on 8 February when the government temporarily deposited the funds raised by issuing kuna bonds. In January and February, the average balance of gov-





ernment deposits in kuna and foreign currency was HRK 263m and HRK 31m respectively.

The fourth quarter of 2006 saw a sharp rise in international reserves of the CNB. International reserves went up by a total of EUR 1,287m in 2006, of which as much as EUR

591m was associated with their increase in the fourth quarter. As throughout the year, the rise was mostly spurred by larger purchases of foreign currency from banks and the increase in allocations related to the marginal reserve requirement. The total amount purchased from banks through foreign exchange interventions was EUR 1,204m net, while the increase in allocations associated with the foreign currency and the marginal reserve requirements was EUR 427m in 2006. As regards foreign currency outflows, the main factor were foreign exchange transactions with the Ministry of Finance, whereby EUR 438m net was sold to the central government. At the end of 2006, international reserves of the CNB stood at EUR 8,725m and net usable international reserves stood at EUR 6,464m.

The rise in international reserves of the CNB gained additional momentum early in 2007, mostly due to an upswing in allocations associated with the marginal reserve requirement (of EUR 586m), accompanied by the effect of the foreign exchange intervention in late 2006, whose value date was 2 January 2007 (of EUR 177m). International reserves thus reached EUR 9,566m at end-February, up EUR 841m over end-2006. Net usable international reserves which, among others, exclude banks' foreign currency reserve requirements, went up by EUR 172m, to EUR 6,636m at the end of February.

Box 1: Developments in Monetary Aggregates and Monetary Policy Measures in the Fourth Quarter of 2006

In September 2006, the Croatian National Bank amended its Decision on the minimum required foreign currency claims by including kuna liabilities with a currency clause in total foreign currency liabilities. In December, the CNB issued a Decision on the purchase of compulsory CNB bills, restricting the “non-taxable” part of bank placements growth to 12%.

These measures reflect the intentions of the central bank to try to keep, as much as it can, bank credit growth within sustainable limits over long term. Sustainable credit growth means credit growth which does not worsen the country's external imbalance, while ensuring a basis for solid and stable overall economic dynamics. In 2003, the CNB imposed a 16% restriction on annual placements' growth of banks (this restriction expired with the end of that calendar year) while its minimum required foreign currency claims, introduced as a prudential measure, were aimed at curbing rapid banks placements growth. The instrument of marginal reserve requirement, introduced by

the CNB in 2004, greatly raised the cost of foreign borrowing for banks.

Faced with even tighter restrictions, most notably the raising of the marginal reserve requirement to 55% and widening of its base in December 2005, the banks took a number of steps at the beginning of 2006 in an attempt to circumvent central bank restrictions. One of those was to issue securities on the domestic market for purchase on the secondary market by foreign banks – the practice that the CNB put an end to by introducing its special reserve requirement instrument) and another was to encourage activities that would boost growth of more favourable sources, particularly those with a currency clause, until September 2006 not covered by the minimum required foreign currency claims requirement.

Replacement of foreign currency deposits by kuna deposits with a currency clause, efforts to boost “new” domestic savings with a currency clause and foreign bank borrowing in kuna indexed to foreign currency resulted in a significant change in the currency structure of banks' liabilities in 2006. The share of liabilities with a currency clause in total time deposits and received bank loans rose from 16% at end-2005 to 23% at end-September 2006. As

Table 2: Currency Structure of Time Deposits and Received Loans with the Banks, end of period, in million HRK and %

	12/2004		12/2005		6/2006		9/2006		1/2007		Change	
	Balance	Share	Balance	Share	Balance	Share	Balance	Share	Balance	Share	12/05–9/06	9/06–1/07
Kuna	19,092	13.2	26,153	15.7	30,099	16.9	31,002	17.2	45,398	23.3	4,849	14,396
Kuna with a currency clause	16,097	11.2	27,206	16.3	39,577	22.2	43,510	24.2	29,141	15.0	16,303	-14,369
Foreign currency	109,135	75.6	113,118	67.9	108,837	61.0	105,248	58.5	120,123	61.7	-7,870	14,875
Total	144,324	100.0	166,477	100.0	178,513	100.0	179,760	100.0	194,662	100.0	13,283	14,902

Source: CNB.

a result of such developments, considerable funds were freed in the first nine months of 2006, until then placed abroad in fulfilment of the minimum required foreign currency claims requirement.

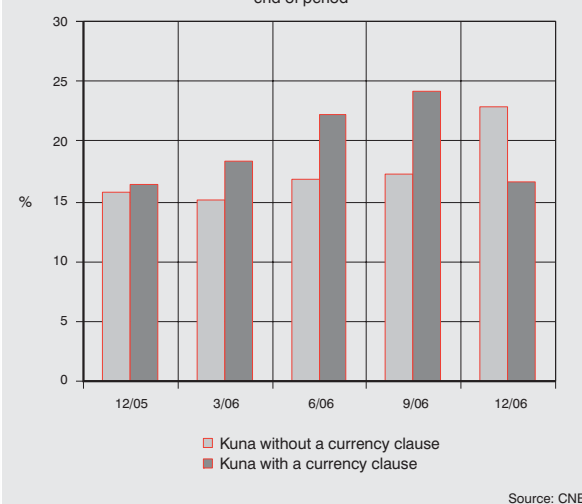
The CNB responded by amending in September 2006 its Decision on the minimum required foreign currency claims. Under these amendments, the base for the calculation of minimum foreign currency liquidity included not only foreign currency liabilities but also kuna liabilities with a currency clause. Kuna sources with a currency clause were thus made equal to foreign currency sources, while the instrument of minimum required foreign currency claims regained its prudential role.

As regards the September widening of the foreign currency base, most banks did not meet the minimum foreign currency liquidity requirement. Looking at total banking system level, the coverage of foreign currency liabilities by foreign currency claims at the end of September 2006, calculated on the basis of the widened definition of foreign currency liabilities, was 27.5%, while that calculated on the basis of the previous, i.e. narrower base which excluded liabilities with a currency clause, was 36.4%. Consequently, banks had to bring the amount of their foreign currency claims and their foreign liabilities in line with the new definition of foreign currency liabilities, within the prescribed time limits and in accordance with the envisaged dynamics.

To achieve compliance with the amended central bank decision, the banks mostly reduced their foreign currency liabilities, and to a smaller extent increased their foreign currency claims. Banks' adjustments with the amended decision was also seen in a new change of currency structure of domestic sources as well as in a change in the currency structure of foreign liabilities of banks. In the last quarter of last year and early this year, the share of liabilities in domestic currency without a currency clause increased significantly, i.e. the degree of euroisation measured by the share of liabilities in domestic currency in total bank liabilities declined. At end-January 2007, the share of time kuna deposits and received kuna loans without a currency clause in total time deposits and received loans with banks reached 23%, an increase of 6 percentage points compared with the end of September 2006.

Figure 47

SHARE OF KUNA TIME DEPOSITS AND RECEIVED LOANS IN TOTAL TIME DEPOSITS AND RECEIVED LOANS OF BANKS
end of period



Looking at only savings and time deposits of domestic sectors, the total fall in kuna deposits with a currency clause during the adjustment period so far (HRK 7.2bn) was almost fully compensated by an increase in kuna deposits without a currency clause (HRK 7.0bn), with the result that the share of deposits with no currency clause in total savings and time deposits rose to 22.2% at the end of January 2007. The replacement of foreign currency-indexed kuna deposits with deposits with no indexation was equally present with the household and the corporate deposits.

As regards foreign liabilities of banks, it is worth noting that the change in the currency structure during the adjustment period so far has been even bigger than that in the domestic sources of funds. Banks' total foreign liabilities with a currency clause declined by HRK 7.7bn in the fourth quarter of 2006 and in January 2007, almost equalling banks' increase in foreign liabilities (HRK 7.6bn). As total foreign liabilities of banks during those four months rose rapidly (HRK 11.0bn), the total increase during that period is attributable to the increase in foreign liabilities in kuna without a currency clause.

Looking at total banking system level, the rate of cover-

Table 3: Savings and Time Deposits with Banks, end of period, in million HRK and %

	9/2006		10/2006		11/2006		12/2006		1/2007		Change 9/06-1/07
	Balance	Share	Balance	Share	Balance	Share	Balance	Share	Balance	Share	
Kuna deposits	23,219	3,7	5.557	8,0	9.067	12,6	10.138	13,3	13.569	17,4	11.098
Kuna deposits with a currency clause	22,936	24,1	13.572	19,6	11.916	16,6	10.824	14,2	8.434	10,8	-7.695
Foreign currency deposits	85,173	72,2	50.069	72,4	50.875	70,8	55.114	72,4	55.853	71,7	7.594
Total	131,329	100,0	69.199	100,0	71.858	100,0	76.076	100,0	77.856	100,0	10.997

Source: CNB.

Table 4: Currency Structure of Foreign Liabilities of Banks, end of period, in million HRK and %

	9/2006		10/2006		11/2006		12/2006		1/2007		Change 9/06-1/07
	Balance	Share	Balance	Share	Balance	Share	Balance	Share	Balance	Share	
Kuna	2,471	3,7	5.557	8,0	9.067	12,6	10.138	13,3	13.569	17,4	11.098
Kuna with a currency clause	16,129	24,1	13.572	19,6	11.916	16,6	10.824	14,2	8.434	10,8	-7.695
Foreign currency	48,259	72,2	50.069	72,4	50.875	70,8	55.114	72,4	55.853	71,7	7.594
Total	66,858	100,0	69.199	100,0	71.858	100,0	76.076	100,0	77.856	100,0	10.997

Source: CNB.

age of foreign currency liabilities by foreign currency claims at the end of January 2007 was higher than the prescribed minimum and stood at 32.5%. Apart from the said restructuring of domestic and foreign liabilities of banks, banks' adjustment to the amended September decision took place in the absence of any larger pressures on the foreign exchange market, and in accordance with the dynamics prescribed by the central bank.

As the CNB did not succeed in slowing down bank placements growth with its instrument of minimum required foreign currency claims, and as placements (exchange rate effects excluded), as seen in Figure 48, again exceeded their trend value in 2006, similarly as in 2002 and 2003, the CNB issued a decision in December 2006 on the compulsory CNB bills purchase, restricting the "non-taxable" annual placements' growth to 12% in 2007.

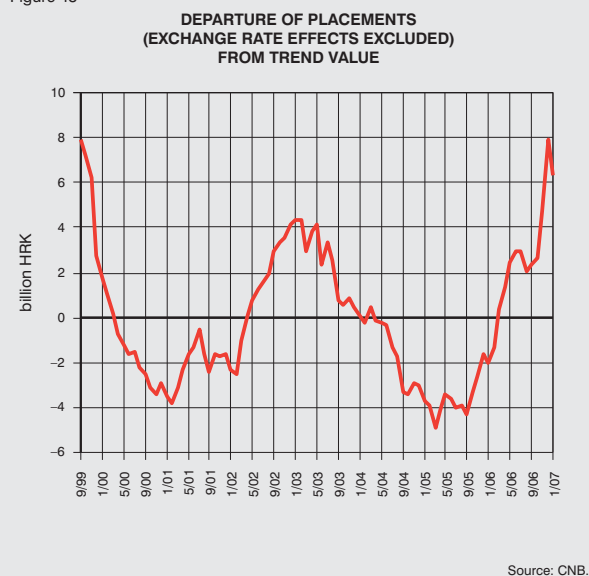
With total balance of bank placements to the non-banking sector standing at HRK 183.4bn at end-2006, the 12% increase in "non-taxable" placements in 2007 corresponds to HRK 22.0bn in nominal terms. The central bank considers such an increase in placements sufficient to support further fast dynamics of economic growth achieved in 2006. The CNB is also aware that the restriction might lead to partial disintermediation, most notably on the part of some of the companies. Taking into account the importance of the availability of sources for financing the economic and investment activities of the corporate sector, the CNB has excluded from the calculation of the permissible placements' growth, all placements to the central government, to prevent placements to the government from squeezing out placements to the other non-banking sectors, most notably the corporate sector. This also paves the way for further domestic financing of the central government budget deficit. The central bank also feels that for good corporate projects other financial instruments could be obtained, most notably through the intermediation of domestic capital market.

Although the initially permissible growth rate of placements in January was 1%, with an increase of 1 percentage point for each next calculation period (totalling 12% annually), February amendments provided for a 12% increase in any of the calculation periods, thus ensuring for the banks greater flexibility in terms of planning their credit growth dynamics.

Monetary Developments

Rapid growth in placements and intensified foreign borrowing of banks were the main characteristics of monetary developments in the fourth quarter of 2006. Observed at the annual level, the sources of increased bank placements, in addition to their foreign borrowing, were the inflows for recapitalisation. However, the main sources were household deposits as well as corporate deposits, which were partly formed by direct corporate borrowing abroad in 2006. In such conditions, the growth of almost all monetary aggregates sped up considerably. The fourth quarter also saw the banks' adjustment to the amended Decision on the mini-

Figure 48



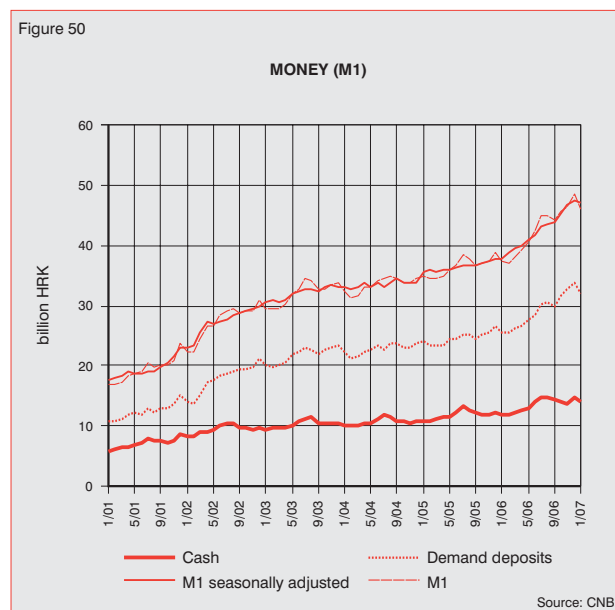
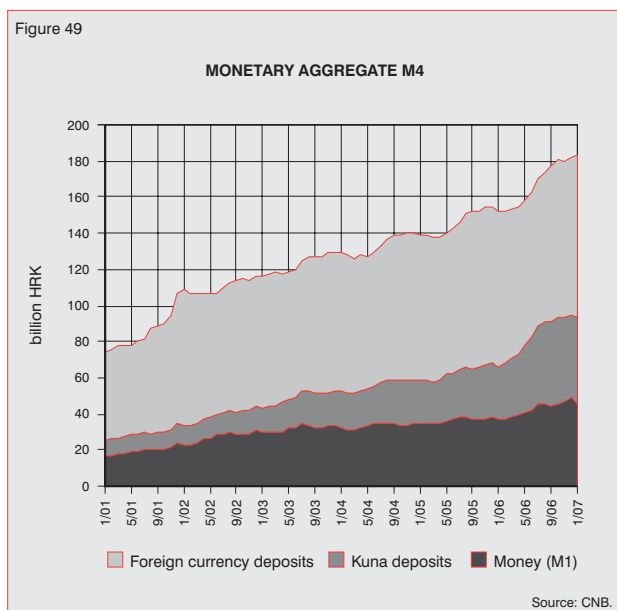
The calculation period for the calculation of the base for the subscription of compulsory CNB bills commences on 1 January 2007 and ends on the last day of each calendar month. The base for calculating the amount of compulsory CNB bills to be purchased is the positive difference between the balance of placements at the end of the calculation period, i.e. the last day in the month, and the balance of the same placements as at 31 December 2006, increased by the amount calculated by applying the 12% as the permissible growth rate of placements in an individual calculation period. In simpler terms, the base consists of any increase in placements above the permitted level, with the rate of purchase of compulsory CNB bills standing at 50%.

Compulsory CNB bills subscriptions take place on the 20th calendar day in a month and are issued with a 360-day maturity. Interest rate payable on these bills by the CNB equals the interest rate payable on kuna reserve requirements set aside and stands at 0.75%. The central bank will not repurchase compulsory CNB bills before maturity, and their sale by the banks to other persons prior to maturity is not allowed. Securitisation, as a possible means of banks' adjustment to the permissible increase has been ruled out as any sold claims are included in the base for the calculation of compulsory CNB bills purchase requirement.

num required amount of foreign currency claims of September 2006. It mostly involved the replacement of kuna liabilities with a currency clause by "pure" kuna and foreign currency liabilities, whereas the fourth quarter rise in banks' foreign liabilities was mostly triggered by financing of their heightened credit activities.

Total Liquid Assets

The upsurge in total liquid assets (M4), which was recorded in the third quarter, continued into the last quarter of 2006. Growing by HRK 5.7bn in that quarter alone, total liquid assets went up by as much as HRK 27.8bn or 18.0% in



2006, which is almost twice more than in 2005 (HRK 14.7bn or 10.5%). Both components of the monetary aggregate M4, money and quasi money, grew at an exceptional rate. As regards the structure of quasi money, kuna non-monetary deposits grew rapidly, whereas foreign currency deposits rose slower compared with the year before. At end-January 2007, total liquid assets stood at HRK 183.0bn, and their annual growth rate was as high as 20.4%.

Money

Intensified credit activities of banks in late 2006 and a seasonal rise in demand for currency in December led to an upsurge in money (M1) in the fourth quarter of 2006 when this monetary aggregate went up by HRK 4.5bn relative to the quarter before. M1 rose by a total of HRK 9.7bn or 25.0% in 2006, which is more than twice faster compared with its growth in 2005. Owing to a seasonal fall at the beginning of the year, money dropped to HRK 46.0bn in late January 2007, while its annual growth rate remained at a high level of 23.5%.

As in the entire 2006, the last quarter's hike in money was largely due to a rapid increase in demand deposits, which rose by a total of HRK 7.3bn in 2006, of which HRK 4.2bn was recorded in the last quarter. The last quarter's growth in demand deposits was mostly the result of growing balances in corporate giro accounts due to the strong growth in loans to the corporate sector in late 2006. Corporate and household deposits equally contributed to the increase in demand deposits in 2006 as a whole. Although being much lower in early 2007 than at-end 2006, the total balance in current and giro accounts stood at HRK 32.1bn at end-January 2007, up 25.7% compared with end-January 2006.

The other component of money, currency outside banks, also grew at a brisker pace in 2006 than in 2005. The faster 2006 growth of this monetary aggregate was affected by the payment of the debt to pensioners in two instalments, June and December. With usual seasonal fluctuations, currency outside banks went up by HRK 2.4bn in 2006, with its average daily balance being 13.0% higher than the year before. In

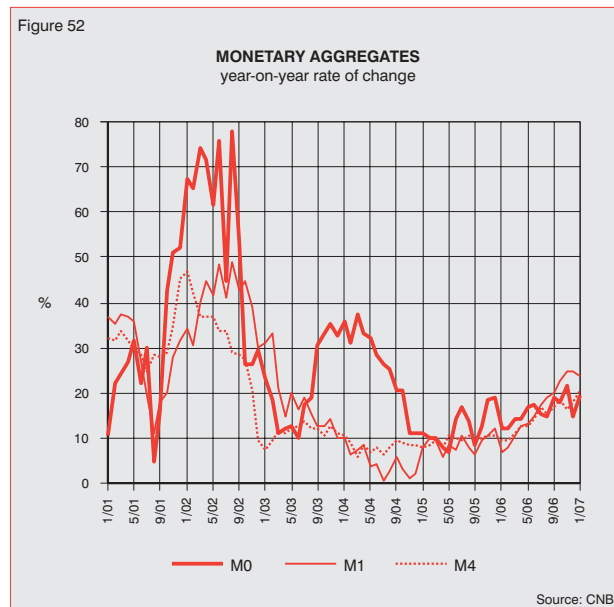
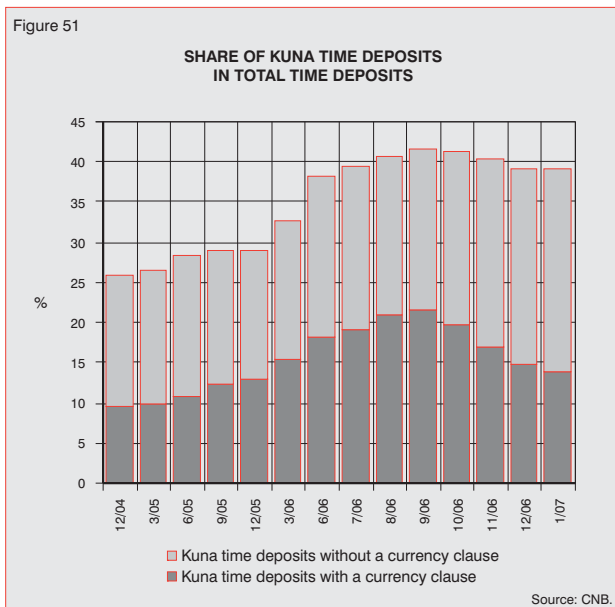
January 2007, currency outside banks dipped by HRK 0.7bn, to HRK 13.9bn at the end of the month.

Non-Monetary Deposits

In addition to accelerated M1 growth, the rise in non-monetary deposits also boosted the 2006 hike in total liquid assets. In contrast to the previous years, the largest contribution to the upswing in non-monetary deposits in 2006 was made by kuna deposits with a currency clause and "pure" kuna deposits, while foreign currency deposits grew at a much slower pace. Such developments were affected by the banks' policy and their adjustment to the amended Decision on the minimum required amount of foreign currency claims (see Box 1).

Kuna non-monetary deposits went up by HRK 16.8bn in 2006 (annual growth rate of 60.2%), which is three times more than in 2005. Their increase was particularly pronounced in the first nine months when they rose by as much as HRK 18.2bn, of which more than half (HRK 11.4bn) was accounted for by time deposits with a currency clause. The trend reversed in the fourth quarter of 2006, following the September amendments to the decision on the minimum foreign currency liquidity, so that kuna deposits with a currency clause plummeted by as much as HRK 6.7bn in the rest of the year. Since that period saw the replacement of a large portion of "foreign currency-indexed" kuna savings by "pure" kuna savings, total kuna non-monetary deposits fell by a total of HRK 1.4bn in the last quarter of 2006. At end-January 2007, they were close to HRK 46.0bn and their annual growth rate was 65.3%. Within the structure of these deposits, the share of deposits with a currency clause went down to 34.2%, being 15.5 percentage points less than at end-September 2006 (49.7%), which saw the highest share of kuna deposits with a currency clause in total kuna non-monetary deposits.

Looking at individual sectors, the largest impetus to the 2006 rise in total kuna deposits was supplied by household kuna deposits, which went up by HRK 7.9bn (50.5%). Almost half of this increase related to deposits with a currency



clause (HRK 3.6bn), which swelled in the first nine months. Still, in the fourth quarter of 2006, a downturn of HRK 1.2bn was recorded in household kuna deposits, within which the share of deposits with a currency clause went down from 57.9% at end-September to 48.8% at end-December. Total kuna non-monetary deposits of households stood at HRK 23.5bn at end-January 2007, their annual growth rate held high (45.4%), while the share of deposits with a currency clause remained on a downward trend.

Corporate kuna deposits grew strongly in 2006, in contrast with 2005 when they remained flat relative to the year before. Such developments occurred in the conditions of growing corporate borrowing abroad, which greatly helped domestic banks to create a basis for financing domestic placements. The overall rise in corporate kuna deposits of HRK 6.5bn (60.2%) was almost entirely due to the rise in “pure” kuna deposits, with the growth in foreign currency-indexed deposits in the first nine months of 2006 being replaced by “pure” kuna deposits in the last quarter. Kuna non-monetary deposits of the corporate sector continued to trend upwards in early 2007, reaching HRK 15.2bn at end-January, with the share of foreign currency-indexed deposits in their structure falling to 18.2%.

Foreign currency deposits, which trended downwards in the first nine months of 2006 (a fall of HRK 1.6bn), recorded a recovery and increased by HRK 3.1bn in the last quarter, going up by a total of HRK 1.5bn in 2006. However, relative to the year before, their growth was much slower. This was mostly the outcome of a downturn in foreign currency deposits of enterprises which, due to more favourable conditions offered by commercial banks, deposited a major portion of their funds in banks, first as kuna deposits with a currency clause, and then as “pure” kuna deposits towards the year end. Spurred by a strong upturn in household deposits, renewed growth in foreign currency deposits continued into early 2007. At end-January 2007, total foreign currency deposits stood at HRK 90.1bn, while their annual growth rate recovered and stood at 5.1%.

The 2006 developments in kuna and foreign currency de-

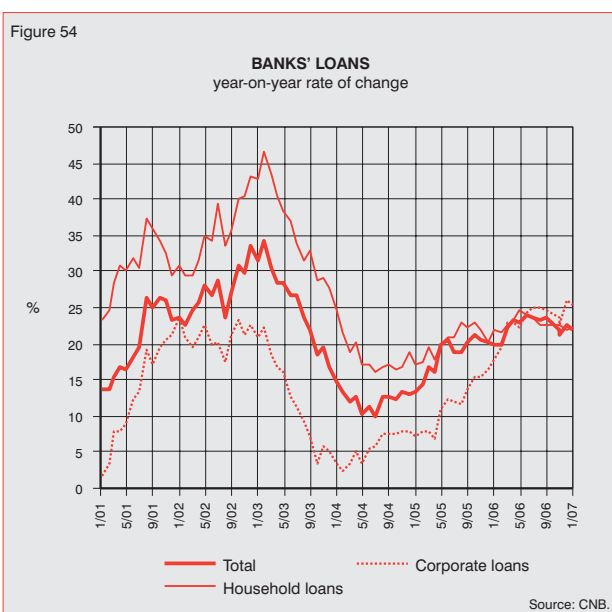
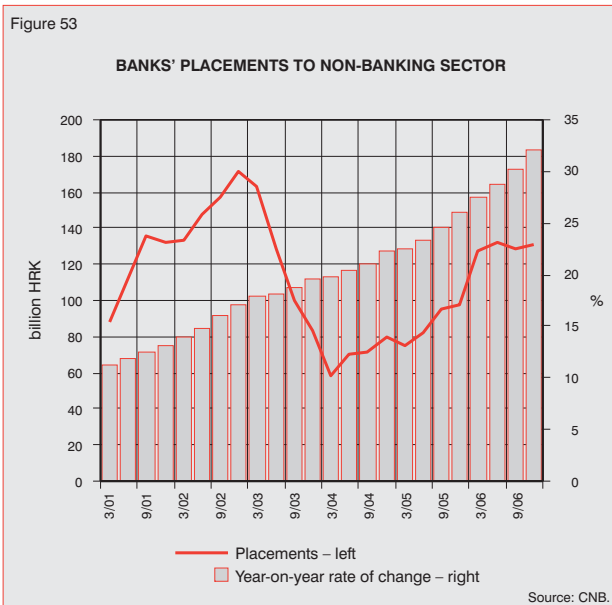
posits led to a change in the currency structure of total non-monetary deposits. If kuna deposits with a currency clause were added to foreign currency deposits, their share in total non-monetary deposits recorded a fall from 85.5% at end-2005 to 78.5% at end-2006.

Placements

A brisk rise in bank placements to the non-banking sector continued into the last quarter of 2006. Growing by HRK 11.1bn in that quarter, total bank placements to the non-banking sector went up by HRK 34.2bn in 2006, while their annual growth rate, if exchange rate effects are excluded, stood at 24.7% at the year-end. In addition to a seasonally common upsurge towards the end of the year, developments in placements were affected by the decision of some commercial banks, triggered by the central bank’s measure which restricts placements growth in 2007, to extend a part of their placements planned for early 2007 in December 2006 in order to have a more favourable base for the calculation of placements growth in 2007. Growing moderately early in 2007, total bank placements to the non-banking sector stood at HRK 184.3bn at end-January 2007, while their annual growth rate held at a high level of 22.4%.

In 2006, the rise in bank placements to the corporate sector for the first time exceeded the rise in bank placements to the household sector. In 2006, enterprises financed their strong investment activities by borrowing from domestic banks, but also by using the opportunity to borrow on the capital market and directly abroad. Out of the total 2006 increase in placements to the corporate sector (HRK 16.4bn), the largest share (HRK 6.6bn) related to their rise in the last quarter, while their annual growth rate reached as much as 24.4%, or 10.1 percentage point over that recorded in 2005. Total bank placements to the corporate sector stood at HRK 83.6bn at end-January 2007 and their annual growth rate was 23.6%.

Although banks’ credit activities were more oriented towards the corporate sector in the fourth quarter, the major portion of the total 2006 increase in bank placements, ob-



served in absolute terms, was attributable to household loans. Loans to the household sector grew by a total of HRK 17.1bn or 21.8% in 2006, which is HRK 3.9bn more than in 2005. More than half of the increase (HRK 9.3bn) was accounted for by housing loans, the annual growth rate of which did not fall below 30% throughout the year. The remaining share of household loans went to consumer loans, of which the largest share was accounted for by other all-purpose loans, which include current account permitted and non-permitted overdrafts. At end-January 2007, total loans to the household sector stood at HRK 97.0bn and their annual growth rate was 22.3%.

Bank Placements to the Central Government

In 2006, the central government raised most of the funds needed by issuing bonds on the domestic market. Although commercial banks place a considerable portion of their funds in long-term government securities, continued fiscal consolidation and the development of other banking and

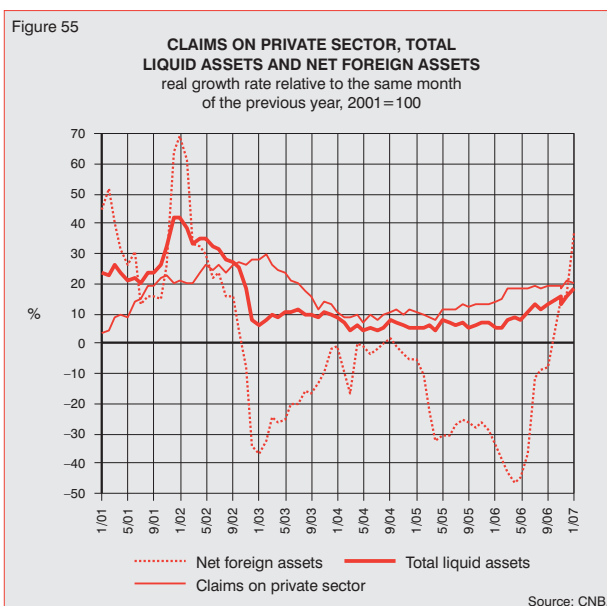
non-banking financial institutions in Croatia enabled the central government to improve its position vis-a-vis banks in 2006.

Total banks' claims on the central government fell by a net HRK 0.9bn in 2006, as a result of decreased claims for subscribed government bonds (HRK 2.2bn), and increased claims for loans (HRK 0.2bn) and claims based on money market instruments (HRK 1.1bn). Broken down by periods, the first half of the year saw strong bank financing to the government, whereas the third and in particular the fourth quarter saw a decline in banks' claims on the central government. In the fourth quarter alone, bank placements to the government fell by HRK 3.4bn due to the government repayment of a syndicated foreign currency loan of EUR 411m. Growing slightly in early 2007, total banks' claims on the central government stood at HRK 28.2bn in late January, being at almost the same level as at end-January 2006.

If the stated reduction in claims was added to the recorded increase in government deposits, net banks' claims on the central government were HRK 2.3bn less in 2006 than in 2005. Bank placements to the central government, which held steady in early 2007, stood at HRK 17.5bn in late January, down 6.0% compared with end-January 2006.

Foreign Assets and Liabilities

Foreign assets of banks grew by HRK 4.1bn in 2006, with strong fluctuations throughout the year. By favouring kuna sources with a currency clause over foreign currency sources, banks strove to "release" a portion of funds that had previously been placed abroad to satisfy the minimum required amount of foreign currency claims, and to use these funds to finance domestic placements. Foreign assets of banks declined by HRK 9.3bn in the first half of the year and rose sharply in the second half of the year. Their increase in the third quarter (of HRK 6.2bn) was of a seasonal character, while the rise in the last quarter (of HRK 7.2bn) was the result of the banks' adjustment to the amended decision on the minimum foreign currency liquidity. At end-January 2007, foreign assets of banks stood at HRK 38.5bn, up



15.9% relative to end-January 2006.

Foreign liabilities of banks moved in the opposite direction from their foreign assets; after a strong upturn in the first half of the year (of HRK 8.5bn) and a seasonal fall in the third quarter (of HRK 8.7bn), they grew sharply again in the last quarter, by as much as HRK 9.2bn. Hence, despite tightened marginal reserve requirement, foreign liabilities of banks went up by almost HRK 9.0bn or 13.4% in 2006. With the additional increase at the beginning of a new calendar year, banks' foreign liabilities stood at HRK 77.9bn at end-January 2007, up 12.8% compared with end-January 2006.

Recorded developments in banks' foreign assets and liabilities in 2006 led to a deterioration of HRK 4.9bn in net foreign assets of banks (NFA). Early in 2007, net foreign assets of banks fell by another HRK 3.4bn and stood at HRK -39.8bn at end-January 2007.

Money Market

As in the previous three quarters, financial system liquidity remained good both in the last quarter of 2006 and in January 2007. The events that most affected money market developments in that period were related to the capital market. On the one hand, demand for the kuna was spurred by the initial public offering of Ina shares, the December issue of the second tranche of the seven-year kuna bond, worth HRK 1.5bn, and several corporate bond issues. On the other hand, the supply of the kuna was boosted by inflows from the sale of Pliva d.d. and central bank interventions, releasing over HRK 5.3bn in the fourth quarter 2006 and in January 2007, which had a positive effect on kuna liquidity. Liquidity remained strong late in the year as well, despite common pressures arising from holiday spending and strong foreign exchange inflows for the purpose of recapitalisation of some banks. As a result, the average reverse repo placements by the central bank were almost the same in the fourth and in the third quarter of 2006, increasing, as anticipated, in De-

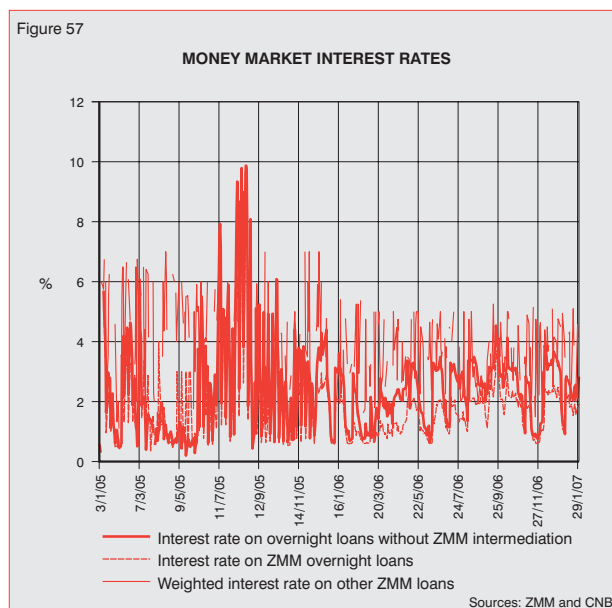
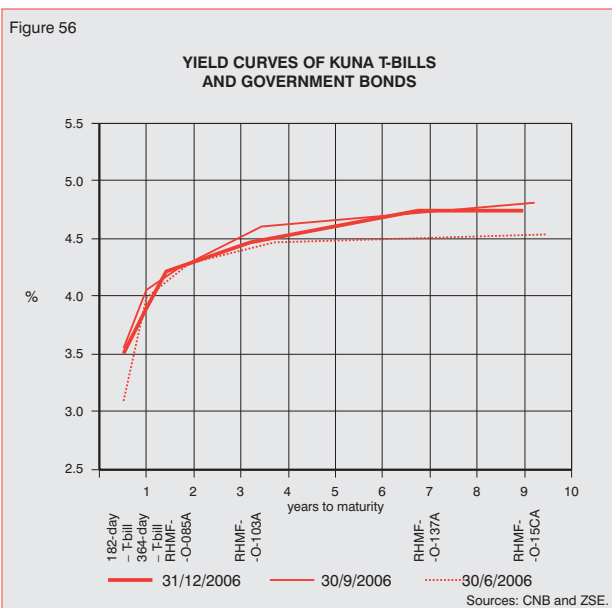
cember and decreasing in January 2007. Interest rates on money market overnight loans mostly held at a relatively low level of between 1% and 3%, while the total stock of subscribed MoF T-bills rose in the fourth quarter 2006 and continued growing in January 2007.

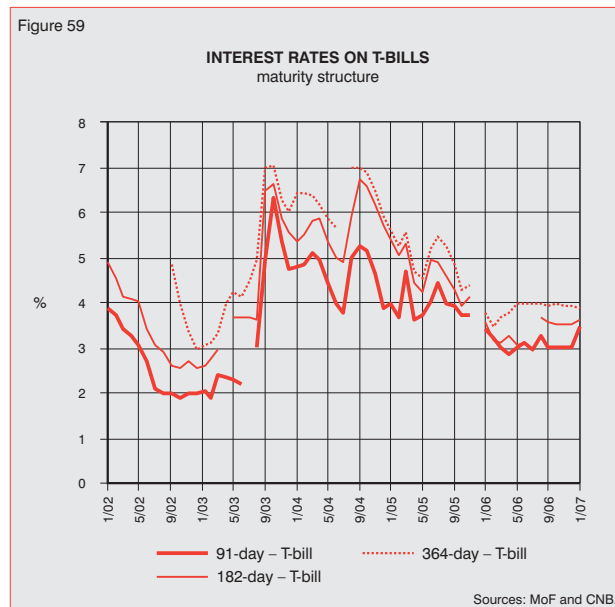
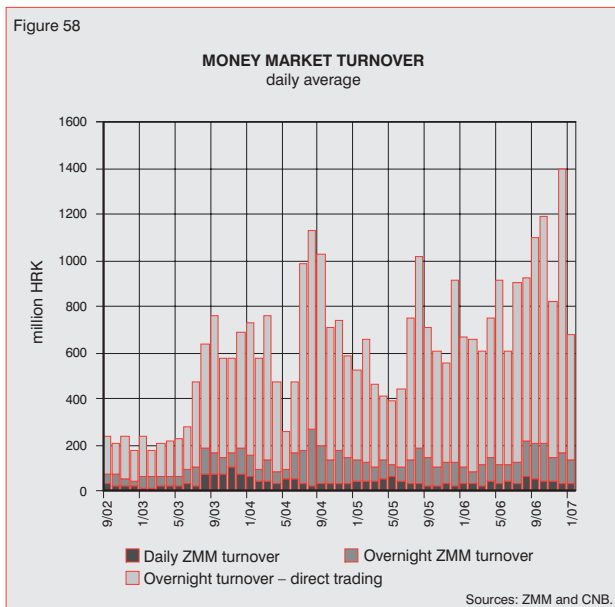
Bank interest rates on short-term corporate loans not indexed to foreign currency continued to drifted lower in the fourth quarter 2006, while interest rates on short-term household loans not indexed to foreign currency grew further. In contrast, the weighted interest rate on long-term corporate loans continued to trend up and the weighted rate on long-term household loans indexed to foreign currency reduced. As regards bank deposit rates, the same period saw a rise in the weighted interest rate on time foreign currency deposits and kuna sight deposits not indexed to foreign currency and a drop in the weighted interest rate on kuna time deposits not indexed to foreign currency and foreign currency sight deposits.

Money Market Interest Rates

As shown by ZMM data, the average reported demand for loans drifted lower in the fourth quarter 2006 from the previous quarter, continuing to drop in January 2007. The reported supply of loans rose slightly in the last three quarter of 2006, but also dropped in January. These developments led to a fall in the total turnover on the ZMM in the observed period, while no considerable change was observed in interest rates, except for a slight drop in November, caused by the supply of loans exceeding demand for the first time since February.

The weighted interest rate on overnight loans intermediated by the ZMM dropped from 2.34% in September, a record high in 2006, to 2.02% in December, drifting even lower to 1.79% in 2007. The weighted interest rate on other loans intermediated by the ZMM rose from 3.26% in September to 3.52% in December 2006 and further to 3.57% in January 2007, but the turnover of these loans was three times lower than the turnover of overnight loans.





Standing at HRK 10.7bn in the fourth quarter 2006, the total turnover on the ZMM decreased by HRK 906m from the previous quarter. The average overnight loans turnover of HRK 133.6m in the last quarter of 2006 only slightly exceeded that from the previous quarter, dropping to HRK 103.3m in January 2007. The average daily turnover in other loans reduced from HRK 49.2m in the third quarter to HRK 37.7m in the fourth quarter of 2006, and to HRK 35.0m in January 2007.

The share of overnight loans, commonly prevailing among ZMM intermediated loans, rose from 73% in the third quarter to 78% in the fourth quarter of 2006, to stand at 75% in January 2007. One-month loans accounted for the largest share in total other loans, i.e. for 73% in the last quarter of 2006 and 77% in January 2007.

The average daily turnover in overnight interbank lending without ZMM intermediation was HRK 963.4m in the fourth quarter of 2006, a rise of HRK 171.9m over the third quarter. This was due to a high average daily turnover in December, exceeding HRK 1.2bn. In January 2007, these loans' average daily turnover decreased sharply to HRK 537.0m. The weighted interest rate on direct interbank overnight loans, standing at 3.12% in September 2006, rose to 3.18% in December, dropping markedly to 2.39% in January.

Interest Rates on the Short-Term Securities Market

Ten T-bills auctions were held by the MoF in the fourth quarter of 2006, while the stock of subscribed T-bills rose, reaching HRK 12.3bn at end-December and standing at HRK 12.8bn at end-January 2007.

The value of T-bill subscription bids was HRK 7.7bn in the fourth quarter of 2006, a decrease of HRK 2.3bn from the previous quarter. On average, slightly over 50% of the bids were accepted and HRK 4.0bn worth of T-bills was subscribed, HRK 0.7bn more than the amount planned. Most of the bids were for one-year bills, which accounted for 96.4% of the total subscribed T-bills at the end of the fourth quar-

ter. The second largest share (2.1%) was that of 182-day bills, while the share of bills with the shortest maturity was 1.5%. In January 2007, the share of 364-day bills dropped to 93.6%, while the shares of 91 and 182-day bills increased to 3.5% and 2.8% respectively.

Weighted interest rates on T-bills of all maturities drifted lower in the fourth quarter of 2006, standing at 3.00%, 3.50% and 3.90% for 91, 182 and 364-day T-bills respectively in December 2006, compared with 3.02%, 3.59% and 3.93% in September. The weighted interest rate on T-bills with the longest maturity was the only one to drop further down in January 2007, to 3.88%, while the rates on 91 and 182-day bills rose to 3.46% and 3.63% respectively.

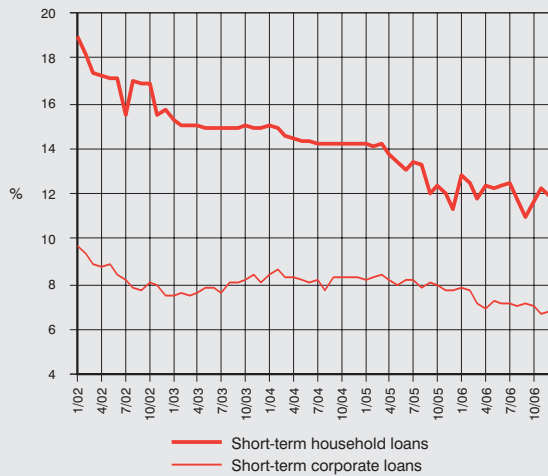
Bank Interest Rates

Bank interest rates on short-term corporate loans not indexed to foreign currency dropped further in the fourth quarter of 2006, whereas those on short-term household loans not indexed to foreign currency increased. The weighted interest rate on short-term kuna corporate loans not indexed to foreign currency reduced from 7.14% in September to 6.75% in December, while the weighted interest rate on short-term household loans increased from 11.0% in September to 11.84% in December. This was primarily due to the seasonal increase in the share of overdraft facilities, which are commonly the most expensive, up from 72.5% in September to 83.9% in December, although their interest rate decreased from 13.44% to 13.21% in the same period. The interest rate on other short-term household loans also rose, from 5.02% in September to 5.96% in December, when these loans' share in total short-term kuna household loans not indexed to foreign currency was 9.0%.

In contrast, the weighted interest rate on long-term corporate loans indexed to foreign currency rose further from 5.80% in September, attaining 6.21% in December, while the weighted interest rate on long-term household loans indexed to foreign currency continued the downturn trend, dropping from 6.72% in September to 6.22% in December.

Figure 60

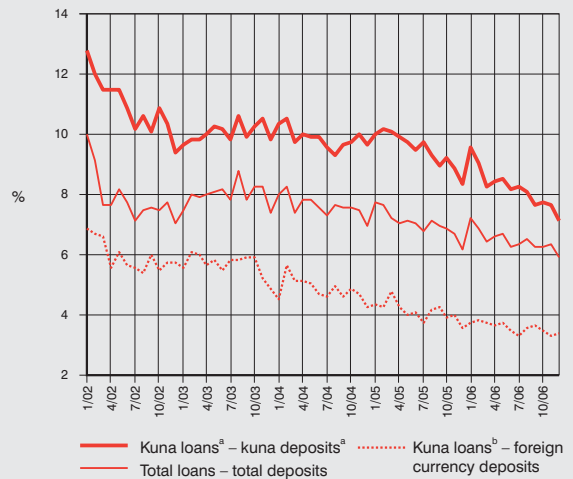
BANKS' AVERAGE INTEREST RATES ON SHORT-TERM LOANS WITHOUT A CURRENCY CLAUSE



Source: CNB.

Figure 63

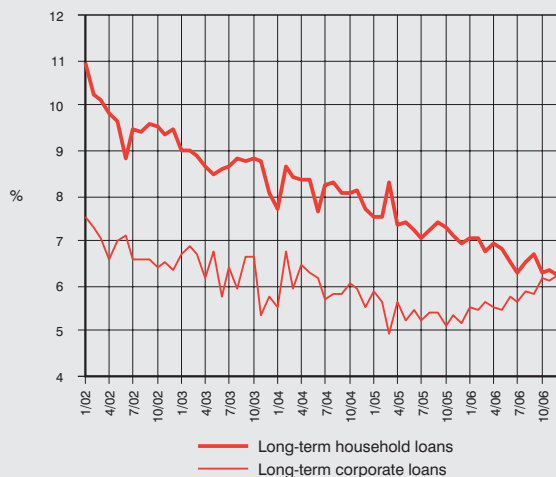
SPREAD BETWEEN BANKS' AVERAGE INTEREST RATES ON LOANS AND DEPOSITS



^a Without a currency clause. ^b With a currency clause. Source: CNB.

Figure 61

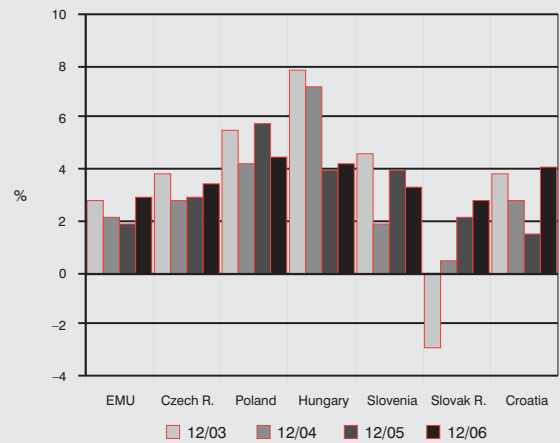
BANKS' AVERAGE INTEREST RATES ON LONG-TERM LOANS WITH A CURRENCY CLAUSE



Source: CNB.

Figure 64

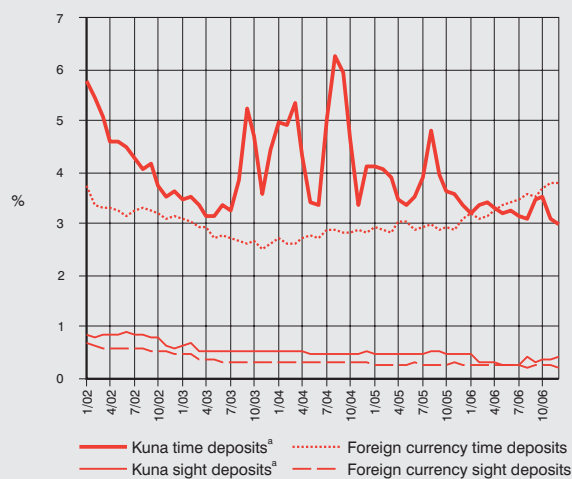
REAL INTEREST RATES ON LONG-TERM CORPORATE LOANS IN SELECTED COUNTRIES



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

Figure 62

BANKS' AVERAGE DEPOSIT INTEREST RATES

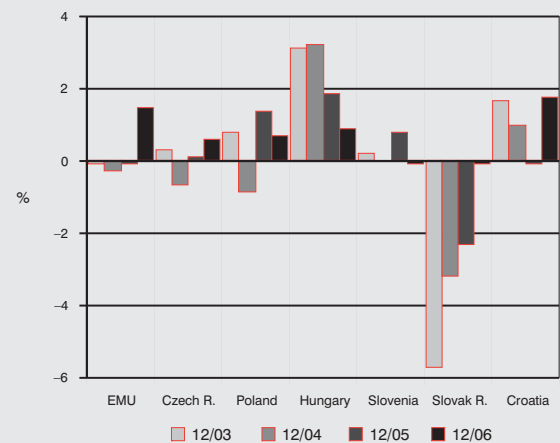


^a Without a currency clause.

Source: CNB.

Figure 65

REAL INTEREST RATES ON SHORT-TERM HOUSEHOLD DEPOSITS IN SELECTED COUNTRIES



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

These trends were caused by a drop in interest rates on all the loans in this group, excluding mortgage loans. The highest decrease was recorded for the weighted interest rate on other long-term kuna loans indexed to foreign currency, which are commonly more expensive than other similar loans (housing, mortgage, car purchase and credit card loans), standing at 7.87% in December. The decrease in the weighted interest rate on long-term household loans was also affected by the weighted interest rate on housing loans dropping from 4.88% in September to 4.75% in December.

The weighted interest rate on time kuna deposits not indexed to foreign currency, which stood at 3.46% in September, dropped to a record low of 2.98% in December. In contrast, the weighted interest rate on time foreign currency deposits rose from 3.53% in September to 3.82% in December. This rate exceeded the weighted interest rate on time kuna deposits not indexed to foreign currency ever since May 2006, the main cause being the increase in interest rates on

corporate time deposits. The weighted interest rate on kuna savings deposits increased to 0.41% in December, while the weighted interest rate on foreign currency sight deposits dipped to 0.24%.

The spreads between bank lending and deposit rates narrowed in the fourth quarter 2006 from the previous quarter, continuing an accelerated downward trend started in early 2005. The spread between the weighted interest rate on total loans and that on total deposits reduced from 6.26 percentage points in September to 5.89 percentage points in December, which was its lowest level since the new interest rate statistics was introduced in January 2002. As the weighted interest rate on kuna loans not indexed to foreign currency dropped while the weighted interest rate on total kuna deposits not indexed to foreign currency rose at the same time, their spread narrowed from 7.66 percentage points in September to 7.16 percentage points in December, also the lowest level since the beginning of 2002. Having advanced to

Box 2: Commercial Paper Market in 2006

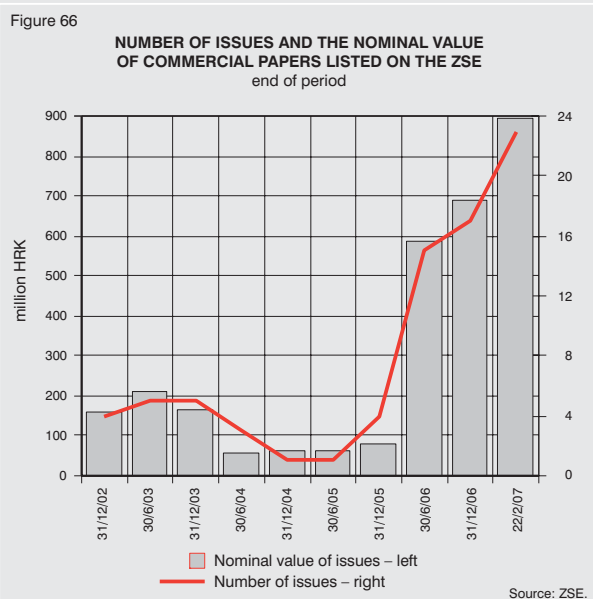
The commercial paper market revived significantly in the past year, signalling that Croatian enterprises shifted their focus from banks to the capital market as an alternative financing source. Commercial paper issuers on the Croatian market are large, high quality domestic enterprises. There were 17 commercial papers, nominally worth HRK 690m, listed on the ZSE at the end of 2006, and 23 commercial papers, nominally worth HRK 892m, at the end of February 2007. In contrast, there was only one commercial paper, worth HRK 60m, listed on the ZSE at the end of 2004, and four commercial papers, totalling HRK 82.5m in nominal terms, were listed at the end of 2005.

The commercial paper issuance programme provides for meeting enterprises' short-term financing requirements, with a maturity of between 7 and 364 days, enabling the issuer to issue commercial paper tranches within that period whose total amount remains below a preset limit. In

contrast with standard bank loans, commercial paper issuance implies that funds are raised from several investors, so that borrowing is not subject to credit exposure limits set by banks for exposures to individual enterprises. Commercial paper returns are in the form of discounts and the required yield is determined based on interest rates on MoF T-bills which are used as benchmark values.

The surge in financing through commercial paper issuance in 2006 was also due to a rising demand of institutional investors for corporate debt securities, which reduced interest rates on commercial papers. Accordingly, interest rates on T-bills having the longest maturity ranged between 3.40% and 4.05% in 2006, while yields on commercial papers of the same maturity ranged between 4.0% and 5.92%.²³ In the same period, the banks' weighted interest rate on short-term corporate loans not indexed to foreign currency, with a maturity of between 3 to 12 months, ranged between 5.89% and 7.19%, and that on credit lines to enterprises between 7.37% and 8.16%. In consequence, the ratio of commercial papers to short-term kuna corporate loans not indexed to foreign currency, ranging between 0.5% and 0.7% in 2004 and 2005, rose to 4.10% by the end of June 2006, standing at 3.38% at the end of 2006.

Croatia's secondary commercial paper market is characterised by relatively high illiquidity, which is also typical of more developed capital markets, wherein commercial papers are usually bought to be held to maturity. The total turnover of commercial papers on the ZSE was HRK 18.9m in 2006 (of which HRK 13.1m was accounted for by institutional turnover), and only 8 commercial paper issues were traded. At the end of February 2007, there were 23 tranches of commercial papers, issued by 13 issuers, of which 20 tranches were issued at source with a maturity of 364 days, while the remaining three tranches were issued with maturities of 240, 262 and 274 days.



²³ In most cases the required yield on commercial papers is higher for the first tranches of the same issuer, while regular payments of these tranches provides for more favourable financing in the future.

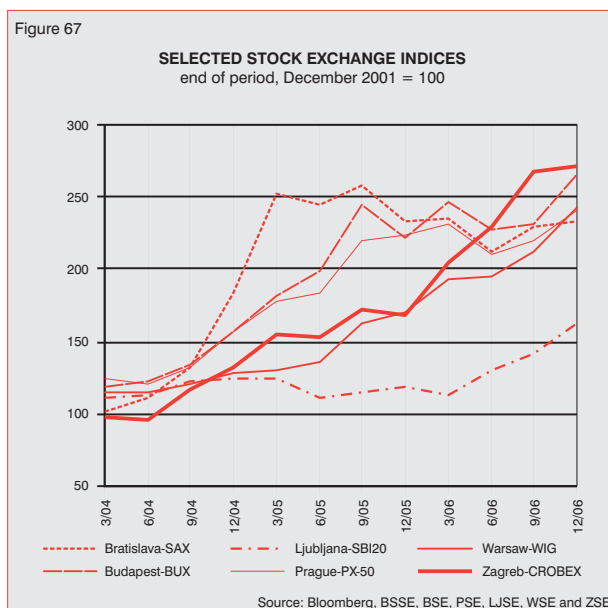
3.61 percentage points in the third quarter of 2006, the spread between the weighted interest rate on kuna loans indexed to foreign currency and that on foreign currency deposits dropped to 3.36 percentage points in December, which was due to a decrease in the weighted interest rate on kuna loans indexed to foreign currency and a concurrent increase in the weighted interest rate on foreign currency deposits.

Due to the said rise in weighted nominal interest rates on long-term corporate loans indexed to foreign currency, whose share in long-term corporate loans is the highest, interest rates on total kuna loans to enterprises in Croatia also increased. This, in addition to the inflation rate fall, pushed up real interest rates on long-term corporate loans in the fourth quarter of 2006, with similar trends also observed in Poland and the EMU. In the Czech Republic and Slovakia inflation fall outstripped the decrease in nominal interest rates on long-term corporate loans, so that real interest rates on long-term corporate loans rose in these countries as well. In contrast, real interest rates on long-term corporate loans in Hungary and Slovenia decreased owing to inflation rise, with nominal long-term rates drifting up in Hungary and dropping in Slovenia.

Due to the inflation rate fall and the concurrent increase in the nominal interest rate on household deposits, the real interest rate on household deposits increased in the fourth quarter in Croatia, and the same trends were recorded in the EMU, the Czech Republic and Slovakia (this rate in remained negative in Slovakia). Real interest rates on household deposits also rose in Poland, where the nominal interest rate held steady from the previous quarter, while inflation fell, and in Hungary, where inflation growth outpaced nominal interest rate growth. As Slovenia's inflation rate also rose, with its nominal interest rate on household deposits holding steady, it was the only one of the observed countries in which interest rates on these deposits dropped in the fourth quarter of 2006.

Capital Market

In the fourth quarter of 2006, the Croatian capital market was dominated by the sale of Pliva d.d. to Barr Laboratories Europe B.V., a European branch of the American pharmaceutical company Barr Pharmaceuticals Inc., as well as by the continued privatisation of Ina through an initial public



offering. The resulting capital inflows pushed up other share prices, although not in late 2006, as expected by market participants, but in early 2007. This was most probably due to investment funds and the general public making arrangements for Ina's long announced initial public offering, conducted from 13 to 23 November, as well as to the fact that investment funds, mostly satisfied with high returns in 2006, decided to resume investing no sooner than at the beginning of 2007. As a result, both Croatian stock exchange indices rose at a slower pace in the last quarter of 2006 than in the rest of the year, but hit record highs in January 2007. While domestic share prices are expected to increase further in the rest of the first quarter, the related effect on stock exchange indices has yet to be seen. This is because there will no longer be two share indices in Croatia due to the merger of the two Croatian securities exchanges, decided by their respective annual general meetings in late January.

Trends on the debt securities market were much more subdued, with bond turnover holding steady from the last quarter in 2006. The market saw the listing of the second tranche of a seven-year MoF kuna bond, worth HRK 1.5bn, of the second tranche of the City of Split municipal bond and of four corporate bonds, nominally worth HRK 890m. The spread between Croatian eurobonds and benchmark German bonds narrowed further in the fourth quarter of 2006 due to the required yield on Croatian eurobonds increasing

Table 5: Comparison of Capital Market Indicators

December 2006	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million EUR)	0.7	109.0	4.5	112.8	461.2	7.9
Average daily turnover, bonds (million EUR)	193.3	5.4	0.5	102.4	13.0	26.7
Turnover ^a /GDP ^c , annual level (%)	0.4	28.3	3.7	26.1	43.7	5.8
Turnover ^b /GDP ^c , annual level (%)	99.5	1.4	0.4	23.7	1.2	19.8
Turnover velocity ^d	2.9	76.3	9.4	n.a.	....	8.1
Market capitalisation ^a (million EUR), end month	4,441	32,570	10,805	57,918	....	21,996
Market capitalisation ^b (million EUR), end month	12,444	41,910	6,632	....	....	5,443
Market capitalisation ^a /GDP ^c , end month (%)	11.9	37.1	39.5	58.8	....	71.4
Market capitalisation ^b /GDP ^c , end month (%)	33.4	47.7	24.2	....	....	17.7
Index movement from the beginning of the year (%)	0.6	19.5	37.9	7.9	41.6	60.7
Index movement from the beginning of the month (%)	0.7	8.6	5.2	1.2	0.4	-1.4

^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.

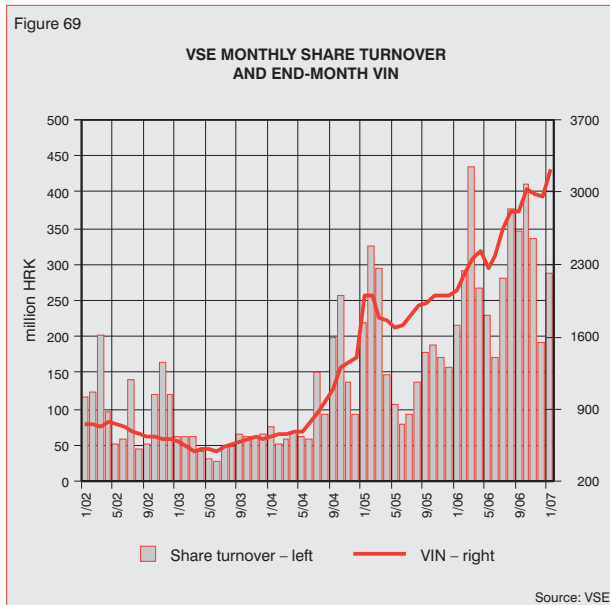
at slower rate than that on benchmark German bonds.

The other CEE markets also saw a rise in stock exchange indices and brisk share trading in the fourth quarter of 2006. The ZSE index, maintaining the fastest rate of increase in the third quarter, rose the least in the fourth quarter, whereas the VSE index increased the most over the previous quarter, by 14.4%. The Budapest Stock Exchange index recorded a slightly higher growth of 14.2%, and was followed by the indices of the Ljubljana, Prague and Bratislava Stock Exchange, rising by 13.9%, 9.8% and 2.2% respectively.

The growth of stock exchange indices was accompanied by an increase in share market capitalisation on all stock exchanges observed at end-December 2006 relative to September 2006. In all countries observed for which data are available for December 2006, except in Slovenia, bond market capitalisation increased as well. The ZSE has the highest ratio of share market capitalisation to GDP, while its bond market capitalisation to GDP ratio is still the lowest compared with other stock exchanges observed. Share turnover increased in December from September 2006 on all stock exchanges observed, except on the Zagreb and Bratislava Stock Exchange, while bond turnover dropped only on the Budapest Stock Exchange. In comparison with the Zagreb Stock Exchange, only the Bratislava and Ljubljana Stock Exchange had a weaker share turnover in December 2006, while the Bratislava and Prague Stock Exchange had a higher bond turnover.

Equity Securities Market

Standing at HRK 2.4bn in the fourth quarter 2006, share turnover on the ZSE was only slightly higher than in the third quarter, increasing, however, by 109% over the same period in the previous year. Throughout this period, trading was influenced by expectations related to the outcome of the takeover bid for Pliva d.d., placed by Barr Pharmaceuticals Inc, while trading in Ina shares dominated in December. Listed on the ZSE on 1 December 2006, these shares gained 36% relative to the offering price of HRK 1 690 by the end of

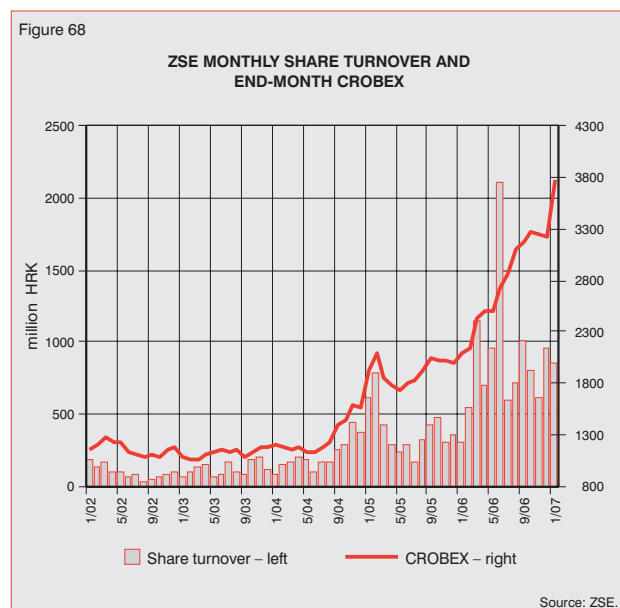


the month, and an additional 17%, i.e. 60% in total, by the end of January 2007. Despite being traded only in January, Ina shares accounted for 18% of the total ZSE share turnover in the fourth quarter. Also traded intensively in that period, Adris grupa d.d. and Pliva d.d. shares made up 14% of the total share turnover respectively. Ina shares continued to be the most actively traded in January 2007, accounting for 14% of the total turnover, coming before Adris grupa d.d. shares and Dalekovod d.d. shares, which accounted for 10% and 7% of the total turnover respectively.

Due to these developments, the CROBEX rose further, reaching 3210 points at end-December 2006, 1% more than at the end of the previous quarter and 61% more than at the end of the same month last year. The index stood at a record high of 3763 points at end-January 2007, an increase of 17% over end-2006 and of 80% over end-January 2006.

Due to the continued growth of most share prices, share market capitalisation on the ZSE stood at HRK 162bn at the end of the fourth quarter 2006, an increase of 22% over the end of the previous quarter. In addition to rising share prices, market capitalisation of shares was also spurred by an increase in some shares' liquidity.²⁴ Rising further by 22% in January 2007 market capitalisation reached HRK 197bn at the month's end.

Share turnover on the VSE totalled HRK 937m in the fourth quarter of 2006, a drop of 6% from the previous quarter and an increase of 81% over the same period last year. In the fourth quarter 2006, trading in the shares of joint stock companies accounted for 61% of the total VSE turnover, while Free Market trading made up 36%. The most traded shares were those of Dom holding d.d., Ericsson Nikola Tesla d.d. and Transadria d.d. In January 2007, the largest turnover was generated by the shares of Ericsson Nikola Tesla d.d., AD Plastika d.d. and Ingra d.d. Share market



²⁴ ZSE market capitalisation is calculated including the total market capitalisation of shares traded regularly in the previous three months, half of market capitalisation of shares not traded in the previous month and a quarter of market capitalisation of shares not traded in the previous three months.

capitalisation on the Varaždin Stock Exchange went up to HRK 54.1bn by the end of the fourth quarter 2006, increasing by 7% over the end of the previous quarter.

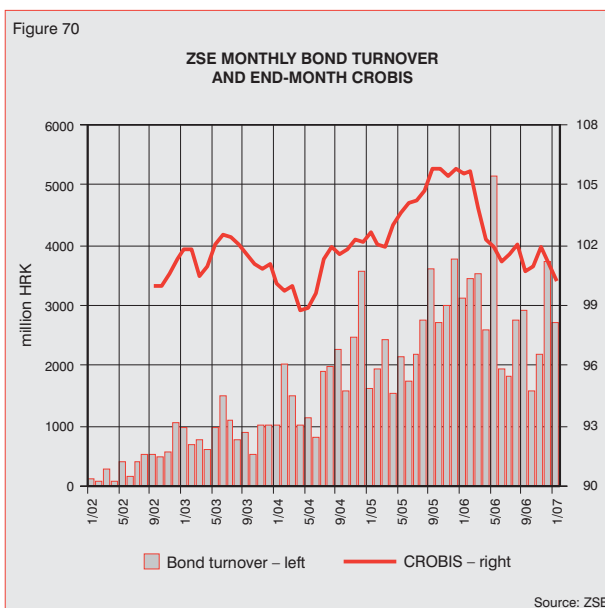
The VIN gained 5.1% to 2964 points in the fourth quarter 2006 and increased by an additional 8.7% in January 2007, hitting a historical high of 3222 at the month's end.

Debt Securities Market

In November 2006 the MoF issued the second tranche of a seven-year kuna bond, worth HRK 1.5bn in nominal terms, increasing the total issue value to HRK 4bn, while the second tranche of the municipal bonds of the City of Split, valued at EUR 4m, doubled the issue's nominal value.

Croatian enterprises continued with bond issuing at an increased rate in the fourth quarter of 2006. In October, Hospitalija trgovina d.o.o. issued a three-year kuna bond, at a 8.25% coupon rate, nominally worth HRK 75m, while Hrvatska elektroprivreda d.d. issued a seven-year corporate bond at a 5.00% coupon rate, nominally worth HRK 500m, in November. December saw a five-year kuna bond issued by Atlantic grupa d.d. at a 5.75% coupon rate, worth HRK 115m in nominal terms. In the same month, Ingra d.d. issued a kuna bond worth HRK 200m with the same maturity and at a coupon rate of 6.125%. In addition to bonds, enterprises increasingly substituted commercial papers for standard bank loans. At end-January 2007, 21 commercial paper issues were listed on the ZSE, the largest number ever, with the total nominal value of HRK 827m.

Thirty-one bond issues were listed on domestic stock ex-



changes at end January 2007, as well as ten government bonds, four municipal bonds, a CBRD bond and sixteen corporate bonds. Market capitalisation of the government bonds, municipal bonds and CBRD bond totalled EUR 4.8bn, accounting for about 14.4% of the GDP estimate for 2006, whereas market capitalisation of corporate bonds stood at EUR 722m, 2.2% of the GDP estimate for 2006.

Despite a downturn in bond trading on the ZSE in October, due to a turnover rise in November and December the total bond turnover remained at HRK 7.5bn in the fourth

Table 6: Bond Issues in the Domestic Market, stock on 31 January 2007

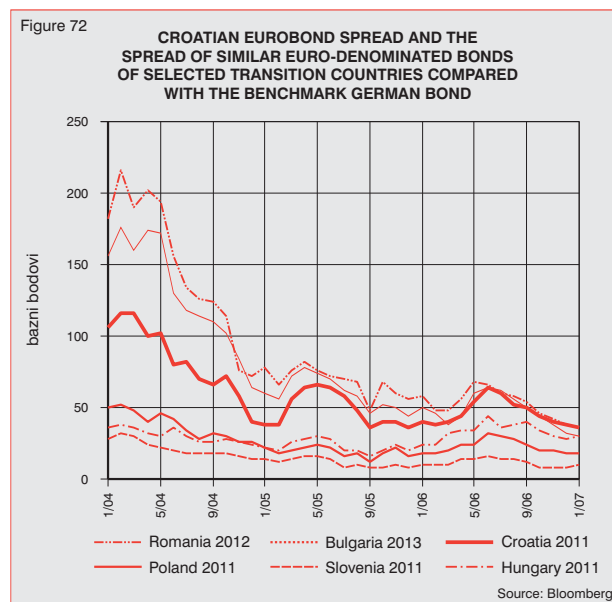
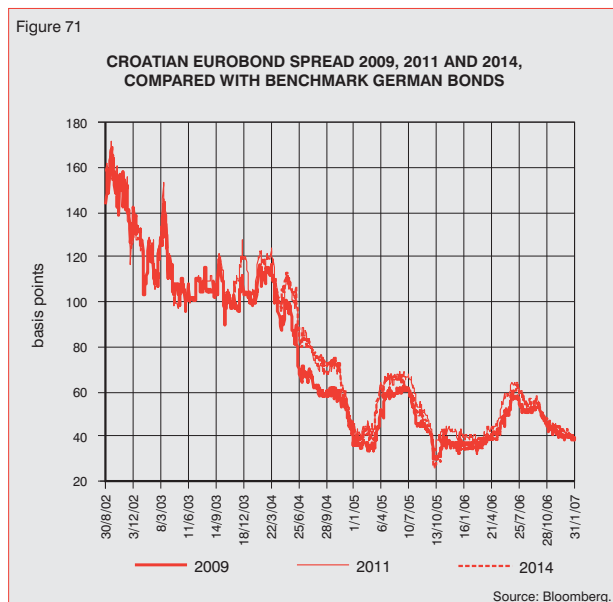
Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price ^a	Current yield 31/1/2007
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	104.45	6.582%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	110.50	6.222%
RHMF-O-085A	Republic of Croatia	28/5/2003	28/5/2008	HRK	1,000,000,000	6.125%	102.70	5.964%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	105.90	5.194%
RHMF-O-077A	Republic of Croatia	7/7/2004	7/7/2007	EUR	400,000,000	3.875%	99.25	3.904%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	200,000,000	5.375%	110.45	4.866%
RHMF-O-103A	Republic of Croatia	8/3/2005	8/3/2010	HRK	3,000,000,000	6.750%	106.75	6.323%
RHMF-O-157A	Republic of Croatia	14/7/2005	14/7/2015	EUR	350,000,000	4.250%	105.90	4.013%
RHMF-O-15CA	Republic of Croatia	15/12/2005	15/12/2015	HRK	5,500,000,000	5.250%	103.75	5.060%
RHMF-O-137A	Republic of Croatia	11/7/2006	11/7/2013	HRK	4,000,000,000	4.250%	98.65	4.308%
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	8,000,000	4.563%	100.30	-
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%	102.75	6.326%
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%	103.15	5.574%
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%	99.10	4.541%
RBA-O-112A	Raiffeisen Bank Austria d.d.	10/2/2006	10/2/2011	HRK	600,000,000	4.125%	97.50	4.231%
PODR-O-115A	Podravka d.d.	17/5/2006	17/5/2011	HRK	375,000,000	5.125%	97.35	5.265%
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.	28/7/2004	28/7/2009	HRK	120,000,000	8.500%	102.50	8.293%
HOTR-O-941A	Hospitalija trgovina d.o.o.	5/10/2006	5/10/2009	HRK	75,000,000	8.250%	-	-
HEP-O-13BA	Hrvatska elektroprivreda d.d.	29/11/2006	29.11.2013.	HRK	500,000,000	5.000%	-	-
ATGR-O-11CA	Atlantic grupa d.d.	6/12/2006	6/12/2011	HRK	115,000,000	5.750%	-	-
INGR-O-11CA	Ingra d.d.	6/12/2006	6/12/2011	HRK	200,000,000	6.125%	99.95	6.128%

^a Regularly traded shares. Source: ZSE.

Table 7: Republic of Croatia International Bond Issues, stock on 31 December 2006

Bond	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread ^a 31/3/2006	Spread ^a 31/6/2006	Spread ^a 30/9/2006	Spread ^a 31/12/2006
London Club A, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.			99	89	100	86
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.75%	6.90%	215	39	65	53	40
Eurobonds, 2009	11/2/2002	EUR	500,000,000	6.25%	6.45%	158	38	58	52	39
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	4.65%	102	38	58	50	39
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	36	58	54	42
Samurai bonds, 2007	11/7/2000	JPY	40,000,000,000	3.00%	3.00%	135	37	31	59	46
Samurai bonds, 2008	26/6/2002	JPY	25,000,000,000	2.15%	2.15%	144	51	46	48	40
Samurai bonds, 2009	26/6/2003	JPY	25,000,000,000	1.23%	1.23%	99	62	59	50	46

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



quarter 2006, the level attained in the previous quarter, while increasing to HRK 2.7bn in January 2007. The largest share in bond turnover was made up of Republic of Croatia euro bonds, due in 2014, and the second largest share was that of kuna bonds maturing in 2010 and 2013. The share of all government bonds in the total quarterly bond turnover was 96%. The most traded bonds in January 2007 were kuna government bonds due 2013 and 2015, and euro government bonds due 2012.

The ZSE bond index, CROBIS, increased slightly in January 2007, reaching 100.8 points at the month's end, reducing, however, to 100.2 points in January, the lowest level since June 2004.

Continuing to rely on domestic borrowing, the Republic of Croatia did not issue bonds in foreign markets in the fourth quarter 2006, or in January 2007. Accordingly, eight Croatian bond issues were listed on foreign markets at end December 2006, the same number as at the previous quarter end. Of the remaining RC international bonds, four are euro-denominated, three are denominated in Japanese yen and one is denominated in American dollars. The eight Croatian eurobond issue totalled HRK 25.7bn in nominal terms at end January 2007, a slight drop compared with end October 2006, resulting from the weakening of the Japanese yen.

Having decreased in the third quarter 2006, the spread between Croatian eurobonds and benchmark German bonds continued the downward trend throughout the fourth quarter 2006, due to a slower growth of required yields on domestic bonds relative to those of developed countries' bonds.

At end December 2006, the spreads on Croatian eurobonds due 2009, 2011 and 2014 were 39, 40 and 42 basis points respectively, a drop of 12 or 13 basis points compared with 52, 53 and 54 basis points at end September. The spreads narrowed further to 39 basis points for all the maturities observed in January 2007, as the growth of required yields on benchmark German bonds continued to outpace the growth of required yields on Croatian eurobonds.

The same as with Croatian eurobonds, eurobond yields of new EU members also rose at a somewhat slower rate than benchmark German eurobond yields, with the result that their spread narrowed. The largest drop in spreads was observed with bonds of the most recent EU members – Bulgaria and Romania. While their spreads relative to benchmark German bonds exceeded those of Croatian eurobonds since January 2007, they dropped sharply in the period preceding and after the accession to the EU.

International Transactions

The current account deficit narrowed in the fourth quarter of 2006 over the same period last year, reaching 7.7% of the estimated GDP in 2006. The fall in the current account deficit in the last quarter of 2006 is attributed to good performance in international trade in services and positive developments in the factor income account, as well as to a noticeable slowdown in the foreign trade deficit. In contrast, external debt continued to trend upwards, mostly on ac-

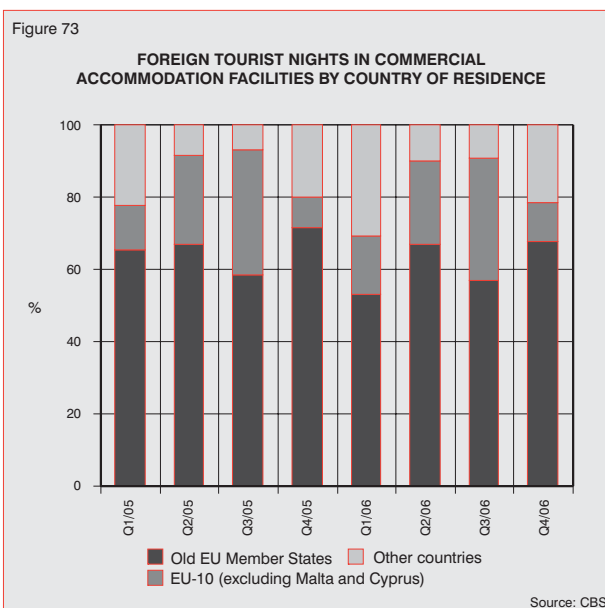
count of new borrowings by banks and enterprises. The index of exchange market pressure remained below alarm levels, indicating no external liquidity problems of domestic sectors.

Current Account

According to the preliminary data, the current account deficit stood at EUR 1.4bn in the last quarter of 2006, down 5.6% over the same period last year. This improvement in the current account balance is attributed to net revenues from export of services, which grew two times faster in the last quarter of 2006 compared with the same period in 2005 (48.8% vs. 23.3%), and to the positive balance in the factor income account. During the same period, the foreign trade deficit slowed down year-on-year from 14.9% to 1.7% due to a noticeable acceleration in export growth and a year-on-year slowdown in imports.

Specifically, exports of other transport equipment (mostly ships), which were almost two times higher in the reference period than in the same period last year, contributed the most to the accelerated growth in exports of goods. Apart from ship exports, other significant contributors to export growth were natural and manufactured gas, whose exports grew by as much as two-thirds, and sugar, sugar products and honey, whose exports (as exports of ships) doubled in value. The year-on-year slowdown in the growth of imports is for the most part attributed to a subdued growth in oil prices on the world market in the last quarter of 2006, contributing to a noticeable decrease in both the value of imports of this energy product and total imports. However, imports of road vehicles and imports of steel and iron contributed the most to the growth of imports in the reference period.

Good performance in international trade in services in the last quarter of 2006 may be attributed to both lower net exports of other services (-32.3% year-on-year) and to the growth in net revenue from tourism (13.5%). The contribution of net exports of transport services (especially sea transport), although smaller in volume, was also positive. The improvement in the balance of other services is mostly attributed to reduced imports of various business services (research and development), and of agricultural, mining, and on-site processing services. In addition, there was a decrease



in imports of other business services, especially merchanting and other trade-related services.

Revenues from tourism grew by 21.0% year-on-year in the last quarter of 2006, mostly on account of an improvement in total volume indicators on tourism. Consumption of tourists in paid accommodation predominated in the structure of tourism revenues, and was followed by that of tourists in non-paid accommodation and one day visitors. As for paid accommodation, the number of nights stayed by foreign tourists rose by 4.8% and the number of arrivals by 9.0% in the last quarter of 2006 compared with the last quarter of 2005. Broken down by the country of residence, the largest increase in the number of nights stayed was generated by tourists from Austria, Italy, Slovenia and the USA, with tourists from Germany and France accounting for a far smaller number of nights stayed. Although the share of nights stayed by tourists from EU-10 (excluding Malta and Cyprus) is usually smaller in each fourth quarter than during the main tourist season, the number of their arrivals (especially tourists from Slovenia and the Czech Republic) in the total number of nights stayed in 2006 rose significantly in the period after the main tourist season.

Favourable developments in international trade in services, accompanied by a slower growth of goods trade defi-

Table 8: Current Account, in million EUR

	Jan.–Sep. 2005	Sep.–Dec. 2005	Jan.–Sep. 2006	Sep.–Dec. 2006 ^a	Indices	
					Jan.–Sep. 06/Jan.–Sep. 05	Sep.–Dec. 06 ^a /Sep.–Dec. 05
CURRENT ACCOUNT	-476	-1,509	-1,193	-1,424	250.9	94.4
1. Goods	-5,552	-1,970	-6,361	-2,003	114.6	101.7
1.1. Credit (f.o.b.)	5,237	1,980	6,064	2,370	115.8	119.7
1.2. Debit (f.o.b.)	-10,789	-3,950	-12,425	-4,373	115.2	110.7
2. Services	5,100	218	5,389	324	105.7	148.8
2.1. Credit	7,114	938	7,499	1,035	105.4	110.3
2.2. Debit	-2,014	-721	-2,109	-711	104.7	98.7
3. Income	-917	-47	-1,082	11	117.9	-
3.1. Credit	497	174	623	285	125.4	163.7
3.2. Debit	-1,414	-222	-1,705	-274	120.5	123.6
4. Current transfers	893	290	860	244	96.3	83.9
4.1. Credit	1,219	409	1,246	386	102.2	94.4
4.2. Debit	-326	-119	-386	-142	118.6	119.9

^a Preliminary data. Source: CNB.

cit, contributed to a 4.2% reduction in the negative trade balance in goods and services in the last quarter of 2006 over the same period last year, and thus offset the negative developments from the first three quarters of 2006. Imports/exports coverage ratio improved to 67.0% in the last quarter of the year, up 4.5 percentage points over the same period last year.

In contrast to the same period last year, the factor income account yielded a positive balance in the last quarter of 2006. Labour income realised abroad grew strongly, as did investment earnings of the central bank, and residents' earnings on direct equity investments abroad. Within this, increasingly larger expenditures of domestic sectors need to be mentioned, especially those from interest payments on foreign liabilities. Expenditures from direct equity investment, including paid-out dividends and earnings retained by foreign owners of domestic companies, were somewhat smaller in the last quarter of 2006 than in the same period last year, with retained earning predominating in the total.

The positive balance in the current transfers account fell by 16.1% year-on-year in the last quarter of 2006, due to a fall in domestic sectors' revenues and a concurrent increase in their expenditures. In addition, revenues of other domestic sectors went downwards, comprising mostly workers' remittances, while revenues of the government sector doubled in the amount. Expenditures of the government sector and other domestic sectors, arising from current transfers, trended upwards in the reference period.

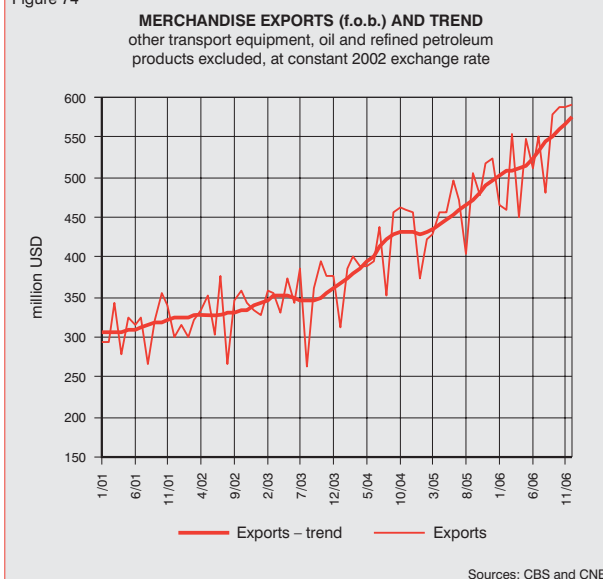
Merchandise Trade

As mentioned earlier, the foreign trade deficit rose by a significant 14.2% year-on-year in the first three quarters of 2006, but slowed down significantly in the last quarter of 2006. The key contributors to this were other transport equipment (ships) and oil and refined petroleum products. Specifically, exports of ships were two times higher in absolute terms in the last quarter of 2006 than in the first three quarters of 2006, contributing thus significantly to the improvement of the foreign trade balance. The trade deficit in oil and refined petroleum products, accounting for on average about one-quarter of total foreign trade deficit growth in the first three quarters of 2006, come down to the half of that value in the last quarter of 2006.

In 2006, exports of goods amounted to USD 10.4bn (f.o.b.) and imports of goods to USD 21.5bn. Owing to faster growth in exports than imports, the year-on-year growth in the foreign trade deficit fell modestly, from 14.3% in 2005 (measured in current exchange rate terms) to 13.5% in 2006. In line with these developments, the imports/exports coverage rate improved from 47.3% to 48.3%.

Similar trends were also observed in the foreign trade developments measured in constant exchange rate terms. As the US dollar weakened against the euro only modestly in 2006, the exchange rate changes made no significant impact on the developments in goods trade measured in constant exchange rate terms. As a result, the foreign trade deficit (in constant exchange rate terms) stood at 13.9% in 2006 compared with 15.7% in 2005.

Figure 74



Exports of goods (measured in constant exchange rate terms) doubled in 2006, standing at 17.3% (9.6% in 2005). Exports of other transport equipment (ships), which grew by 30.2% year-on-year in 2006 and fell by 15.9% in 2005, contributed the most to total growth of goods exports. Another significant contribution to total export growth came from energy products (especially natural and manufactured gas, and oil and refined petroleum products). Exports of natural and manufactured gas were two times higher in 2006 compared to 2005. Imports of oil and refined petroleum products continued to account for a large share in total imports of goods. However, they grew modestly in 2006 compared with 2005, which is to a large extent attributed to slower growth in the crude oil price on the world market in the entire 2006 and the third quarter especially.

If we exclude exports of ships and oil and refined petroleum products from total exports of goods, exports of other SITC divisions grew by 15.0% in 2006 (measured in constant exchange rate terms) or only 1.8 percentage points more than in 2005. Exports of manufactures of metals (n.e.c.) and of electrical machinery, apparatus and appliances also grew significantly in the reference period, while their growth rate was the strongest in the second half of 2006. Moreover, exports of coffee, tea, cocoa and spices doubled in the reference period, while good results were also recorded in exports of metal ores and metal scrap. Exports of sugar, sugar products and honey also contributed significantly to this aggregate growth in 2006.

Only several SITC divisions reported lower export growth in 2006 than in 2005. Especially negative, in terms of their contribution to total exports growth, were the exports of wearing apparel, which trended downwards for the second year in a row, and the exports of road vehicles (parts and accessories for motor vehicles). Exports of tobacco and tobacco manufactures also fell for the second consecutive year.

Although at a lower rate, imports of goods also accelerated, from 12.7% in 2005 (measured in constant exchange rate terms) to 15.5% in 2006. For the most part, this is at-

tributed to increased imports of oil and refined petroleum products, which grew by 21.0% year-on-year. However, it should be mentioned that the registered growth in imports of oil and refined petroleum products was two times smaller in 2006 than in 2005 when it stood at 41.3%. As in case of exports, this slowdown is attributed to lower growth in the price of this energy product, with its import volume stagnating at last year's level.

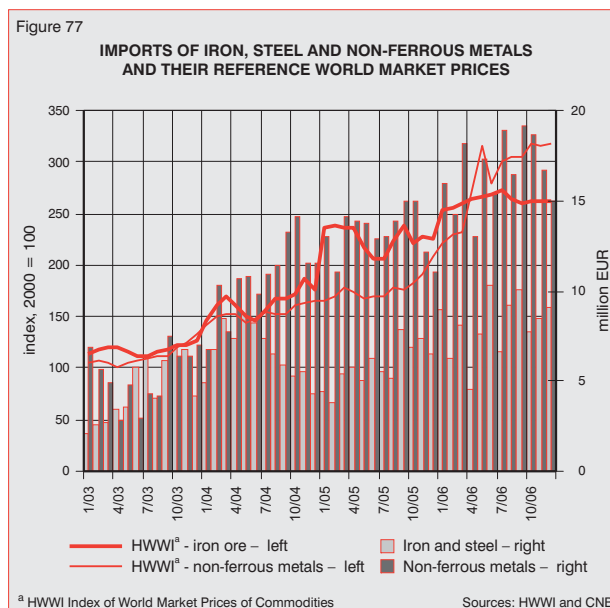
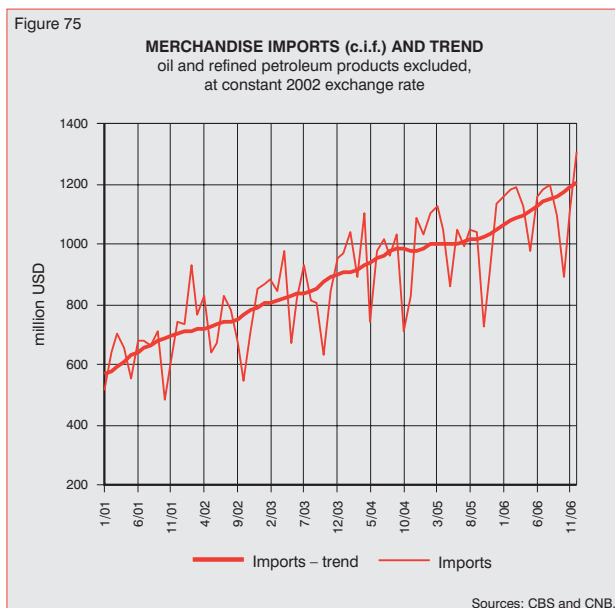
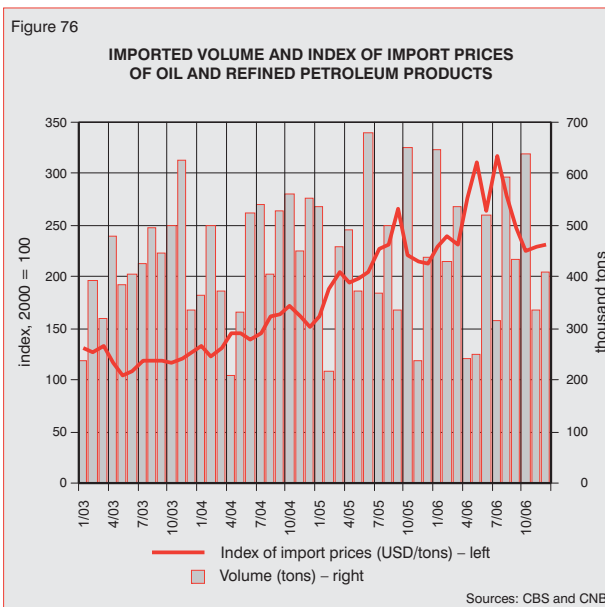
Oil and refined petroleum products excluded, total imports of goods in 2006 were also marked by the accelerated imports of other SITC divisions, which taken together rose by 14.1% in 2006 (measured in constant exchange rate terms) compared with 9.3% in 2005. Within this, imports of road vehicles grew by 16.6% year-on-year (2.0% in 2005). Imports of iron and steel, manufactures of metals (n.e.c.) and non-ferrous metals also grew significantly, while their contributions to total import growth were twice larger in 2006 than in 2005. The growth in the value of imports of metal raw materials can be put in correlation with the growth in their prices on the world market which in contrast to the growth in oil prices continued at an unabated pace. Especially strong was the growth in the value of imports of non-ferrous metals (aluminium and copper). Imports of capital goods also accelerated (machinery and transport equipment excluding other transport equipment and road vehicles), from 9.0% in 2005 to 11.3% in 2006, with the strongest rate of growth in imports being recorded in imports of machinery specialised for particular industries and imports of office machines.

Moreover, imports of leather, leather manufactures and dressed fur skins decelerated in 2006 compared with 2005 (by 19.5% year-on-year, measured in current exchange rate terms). The downward trend in imports was also seen in imports of meat and meat preparations and coal, coke and briquettes, by 5.9% and 7.3% respectively.

Following their slight downward trend in the previous two years, exports to developed countries accelerated again in 2006. This is attributed to a 20.2% growth in exports to old EU Member States. Specifically, export to Italy grew by

one-third and were mostly accounted for by exports natural and manufactured gas and ships. Exports to Sweden (ships and wearing apparel) and Germany (sugar preparations, telecommunication apparatus, manufactures of metals (n.e.c.) and furniture) also grew noticeably. Strong growth of exports to Germany, especially in the last quarter of 2006, may be attributed to the increase in its VAT rate in early 2007, which probably contributed to early deliveries of goods. Exports of goods to EU-10 grew by 22.2% year-on-year in 2006, with exports to Slovenia, Poland and the Czech Republic predominating in the total. Exports to Marshall Islands (ships), Japan (tuna fish) and Switzerland (electricity) also grew strongly in the reference period.

The share of exports to developing countries fell in 2006 on account of a slowdown in exports to Bosnia and Herzegovina (i.e. lower exports of mineral products and products used in construction, which in 2005 were the main generator of the growth in exports to that country). This fall notwithstanding, construction materials, along with oil and



refined petroleum products and cigarettes, remained the most important export products to Bosnia and Herzegovina. In addition, the slowdown in exports to developing countries may also be attributed to lower exports to Syria (mainly comprising machinery and construction equipment) and Liberia (lower ship exports). Export to Serbia and Montenegro grew by 41.2% year-on-year on account of higher exports of oil and refined petroleum products, office machines and equipment, and were accompanied by improved exports to the United Arab Emirates (oil and refined petroleum products), Panama (ships) and Lebanon (oil and refined petroleum products).

Imports from developing countries continued to trend upwards in 2006, owing to further growth in imports from Russia, China and Bosnia and Herzegovina. The majority of growth in imports from Russia was accounted for by imports of energy products, while imports from China were accounted for by electrical machinery, apparatus and equipment, office machines and equipment, and wearing apparel and footwear. The growth in imports from Bosnia and Herzegovina (electricity, aluminium, iron and steel and non-ferrous metals) was due to heightened economy activity in the country, as well as due to the growth in their prices on the world market. In addition, more goods were imported from Bulgaria, Serbia and Montenegro, mostly comprising oil and refined petroleum products. Lower imports of oil and refined petroleum products were the main reason behind a decrease in imports from Romania, Syria and Liberia.

The share of imports from developed countries decreased in the reference period, although these exports were twice higher in 2006 than in 2005. Imports from old EU Member States grew the most, especially those from Italy (oil and refined petroleum products, iron and steel, and ships), Ger-

many (road vehicles, general industrial machinery and equipment, electrical machinery, apparatus and equipment) and Austria (manufactures of metal (n.e.c.) and iron and steel). As for EU-10, imports from Slovakia (mostly comprising oil and refined petroleum products and electricity) and Slovenia (manufactures of metal (n.e.c.) and non-ferrous metals) grew the most. In contrast, imports from the USA fell the most due to the base period effect (larger imports in 2005, including the deliveries of airplanes and equipment), while the fall in imports from the Republic of South Africa was accounted for by lower imports of oil and refined petroleum products.

Capital and Financial Transactions

According to the preliminary data on capital and financial transactions, net FDI grew at an exceptionally high rate in the last quarter of 2006, as compared with the same period last year. Inflows from other investment were lower, while portfolio investment outflows were somewhat larger due to increased purchases of foreign bonds by domestic sectors. After trending downwards in the third quarter of 2006, international reserves surged ahead in the last quarter of 2006.

Net FDI were some EUR 1bn in the fourth quarter of 2006, growing strongly over the same period last year. Direct equity investment in Croatia predominated in the structure of total FDI, while net liabilities of domestic companies towards affiliated companies abroad (excluding banks) trended downwards. Retained earnings failed to make significant contribution to FDI growth, as they were largely generated in the first three quarters of the year.

In the fourth quarter of 2006, the largest equity investment transaction was the takeover of Pliva d.d. by Barr Laboratories Europe B.V., generating an inflow of about EUR 750m. The Barr purchased Pliva's shares not only from residents but also from non-residents whose shareholdings at the time of the takeover were below 10% and were classified under the heading of portfolio investment (following the

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

Export	2004	2005	2006 ^a
Developed countries	71.7	69.3	71.7
EU-25	64.6	62.0	63.3
Slovenia	7.5	8.1	8.2
Hungary	1.3	1.6	1.7
EU-15	51.4	48.1	48.9
Austria	9.4	7.2	6.0
Italy	22.9	21.2	23.1
Germany	11.2	10.7	10.4
EFTA	1.0	1.1	1.5
Developing countries	28.3	30.7	28.3
CEFTA	14.4	14.3	12.6
Bosnia and Herzegovina	3.7	4.5	5.4
Serbia and Montenegro	1.4	1.3	1.2
Russia	0.1	0.1	0.2
Import	2004	2005	2006 ^a
Developed countries	77.4	73.8	72.6
EU-25	69.5	65.6	65.0
Slovenia	7.1	6.8	6.3
Hungary	3.1	3.1	3.0
EU-15	54.2	50.6	50.1
Austria	6.8	5.8	5.4
Italy	17.0	16.0	16.7
Germany	15.5	14.8	14.5
EFTA	1.6	1.7	1.7
Developing countries	22.6	26.2	27.4
CEFTA	2.1	2.4	2.8
Bosnia and Herzegovina	0.8	0.9	1.1
Serbia and Montenegro	7.3	9.2	10.1
Russia	3.8	4.7	5.3

^a Preliminary data. Source: CBS.

Figure 78

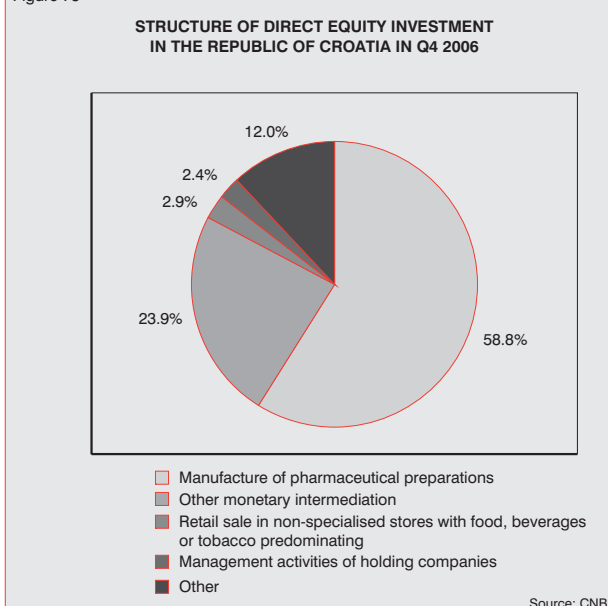


Table 10: Capital and Financial Account, in million EUR

	Jan.–Sep. 2005	Sep.–Dec. 2005	Jan.–Sep. 2006	Sep.–Dec. 2006 ^a	Indices	
					Jan.–Sep. 06/Jan.–Sep. 05	Sep.–Dec. 06 ^a /Sep.–Dec. 05
CAPITAL AND FINANCIAL ACCOUNT	1,984	1,054	2,922	1,089	147.3	103.3
1. Capital account	8	43	-154	7	-	17.0
2. Financial account, excl. reserves	2,379	1,430	3,849	1,721	161.8	120.3
2.1. Direct investment	1,162	69	1,679	991	144.6	1438.6
2.1.1. Abroad	-140	-54	-116	-52	82.7	94.9
2.1.2. In Croatia	1,302	123	1,795	1,043	137.9	845.4
2.2. Portfolio investment	-1,015	-62	-33	-161	3.2	258.6
2.2.1. Assets	-451	-62	18	-193	-	313.1
2.2.2. Liabilities	-564	0	-50	33	8.9	-
2.3. Financial derivatives	-88	0	0	0	-	-
2.4. Other investment	2,321	1,424	2,203	890	94.9	62.6
2.4.1. Assets	1,043	-56	200	-829	19.2	1480.4
2.4.2. Liabilities	1,278	1,479	2,003	1,719	156.7	116.2
3. Reserve assets (CNB)	-403	-419	-773	-639	191.9	152.5

^a Preliminary data. Source: CNB.

completion of the takeover procedure, they were reclassified from portfolio into direct investment). In addition, a significant portion of investment was accounted for by the recapitalisation of banks in foreign ownership, Privredna banka Zagreb d.d. (EUR 245m) and Société Générale – Splitska banka d.d. (EUR 50m), and companies in the trade sector.

Portfolio investment registered net outflows of EUR 161m in the fourth quarter. The key contributor to this was an increase in foreign assets of domestic sectors (especially banks), generated by investment in debt securities. On the inflow side, a new bond issue of EUR 150m was placed by Agrokor in November 2006. The issue proceeds will be used for the refinancing of the loan which Agrokor took in July 2006 for early repayment of EUR 0.2bn worth of bonds. In addition, significant changes were also observed in transactions with equity securities, including the launching of an initial public offering for Ina shares (a significant portion of which was bought by non-residents) and the above-mentioned reclassification from portfolio into direct investment.

The account of other investment, including credits, trade credits, currency and deposits, saw a net inflow of EUR 0.9bn in the fourth quarter of 2006, one-third less than in the same period last year. In addition, liabilities of domestic sectors grew by EUR 1.7bn, while their foreign assets rose by EUR 0.8bn. Banks accounted for the lion's share of the increased liabilities, comprising currency, deposits and short-term loans, while enterprises' liabilities largely comprised new long-term loans. During the same period, liabilities of the government sector grew only slightly. The growth in foreign assets of domestic sectors was to a large extent ac-

counted for by the rise in banks' currency and deposits. Repo transactions with parent banks had an opposite effect to the movements in short-term foreign assets of banks.

According to the balance-of-payments data, international reserves grew by EUR 639m in the fourth quarter of 2006 on the back of EUR 0.7bn from CNB interventions and direct foreign exchange purchases.²⁵ Banks' allocation of foreign currency reserve requirements (including marginal reserve requirements), driven by the growth in their foreign liabilities in the last quarter of 2006, was another contributor to international reserves growth. However, the sale of EUR 0.4bn to the MoF had an opposite effect. According to the monetary statistics data (cross-currency changes included), international reserves stood at EUR 8.7bn at end-December 2006, up 7.3% over the end of September 2006. They continued to trend upwards early in 2007, growing by another EUR 0.4bn in January.

External Debt

External debt stood at EUR 29bn at the end of 2006, growing by EUR 3.5bn or 13.5% over the same period last year. In contrast to the previous year, external debt in 2006 was marked by the acceleration of its year-on-year rate of growth (12.1% in 2005) and its year-on-year increase (EUR 2.8bn in 2005). External debt of enterprises (direct debt investment in enterprises included) grew the most in 2006, accounting for the largest share in the overall debt of other domestic sectors. In addition, direct borrowings of domestic enterprises from early 2005 continued at an unabated pace in 2006. Although the growth in external debt of banks remained significant in absolute terms, its year-on-year rate of growth slowed down in 2006 in relation to 2005, while the government sector, reflecting the Government's intention to rely as much as possible on domestic sources of financing, reduced its debt towards foreign creditors in 2006.

The dynamics of external debt in 2006 shows that most noteworthy factors behind its marked growth in the first half of the year were increased borrowings of enterprises (direct investment in enterprises included) and banks (hybrid and subordinated instruments included). However, its movements in the second half of the year were largely determined

Table 11: Composition of CNB Reserve Assets, end of period, in million EUR and %

	2003	2004	2005	2006
Balance	6,554	6,436	7,438	8,725
Share				
1. Foreign currency reserves	87.6	96.9	98.6	93.6
a) Securities	48.9	50.7	48.4	48.1
b) Total currency and deposits with:	38.6	46.2	50.2	45.4
i) other national central banks, BIS and IMF	4.1	3.6	5.5	2.3
ii) banks headquartered outside Croatia	34.5	42.6	44.7	43.2
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	6.4

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

²⁵ Including the repurchase of EUR 209m from Zagrebačka banka d.d.

Table 12: Gross External Debt by Domestic Sectors, end of period, in million EUR and %

	2003	2004	2005	2006	Structure		Indices	
					2005	2006	2005/2004	2006/2005
1. Government	6,601	7,252	7,047	6,658	27.6	23.0	97.2	94.5
2. Central bank (CNB)	366	2	3	3	0.0	0.0	111.8	97.6
3. Banks	6,121	7,702	8,993	10,182	35.2	35.1	116.8	113.2
4. Other sectors	4,878	5,809	7,156	9,354	28.0	32.3	123.2	130.7
5. Direct investment	1,845	2,016	2,341	2,802	9.2	9.7	116.1	119.7
o/w: Hybrid and subordinated instruments	391	314	214	167	0.8	0.6	68.1	78.1
Total (1+2+3+4+5)	19,811	22,781	25,541	28,998	100.0	100.0	112.1	113.5

Source: CNB.

Table 13: Actual and Contingent Government External Debt, end of period, in million EUR and %

	2003	2004	2005	2006	Structure		Indices	
					2005	2006	2005/2004	2006/2005
1. Public sector debt	8,334	8,560	8,428	8,229	33.0	28.4	98.5	97.6
2. Publicly guaranteed private sector debt	429	320	306	209	1.2	0.7	95.6	68.1
3. Non-publicly guaranteed private sector debt	11,048	13,900	16,806	20,560	65.8	70.9	120.9	122.3
Total (1+2+3)	19,811	22,781	25,541	28,998	100.0	100.0	112.1	113.5

Source: CNB.

by strong growth in external borrowing of enterprises.

In 2006, total external debt of banks (hybrid and subordinated instruments included) went up by EUR 1.1bn. The analysis of its trends within the calendar year of 2006 points to its strong growth in the first half of the year, whereas already in June the external debt of banks started to trend downwards in line with its usual seasonal movements. As a result, external debt of banks was EUR 1.5bn lower at the end of September. However, banks turned again to foreign sources of financing in the last three months of 2006, increasing their borrowings markedly at year-end. In addition, about four-fifths of banks' total external debt growth was accounted for by the rise in short-term liabilities (mostly currency and deposits), while only one-fifth was accounted for by the growth in long-term liabilities on loans. Accordingly, the share of long-term debt in the structure of total external debt trended downwards.

External debt of enterprises (direct investment in enterprises included) rose by EUR 2.7bn in 2006. A significant portion of that growth was fuelled by leasing companies whose external liabilities grew by EUR 1.1bn in 2006 (EUR 0.3bn in 2005 and EUR 0.4bn in each 2004 and 2003). The

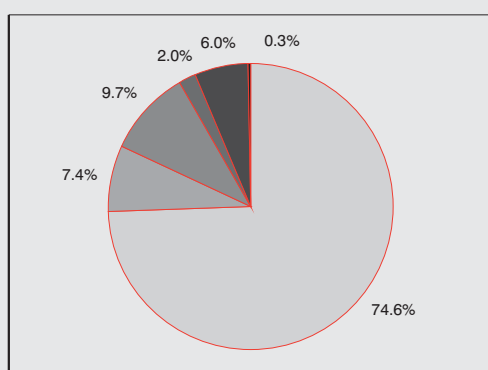
renewed increased in external borrowing of leasing companies may to a certain extent be put into correlation with higher imports of road vehicles. In addition, other companies engaged in trading activities also made a contribution to the growth in external debt of enterprises. The same goes for mixed and public enterprises, although their contribution to debt growth was somewhat smaller. Broken down by instruments, enterprises generated the largest portion of their external debt through long-term loans, but also increased the amount of their late interest payments.

External liabilities of the government sector (central government, central government funds, CBRD and local government) fell by EUR 0.4bn in 2006. The major contributors to this were the repayment of Samurai bonds issued in 2001 (JPY 25bn) and eurobonds issued in 1999 (EUR 300m), and two regular repayments due to the London Club (EUR 81m). In 2007, the government will have to repay 40 billion yens worth of Samurai bonds issued in 2000. Owing to the abovementioned increase in the liabilities of public and mixed companies, external debt of the public sector (public and mixed enterprises, and the CNB included) also trended downwards, although at a lower rate than that of the general government. At the same time, a decrease was registered in the contingent debt of the government sector (i.e. the publicly guaranteed private sector debt).

According to the currency structure of the external debt, the share of the euro in total external debt decreased in 2006. At the end of 2006, it stood at 74.6%, down 0.9 percentage points over the end of 2005. Within this, the euro-denominated liabilities of enterprises grew the most in the reference period. In addition, the share of the Swiss franc, accounting for the second largest share in the currency structure of the external debt, rose from 6.6% at the end of 2005 to 9.7% at the end of 2006, mostly on the account of new bank borrowings. The share of the US dollar and the Japanese yen in the currency structure of the external debt trended downwards, reflecting reduction in the government liabilities denominated in these two currencies. Moreover, a substantial increase in the kuna-denominated liabilities of the banking sector contributed to a rise in the share of domestic currency, from 4.2% at the end of 2005 to 6.0% at the end of 2006.

Figure 79

CURRENCY STRUCTURE OF CROATIA'S EXTERNAL DEBT
as at 31 December 2006



Source: CNB.

Box 3: External Debt to GDP Ratio in the Past Six Years

External debt balance and external debt to GDP ratio are typically indicators taken when analysing external imbalances and vulnerabilities a country is exposed to. To understand better the process of external debt accumulation over time, we can point to several indicators which influence its balance. Firstly, external debt value increases in any given period on the basis of new borrowing and decreases for the amount of principal paid. These are the so-called balance of payments flows which affect external debt balance after expiry of the observed period. Secondly, when other sources of finance are not sufficient, debt increases during the period also for the amount of interest payable on the previous period debt balance. Thirdly, where debt is expressed in two or more currencies, cross-currency changes can also influence the balance of debt expressed in a reporting currency.

As debt balance alone is not a sufficiently informative category and its comparability is limited in terms of various-sized economies, external debt to GDP ratio is very often used as one of the indicators of a country's external vulnerability. However, when observing and analysing this relative indicator of indebtedness account should be taken, in addition to the already mentioned developments which affect gross external debt balance, of those developments which cause changes in GDP, such as the real change in the volume of domestic economy and price changes (inflation).

Debt developments dynamics between two periods, in a simplified case when the entire debt is expressed in a single currency, can be expressed with the following formula²⁶:

$$D_{t+1} = D_t(1+r) - TB_{t+1}, \quad (1)$$

and where the debt is expressed in two currencies

$$D_{t+1} = aD_t(1+r)(1+s) + (1-a)D_t(1+r) - TB_{t+1} \quad (2)$$

where D_t represents debt balance in period t , D_{t+1} debt balance in the next period, r interest rate, a the share of other currency in total debt currency structure, s percentage change of the bilateral exchange rate between the periods t and $t+1$, and TB balance of payments flows which create external debt.

If we divide the given formulas with GDP value in period $t+1$, which changes under the influence of real economic growth (g) and price changes (p): $BDP_{t+1} = BDP_t(1+g)(1+p)$, we arrive at debt balance expressed as GDP percentage in the stated period.

Furthermore, formulation (2) may be transformed to show changes in debt to GDP ratio:

$$d_{t+1} - d = \frac{r - g - p(1+g) + as(1+r)}{(1+g)(1+p)} d_t - tb_{t+1}, \quad (3)$$

where letters d and tb represent shares in GDP of previously capitalised variables. In this way, developments in external debt to GDP ratio over time can be explained as a result of several factors:

1. autonomous flows of foreign borrowing, based on contributions from:

a) nominal interest rates: $\frac{r}{(1+g)(1+p)} d_t$,

b) real GDP growth: $\frac{-g}{(1+g)(1+p)} d_t$,

c) price and exchange rate changes: $\frac{-p(1+g) + as(1+r)}{(1+g)(1+p)} d_t$,

2. balance of payments flows expressed as GDP percentages: $-tb_{t+1}$.

The methodology described above was used to assess developments in gross external debt of the Republic of Croatia in the past several years. Table 14 shows changes in external debt to GDP ratios between 2001 and 2006 and factors contributing to the increase in this relative indicator of external debt. As evident, autonomous flows, taken to-

Table 14: Factors Affecting Developments in External Debt Expressed as a Percentage of GDP

	2001	2002	2003	2004	2005	2006 ^a
External debt	60.7	61.5	75.5	80.2	82.5	85.8
Debt change	0.1	0.8	14.0	4.7	2.3	3.3
Autonomous flows of external debt	-2.6	-4.3	-4.3	-4.6	-4.3	-4.7
Contribution from nominal interest rate	3.0	2.4	2.1	2.2	2.4	2.5
Contribution from real GDP growth	-2.4	-3.1	-3.1	-2.6	-3.2	-3.5
Contribution from price and exchange rate changes	-3.2	-3.6	-3.4	-4.1	-3.5	-3.8
Balance of payments flows of external debt	2.7	5.1	18.3	9.3	6.6	8.0
Identified	2.4	5.8	4.5	1.0	2.6	2.8
Current account (excl. interest payments)	0.5	5.9	4.7	2.5	3.8	5.4
Current account (interest payments excluded)	-5.0	-3.1	-4.8	-1.7	-3.9	-6.9
Changes in international reserves	7.0	3.0	4.7	0.2	2.7	4.3
Unidentified, including change in foreign assets	0.3	-0.7	13.8	8.3	4.0	5.2

Note: The calculation was made using the values of all variables expressed in euro. As a measure of inflation (p), the value of GDP deflator in euro is used, which depends on not only domestic inflation but also on developments in the exchange rate of the kuna against the euro. The nominal interest rate is calculated as the ratio of total interest paid on external debt in each year and the previous end-year debt balance. The as value was calculated as a weighted sum of changes in the exchange rate of other currencies in which the debt is expressed, i.e. the American dollar, the Japanese yen, the Swiss franc and the Croatian kuna, against the euro, with shares of each individual currency in the currency structure of total external debt in the previous year being used as weights for each individual year.

^a Based on GDP estimation for 2006. Source: CNB.

26 This approach is also used by the IMF in its external debt sustainability assessment (see, e.g. Sustainability Assessments – Review of Application and Methodological Refinements, IMF, 2003).

gether, led to a fall in external debt to GDP ratio in all the observed years, and conversely, balance of payments flows provided a large boost to the increase in the relative indicator of external debt.

Of the autonomous factors, positive real growth of GDP and prices caused an increase in nominal GDP which led to a fall in external debt indicator expressed as percentages of GDP. The strengthening of the euro, currency in which the largest share of external debt is expressed (in 2001 almost two thirds and at end-2006 a little over three quarters), against other currencies (the American dollar, the Japanese yen, and the Swiss franc) also led to a fall in the value of total debt expressed in the reporting currency (euro). Of the autonomous factors, only interest payable on the existing debt led to an increase in the debt, as a result of positive nominal interest rates. Account should be taken of the fact that the estimated interest rates were falling from the beginning of the observed period until 2004, and only started rising after that period.

Balance of payments flows led to an increase in the share of external debt in GDP. Of these flows, only several can be identified, most notably the current account balance which excludes debt interest payments, net equity capital outflows and changes in international reserves. The remaining

unidentified share of balance of payments flows includes changes in foreign assets, which may also include cross-currency changes as well as net errors and omissions associated with balance of payments compilation. As shown in Table 14, current account deficit, interest payments excluded, called for foreign financing thus leading to an increase in the debt to GDP ratio. The increase in official international reserves was also associated with external debt growth as capital inflow (both equity and debt) in excess of current account deficit boosted international reserves. Of the balance of payments flows, only the realised net inflow of equity investment led to a fall in the debt to GDP ratio.

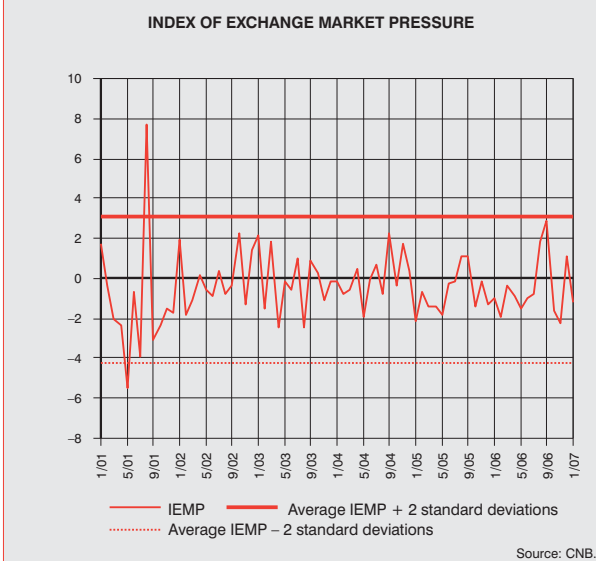
Evidently, the growth of the relative indicator of external debt, whose level has in the past three years placed Croatia on the list of highly-indebted countries, was stifled considerably by positive contributions of some of the autonomous factors. As their developments may change in the future, with further negative developments associated with new foreign borrowing and widening of the current account deficit, the worsening of the relative indicator of external debt might accelerate additionally under the burden of unfavourable contribution of exogenous autonomous factors.

In line with the described developments, the ratio of external debt to the estimated GDP reached 85.8% at the end of 2006, with its relative indicator deteriorating by 3.3 percentage points over the end of 2005. In the same period, the ratio of external debt to exports of goods and services stood at 170.9%, up 3.7 percentage points over the end of 2005. The ratio of net external debt (external debt net of gross international reserves of the CNB and net foreign assets of banks) to GDP also deteriorated, with net external debt accounting for 44.0% of the estimated GDP at the end of 2006 or 1.1 percentage points more than at the end of 2005. The increase in international reserves of the CNB and, to a smaller extent, the increase in foreign assets of banks contributed to lower growth in the relative indicator of net external debt than in the relative indicator of total external debt.

International Liquidity

The index of exchange market pressure (IEMP)²⁷ remained favourable in the fourth quarter of 2006, which is to a large extent attributed to the growth in international reserves and slight appreciation of the kuna/euro exchange rate. The index value was the lowest in November, when the appreciation pressures, partly stimulated by the government's announcement on the issue of the new tranche of bonds, were the strongest. The appreciation of the exchange rate also prompted the central banks to intervene two times in the foreign exchange market, thus largely contributing to

Figure 80



the growth in international reserves. The fall in the kuna/euro exchange rate, due to strong corporate demand for foreign currency, and the fall in international reserves, due to the sale of foreign currency to the MoF, increased the index value in December. However, it still remained within the critical limits.²⁸ The January increase in international reserves contributed to a fall in the value of index whose movement remained favourable also in early 2007.

²⁷ 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.

²⁸ The upper and lower critical levels are set as the average value of the IEMP increased (decreased) by two standard deviations. The value of the index above the critical levels indicates potential difficulties in the settlement of international payments.

Government Finance

Fiscal Policy Features in the Fourth Quarter 2006

Fiscal trends were positive in the period from January to November 2006. Consolidated central government revenues rose almost twice faster than expenditures, while government investment activity dropped only slightly. The deficit was more than half lower than in the same period last year, so that borrowing requirements reduced and, consequently, debt growth slowed considerably in the observed period. However, as the government might have controlled the dynamics of some expenditures within the year, a fuller assessment of public finances will have to wait until data for the whole of 2006 are available.

In addition to positive fiscal trends, public finances were at the end of the year marked by the sale of Pliva d.d. to the pharmaceutical company Barr Laboratories Europe B.V., initial public offering of Ina shares and amendments to the Act on the Financing of Local Government and Regional Self-Government Units. The government's ownership share of 16.77% in Pliva d.d. was transferred to the Pensioners' Fund early in October and the sale of the shares generated over HRK 2.5bn in revenues for the Fund. These funds were partly utilised for the repayment of the loan financing the first instalment of debt to pensioners, while the remainder was used for the second instalment in December 2006.²⁹ In addition to its share in Pliva d.d., the government reduced its share in Ina by selling an approximate 17% of the total number of shares through an initial public offering in November. The generated revenues of about HRK 2.7bn were used to pay off a short-term foreign currency loan granted to the government by a domestic bank syndicate in March. The second privatisation phase of the national oil company was implemented within the projected structural reforms agreed between the Government and the IMF and incorporated into the stand-by arrangement concluded in November 2006. Finally, the end of November saw the adoption of the Act on Amendments to the Act on the Financing of Local and Regional Self Government Units³⁰, which provides for allocating profit tax revenues exclusively to the government budget and distributing income tax revenues among the government, municipality, city and county authorities. This Act aims to achieve as equal and balanced tax distribution on the RC territory as possible, in accordance with the equal taxation and financing principle.

Consolidated Central Government Revenues

According to MoF data, consolidated central government revenues were HRK 91.3bn in the first eleven months of 2006, a rise of 10.5% over the same period in 2005 (when the annual growth rate was 7.4%). The largest contribution to growth came from a rise in VAT revenues, social contributions and profit tax revenues.

Accounting for almost of 60% of total revenues at this government level, tax revenues reached HRK 53.7bn in the first eleven months of 2006, 92.8% of the total amount planned for the year. The 10.5% annual growth rate accelerated by 2.9 percentage points in comparison with that in the first eleven months in the previous year. Revenues from VAT, the largest revenues source, amounted to HRK 32.2bn in the January to November period, increasing by 10.1% over the same period in 2005. VAT revenues rose very sharply in the first quarter of 2006 due to the base effect,³¹ slowing down in the second and third quarters. These revenues accelerated again in October and November (by an average of 14.5%), due primarily to goods exports surging by almost 20%, while retail trade turnover increased at a slower pace than in the previous year.

Income tax revenues were HRK 3bn in the period from January to November 2006, up 11.4% over the same period in 2005. The sharp annual growth could be partly attributed to an increase in the average monthly gross wage (5.8%) and a rise in the number of insured persons with the CPIA (2.8%), and partly to the effects produced by the Income Tax Act, applied as of January 2005. More precisely, this Act, *inter alia*, considerably reduced the cumulative tax relief, which had no effect on income tax revenues in 2005, but produced a base effect contributing to a rise in these revenues in 2006. On the other hand, the Act also provided for an increase in personal tax allowance and tax deductions for dependent family members, which slowed down revenue growth in 2005, while having no effect on revenue trends in 2006.

Profit tax revenues amounted to HRK 4.7bn in the observed period, an increase of 28.6% over the first eleven months in the previous year. Continued strong growth in these revenues resulted from a marked annual rise in profit before tax generated by profit tax payers in 2005.

Rising by 6% over the same period in 2005, excise revenues stood at HRK 10.7bn in the January to November period. To ensure comparability of data with the previous periods, revenues from excises on refined petroleum products comprised revenues from levies for road building and maintenance. The increase in excise revenues was primarily spurred by revenues from excises on refined petroleum products, which was in consequence of their large share of over 50% in total excise revenues, rather than of their annual growth of 3.6%. However, this growth, although minor, significantly outstripped that in the same period last year (1.5%). Excise revenues from tobacco products, amounting to HRK 2.5bn and growing at an annual rate of 8.5% in the first six months of 2006, remained the major growth contributors. Since they rose at a half lower rate of 3.9% in the same period last year, and the rise in turnover of retail trade in tobacco products in the first eleven months of 2006 was insufficient to account for such an increase, it can be assumed that it was also due to MoF's additional measures aimed at combating illegal trade in cigarettes. Revenues from excises on cars reached HRK 1.2 in the observed period, up 18.3% over the previous year, primarily due to a

²⁹ To the pensioners who opted for the so-called accelerated debt recovery over two years.

³⁰ Official Gazette 132/2006.

³¹ VAT revenues dropped on an annual basis in the first quarter of 2005.

steep rise in October (26.7%). The strong growth in these revenues could be attributed to an accelerated increase in road vehicle imports in the last quarter of 2006. Other excise revenues amounted to HRK 1.2bn, which was slightly more than in the same period 2005.

Social contributions stood at HRK 30.7bn in the period from January to November, accounting for 33.7% of total consolidated central government revenues. The annual growth of 8.4% was a result of the said increase in the average monthly gross wage and the number of insured persons with the CPIA. Employee contributions stood at HRK 13.7bn, employer contributions amounted to HRK 16.4bn, while the remainder was made up of the contributions of the self-employed and unemployed.

Other revenues, comprising, *inter alia*, property income and income from the sales of goods and services, totalled HRK 6.8bn, an increase of 21% over the same period in the previous year. The largest share in other revenues came from administrative fees (37%), incidental sales by non-market establishments (9.5%) and withdrawals from income of quasi-corporations³² (8.1%).

Consolidated Central Government Expenditures

Consolidated central government expenditures totalled HRK 88.1bn in the first six months of 2006, rising annually by 5.5%, which was a slowdown compared with the same period in 2005. The rise was mostly due to a growth of expenditures on social benefits, the use of goods and services and salaries and wages of employees.

Accounting for almost 50% of total consolidated central government expenditures, expenditures on social benefits amounted to HRK 40.1bn in the observed period, with their annual growth rate accelerating from 2.6% in the first eleven months in 2005 to 4.5%. Social security benefits, which comprise most pensions and health care expenditures, stood at HRK 28.4bn in the January to November period, rising at an annual rate of 3.6%, as a result of a 1.6% increase in the average number of pensioners per month and a 2.9% rise in the average pension. Social assistance benefits, including disability pensions, child allowances, Croatian war veterans' permanent rights and pension supplements, went up by 7.3% in the first eleven months, reaching HRK 11.6bn. However, their share in total expenditures almost held steady.

Expenditures on the use of goods and services (including the use of telephone, postal services, transport and energy as well as intellectual and personal services) were at HRK 7.6bn in the observed period 22.4% higher than in the year before, while the highest growth rate was recorded in October and November.

Expenditures on the compensation of employees increased by 5% to HRK 23.2bn in the observed period. Of this amount, salaries and wages of civil servants and employees accounted for HRK 19.7bn, a rise of 5.1% over the same period in 2005, resulting from a rise of 0.7% in the number

of public sector employees and an increase of 4.8% in the average gross wage. The highest increase in the number of employees was in education (2.1%) and in the gross wage paid in public administration and defence (5.4%).

Growing by 6.4% over the year before, expenditures on subsidies stood at HRK 5bn in the period from January to November 2006. Subsidies paid to private enterprises rose by a considerable 18.7%, whereas subsidies to public corporations declined, to a great extent due to a drop in subsidies to the Croatian Railroads.

Interest expense reached HRK 4.9bn in the first eleven months, a rise of 5.1% compared with 2005. In line with the trends in domestic central government debt, the share of domestic interest paid continued to grow, while the share of foreign interest paid dropped proportionally.

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

Net operating balance, representing the difference between revenues and expenditures at the consolidated central government level, stood at HRK 3.2bn in the observed period, in contrast with a negative HRK 1.0bn in the previous year, as a consequence of revenues rising at a twice higher rate than expenditures. However, a continuously large amount of government investments in the first eleven months (the acquisition of non-financial assets was HRK 5.4bn), called for an additional HRK 1.9bn. Total funding requirements were met through borrowing, which was evident from the increase of HRK 0.8bn in the financial assets of the consolidated central government in the observed period.

Most of the funds within the category of non-financial asset acquisition were in the first eleven months of 2006 employed to acquire buildings and structures, machinery and equipment as well as land. The acquisition of non-financial assets reduced by HRK 0.5bn (8%) from the same period in 2005, with the acquisition of buildings and structures (including residential buildings, office buildings, schools, hospitals, highways, roads, bridges, tunnels and railroads) of the CM and the budgetary central government showing the highest decrease and the acquisition of building and structures by the CR increasing. The disposal of non-financial assets generated HRK 0.4bn in the same period, rising by a significant 28.7% over the previous year. This was primarily accounted for by the disposal of buildings and structures at the budgetary central government level, which includes the sale of public flats.

Financial assets of the consolidated central government increased by HRK 0.8bn in the observed period, as a result of a rise in loans granted and the acquisition of shares and other equity (almost fully accounted for by the CBRD recapitalisation). At the same time, currency and deposits dropped by HRK 0.1bn, which might be a sign of an improved liquidity management, as the government reduces its borrowing needs by using the funds in the account.

With a relatively high net operational balance and stagnant government investment activity, government reliance on borrowing was considerably reduced. Government liabil-

³² As is for example CNB's surplus of income over expenditures which is allocated to the government budget.

Table 15: Operating Balance, Transactions in Non-Financial Assets and Transactions in Financial Assets and Liabilities, GFS 2001, in million HRK

	Consolidated central government		
	Jan.–Nov. 2005	Jan.–Nov. 2006	Jan.–Nov. 2006 / Jan.–Nov. 2005
1. Change in net worth (net operating balance)	-952.8	3,185.6	
1.1. Revenue	82,571	91,268	111
1.2. Expense	83,524	88,083	105
2. Change in net non-financial assets	5,649.0	5,046.8	
2.1. Acquisition of non-financial assets	5,945	5,428	91
2.2. Disposal of non-financial assets	296	382	129
3. Net lending (+) / borrowing (-) (1-2)	-6,601.8	-1,861.2	
3. Financing (5-4) Transactions in financial assets and liabilities	6,601.8	1,861.2	
4. Change in financial assets	1,945.4	778.9	
4.1. Domestic	1,950	769	
4.2. Foreign	-5	10	
5. Change in liabilities	8,547.2	2,640.1	
5.1. Domestic	12,436	6,086	
5.2. Foreign	-3,889	-3,446	

Note: On a cash basis. Source: MoF.

Table 16: Consolidated General Government Balance, on a cash basis, in million HRK

	Jan.–Nov. 2006		
	Government budget	Extra-budgetary users	Consolidated central government
Revenue ^a	86,873.2	8,224.5	91,268.4
Total expenditure and net lending	88,235.9	10,143.3	94,549.8
Expense ^a	85,968.2	5,943.9	88,082.8
Acquisition of non-financial assets ^a	1,351.8	4,076.6	5,428.3
Net acquisition of financial assets – loans ^a	700.2	106.8	807.0
Acquisition of shares and other equity ^a	215.7	16.0	231.7
Acquisition of other accounts receivable ^a	0.0	0.0	0.0
GFS 1986 balance	-1,362.6	-1,918.8	-3,281.4

^a GFS 2001. Source: MoF.

ities rose by HRK 2.6bn in the observed period, three times less than in the same period in 2005 (HRK 8.5bn). Domestic liabilities continued to increase at a relatively sharp rate, while foreign liabilities continued to drop, although at a much slower rate.

Consolidated Central Government Balance on a Cash Basis

The consolidated central government deficit, exclusive of capital revenues (on a cash basis, GFS 1986) stood at HRK 3.3bn in the period from January to November 2006. Of this amount, HRK 1.9bn was accounted for by extra-budgetary users and the remaining amount by the budgetary central government. The CM and CR had high deficits, while DAB realised a surplus.

The consolidated central government deficit dropped by HRK 4.4bn from the same period last year, down by almost 60%. This significant fiscal adjustment almost completely resulted from the decrease in the budgetary central government deficit, caused by a surge in revenues and a decrease in the acquisition of non-financial assets.

Central Government Debt

According to CNB data, central government debt was HRK 101.4bn at end November 2006, which is a rise of HRK 1.8bn over the end of 2005. Central government debt increased by HRK 9bn in the same period in 2005 and by a high HRK 13.5bn in 2004. The slowdown in debt growth primarily resulted from the fiscal adjustment, i.e. a sharp decrease in the consolidated central government deficit, and to

Table 17: Debt of the Republic of Croatia, end of period, in million HRK

	Stock					Change	
	Dec. 2004	Nov. 2005	Dec. 2005	Nov. 2006	Dec. 2006	Jan.–Nov. 2005	Jan.–Nov. 2006
A. Central government debt (1 + 2)	91,155.8	100,158.4	99,653.9	101,423.4	100,793.6	9,002.5	1,769.5
1. Central government domestic debt	41,134.9	54,676.9	54,494.6	59,953.2	59,404.8	13,542.0	5,458.6
1.1. Domestic debt of the Republic of Croatia	37,223.7	48,650.7	50,559.5	55,455.4	54,236.6	11,427.0	4,895.9
1.2. Domestic debt of central government funds	3,911.2	6,026.2	3,935.0	4,497.8	5,168.2	2,115.0	562.8
2. Central government external debt	50,021.0	45,481.5	45,159.3	41,470.2	41,388.8	-4,539.5	-3,689.2
2.1. External debt of the Republic of Croatia	42,095.7	36,710.6	36,433.6	32,540.5	32,486.1	-5,385.1	-3,893.1
2.2. External debt of central government funds	7,925.3	8,770.9	8,725.8	8,929.7	8,902.7	845.7	203.9
B. CBRD debt (1 + 2)	5,745.6	6,379.8	7,135.5	7,238.4	7,654.2	634.2	102.9
1. CBRD domestic debt	382.2	303.5	534.2	198.1	294.7	-78.6	-336.1
2. CBRD external debt	5,363.5	6,076.3	6,601.2	7,040.2	7,359.5	712.9	439.0
Supplement:							
C. Total guarantees issued by the Republic of Croatia	12,313.5	13,482.8	12,525.5	13,848.3	14,182.1	1,169.3	1,322.8
1. Domestic	4,642.0	6,206.7	5,345.9	6,892.9	7,312.8	1,564.7	1,547.0
2. Foreign	7,671.4	7,276.1	7,179.6	6,955.4	6,869.2	-395.4	-224.2

Source: CNB.

Table 18: Domestic Debt of Central Government, end of period, in million HRK

	Stock					Change	
	Dec. 2004	Nov. 2005	Dec. 2005	Nov. 2006	Dec. 2006	Jan.–Nov. 2005	Jan.–Nov. 2006
1. Domestic debt of central government	41,134.9	54,676.9	54,494.6	59,953.2	59,404.8	13,542.0	5,458.6
1.1. Domestic debt of the Republic of Croatia	37,223.7	48,650.7	50,559.5	55,455.4	54,236.6	11,427.0	4,895.9
Treasury bills	9,022.5	13,035.0	12,533.4	11,737.4	12,662.2	4,012.5	-796.0
Bonds	23,080.1	27,199.5	30,716.0	34,830.6	34,847.8	4,119.4	4,114.5
Money market instruments	–	1.0	0.9	–	–	1.0	-0.9
Credits from banks	5,121.1	8,415.2	7,309.2	8,887.4	6,726.6	3,294.1	1,578.2
1.2. Domestic debt of central government funds	3,911.2	6,026.2	3,935.0	4,497.8	5,168.2	2,115.0	562.8
Bonds	1,726.0	1,665.0	–	–	–	-61.0	–
Credits from banks	2,185.1	4,361.1	3,935.0	4,497.8	5,168.2	2,176.0	562.8
Supplement: Issued guarantees	4,642.0	6,206.7	5,345.9	6,892.9	7,312.8	1,564.7	1,547.0

Source: CNB.

some extent from the appreciation of the kuna exchange rate against the currencies most of the debt is denominated in or indexed to (the euro, US dollar, Japanese yen). The central government debt structure continued to change, as the share of domestic debt increased and the share of external debt dropped further. Domestic central government debt was thus HRK 60bn at the end of 2006, growing by HRK 5.5bn relative to the end of 2005, while external debt decreased by HRK 3.7bn, standing at HRK 41.5bn at end November.

Increasing by HRK 103m in the observed period, CBRD debt reached HRK 7.2bn, with external debt accounting for 97.3% of this amount. Domestic debt fell by HRK 336m, while external debt grew by HRK 439m. The CBRD debt increase mainly arose from a rise in outstanding foreign bonds.

Guarantees issued by the Republic of Croatia (i.e. contingent government debt) amounted to HRK 13.85bn at end November 2006, which is a rise of HRK 1.32bn over the end of the previous year. The share of domestic guarantees issued rose relative to the share of foreign guarantees. Domestic guarantees rose by HRK 1.55bn in the observed period, to HRK 6.89bn, while foreign guarantees dropped by HRK 224m, amounting to HRK 6.96bn at end November.

Domestic Central Government Debt

As shown by CNB data, domestic central government debt amounted to HRK 60bn at end November 2006, a rise of 10% over the end-2005 balance. The increase in domestic debt was caused by a rise in outstanding government bonds. The HRK 2bn worth second tranche of the ten-year government bond, issued at mid-December 2005, was released in February 2006, while July saw the issue of a seven-year government bond, worth a total of HRK 4bn, with the first tranche released in July amounting to HRK 2.5bn and the second tranche, released in November, worth HRK 1.5bn. The rest of the increase in domestic central government debt

was made up by the rise in debt from bank loans at the level of the Republic of Croatia and central government funds, totalling HRK 2.1bn. Contributing the most to the increase was a EUR 400m short-term foreign currency loan granted by a domestic bank syndicate in March 2006.

External Central Government Debt

External central government debt was HRK 41.5bn at end November 2006, which was a decrease of HRK 3.69bn, or 8.2%, compared to the end of 2005. External debt dropped by HRK 3.89bn at the Republic of Croatia level, fully in consequence of the repayments of bonds payable (i.e. primarily of the repayments of Samurai bonds in February and eurobonds in March and to a smaller extent of regular repayments of series A and series B bonds, issued in 1996, to the London Club). External debt of central government funds drifted higher in the observed period, primarily because of new external borrowings by the CM and CR.

Recent Trends in Central Government Debt

Central government debt amounted to HRK 100.8bn at end December 2006, dropping by HRK 630m from end November. Domestic central government debt declined by HRK 548m in December, as a result of the repayment of a short-term foreign currency loan from March 2006 and new borrowings through T-bill issuance and loans granted to central government funds. At the same time, contingent debt of the central government increased due to the HRK 419m increase in domestic guarantees issued in December. Domestic guarantees thus for the first time exceeded foreign guarantees at end December. The stock of external central government debt and the stock of contingent external debt arising from government guarantees issued mainly held steady in December.

Table 19: External Debt of Central Government, end of period, in million HRK

	Stock					Change	
	Dec. 2004	Nov. 2005	Dec. 2005	Nov. 2006	Dec. 2006	Jan.–Nov. 2005	Jan.–Nov. 2006
1. External debt of central government	50,021.0	45,481.5	45,159.3	41,470.2	41,388.8	-4,539.5	-3,689.2
1.1. External debt of the Republic of Croatia	42,095.7	36,710.6	36,433.6	32,540.5	32,486.1	-5,385.1	-3,893.1
Bonds	32,899.3	27,113.6	27,112.3	22,819.0	22,843.0	-5,785.7	-4,293.4
Credits	9,196.4	9,597.0	9,321.2	9,721.5	9,643.0	400.5	400.3
1.2. External debt of central government funds	7,925.3	8,770.9	8,725.8	8,929.7	8,902.7	845.7	203.9
Credits	7,925.3	8,770.9	8,725.8	8,929.7	8,902.7	845.7	203.9
Supplement: Issued guarantees	7,671.4	7,276.1	7,179.6	6,955.4	6,869.2	-395.4	-224.2

Source: CNB.

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	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	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
	November	44,907.1	46,322.2	47,219.7	179,636.1	149,780.9	178,048.7	3.44	1.80	1.86	-0.53	-0.51	1.98
	December [*]	46,331.2	48,521.0	49,141.7	182,458.6	154,844.1	183,379.5	3.17	4.75	4.07	1.57	3.38	2.99
2007	January	43,729.2	45,965.6	46,605.6	183,027.9	154,799.8	184,322.9	-5.62	-5.27	-5.16	0.31	-0.03	0.51

^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 4,035.8 million kuna. Data for June 1999 are comparable with data for July 1999 if Domestic credit is increased by 3,513.5 million kuna.

Table B1: Monetary Survey

end of period, million kuna

	2001	2002	2003	2004	2005	2006				2007
	Dec. ^a	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec. ^a	Jan.
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	25,557.07	27,614.47	28,228.1
2. Domestic credit	87,637.6	112,518.9	126,371.6	141,278.1	168,427.7	178,596.65	188,399.21	193,614.01	200,328.86	201,829.7
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	21,314.82	16,949.37	17,506.8
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	170,400.25	181,031.89	182,620.3
2.3. Claims on other banking institutions	170.2	219.5	431.8	624.0	592.2	493.66	442.32	434.70	1,029.50	559.2
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	1,464.23	1,318.09	1,143.4
Total (1+2)	136,298.9	145,336.3	159,143.0	173,020.7	191,731.5	191,573.77	202,392.86	219,171.08	227,943.33	230,057.8
LIABILITIES										
1. Money	23,703.5	30,869.8	33,888.7	34,562.1	38,817.1	38,186.45	42,226.48	44,047.02	48,520.95	45,965.6
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	46,155.80	44,836.84	45,964.9
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	85,173.04	88,256.67	90,133.9
4. Bonds and money market instruments	317.8	216.3	598.4	1,163.5	1,077.0	1,406.06	1,417.90	1,376.04	844.15	963.6
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	2,603.81	2,504.46	2,539.3
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	39,815.37	42,980.25	44,490.6
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	219,171.08	227,943.33	230,057.8

^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	December	36	1	10	6	8	5	6	3	2	1	–
2006	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	–
	November	35	2	7	5	9	4	8	3	2	1	–
	December	35	2	6	5	10	4	8	3	2	1	–
2007	January	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				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	60,049.2	64,088.2	67,633.1
1.1. Gold	–	–	–	–	–	–	–	0.0	–	–
1.2. Holdings of SDRs	905.8	17.4	5.0	4.8	6.3	5.2	5.5	4.8	5.3	9.6
1.3. Reserve position in the IMF	1.8	1.6	1.5	1.4	1.4	1.4	1.4	1.4	1.3	1.3
1.4. Currency and demand deposits with foreign banks	6.1	6.4	5.8	5.7	7.7	8.3	9.2	7.8	7.2	26.8
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	30,723.0	33,243.0	36,171.4
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	29,312.1	30,831.2	31,423.9
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
2. Claims on central government and funds	–	0.5	1.4	3.3	1.4	–	–	–	0.9	–
2.1. Claims in kuna	–	0.5	1.4	3.3	1.4	–	–	–	0.9	–
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	64.0	64.0
4. Claims on banks	18.5	17.9	972.0	408.9	4,215.6	564.1	2,155.4	2,511.3	3,911.5	457.2
4.1. Credits to banks	16.6	17.6	968.9	408.9	4,215.6	564.1	2,155.4	2,511.3	3,911.5	457.1
Lombard credits	–	–	954.4	–	–	–	–	–	–	–
Short-term liquidity credits	–	–	–	–	–	–	–	–	–	–
Other credits	16.6	17.6	14.5	15.0	14.5	14.5	14.3	14.6	14.5	14.6
Reverse repo transactions	–	–	–	394.0	4,201.1	549.6	2,141.1	2,496.7	3,897.0	442.5
4.2. Overdue claims	1.9	0.3	3.1	–	–	–	–	–	–	0.2
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	62,633.9	68,064.6	68,154.3
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	42,368.1	46,331.2	43,729.2
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	14,330.6	14,609.3	13,887.0
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	2,244.4	2,698.0	2,148.0
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	25,793.1	29,023.9	27,694.1
Settlement accounts	2,450.1	3,923.4	5,616.0	6,408.2	8,411.1	5,740.0	6,223.4	6,315.2	8,535.7	6,888.2
Statutory reserves	6,291.4	8,186.0	12,603.9	14,674.4	17,605.2	17,354.7	18,595.8	19,457.9	20,478.2	20,791.9
CNB bills on obligatory basis	–	–	109.4	–	–	–	–	–	–	–
Overnight deposits	–	–	–	–	–	640.0	137.0	20.0	10.0	14.0
1.4. Deposits of other banking institutions	15.5	19.1	–	–	–	–	–	–	–	–
1.5. Deposits of other domestic sectors ^b	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	14,890.2	16,633.5	18,787.0
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	14,833.3	16,576.7	18,720.5
2.2. Restricted deposits	325.4	49.0	12.6	12.4	55.9	60.6	23.1	56.9	56.9	66.4
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,597.5	195.7	2,798.0	18.1	18.9	14.8	24.6	14.7	18.9	19.1
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	14.7	18.9	19.1
3.3. Liabilities to foreign banks ^a	559.8	180.2	2,778.5	–	–	0.0	6.5	–	–	–
4. Central government and funds' deposits	1,752.1	768.1	1,551.1	263.2	332.2	162.7	249.8	245.8	188.0	252.1
4.1. Demand deposits	1,752.1	608.3	600.2	228.0	319.0	159.1	245.3	244.0	174.5	218.9
Central government demand deposits	1,564.8	569.5	548.5	123.0	246.3	117.2	183.6	218.5	138.6	169.3
Central government funds' demand deposits	187.3	38.7	51.7	105.0	72.7	41.8	61.7	25.5	35.9	49.6
4.2. Central government f/c deposits	–	–	950.9	35.2	13.2	3.6	4.5	1.8	13.5	33.2
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	5,060.0	4,447.6	5,629.3	5,408.8	5,889.9
7. Other items (net)	–424.2	–461.1	–408.1	–210.8	–498.2	–497.8	–518.1	–514.2	–515.8	–522.8
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	62,633.9	68,064.6	68,154.3

^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				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
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	42,878.4	48,384.7	48,561.7
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	28,049.7	31,814.1	29,848.7
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	14,828.7	16,570.6	18,713.0
2. Foreign assets	32,807.6	25,977.8	35,382.9	43,551.0	35,572.5	27,119.1	26,150.5	32,381.1	39,621.2	38,471.0
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	31,326.9	27,936.8	28,193.8
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	170,326.9	180,967.8	182,556.2
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	1,669.1	1,892.0	1,917.7
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	76,796.7	83,386.5	83,631.9
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	91,861.1	95,689.3	97,006.6
5. Claims on other banking institutions	170.2	219.5	431.8	624.0	592.2	493.7	442.3	434.7	1,029.5	559.2
6. Claims on non-banking financial institutions	281.4	915.3	761.8	893.9	1,161.8	1,594.5	1,339.5	1,464.2	1,315.1	1,143.4
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	278,812.1	299,258.1	299,485.4
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	29,716.4	33,911.7	32,078.5
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	46,155.8	44,836.8	45,964.9
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	85,173.0	88,256.7	90,133.9
4. Bonds and money market instruments	317.8	216.3	598.4	1,163.5	1,077.0	1,406.1	1,417.9	1,376.0	844.1	963.6
5. Foreign liabilities	21,857.8	35,023.5	49,932.0	61,163.7	67,112.3	73,363.8	75,584.1	66,858.5	76,076.0	77,857.0
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	9,766.3	10,800.4	10,434.9
7. Credit from central bank	16.6	17.6	968.9	408.9	4,215.6	564.1	2,155.4	2,511.3	3,911.4	457.1
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	2,546.9	2,447.6	2,472.9
9. Capital accounts	25,455.1	26,323.2	27,389.5	28,666.4	32,665.7	33,276.9	35,475.1	37,553.3	40,805.1	41,687.4
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	-2,845.5	-2,631.7	-2,564.6
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	278,812.1	299,258.1	299,485.4

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				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	32,196.7	39,454.5	38,262.2
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	23,819.4	30,404.1	29,103.1
Foreign currencies	7,324.7	1,019.8	1,268.6	1,190.0	1,136.1	1,006.8	1,211.6	1,173.6	1,232.1	984.7
Demand deposits	1,231.9	757.7	1,057.0	906.2	860.2	761.9	1,109.1	1,004.9	870.1	890.5
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	16,345.5	23,509.4	22,991.8
Securities	1,008.5	1,690.2	1,364.2	2,674.1	4,197.0	4,224.2	4,174.7	4,055.9	4,441.5	3,879.9
Loans and advances	290.3	278.7	203.1	189.0	152.9	253.0	287.4	1,227.6	339.2	344.4
Shares and participations	39.7	17.2	15.4	8.1	7.8	7.7	11.6	11.8	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	8,377.4	9,050.4	9,159.1
Claims on foreign governments	596.2	3,855.5	2,905.0	7,066.6	7,735.7	7,600.0	7,863.2	7,606.4	8,217.0	8,258.1
Claims on other non-residents	505.5	733.7	478.9	450.2	493.1	521.2	702.2	743.1	798.1	860.8
Securities	72.1	191.3	32.1	77.4	68.0	74.9	199.6	144.9	141.5	144.7
Loans and advances	433.4	542.4	446.8	372.8	425.2	446.3	502.6	598.2	656.6	716.1
Shares and participations	1.6	1.6	0.4	0.3	0.5	0.5	34.1	27.9	35.3	40.2
2. Foreign assets in kuna	44.1	53.4	120.9	122.9	114.6	119.9	457.2	184.3	166.7	208.8
2.1. Claims on foreign financial institutions	29.2	19.6	99.1	77.8	71.3	80.1	388.5	113.3	96.9	138.0
2.2. Claims on foreign non-banks	14.8	33.8	21.9	45.1	43.4	39.7	68.7	71.0	69.8	70.8
o/w: Loans and advances	13.9	33.0	21.0	44.3	42.6	38.8	68.1	70.4	69.2	70.2
Total (1+2)	32,807.6	25,977.8	35,382.9	43,551.0	35,572.5	27,119.1	26,150.5	32,381.1	39,621.2	38,471.0

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

end of period, million kuna

	2001	2002	2003	2004	2005	2006				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. In kuna	17,778.7	18,444.4	18,007.1	16,270.2	20,532.7	20,324.0	23,239.2	22,706.1	22,703.0	23,019.3
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	19,103.4	18,361.2	18,660.6
Securities	15,403.2	13,989.1	11,770.0	11,779.1	16,037.7	15,920.9	14,996.2	15,259.6	14,546.7	15,322.6
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	6.9	8.3	7.8
Loans and advances	826.9	2,454.3	4,262.6	2,686.5	1,314.9	1,462.6	4,290.3	3,843.8	3,814.5	3,338.0
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	3,602.6	4,341.9	4,358.7
Securities	560.1	560.7	723.6	621.1	–	–	3.6	–	–	–
Loans and advances	988.4	1,440.3	1,250.9	1,183.5	3,180.1	2,940.5	3,949.2	3,602.6	4,341.9	4,358.7
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	8,620.8	5,233.8	5,174.5
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	8,081.0	4,624.4	4,589.8
Securities	1,065.5	1,733.4	1,805.4	1,117.0	1,248.1	826.4	553.7	458.9	429.0	399.1
Loans and advances	325.5	625.7	1,391.5	2,431.3	5,992.8	8,867.5	8,742.0	7,622.1	4,195.4	4,190.7
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	539.8	609.4	584.7
Securities	75.4	195.0	96.4	163.1	144.2	126.1	112.8	103.5	109.2	109.1
Loans and advances	814.8	919.2	243.1	1,069.7	959.3	940.2	550.4	436.3	500.2	475.6
Total (1+2)	20,059.9	21,917.7	21,543.6	21,051.3	28,877.2	31,084.2	33,198.1	31,326.9	27,936.8	28,193.8

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				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
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	155,587.9	166,755.1	168,199.6
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	1,685.6	1,980.7	1,904.3
1.2. Bonds	7.7	72.4	56.2	559.8	361.6	412.9	838.0	801.9	1,088.8	1,081.3
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	151,017.7	161,694.2	163,205.5
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	2,082.7	1,991.4	2,008.6
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	14,739.0	14,212.8	14,356.6
2.1. Securities	126.6	243.2	130.6	213.5	307.6	331.6	124.5	86.2	221.1	218.5
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	14,652.8	13,991.6	14,138.1
Total (1+2)	74,283.8	96,218.4	110,374.3	125,707.9	147,340.9	154,418.1	162,788.7	170,326.9	180,967.8	182,556.2

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				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
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	7,446.4	8,156.4	7,696.7
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	3,843.8	3,814.5	3,338.0
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	3,602.6	4,341.9	4,358.7
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	1,534.2	1,720.3	1,737.8
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	58,014.4	64,669.3	64,853.2
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	91,469.1	95,307.6	96,614.5
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	34,709.0	36,927.3	37,597.9
5. Loans to other banking institutions	34.7	17.6	82.3	154.5	46.5	36.4	48.3	50.5	304.4	96.6
6. Loans to non-banking financial institutions	240.9	521.3	427.9	558.0	591.8	1,100.6	732.4	839.8	851.4	611.1
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	159,354.4	171,009.4	171,609.8
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	8,058.4	4,695.6	4,666.4
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	7,622.1	4,195.4	4,190.7
1.2. Loans to central government funds	814.8	919.2	243.1	1,069.7	959.3	940.2	550.4	436.3	500.2	475.6
2. Loans to local government	179.1	152.3	47.1	31.9	63.0	18.6	18.4	11.4	11.3	10.1
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	14,249.5	13,598.5	13,736.0
4. Loans to households	59.7	96.0	182.1	299.5	393.3	424.7	389.3	391.9	381.8	392.1
5. Loans to other banking institutions	–	1.2	174.3	52.9	19.9	–	21.8	7.6	68.1	133.6
6. Loans to non-banking financial institutions	–	28.3	58.8	255.3	512.3	396.0	518.2	535.8	360.5	425.5
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	23,254.7	19,115.9	19,363.6
TOTAL (A+B)	72,942.3	97,452.1	113,851.8	128,774.2	154,929.7	164,807.5	176,710.2	182,609.1	190,125.3	190,973.4

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				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Local government	907.0	1,910.4	2,006.2	2,020.7	1,688.7	1,300.2	1,446.1	1,508.4	1,803.8	1,550.2
2. Enterprises	8,981.6	12,344.5	12,872.9	12,036.9	13,344.2	12,381.7	12,642.9	13,616.7	16,668.6	14,691.2
3. Households	4,872.0	6,307.4	7,873.1	8,773.0	10,728.3	11,395.0	13,217.8	13,628.2	14,257.8	14,191.0
4. Other banking institutions	17.0	42.1	98.9	245.4	322.1	360.8	296.9	331.1	485.1	579.1
5. Non-banking financial institutions	407.1	568.1	468.1	517.5	571.3	658.5	621.3	633.3	697.6	1,067.8
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	-1.2	-0.8
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	29,716.4	33,911.7	32,078.5

Table D6: Demand Deposits with Banks

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

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

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

Table D7: Time and Savings Deposits with Banks

end of period, million kuna

	2001	2002	2003	2004	2005	2006				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Savings deposits	2,006.8	2,236.2	2,527.9	2,233.9	2,493.6	2,580.3	2,685.8	2,877.0	2,905.6	2,874.7
1.1. Local government	118.3	14.8	14.4	4.6	2.7	4.1	3.4	3.5	2.8	2.5
1.2. Enterprises	88.0	213.3	190.5	38.8	101.6	120.4	115.4	193.1	110.3	94.2
1.3. Households	1,712.2	1,996.3	2,288.8	2,190.5	2,388.3	2,455.9	2,567.0	2,676.4	2,792.4	2,778.0
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	–	–	4.1	0.0	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	43,278.8	41,931.3	43,090.2
2.1. Local government	340.7	482.8	551.6	550.8	508.7	778.5	850.0	1,008.9	491.8	871.0
2.2. Enterprises	3,618.3	4,633.6	7,165.3	8,698.5	8,222.5	9,887.6	12,850.8	14,708.8	14,715.4	15,490.8
2.3. Households	2,554.1	3,793.8	6,194.5	9,321.4	13,254.9	14,507.4	17,037.6	22,049.9	20,755.0	20,691.9
2.4. Other banking institutions	24.7	58.4	129.3	215.9	931.9	935.9	1,233.9	1,581.1	2,697.9	2,923.2
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	3,930.0	3,271.3	3,113.3
Total (1+2)	10,213.1	13,001.1	18,370.7	22,479.2	27,992.1	31,554.5	38,443.0	46,155.8	44,836.8	45,964.9

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				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Savings deposits	23,748.8	21,074.4	21,547.0	22,144.6	22,641.0	21,770.9	21,866.3	23,790.7	22,698.6	22,545.7
1.1. Local government	13.2	12.2	14.7	15.6	11.9	10.7	18.0	16.8	30.8	17.1
1.2. Enterprises	2,884.2	3,346.7	3,620.2	4,273.2	4,408.3	4,083.8	4,378.8	4,861.9	4,589.7	4,664.6
1.3. Households	20,688.3	17,537.3	17,690.2	17,708.9	17,933.6	17,500.3	17,196.2	18,527.3	17,609.9	17,360.5
1.4. Other banking institutions	23.9	34.7	9.0	15.4	116.0	33.5	80.9	171.5	276.7	146.9
1.5. Non-banking financial institutions	139.2	143.5	212.9	131.6	171.3	142.5	192.4	213.2	191.4	356.5
2. Time deposits	48,088.1	50,980.3	54,488.4	59,598.3	64,119.7	60,655.7	59,153.1	61,382.4	65,558.1	67,588.2
2.1. Local government	1.7	9.5	3.8	0.3	3.2	2.0	2.0	2.0	1.9	2.2
2.2. Enterprises	4,619.1	6,009.6	7,154.0	8,518.6	8,154.2	5,807.5	5,316.5	6,336.5	7,086.2	7,307.6
2.3. Households	42,705.4	44,159.2	46,805.1	50,636.0	55,036.1	54,312.5	53,303.1	53,860.0	57,210.8	58,756.9
2.4. Other banking institutions	11.5	41.5	21.7	20.7	242.0	137.8	75.9	241.1	366.2	535.6
2.5. Non-banking financial institutions	750.3	760.5	503.7	422.7	684.2	395.7	455.7	942.7	892.9	985.9
Total (1+2)	71,836.9	72,054.6	76,035.3	81,742.9	86,760.8	82,426.5	81,019.5	85,173.0	88,256.7	90,133.9

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				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Money market instruments (net)	–	5.1	–	–	–	–	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	373.3	340.9	379.6
3. Other domestic borrowing	213.4	118.4	446.5	993.0	912.1	812.1	1,009.4	1,001.9	502.5	583.2
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	0.0	23.6
3.3. Other banking institutions	4.6	10.0	222.1	842.8	828.1	652.6	865.2	867.0	492.8	238.8
3.4. Non-banking financial institutions	50.7	62.0	130.9	109.9	43.2	118.6	103.2	94.0	9.6	320.8
Total (1+2+3)	317.8	216.3	598.4	1,163.5	1,077.0	1,406.1	1,417.9	1,376.0	844.1	963.6

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 secu-

rities 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				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	48,258.8	55,114.3	55,854.0
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	41,894.4	48,561.3	49,411.9
Demand deposits	147.1	130.9	266.6	127.6	156.3	113.0	298.6	129.1	195.0	108.3
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	11,927.9	12,174.1	12,669.7
Loans and advances	15,052.1	19,528.5	23,481.2	29,369.5	29,775.6	32,073.1	30,029.5	26,536.5	32,903.9	33,328.1
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	795.3	820.7	823.9
Bonds	–	–	–	3,413.6	3,292.6	3,279.2	3,241.9	3,300.9	3,288.3	3,305.8
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	6,364.4	6,553.0	6,442.2
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	6,000.4	6,192.4	6,128.0
Sight deposits	873.7	875.6	898.6	1,052.5	1,172.9	1,246.6	1,311.4	1,352.1	1,635.8	1,379.5
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	4,648.2	4,556.7	4,748.5
Loans and advances	1,507.4	1,376.0	1,198.0	567.1	479.3	409.3	404.8	364.0	360.5	314.2
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	18,599.6	20,961.8	22,003.0
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	17,697.4	20,087.0	21,129.5
Demand deposits	38.2	53.6	86.4	145.1	179.6	353.1	520.4	538.9	1,438.1	1,502.4
Time and notice deposits	4.2	635.8	2,664.1	2,846.9	6,979.5	8,788.0	9,122.2	8,223.7	11,198.8	13,438.7
Loans and advances	4.5	1.5	2,337.3	3,111.9	6,940.5	8,124.3	10,744.4	8,934.8	7,450.2	6,188.4
o/w: Subordinated and hybrid instruments	–	–	–	–	405.7	402.8	399.1	406.0	404.0	405.5
2.2. Liabilities to foreign non-banks	118.2	134.1	269.9	523.1	939.5	826.9	977.3	902.2	874.8	873.5
Demand deposits	60.1	56.2	76.8	95.9	180.3	221.7	311.6	192.5	170.1	298.0
Time and notice deposits	58.1	77.9	191.4	419.2	755.2	601.3	661.7	709.7	703.3	574.1
Loans and advances	–	–	1.7	8.0	4.0	4.0	3.9	–	1.4	1.4
o/w: Subordinated and hybrid instruments	....	....	1.7	8.0	4.0	4.0	3.9	–	1.4	1.4
Total (1+2)	21,857.8	35,023.5	49,932.0	61,163.7	67,112.3	73,363.8	75,584.1	66,858.5	76,076.0	77,857.0

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				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. In kuna	3,335.1	4,036.8	4,104.4	5,627.2	7,596.1	7,717.3	8,332.7	8,729.5	9,030.0	8,824.7
1.1. Central government deposits	295.9	634.3	506.4	445.1	605.0	549.3	433.5	461.7	497.5	533.8
Demand deposits	33.9	476.4	448.0	373.3	458.1	419.4	301.4	351.1	366.2	401.1
Savings deposits	41.6	3.3	3.0	4.2	1.8	1.3	1.4	1.9	2.1	2.0
Time and notice deposits	217.6	153.6	54.2	66.5	144.0	127.6	129.6	107.6	128.1	129.6
Loans and advances	2.8	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0
1.2. 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	8,267.8	8,532.6	8,290.8
Demand deposits	214.6	553.2	294.8	266.3	580.2	512.4	326.0	424.5	254.6	238.9
Savings deposits	10.8	0.0	0.3	3.5	1.9	10.2	10.2	10.2	14.6	4.4
Time and notice deposits	195.2	144.3	156.2	262.3	251.7	232.1	339.0	299.6	496.7	209.7
Loans and advances	2,618.6	2,705.0	3,146.7	4,650.0	6,157.3	6,413.3	7,224.0	7,533.5	7,766.7	7,837.9
2. In f/c	2,299.6	2,058.1	1,178.9	1,194.6	1,690.9	1,187.3	860.4	1,036.8	1,770.4	1,610.3
2.1. Central government deposits	2,275.0	1,938.9	1,158.2	891.0	906.2	768.7	680.0	641.2	811.7	733.4
Savings deposits	329.8	263.0	198.5	189.7	340.6	287.7	228.9	221.1	264.8	233.9
Time and notice deposits	55.8	293.1	–	23.2	38.7	77.0	65.3	136.1	275.0	256.8
Refinanced loans and advances	1,889.5	1,382.8	959.6	678.1	527.0	404.1	385.8	284.0	271.9	242.7
2.2. Central government funds' deposits	24.5	119.2	20.8	303.6	784.7	418.6	180.3	395.5	958.6	876.8
Savings deposits	22.9	114.1	20.8	156.5	139.4	126.4	144.1	107.7	93.4	156.6
Time and notice deposits	1.6	5.0	–	147.1	25.8	–	–	96.0	356.2	186.4
Loans	–	–	–	–	619.6	292.2	36.3	191.9	509.0	533.8
Total (1+2)	5,634.7	6,094.9	5,283.3	6,821.8	9,287.0	8,904.6	9,193.1	9,766.3	10,800.4	10,434.9

Table D11: Central Government and Funds' Deposits with Banks

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

Kuna and foreign currency deposits by the Republic of Croatia and central government funds are shown separately. Kuna deposits comprise demand deposits, savings deposits, time and notice deposits, and loans 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				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Restricted deposits	830.6	1,361.2	1,541.2	2,014.6	2,036.4	2,318.6	2,269.6	2,546.9	2,447.6	2,472.9
1.1. In kuna	100.3	789.6	730.1	1,267.4	1,277.1	1,338.1	1,328.1	1,472.7	1,427.0	1,454.2
1.2. In f/c	730.3	571.6	811.1	747.2	759.3	980.5	941.6	1,074.3	1,020.5	1,018.7
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	2,546.9	2,447.6	2,472.9

Table D12: Restricted and Blocked Deposits with Banks

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

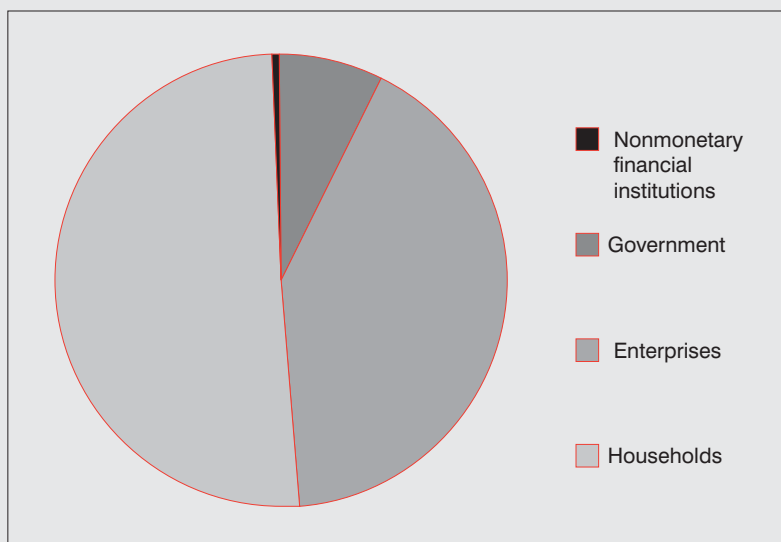
Restricted and blocked deposits include two categories of deposits: restricted (kuna and foreign currency) deposits and blocked for-

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

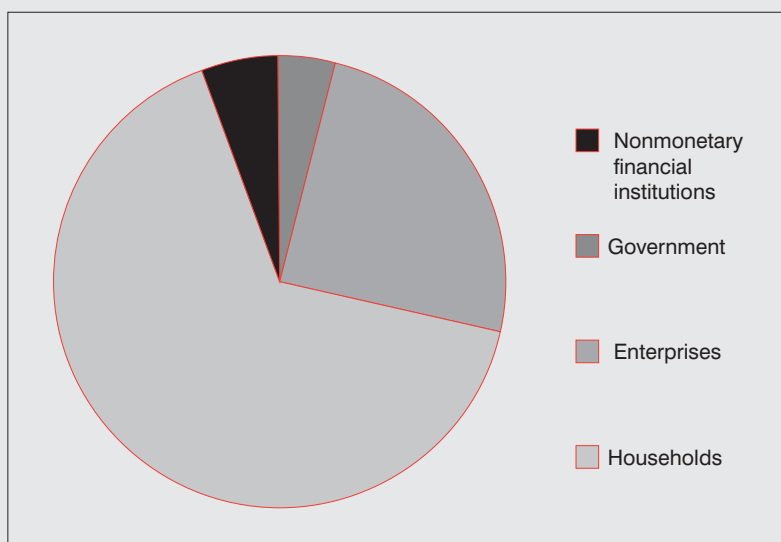
DISTRIBUTION OF BANKS' LOANS BY DOMESTIC INSTITUTIONAL SECTORS



January 2007

Figure D2

DISTRIBUTION OF BANKS' DEPOSITS BY DOMESTIC INSTITUTIONAL SECTORS



January 2007

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				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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
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	4,524.8	4,674.8	4,595.3
3. Claims on other domestic sectors	11.6	93.3	187.9	373.2	575.5	718.3	925.3	1,128.2	1,296.0	1,353.7
o/w: Claims on households	11.6	91.3	187.9	373.2	575.5	718.3	925.3	1,128.2	1,296.0	1,353.7
4. Claims on banks	18.1	37.2	247.2	824.2	994.4	187.3	130.4	91.2	181.4	59.6
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	5,744.1	6,152.3	6,008.7
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	5,387.0	5,803.6	5,711.4
2. Bonds and money market instruments	10.0	–	11.1	10.7	10.3	10.3	60.9	62.0	61.7	66.0
3. Capital accounts	124.0	141.1	159.7	206.7	258.0	202.0	168.3	240.1	244.7	237.1
4. Other items (net)	–17.5	–20.4	32.6	30.8	61.1	–1.4	22.7	55.1	42.2	–5.9
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	5,744.1	6,152.3	6,008.7

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	December	4.50	3.50	7.50 ^c	–	–	8.50 ^c	15.00	15.00
2006	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
	November	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	December	4.50	3.50	7.50	–	–	8.50	15.00	15.00
2007	January	4.50	3.50	7.50	–	–	8.50	15.00	15.00

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

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

^c Since 14 December 2005.

Table F1: Credit Rates of the Croatian National Bank

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

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

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

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

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

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

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

Table F2: Deposit Rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis ^a				Interest rates on f/c CNB bills on a voluntary basis					Interest rates on overnight deposits
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	December	5.15	–	9.00	12.00	14.00	–	–	–	–	–	–	–
1995	December	5.50	16.50	12.00	25.54	27.00	–	–	–	–	–	–	–
1996	December	5.50	–	–	8.00	9.50	–	–	–	–	–	–	–
1997	December	4.50	–	–	8.00	9.00	10.00	–	–	–	–	–	–
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–	–
2002	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–	–
2003	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–	–
2004	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2006	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
	November	0.75	–	–	–	–	–	–	–	–	–	–	0.50
	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2007	January	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	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	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
	November	17.00	40,131.9	28,519.5	11,612.4	6,583.8	19,963.5	8,654.2	0.52	0.85
	December	17.00	40,736.4	28,966.1	11,770.4	7,332.5	20,257.0	8,780.9	0.52	1.06
2007	January	17.00	41,476.3	29,458.6	12,017.7	8,882.2	20,612.0	8,995.3	0.52	0.80

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 de-

posit in the CNB's foreign exchange accounts, or to maintain (in average) 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 ex-

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	December	672.5	20,493.4	0.96	0.2	0.0	0.0	4,163.3
2006	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
	November	483.8	20,020.1	0.49	0.0	0.0	0.0	6,912.6
	December	840.8	20,239.1	0.83	0.0	0.0	0.0	5,993.7
2007	January	560.9	19,754.3	0.55	0.1	0.0	0.0	6,830.1

change funds of non-residents and foreign exchange funds received from legal persons in a special relationship with a bank amounts to 100%, while the percentage for allocating the remaining portion of 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	December	2.29	4.03	9.91	9.99	7.71	11.26	13.18	5.35	8.75	6.48	10.35	
2006	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	
	November	1.23	3.32	9.50	9.78	6.69	12.28	13.51	4.63	8.05	6.32	9.43	
	December	2.02	3.52	9.07	9.37	6.75	11.84	13.21	4.67	7.53	5.86	9.44	
	2007	January	1.79	3.57	9.56	9.72	6.92	11.96	13.10	4.54	8.54	6.35	9.45
Relative significance ^a		–	–	76.48	65.98	29.29	36.70	31.79	4.90	10.50	3.08	7.42	

^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	Total average	Enterprises	Households	Total average	Enterprises	Total average	Households	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1994	December	11.99	12.38	11.65
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44	
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18	
2004	December	6.89	7.25	7.09	8.47	6.77	5.55	7.73	5.71	8.79	5.34	5.92	4.83	
2005	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	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	
	November	6.20	5.99	5.74	7.33	6.26	6.14	6.33	4.74	7.74	6.08	5.95	6.33	
December	6.30	6.56	6.29	8.33	6.22	6.21	6.22	4.75	7.57	5.65	6.19	5.34		
2007	January	6.15	6.39	6.11	7.75	6.10	5.84	6.28	4.75	7.73	6.00	6.31	5.64	
Relative significance ^a		17.74	3.30	2.72	0.58	14.45	5.95	8.50	4.13	4.37	5.78	3.13	2.65	

^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	December	1.58	0.61	3.36	3.34	3.89	3.23	4.12	5.04	3.49
2006	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
	November	1.88	0.54	3.10	2.92	3.99	2.55	3.92	4.79	3.82
	December	1.91	0.56	2.98	2.94	4.10	2.69	4.32	4.98	3.11
	2007	January	2.06	0.54	3.56	3.43	4.15	3.12	4.07	4.72	3.97
Relative significance ^a		52.22	34.58	14.03	11.16	3.37	7.79	2.87	0.37	2.51

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

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on savings and time deposits indexed to f/c				Interest rates on foreign currency deposits					
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits					
						Total average	Households		Enterprises		
							EUR	USD	EUR	USD	
1	2	3	4	5	6	7	8	9	10	11	
1994	December	6.95	....	....	....	....	....	....	....	....
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53	
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39	
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40	
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74	
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30	
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29	
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40	
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38	
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15	
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21	
2005	December	3.99	3.63	4.77	2.61	0.27	0.27	0.17	0.27	0.76	
2006	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	3.50	5.66	2.87	0.26	0.23	0.17	0.36	0.69	
	November	3.66	3.52	3.36	2.91	0.25	0.23	0.17	0.34	0.59	
	December	3.67	3.30	4.07	2.94	0.25	0.23	0.17	0.32	0.44	
	2007	January	3.85 ^b	3.98	4.22	2.99	0.25	0.23	0.16	0.37	0.40
Relative significance ^a		2.61	2.43	0.16	45.18	25.66	17.84	2.58	4.69	0.55	

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

^b Of the total amount of deposits to which this interest rate refers, 20.25 percent refers to enterprises.

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

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

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

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

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

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

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

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

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

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

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

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

Relative significance of particular interest rates (reported in the

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

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

Year	Month	Interest rates on foreign currency deposits										
		On time deposits										
		Total average	On short-term deposits				Total average	On long-term deposits				
			Households		Enterprises			Households		Enterprises		
1	2	12	13	14	15	16	17	18	19	20	21	22
				EUR	USD	EUR	USD		EUR	USD	EUR	USD
1994	December	....	....	....	....	....	....	....	....	....	....	....
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65
2005	December	3.07	2.94	2.99	1.76	2.63	4.34	3.69	4.25	0.48	4.39	-
2006	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
	November	3.77	3.69	3.20	2.03	4.09	5.68	4.31	4.62	1.79	4.34	4.89
	December	3.82	3.76	3.16	2.05	4.24	5.84	4.25	4.47	2.26	4.79	4.61
2007	January	3.80	3.71	3.19	2.14	4.39	5.78	4.44	4.51	3.32	3.79	6.29
	Relative significance ^a	19.51	16.98	9.60	0.87	5.12	1.39	2.53	2.38	0.14	0.01	0.01

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

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	2006				2007	
							Mar.	Jun.	Sep.	Dec.	Jan.	Feb. ^a
A. Purchase of foreign exchange												
1. Legal persons	5,012.4	4,727.8	6,433.1	7,465.3	8,443.5	14,442.7	750.2	1,180.2	1,213.7	1,505.1	2,055.5	1,157.5
2. Natural persons	3,339.9	3,342.6	3,571.6	3,934.4	4,931.8	6,262.7	584.6	432.4	680.8	398.0	376.1	356.3
2.1. Residents	2,684.5	2,842.0	3,103.3	3,586.1	4,662.6	5,909.4	576.8	398.0	633.7	379.5	361.4	–
2.2. Non-residents	655.4	500.7	468.2	348.3	269.2	353.2	7.9	34.3	47.1	18.5	14.8	–
3. Domestic banks	3,985.8	4,104.5	6,324.4	10,799.3	9,069.9	14,380.1	1,131.8	1,133.1	1,724.8	1,530.6	1,375.2	1,219.7
4. Foreign banks	–	697.9	1,430.6	1,426.2	2,602.3	5,056.8	347.9	651.7	471.3	618.2	673.5	545.0
5. Croatian National Bank	481.7	294.3	438.3	33.0	0.0	125.5	–	–	125.5	–	–	–
Total (1+2+3+4)	12,819.8	13,167.1	18,197.9	24,110.1	25,106.0	40,439.5	2,814.5	3,397.3	4,216.0	4,051.8	4,480.4	3,278.6
B. Sale of foreign exchange												
1. Legal persons	8,534.2	9,029.3	10,852.4	11,280.3	13,022.3	17,515.0	1,213.3	1,489.8	1,700.8	1,960.8	1,911.8	1,669.6
2. Natural persons	1,253.5	1,333.6	1,403.1	1,671.1	2,722.5	4,109.1	404.8	260.7	507.9	331.1	259.1	183.7
2.1. Residents	1,252.3	1,329.7	1,393.1	1,654.5	2,693.9	4,056.4	400.8	257.8	500.9	327.9	254.6	–
2.2. Non-residents	1.2	3.9	10.0	16.6	28.6	52.6	4.1	3.0	7.1	3.2	4.5	–
3. Domestic banks	3,985.8	4,104.5	6,324.4	10,799.3	9,069.9	14,380.1	1,131.8	1,133.1	1,724.8	1,530.6	1,375.2	1,219.7
4. Foreign banks	–	334.3	765.3	1,001.1	1,407.1	3,526.1	114.8	437.6	287.3	267.2	360.2	191.1
5. Croatian National Bank	915.7	745.3	84.5	543.2	670.8	1,329.5	–	104.3	138.7	–	177.0	–
Total (1+2+3+4)	14,689.2	15,547.0	19,429.7	25,295.0	26,892.7	40,859.7	2,864.7	3,425.5	4,359.5	4,089.6	4,083.3	3,264.2
C. Net purchase (A–B)												
1. Legal persons	–3,521.8	–4,301.5	–4,419.4	–3,815.1	–4,578.8	–3,072.3	–463.1	–309.7	–487.1	–455.6	143.8	–512.1
2. Natural persons	2,086.4	2,009.0	2,168.4	2,263.3	2,209.3	2,153.6	179.8	171.6	172.8	66.9	117.0	172.6
2.1. Residents	1,432.2	1,512.3	1,710.2	1,931.6	1,968.7	1,853.0	176.0	140.2	132.8	51.6	106.8	–
2.2. Non-residents	654.2	496.7	458.2	331.7	240.6	300.6	3.8	31.4	40.0	15.3	10.3	–
3. Foreign banks	–	363.6	665.3	425.1	1,195.2	1,530.7	233.1	214.1	184.0	351.0	313.3	353.9
4. Croatian National Bank	–434.0	–451.0	353.8	–510.2	–670.8	–1,204.0	–	–104.3	–13.2	–	–177.0	–
Total (1+2+3)	–1,869.4	–2,379.9	–1,231.8	–1,636.9	–1,845.2	–592.1	–50.2	–28.3	–143.5	–37.8	397.1	14.4
Memo items: Other Croatian National Bank transactions												
Purchase of foreign exchange	536.8	197.5	570.9	145.1	–	3.1	–	–	0.0	3.1	–	–
Sale of foreign exchange	2.6	3.4	94.9	239.3	167.6	441.3	–	4.8	2.3	415.9	57.0	–

^a Preliminary 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 ^a	2006			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^a
A. CURRENT ACCOUNT (1+6)	-817.6	-2,095.3	-1,865.7	-1,404.2	-1,984.9	-2,617.4	-2,053.3	-1,285.6	2,145.4	-1,424.0
1. Goods, services, and income (2+5)	-1,917.1	-3,247.5	-3,110.2	-2,596.0	-3,168.7	-3,721.2	-2,343.7	-1,581.8	1,872.0	-1,667.8
1.1. Credit	11,272.6	11,585.7	13,588.3	14,897.2	15,940.6	17,875.5	2,829.7	4,199.5	7,156.5	3,689.9
1.2. Debit	-13,189.7	-14,833.2	-16,698.5	-17,493.2	-19,109.3	-21,596.8	-5,173.4	-5,781.3	-5,284.4	-5,357.6
2. Goods and services (3+4)	-1,301.0	-2,675.6	-2,041.2	-1,958.9	-2,204.0	-2,650.9	-1,903.6	-1,050.3	1,982.1	-1,679.1
2.1. Credit	10,800.1	11,125.4	13,137.6	14,239.8	15,269.2	16,966.8	2,668.0	3,991.4	6,902.9	3,404.4
2.2. Debit	-12,101.1	-13,801.0	-15,178.7	-16,198.8	-17,473.2	-19,617.7	-4,571.6	-5,041.7	-4,920.8	-5,083.5
3. Goods	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-7,521.7	-8,363.9	-1,860.4	-2,348.0	-2,152.6	-2,002.9
3.1. Credit	5,318.8	5,293.1	5,571.7	6,603.1	7,216.6	8,433.6	2,004.8	1,972.4	2,086.7	2,369.7
3.2. Debit	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-16,797.5	-3,865.2	-4,320.4	-4,239.2	-4,372.6
4. Services	3,302.8	3,284.8	4,933.0	4,768.9	5,317.7	5,713.1	-43.2	1,297.8	4,134.7	323.8
4.1. Credit	5,481.3	5,832.3	7,565.9	7,636.7	8,052.6	8,533.2	663.2	2,019.0	4,816.3	1,034.7
4.2. Debit	-2,178.5	-2,547.5	-2,632.8	-2,867.8	-2,734.9	-2,820.2	-706.4	-721.3	-681.5	-710.9
5. Income	-616.1	-571.9	-1,069.0	-637.0	-964.8	-1,070.4	-440.1	-531.5	-110.1	11.3
5.1. Credit	472.5	460.3	450.8	657.4	671.4	908.7	161.7	208.1	253.5	285.4
5.2. Debit	-1,088.6	-1,032.2	-1,519.8	-1,294.4	-1,636.1	-1,979.1	-601.7	-739.6	-363.6	-274.1
6. Current transfers	1,099.5	1,152.2	1,244.5	1,191.8	1,183.8	1,103.8	290.4	296.2	273.4	243.8
6.1. Credit	1,333.3	1,453.2	1,538.7	1,584.6	1,628.4	1,632.5	401.0	439.5	406.0	386.0
6.2. Debit	-233.8	-301.1	-294.2	-392.8	-444.6	-528.7	-110.6	-143.3	-132.6	-142.2
B. CAPITAL AND FINANCIAL ACCOUNT	1,064.3	2,739.4	2,977.3	2,341.7	3,037.9	4,010.9	1,702.5	1,412.8	-193.5	1,089.1
B1. Capital account	154.1	501.2	72.4	23.1	50.9	-147.0	-163.7	3.5	5.9	7.3
B2. Financial account, excl. reserves	2,459.2	2,980.0	4,140.3	2,361.7	3,808.8	5,570.2	2,538.8	2,106.5	-795.9	1,720.8
1. Direct investment	1,329.2	595.4	1,678.4	708.4	1,230.4	2,670.0	502.1	779.5	397.5	990.9
1.1. Abroad	-173.3	-601.3	-106.1	-281.9	-194.5	-167.6	-25.5	-42.1	-48.3	-51.7
1.2. In Croatia	1,502.5	1,196.8	1,784.5	990.4	1,424.9	2,837.6	527.6	821.7	445.7	1,042.6
2. Portfolio investment	666.0	-440.2	868.8	244.5	-1,077.3	-193.2	-447.9	122.7	292.6	-160.6
2.1. Assets	-143.2	-650.6	121.3	-752.5	-513.2	-175.6	-45.4	59.9	3.2	-193.3
2.2. Liabilities	809.2	210.4	747.5	997.1	-564.1	-17.6	-402.5	62.8	289.4	32.6
3. Financial derivatives	0.0	0.0	0.0	0.0	-88.4	0.0	0.0	0.0	0.0	0.0
4. Other investment	464.1	2,824.8	1,593.1	1,408.7	3,744.1	3,093.4	2,484.7	1,204.2	-1,486.0	890.4
4.1. Assets	405.2	461.0	-2,216.2	-420.9	987.0	-628.2	1,059.0	48.5	-907.1	-828.6
4.2. Liabilities	58.9	2,363.8	3,809.3	1,829.5	2,757.1	3,721.6	1,425.7	1,155.7	-578.9	1,719.0
B3. Reserve assets (CNB)	-1,549.0	-741.9	-1,235.5	-43.0	-821.8	-1,412.2	-672.6	-697.2	596.4	-638.9
C. NET ERRORS AND OMISSIONS	-246.7	-644.1	-1,111.6	-937.6	-1,053.0	-1,393.5	350.7	-127.2	-1,951.9	334.9

^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 ^a	2006			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^a
Goods	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-7,521.7	-8,363.9	-1,860.4	-2,348.0	-2,152.6	-2,002.9
1. Credit	5,318.8	5,293.1	5,571.7	6,603.1	7,216.6	8,433.6	2,004.8	1,972.4	2,086.7	2,369.7
1.1. Exports (f.o.b.) in trade statistics	5,214.1	5,188.2	5,464.4	6,453.8	7,069.4	8,251.2	1,971.4	1,931.6	2,027.4	2,320.9
1.2. Adjustments for coverage	104.7	105.0	107.3	149.3	147.2	182.4	33.4	40.8	59.3	48.9
2. Debit	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-16,797.5	-3,865.2	-4,320.4	-4,239.2	-4,372.6
2.1. Imports (c.i.f.) in trade statistics	-10,244.8	-11,327.0	-12,538.0	-13,354.4	-14,949.5	-17,094.0	-3,956.3	-4,408.7	-4,271.9	-4,457.0
2.2. Adjustments for coverage	-405.3	-348.9	-475.6	-474.7	-346.4	-341.1	-56.4	-76.1	-126.7	-81.9
2.3. Adjustments for classification	727.4	422.5	467.7	498.1	557.6	637.6	147.6	164.4	159.3	166.2
Services	3,302.8	3,284.8	4,933.0	4,768.9	5,317.7	5,713.1	-43.2	1,297.8	4,134.7	323.8
1. Transportation	186.1	172.0	252.2	299.3	376.1	424.8	79.4	116.1	153.0	76.4
1.1. Credit	658.6	622.8	696.3	791.3	880.3	987.9	196.7	260.9	306.2	224.1
1.2. Debit	-472.5	-450.8	-444.1	-492.0	-504.2	-563.1	-117.3	-144.8	-153.3	-147.7
2. Travel	3,072.9	3,138.6	4,976.6	4,822.3	5,394.9	5,708.7	74.4	1,280.3	3,987.1	366.9
2.1. Credit	3,749.3	3,960.8	5,572.7	5,505.6	5,998.9	6,293.3	187.5	1,429.1	4,150.9	525.8
2.1.1. Business	305.8	341.2	260.9	328.2	504.0	388.4	47.9	156.1	100.9	83.5
2.1.2. Personal	3,443.6	3,619.7	5,311.8	5,177.4	5,494.9	5,904.9	139.5	1,272.9	4,050.1	442.3
2.2. Debit	-676.5	-822.2	-596.1	-683.3	-604.1	-584.6	-113.0	-148.7	-163.9	-159.0
2.2.1. Business	-322.7	-482.6	-292.3	-297.3	-267.4	-229.5	-50.0	-60.3	-47.7	-71.5
2.2.2. Personal	-353.8	-339.6	-303.8	-386.0	-336.7	-355.1	-63.1	-88.4	-116.2	-87.4
3. Other services	43.9	-25.9	-295.8	-352.7	-453.3	-420.4	-197.0	-98.7	-5.3	-119.5
3.1. Credit	1,073.4	1,248.6	1,296.9	1,339.8	1,173.4	1,252.0	279.1	329.1	359.1	284.7
3.2. Debit	-1,029.5	-1,274.5	-1,592.7	-1,692.5	-1,626.6	-1,672.4	-476.1	-427.7	-364.4	-404.2

^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 ^a	2006			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^a
Income	-616.1	-571.9	-1,069.0	-637.0	-964.8	-1,070.4	-440.1	-531.5	-110.1	11.3
1. Compensation of employees	143.1	167.6	183.9	233.9	259.7	373.2	67.3	78.5	109.7	117.6
1.1. Credit	157.4	187.2	217.3	268.3	289.2	404.3	76.5	86.3	116.1	125.4
1.2. Debit	-14.3	-19.5	-33.4	-34.4	-29.5	-31.1	-9.2	-7.8	-6.4	-7.7
2. Direct investment income	-357.8	-353.4	-839.5	-431.6	-723.6	-949.3	-269.8	-507.3	-158.6	-13.5
2.1. Credit	22.9	23.8	37.9	174.7	110.0	104.0	6.6	26.1	34.0	37.4
o/w: Reinvested earnings	17.1	7.4	34.8	165.8	63.9	86.7	3.9	15.3	32.9	34.6
2.2. Debit	-380.6	-377.2	-877.4	-606.3	-833.6	-1,053.3	-276.4	-533.4	-192.6	-50.9
o/w: Reinvested earnings	-188.4	-161.8	-588.9	-291.4	-570.5	-701.7	-95.0	-451.4	-127.5	-27.9
3. Portfolio investment income	-241.8	-214.8	-239.6	-256.6	-306.4	-279.1	-183.2	-27.9	-40.9	-27.0
3.1. Credit	0.0	0.0	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	-279.1	-183.2	-27.9	-40.9	-27.0
4. Other investment income	-159.6	-171.3	-173.9	-182.8	-194.5	-215.2	-54.4	-74.9	-20.3	-65.7
4.1. Credit	292.2	249.3	195.5	214.3	272.2	400.4	78.6	95.6	103.5	122.7
4.2. Debit	-451.8	-420.6	-369.4	-397.1	-466.7	-615.6	-132.9	-170.5	-123.8	-188.4
Current transfers	1,099.5	1,152.2	1,244.5	1,191.8	1,183.8	1,103.8	290.4	296.2	273.4	243.8
1. General government	65.3	32.2	70.5	2.6	9.7	-12.7	-1.1	-36.4	3.5	21.4
1.1. Credit	142.7	143.4	213.1	180.1	219.6	251.7	47.3	47.2	67.5	89.7
1.2. Debit	-77.4	-111.2	-142.6	-177.5	-209.9	-264.4	-48.4	-83.6	-64.0	-68.4
2. Other sectors	1,034.2	1,120.0	1,174.0	1,189.2	1,174.1	1,116.5	291.5	332.6	269.9	222.4
2.1. Credit	1,190.6	1,309.8	1,325.6	1,404.5	1,408.8	1,380.8	353.8	392.3	338.5	296.3
2.2. Debit	-156.4	-189.8	-151.6	-215.3	-234.6	-264.3	-62.3	-59.6	-68.6	-73.9

^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 ^a	2006			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^a
Direct investment	1,329.2	595.4	1,678.4	708.4	1,230.4	2,670.0	502.1	779.5	397.5	990.9
1. Abroad	-173.3	-601.3	-106.1	-281.9	-194.5	-167.6	-25.5	-42.1	-48.3	-51.7
1.1. Equity capital and reinvested earnings	-139.4	-594.1	-101.9	-259.4	-121.1	-230.6	-58.7	-54.2	-39.4	-78.4
1.1.1. Claims	-139.4	-597.0	-101.9	-259.7	-122.4	-230.6	-58.7	-54.2	-39.4	-78.4
1.1.2. Liabilities	0.0	2.9	0.0	0.4	1.3	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	-33.9	-7.2	-4.3	-22.6	-73.4	63.1	33.2	12.1	-8.9	26.7
1.1.1. Claims	7.9	-9.9	-16.5	-27.3	-63.0	45.2	21.9	9.9	-11.7	25.1
1.2.2. Liabilities	-41.7	2.7	12.2	4.7	-10.4	17.8	11.3	2.2	2.8	1.6
2. In Croatia	1,502.5	1,196.8	1,784.5	990.4	1,424.9	2,837.6	527.6	821.7	445.7	1,042.6
2.1. Equity capital and reinvested earnings	1,087.8	873.8	1,345.1	605.1	1,363.5	2,486.7	375.3	689.6	258.3	1,163.5
2.1.1. Claims	-8.0	0.0	-1.2	-25.0	0.0	-0.1	-0.1	0.0	0.0	0.0
2.1.2. Liabilities	1,095.8	873.8	1,346.4	630.1	1,363.5	2,486.8	375.3	689.6	258.3	1,163.6
2.2. Other capital	414.6	322.9	439.4	385.3	61.4	350.9	152.3	132.1	187.5	-120.9
2.2.1. Claims	0.1	-0.3	-1.5	-17.4	1.5	16.4	-1.0	17.5	-0.1	-0.1
2.2.2. Liabilities	414.5	323.3	440.9	402.7	59.9	334.5	153.3	114.6	187.5	-120.9
Portfolio investment	666.0	-440.2	868.8	244.5	-1,077.3	-193.2	-447.9	122.7	292.6	-160.6
1. Assets	-143.2	-650.6	121.3	-752.5	-513.2	-175.6	-45.4	59.9	3.2	-193.3
1.1. Equity securities	0.3	-78.4	-58.0	-32.9	-178.2	-114.9	-54.3	38.5	-80.0	-19.2
1.1.1. General government	0.0	-2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1. Banks	0.4	-2.8	0.3	0.0	0.0	2.6	0.0	0.0	2.6	0.0
1.1.1.2. Other sectors	-0.1	-72.7	-58.3	-32.9	-178.2	-117.5	-54.3	38.5	-82.6	-19.2
1.2. Debt securities	-143.5	-572.2	179.4	-719.6	-335.0	-60.7	8.9	21.4	83.2	-174.1
1.2.1. Bonds	-128.8	-586.9	165.9	-585.0	-359.1	173.2	-14.3	280.9	87.2	-180.4
1.2.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2. Banks	-128.8	-566.6	180.1	-592.9	-322.8	180.7	-9.2	268.5	64.0	-142.5
1.2.1.3. Other sectors	0.0	-20.3	-14.1	7.9	-36.3	-7.5	-5.1	12.4	23.2	-37.9
1.2.2. Money market instruments	-14.8	14.7	13.5	-134.6	24.1	-233.9	23.2	-259.5	-4.0	6.3
1.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2.2. Banks	-14.8	20.9	7.3	-134.7	24.1	-233.9	23.2	-259.5	-4.0	6.3
1.2.2.3. Other sectors	0.0	-6.2	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	809.2	210.4	747.5	997.1	-564.1	-17.6	-402.5	62.8	289.4	32.6
2.1. Equity securities	15.1	44.2	13.5	141.6	89.2	303.4	30.8	8.9	382.8	-119.1
2.1.1. Banks	-5.2	4.7	-2.1	-0.4	-12.8	37.3	1.4	-3.3	25.5	13.7
2.1.2. Other sectors	20.3	39.5	15.6	142.0	102.0	266.1	29.5	12.2	357.2	-132.7
2.2. Debt securities	794.1	166.2	734.0	855.5	-653.3	-321.0	-433.4	54.0	-93.3	151.7
2.2.1. Bonds	774.2	197.2	700.0	889.3	-653.3	-321.0	-433.4	54.0	-93.3	151.7
2.2.1.1. General government	774.2	67.2	527.3	417.8	-654.1	-293.0	-437.5	47.4	95.7	1.4
2.2.1.2. Banks	0.0	0.0	0.0	444.4	3.3	0.7	1.2	-1.2	0.3	0.4
2.2.1.3. Other sectors	0.0	130.0	172.6	27.2	-2.5	-28.7	3.0	7.7	-189.3	150.0
2.2.2. Money market instruments	19.9	-30.9	34.0	-33.8	0.0	0.0	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	0.0	0.0
2.2.2.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.3. Other sectors	19.9	-30.9	34.0	-33.8	0.0	0.0	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 ^a	2006			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^a
Other investment (net)	464.8	2,824.8	1,593.1	1,408.7	3,744.1	3,093.4	2,484.7	1,204.2	-1,486.0	890.4
1. Assets	405.9	461.0	-2,216.2	-420.9	987.0	-628.2	1,059.0	48.5	-907.1	-828.6
1.1. Trade credits	58.4	-79.2	-168.5	-188.7	-131.5	-32.7	-8.3	-46.0	-2.2	23.8
1.1.1. General government	0.0	0.0	0.0	0.0	-0.3	0.1	0.0	0.0	0.0	0.0
1.1.1.1. Long-term	0.0	0.0	0.0	0.0	-0.3	0.1	0.0	0.0	0.0	0.0
1.1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	58.4	-79.2	-168.5	-188.7	-131.3	-32.9	-8.4	-46.0	-2.3	23.8
1.1.2.1. Long-term	0.0	-6.5	-24.4	17.4	14.0	-4.1	-5.3	-1.6	3.0	-0.3
1.1.2.2. Short-term	58.4	-72.7	-144.1	-206.1	-145.3	-28.7	-3.1	-44.5	-5.2	24.1
1.2. Loans	50.2	-54.7	-85.6	43.9	-115.0	-141.1	-44.2	-43.7	-1.7	-51.4
1.2.1. General government	-3.4	0.6	-1.0	-1.7	-1.5	1.0	0.4	0.2	0.3	0.1
1.2.1.1. Long-term	-3.4	0.6	-1.0	-1.7	-1.5	1.0	0.4	0.2	0.3	0.1
1.2.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2. Banks	1.7	-21.8	3.6	3.8	-22.0	-69.5	-23.7	-29.2	-14.4	-2.3
1.2.2.1. Long-term	3.8	-20.3	4.4	-0.1	-14.0	-50.7	-11.4	-26.0	-12.4	-0.9
1.2.2.2. Short-term	-2.1	-1.5	-0.8	3.9	-8.0	-18.8	-12.3	-3.2	-2.0	-1.4
1.2.3. Other sectors	51.9	-33.4	-88.2	41.9	-91.5	-72.6	-21.0	-14.7	12.3	-49.2
1.2.3.1. Long-term	51.9	-33.3	-88.2	43.2	-92.8	-72.8	-21.0	-15.0	12.3	-49.2
1.2.3.2. Short-term	0.0	-0.1	0.1	-1.3	1.2	0.3	0.0	0.2	0.0	0.0
1.3. Currency and deposits	297.3	594.9	-1,962.1	-276.1	1,233.5	-454.3	1,111.6	162.8	-796.4	-932.3
1.3.2. General government	-18.1	-24.2	30.3	72.7	-44.4	26.5	13.9	-26.2	-39.3	78.1
1.3.3. Banks	-1,790.9	1,516.5	-1,964.5	-368.7	1,313.5	-460.2	1,113.4	193.0	-756.3	-1,010.3
1.3.4. Other sectors	2,106.3	-897.4	-27.9	19.8	-35.6	-20.6	-15.8	-4.0	-0.8	0.0
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	-24.6	-106.8	131.3
2. Liabilities	58.9	2,363.8	3,809.3	1,829.5	2,757.1	3,721.6	1,425.7	1,155.7	-578.9	1,719.0
2.1. Trade credits	96.3	501.3	-226.9	-54.5	14.2	-86.2	20.7	207.4	-141.5	-172.7
2.1.1. General government	1.2	-0.1	1.5	-0.3	0.4	-0.7	-0.2	-0.1	-0.2	-0.2
2.1.1.1. Long-term	1.2	-0.1	1.5	-0.3	0.4	-0.7	-0.2	-0.1	-0.2	-0.2
2.1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	95.1	501.4	-228.4	-54.3	13.8	-85.5	20.9	207.5	-141.4	-172.6
2.1.2.1. Long-term	-22.1	-1.2	-47.4	-16.7	26.5	-12.1	1.0	2.8	-5.0	-10.9
2.1.2.2. Short-term	117.2	502.6	-181.0	-37.5	-12.7	-73.4	19.8	204.8	-136.3	-161.7
2.2. Loans	-260.5	653.8	2,896.1	1,636.5	2,372.6	2,976.6	965.1	655.0	105.6	1,250.8
2.2.1. Croatian National Bank	-4.1	-177.2	354.2	-369.6	0.0	0.0	0.0	0.9	-0.9	0.0
2.2.1.1. o/w: IMF	-34.3	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.1. Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.2. Repayments	-34.3	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2. Short-term	30.3	-47.6	354.2	-369.6	0.0	0.0	0.0	0.9	-0.9	0.0
2.2.2. General government	-212.2	433.9	502.9	411.7	241.8	124.0	149.7	-43.3	-22.2	39.8
2.2.2.1. Long-term	185.4	433.9	502.9	411.7	241.8	124.0	149.7	-43.3	-22.2	39.8
2.2.2.1.1. Drawings	363.2	598.2	697.8	706.8	484.5	420.6	218.6	30.3	44.6	127.1
2.2.2.1.2. Repayments	-177.8	-164.3	-194.9	-295.1	-242.8	-296.6	-68.9	-73.6	-66.8	-87.3
2.2.2.2. Short-term	-397.6	0.0	0.0	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	516.0	496.6	180.5	-810.7	649.5
2.2.3.1. Long-term	93.0	81.6	927.2	737.9	276.5	306.3	453.6	55.5	-307.5	104.7
2.2.3.1.1. Drawings	829.3	656.9	1,644.7	1,165.8	1,135.6	2,572.3	542.0	1,024.3	33.0	972.9
2.2.3.1.2. Repayments	-736.3	-575.3	-717.5	-427.8	-859.1	-2,265.9	-88.4	-968.8	-340.6	-868.2
2.2.3.2. Short-term	-5.8	-2.3	78.5	-90.6	565.7	209.6	43.0	124.9	-503.1	544.8
2.2.4. Other sectors	-131.5	317.8	1,033.4	947.0	1,288.7	2,336.6	318.8	516.9	939.3	561.5
2.2.4.1. Long-term	-133.6	335.4	983.0	909.0	1,082.6	1,996.9	231.8	368.6	763.1	633.5
2.2.4.1.1. Drawings	818.1	1,326.0	1,962.1	2,046.4	2,255.1	3,494.6	564.4	712.2	1,073.1	1,144.8
2.2.4.1.2. Repayments	-951.7	-990.7	-979.1	-1,137.4	-1,172.5	-1,497.7	-332.7	-343.7	-310.0	-511.4
2.2.4.2. Short-term	2.1	-17.6	50.4	38.0	206.0	339.7	87.0	148.4	176.3	-72.0
2.3. Currency and deposits	223.2	1,209.5	1,140.8	244.5	367.6	828.7	439.3	292.7	-543.6	640.3
2.3.1. General government	0.2	0.1	0.1	0.0	0.0	0.1	6.4	21.5	-28.4	0.6
2.3.2. Banks	223.0	1,209.4	1,140.7	244.5	367.5	828.6	432.9	271.2	-515.1	639.6
2.4. Other liabilities	-0.1	-0.9	-0.7	3.0	2.8	2.6	0.6	0.6	0.7	0.6

^a Preliminary data. ^b Revised data.

Table H6: Balance of Payments – Summary

million kuna

	2001	2002	2003	2004	2005 ^b	2006 ^a	2006.			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^a
A. CURRENT ACCOUNT (1+6)	-6,082.7	-15,740.3	-14,498.6	-10,975.1	-14,907.9	-19,333.1	-15,069.8	-9,367.0	15,600.0	-10,496.2
1. Goods, services, and income (2+5)	-14,275.6	-24,271.6	-23,912.2	-19,901.8	-23,666.0	-27,415.8	-17,201.6	-11,522.9	13,600.7	-12,292.0
1.1. Credit	84,084.6	85,578.6	102,470.4	111,108.2	117,627.5	130,701.0	20,775.9	30,560.1	52,184.7	27,180.3
1.2. Debit	-98,360.3	-109,850.2	-126,382.6	-131,010.1	-141,293.4	-158,116.8	-37,977.5	-42,083.0	-38,584.0	-39,472.3
2. Goods and services (3+4)	-9,950.0	-20,004.4	-15,694.7	-15,110.6	-16,535.6	-19,603.1	-13,976.5	-7,658.4	14,395.8	-12,363.9
2.1. Credit	80,321.0	82,188.2	99,169.2	106,198.2	112,666.2	124,043.7	19,589.0	29,046.2	50,330.0	25,078.6
2.2. Debit	-90,270.9	-102,192.6	-114,863.9	-121,308.8	-129,201.8	-143,646.8	-33,565.5	-36,704.6	-35,934.2	-37,442.5
3. Goods	-34,323.1	-44,135.8	-52,782.7	-50,354.9	-55,595.6	-61,227.5	-13,657.8	-17,095.4	-15,719.0	-14,755.2
3.1. Credit	39,695.8	39,198.3	42,167.2	49,480.4	53,370.2	61,769.1	14,719.2	14,358.6	15,238.9	17,452.4
3.2. Debit	-74,018.9	-83,334.1	-94,949.9	-99,835.3	-108,965.8	-122,996.6	-28,377.0	-31,454.1	-30,957.9	-32,207.6
4. Services	24,373.1	24,131.4	37,088.0	35,244.3	39,060.0	41,624.4	-318.8	9,437.0	30,114.8	2,391.3
4.1. Credit	40,625.2	42,989.9	57,002.0	56,717.8	59,296.0	62,274.6	4,869.8	14,687.6	35,091.1	7,626.2
4.2. Debit	-16,252.1	-18,858.5	-19,914.0	-21,473.5	-20,236.0	-20,650.2	-5,188.5	-5,250.6	-4,976.3	-5,234.9
5. Income	-4,325.7	-4,267.2	-8,217.6	-4,791.2	-7,130.3	-7,812.7	-3,225.1	-3,864.5	-795.1	72.0
5.1. Credit	3,763.6	3,390.4	3,301.2	4,910.0	4,961.3	6,657.3	1,186.9	1,513.9	1,854.7	2,101.7
5.2. Debit	-8,089.3	-7,657.6	-11,518.7	-9,701.2	-12,091.6	-14,470.0	-4,412.0	-5,378.4	-2,649.8	-2,029.8
6. Current transfers	8,192.9	8,531.3	9,413.6	8,926.8	8,758.1	8,082.7	2,131.7	2,155.9	1,999.3	1,795.8
6.1. Credit	9,934.0	10,761.2	11,639.9	11,872.9	12,047.2	11,954.1	2,944.2	3,199.5	2,967.4	2,843.0
6.2. Debit	-1,741.1	-2,229.9	-2,226.3	-2,946.1	-3,289.1	-3,871.4	-812.5	-1,043.7	-968.1	-1,047.2
B. CAPITAL AND FINANCIAL ACCOUNT	7,419.6	20,263.4	22,705.4	17,726.7	22,600.8	29,741.2	12,519.8	10,245.7	-1,408.2	8,383.9
B1. Capital account	1,145.1	3,695.6	546.9	172.8	375.8	-1,077.6	-1,200.1	25.5	43.5	53.5
B2. Financial account, excl. reserves	17,771.5	22,056.2	31,510.9	17,890.4	28,300.4	41,132.2	18,658.3	15,293.5	-5,858.4	13,038.8
1. Direct investment	9,832.8	4,421.2	12,699.3	5,335.0	9,064.1	19,603.4	3,682.6	5,680.7	2,889.9	7,350.2
1.1. Abroad	-1,259.0	-4,444.0	-813.0	-2,099.1	-1,431.7	-1,229.9	-189.5	-307.2	-353.8	-379.4
1.2. In Croatia	11,091.8	8,865.1	13,512.3	7,434.1	10,495.8	20,833.3	3,872.1	5,987.8	3,243.7	7,729.6
2. Portfolio investment	4,978.9	-3,227.3	6,669.8	1,747.5	-7,926.8	-1,418.0	-3,261.3	897.6	2,137.6	-1,191.9
2.1. Assets	-1,081.7	-4,839.8	936.8	-5,688.0	-3,760.7	-1,302.7	-335.0	437.7	18.5	-1,423.9
2.2. Liabilities	6,060.6	1,612.6	5,733.0	7,435.4	-4,166.1	-115.3	-2,926.3	459.9	2,119.1	232.0
3. Financial derivatives	0.0	0.0	0.0	0.0	-659.4	0.0	0.0	0.0	0.0	0.0
4. Other investment	2,959.8	20,862.4	12,141.7	10,807.9	27,822.5	22,946.8	18,237.0	8,715.2	-10,885.9	6,880.5
4.1. Assets	2,650.7	3,329.5	-16,852.3	-3,088.0	7,459.4	-4,648.8	7,777.7	348.0	-6,658.3	-6,116.3
4.2. Liabilities	309.0	17,532.9	28,994.0	13,895.9	20,363.1	27,595.6	10,459.3	8,367.1	-4,227.6	12,996.8
B3. Reserve assets (CNB)	-11,497.0	-5,488.5	-9,352.4	-336.5	-6,075.4	-10,313.4	-4,938.5	-5,073.3	4,406.7	-4,708.4
C. NET ERRORS AND OMISSIONS	-1,336.9	-4,523.0	-8,206.8	-6,751.6	-7,692.9	-10,408.1	2,550.1	-878.7	-14,191.8	2,112.3

^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	December	7,438.4	0.9	0.2	–	7,437.3	3,834.5	3,602.8	2,938.4
2006	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	8,983.7	0.7	0.2	–	8,982.8	4,537.8	4,445.0	2,915.8
	December	8,725.3	0.7	0.2	–	8,724.4	4,526.9	4,197.5	3,315.0
	2007	January	9,172.6	1.3	0.2	–	9,171.1	4,909.3	4,261.8	3,237.7
February ^a		9,565.4	0.8	0.2	–	9,564.5	5,271.0	4,293.4	2,936.8

^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				2007
	Dec. ^b	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	8,134.8	8,725.3	9,172.6
(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	7,434.1	8,162.8	8,371.1
(a) Securities	1,740.7	1,861.0	3,207.2	3,262.0	3,602.8	3,681.5	3,877.6	3,970.9	4,197.5	4,261.8
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	3,463.2	3,965.3	4,109.3
(i) other national central banks, BIS and IMF	461.3	325.1	271.1	233.1	407.3	205.4	202.5	201.5	198.7	199.8
(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	3,261.6	3,766.6	3,909.5
o/w: Located in the reporting country	–	–	–	–	–	–	–	–	–	–
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	122.9	2.3	0.7	0.6	0.9	0.7	0.8	0.7	0.7	1.3
(4) gold	–	–	–	–	–	–	–	–	–	–
(5) other reserve assets	1,332.6	1,401.9	813.1	200.0	100.0	600.0	800.0	699.9	561.6	800.0
– reverse repo	1,332.6	1,401.9	813.1	200.0	100.0	600.0	800.0	699.9	561.6	800.0
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	8,134.8	8,725.3	9,172.6
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	–662.8	–650.5	–657.1
(a) Croatian National Bank	–443.4	–167.4	–646.9	–1.8	–1.1	–1.6	–1.3	–1.4	–1.6	–2.1
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	–1.6	–2.1
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	–661.5	–648.9	–655.0
Up to 1 month	Principal	–101.7	–98.1	–85.9	–76.5	–77.9	–2.7	–74.8	–4.8	–48.3
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	–126.0	–138.4
Interest	–125.7	–148.1	–168.3	–169.0	–	–	–	–	–	–9.9
More than 3 months and up to 1 year	Principal	–170.8	–176.2	–495.2	–143.7	–160.2	–186.5	–139.0	–429.0	–399.8
Interest	–102.0	–99.7	–98.0	–73.8	–57.5	–139.8	–128.0	–101.6	–62.3	–48.6
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	–662.8	–650.5	–657.1
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	–2,476.4	–2,734.9	–3,093.5
(a) Collateral guarantees on debt falling due within 1 year	–315.9	–685.9	–426.8	–370.9	–443.8	–455.0	–453.5	–467.5	–478.9	–455.6
– Croatian National Bank	–	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)	–315.9	–685.9	–426.8	–370.9	–443.8	–455.0	–453.5	–467.5	–478.9	–455.6
Up to 1 month	–49.4	–52.3	–55.8	–62.7	–59.6	–41.4	–55.3	–70.9	–71.9	–6.1
More than 1 and up to 3 months	–24.7	–35.2	–94.9	–33.9	–53.0	–67.1	–86.4	–92.6	–84.8	–116.7

More than 3 months and up to 1 year	-241.7	-598.3	-276.1	-274.4	-331.2	-346.5	-311.8	-304.0	-322.2	-332.8
(b) Other contingent liabilities	-772.9	-945.1	-873.6	-1,402.0	-1,829.3	-2,362.2	-2,729.1	-2,008.8	-2,256.0	-2,637.9
– Croatian National Bank	-772.9	-945.1	-873.6	-1,402.0	-1,829.3	-2,362.2	-2,729.1	-2,008.8	-2,256.0	-2,637.9
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	-2,008.8	-2,256.0	-2,637.9
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	-2,476.4	-2,734.9	-3,093.5
IV. Memo items										
(a) short-term domestic currency debt indexed to the exchange rate	–	–	–	–	–	–	–	–	–	–
o/w: Central government (excl. central government funds)	–	–	–	–	–	–	–	–	–	–
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	–	–	–	–	–	–	–	–	–	–
(c) pledged assets	–	–	–	–	–	–	–	–	–	–
(d) securities lent and on repo										
– lent or repoed and included in Section I	-70.0	-20.0	-351.0	–	–	–	–	-0.7	–	–
– lent or repoed but not included in Section I	–	–	–	–	–	–	–	–	–	–
– borrowed or acquired and included in Section I	–	–	–	–	–	–	–	–	–	–
– borrowed or acquired but not included in Section I	1,235.1	1,330.3	785.1	180.7	88.5	576.8	780.5	685.1	559.5	785.8
(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	8,134.5	8,725.0	9,172.3
– 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
– 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	1,152.2	1,266.0	1,248.5
EUR	3,471.6	4,047.9	4,615.6	4,826.3	6,332.5	6,926.3	7,595.2	6,981.4	7,458.0	7,919.6
Other	123.6	2.6	0.9	0.8	1.3	1.2	1.3	1.2	1.3	4.5

^a Until January 2001: Currency structure of official reserve assets and other foreign currency assets. ^b In accordance with the recommendation made by the IMF, time deposits with a maturity over 3 months were also included in Official reserve assets (I.A.). These deposits were previously included in Other foreign currency assets (I.B.).

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		7.581823	0.550993	1.155840	0.391568	4.739965	11.514804	7.122027	3.876694
2000		7.633852	0.554774	1.163773	0.394256	4.903244	12.530514	8.287369	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	
2006		7.322849				4.656710	10.740292	5.839170	
2006	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	
	December	7.355022				4.608204	10.930893	5.565730	
2007	January	7.367082				4.562119	11.096595	5.662532	
	February	7.362568				4.540010	11.033457	5.639683	

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	
2006		7.345081				4.571248	10.943208	5.578401	
2006	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	
	December	7.345081				4.571248	10.943208	5.578401	
2007	January	7.373400				4.541390	11.185376	5.691108	
	February	7.345292				4.540016	10.923992	5.562929	

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	87.77	93.06	98.84
1998	December	91.09	95.99	95.39
1999	December	99.25	102.78	102.09
2000	December	101.63	100.07	101.91
2001	December	99.07	98.63	98.89
2002	December	95.99	95.65	96.26
2003	December	94.18	94.55	94.71
2004	December	90.42	90.61	90.85
2005	December	91.52	94.33	90.99
2006	February	90.53	93.09	89.19
	March	90.39	93.06	89.43
	April	89.77	93.20	89.11
	May	88.28	91.79	87.61
	June	88.22	92.14	87.67
	July	88.09	92.48	88.26
	August	88.22	92.67	88.54
	September	89.68	93.75	89.88
	October	90.02	93.55	90.18
	November	88.95	92.84	88.59
	December	88.42	92.44 ^a	87.96 ^a
	2007	January	88.97	92.04 ^a	88.24^{a}
February		88.82		

^a Preliminary data.

Note: From 1 January 2001, the euro-zone related price series includes Greece as well. Slovenia became an EMU member on 1 January 2007. Accordingly, the weight assigned to the Slovenian tolar (0.2%) has been added to the euro weight (70.6%), which now amounts to 70.8%. The weights assigned to the US dollar, pound sterling and Swiss franc have been kept at 27.2%, 1.0% and 1.0% respectively.

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				2007
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Government	5,942.4	5,900.3	6,600.6	7,251.8	7,047.4	6,632.1	6,601.6	6,660.4	6,657.5	6,614.1
Short-term	0.3	0.9	0.9	2.6	2.1	0.0	0.0	0.1	1.2	9.3
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.3	0.9	0.9	2.6	2.1	0.0	0.0	0.1	1.2	9.3
Principal arrears	0.3	0.9	0.9	2.4	1.7	0.0	0.0	0.0	0.0	7.4
Interest arrears	0.0	0.0	0.1	0.2	0.4	0.0	0.0	0.1	1.2	2.0
Other	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	6,632.1	6,601.6	6,660.3	6,656.3	6,604.8
Bonds	4,268.2	3,947.6	4,310.9	4,648.1	4,065.5	3,495.7	3,532.3	3,643.3	3,646.3	3,623.7
Credits	1,672.7	1,950.8	2,286.4	2,599.0	2,977.2	3,133.9	3,067.0	3,014.9	3,008.1	2,979.4
Trade credits	1.3	1.1	2.3	2.1	2.6	2.4	2.3	2.1	1.9	1.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	215.5	23.2	365.7	2.4	2.6	2.0	2.5	2.0	2.6	2.6
Short-term	75.1	21.5	363.1	0.0	2.6	2.0	2.5	2.0	2.6	2.6
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	75.1	21.5	363.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	2.6	2.0	2.5	2.0	2.6	2.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	140.3	1.7	2.6	2.4	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	138.7	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
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	2,547.1	3,789.6	6,121.1	7,701.6	8,993.5	9,847.4	10,298.1	8,926.5	10,181.7	10,383.7
Short-term	18.0	14.3	617.1	1,964.8	2,512.0	2,859.8	3,107.1	2,150.4	3,461.2	3,695.4
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	2.6	0.3	604.2	513.6	1,079.7	1,097.1	1,222.1	719.5	1,264.9	1,326.8
Currency and deposits	0.0	0.0	0.0	1,438.9	1,429.3	1,762.8	1,885.0	1,430.8	2,196.3	2,368.5
Other debt liabilities	15.4	14.0	12.9	12.4	3.0	0.0	0.0	0.1	0.0	0.2
Principal arrears	15.4	14.0	12.9	12.4	3.0	0.0	0.0	0.1	0.0	0.2
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	2,529.1	3,775.3	5,503.9	5,736.7	6,481.5	6,987.6	7,191.0	6,776.1	6,720.5	6,688.2
Bonds	0.0	0.0	0.0	444.4	456.7	462.7	466.3	452.1	457.4	459.6
Credits	1,810.8	1,878.4	2,767.7	3,512.3	3,844.8	4,263.1	4,316.0	3,999.3	4,093.0	3,888.4
Currency and deposits	718.3	1,896.9	2,736.2	1,780.1	2,180.0	2,261.8	2,408.8	2,324.7	2,170.1	2,340.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other sectors	3,661.8	3,934.7	4,878.4	5,809.2	7,156.4	7,514.8	8,002.5	8,749.7	9,353.9	9,590.3
Short-term	434.9	460.7	523.2	530.3	856.2	810.8	971.0	1,137.1	1,154.9	1,091.8
Money market instruments	31.1	0.0	33.5	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	277.0	416.8	586.6	330.0	444.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	40.4	47.5	22.2	23.2	27.8	37.0	36.6	33.0	27.5	24.4
Other debt liabilities	309.6	386.0	397.4	407.0	537.2	496.8	517.7	517.4	797.5	622.7
Principal arrears	293.0	365.4	369.9	376.6	490.6	469.3	488.1	482.6	744.1	571.0
Interest arrears	16.6	20.7	27.6	30.3	46.6	27.5	29.5	34.8	53.4	51.7
Other	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	6,703.9	7,031.5	7,612.6	8,199.0	8,498.5
Bonds	31.2	161.2	345.3	380.6	378.1	391.2	383.5	191.8	330.3	331.7
Credits	2,969.0	3,103.0	3,858.3	4,769.7	5,764.1	6,155.1	6,502.8	7,270.9	7,734.5	8,028.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	226.7	209.9	151.7	128.5	158.0	157.7	145.3	149.9	134.2	138.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

5. Direct investment	1,091.4	1,407.0	1,844.8	2,015.7	2,340.9	2,536.1	2,666.7	2,856.5	2,801.8	2,806.9
Short-term	49.0	73.2	124.0	120.3	206.2	217.8	279.3	318.0	420.3	418.1
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	4.4	30.0	43.9	36.1	59.8	58.1	86.0	97.7	96.0	102.9
Trade credits	1.6	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	159.7	193.3	220.3	324.2	315.2
Principal arrears	41.7	41.0	75.9	76.5	132.6	147.0	178.9	204.0	300.5	293.3
Interest arrears	1.3	2.1	4.2	7.6	13.8	12.6	14.4	16.3	23.7	21.9
Other	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	2,318.4	2,387.4	2,538.5	2,381.6	2,388.8
Bonds	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	2,287.8	2,357.7	2,513.1	2,357.5	2,363.8
Trade credits	21.5	33.8	31.1	28.9	30.7	30.6	29.7	25.4	24.1	25.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	13,458.3	15,054.8	19,810.6	22,780.6	25,540.8	26,532.4	27,571.4	27,195.2	28,997.6	29,397.6

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			2007	
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Public sector	7,486.1	7,215.3	8,334.0	8,560.2	8,428.2	8,098.4	8,028.1	8,164.7	8,229.0	8,176.8
Short-term	170.3	54.8	409.5	26.8	69.0	34.1	45.8	33.8	79.8	85.9
Money market instruments	25.5	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	16.0	15.8	56.6	57.6
Currency and deposits	0.0	0.0	0.0	0.0	2.6	2.0	2.5	2.0	2.6	2.6
Trade credits	25.9	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	15.4	27.3	16.0	20.6	25.7
Principal arrears	20.5	32.9	18.6	25.8	16.9	15.3	27.2	15.8	18.2	23.4
Interest arrears	0.0	0.0	0.1	0.3	1.3	0.1	0.1	0.2	2.4	2.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	7,315.2	7,160.0	7,924.2	8,533.2	8,359.2	8,064.3	7,982.2	8,130.8	8,149.2	8,090.9
Bonds	4,268.2	3,947.6	4,310.9	4,648.1	4,065.5	3,495.7	3,532.3	3,643.3	3,646.3	3,623.7
Credits	2,954.4	3,130.2	3,560.7	3,829.0	4,188.7	4,455.2	4,325.9	4,388.3	4,424.2	4,385.2
Currency and deposits	1.7	1.7	2.6	2.4	0.0	7.0	28.0	0.0	0.0	0.0
Trade credits	91.0	80.5	50.0	53.7	105.1	106.4	96.0	99.2	78.7	82.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.6	0.5	0.3	0.2	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	210.0	208.6	185.7
Short-term	9.1	22.3	32.0	26.5	39.9	17.9	16.2	17.2	17.6	18.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	9.1	22.3	32.0	26.5	39.9	17.9	16.2	17.2	17.6	18.8
Principal arrears	7.0	16.7	23.3	18.8	30.5	14.9	13.7	14.7	14.8	16.1
Interest arrears	2.1	5.6	8.7	7.7	9.4	3.0	2.5	2.5	2.8	2.7
Other	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	192.8	191.0	166.9
Bonds	31.2	31.2	31.2	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	190.8	187.1	162.9
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	5.9	4.0	2.5	1.5	1.8	1.5	2.2	2.0	3.9	4.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Non-publicly guaranteed private sector	5,406.4	7,339.4	11,048.1	13,900.4	16,806.5	18,194.5	19,308.7	18,820.5	20,560.0	21,035.2
Short-term	348.9	420.3	1,062.9	2,444.5	3,264.1	3,620.7	4,018.6	3,238.6	4,522.6	4,694.6
Money market instruments	5.6	0.0	33.5	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	1,357.4	1,622.9	1,290.4	1,538.3	1,713.8
Currency and deposits	0.0	0.0	0.0	1,438.9	1,429.3	1,762.8	1,885.0	1,430.8	2,196.3	2,368.5
Trade credits	14.5	47.5	22.2	23.2	27.8	37.0	36.6	33.0	27.5	24.4
Other debt liabilities	295.5	345.7	360.7	369.4	484.2	463.5	474.1	484.4	760.6	587.8
Principal arrears	281.1	330.6	341.8	346.8	448.0	439.1	447.2	452.1	711.1	539.2
Interest arrears	14.4	15.1	18.9	22.6	36.3	24.4	26.9	32.2	49.5	48.7
Other	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	12,037.7	12,623.5	12,725.4	13,235.6	13,533.7
Bonds	0.0	130.0	314.1	824.9	834.8	853.8	849.7	643.9	787.7	791.3
Credits	3,117.0	3,359.3	4,988.8	6,760.0	8,132.9	8,869.8	9,315.6	9,706.1	10,224.3	10,348.1
Currency and deposits	718.3	1,896.9	2,736.2	1,780.1	2,180.0	2,261.8	2,408.8	2,324.7	2,170.1	2,340.2
Trade credits	131.4	126.4	101.5	75.4	53.8	52.2	49.3	50.8	53.4	54.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	1,090.9	1,406.5	1,844.6	2,015.5	2,340.9	2,536.1	2,666.7	2,856.5	2,801.8	2,806.9
Total (1+2+3)	13,458.3	15,054.8	19,810.6	22,780.6	25,540.8	26,532.4	27,571.4	27,195.2	28,997.6	29,397.6

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

million euros

	Outstanding debt 31/1/2007	Immediate	Projected future principal payments												
			Q1/07	Q2/07	Q3/07	Q4/07	2007	2008	2009	2010	2011	2012	2013	2014	Other
1. Government	6,614.1	9.3	170.2	104.9	347.8	109.3	732.2	714.5	1,056.2	845.9	1,441.8	259.1	212.3	678.4	664.3
Short-term	9.3	9.3	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
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	9.3	9.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	7.4	7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	6,604.8	0.0	170.2	104.9	347.8	109.3	732.2	714.5	1,056.2	845.9	1,441.8	259.1	212.3	678.4	664.3
Bonds	3,623.7	0.0	134.5	0.0	279.0	0.0	413.5	224.5	722.0	562.2	1,052.9	45.0	28.0	519.5	56.0
Credits	2,979.4	0.0	35.7	104.7	68.6	109.2	318.2	489.5	334.1	283.6	388.8	214.1	184.3	158.8	608.1
Trade credits	1.7	0.0	0.0	0.2	0.2	0.2	0.5	0.5	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	2.6	0.0	2.6	0.0	0.0	0.0	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	2.6	0.0	2.6	0.0	0.0	0.0	2.6	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	2.6	0.0	2.6	0.0	0.0	0.0	2.6	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	10,383.7	0.2	3,128.5	779.9	318.3	311.8	4,538.5	1,118.0	1,484.8	333.2	645.2	275.7	95.8	73.7	1,818.4
Short-term	3,695.4	0.2	2,971.9	357.5	142.7	142.7	3,614.7	80.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,326.8	0.0	1,276.8	50.0	0.0	0.0	1,326.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	2,368.5	0.0	1,695.1	307.5	142.7	142.7	2,288.0	80.5	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	0.2	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
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	6,688.2	0.0	156.6	422.4	175.6	169.1	923.8	1,037.5	1,484.8	333.2	645.2	275.7	95.8	73.7	1,818.4
Bonds	459.6	0.0	10.7	0.0	0.0	0.0	10.7	0.0	448.9	0.0	0.0	0.0	0.0	0.0	0.0
Credits	3,888.4	0.0	55.4	323.6	76.7	70.3	526.0	651.4	846.6	319.1	645.2	275.7	95.8	73.7	454.8
Currency and deposits	2,340.2	0.0	90.4	98.9	98.9	98.9	387.1	386.1	189.3	14.1	0.0	0.0	0.0	0.0	1,363.6
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
4. Other sectors	9,590.3	622.7	336.3	370.7	384.9	700.1	1,791.9	1,311.1	1,367.6	956.2	1,303.9	321.9	270.0	251.5	1,393.5
Short-term	1,091.8	622.7	127.8	81.0	99.6	138.1	446.7	22.4	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	444.7	0.0	127.8	81.0	75.2	138.1	422.2	22.4	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	24.4	0.0	0.0	0.0	24.4	0.0	24.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	622.7	622.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	571.0	571.0	0.0	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	51.7	51.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	8,498.5	0.0	208.4	289.6	285.2	562.0	1,345.2	1,288.7	1,367.6	956.2	1,303.9	321.9	270.0	251.5	1,393.5
Bonds	331.7	0.0	2.0	0.0	0.0	0.0	2.0	6.3	6.3	7.2	157.2	9.0	9.0	10.8	124.0
Credits	8,028.5	0.0	198.2	271.2	274.3	549.0	1,292.8	1,231.4	1,335.1	940.0	1,145.7	312.7	260.9	240.6	1,269.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	138.3	0.0	8.3	18.4	10.9	13.0	50.5	51.0	26.2	9.0	1.0	0.2	0.1	0.1	0.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

5. Direct investment	2,806.9	315.2	136.2	92.1	56.1	123.8	408.2	246.0	296.3	210.0	274.6	61.5	45.6	80.6	868.9
Short-term	418.1	315.2	67.1	23.6	6.0	6.1	102.8	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	102.9	0.0	67.1	23.6	6.0	6.1	102.8	0.2	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	315.2	315.2	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	293.3	293.3	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
Interest arrears	21.9	21.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	2,388.8	0.0	69.1	68.6	50.1	117.7	305.5	245.9	296.3	210.0	274.6	61.5	45.6	80.6	868.9
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	2,363.8	0.0	67.7	67.6	49.4	115.8	300.5	241.6	289.9	203.3	273.3	60.9	45.4	80.2	868.8
Trade credits	25.0	0.0	1.4	1.0	0.7	1.9	4.9	4.3	6.5	6.7	1.3	0.5	0.2	0.5	0.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	29,397.6	947.5	3,773.7	1,347.6	1,107.1	1,245.0	7,473.4	3,389.6	4,205.0	2,345.4	3,665.5	918.2	623.7	1,084.3	4,745.0
Supplement: Projected interest payments		0.0	9.7	190.1	151.7	226.7	578.1	709.1	626.9	483.3	407.1	208.6	196.3	184.1	492.1

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 ^a	2006			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^a
1. International investment position (net)	-4,204.4	-7,225.7	-10,149.1	-15,369.1	-20,444.9	-30,194.3	-24,056.8	-26,645.3	-28,137.3	-30,194.3
2. Assets	12,720.6	12,417.0	14,802.9	14,877.3	15,589.5	17,419.1	15,196.9	15,732.6	16,162.0	17,419.1
2.1. Direct investment abroad	1,008.0	1,606.8	1,625.8	1,561.7	1,726.2	1,827.9	1,806.6	1,739.3	1,760.0	1,827.9
2.2. Portfolio investment	251.1	801.5	599.8	1,309.5	1,760.4	1,868.8	1,759.2	1,824.0	1,732.1	1,868.8
2.2.1. Equity securities	23.6	30.6	37.4	31.9	135.8	142.3	136.9	155.2	150.1	142.3
2.2.2. Debt securities	227.5	770.9	562.5	1,277.7	1,624.6	1,726.5	1,622.3	1,668.9	1,582.0	1,726.5
Bonds	196.4	761.0	560.0	1,142.5	1,508.4	1,356.2	1,528.5	1,291.7	1,207.2	1,356.2
Money market instruments	31.1	9.9	2.4	135.1	116.2	370.2	93.8	377.2	374.7	370.2
2.3. Financial derivatives	0.0	0.0	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	4,664.6	4,997.1	3,542.6	3,425.7	4,535.2	4,997.1
2.4.1. Trade credits	249.3	222.5	213.1	183.5	193.0	182.7	195.4	192.1	187.8	182.7
2.4.2. Loans	95.6	108.9	101.0	100.9	144.8	226.7	176.9	238.9	358.0	226.7
2.4.3. Currency and deposits	5,782.9	4,026.0	5,709.2	5,285.6	4,326.7	4,587.1	3,170.3	2,945.4	3,726.7	4,587.1
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.7	0.1	49.3	262.5	0.7
2.5. Reserve assets (CNB)	5,333.6	5,651.3	6,554.1	6,436.1	7,438.4	8,725.3	8,088.5	8,743.6	8,134.8	8,725.3
3. Liabilities	16,925.0	19,642.7	24,952.0	30,246.5	36,034.3	47,613.5	39,253.7	42,377.9	44,299.2	47,613.5
3.1. Direct investment in Croatia	4,414.0	5,790.8	6,790.3	9,074.6	12,277.4	20,332.6	14,493.3	16,676.7	18,689.5	20,332.6
3.2. Portfolio investment	4,474.5	4,312.8	4,885.6	5,880.1	5,457.4	5,519.2	5,113.8	5,178.5	5,558.2	5,519.2
3.2.1. Equity securities	144.1	204.1	196.0	407.0	557.1	1,085.2	764.2	796.5	1,271.0	1,085.2
3.2.2. Debt securities	4,330.4	4,108.7	4,689.7	5,473.1	4,900.3	4,434.0	4,349.6	4,382.0	4,287.2	4,434.0
Bonds	4,299.3	4,108.7	4,656.2	5,473.1	4,900.3	4,434.0	4,349.6	4,382.0	4,287.2	4,434.0
Money market instruments	31.1	0.0	33.5	0.0	0.0	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	0.0	0.0
3.4. Other investment	8,036.5	9,539.1	13,276.1	15,291.8	18,299.6	21,761.7	19,646.7	20,522.6	20,051.5	21,761.7
3.4.1. Trade credits	268.4	258.4	176.1	153.8	188.3	163.6	197.1	184.1	185.0	163.6
3.4.2. Loans	6,722.9	6,981.2	9,949.9	11,494.7	13,957.0	16,430.4	14,926.2	15,524.6	15,591.3	16,430.4
3.4.3. Currency and deposits	719.9	1,898.6	2,738.7	3,221.4	3,611.9	4,369.0	4,026.6	4,296.2	3,757.5	4,369.0
3.4.4. Other liabilities	325.3	400.9	411.3	421.9	542.4	798.7	496.8	517.7	517.6	798.7

^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 ^a	2006			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^a
Direct investment (net)	-3,406.0	-4,183.9	-5,164.5	-7,512.9	-10,551.2	-18,504.7	-12,686.7	-14,937.4	-16,929.6	-18,504.7
1. Abroad	1,008.0	1,606.8	1,625.8	1,561.7	1,726.2	1,827.9	1,806.6	1,739.3	1,760.0	1,827.9
1.1. Equity capital and reinvested earnings	975.0	1,569.1	1,587.0	1,502.3	1,610.4	1,725.0	1,711.4	1,644.3	1,646.3	1,725.0
Claims	975.0	1,569.1	1,587.0	1,502.3	1,610.4	1,725.0	1,711.4	1,644.3	1,646.3	1,725.0
Liabilities	0.0	0.0	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	115.7	102.9	95.2	95.0	113.7	102.9
Claims	43.4	49.9	62.3	87.4	133.9	138.6	124.5	126.4	147.9	138.6
Liabilities	10.4	12.2	23.5	28.0	18.2	35.6	29.3	31.4	34.2	35.6
1.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	4,414.0	5,790.8	6,790.3	9,074.6	12,277.4	20,332.6	14,493.3	16,676.7	18,689.5	20,332.6
2.1. Equity capital and reinvested earnings	3,339.4	4,400.6	4,972.7	7,116.4	9,920.6	17,606.4	12,029.9	14,064.6	15,895.2	17,606.4
Claims	0.0	0.0	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	17,606.4	12,029.9	14,064.6	15,895.2	17,606.4
2.2. Other capital	1,074.7	1,390.2	1,817.6	1,958.2	2,356.8	2,726.2	2,463.3	2,612.2	2,794.4	2,726.2
Claims	0.0	0.3	1.8	19.2	18.2	1.8	19.2	1.7	1.8	1.8
Liabilities	1,074.7	1,390.5	1,819.4	1,977.5	2,375.0	2,728.1	2,482.5	2,613.9	2,796.2	2,728.1
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data. ^b Revised data.

Table H17: International Investment Position – Portfolio Investment

million euros

	2001	2002	2003	2004	2005 ^b	2006 ^a	2006			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^a
Portfolio investment (net)	-4,223.3	-3,511.3	-4,285.8	-4,568.2	-3,697.0	-3,650.4	-3,354.6	-3,354.5	-3,826.1	-3,650.4
1. Assets	251.1	801.5	599.8	1,311.8	1,760.4	1,868.8	1,759.2	1,824.0	1,732.1	1,868.8
1.1. Equity securities	23.6	30.6	37.4	34.2	135.8	142.3	136.9	155.2	150.1	142.3
Banks	7.5	7.4	4.7	5.1	5.9	6.7	5.3	9.4	6.7	6.7
Other sectors	16.2	23.2	32.6	29.1	129.9	135.6	131.6	145.8	143.4	135.6
1.2. Debt securities	227.5	770.9	562.5	1,277.7	1,624.6	1,726.5	1,622.3	1,668.9	1,582.0	1,726.5
2. Liabilities	4,474.5	4,312.8	4,885.6	5,880.1	5,457.4	5,519.2	5,113.8	5,178.5	5,558.2	5,519.2
2.1. Equity securities	144.1	204.1	196.0	407.0	557.1	1,085.2	764.2	796.5	1,271.0	1,085.2
Banks	40.7	44.5	46.3	64.7	84.0	156.7	114.1	138.9	200.9	156.7
Other sectors	103.4	159.6	149.6	342.3	473.1	928.5	650.1	657.6	1,070.1	928.5
2.2. Debt securities	4,330.4	4,108.7	4,689.7	5,473.1	4,900.3	4,434.0	4,349.6	4,382.0	4,287.2	4,434.0
Bonds	4,299.3	4,108.7	4,656.2	5,473.1	4,900.3	4,434.0	4,349.6	4,382.0	4,287.2	4,434.0
General government	4,268.2	3,947.6	4,310.9	4,648.1	4,065.5	3,646.3	3,495.7	3,532.3	3,643.3	3,646.3
Banks	0.0	0.0	0.0	444.4	456.7	457.4	462.7	466.3	452.1	457.4
Other sectors	31.2	161.2	345.3	380.6	378.1	330.3	391.2	383.5	191.8	330.3
Money market instruments	31.1	0.0	33.5	0.0	0.0	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	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 ^a	2006			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^a
Other investment (net)	-1,908.7	-5,181.7	-7,252.9	-9,721.8	-13,635.0	-16,764.6	-16,104.0	-17,097.0	-15,516.3	-16,764.6
1. Assets	6,127.9	4,357.4	6,023.2	5,570.0	4,664.6	4,997.1	3,542.6	3,425.7	4,535.2	4,997.1
1.1. Trade credits	249.3	222.5	213.1	183.5	193.0	182.7	195.4	192.1	187.8	182.7
1.1.1. General government	0.0	0.0	0.0	0.0	0.3	0.1	0.3	0.2	0.2	0.1
Long-term	0.0	0.0	0.0	0.0	0.3	0.1	0.3	0.2	0.2	0.1
1.1.2. Other sectors	249.3	222.5	213.0	183.5	192.7	182.5	195.1	191.9	187.7	182.5
Long-term	243.3	216.3	208.4	179.1	187.9	178.0	190.3	187.2	183.0	178.0
Short-term	6.0	6.2	4.6	4.4	4.8	4.5	4.8	4.7	4.7	4.5
1.2. Loans	95.6	108.9	101.0	100.9	144.8	226.7	176.9	238.9	358.0	226.7
1.2.1. Croatian National Bank	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Long-term	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
1.2.2. General government	6.1	4.8	5.2	6.8	8.6	7.2	8.1	7.7	7.4	7.2
Long-term	6.1	4.8	5.2	6.8	8.6	7.2	8.1	7.7	7.4	7.2
1.2.3. Banks	83.4	97.5	86.6	81.0	112.2	177.9	135.1	188.3	308.5	177.9
Long-term	58.3	72.9	62.6	61.9	84.3	131.7	95.1	120.8	132.4	131.7
Short-term	25.1	24.6	23.9	19.0	27.9	46.2	40.1	67.5	176.0	46.2
1.2.4. Other sectors	5.4	5.9	8.6	12.5	23.3	41.0	33.0	42.2	41.6	41.0
Long-term	5.4	5.8	8.6	11.2	23.0	40.9	32.7	42.1	41.5	40.9
Short-term	0.0	0.1	0.0	1.3	0.3	0.1	0.3	0.1	0.1	0.1
1.3. Currency and deposits	5,782.9	4,026.0	5,709.2	5,285.6	4,326.7	4,587.1	3,170.3	2,945.4	3,726.7	4,587.1
1.3.2. General government	94.7	115.7	81.9	8.9	54.2	26.4	39.8	65.8	104.9	26.4
1.3.3. Banks	4,438.8	2,754.3	4,551.9	4,317.0	3,110.4	3,497.4	1,976.0	1,763.3	2,516.7	3,497.4
1.3.4. Other sectors	1,249.4	1,156.0	1,075.4	959.7	1,162.1	1,063.3	1,154.5	1,116.3	1,105.1	1,063.3
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.7	0.1	49.3	262.5	0.7
2. Liabilities	8,036.5	9,539.1	13,276.1	15,291.8	18,299.6	21,761.7	19,646.7	20,522.6	20,051.5	21,761.7
2.1. Trade credits	268.4	258.4	176.1	153.8	188.3	163.6	197.1	184.1	185.0	163.6
2.1.1. General government	1.3	1.1	2.3	2.1	2.6	1.9	2.4	2.3	2.1	1.9
Long-term	1.3	1.1	2.3	2.1	2.6	1.9	2.4	2.3	2.1	1.9
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	267.1	257.4	173.8	151.7	185.7	161.7	194.7	181.8	183.0	161.7
Long-term	226.7	209.9	151.7	128.5	158.0	134.2	157.7	145.3	149.9	134.2
Short-term	40.4	47.5	22.2	23.2	27.8	27.5	37.0	36.6	33.0	27.5
2.2. Loans	6,722.9	6,981.2	9,949.9	11,494.7	13,957.0	16,430.4	14,926.2	15,524.6	15,591.3	16,430.4
2.2.1. Croatian National Bank	213.8	21.5	363.1	0.0	0.0	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	0.0	0.0
2.2.2. General government	1,672.7	1,950.8	2,286.4	2,599.0	2,977.2	3,008.1	3,133.9	3,067.0	3,014.9	3,008.1
Long-term	1,672.7	1,950.8	2,286.4	2,599.0	2,977.2	3,008.1	3,133.9	3,067.0	3,014.9	3,008.1
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,813.5	1,878.7	3,372.0	4,025.8	4,924.5	5,357.9	5,360.2	5,538.1	4,718.9	5,357.9
Long-term	1,810.8	1,878.4	2,767.7	3,512.3	3,844.8	4,093.0	4,263.1	4,316.0	3,999.3	4,093.0
Short-term	2.6	0.3	604.2	513.6	1,079.7	1,264.9	1,097.1	1,222.1	719.5	1,264.9
2.2.4. Other sectors	3,022.9	3,130.1	3,928.5	4,869.9	6,055.3	8,064.4	6,432.1	6,919.6	7,857.6	8,064.4
Long-term	2,969.0	3,103.0	3,858.3	4,769.7	5,764.1	7,734.5	6,155.1	6,502.8	7,270.9	7,734.5
Short-term	53.9	27.2	70.1	100.2	291.2	330.0	277.0	416.8	586.6	330.0
2.3. Currency and deposits	719.9	1,898.6	2,738.7	3,221.4	3,611.9	4,369.0	4,026.6	4,296.2	3,757.5	4,369.0
2.3.1. Croatian National Bank	1.7	1.7	2.6	2.4	2.6	2.6	2.0	2.5	2.0	2.6
2.3.2. Banks	718.3	1,896.9	2,736.2	3,219.0	3,609.2	4,366.4	4,024.5	4,293.7	3,755.5	4,366.4
2.4. Other liabilities	325.3	400.9	411.3	421.9	542.4	798.7	496.8	517.7	517.6	798.7

^a Preliminary data. ^b Revised data.

Table I1: Consolidated Central Government According to Government Level

million kuna

	2004	2005	2006					
			Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. REVENUE (A + B)	87,019.3	92,642.5	7,628.9	8,246.0	8,756.1	9,012.9	8,474.3	8,868.5
A) Budgetary central government	80,463.5	85,653.0	7,356.8	7,864.6	8,301.3	8,465.5	8,052.8	8,363.1
B) Extrabudgetary users	6,555.8	6,989.5	272.0	381.4	454.8	547.4	421.5	505.4
1. Croatian Pension Insurance Administration	129.9	38.0	0.0	8.4	1.1	0.8	0.3	54.4
2. Croatian Institute for Health Insurance	663.1	863.9	75.7	105.8	63.5	70.3	68.5	50.5
3. Croatian Employment Service	15.5	18.9	1.4	0.6	0.2	0.3	0.7	0.7
4. Croatian Waters	1,224.4	1,227.8	61.8	88.6	172.7	131.9	139.5	135.8
5. Fund for Environmental Protection and Energy Efficiency	170.7	214.7	53.0	39.8	41.9	85.2	51.4	84.1
6. Croatian Motorways Ltd.	2,295.4	2,547.0	71.2	118.2	157.1	176.4	126.5	113.4
7. Croatian Roads Ltd.	1,417.8	1,474.7	6.8	14.6	3.4	3.4	2.7	3.8
8. State Agency for Deposit Insurance and Bank Rehabilitation	575.9	367.4	1.5	2.8	10.4	72.7	4.3	60.3
9. Croatian Privatization Fund	62.9	237.0	0.6	2.7	4.4	6.5	27.8	2.3
2. EXPENSE (A + B)	86,941.4	92,332.1	8,280.1	7,736.7	8,091.8	7,758.1	7,939.9	8,378.5
A) Budgetary central government	81,861.2	86,715.6	7,806.1	7,158.1	7,552.0	7,237.0	7,373.1	7,834.2
B) Extrabudgetary users	5,080.3	5,616.5	474.0	578.5	539.9	521.1	566.7	544.3
1. Croatian Pension Insurance Administration	587.4	382.2	33.7	39.9	36.3	31.1	32.1	32.0
2. Croatian Institute for Health Insurance	831.3	914.3	76.9	87.8	79.6	50.9	95.6	85.7
3. Croatian Employment Service	141.3	145.9	12.6	12.5	13.2	12.6	11.9	13.7
4. Croatian Waters	1,426.3	1,489.5	109.2	150.3	170.5	172.3	179.0	131.7
5. Fund for Environmental Protection and Energy Efficiency	32.4	172.0	58.0	59.8	54.2	74.2	78.8	70.2
6. Croatian Motorways Ltd.	752.3	1,085.1	85.6	115.7	88.9	80.5	57.3	87.1
7. Croatian Roads Ltd.	934.6	1,062.4	88.0	101.4	89.9	92.7	103.5	115.2
8. State Agency for Deposit Insurance and Bank Rehabilitation	314.5	183.0	3.3	1.1	2.1	1.8	1.6	2.7
9. Croatian Privatization Fund	60.1	182.1	6.7	10.0	5.2	5.1	6.8	6.0
NET/GROSS OPERATING BALANCE (1 – 2)	77.8	310.3	-651.3	509.3	664.3	1,254.9	534.4	490.0
3. CHANGE IN NET WORTH: TRANSACTIONS (3.1. + 3.2. – 3.3.)	77.8	310.3	-651.3	509.3	664.3	1,254.9	534.4	490.0
3.1. CHANGE IN NET ACQUISITION OF NON-FINANCIAL ASSETS	8,373.5	6,699.4	281.2	412.4	473.7	592.4	459.2	442.1
Acquisition	8,648.4	7,024.2	351.6	456.2	505.5	616.2	491.0	471.4
A) Budgetary central government	1,663.9	1,828.8	93.5	97.9	185.4	137.9	74.7	166.5
B) Extrabudgetary users	6,984.5	5,195.4	258.1	358.4	320.1	478.3	416.3	304.9
Disposals	274.9	324.8	70.4	43.8	31.8	23.8	31.8	29.3
A) Budgetary central government	244.4	275.1	32.9	37.5	31.5	20.3	24.1	28.4
B) Extrabudgetary users	30.5	49.6	37.5	6.3	0.3	3.4	7.7	0.9
Net lending/borrowing (1 – 2 – 3.1.)	-8,295.6	-6,389.1	-932.4	96.9	190.6	662.4	75.2	47.9
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING) (3.3. – 3.2.)	8,295.6	6,389.1	932.4	-96.9	-190.6	-662.4	-75.2	-47.9
3.2. CHANGE IN NET ACQUISITION OF FINANCIAL ASSETS	28.4	1,609.8	-352.0	-307.8	6.7	628.9	-92.1	264.8
3.2.1. Domestic	18.6	1,614.6	-352.0	-310.5	6.7	628.9	-92.1	264.8
A) Budgetary central government	138.6	1,747.7	-308.7	-125.1	50.0	435.9	-218.0	80.8
B) Extrabudgetary users	-120.0	-133.1	-43.3	-185.4	-43.3	193.0	125.9	184.0
3.2.2. Foreign	9.8	-4.9	0.0	2.7	0.0	0.0	0.0	0.0
A) Budgetary central government	9.8	-4.9	0.0	2.7	0.0	0.0	0.0	0.0
B) Extrabudgetary users	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2.3. Monetary gold and SDRs	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	580.5	-404.7	-183.9	-33.5	-167.3	216.9
3.3.1. Domestic	4,107.7	12,041.7	2,575.9	-276.1	497.6	-70.6	-345.3	94.2
A) Budgetary central government	4,038.7	10,591.6	2,597.4	-335.5	395.1	-213.9	-539.0	98.8
B) Extrabudgetary users	69.0	1,450.1	-21.5	59.5	102.6	143.3	193.7	-4.6
3.3.2. Foreign	4,216.3	-4,042.8	-1,995.4	-128.7	-681.6	37.1	178.0	122.7
A) Budgetary central government	270.3	-5,080.6	-2,154.5	-127.9	-601.8	3.8	59.3	-67.0
B) Extrabudgetary users	3,946.0	1,037.8	159.1	-0.8	-79.8	33.3	118.6	189.8

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					
			Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
1. REVENUE	80,463.5	85,653.0	7,356.8	7,864.6	8,301.3	8,465.5	8,054.3	8,363.1
1.1. Taxes	47,149.9	50,687.6	4,417.1	4,826.4	5,202.1	5,413.2	5,012.9	5,240.4
1.2. Social contributions	29,477.6	31,301.3	2,703.8	2,843.8	2,912.4	2,864.7	2,852.6	2,885.4
1.3. Grants	10.1	27.5	1.2	8.5	1.4	-0.1	2.4	1.4
1.4. Other revenue	3,825.9	3,636.6	234.7	185.9	185.3	187.7	186.4	235.9
2. EXPENSE	83,131.1	87,857.5	8,047.8	7,463.2	7,890.7	7,701.8	7,742.0	8,176.0
2.1. Compensation of employees	22,268.3	23,182.6	1,960.8	1,993.6	2,184.0	1,955.1	2,012.5	2,001.0
2.2. Use of goods and services	4,358.7	4,951.9	465.8	390.9	435.7	417.3	389.9	542.1
2.3. Consumption of fixed capital	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	803.5	361.1	362.7	273.6	319.2	203.1
2.5. Subsidies	4,968.1	5,248.7	659.5	334.1	388.7	304.8	382.9	462.5
2.6. Grants	3,420.3	3,796.8	371.5	435.0	577.3	635.3	574.0	612.2
2.7. Social benefits	39,730.9	41,358.5	3,497.5	3,545.3	3,586.2	3,598.5	3,653.5	3,644.3
2.8. Other expense	4,412.4	4,931.9	289.1	403.4	356.2	517.1	410.0	710.8
3. CHANGE IN NET WORTH: TRANSACTIONS	-2,667.6	-2,204.5	-690.9	401.4	410.6	763.6	312.3	187.1
3.1. Change in net acquisition of non-financial assets	1,419.5	1,553.7	60.6	60.4	153.9	117.6	50.6	138.1
3.1.1. Fixed assets	1,384.6	1,517.0	62.5	70.7	162.2	114.2	50.8	139.4
3.1.2. Inventories	0.0	0.0	-3.7	-11.1	-9.0	-0.8	-1.7	-0.8
3.1.3. Valuables	7.5	7.2	1.1	0.3	0.9	0.5	0.1	0.6
3.1.4. Non-produced assets	27.3	29.5	0.7	0.5	-0.3	3.7	1.4	-1.1
3.2. Change in net acquisition of financial assets	222.0	1,752.8	-308.7	-122.4	50.0	435.9	-218.0	80.8
3.2.1. Domestic	212.2	1,757.7	-308.7	-125.1	50.0	435.9	-218.0	80.8
3.2.2. Foreign	9.8	-4.9	0.0	2.7	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
3.3. Change in net incurrence of liabilities	4,309.0	5,510.9	442.8	-463.4	-206.7	-210.1	-479.7	31.8
3.3.1. Domestic	4,038.7	10,591.6	2,597.4	-335.5	395.1	-213.9	-539.0	98.8
3.3.2. Foreign	270.3	-5,080.6	-2,154.5	-127.9	-601.8	3.8	59.3	-67.0

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				2007
	Dec.	Dec. ^a	Dec.	Dec. [*]	Dec.	Mar.	Jun.	Sep.	Dec. [*]	Jan.
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	60,629.4	59,699.6	59,766.7
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	56,083.8	54,236.6	54,310.5
Treasury bills	4,892.3	5,632.7	6,548.1	9,022.5	12,533.4	12,518.7	12,647.4	12,254.5	12,662.2	13,163.4
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	33,643.9	34,847.8	34,890.9
Credits from the CNB	–	0.5	1.4	3.3	1.4	–	–	–	0.9	–
Credits from banks	1,152.4	1,798.8	4,189.1	5,117.8	7,307.8	10,330.2	11,767.1	10,185.3	6,725.7	6,256.2
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	4,545.6	5,463.0	5,456.3
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	1,636.1	4,460.7	3,616.4	2,040.1	176.9	159.8	145.9	194.6	200.3	200.3
Credits from banks	1,803.3	3,640.7	2,959.1	2,253.2	4,292.3	4,191.1	4,809.9	4,351.0	5,262.6	5,256.0
2. External debt of central government	43,319.1	43,517.5	50,137.9	55,384.4	51,760.6	48,402.0	47,750.4	49,035.5	48,748.3	48,617.3
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	32,653.6	32,849.1	32,486.1	32,378.4
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	22,924.1	22,843.0	22,751.0
Credits	8,740.6	8,694.1	8,904.1	9,196.4	9,321.2	10,283.7	9,841.7	9,925.0	9,643.0	9,627.4
2.2. External debt of central government funds	3,831.8	6,129.2	9,089.1	13,288.7	15,327.0	15,314.8	15,096.8	16,186.4	16,262.2	16,238.8
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	709.7	684.6	820.6	2,757.7	2,873.3	2,797.6	2,822.0	3,970.0	3,939.0	3,967.9
Credits	3,122.1	5,444.6	8,268.6	10,531.0	12,453.7	12,517.1	12,274.9	12,216.4	12,323.2	12,270.9
3. Total (1+2)	68,226.4	74,939.0	84,874.3	96,901.5	106,789.4	107,316.2	108,146.4	109,664.9	108,447.8	108,384.0
Supplement: Central government guaranteed debt										
– guarantees for domestic debt	6,025.6	7,528.1	6,895.4	4,642.0	5,345.9	5,720.9	6,481.5	6,798.8	7,312.8	7,581.9
– guarantees for external debt	8,813.6	8,261.9	8,618.5	7,671.4	7,179.6	6,792.9	6,452.8	7,021.9	6,869.2	6,692.2

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

Table I3: Central Government Debt

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

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

Table J1: Consumer Price and Producer Price Indices

Year	Month	Basic indices, 2005 = 100			Chain indices				Monthly year-on-year indices			
		Consumer price indices			Consumer price indices ^a			Producer prices	Consumer price indices ^b			Producer prices
		Total	Goods	Services	Total	Goods	Services		Total	Goods	Services	
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	82.1	84.6	73.7	100.3	100.4	100.0	100.0	105.4	104.3	109.2	97.9
1999	December	85.3	87.2	78.5	100.6	100.8	100.0	100.3	103.9	103.1	106.5	105.9
2000	December	90.0	92.0	82.8	100.4	100.4	100.1	100.2	105.5	105.5	105.5	111.2
2001	December	92.1	93.2	88.5	100.4	100.4	100.5	99.0	102.4	101.3	106.8	96.9
2002	December	93.8	94.2	92.6	100.4	100.6	99.6	99.9	101.8	101.1	104.6	102.3
2003	December	95.4	95.7	94.6	100.3	100.2	100.5	100.0	101.7	101.6	102.2	101.0
2004	December	98.0	98.0	98.0	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	December	101.6	101.4	102.0	100.5	100.5	100.5	99.7	103.6	103.5	104.1	102.7
2006	February	103.0	102.5	104.6	100.8	100.7	101.3	100.7	103.6	102.8	106.2	103.6
	March	103.1	102.7	104.6	100.1	100.2	100.0	100.3	103.0	102.1	106.1	103.6
	April	103.4	103.0	104.6	100.2	100.3	99.9	100.1	103.5	102.8	105.6	103.4
	May	103.9	103.6	104.9	100.5	100.6	100.4	100.4	104.0	103.5	105.6	103.7
	June	103.8	103.3	105.5	99.9	99.7	100.6	99.8	104.0	103.6	105.6	103.7
	July	102.9	101.9	106.3	99.2	98.7	100.7	100.1	103.4	102.8	105.3	103.0
	August	103.0	101.8	107.1	100.1	99.9	100.7	100.2	103.4	102.7	105.9	103.1
	September	103.0	102.0	106.3	100.0	100.2	99.3	99.7	102.8	101.8	106.3	102.0
	October	102.9	102.1	105.9	100.0	100.1	99.6	100.0	102.1	101.2	105.1	101.5
	November	103.6	102.8	106.1	100.6	100.8	100.2	100.1	102.5	101.9	104.5	101.6
	December	103.7	102.8	106.4	100.0	100.0	100.2	100.0	102.0	101.4	104.2	101.9
2007	January	104.0	102.7	107.8	100.3	100.0	101.4	100.8	101.8	100.9	104.4	102.2
	February	104.3	102.9	108.5	100.3	100.2	100.6	100.2	101.2	100.4	103.7	101.7

^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, 2005 = 100 ^a			Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1998	December	87.3	88.6	80.0	99.9	99.9	100.0	....	....	....
1999	December	89.8	91.1	82.3	100.1	100.1	100.1	102.9	102.9	103.0
2000	December	92.8	93.9	86.5	100.4	100.4	100.2	103.3	103.0	105.0
2001	December	93.9	94.6	89.8	99.8	99.7	100.3	101.2	100.8	103.8
2002	December	95.0	95.6	91.9	100.0	100.1	99.4	101.2	101.0	102.4
2003	December	96.2	96.4	94.7	100.2	100.1	101.0	101.2	100.9	103.0
2004	December	98.4	98.5	97.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	December	101.3	101.4	101.0	100.1	100.0	100.5	103.0	102.9	103.7
2006	February	101.1	101.0	101.7	100.3	100.3	100.4	102.7	102.5	103.6
	March	101.5	101.5	101.0	100.3	100.5	99.3	102.6	102.4	103.4
	April	101.9	102.0	101.4	100.5	100.5	100.3	102.3	102.2	102.9
	May	102.5	102.6	102.2	100.6	100.6	100.8	102.6	102.5	102.9
	June	103.0	102.9	103.5	100.5	100.3	101.3	102.7	102.6	103.2
	July	102.6	102.1	105.3	99.6	99.2	101.7	102.2	102.1	102.6
	August	102.5	101.9	105.8	99.9	99.8	100.5	102.2	102.1	102.8
	September	103.2	103.1	104.1	100.7	101.1	98.4	102.7	102.6	103.5
	October	103.7	103.8	103.2	100.4	100.7	99.1	102.7	102.7	102.6
	November	103.8	103.9	103.2	100.1	100.1	100.1	102.5	102.5	102.7
	December	103.6	103.6	103.6	99.8	99.7	100.3	102.3	102.2	102.5
	2007	January	103.2	103.0	104.3	99.6	99.4	100.7	102.4	102.3	103.0
February		103.5	103.2	104.9	100.2	100.2	100.6	102.3	102.1	103.2

^a Since January 2007, the CPI has been calculated and published by the CBS on the new base 2005 = 100. 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	December	4,473.0	97.3	103.7	104.9
2006	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
	October	4,585.0	100.9	105.7	105.0
	November	4,883.0	106.5	106.3	105.1
	December	4,735.0	97.0	105.9	105.2

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	December	-26.4	-13.7	-25.6	-16.4	-5.9	-34.4	-21.5	27.6	-25.9	-50.6
2006	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
	December	-18.9	-4.7	-15.4	-10.9	1.1	-22.4	-10.5	16.9	-12.9	-49.4
	2007	January	-14.6	-0.5	-15.1	-12.6	1.3	-20.2	-2.2	11.0	-12.5	-46.3
February		-15.9	-3.4	-16.5	-13.8	-0.1	-18.6	-6.6	11.5	-17.0	-45.3

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The components of composite indices are as follows:

CCI: I2, I4, I7×(-1), I11

CEI: I2, I4

CSI: I1, I3, I8

List of Banks & Savings Banks

1 March 2007

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 March 2007

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

