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WIIW
Public Panel
Discussion





Content:

1. what are the consequences of financial market crisis for Croatia
2. financial crisis is only part of the "game" going on simultaneously
3. we should welcome this crisis for CEE and SEE countries

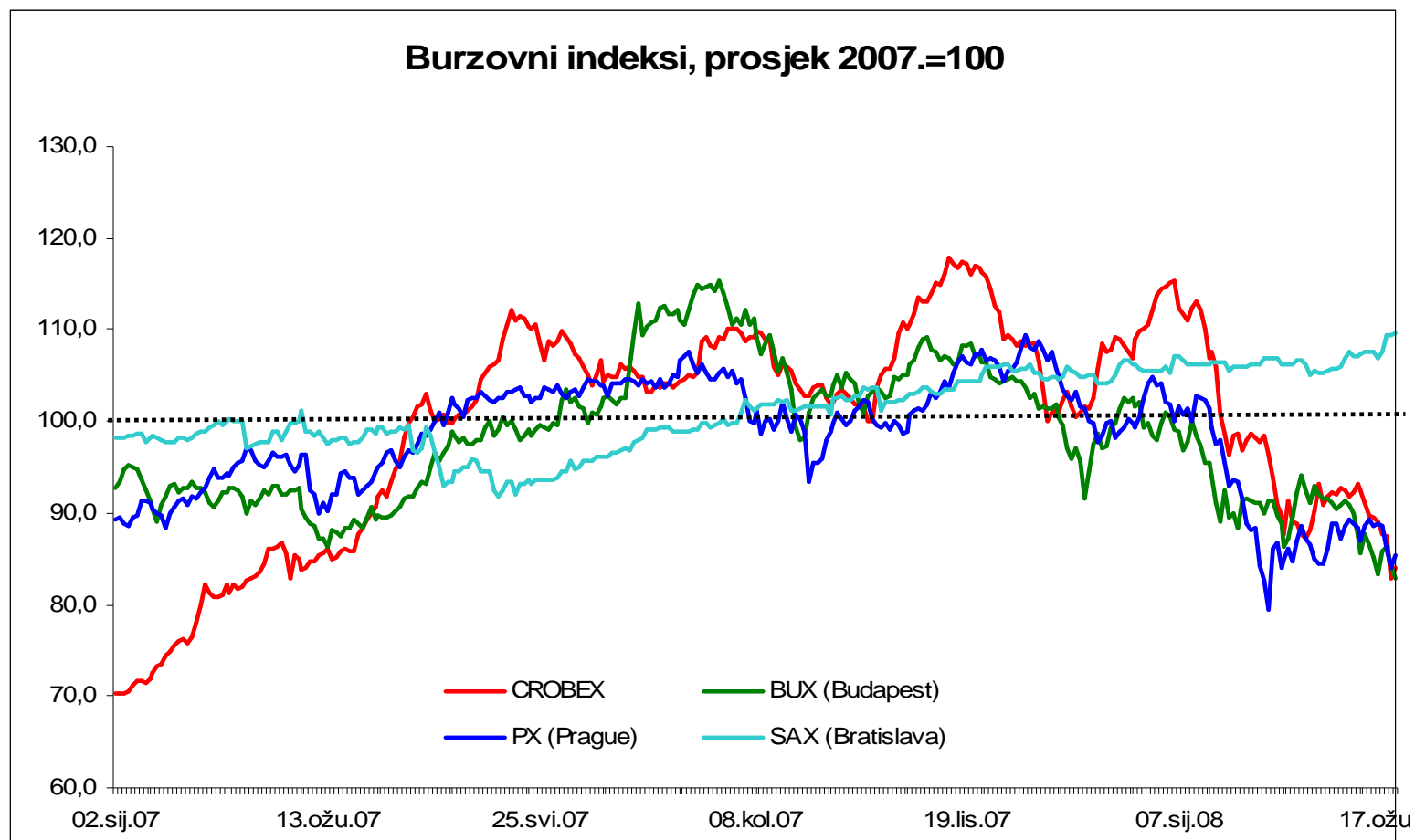


Consequences of a crisis on Croatia

1. macroeconomic outlook good (limited impact)
2. trade channel weak
3. capital flows not a big worry. Most is FDI or foreign banks,
4. interest rates and inflation going up
5. stock market fell by more than a third
6. repricing is important (CDS, EMBI)

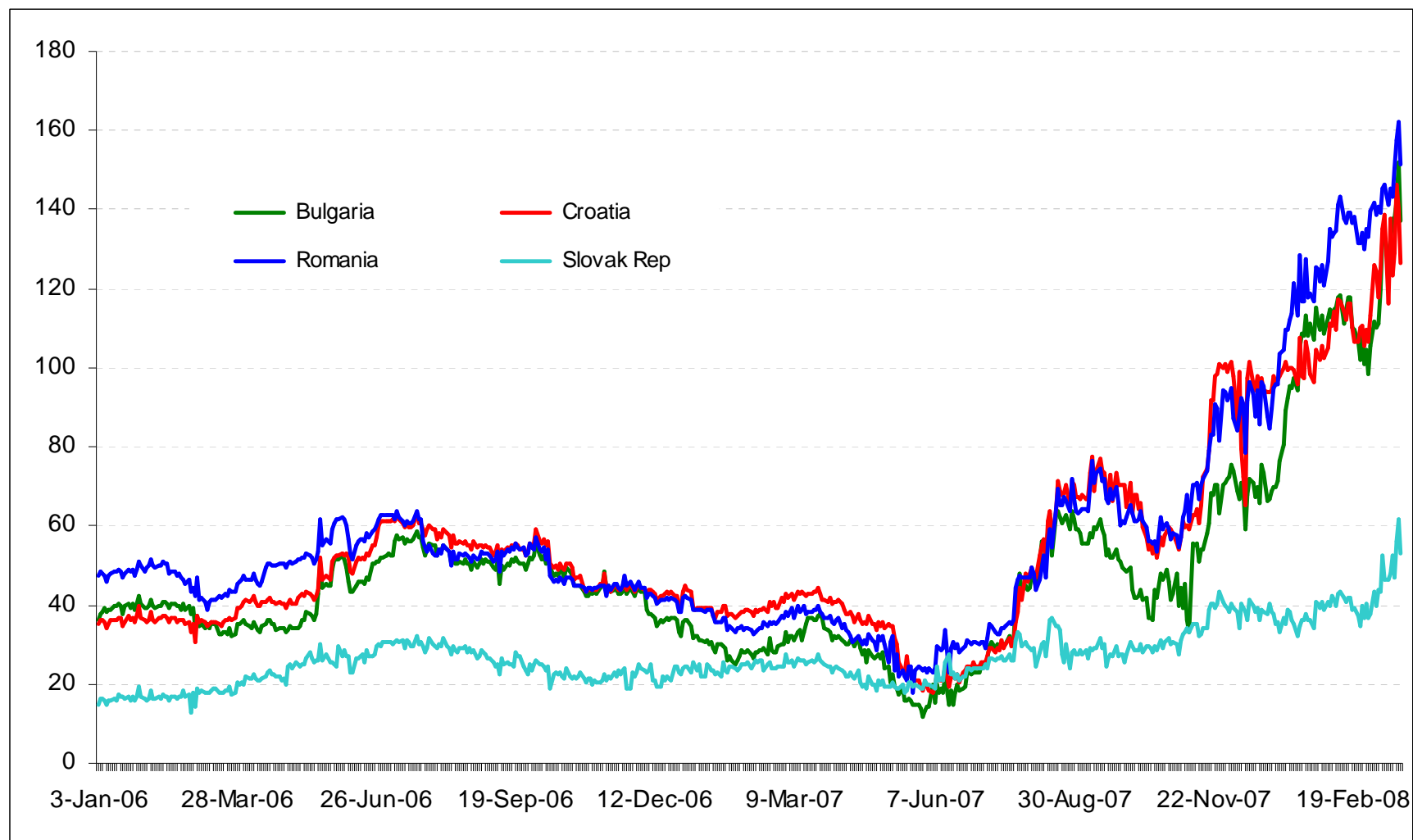


CEE stock exchange indices





JP Morgan EMBI spread



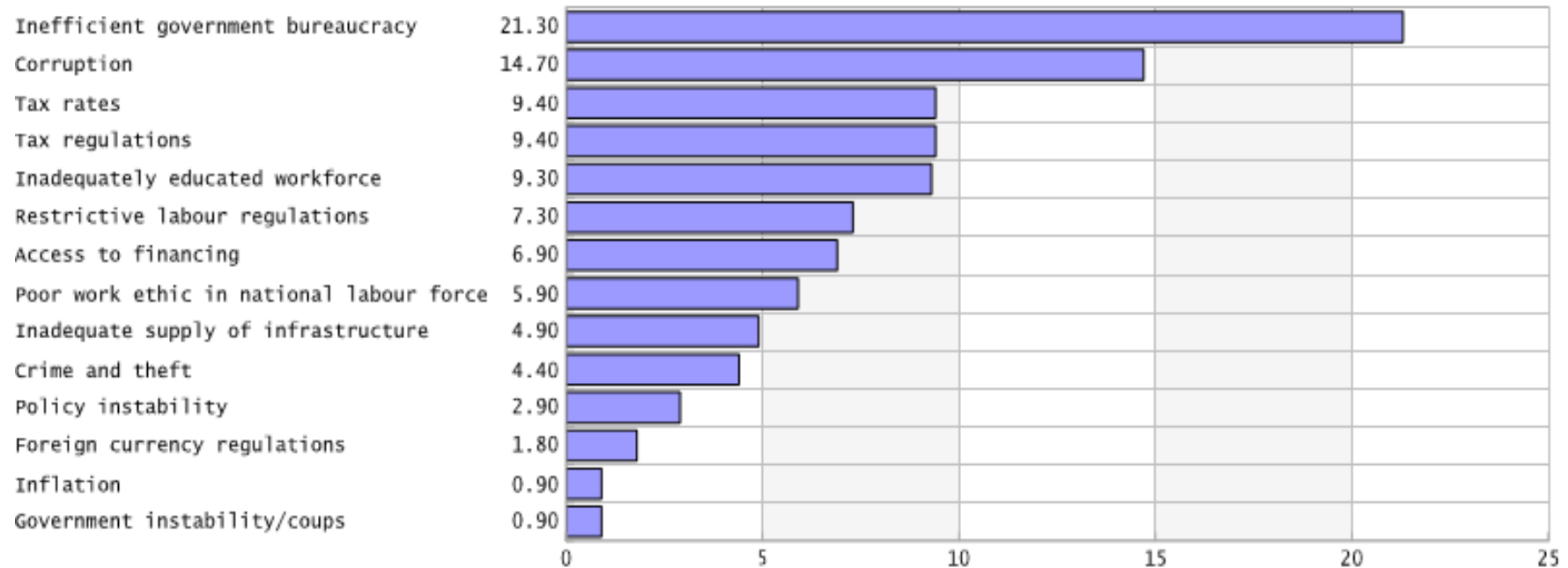


2. Subprime not the only force at work

1. tsunami from US earthquake spreading
2. inflation (food and energy)
3. globalization as a tidal wave permanently a "danger" and a challenge
4. long term trends (demographics)
5. one should not neglect financial crisis, but main problems are always at home



Doing business in Croatia 07-08





What to do?

1. political economy of reform point out we need a reason for tough reforms
2. reform, reform and reform. Markets will differentiate (signaling, insulating)
3. don't forget macroeconomic stability, even if using unorthodox measures in monetary policy like Croatia
4. it is a long-term marathon, not a 100 meters dash race



Finally...

Thank you for your attention!