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BULLETIN

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General Information on Croatia

Economic Indicators

	1993	1994	1995	1996	1997	1998	1999	2000
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538
GDP ^a (million USD, current prices)	10,903	14,585	18,811	19,872	20,109*	21,628*	20,031*	19,030
GDP – annual changes ^a (in %, constant prices)	-8.0	5.9	6.8	5.9	6.8	2.5	-0.9*	3.7*
GDP per capita ^{a,b} (in current USD)	2,349	3,137	4,029	4,422	4,398	4,805*	4,399	4,179
Retail price inflation (in %, end of year)	1,149.7	-3.0	3.7	3.4	3.8	5.4	4.4	7.4
Population ^b (million, mid – year)	4.6	4.6	4.7	4.5	4.6	4.5	4.6*	4.6*
Exports of goods and services (as % of GDP)	56.8	48.8	37.7	39.5	40.9	39.6*	40.5*	45.5
Imports of goods and services (as % of GDP)	53.0*	45.4*	49.5	49.7*	56.6*	49.2*	48.9*	50.4*
Current account balance ^d (as % of GDP)	5.7*	5.9*	-7.7	-5.5*	-11.6	-7.1	-6.9*	-2.1*
Outstanding external debt ^c (million USD, end of year)	2,638	3,020	3,809	5,308	7,452	9,586	9,872	10,877*
Outstanding external debt ^d (as % of GDP)	24.2	20.7	20.2	26.7	37.1	44.3*	49.3*	57.2*
Outstanding external debt ^d (as % of exports of goods and services)	42.6	42.4	53.7	67.7	90.7	111.9	121.6*	125.7*
Total repayment of external debt ^d (as % of exports of goods and services)	6.6	4.3	6.4	9.3	13.8	19.4	29.3	28.6*
Gross international reserves (million USD, end of year)	616	1,405	1,895	2,314	2,539	2,816	3,025	3,525
Gross international reserves (in terms of months of imports of goods and services, end of year)	1.3	2.5	2.4	2.8	2.7	3.2	3.7	4.4
Exchange rate on December 31st (HRK : 1USD)	6.5619	5.6287	5.3161	5.5396	6.3031	6.2475	7.6477	8.1553
Average exchange rate (HRK : 1USD)	3.5774	5.9953	5.2300	5.4338	6.1571	6.3623	7.1124	8.2768

^a Preliminary data for 2000.

^b Data on population in 2000 was taken from data from 1999.

^c Part of the increase in the external debt in 1996 was caused by the inclusion of the total amount of the reprogrammed debt owed to the Paris Club and the London Club.

^d Data for 1998, 1999 and 2000 are calculated according to the new methodology.

Sources: Central Bureau of Statistics and Croatian National Bank.

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Quarterly Report

Demand

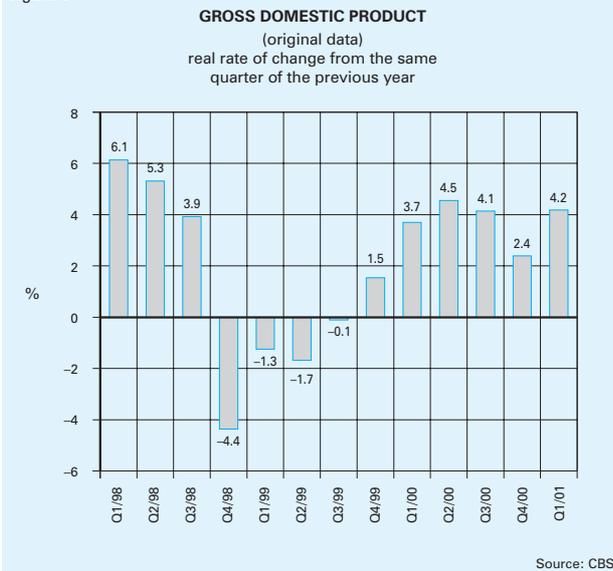
GDP grew by 4.2% in the first quarter of 2001 due to an 11.6% increase in gross fixed capital formation (the first increase recorded since the second quarter of 1999) and a rise in personal consumption. This growth is an indication of a revival in the economy, which grew at a restrained pace in late 2000. Of the six consecutive quarters of recorded growth, higher growth was recorded only in the second quarter of 2000 at 4.5%.

The growth of output in the first quarter was primarily due to an increase in gross value added of 15.5% in trade and 3.9% in industry. Hotels and restaurants and the public sector were the only negative contributors to total gross value added.

Production indicators show faster economic growth in the second quarter than in the first. However, the foreign trade balance is likely to significantly reduce the projected growth

rate. According to the balance of payments data, compared with the same quarter last year, exports of goods and services grew by a slight 2.6% (expressed in American dollars, at the current exchange rate) in the second quarter, with exports of goods rising by 3.7% and exports of services by 1.4%. Exports of tourist services fell by 3%. It is to be expected that these categories' ratio to GDP will improve in real terms within the GDP calculation for the second quarter. This is based on the fact that about 60% of goods exports is realized in euros and that the dollar weakened against the euro by 6.3%, if average values in the second quarters of this year and last year are compared. Imports of goods and services grew by 21% in the second quarter. As government consumption continues its downward trend, personal consumption, gross fixed capital formation and stocks (which are expected to rise strongly on account of import growth) will have to make a major contribution in order to offset the negative impact of the foreign trade balance. A surge in personal consumption is forecast by a rise in the import of goods and services and a 12.1% growth in retail trade.

Figure 1



Foreign Demand

Compared with the corresponding quarter last year, GDP in the euro zone increased by 2.6% in the first quarter of 2001. Although it grew at a faster rate over 2000 than in the previous two years, its growth decelerated, a trend which continued in the first quarter of this year. In the period from the second quarter of 2000 to the first quarter of 2001, the quarterly growth rate fluctuated between 3.8% and 2.6%. Industrial production in the euro zone showed a similar trend, with May even showing a fall at the annual level, due to a slowdown in both foreign and domestic demand. The growth in euro-zone imports slightly decelerated during 2000, but the deceleration was more pronounced in the first quarter of 2001.

Figure 2

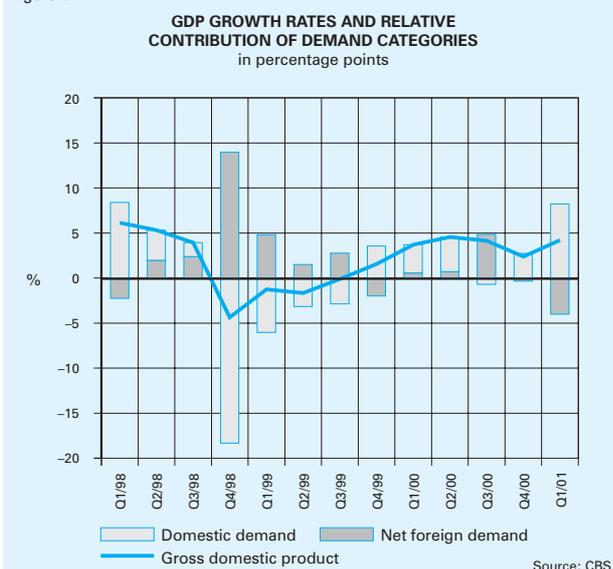
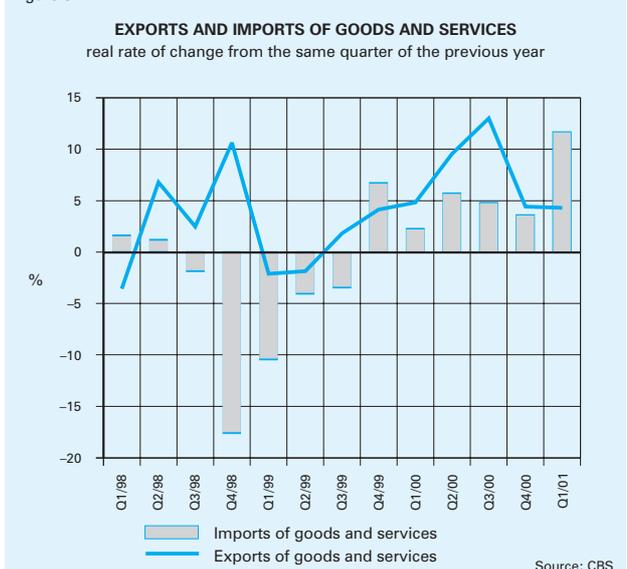


Figure 3



Croatia's GDP data for the first quarter of 2001 show that net exports of goods and services gave a negative contribution to GDP growth of 4 percentage points. In the same quarter, exports and imports of goods and services rose in real terms by 4.3% and 11.7% respectively. The growth rate of exports of goods and services in the first quarter of 2001 remained almost the same as in the corresponding quarter last year, as opposed to the growth rate of imports of goods and services, which differed significantly.

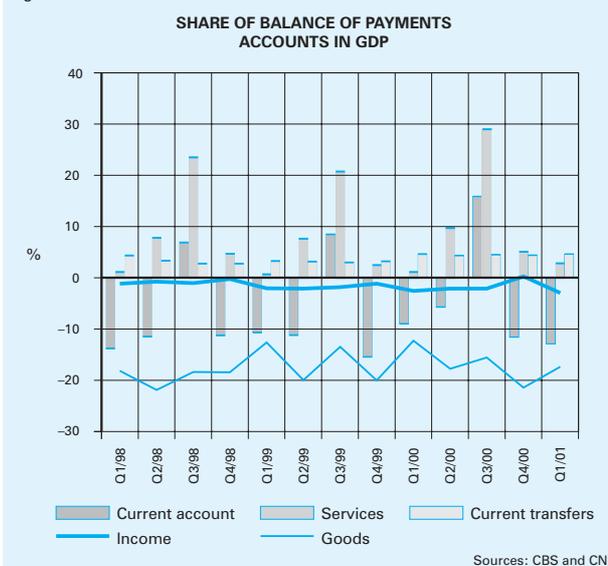
While a positive attitude towards Croatia prevailed in the global community in 2000 and GDP grew at a rate of 3.7%, the contribution of net exports of goods and services to growth amounted to 1.5 percentage points. Indicators of foreign economic relations suggest that this is not the case in 2001, despite a breakthrough Croatia made in integration processes in late 2000 and early 2001 (Croatia joined the WTO and signed the Stabilization and Association Agreement with the EU, while the Croatian Government concluded a standby arrangement with the IMF).

The merchandise trade deficit widened considerably in the first seven months of this year to USD 2.7bn. According to the CBS data, it exceeded the deficit registered in the same period last year by 48.4%. The deficit resulted from restrained export growth and dynamic imports, spurred by booming personal consumption. Expressed in American dollars at the current exchange rate, imports rose by 21.3%, in contrast to a slight 1.7% rise in exports in the same period. Exports to EU countries diminished by a considerable 3.7%, while imports from this area increased by 20.9%. This decrease in exports was primarily accounted for by an 8.5% decrease in exports of the Manufacture of other transport equipment division and a 16.1% decrease in exports of the Manufacture of chemicals and chemical products division, as well as by stagnating exports of refined petroleum products and textile industry, compared with the first seven months of the previous year. These results are even less favorable in view of the fact that regular exports account for only 40% of total exports, while the major part of total exports is accounted for by exports after further processing.

Imports of durable consumer goods went up the most, by 34.9%. However, this was the result of a 31.8% increase in imports of capital goods and a 19.4% increase in imports of intermediate goods. Imports of durable consumer goods mostly increased on account of war veterans' car import privileges, valid in the first six months of this year. In the first seven months of 2001, imports of road vehicles were 40.4% higher than in the same period of the previous year. Imports of intermediate goods ensure sustained production growth, while imports of capital goods could be accounted for by investments made from the first quarter onwards. These foreign trade balance trends led to a balance of payments deficit of USD 1.4bn in the first six months of this year, more than twice the deficit recorded in the same period last year.

Indicators of euro zone activity suggest economic growth in the second quarter with a continuation of its slowdown trend, and it is fairly risky to forecast growth in the second half of 2001¹. There are factors which can spur domestic demand on

Figure 4



the one hand, but there is also uncertainty related to the environment on the other.

It is expected that economic recession in EU countries in 2001 will slow down Croatia's economic growth in late 2001 and early 2002, regardless of potential positive effects from the diversification of Croatia's foreign trade and its expansion to the markets of former Yugoslavia and transition countries. The slowdown in the growth of goods exports in the first seven months and services exports in the second quarter of 2001 suggests a lower than expected growth of goods and services exports over 2001. The main cause of the 2001 economic slowdown could be the weakening in foreign demand. However, the unfavorable environmental factors could be mitigated by the Stabilization and Association Agreement concluded between Croatia and the EU, which is expected to foster economic and trade relations.

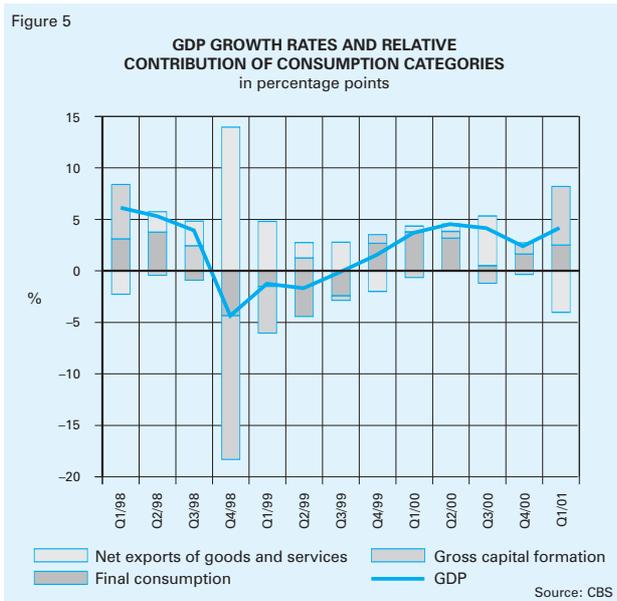
Domestic Demand

The 4.2% economic growth in the first quarter of 2001 resulted from growing domestic demand rather than growing foreign demand. Domestic demand contributed to growth by 2.7 percentage points, while the contribution of foreign demand was 1.5 percentage points. The contribution of domestic demand to growth diminished over 2000, standing at 0 percentage points for the year. Consequently, this positive contribution in the first quarter of 2001 is an indication of its revival.

In comparison with the first quarter last year, economic growth was achieved and its negative trend reversed mainly on account of the contribution of gross fixed capital formation. The opposite was the case with government consumption. The contribution of personal consumption and exports of goods and services remained unaltered, while the negative contribution of imports rose at a steep rate.

1 ECB, Monthly Bulletin, August 2001.

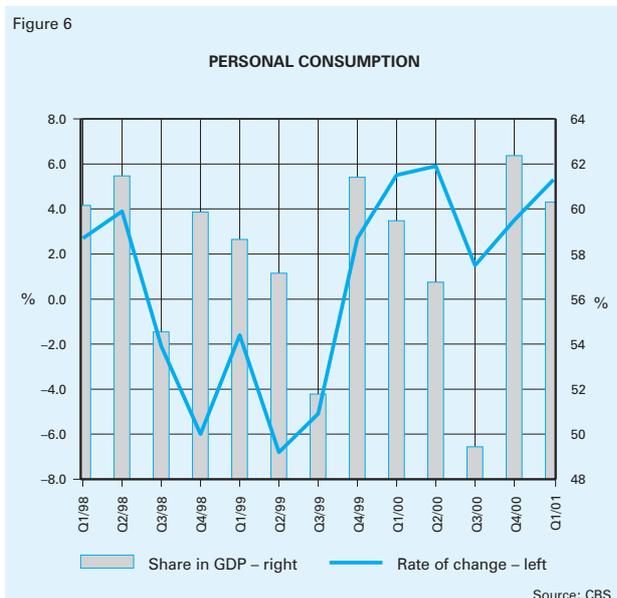
Figure 5



Personal Consumption

In relation to rates achieved in the third and fourth quarter of 2000, personal consumption increased at an accelerated rate of 5.3% in real terms in the first quarter of 2001. On account of its 61% share in GDP in the first quarter of the previous year, the increase in personal consumption contributed to GDP growth by 3.2 percentage points. The reasons behind this personal consumption growth are manifold: wages and other income, employment, indebtedness, prices, saving practices, credit requirements, interest rate policy, etc. It was mainly financed by a 7.3% real growth of the wage bill, 8.9% increase in government transfers to households (i.e. pensions, transfers to the CIHI, CEI and Child Benefit Fund) and 18.3% real increase in loans to households, compared with the same quarter last year. Although employment fell by 1.8% in the first quarter, more employees were receiving wages than in the corresponding quarter last year, which also generated personal consumption growth.

Figure 6



A rise in real retail trade turnover of 12.1% in the second quarter, in addition to an increase in imports of durable and non-durable consumer goods, forecast further personal consumption growth. It was probably funded by a 5.4% real growth of the wage bill, 7.1% real increase in government transfers to households and 23.4% increase in loans to households, compared with the same quarter last year.

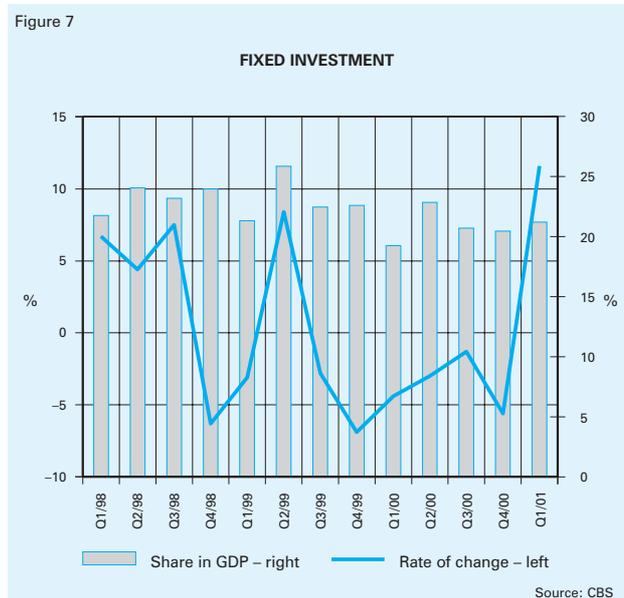
Shopping abroad has been substituted by domestic shopping, which partially induced the high growth rates recorded in trade this year. In the second part of the year, trade turnover will also be boosted by tourist consumption. In July, retail trade turnover grew by 9.2% in real terms for the year. Personal consumption to the end of the year will be influenced by Government measures within its social, fiscal and wage policies.

Investment Consumption

In comparison with the first quarter of last year, expenditures on gross fixed capital formation rose by 11.6% in the first quarter in 2001. This halted the downward trend lasting since the fourth quarter in 1998 (only the second quarter in 1999 recorded growth). Gross capital formation contributed to the 4.2% GDP growth by 2.4 percentage points.

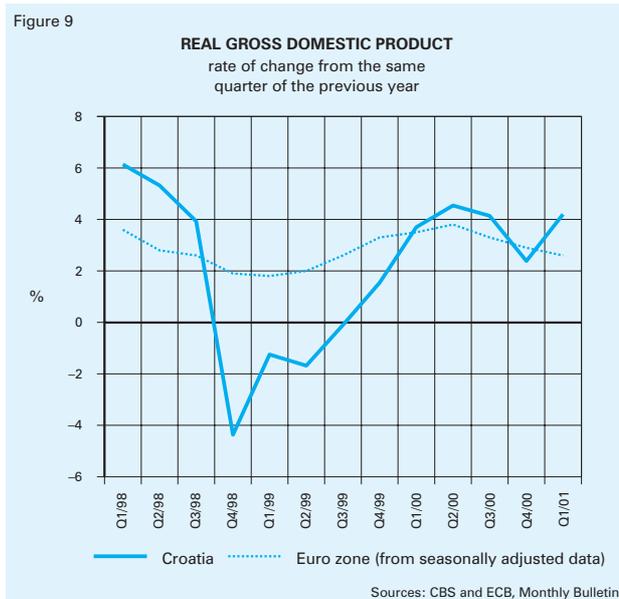
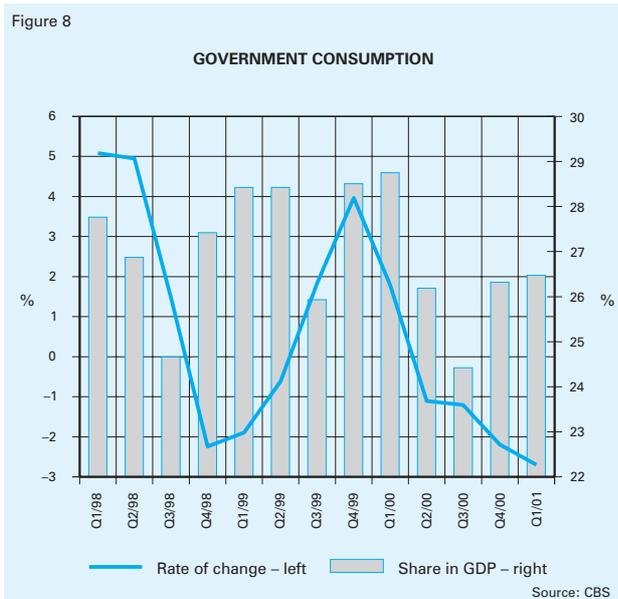
Declining government capital expenditures in the remaining part of the year could be offset by larger investment by the corporate and household sectors and by foreign funding. This gives rise to expectations of enhanced competitiveness throughout the economy. Compared with December last year, the total amount of loans granted to enterprises and households rose nominally in July by 12.6% and 16.4% respectively.

Figure 7



Government Consumption

The fourth successive decrease in government consumption was recorded in the first quarter of 2001. At 2.7%, this decrease was also the sharpest. Regarding its share in GDP, government consumption negatively contributed to growth by 0.7 percentage points. Government consumption was consider-



ably influenced by a reduction in the consolidated central government wage bill of 5.1% in real terms in comparison with the same quarter last year. Wages continued their downward trend, dropping by 5.7% for the year in the second quarter and by 14% in July in comparison with the same month last year.

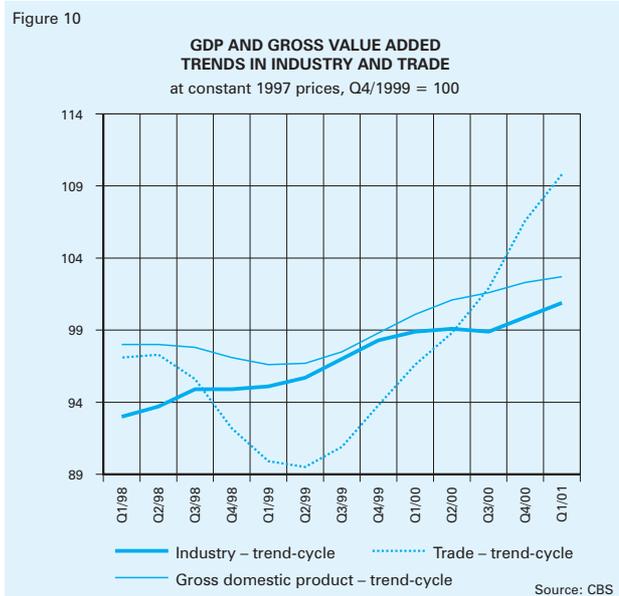
As a reduction in the public sector wage bill (through reduced employment and a wage freeze) is one of the key elements of fiscal policy in 2001, it will further limit government consumption in the second part of the year.

Output

Gross value added rose by 4.2% in the first quarter, primarily on account of good results achieved in trade and industry, which grew by 15.5% and 3.9% respectively. Trade continually trended upwards over 2000, while the contribution of industry gradually diminished to rebound in the first quarter of this year. Gross value added decreased in hotels and restaurants and in the public sector. Agriculture, transport and financial intermediation continued their positive trends. Construction showed a 6.1% gross value added growth rate, thus checking its long-lasting downward trend.

Indicators recorded in the second quarter of 2001 suggested a higher GDP growth rate in the second quarter than in the first quarter of this year. In comparison with the corresponding period last year, the total volume of industry and retail trade turnover grew by 6.2% and 12.1% respectively. In addition, tourist nights rose by 22.9%, while construction works done increased by 1.7%. The number of transported passengers went up by 1.1%, while the quantity of transported goods rose by 4.2%. The total volume of industrial production increased by 8.5% in August, while real retail trade turnover rose by 9.2% and tourist nights by 11% in July. In conclusion, economic growth generators kept their steady pace in the beginning of the third quarter.

This year industrial production made its first real recovery since recession in 1999. At the annual level, it grew by 5.5%



and 6.2% in the first and second quarter respectively. Fears that industrial production would continue its downward trend, aroused by the minimal year-on-year growth of 1.1% in June and 3.5% in July, with one working day more than in July last year, were dispelled by its 8.5% monthly year-on-year growth in August. The number of working days in August this year was the same as in this month last year. In this environment, annual growth was 5.8% in the first eight months. Until the end of August, working days were higher in number by 2.4% in comparison with the first eight months of the previous year.

Compared with total industry, manufacturing rose at an above-average rate, 6.7% in the first six months and 8.6% in August alone. The Manufacture of other transport equipment division, the Manufacture of pulp, paper and paper products division and the Manufacture of food and beverages division contributed to overall industry growth by a significant 3.5 percentage points. The growth rates of the first and second division were extremely high in the first eight months, 34.1% and

37.5% respectively. Of the twenty-three divisions, only four recorded a decline in production in this year. In the Manufacture of radio, television and communication equipment and apparatus division, this fall was 46.6%. This division made the strongest impact on the declining growth rate. Production also fell in the Manufacture of refined petroleum products division, in the Manufacture of chemical products division, and in the relatively small Recycling division.

Labor productivity, calculated as the ratio between the total volume of industrial production and the number of employees, increased by 9.9% in the first half of the year. This was due to a reduction in employment (3.7% in the same period) as was the case in previous years, but to other reasons as well. Manufacturing productivity growth was even steeper, at 11.8%. However, gross value added in manufacturing rose at a more restrained pace than its productivity, so that competitiveness remained unaffected. Compared with the same period last year, the real gross wage in manufacturing grew by 3.8% in the first six months

Industrial production growth in this year did not boost exports. In the first seven months, the value of exports in manufacturing remained at the level achieved last year, measured in American dollars at the current exchange rate, while imports rose by 22.9%. Exports increased the most in the Manufacture of other transport equipment division, accounting for a 13% share in overall industry exports (in spite of an 8.5% year-on-year decrease in the first seven months). The Manufacture of chemical products division and the Manufacture of refined petroleum products division followed, with their shares at 11% and 10% respectively. Exceptionally high year-on-year export growth rates were recorded in the Manufacture of office machinery and computers division, 95.6%, in the Manufacture of tobacco products division, 50%, in the Manufacture of medical, precision and optical instruments, watches and clocks division, 49.9%, and in the Manufacture of radio, television and communication equipment and apparatus division, 39.2%.

The Manufacture of motor vehicles division recorded the highest value of exports, 12% of total industry exports. The

Manufacture of chemicals and chemical products division and the Extraction of crude petroleum and natural gas division had a share of 11% each, while the share of the Manufacture of machinery and equipment was 10%. According to the SITC classification, imports of road vehicles rose by 40.4%.

After decreasing sharply since the third quarter of 1988, gross value added in construction grew by 6.1% in the first quarter of this year. This halted the negative trend in construction, whose value added had declined by 8.3% in 1999 and 4.5% in 2000. The 1.7% increase in construction works done in the second quarter of 2001 indicate further growth of gross value added in this quarter and an increase in investments. In the first six months of 2001, construction works done were 0.9% above the same period last year.

Compared with the corresponding quarter last year, net construction project orders on the Croatian territory were higher in value than net construction project orders abroad. In comparison with the same period last year, the former rose by 14.7% in nominal terms, while the latter decreased by 9.7%.

There were 4.4 million tourist arrivals in the first seven months of 2001. Domestic tourists accounted for 0.8 million arrivals and foreign tourists for 3.6 million. In comparison with the corresponding period last year, the number of tourists rose by 13% this year, with a negligible increase in the number of domestic tourists and a 16% rise in the number of foreign tourists. There were 23.1 million tourist nights in the first seven months of this year, 15.2% more than in the same period in the previous year. In 2001, domestic tourist nights dropped by 1.6%, while foreign tourist nights rose by 18%. As regards the country of residence, tourists from six countries accounted for the most tourist nights. The share of German tourists in foreign tourist nights was the largest, at 26.8%, and the number of nights they stayed increased by 36% for the year. Slovenia accounted for a 14.2% share in foreign tourist nights, followed by the Czech Republic, 13.7%, Austria, 10.1%, Italy 7.4% and Poland 6.4%. The number of nights stayed by tourists from the Netherlands and Great Britain was on the increase again, rising by 29% and 50% respectively. Tourists from Bosnia-

Figure 11

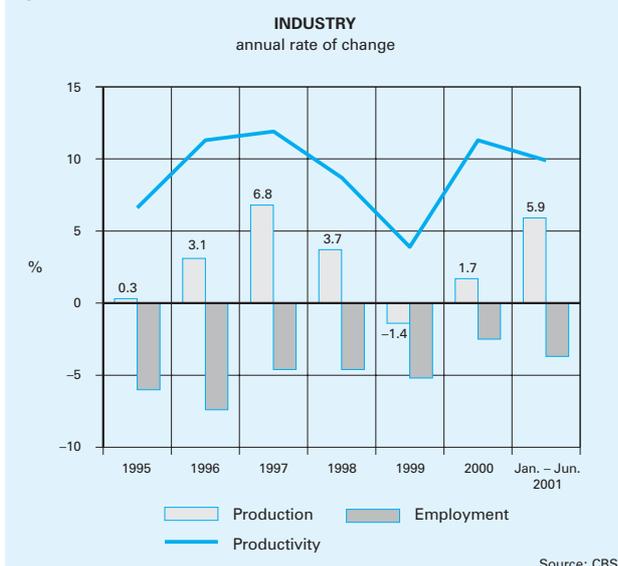
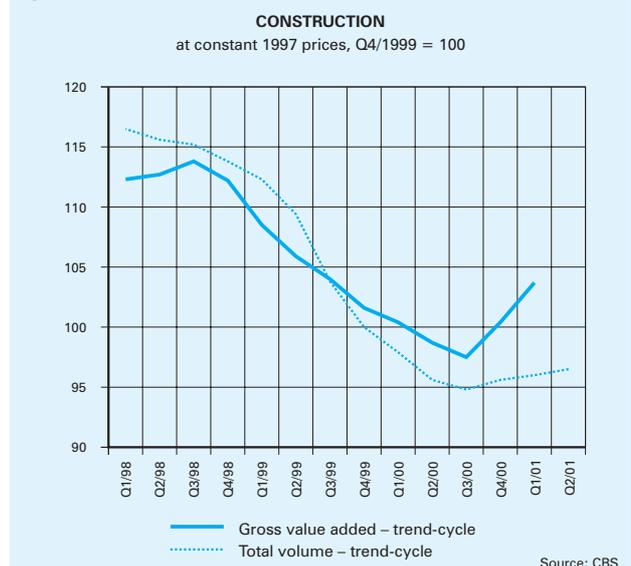
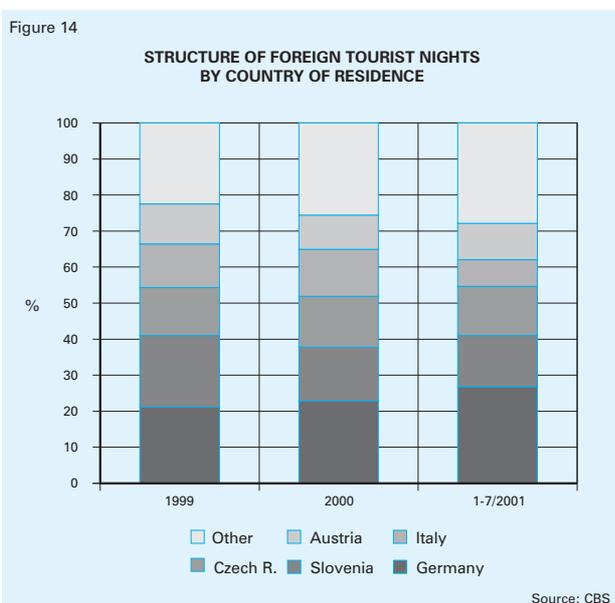
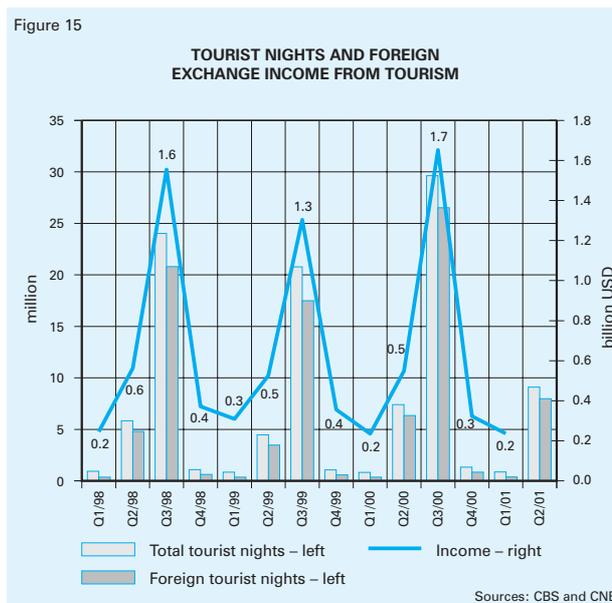
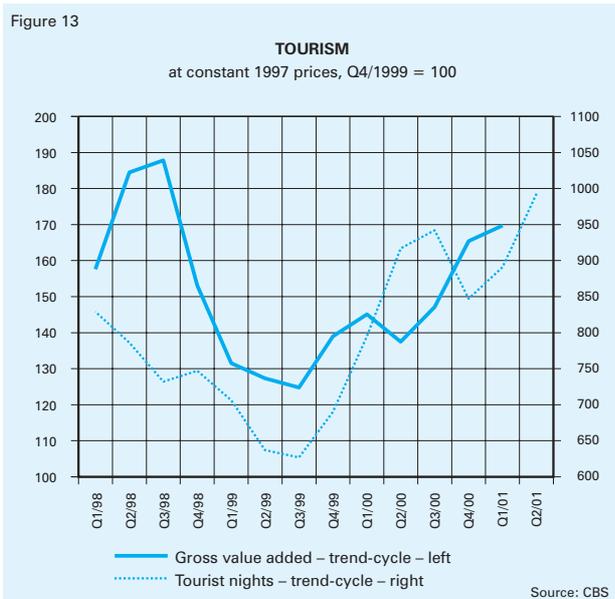


Figure 12





Herzegovina fell in number by 9% this year.

Owing to the impact of the Kosovo crisis on the results achieved in the base year, tourist nights and arrivals did not rise as considerably in 2001 as in 2000. In 2000 the year-on-year growth of tourist nights was 80.6% in June and 46.3% in July. In contrast, the rate of growth in 2001 was 19.6% and 11.0% in June and July respectively.

Data on income from tourism in 2001 are available only for the first half of the year. Compared with the first six months last year, income from travel fell by 1.8%, expressed in American dollars at the current exchange rate, retaining a positive balance although 5.6% lower than the balance in the same period last year. In the first six months, the foreign trade deficit was in part covered by income from services. As shown by the balance of payments data, tourist services generated USD 769m of income in the first six months of 2001. Travel ran a surplus of USD 473m. Income from tourism accounted for a 27.3% share of the total balance of payments current account income over

2000. In 2001 this share was 17.1%.

In the first quarter of 2001, gross value added in transport, storage and communications rose by a significant 6.6% for the year. This area showed strong performance throughout 2000, with the gross value added rate of growth standing at 6.3%.

The transport of passengers, transport of goods and telecommunication services were on the increase in the second quarter of this year. The transport of passengers and goods increased by 1.1% and 4.2% respectively. In comparison with the same quarter last year, the number of immobile network impulses increased by 10.5%, the number of mobile network impulses (Cellular phone and Cronet) by 2.5% and the number of minutes spent in the mobile network (Cellular phone, Cronet and VIP-NET) by 35.5%. According to the preliminary data presented by Croatian Telecom, 936,000 subscribers made less use of the immobile network telecommunication services as the result of the August rise in their prices. The actual impact of this rise in prices on gross value added will not be evident until the third quarter of this year.

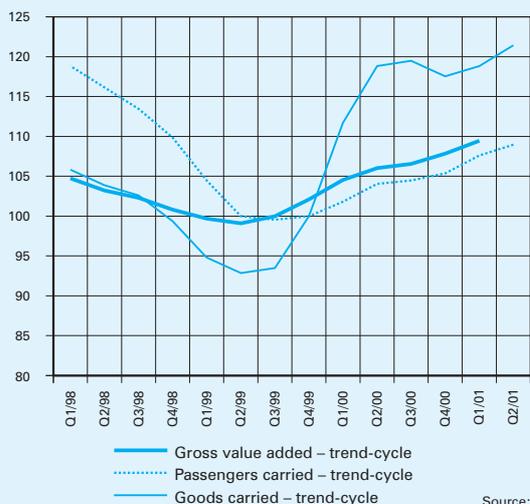
Air transport rose by 24.7% and seawater and coastal transport by a considerable 16.1%. However, as the air transport of passengers accounted for only 1.1% of all passengers carried and seawater and coastal transport for 6.5%, this growth did not significantly increase their total number.

The turnover of enterprises/trade companies whose main activity is retail trade and car sales rose by 7.8% in real terms in the first seven months of 2001 compared with the same period last year, while retail trade turnover generated by all enterprises engaged in this activity, regardless of their main activity, rose by 11.3% in real terms. As already mentioned, gross value added in trade grew at a rate of 15.5% in the first quarter of this year. The 12.1% growth in retail trade turnover in real terms in the second quarter and its year-on-year real growth of 9.2% in July are indications of an increase in gross value added in the second quarter and its further growth in the third quarter. They also suggest that personal consumption is likely to rise after the first quarter.

The sale of motor vehicles and their repair and maintenance

Figure 16

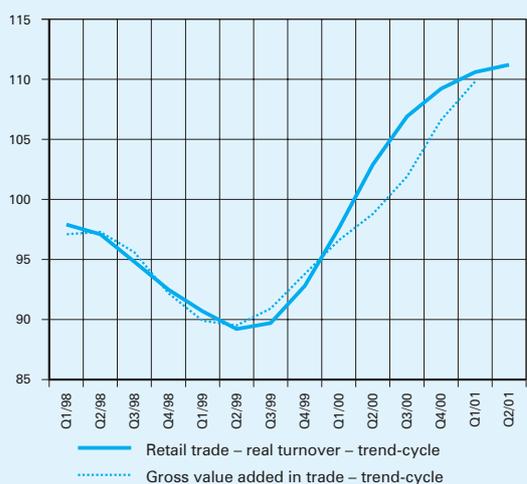
TRANSPORT, STORAGE AND COMMUNICATION
at constant 1997 prices, Q4/1999 = 100



Source: CBS

Figure 17

TRADE
at constant 1997 prices, Q4/1999 = 100



Source: CBS

rose by 25.3% in nominal terms in the first quarter of 2001 but slowed down in the second quarter, resulting in a 24.3% growth in the first six months, while a 12.7% decrease in July resulted in a 19% nominal rise at the annual level in the first seven months. Transport statistics show a considerable increase in the number of newly registered cars this year: in late July 2001 there were 66,400 personal vehicles with the first registration, in comparison with 41,268 late in the same month in 2000, an increase of 61%. In addition to war veterans' car import privileges, these purchases were also stimulated by lower consumer credit interest rates.

Labor Market

Trends in the labor market have been diverse in recent months. On one hand, they have obviously been more dynamic this year, especially regarding the outflow from the CEI

records and higher employment, while the inflow into the CEI register has remained at almost the same level as last year. On the other hand, employment has declined in comparison with last year, while unemployment increased. Still, these negative trends have slowed since the beginning of this year.

In line with this, wage indicators have also been contradictory. According to CBS data, the average net wage has stagnated this year in real terms, while the net wage bill paid through the IPT has risen considerably, due to a higher number of employees receiving wages.

There are several causes for these trends. First of all, the economic recovery has finally made an impact on the labor market, complementing urgent reforms implemented by the Government upon coming into power. Secondly, the reduction in employment expressed in the statistical data is only virtual, as these data refer to enterprises which had not been paying wages to their employees for a longer period of time. Thirdly, although the late implementation of the wage reform in the public sector did not bring about the projected savings, the average civil service net wage fell in nominal terms and dropped considerably in real terms, which in turn contributed to a moderate growth in wages in the economy.

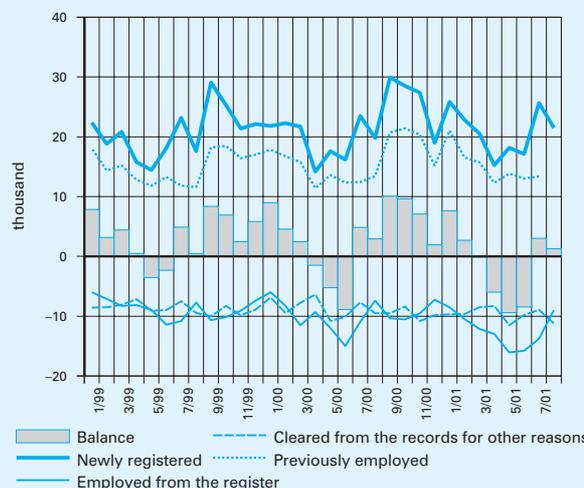
Unemployment

In the first eight months of this year, 176,000 unemployed were cleared from CEI records, 18.4% more than in the same period last year. This increased outflow was primarily accounted for by an increase in registered employment, standing at 99,000 in the first eight months, 22.8% higher than levels last year. The inflow to the CEI register rose by 5.2% in the same period, amounting to 167,000. This was 9,000 less than the outflow during the same period. Consequently, the level of registered unemployment was lower in late August this year than by the end of 2001, whereas it increased by 8,000 over the same period last year.

This inflow to and outflow from the CEI register halted the upward trend in registered unemployment in early 2001. Al-

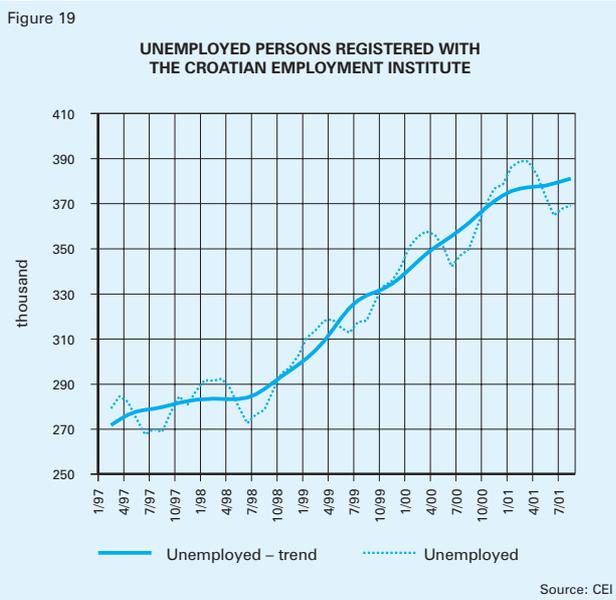
Figure 18

CHANGES IN REGISTERED UNEMPLOYMENT



Source: CEI, Monthly Statistical Report

Figure 19



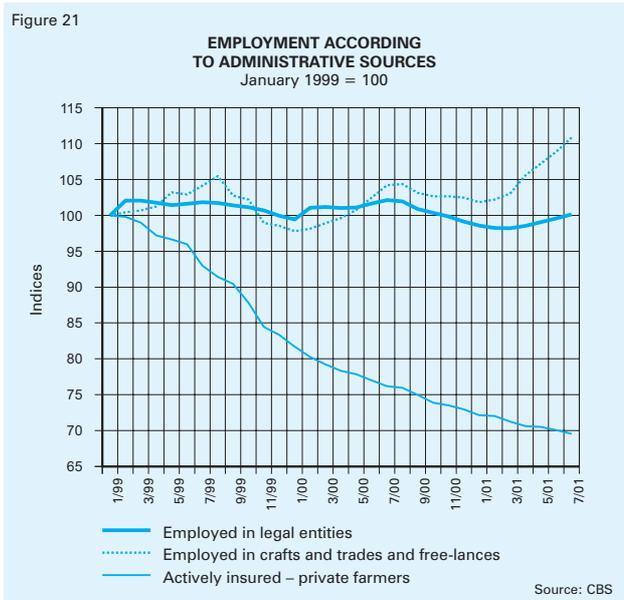
though still on the increase, the number of unemployed registered with the CEI has grown at a slower rate since the beginning of the year. In late August, registered unemployment stood at 369,000. This was 1,000 more (0.4%) than in late July, and 19,000 (5.4%) more than in the same month last year.

Employment and Labor

As shown by preliminary CBS data, total employment in July was 9,000 (0.7%) higher than in June this year, standing at 1,345,000. The seasonal employment peak was almost 15,000 (1.1%) lower than last year. In the first seven months in 2001, employment declined by an average 20,000 (1.5%) compared with the corresponding period last year.

The decrease in total employment was mainly caused by a reduction in employment in legal entities of almost 23,000 (2.2%) on average, which exceeded the total decrease in em-

Figure 21



ployment. Compared with the same period last year, the number of individual farmers continued to fall, dropping by 8,000 (9.9%) in the first seven months of this year. In relative terms, this fall was more significant than the reduced employment in legal entities, since the share of individual farmers in total employment is small, about 5.5%. In spite of this minor share, however, the reduction in the number of individual farmers in recent years has contributed the most to the decline in total employment. Increasing rapidly this year, the number of persons employed in crafts and trades and free lances was almost 11,000 (5.4%) higher in the first seven months of 2001 than in the same period last year. This offset the decline in total employment.

The concurrent growth of employment and unemployment in July boosted the labor force by 12,000 (0.7%) in the same month. The increase in unemployment in the first seven months of this year exceeded the decrease in employment in the same period. Therefore, the July increase in the labor force was not solely seasonally induced, since the labor force recorded an av-

Figure 20

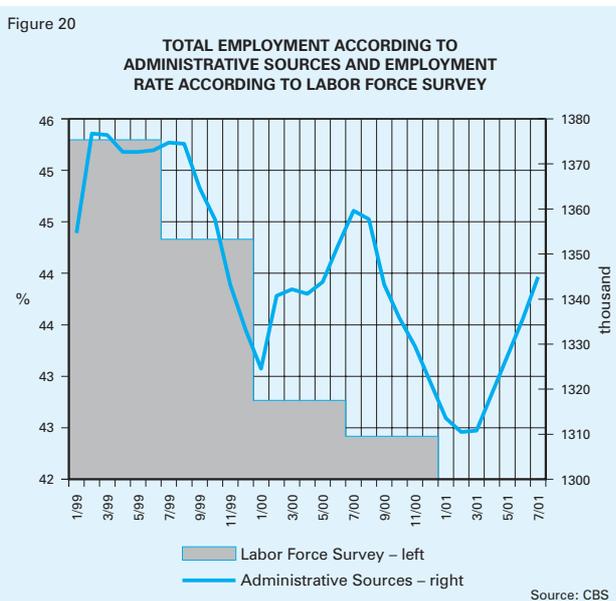
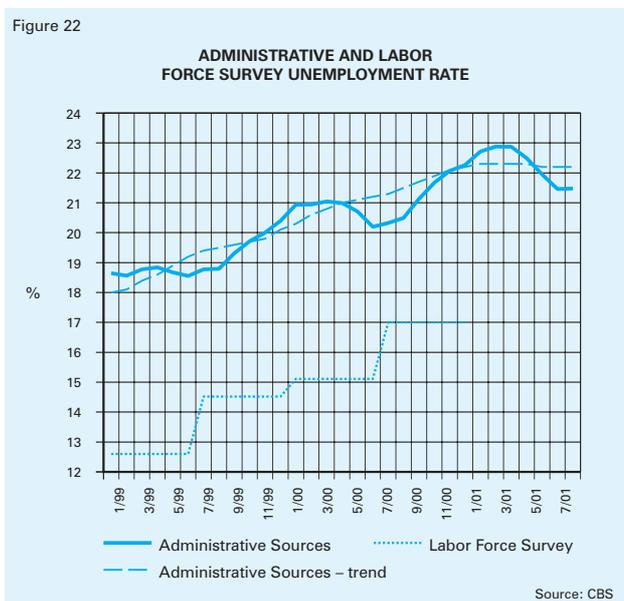


Figure 22



erage rise of 7,000 (0.4%) in the first seven months of this year in comparison with the same period last year.

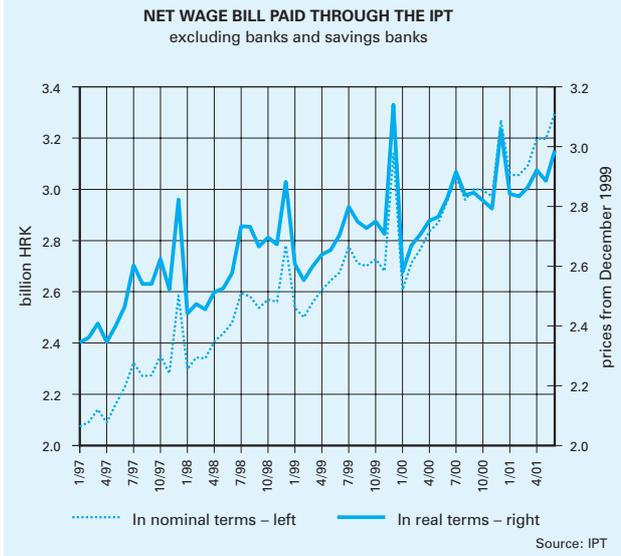
In contrast, a drop in the unemployment rate in the second quarter was solely due to seasonal factors. Still, registered unemployment stagnated in number and checked the unemployment rate trend. The administrative unemployment rate was thus 21.5% in July, 1.1 percentage point higher than that in the same month last year. In the first seven months of this year, it averaged 22.3%, recording a 1.5 percentage point increase in comparison with the same period last year. Labor Force Survey data on employment and unemployment for the first half of the year will not be available until late 2001.

Wages and Labor Costs

In 2001, net wages grew only slightly above the cost of living in nominal terms. As suggested by the CBS indicators, the average nominal net wage paid in the first seven months of this year grew by 7.8%, which corresponds to its increase of 1.8% in real terms. In July alone, the average wage grew at a below-average rate in nominal and real terms, 5.2% and 0.9% respectively. Such restrained wage growth was primarily owed to the newly introduced system of civil service wage coefficients, aimed at achieving fiscal savings through enhanced transparency in the public sector. In effect, the average net wage paid in public administration and defense and compulsory social insurance in July was 4.3% lower in nominal terms than in the same month last year. The average net wage in the health and social work sector grew by a negligible 0.1%, thus recording a nominal stagnation. Employees in education were the least affected, as their average wages rose by 1.9% in nominal terms, although their real value was affected.

Gross nominal wages grew at a lower rate than net wages. The average gross wage rose by 4.2% in nominal terms, while it decreased by 1.7% in real terms. The difference between the net and gross wage growth was the result of the labor cost reduction policy intended to dissolve increasing unemployment pressures.

Figure 24



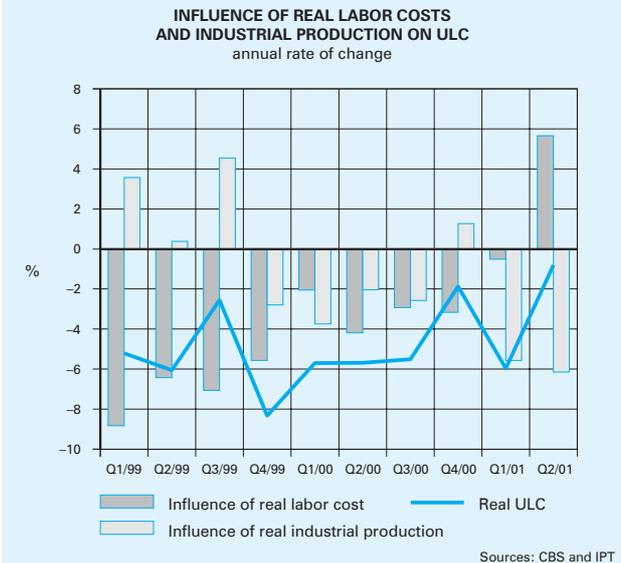
The net wage bill paid through the IPT in the first half of 2001 was 11.6% higher in nominal and 5.6% in real terms compared with that in the same period last year. This nominal and real growth of the wage bill may seem contradictory in light of average wage stagnation and declining employment. On one hand, it is an indication that the initiation of bankruptcy proceedings in insolvent enterprises, which had not paid wages, is the main cause of the statistical decline in employment. On the other hand, although the economic recovery did boost employment in solvent companies, these positive effects are not yet visible, owing to the restructuring process and its prevailing impact on statistical data on employment.

Having been in downward trend for two and a half years, real unit labor costs in industry stagnated in the second quarter of this year. This stagnation occurred in spite of the mentioned high real growth of the wage bills in both industry and the overall economy, which was in itself a reversal of previously recorded trends. Still, industrial production growth in the second

Figure 23



Figure 25



quarter was able to confront potential inflationary pressures of the wage bill increase.

Average wage trends have been strongly influenced by fiscal restrictions. It seems that the economic recovery is still not conducive to wage increases and possible inflationary pressures they could produce on account of increased production costs. Also, owing to a high and static unemployment rate (regardless of the method of calculation), it can hardly be expected that a possible future increase in demand for labor will cause its shortage, except in some high demand occupations. The average wage trends have always been primarily institutionally determined, rather than dependent on supply and demand. Therefore, the policy of wage restraint in the public sector and the overall economy should be continued, in addition to alleviating excessive fiscal burden still placed on labor.

Prices

The year-on-year inflation measured by the changes in the retail price index (RPI) decreased by 1.1 percentage points in the second quarter of 2001, from 6.0% in March to 4.9% in June 2001 (Figure 27). In the observed period, core inflation, excluding agricultural products and administrative prices, decreased by 0.2 percentage points, resulting in a June year-on-year inflation rate of 4.4%.

For the first time in the last two years, the year-on-year growth in retail prices fell below 4.0% in July 2001, equal to core inflation at 3.8% in the same month. However, the downward trend in the RPI inflation did not continue in August due to a considerable increase in the year-on-year growth rate of 5.8%. In addition, the year-on-year growth in goods prices from the RPI stood at 3.6% in August, holding steady from the previous month. In contrast, the year-on-year rate of services prices grew from 4.8% in July to 13.8% in August as a result of an increase in administrative prices, especially certain fixed network telecommunication services (Figure 26). This caused a one-off increase in total retail prices in August 2001.

The overall RPI recorded a large monthly increase of 1.8% in August, equivalent to the overall growth in retail prices in the first seven months of 2001. The prices of goods which account for a 78.61% share in the retail price basket fell by 0.1% in August from that in July 2001. A considerable monthly increase in the overall RPI is to be attributed to an 8.6% average increase in prices for services. This is primarily the result of a high increase in administratively set services prices. As indicated by the CBS data, the prices of local telephone calls thus rose by 211.1% in August, telephone subscription by 50.0%, heating by 7.9%, obligatory automobile insurance by 5.9% and the transport of passengers by vessels by 7.3%. The said increase in fixed network telecommunication services resulted in an average monthly growth in postal and telecommunication services prices of 103.8% that multiplied by its respective weight of 0.0172 (in the overall RPI) yields the increased amount of direct contribution in this group of products to monthly inflation. The direct contribution of this increase in the prices of postal and telecommunication services to the monthly inflation rate amounted to 1.79 percentage points in August this year.

Although movements in retail prices were unfavorable, it is encouraging that inflation growth rate did not accelerate in August. This is evidenced by the data on movements in the core RPI that excludes, inter alia, fixed network telecommunication services under the control of the Ministry of Maritime Affairs, Transport and Communications. According to the CBS data, the year-on-year core inflation rate thus rose slightly in July compared with August this year, from 3.8% to 3.9%. The monthly increase in the core RPI stood at 0.2% in August and was the same as in the two previous months.

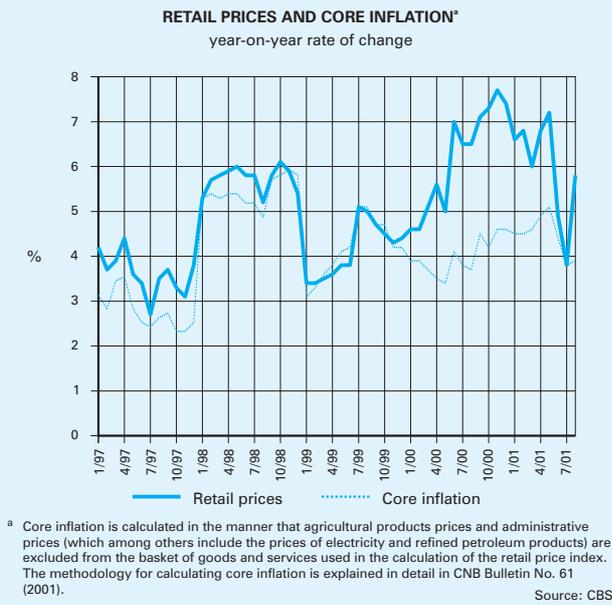
Accordingly, it can be concluded that the August upsurge in retail prices was of a transitory character and had a one-off impact on the increase in the aggregate level of retail prices. In addition, the significant increase in retail prices in August 2001 also reflects certain methodological problems related to the statistical monitoring of telecommunication services prices. Out of broad spectrum of fixed and mobile network services that are offered to consumers, the existing RPI basket includes only the prices of telephone lines in the fixed and mobile networks, telephone cards, individual telephone line subscriptions in the fixed network and the price of telephone impulses for local calls on the fixed network. However, this basket does not include, for example, the prices of long-distance and international calls on the fixed network which fell by 30% and 50%² in August when the new tariff system was introduced for the fixed network and the prices of calls from the fixed to the mobile network that remained unchanged. The new tariff system replaced the two telephone line subscriptions of 40 and 70 kuna with a unique telephone line subscription of 60 kuna that includes, if required by a customer, a detailed listing of calls made. Moreover, the length of telephone calls is no longer expressed in impulses but in minutes. The above-mentioned structure of telecommunication services included in the RPI basket shows that all the listed quantitative and qualitative changes within the new tariff system have not been adequately covered in the calculation of the August RPI.

Figure 26



2 According to the HT data.

Figure 27



The movements in the prices of the main RPI components in the first eight months of 2001 (Figure 26) indicate a downward trend in the year-on-year inflation rate measured by changes in the index of goods prices. This rate fell from 6.1% at the end of the first quarter to 4.9% at the end of the second quarter, reaching 3.6% in July and remaining stable until August. Those goods whose prices are included in the RPI basket are mostly the so-called tradables. As such they are subject to international competition, and changes in these prices largely depend on movements in the domestic currency exchange rate. Therefore, the relative stability of the exchange rate, i.e. the appreciation of the kuna exchange rate against the euro undoubtedly influenced the easing of inflationary pressures in the observed period.

The said decrease in the year-on-year growth rate of goods

prices in June compared with March 2001, which stood at 1.2 percentage points, resulted mostly from a significant reduction in the prices of liquid fuels and lubricants in the year-on-year growth in prices of goods from the RPI. The contribution of the liquid fuel and lubricant prices to inflation decreased in June this year partly due to a monthly fall in prices of refined petroleum products of 3.7% on average. This fall in refined petroleum products prices resulted from favorable movements in the world oil market and the negative impact of a comparable base period³ that, to a great extent, contributed to the fall in the year-on-year growth rate of liquid fuels and lubricants prices, from 18% in March to 4.8% in June 2001.

Influenced by, above all, the described movements in refined petroleum product prices in the domestic market, administrative prices contributed less to the overall year-on-year rate of growth in retail prices. The contribution of these prices reduced from 2.37 percentage points at the end of the first quarter to 1.27 percentage points at the end of the second quarter, reaching only 0.76 percentage points in July this year (Figure 28). In addition, the difference between core inflation and RPI inflation on an annual basis also decreased significantly. The contribution of administrative prices to the overall year-on-year rate of growth in retail prices was significant in August, reaching 2.70 percentage points. In contrast, the contribution of agricultural product prices and core inflation remained stable.

Movements in the main components of imported inflation in the second and at the beginning of the third quarter in comparison with the same period last year indicates, in principle, the easing of inflationary pressures from abroad. The average monthly prices of crude petroleum in the world market rose in April and May 2001 compared with their March price (Figure 29). However, they were still lower than the maximum price from the first quarter of 2001 (a \$27.85 per barrel in January). Despite the summer season during which crude petroleum demand usually grows, crude petroleum prices started to de-

Figure 28

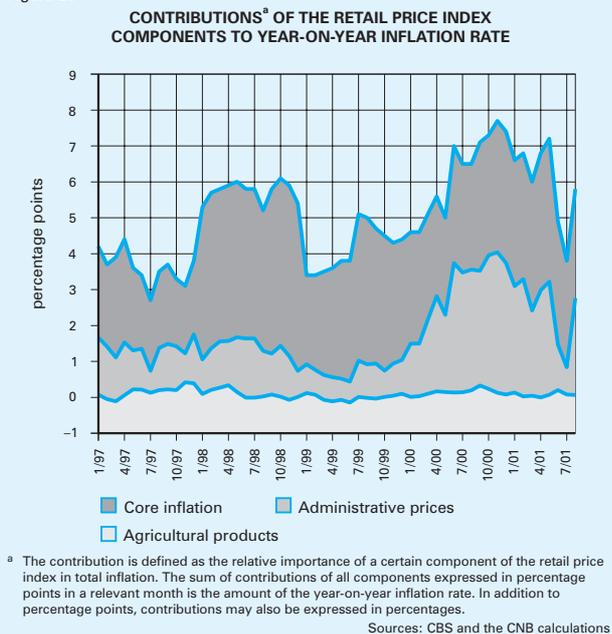
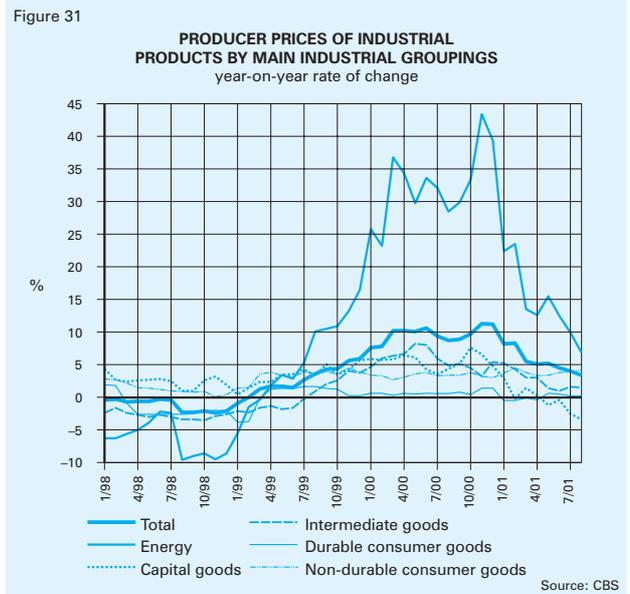
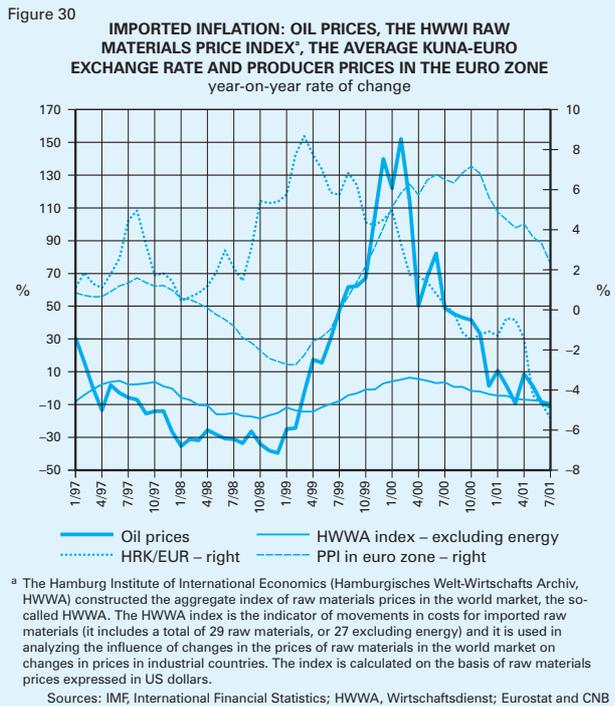


Figure 29



³ It should be noted that the average monthly prices for refined petroleum products rose by a significant 23% in June 2000 due to increase in excises.



crease in June 2001. This downward trend became even more prominent in July. The average price for refined petroleum products was \$26.97 per barrel in June 2001, 8.9% lower compared to the same month last year (Figures 29 and 30). The influence of slowed global economic activity on the world demand for crude petroleum and partly renewed stocks in the USA were the main causes of this movement.

The developments in oil prices in the world market, and consequently in the Mediterranean market, followed by a nominal depreciation of the average monthly exchange rate of the kuna against the dollar of only 1.6% in June compared with May 2001 and the strong exchange rate appreciation of 1.9% in July compared to June 2001 resulted in a downward adjustment in refined petroleum products prices in the domestic market as well. Accordingly, the retail prices of liquid fuels and lubricants fell on average by 3.7% in June from the previous month. This fall was even stronger in July – 5.7% compared with June and was reflected in a decrease in the overall RPI. The data on the changes in the prices of raw materials excluding energy (coal and oil), covered by the HWWA index⁴, in the world commodity exchanges show that they were on a downward trend in the second quarter of 2001 compared with the same period last year. A downward trend in the producer prices of industrial products in the euro zone also continued. The July year-on-year growth rate of producer prices of 2.3% was far below the 4.3% recorded in the last month of the first quarter. Such developments resulted from lower input costs related to the early phases of production and, above all, from lower prices of oil and other raw materials.

Although it is difficult to forecast with certainty future changes in crude petroleum prices, the prices of options that relate to the delivery of oil at the end of 2001 and during 2002

Box 1: Methodology for Calculating the Index of Raw Materials Prices in the World Market Regularly Published by the Hamburg Institute of International Economics (the so-called HWWA index)

The HWWA index is the aggregate indicator of movements in costs for imported raw materials, and it is used in analyzing the influence of changes in the prices of raw materials in the world market on changes in the index of prices and export competitiveness in industrially developed countries. The Hamburg Institute of International Economics regularly publishes this index, developed in the 1950s.

The index is calculated according to the Laspeyres formula, and shows by how much the basket of imported raw materials with respective weights from the base period is more expensive or cheaper in the current period compared with the base period (1990). The basket used in the calculation of the index includes the following 29 raw materials whose respective weights are stated in brackets: barley (0.11%), maize (1.1%), rice (0.26%), wheat (0.61%), soybeans (1.62%), coconut oil (0.13%), palm oil (0.1%), sunflower oil (0.1%), coffee (2.48%), cocoa (0.71%), tea (0.36), tobacco (1.33%), sugar (1.05%), cotton (1.23%), wool (1.11%), hides (0.76%), wood (8.58%), rubber (0.94%), wood pulp (4.27%), aluminum (3.84%), lead (0.22%), copper (3.04%), nickel (0.95%), zinc (0.63%), tin (0.27%), iron ore (3.0%), steel scrap (0.69%), coal (5.03%) and crude oil (55.48%). These weightings are calculated on the basis of data from the trade balance of the OECD countries, which show the total value of imported raw materials for the period between 1989 and 1991, after excluding the trade between EU countries. The index is originally calculated on the basis of the prices of raw materials expressed in US dollars and is also published in German marks and euros.

Among others, the sub-index, excluding energy prices which account for a significant share in the overall index (60.51%) and thus greatly influence the movements in the aggregate HWWA index, is calculated in addition to the overall index.

⁴ The methodology for calculating the HWWA raw materials price index in the world market is elaborated in Box 1.

show that world market participants expect their further stabilization and reduction. Overall, the described movements in prices of oil, raw materials and producer prices in the euro zone provide a basis for the conclusion that inflationary pressures, whose sources are outside Croatia, were reduced in the second and at the beginning of the third quarter, and that more significant spillovers of foreign inflation into domestic prices is not to be expected in the near future.

This years' fall in the prices of oil and raw materials in the world market, larger than the one recorded at the end of the second quarter and in July 2000, the slowdown in the growth rate of producer prices in the euro zone and the relative stability of the index of the nominal effective exchange rate of the kuna also contributed to a continuation of the downward trend in the year-on-year growth rate of the producer prices of industrial products in Croatia. The year-on-year inflation measured by the changes in the producer price index (PPI) fell from 5.5% at the end of the first quarter to 4.5% at the end of the second quarter of 2001 and stood at 4.0% and 3.4% in July and August 2001, respectively. Overall, producer prices decreased, on average, by 2.5% in the first eight months of 2001.

According to the main industrial groupings, the prices of energy and capital goods decreased the most (by a total of 11.5% and 5.1% respectively) in the first eight months of 2001. In the same period, intermediate goods prices excluding energy prices decreased by 1.4%, while durable and non-durable consumer goods prices rose by 0.2 and 3.8%, respectively.

Exchange Rate

Foreign exchange market movements in the second and at the beginning of the third quarter of 2001 were marked by the significant nominal appreciation of the exchange rate of the kuna against the euro and the increased volatility of the exchange rate (Figures 32 and 33). The kuna strengthened against the euro by 4.57% in the second quarter of 2001, from HRK 7.68/EUR at the end of March to HRK 7.33/EUR at the

end of June 2001. The kuna appreciated by an additional 1.96% in July, reaching HRK 7.19/EUR at the end of that month. In order to slow the trend in kuna exchange rate appreciation, the CNB intervened abundantly in the foreign exchange market. It held a total of four auctions in the second quarter of 2001, where it purchased EUR 206.0m from banks. An additional EUR 143.65m were purchased at an auction held in July, that together with purchases made in the second quarter resulted in the total of EUR 349.65m. In addition, USD 101.57m were purchased from the Ministry of Finance in mid-July. These measures reversed the upward trend in the exchange rate of the kuna against the euro in the last week of July.

However, this has not stabilized the kuna exchange rate which uncommonly for the season started to depreciate strongly against the euro. The kuna thus weakened by 5.91% in August compared with its July value, and stood at HRK 7.61/EUR. As a result, the exchange rate of the kuna against the euro returned to its level from the beginning of the second quarter of 2001 (April 18).

In an effort to ease the strong depreciation pressures on the kuna exchange rate that were noted in August, the CNB intervened on three occasions by selling a total of EUR 410.25m to banks and enacted several decisions within its authority. On August 16, 2001, the CNB enacted the decision on reducing the permitted exposure of the total foreign exchange position to currency risk from 25% to 20% of authorized bank and savings bank regulatory capital, and the possibility of making exceptions in implementing this decision was eliminated. This decision was above all aimed at limiting the long foreign exchange positions (foreign exchange claims exceeding foreign exchange liabilities) recognized by certain banks as an optimum short-term investment strategy in the period of pronounced kuna liquidity and low interest rates in the money market and the primary market in the first half of August. In addition, on September 5, the CNB enacted the decision on the increase in the interest rate on Lombard loans from 9.5% to 10.5%, the decision on the reduction of the remuneration rate calculated on allocated kuna reserve requirement from 3.5%

Figure 32

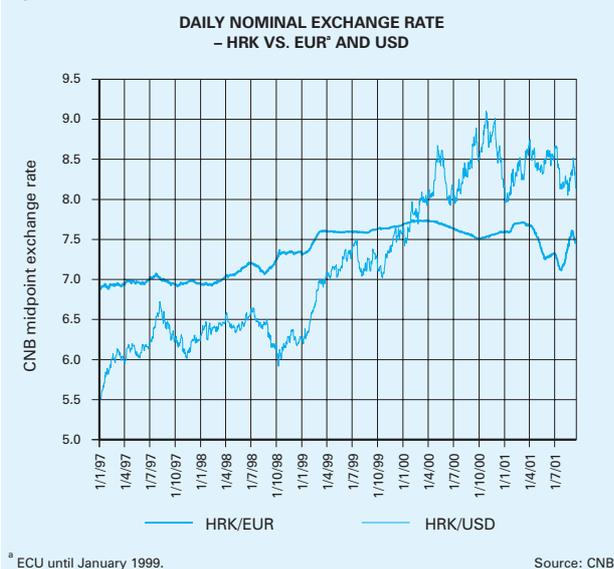
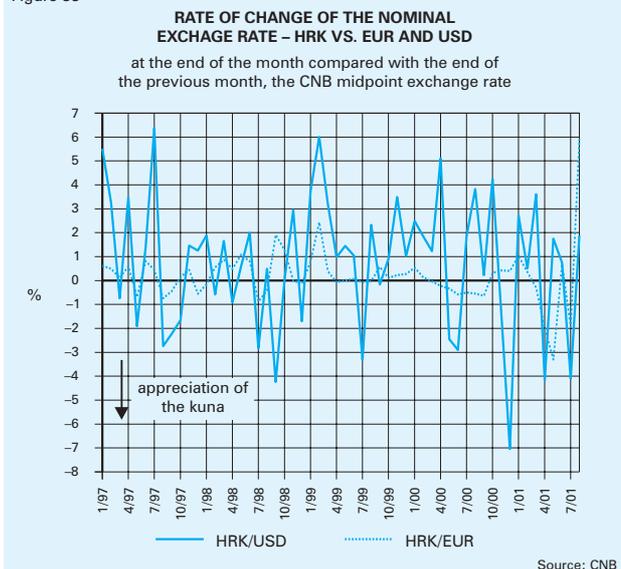


Figure 33



Box 2: The CNB Methodology for Calculating the Nominal and Real Effective Kuna Exchange Rate

In a small and open economy such as Croatia's, movements in the domestic currency exchange rate have a significant influence on economic developments – changes in prices and aggregate demand, movements in the balance of payments, etc. Thus, for example, changes in the exchange rate may directly, through changes in imported goods prices, influence inflation. In addition, changes in the exchange rate may also indirectly influence inflation through the competitiveness of domestic products in foreign markets and the competitiveness of foreign products in the domestic market; both factors may influence the domestic production developments.

The exchange rates of the kuna against 27 foreign currencies, whose value movements differ widely, are regularly published in the exchange list determined daily by the Croatian National Bank. For the purpose of economic analysis, the selected bilateral exchange rates are compiled into one aggregate indicator of changes in the value of the kuna against the basket of currencies, the so-called index of the nominal effective exchange rate, which is calculated as a base index. The series of indices of the nominal effective exchange rate is a collective indicator of changes in the value of the domestic currency of one country, mostly against the value of the currencies of countries that are its most important trading partners, compared with a certain base period. The effective exchange rate indices reflect average changes in the value of the domestic currency against the basket of other currencies and represent a useful indicator in analyzing and forecasting the impact of changes in the domestic currency exchange rate on, for example, developments in the balance of payments or inflation.

The effective exchange rate indices may be calculated by implementing several different methodologies that produce different final results. The final result depends on several important decisions that have to be made: 1) which currencies should be included the basket, 2) what importance (weighting) they should be given when the index is calculated, 3) which base period should be used in the comparison of current changes in the exchange rate, and 4) which formula should be used in the calculation of the index (arithmetic or geometric mean).

The currency structure of the foreign exchange balance of payment operations of the Republic of Croatia with foreign countries served as a basis for the choice of currencies and weightings. As a result, bilateral exchange rates of the kuna against the euro, the US dollar, the Swiss franc, the pound sterling and the Slovene tolar were included in the calculation of the index of the nominal effective exchange rate of the kuna. Weightings assigned to the included currencies reflect their average shares in the structure of the total foreign exchange inflows and outflows in the current part of the foreign exchange balance of payment operations with foreign countries in the period from July 1996 to January 2000. In this period, the share of listed currencies in the total inflows and outflows in the current part of the foreign exchange balance of payment operations amounted to

Table 1: Currencies and Their Respective Weightings Used in the Calculation of the Index of the Nominal Effective Kuna Exchange Rate

Currency	Weighting
EUR	66.23%
USD	30.75%
CHF	1.24%
GBP	1.63%
SIT	0.17%

Source: CNB

about 94%. The weighting assigned to the euro is calculated as the sum of the average shares of the German mark, the Austrian schilling, the French franc, the Italian lira, the Dutch guilder and the share of the transactions that in the said period were already expressed in the euro. The weightings of the five currencies whose movements are compiled within the index of the nominal effective exchange rate of the kuna are listed in Table 1.

The index of the nominal effective kuna exchange rate is calculated as a weighted geometric mean of the five stated bilateral exchange rates of the kuna on the basis of the following formula:

$$INEER_t = 100 \prod_i T_{it}^{w_i} \quad (1)$$

$i = \text{EUR, USD, CHF, GBP and SIT}$

The symbol T_{it} relates to the average nominal midpoint exchange rate of the kuna against the foreign currency i recorded in the month t (the unit of foreign currency expressed in the units of domestic currency) divided by the exchange rate from the base period (average 1995=100). The symbol w_i stands for the value of the currency weighting i , while \prod represents the ingrained symbol of the multiplier operator.

Since inflation in Croatia is still, by a few percentage points, higher than in most countries whose currencies are included in the calculation of the index of nominal effective kuna exchange rate (except in Slovenia), the index of the real effective exchange rate is used in analyzing the influence of changes in the exchange rate on the competitiveness of the domestic economy. When the real effective exchange rate is calculated, the exchange rates are adjusted for the corresponding relative relationship between prices in the countries – trading partners and domestic prices. If the prices grow faster in the country than abroad, the real effective exchange rate of the domestic currency will change (appreciate in this case) despite the unchanged nominal effective exchange rate. The index of the real effective exchange rate shows the changes in the real value of the basket of currencies expressed in units of the domestic currency and is calculated in accordance with the following formula:

$$IREER_t = 100 \prod_i \left(T_{it} \frac{P_{it}}{P_t} \right)^{w_i} \quad (2)$$

$i = \text{EUR, USD, CHF, GBP and SIT}$

that equals the relationship between:

$$IREER_t = \sum_i \frac{w_i P_{it}}{P_t} INEER_t \quad (3)$$

The symbol P_{it} is used for the base indices of prices in the month t in individual foreign countries, i.e. the European Monetary Union (EU11 until December 2000, and EU11 + Greece from January 2001), while the symbol P_t stands for the index of domestic prices in the month t in comparison with the base period (average 1995=100). Accordingly, the index of the real effective exchange rate is calculated as the index of the nominal effective exchange rate adjusted for the relative relationship between the weighted base indices of prices in foreign countries and the base indices of prices in the country. For practical reasons, deflation is performed by using the RPI (i.e. CPI) and the PPI due to the availability and the relative comparability of series.

An increase in the index of the real exchange rate indicates a fall in the real value of the kuna and the increased price competitiveness of the domestic economy abroad. It should be pointed out that price competitiveness is only one of many factors showing the overall competitiveness of a certain economy abroad, which is among other things also influenced by the quality of products, innovativeness, the ability of prompt adjustment to market changes, the quality of business relations with consumers, etc.

to 2.0%, and the decision on the last phase of reserve requirement unification (this phase relates to the currency unification of the allocated reserve requirement). These decisions were enacted due to the significant influence of the exchange rate on inflation (directly, through increases in the prices of imported products) and on the creation of inflationary expectations whose strengthening may result in more permanent growth in inflation rate in the future.

The CNB decision to increase the Lombard rate was aimed at reducing the increased utilization of this secondary source of liquidity. At the end of August, the interest rates in the inter-bank market and the money market were moving upward due to reduced kuna liquidity, and the Lombard loan was perceived by banks as a relatively cheap source of finance that was first of all used for maintaining high levels of long foreign exchange positions. In addition to the increase in the Lombard rate, a direct immobilization of a part of kuna deposits pursuant to the decision on the currency unification of the allocated reserve requirement positively influenced and eased the kuna exchange rate.

The August interventions and CNB decisions halted the depreciation of the exchange rate of the kuna against the euro that had appreciated by 2% in the first half of September. In an effort to partially restore its international reserves, which had fallen below the level set by the criterion stated in the MEFP, the CNB purchased a total of EUR 178.8m from banks and USD 104.0m from the Ministry of Finance.

In the second quarter of 2001 (June 30 to March 31) the kuna appreciated strongly against the euro (4.57%) and mildly against the dollar (1.76%), from HRK 8.72/USD to HRK 8.57/USD in the stated period. The index of the nominal effective exchange rate of the kuna, whose movements are greatly determined by the abovementioned two currencies, appreciated by a total of 3.69% in the observed period. According to the available data (September 15 to June 30), the nominal effective exchange rate of the kuna appreciated by a modest 0.40% in the third quarter of 2001 as a result of a 5.0% appre-

ciation against the dollar and 1.73% depreciation against the euro.

The data on changes in the index of the real effective kuna exchange rate (Figure 34) indicate the lowered price competitiveness of domestic exporters in the second quarter of 2001. The index of the real effective kuna exchange rate deflated by producer prices was 3.0% lower in June than the real exchange rate in March 2001. This offset the 2.72% real effective depreciation of the kuna exchange rate from the first quarter of 2001. An 1.47% appreciation of the index of the real effective exchange rate (with producer prices) continued the trend of real appreciation in July, so that the kuna strengthened by a total of 1.83% from the beginning of the year. The lowered price competitiveness becomes even more notable if the index of the real effective exchange rate of the kuna deflated by retail prices, showing a 3.8% real appreciation of the kuna exchange rate in the first seven months of 2001, is observed.

Monetary Policy and Instruments

Monetary Environment

The Law on the Croatian National Bank, adopted in April of this year, for the first time specifies for the CNB a clear and unambiguously defined objective – price stability, so the activities of the central bank in the second and third quarter must be observed within this context. The extremely high liquidity which characterized the banking system until the middle of August could have easily affected prices, either directly or through exchange rate fluctuations. Therefore, monetary policy was directed to both reducing the amplitudes of exchange rate fluctuations and curbing the high liquidity of the banking system.

It is generally more difficult to carry out monetary policy in an environment characterized by a structural surplus in domestic currency, which was present until mid August. High liquidity, in both domestic currency and foreign exchange, leaves ample room for speculative behavior by banks and impairs the efficacy of the instruments of monetary policy. By contrast, in a situation of low liquidity, or a structural deficit in liquidity, the central bank can better control the fluctuations of the exchange rates, interest rates and prices. This very long period of high liquidity from the beginning of the year till mid-August was followed by a period of lower liquidity, in which the room for speculative behavior by banks was limited.

In the second and at the beginning of the third quarter (July, August) of 2001, monetary and credit aggregates continued to grow in nominal terms, but at the same time there was a noticeable arrest in the growth of some aggregates, especially money (M1). Developments in the net foreign assets of commercial banks have a considerable impact on the exchange rate. A fall in the net foreign assets of commercial banks, which marked the second quarter and continued until the end of July, was one of the factors which contributed to the appreciation. In August a change in the trend took place resulting in the rapid growth in the net foreign assets of commercial banks, which, with simultaneous growth in the foreign exchange deposits of other sectors changed the course of the exchange rate and led

Figure 34

INDICES* OF NOMINAL AND REAL EFFECTIVE KUNA EXCHANGE RATES WITH RETAIL AND PRODUCER PRICES
1995 = 100



* The fall of index denotes appreciation of the kuna.

Source: CNB

to a depreciation. Continued growth in placements to other sectors can be seen as a reflection of accelerating economic and credit activities this year but too large of a growth in credit can also signal caution. Net claims on the central government remained stable from the beginning of the year.

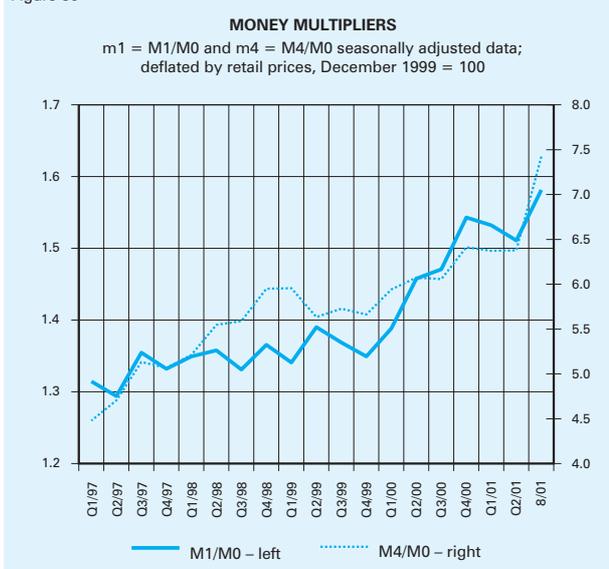
Monetary Policy

The most intensive form of supplying and withdrawing reserve money in the third quarter were foreign exchange auctions. Credits to banks and changes in the stock of CNB bills subscriptions from mid August started to grow in importance as a form of supplying reserve money.

Appreciation pressures started at the beginning of the third quarter. The inflow of foreign exchange into the domestic banking system was strong and generated by all sectors. The beginning of the tourist season brought signs of good revenues in tourism. The newly regained confidence of citizens in the domestic banking system created a large autonomous inflow. With its foreign borrowing, the government also contributed to an increase in foreign exchange supply. Banks expected that the course of foreign exchange inflow was to be continued in the future. On the other hand, kuna liquidity within the banks was somewhat lower than in the second quarter, but sufficient for the orderly conversion of such an inflow. Nevertheless, the banks decided to reduce the euro exchange rate, assuming that further exchange rate developments would be in their favor. The central bank decided to intervene with a significant purchase. At a foreign exchange auction held on July 11, EUR 143.6m was purchased from commercial banks, which in kuna terms amounted to over HRK 1bn. This was the largest single intervention ever; accounting for 8.2% of the total reserve money (HRK 12.6bn).

With regard to reserve money, balances on settlement accounts were around HRK 1.5bn at the beginning of July. Following the July 11 intervention, these balances rose to over HRK 2.5bn, or even to a high HRK 3bn on certain days. The

Figure 36



two second ten-day periods of July were characterized by the highest liquidity ever. The exchange rate appreciation was brought to a halt, but at the same time a significant liquidity surplus was created in the system. Indeed, the exchange rate reacted with a time lapse, which means that the exchange rate curve bottomed out on the days following the intervention's value date (on July 25 the HRK/EUR exchange rate stood at 7.1132). However, this is also the result of the way of calculating the midpoint exchange rate of the CNB, which takes into account all transactions on the market, including the purchase of cash from citizens which is made at the "lowest" rate and which has a relatively large share in the summer months. In each case, the kuna appreciation trend was halted.

There was a need to sterilize the liquidity created in July with CNB bills. The amount of kuna CNB bills purchased was largely determined by the high, mainly kuna, liquidity of banks and was almost unaffected by their price. In periods of ample liquidity, CNB bill and T-bill subscriptions are significant, regardless of their price. Conversely, in periods of low liquidity, especially if they coincide with a depreciation in the domestic currency, subscriptions fall regardless of the interest rate. Therefore, it was logical that at the peak of their liquidity at the beginning of August, banks demonstrated intense interest in CNB bill subscriptions, while offering a very low interest rate. At a kuna CNB bill auction held on August 1, over HRK 2.3bn worth of CNB bills were subscribed at 4.06%, 4.8% and 5.34% interest rates for 35, 70 and 105-day CNB bills respectively. The lowest interest rates offered by the banks were accepted, while around HRK 0.5bn were rejected. After this auction, the stock of subscribed CNB bills exceeded HRK 4bn.

Central bank measures to maintain price stability largely relate to its control of the exchange rate of the domestic currency. There are many limitations to using interest rate mechanisms in monetary policy, the major one being insufficient liquidity and the shallowness of the financial market. Present indirect monetary instruments do not work efficiently with interest rates.

The primary reason behind the decisions of banks to invest

Figure 35

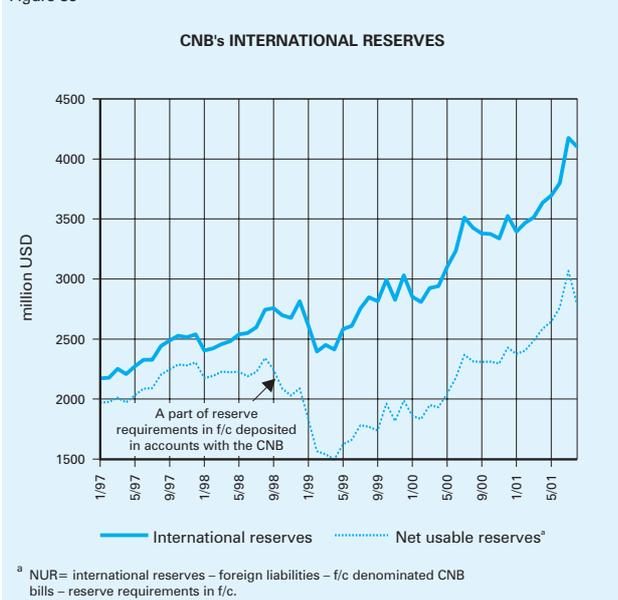
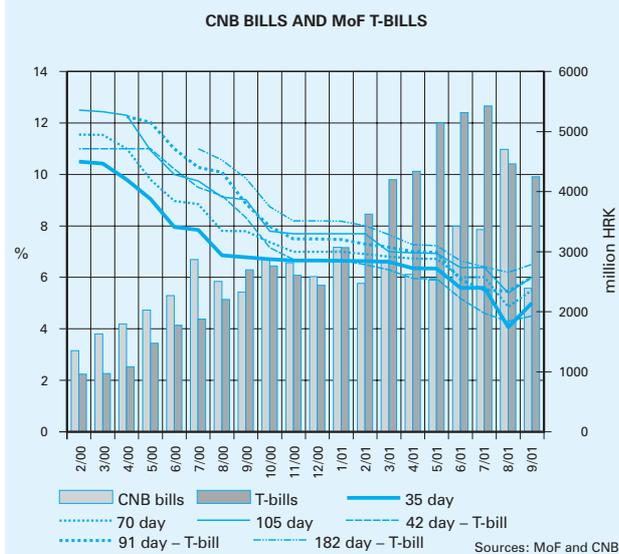


Figure 37



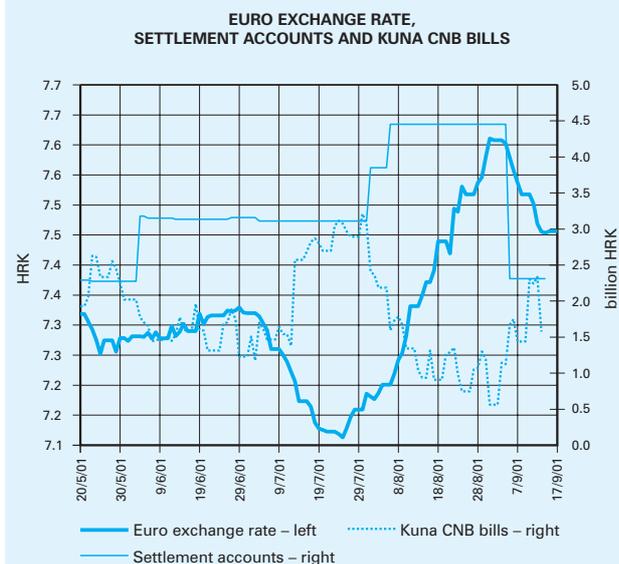
in CNB bills is to accommodate their surplus liquidity, so that the amount of CNB bills purchased will serve as a secondary source of liquidity or as an investment until maturity. Accordingly, interest rates are not of primary importance when deciding about the auctions.

In addition to banks, non-bank financial institutions and some companies are gaining in significance as important participants in the secondary securities market. During the first two quarters and at the beginning of the third quarter, all market participants used a similar strategy for investing surplus liquidity, which can increase market oscillations. (see BOX: Trading on the Secondary Market). Therefore, the possibility for a more active use of interest rates on CNB bills is very limited.

Shortly after the August 1 auction, the central bank organized an extraordinary CNB bill auction on August 8, at which all banks' bids were accepted. Interest rates accepted at this auction were higher than at the previous auction. They were

4.18%, 4.93% and 5.45% respectively, depending on the maturity, and an additional amount of HRK 0.6bn was subscribed. However, bankers soon started shifting their preference to foreign exchange assets, while the expectations of banks changed irreversibly much earlier than usual for the season, and the kuna began depreciating. In anticipation of the seasonal depreciation, the banks tried to take advantage of the favorable "low" price of foreign exchange and again make a profit from exchange rate fluctuations. Demand for foreign exchange was additionally increased by demand created by companies which, pursuant to the Amendments to the Law on the Foreign Exchange System, Foreign Exchange Operations and Gold Transactions, started purchasing and depositing foreign exchange in their foreign exchange accounts. The central bank reacted promptly. At a foreign exchange intervention on August 9, EUR 60.9m was sold, thus withdrawing HRK 0.5bn. However, the depreciation continued because banks still had sufficient room to take positions. By mid August, the banks, in anticipation of further depreciation, borrowed kuna funds from the central bank to buy foreign exchange. On August 13 (the value date of the foreign exchange intervention) banks turned to the Lombard loan facility to pay for the foreign exchange just purchased. The stock of Lombard loans in the next month (until September 12, when banks repaid the full amount of the loans) ranged from the lowest HRK 160m (August 13) to over two billion kuna (September 3). Towards the end of August, the central bank, with two large additional auctions withdrew another HRK 2.6bn, selling banks the total of EUR 350m. With additional measures, the central bank narrowed the room for bank speculation. Namely, it reduced the allowed foreign exchange exposure ratio from 25% to 20% of bank and savings bank regulatory capital. In addition, the provision was cancelled which allowed individual banks a larger foreign exchange position exposure on account of the old foreign exchange savings. All additional measures helped stabilize the exchange rate, with the significant use of international reserves. But, it is exactly their high level (they stood at HRK 4.3bn gross in mid-August) which guarantees their use if the situation requires it. It should be mentioned that the rates at which commercial banks bought euro in August were higher than those at which they sold it in July. To sum up, at the end of August, banks had a high level of CNB bills and made significant use of the Lombard facility. The exchange rate depreciation was brought to a halt by an extensive use of international reserves and amended decisions regulating foreign exchange exposure while the speculative attempts of banks at making profit out of the exchange rate fluctuations were prevented. The situation was the same at the beginning of September as all the participants eagerly awaited the results of the first September CNB bill auction.

Figure 38



In line with the efforts to modernize the monetary instruments, since April 2001, the auctions have been rescheduled to take place once a month. Developments which marked the period from mid August, indicate that large amounts of CNB bills falling due simultaneously may make it difficult to conduct monetary policy. Failure to renew a single CNB bill falling due may mean a liquidity surplus in the banking system. Under such circumstances, there is evident pressure on the central

bank to increase interest rates. To maintain the required sterilization effect, the central bank may be forced to involuntarily increase interest rates which can have a negative effect on other interest rates on the market and a very uncertain effect on the renewal of CNB bills.

Recent developments on the primary CNB bill market have shown that the participants on this market often do not know how to position themselves. Such a situation leads to sudden interest rates fluctuations which can adversely affect investors and the objectives of monetary policy.

The yields on CNB and Treasury bills for the first two quarters and a large portion of the third quarter started to change. At an auction held on September 4, the Ministry of Finance offered higher yields on T-bills. They were 4.5%, 6% and 6.5% for 42, 91 and 182 day T-bills respectively. These yields were above those for the comparable maturities of CNB bills and they were also above the interest rates offered by the Ministry of Finance at previous auctions. Nevertheless, T-bill subscriptions fell. The increased yield was not sufficient to stimulate demand for T-bills because the new interest rate was not considered high enough to compensate for the expected fall in the exchange rate of the kuna. There was a similar fall in CNB bill subscriptions at the September 5 auction. Despite a mild increase in CNB bill yields, the CNB failed to maintain the previous level of subscriptions. On September 5, a total of HRK 2.8bn came due, and the banks sold back almost HRK 2.3bn worth of CNB bills. Such an amount of freed kuna could have been potentially dangerous, enabling further speculation in the foreign exchange market. However, the banks were forced to pay off the high amounts of funds used from the primary issue (the level of utilized Lombard loans on September 4 was over HRK 2.2bn) so the effects of the last auction were actually neutralizing from the standpoint of market sterilization and liquidity. The banks were closing their Lombard loans positions and so structured, such a transaction involving a Lombard loan and due CNB bills may be considered as the closing of a forward operation aimed at kuna exchange rate speculations.

Namely, banks used the funds from the primary issue for exchange rate speculations and trading on the money market. Banks had the opportunity to make additional profit which translated increasingly, unlike previously, into stronger pressures on the domestic currency to depreciate. Because of that, the Council of the CNB decided at its September 5 session, among other things, to increase the Lombard rates and thus establish new boundaries for the interest rates on the money market. The new, increased, Lombard loan rate is aimed at discouraging such activities.

Finally, at the same September 5 session, the Council of the CNB began the final phase of kuna and foreign exchange reserve requirement unification. The changes made in June and July involved unifying the reserve requirement calculation base by including into the calculation base received foreign exchange loans. Previously unified were the calculation period (from the first to the last day of the calendar month for which the calculations are made), the maintenance period (one month, beginning from the 8th day in the month) and the reserve requirement rate (22%). Left to be unified were the currency of allocation (domestic or foreign, depending on the

source currency) and the remuneration rate (for foreign exchange reserve requirements, it is the interest rate earned on the international markets, while the remuneration rate for the kuna reserve requirements was cut by the September 5 decision of the Council CNB from 3.5% to 2%). The September 5 changes also included the unification of the currency of allocation. Namely, 20% of the calculated foreign exchange reserve requirements (or 10% in the transition period, with the calculation date for September 2001) will be allocated in kuna and included in reserve money, i.e. kuna part of reserve requirements.

The first reserve requirement allocation pursuant to the new decision was made in September. Of the total calculated foreign exchange reserve requirements which amounted to HRK 16.1bn, 10% or HRK 1.6bn were set aside in kuna. Of the remaining HRK 14.5bn, HRK 6.7bn (EUR 486m and USD 371m) were set aside in the foreign exchange reserve requirement accounts with the CNB, while the remaining HRK 7.7bn was maintained by foreign exchange liquidity claims which can be used to meet a part of the reserve requirements.

Although the full unification of reserve requirements had been planned before, the depreciation at the beginning of August accelerated the enactment and the implementation of the new decision. The new regulation increases the demand for kuna because of an increased allocation in kuna. This has a positive effect on the exchange rate in two ways. Directly, by stimulating an increase in demand for domestic currency, it "pushes" it in a direction opposite to the current forces on the market. On an indirect level, by reducing kuna liquidity on the market, it narrows the space for bank speculation. The question of the proper timing for changes in the reserve requirements is nothing new. Changes in reserve requirements are commonly timed for moments when the general environment is suitable for such changes. So, for example, the reduction in the rate of kuna reserve requirements coincided with the seasonal peak of demand for money (July).

However, to help banks with the new way of reserve requirement allocation, at two September auctions, the central bank purchased EUR 178.8m or HRK 1.3bn in kuna terms. A repo auction held on September 10 also helped the banks repay their Lombard loans. The amount of CNB bills redeemed by the auction was HRK 1.3bn, which is the exact amount the banks needed for the full Lombard loan repayment.

The further development of indirect instruments, better coordination with the Ministry of Finance and the banks giving up on quick profit from exchange rate speculations would help reduce sudden fluctuations on the money market. In addition, the central bank could work more effectively with interest rate mechanisms by determining benchmark short-term or mid-term interest rates. Attempts at speculative pressures would then be obvious and the reasons for and consequences of the measures of monetary policy would not have to be subject to a variety of interpretations.

Monetary and Credit Developments

In the second quarter of 2001, the real growth trend of money (M1) which started late in 1999 was brought to a halt

and began falling at the beginning of the third quarter. These developments were largely caused by the discontinuation and a fall in the growth trend of demand deposits which started in May, while the growth trend in currency outside banks was halted at the end of the second quarter and has been stable at that level ever since.

Despite a halt in growth, money (M1) nominally grew in the second quarter by HRK 1.7bn or 9.6% (at an average monthly growth rate of 3.1%). Strong nominal growth in money (M1) is a common seasonal occurrence, characteristic for the second and the third quarters. With the accelerating tourist season, money (M1) grew by HRK 1.5bn (7.7%) in July, while in August, as a result of exchange rate speculation and CNB intervention, it fell by HRK 0.7bn (3.5%). At the end of August, it stood at HRK 19.8bn which, on an annual level, is a growth rate of 11.2%.

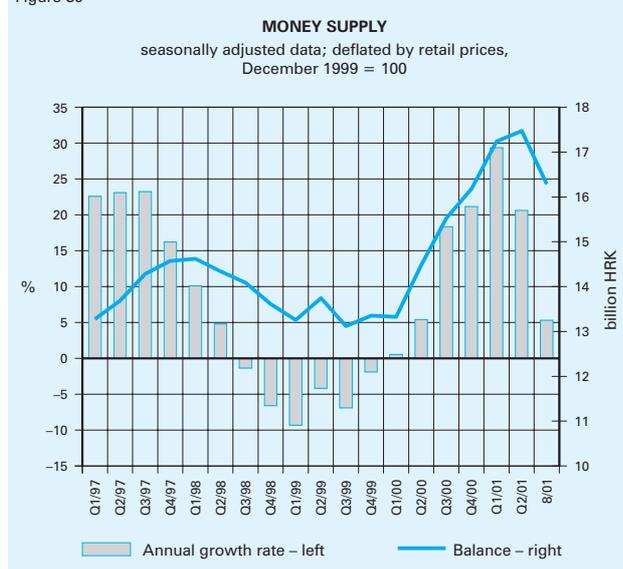
It should be stressed that the change in the direction of the money (M1) trend can largely be attributed to developments in demand deposits, which were the main generators of growth in money (M1) last year. The trend of demand deposits has been negative since May and the negative trend further accelerated in the summer months. Corporate demand deposits, which were the largest generators of growth in money (M1) in the previous year due to the government's settlement of arrears, experienced the largest slowdown and fall. At the same time household demand deposits continued to grow mildly. Such developments in corporate demand deposits coincided with the foreign exchange liberalization early in June, which made it possible for companies to purchase foreign exchange and deposit it in their foreign exchange accounts. The sudden kuna depreciation in August additionally accelerated the transfer of kuna into corporate foreign exchange deposits. The fall in the seasonally adjusted value of corporate demand deposits in August was a large 14.2%. Towards the end of August, demand deposits stood at HRK 12.3bn, an increase of 9.1%, compared with the same period last year. For the year, corporate demand deposits rose by only 1.8%, compared to the previous year, while household demand deposits grew by 19.1%.

Following its acceleration in the first quarter, the real growth trend of currency outside banks stopped during the second quarter. The stagnation in the real growth trend of currency outside banks continued into July and August. In nominal terms, currency outside banks continued to grow until mid August and towards the end of the month it fell slightly compared with July. At the end of August, it amounted to HRK 7.5bn, an increase of 14.8% compared with the same period last year.

Foreign exchange deposits continued to grow in the second quarter and their growth accelerated additionally in the summer months. Thus the monthly real growth rate trend of foreign exchange deposits in the second quarter reached 2.2%, compared with the average monthly growth rate of 1.5% in the previous year and in the first quarter of this year. In July and August this growth rate increased and amounted to 3.5% per month. Foreign exchange deposits were largely influenced by exchange rate developments. During the second quarter, characterized by the kuna appreciation, foreign exchange deposits increased nominally by a mere HRK 0.5bn (1.0%), while in the first two summer months, they increased by a high HRK 7.3bn (14.2%). The increase was more significant in August, which was characterized by stronger kuna depreciation. After excluding exchange rate effects, foreign exchange deposits grew in real terms by 6% in the first quarter, by 5% in the second quarter and by as much as 11% in July and August, of which the most robust growth took place in August (8% real growth). Foreign exchange deposits in the first eight months of 2001 grew by 24% in real terms, while the real growth for the whole of 2000 was 26%. At the end of August, foreign exchange deposits stood at HRK 58.5bn in nominal terms, which is an increase of 34.8% compared with the same period last year.

The largest single factor commonly affecting developments in foreign exchange deposits are household deposits, which at the end of August accounted for 84% of all foreign exchange deposits. Reflecting returning confidence in the domestic banking system, household foreign exchange deposits continued to increase and reached HRK 49.2bn at the end of August (annual growth of 29.3%). In addition, the effects of the forthcoming conversion of EMU countries currencies into the euro, which can already be felt, account for an increased inflow of household foreign exchange deposits into the banking system. The effects of the household sector on total foreign exchange deposits has been weakening somewhat since June, while the effects of corporate foreign exchange deposits have been growing in importance as a consequence of foreign exchange liberalization. Namely, the Amendments to the Law on the Foreign Exchange System, Foreign Exchange Operations and Gold Transactions which were enacted in April and which took effect in June brought about a significant liberalization of foreign exchange operations in the Republic of Croatia. Under these Amendments, legal entities are free to engage in the buying and selling of foreign exchange and to deposit these sums in their accounts. Although in a long term these changes should help strengthen exchange rate stability, in a short term, the increased liberalization led to increased demand for foreign exchange on the part of companies aiming to increase their foreign exchange portfolio to a new optimum level and obtain foreign exchange for their future imports when the exchange

Figure 39



rate is most favorable. Growth in corporate foreign exchange deposits, which followed the June liberalization, especially accelerated during August, simultaneously with the kuna depreciation, thus further adding to its fall. From the end of May till the end of August, corporate foreign exchange deposits increased nominally by HRK 3.0bn or 56.0%, of which the deposits of public enterprises increased by 169.5%, and the deposits of other companies by 43.8%. By contrast, household foreign exchange deposits in the same period increased by HRK 5.7bn or 13.1%.

Unlike foreign exchange deposits, the growth trend of kuna deposits, following its acceleration at the beginning of the year, abruptly halted towards the end of the second quarter and stagnated during July and August. Exchange rate developments can also, to a great extent, explain the developments in kuna deposits. Although kuna deposits increase gradually and depend on total performance and economic growth, due to a high level of dollarization, the kuna and foreign exchange deposits actually represent a certain substitute. In this way (the expected) exchange rate developments affect the level of kuna deposits (as well as demand deposits) which tend to transfer easily to foreign exchange during depreciation. Thus, kuna deposits grew by 5.3% in July and fell by 4.8% in August, on account of corporate foreign exchange purchases leading to a decrease in kuna assets. August developments reflect a large fall in seasonally adjusted value of kuna deposits of as much as 9.9% (following the July increase of 3.2%). In the total deposit structure, foreign exchange deposits account for 86% and kuna deposits for 14%. At the end of August, kuna deposits stood at HRK 9.4bn, an increase of 34.7% compared with the same period last year.

The growth in bank placements to other sectors, which started at the end of last year, continued at an average monthly real growth rate trend of 1.7% in 2001. During the second quarter, placements to other sectors increased nominally by 4.4% and in the first two months of the third quarter by an additional 6.0%. At the end of August, placements to other sectors in nominal terms stood at HRK 71.6bn, which is an annual

growth of 24.7%. Since foreign exchange loans and loans with foreign currency clauses constitute over 85% of all loans to other domestic sectors, exchange rate developments can largely affect the level of placements expressed in kuna. If exchange rate changes are excluded, placements grew by 5% in the first quarter, 8% in the second quarter and 3% in July. In real terms, placements stagnated in August, which can be explained by vacation period and its inherent slowdown in business activity.

Looking at the structure of granted loans by sectors, the growth in corporate lending in 2001 is especially encouraging after the stagnation of previous years. Previous reluctance on the part of banks to grant loans to companies used to be explained by lack of good-quality projects, but such views have been dying away lately. This year's growth in corporate lending points to an economic recovery, but it also indicates that caution should be exercised as rapid credit growth may also indicate that lower criteria are being applied in granting loans. High credit growth rates often precede problems in banks caused by bad placements. Corporate lending, in the first 8 months of 2001 increased by HRK 5.5bn or 17.3%, and retail lending increased by HRK 5.6bn or 24.0% compared with December 2000.

Slow growth in net claims on the central government in the first eight months of 2001 is the result of the decision to finance the budget deficit primarily from foreign sources. Nevertheless, the government kept its active presence on the money market with its T-bills. The level of T-bills held by banks kept rising during the whole year until the beginning of August when bank demand for foreign assets, helped by low interest rates on the domestic market, led to a decrease in kuna placements, including T-bills. At the end of August, T-bills stood at HRK 3.7bn, which was a decrease of 16%, compared with July.

Net domestic assets (NDA) in the monetary system continued to grow, due to an increase in placements to other sectors. Following 5.3% growth in the first quarter, NDA increased by 6.3% in the second quarter and by an additional 7.8% in July and August. At the end of August, net domestic assets, in nomi-

Figure 40

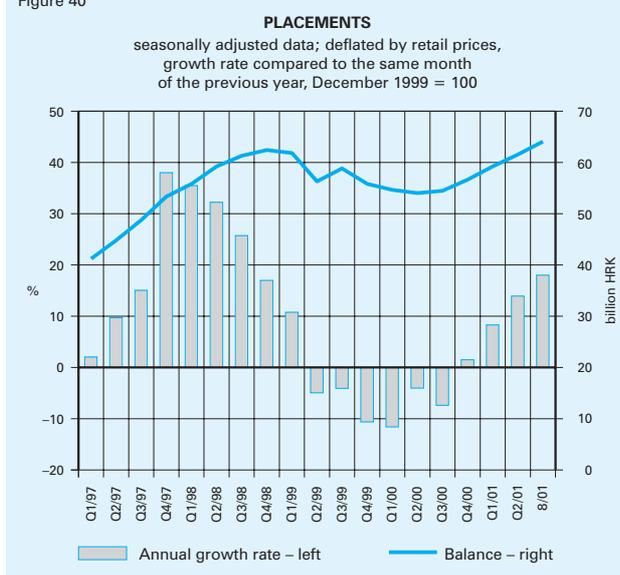
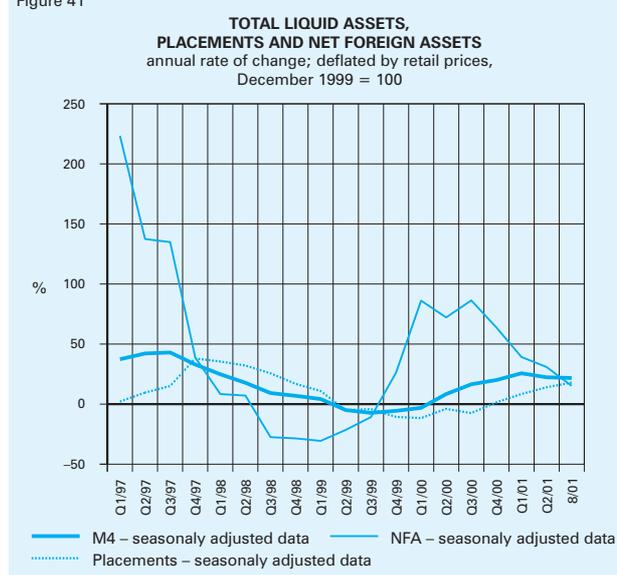


Figure 41



Box 3: Secondary Risk-Free Securities Market in 2000 and in the First Eight Months of 2001

Introduction

The securities market is an established system of securities trading where investors, following clear and standardized rules, trade in securities through an organized system of electronic trading or by telephone. Two risk-free short-term securities are traded in the financial market in Croatia: CNB bills and the T-bills of the Ministry of Finance, which are also the only short-term securities available in the market. The term risk-free implies the lowest possible, almost non-existent level of market risk of a security. Risk-free securities are important in conducting the monetary and fiscal policies. In addition, their yields play a significant role in defining the benchmark interest rates in the money market.

There are two segments of trading in the financial market: the primary market, where securities are issued, and the secondary market, where each subsequent sale or purchase of a security is made. Indicators commonly used in market analysis are those related to liquidity, turnover and price. The security can be characterized as liquid if the volume of trading in the secondary market is large and has a large number of participants and if it is relatively easy to market. When these characteristics apply to the whole market, the market can be characterized as liquid. The larger the volume of trading and the number of participants, the higher the liquidity. Such a market would abound in investors ready to trade.

Marketmakers increase market liquidity. They are participants in the secondary market who, at any given moment, quote both the buying and selling price of a security in which they are trading. Depending on the situation in the market, these institutions change their positions so that they quote lower or even prohibitively high spreads, but there is always an open, two-way quotation for other market participants.

Secondary Market

The Croatian financial market is not characterized by a large number of financial instruments traded, nor by a large number of participants, so it can be described as a rather illiquid financial market, offering only a few blue chip securities. This can be explained by the fact that it is a young market, but also by the fact that the monetary authorities have deliberately prevented, by means of capital restrictions, the entry of large foreign participants and their potentially destabilizing (speculative) transactions. In addition, a systematic preference for foreign and against domestic borrowing on the part of the fiscal authorities translates into a smaller supply of government securities in the country. On the demand side, during 2000 and a large part of 2001, banks were extremely liquid and had no reason to sell their securities before maturity. And finally, the technical conditions for the development of the secondary market are not too favorable. Trading in the secondary market (and in the primary market) is performed over the telephone and not over the screen. The participants are thus denied the possibility of an insight into market activities at any given moment, which minimizes market transparency and attractiveness.

The features that characterize the financial market as a whole also apply to the secondary market of short-term risk-free securities. This market only started to liven up in 2000 and to grow significantly in 2001. The strategy of financial institutions until 2001 with regard to securities purchased in the primary market commonly involved holding them until maturity. The turnover in the secondary market in 2000 was HRK 2.9bn, which is 25% below their average annual turnover (HRK

4.0bn). Such a volume of trade points to an illiquid secondary short-term risk-free securities market. A significant upturn in the secondary market took place in 2001. The turnover in the secondary short-term risk-free securities market in the first eight months of 2001 was HRK 6.2bn, which is an increase of 112% compared with the whole of 2000 (HRK 2.9bn). In the period from January to August 2001, trading in CNB bills amounted to HRK 2.1bn, which is an increase of 42.2% compared to 2000 (HRK 1.5bn). At the same time, the share of interbank trading in total trading fell by 32.3% compared with 2000. The main type of transaction this year was that between banks and non-bank financial institutions. Banks sold the largest share (HRK 1.0bn) of their CNB bills to non-bank institutions and non-bank institutions sold HRK 0.7bn worth of CNB bills to banks (32.2% of the total volume of trade in CNB bills in 2001). Transactions between other market participants played a less significant role.

Trade in T-bills amounted to HRK 4.1bn (95.7% more than CNB bills), which is an increase of 184.3% compared with the previous year. Commercial banks took the largest share, selling HRK 1.9bn worth of T-bills to non-bank institutions, which is an increase of 172% compared with 2000. This type of trading constituted 47% of the total turnover. Trading involving non-bank institutions as sellers and banks as buyers increased by 401.5% compared with 2000 (HRK 1.4bn). Interbank trading amounted to HRK 0.6bn, which is an increase of 53.83% compared to 2000.

The structure of trading in risk-free securities by sectors points to the increased trading activity of non-bank institutions, which is an indication of qualitative changes in the investment policies of the participants in the financial market. As regards the CNB bills, it was no surprise that banks were their largest sellers, bearing in mind the fact that banks have an "exclusive" right to trade in the primary market, which gives them a monopoly on the distribution of these bills in the secondary market.

The Reasons for the Increased Trading in 2001

The increased trading in risk-free securities in 2001, especially T-bills of the Ministry of Finance, can largely be attributed to an increase in general liquidity and a related fall in interest rates in the money market. Interest rates in the money market were lower than yields on risk-free securities, which increased the demand for them. Within a broader context, investing in these securities may be seen as a move to take shelter from the speculations in the foreign exchange market which took place during August.

Subscriptions in the primary market increased significantly during 2001, which also added to increased trading in the secondary market. At the end of August, the stock of CNB and T-bills subscriptions totaled over HRK 9.0bn, with their average stock in 2001 amounting to HRK 7.6bn. Total turnover of both securities in the secondary market came close to their average subscriptions in the primary market (HRK 7.6bn) and amounted to, as stated previously, HRK 6.2bn. Considering the large fall in risk-free securities subscriptions at the beginning of September, the ratio of trading in the secondary market and the stock of securities subscriptions in the primary market indicate better liquidity. The volume of trade in the first eight months amounted to 91% of the stock of securities subscriptions at the beginning of September.

In addition, an increasing number of investment funds are becoming actively involved in trading. The investment funds were largely established in 1999 and 2000 and were mainly busy getting started, so they only marginally contributed to trading until this year. Their full integration in the securities market and a larger participation in its turnover began in 2001. The role of non-financial companies should also be taken into account. Large companies with well-established systems of liquid assets management are becoming

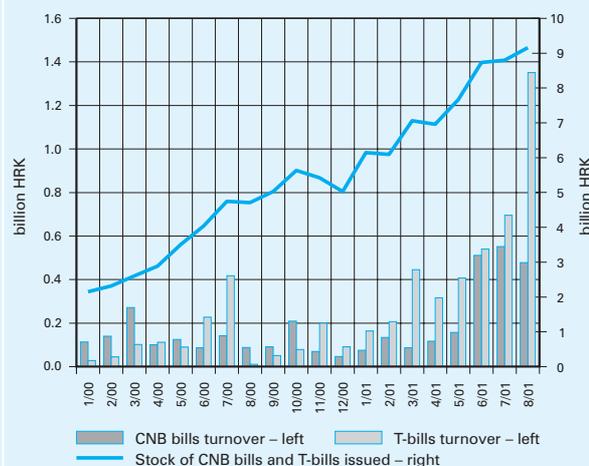
ever more important, though their role as actors in the secondary market is not crucial. The government, through settlement of a significant portion of its arrears in 2000 and continued, relatively prompt, settlement of its obligations in 2001, contributed to improved liquidity of the private sector, opening room for it to actively manage their liquidity. And finally, less frequent scheduling of auctions by the CNB also paved the way for more active secondary trading.

Further Developments

In the forthcoming period, this market will also be largely affected by the new pension funds. These funds will have to invest between 5-10% of their portfolio into money market instruments and approximately 40% into other government bonds. This implies further deepening of this market, which calls for qualitative measures to be taken in order to develop the market infrastructure and achieve enhanced transparency. This could promote the attractiveness of short-term risk-free securities trading. With its issues of longer-term securities intended for the domestic market, the government will also help this market to develop. As stated previously, the structure of domestic government debt is exclusively short-term, which leaves an empty space on the longer maturities yield curve. Adjusting new notes or bonds to domestic investors would help strengthen what is at present an evidently fragile structure of domestic funding and would help the domestic securities' yield curve get a clearer profile. All these factors

Figure 42

SECONDARY MARKET OF CNB BILLS AND MoF T-BILLS
turnover of CNB bills and T-bills in the secondary market and total issues of CNB bills and T-bills in the primary market



will help deepen the financial market, thus creating conditions for a more intensive development of indirect instruments of monetary policy.

Table 2: Structure of Trading in CNB bills and T-bills, in million HRK and %

Type of trading	Turnover of CNB bills		As share of total turnover		
	2000	Jan. – Jul. 2001	2000	Jan. – Aug. 2001	Growth rate
Bank – bank	529.80	358.50	35.73	17.01	-32.33
Bank – savings bank	4.20	2.50	0.28	0.12	-40.48
Savings bank-bank	0.90	4.70	0.06	0.22	422.22
Bank – domestic investor (j.p.)	714.30	1,048.80	48.18	49.75	46.83
Domestic investor (j.p.) – bank	232.40	679.00	15.68	32.21	192.17
Domestic investor – domestic investor (j.p.)	1.00	14.50	0.07	0.69	1,350.00
TOTAL	1,482.60	2,108.00	100.00	100.00	42.18

Type of trading	Turnover of T-bills		As share of total turnover		
	2000	Jan. – Jul. 2001	2000	Jan. – Aug. 2001	Growth rate
Bank – bank	399.00	613.80	27.51	14.88	53.83
Bank – savings bank	48.30	36.60	3.33	0.89	-24.22
Savings bank – bank	1.30	23.10	0.09	0.56	1,676.92
Bank – domestic investor (j.p.)	713.30	1,939.40	49.17	47.02	171.89
Domestic investor (j.p.) – bank	286.80	1,438.40	19.77	34.87	401.53
Savings bank – domestic investor (j.p.)	0.00	2.00	0.00	0.05	-
Domestic investor (n.p.) – bank	0.40	0.00	0.03	0.00	-100.00
Domestic investor (j.p.) – domestic investor (j.p.)	0.60	71.40	0.04	1.73	11,800.00
Bank – domestic investor	0.87	0.00	0.06	0.00	-100.00
TOTAL	1,450.57	4,124.70	100.00	100.00	184.35

j.p. – juridical person; n.p. – natural person

nal terms, stood at HRK 53.2bn, an increase of 34.3% compared with the same period last year.

The trend in real growth in net foreign assets (NFA) halted in April after which it continued to decrease slightly at monthly rates of below 1%. This reduction in net foreign assets can primarily be attributed to an increase in domestic placements.

The total level of net foreign assets in the monetary system is determined largely by the net foreign assets of the Croatian National Bank which comprise the net usable international reserves of the CNB, foreign exchange CNB bills and foreign ex-

change reserve requirements set aside by banks based on their foreign exchange deposits. The level of reserve requirements held by the CNB increased due to an increase in the foreign exchange deposits of other sectors while the increase in net usable international reserves was in line with the level prescribed in the Memorandum of Economic and Financial Policies, and it was also the result of certain shifts due to the CNB's foreign exchange interventions aimed at preventing exchange rate fluctuations.

Especially interesting were great fluctuations in the net for-

foreign assets of commercial banks which characterized overall monetary developments in August. The net foreign assets of commercial banks show the difference between the foreign assets (placements abroad) and the foreign liabilities (financing from abroad) of commercial banks. This difference, which may be either positive if foreign assets are larger than the liabilities, or negative, shows the interest of banks for foreign and domestic investment, respectively. Such transactions make up the final total foreign exchange position of each bank, while, in order to maintain bank stability, the exposure of each bank to currency risk is limited and prescribed by the CNB. Thus, the aim of the decision to reduce foreign exchange exposure from 25% to 20% of the regulatory capital was to restrict exchange rate speculation in the foreign exchange market and to reduce currency risk.

Following a sharp increase in 2000 as a result of fewer domestic placements, the net foreign assets of commercial banks at the beginning of 2001 amounted to HRK 1.9bn. In the first quarter, these held steady (naturally, following certain dynamics during the period) at HRK 1.8bn at the end of March. During the second quarter, the net foreign assets of commercial banks fell considerably, reaching a negative value (foreign exchange liabilities were larger than foreign exchange claims) amounting to HRK -1.1bn at the end of June. They reached their lowest value towards the end of July, amounting to HRK -2.2bn. At the beginning of August, banks quickly started stepping up their foreign assets (buying foreign exchange), causing rapid growth in net foreign assets, as a result of currency speculations involving the expected fall in the value of the kuna (but also low interest rates on kuna placements). At the end of August, the net foreign assets of commercial banks were HRK 2.4bn, which was an increase of HRK 4.6bn in just a month.

The high level of correlation between net foreign assets and exchange rate movements present this year shows the increased influence of banks in determining the exchange rate level. There is also a negative correlation between developments in the net foreign assets of commercial banks and developments in placements to other sectors (in real terms) since banks must decide between placements in Croatia and placements abroad.

These developments led to continued growth in total liquid assets (M4) which had begun by mid 1999. The monthly real growth trend in the first quarter amounted to 2.1%, which was somewhat higher compared with last year's average growth of 1.6%. In the second quarter and in the summer months, the growth was slower and amounted to 1.5%. At the end of August, M4 stood at HRK 87.7bn, which was an increase of 28.6% compared with the same period last year.

Money Market

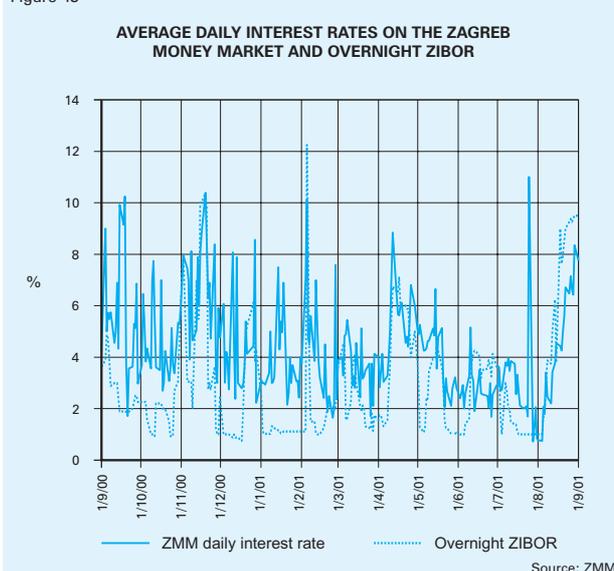
The money market interest rates, after falling considerably during the first half and the beginning of the second half of 2001, started rising with great fluctuations in August. The levels reached in July (interest rates below 1%), made funds available at very low prices. This was the result of the high liquidity in the system in the first half of the year. Interest rate fluctuations in

July and at the beginning of August were also triggered by the kuna appreciation, followed by its sudden depreciation. In August, owing to a high kuna demand (triggered by the kuna depreciation) and an increased purchase of foreign currency in the foreign exchange market, interest rate growth accelerated again. The rates on short-term securities of the Croatian National Bank and Ministry of Finance fell to levels below EUR LIBOR owing to strong demand in the second quarter. Such low yields and the rise in the money market interest rates, coupled with the increased demand for foreign currency caused by the expected exchange rate depreciation, led to a fall in placements in these securities. The downward trend in deposit money banks' interest rates that had started in the third quarter of 1998 continued in the second and the beginning of the third quarter of 2001. However, after the summer developments in the money and foreign exchange markets, coupled with new measures taken by the CNB, a rise in interest rates has been announced in banking circles.

Money Market Interest Rates

Movements in money market interest rates are primarily influenced by banking system liquidity. In the second quarter of 2001, a high banking system liquidity caused the following: a strong supply and a weak demand in the money market; a growth in daily trading accompanied by a fall in interest rates; a steep downturn in overnight trading (which once dominated the Croatian money market); and, of course, a decrease in overnight interest rates. Such developments continued into July. In August, the movements in the foreign exchange market led to a rise in demand for kuna since both banks and enterprises purchased foreign currency (thanks to the liberalization introduced by changes in the foreign exchange legislation). The first upsurge in demand was met by a high supply, with no significant impact on interest rates. Afterwards, the money market supply could not meet the growing demand; as a result, the liquidity of the system worsened (a fall in balances in banks' settlement accounts), which affected interest rates.

Figure 43



The average daily interest rate on the Zagreb Money Market grew from below 1% to above 8% in the July-August period of 2001. In this period, the ZIBOR rose to above 9% both on intra-day placements and placements with longer maturity (3 months). The overnight ZIBOR, as well as the overnight interest rate in the ZMM and direct inter-bank trading, also grew from below 1% to above 8%.

Owing to such developments in the money market and foreign exchange market, in August the daily trading on the ZMM reached its highest level in six years. It averaged HRK 96 million, which is twice as much compared to July or any month in the second quarter. An upward trend in total daily trading has begun only this year, growing from month to month.

Overnight trading fell to levels below daily trading owing to the high liquidity of the system in the second quarter. Influenced by market developments, it rose considerably in August, again exceeding daily trading. The average overnight trading is still much lower than in the periods when it dominated the money market (sometimes over 90% of total trading).

Despite these disturbances, the importance of overnight trading through the Zagreb Money Market has been growing since early 2001, whereas the importance of direct interbank trading has decreased. The opposite trend predominated throughout 2000. This is also the consequence of improved liquidity in the first half of 2001 when almost all large banks (participants in direct trading) were liquid, whereas smaller banks regulated their liquidity through the ZMM. Hence, large banks had to find trading partners through the ZMM rather than trade directly. In August, once again they had to meet their kuna demand by borrowing from smaller banks through the ZMM since they were all on the same side of the trading process in the foreign exchange market.

Interest Rates in the Short-Term Securities Market

Developments in the foreign exchange and money markets directly influenced the movements in subscriptions of, and interest rates on, short-term securities of the Croatian National

Bank and Ministry of Finance. They also influenced the auctions of foreign exchange CNB bills, but only regarding the amounts subscribed, whereas interest rates changed in line with developments in the international money markets.

Interest rates on CNB bills were 4.06% on 35-day bills, 4.80% on 70-day bills and 5.34% on 105-day bills at the first August auction, which is below EUR LIBOR. At the same time, interest rates on the Ministry of Finance T-bills were 4.20% on 42-day bills, 5.00% on 91-day bills and 6.00% on 182-day bills. Owing to the level of the exchange rate (appreciation of the kuna), it was more rational for banks to buy euros and place them in foreign deposits in order to profit from interest rate differences. Depreciation of the kuna was triggered at the same time, which created the opportunity to increase profits from positive exchange rate differences.

Interest rates on foreign exchange CNB bills have been on a downward trend since the end of 2000. Average interest rates on USD-denominated bills have almost halved (around 3.3% at end-August). In April, they were lower than the rates on EUR-denominated CNB bills (around 4% at end-August), which was in accordance with interest rate developments in the international markets. The FED has been continuously reducing interest rates due to a slowdown in U.S. economic growth. Its reaction was much faster than the ECB's reaction to similar developments in Europe, which was reflected in a downward trend in interest rates in money markets around the world. The downward trend in dollar interest rates has been much steeper than the downward trend in euro interest rates.

Despite such interest rate movements, the subscription of foreign exchange CNB bills rose by a huge 82.4% in August, after continuously falling in the first and second quarter of 2001. It continued to grow at the same pace at the beginning of September. This was due to a sudden kuna depreciation at the beginning of August and a plunge in interest rates on short-term kuna securities, which at one point fell below the level of interest rates on foreign exchange CNB bills.

The secondary market for short-term kuna securities recovered in the second quarter and at the beginning of the third quarter. Secondary trading in CNB bills reached 18% of the total nominal subscription per month, whereas secondary trading in T-bills exceeded 30% of the nominal purchase. Secondary trading in both these securities has been on a rising trend in 2001.

Deposit Money Banks' Interest Rates

The downward trend in DMBs' interest rates continued in the second quarter with occasional leaps in some months. Interest rates have been falling on kuna credits indexed to f/c since the end of 1994 and on kuna credits non-indexed to f/c since the end of 1998. After being on a rising trend caused by the failure of several banks, deposit rates have been decreasing since the end of 1999.

Trend values of interest rates on kuna credits indexed to f/c fell below 10%, whereas those on kuna credits non-indexed to f/c fell to 9% in the second quarter of 2001. As the average rate of inflation was 4.7% in the first half of 2001, real interest rates ranged between 4% and 5%, which is the level of real interest

Figure 44

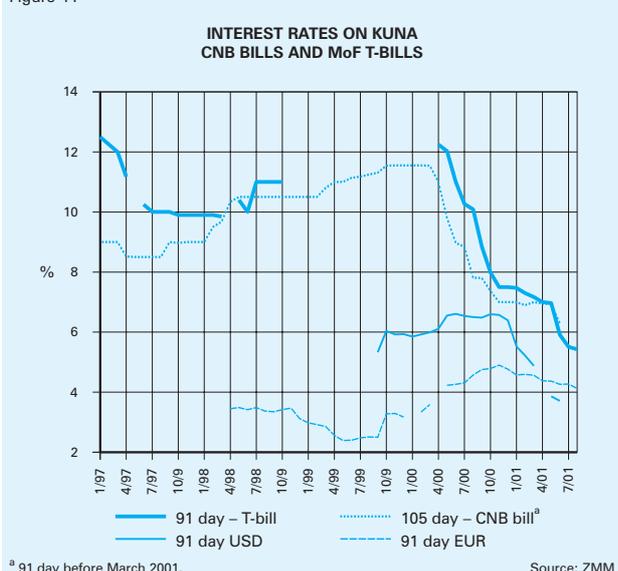


Figure 45

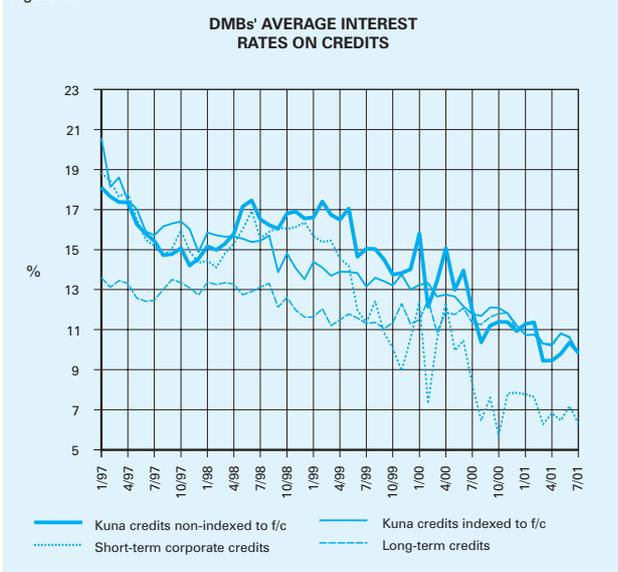


Figure 47

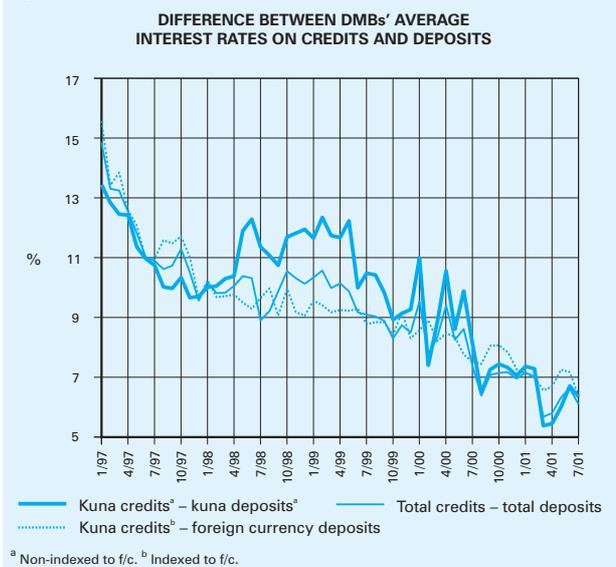
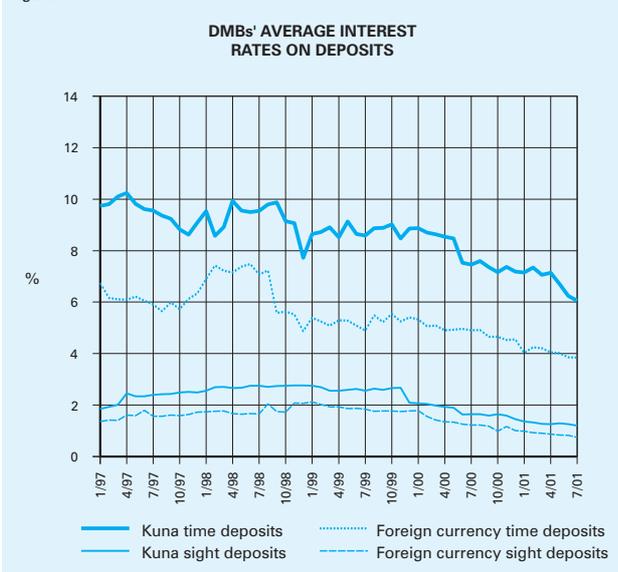


Figure 46



rates in the EMU countries. If one considers only the average interest rate on short-term corporate kuna credits (accounting

for some 40% of newly-granted credits per month) of about 5.8%, the average real interest rate on these credits was around 1.1% in the second quarter.

With the continued upturn in credits in the second quarter and the first two months of the third quarter, this level of interest rates indicates the banks' desire to increase their placements and use the high level of funds available. It is important to avoid "negative selection", i.e. placing funds at all costs without considering the quality of potential debtors. It is questionable whether a low interest rate is only a positive indicator in the current situation. The low interest rate, resulting from high liquidity of the system, may have an adverse impact on price developments (trigger inflation by credit expansion).

The highest interest rate is the one on household credit lines in kuna, 19.4% on average. It dropped below 20% only in the second quarter of 2001, after stagnating for a long time.

The fall in lending rates is supported by the strong liquidity of the system, the low price of sources of funds and a drop in interest rates in the money and short-term security markets. The strong and long-lasting downward trend in deposit rates continued in the second quarter of this year. Trend values of interest rates on both kuna and foreign exchange deposits are

Table 3: Comparison of Interest Rates in Selected Countries

	DE	EMU	CZ	PL	HU	SI	SK	HR
Month	6/00	6/00	6/00	6/00	6/00	6/00	6/00	6/00
Credits	8.39	6.56	6.85	19.70	12.10	15.60	10.91	9.98
Time deposits	3.66	3.49	4.37	13.60	9.20	9.90	8.99	6.80
Inflation rate (CPI ^a)	1.90	2.40	4.10	10.20	9.10	12.20	15.40	7.00
	12/00	12/00	12/00	12/00	12/00	12/00	12/00	12/00
Credits	9.12	7.16	6.51	20.90	12.80	16.30	10.74	7.38
Time deposits	4.19	3.96	3.95	14.10	9.90	10.90	6.84	6.89
Inflation rate (CPI ^a)	2.20	2.60	3.90	8.50	10.10	10.60	8.40	7.40
	6/01	6/01	6/01	6/01	6/01	6/01	6/01	6/01
Credits	8.79	6.96	5.97	18.70	12.10	16.70	9.09	6.72
Time deposits	3.84	3.65	3.82	11.80	9.20	11.40	6.32	6.02
Inflation rate (CPI ^a)	3.10	3.00	5.50	6.20	10.50	9.50	8.00	4.40

^a A year-on-year rate of change.

Note: The data is taken from the central banks' monthly publications and relates to short-term corporate credits and short-term household time deposits (up to 3 months), both in terms of their respective domestic currencies.

about 3%. The change in deposit rates is observable from developments in interest rates on time deposits, which are also on a downward trend. Kuna time deposits (10% of all deposits) bear a considerably higher interest of around 6.1%. By contrast, the interest rate on foreign exchange time deposits (about 49% of all deposits) is much lower, 3.9% according to the latest available data. The downward trend in deposit rates is expected to continue to the end of the year. It could be reversed only with regard to foreign exchange deposits as banks will compete for these deposits (mostly in German marks) prior to their conversion into euros.

The spread between interest rates on credits and deposits continued to diminish at a slightly slower pace in the second quarter of 2001. Trend values of several measures of this difference are approximately 6%, as shown in the original data series in Figure 47. This reduction in spread will force banks to further reduce the price of sources (deposit rates), widen the range of credit and loan products and other services, and increase the efficiency of their operation.

Capital Market

Domestic Market

In the first eight months of 2001, the total volume of trade on the Zagreb Stock Exchange amounted to HRK 914.3m. This was 46% of the total volume of trade in 2000. As yet there are no signs of a recovery and the total volume of trade is not likely to surpass last year's levels. In the second quarter of 2001, the total volume of trade was 28.7% higher than that in the first quarter, amounting to HRK 363.0m. As suggested by July and August data, trading in the third quarter could rise in volume over the second quarter.

Most of the volume of trade this year was related to shares (62% of the total volume of trade). At the end of August, however, of sixty-five listings, four listings in the highest quotation accounted for 68% of the volume of trade, which points to a high concentration in trading on the Zagreb Stock Exchange. Also, the 10 most actively traded shares accounted for 91.5% of the August volume of trade. This leads to the conclusion that there are abundant reserves in share trading on the Zagreb Stock Exchange.

Total market capitalization on the Zagreb Stock Exchange (shares) reached HRK 25.5bn, which is 16.2% of GDP in the year 2000. Of this amount, shares in Quotation I accounted for a considerable 57.9%. Still this is an improvement over the first quarter where these shares accounted for 63% of market capitalization. It is obvious that other shares traded on the Zagreb

Figure 48



Stock Exchange have risen in value. This also resulted from a growing number of actively traded securities (a total of 42 in August). In comparison with the end of the first quarter, total market capitalization rose by 10% in August.

The Zagreb Stock Exchange index, CROBEX, has followed the increase in market capitalization over the second quarter and two months in the third quarter. In late August, the CROBEX reached 1009.0 points, having been on the increase since the end of 2000.

Bonds account for a large portion of the volume of trade on the Zagreb Stock Exchange (38% in 2001). Only three bonds are still actively traded in (one issued by the CIHI two by DAB). They are still traded at an above-nominal price, the reason being their EUR denomination and high spread. In August, following a sudden depreciation of the kuna, they were traded at exceptionally high prices.

Table 4 compares the size and importance of the Zagreb Stock Exchange and the capital market in Croatia with those in selected transition countries. The market capitalization of shares is the lowest in value on the Zagreb Stock Exchange. However, compared with its share in the GDP in 2000, the outlook is not completely negative. As for indices movements, the Zagreb Stock Exchange has rebounded, but it is still falling behind its counterpart in Bratislava. Recording a considerable decrease in their indices and market capitalization, the most developed stock exchanges, those in Prague, Warsaw and Budapest, are obviously going through a crisis. Their volume of trade has also plummeted. Trading in bonds on the stock exchange in Prague is still large in volume. This is due to the fact

Table 4: Comparison of Capital Market Indicators

August 2001	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily volume of trade, shares (million USD)	0.6	23.3	2.5	12.0	28.3	0.3
Average daily volume of trade, bonds (million USD)	17.0	0.3	0.6	159.4	1.9	0.4
Market capitalization ^a (million USD), end month	3,484.2	8,918.0	3,274.9	8,989.0	21,504.1	3,045.1
Market capitalization ^a /GDP ^b , end month	18.2	19.5	18.1	17.7	13.6	16.2
Index movement from the beginning of the year (%)	21.7	-19.0	9.3	-23.9	-28.3	13.4

^a Shares. ^b 2000. Sources: Reports from BSSE, BSE, PSE, LJSE, WSE, ZSE and FIBV Statistics (www.fibv.org)

that bonds in the Czech Republic are not issued in any other currency but the Czech Koruna.

The volume of trade on the Varaždin Securities Market reached its peak this year. Reaching HRK 592.2m in the first eight months, it outstripped last year's volume of trade by a substantial 41%. The supply and demand quotation accounted for the largest share in trading (57%), together with PIF quotation (33%). The remaining 10% of the volume of trade comprised trading in rights (portfolio of the Ministry of Public Works, Reconstruction and Construction).

The VIN index has also hit its historic high over the last few years. Reaching 647.5 points in August, it has increased by 96% since early 2001. Market capitalization has also been on the increase.

Government Bonds on International Markets

Issues of international bonds of the Republic of Croatia have remained unaltered during the second quarter and the first two months of the third quarter. There are 10 bond issues still placed on international markets (11, if the CBRD ATS issue from 1997 is included). In contrast to first quarter levels, spreads for bonds listed on the market in USD, as well as the latest bond issue in EUR, have fallen. Spreads have increased for other EUR and DEM denominated bonds. Data is not avail-

able on Japanese issues, as they are not actively traded on the market. It is evident that the risk of Croatian bonds in relation to EUR denominated issues increased over the summer.

Movements in the Croatian euro bond spread in comparison with the benchmark German bond of similar maturity are shown in Figure 49. The spread increased in early July and fell below that level shortly afterwards. This checked the downward trend lasting from summer last year.

In relation to the movements in the spread of selected transition countries, Croatia increased its spread during the summer. In contrast, Hungary and Slovenia, thanks to their economic growth, have continually narrowed this spread, reducing the risk of investing in their bonds and attracting foreign investors.

Croatia's credit rating shows that there is still confidence in its economy. According to Fitch IBCA Croatia's short-term and long-term credit rating improved in late June (long-term BBB-; short-term: F3), to remain stable. Standard & Poor's kept their ratings unchanged, considering them stable (long-term BBB-; short-term: A-3). Croatia's credit rating remained unaltered by Moody's (long-term: Baa3; short-term: P-3). In the group of transition countries, Slovenia has the best credit rating (long-term: A, A, A2; short-term: F1, A-1, P-1), followed by Estonia (long-term: A-, BBB+, Baa1; short-term: F1, A-2, P-2) and Hungary (long-term: A-, A-, A3; short-term: F2, A-2, P-2).

Figure 49

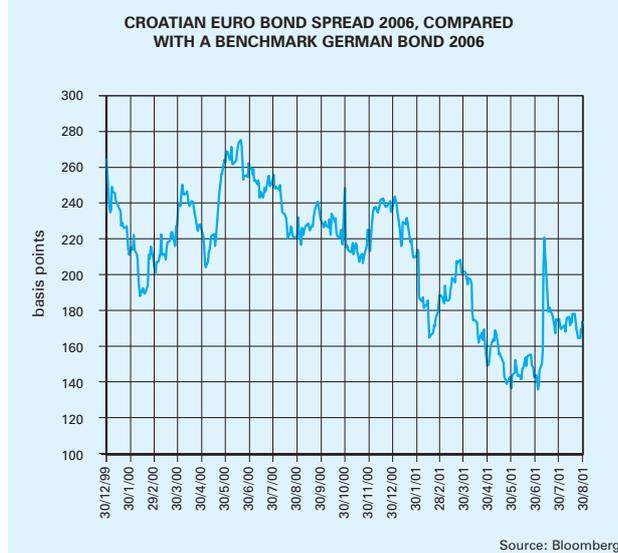


Figure 50

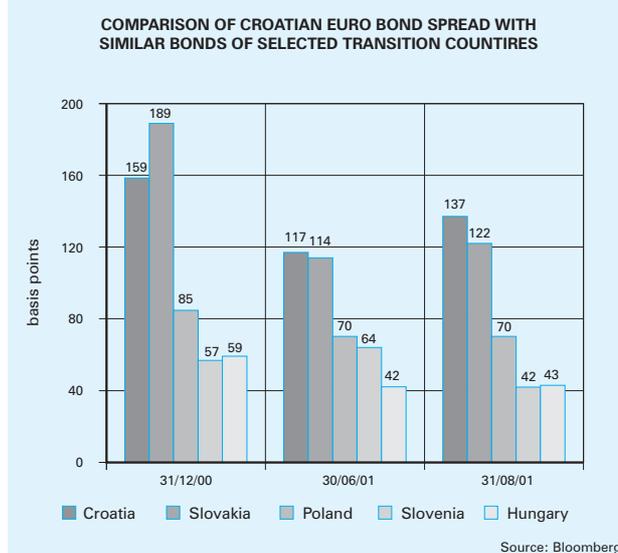


Table 5: Issues of International Bonds of the Republic of Croatia

Bond	Currency	Amount	Nominal interest rate	Spread ^a 31/8/01
London Club A	USD	857,796,000	6-month LIBOR + 81.25 b.p.	202
London Club B	USD	604,426,000	6-month LIBOR + 81.25 b.p.	199
Euro-USD bonds, 2002	USD	300,000,000	7%	139
Euro-DEM bonds, 2004	DEM	300,000,000	6.125%	137
Euro bonds, 2006	EUR	300,000,000	7.375%	173
Samurai bonds, 2004	JPY	25,000,000,000	4%	...
Euro bonds, 2005	EUR	500,000,000	7%	162
Samurai bonds, 2007	JPY	40,000,000,000	3%	159 ^b
Samurai bonds, 2006	JPY	25,000,000,000	2.5%	160 ^b
Euro bonds, 2011	EUR	750,000,000	6.75%	207

^a In relation to benchmark bond. ^b Upon issuing, not available for 31/8/2001; Source: Bloomberg

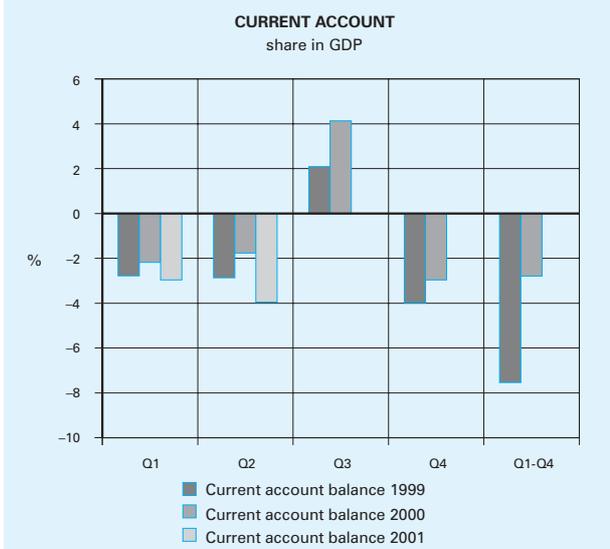
International Transactions

Current Account

Although the current account deficit fell in 2000, it grew again in the first two quarters of 2001, from approximately USD 400m to USD 1.4bn. The deficit accumulated in the first half of 2001 resulted from a sizable increase in imports of goods and a stagnant exports of goods, but with a somewhat improved income from services.

What is the direction of the current account deficit? Are those developments transitional or long-lasting in character? In order to provide answers to these questions, it is necessary to analyze Table 6, which contains the measures of disequilibrium in the balance of payments. In addition to the goods and services account and the current account, the basic balance, the net liquidity balance and the official settlements balance are more important measures of disequilibrium in the balance of payments. If the long-term capital from the capital account and financial account (movements in FDIs and the portfolio and other investment with maturity longer than 1 year) is added to the current account, we obtain the basic balance, which shows the long-term movements in the balance of payments. If the allocation of SDRs, private short-term capital (which cannot be converted into cash as easily as trade credits and short-term positions of other investments), net errors and omissions (which can contain concealed short-term private transactions) are added to the basic balance, we obtain the net liquidity balance, which shows the pressure on liquidity in the balance of payments. If private short-term liquid capital (which can be converted into cash as easily as currency and deposits) is added to the net liquidity balance, we obtain the official settlements balance, which shows the balance which has re-

Figure 51



mained after taking into account the long-term and short-term private financing of current transactions by the authorities (CNB and the government). The official settlements balance is financed from the following sources: a) the CNB's international reserves, b) IMF loan to the CNB and c) government short-term illiquid and liquid capital.

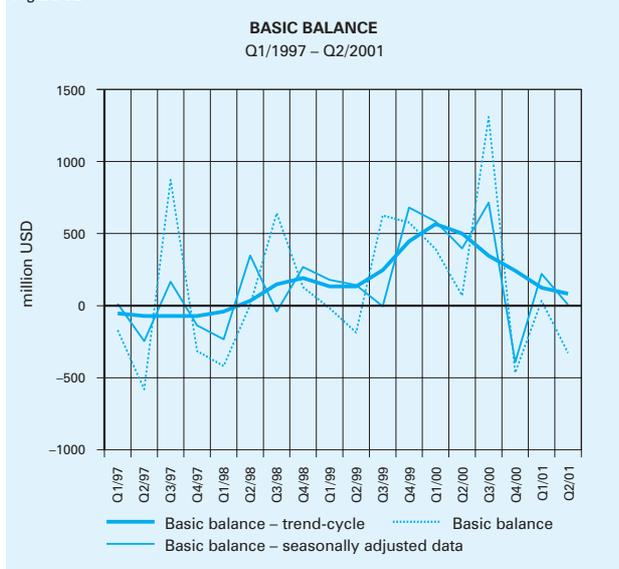
Table 6 clearly shows that long-term developments described by using the basic balance were favorable – the basic balance has been on an upward trend from 1995 to 2000 (except in 1997) primarily due to the inflow of long-term investments (FDIs) and bonds issued abroad. However, if we analyze the quarterly data on the basic balance and the seasonally adjusted data and the trend-cycle of the basic balance in Figure 52, we shall note that the basic balance, which has been on an

Table 6. Measures of Disequilibrium in the Balance of Payments, in million USD

	1995	1996	1997	1998	1999	2000	Q1/2001	Q2/2001
Goods	-3,259.3	-3,623.5	-5,196.2	-4,147.4	-3,298.6	-3,203.9	-807.7	-1,287.3
Services	1,044.3	1,579.7	2,024.2	2,074.8	1,625.2	2,257.7	132.6	452.5
Goods and services	-2,215.0	-2,043.8	-3,172.0	-2,072.6	-1,673.4	-946.2	-675.1	-834.8
Income	-28.8	-69.9	-22.4	-163.8	-349.5	-310.4	-147.1	-220.3
Current transfers	802.3	1,022.4	869.4	706.0	632.5	857.7	215.5	242.3
Current account	-1,441.5	-1,091.3	-2,325.1	-1,530.4	-1,390.4	-398.9	-606.7	-812.8
Long-term capital ^a	-28.2	1,584.5	2,133.7	1,886.9	2,391.6	1,706.2	639.6	485.9
Basic balance	-1,469.7	493.2	-191.4	356.5	1,001.3	1,307.3	32.9	-326.9
SDRs	-135.3	14.3	-21.5	-84.1	41.7	41.8	20.4	4.6
Private short-term illiquid capital ^b	462.5	31.3	492.8	-400.8	47.0	362.2	-326.7	-3.6
Net errors and omissions	345.9	-904.0	-326.5	61.7	-743.8	-283.9	321.6	370.3
Net liquidity balance	-796.7	-365.2	-46.5	-66.7	346.1	1,427.4	48.2	44.4
Private short-term liquid capital	709.3	817.4	393.6	214.7	77.0	-1,026.3	111.3	342.8
Official settlements balance	-87.4	452.1	347.0	148.0	423.2	401.1	159.5	387.2
Financing:								
Reserves excluding SDRs (increase)	-307.8	-547.6	-406.5	-67.4	-420.2	-623.9	-160.4	-391.4
IMF loan to monetary authorities	97.6	-4.3	37.3	-8.9	-31.4	-28.7	0.0	-13.8
Other:	-210.2	-551.9	-369.2	-76.3	-451.6	-652.6	-160.4	-405.2
Government short-term illiquid capital ^b	313.1	133.2	-8.6	-49.2	29.2	283.7	0.0	1.1
Government short-term liquid capital ^c	-15.5	-33.4	30.7	-22.3	-0.5	-32.1	1.0	16.9
Check:	87.4	-452.2	-347.1	-147.8	-423.0	-401.0	-159.4	-387.2

^a Capital account, FDIs and long-term capital (portfolio and other investment with maturity longer than 1 year). ^b Short-term trade credits and other short-term investments. ^c Currency and deposits and short-term portfolio investments. Source: CNB

Figure 52



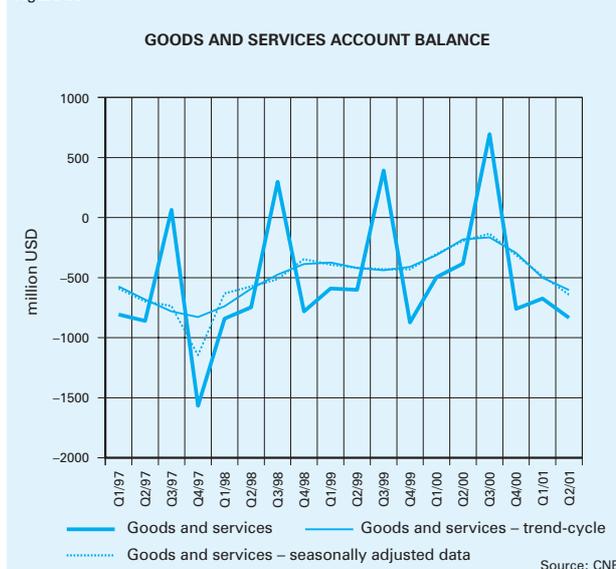
upward trend since the first quarter of 2000, has started to deteriorate. Since such developments in the basic balance are related to FDIs, especially with big privatization projects, it can be concluded that the basic balance figures will bear a positive result as long as there are privatization projects. However, once these projects are completed, without significantly influencing the goods account deficit, we cannot expect the basic movements in the balance of payments to be positive.

Expressed in US dollars, the goods account balance deteriorated in the first two quarters of 2001 due to a sizable growth in goods imports, caused by an increase in consumption, car imports, and imports of investment equipment related to the revived investment cycle. This downturn was 44% higher (seasonally adjusted) in the first half of 2001 than in the same period last year, while goods imports rose by about 20% (seasonally adjusted) and goods exports by only 2% (seasonally adjusted). This issue is further discussed in the text below.

The services account improved by 11% or 60% (seasonally adjusted) in the first half of 2001 compared with the first half of 2000, reaching a surplus of USD 585m. Since seasonal movements greatly influence this component, the actual movements in the balance in services account are shown by the trend-cycle component. According to this component, the services account was on an upward trend: it was 75% higher compared with the first half of 2000. Although tourist nights and tourist arrivals were 20% higher than in the same period last year, the increase in the services account did not result from movements in the tourism account: the balance in the tourism services account fell by 3% (seasonally adjusted), for although the income from tourism was higher in the first two quarters of 2001, so were the expenditures. The increase in the services account caused an upward trend in the transportation account 37% (seasonally adjusted) and in other service accounts. In order to get a better insight into the developments in services, we should wait for the data for the third quarter and the values of the balance in tourism account in the peak of the season.

Accordingly, the foreign trade balance, i.e. the balance in the goods and services account (one of the more important

Figure 53



measures of disequilibrium in the balance of payments – Table 6) fell by 127% (seasonally adjusted). In other words, a change occurred in the trend-cycle during the third quarter of 2000. Indeed, the deficit of the third quarter was 123% higher compared to the first half of 2000. As a result, the goods and services account deficit stood at USD 1.5bn.

The currency structure and developments in the exchange rate should be mentioned here. Since a significant share of goods and services, exported or imported, is denominated in the euro (62% of exports and 70% of imports) and since the euro weakened by almost 8% against the dollar in the first half of 2001, the export and import values should be higher, as should the growth rates of exports and imports of goods and services.

The continuation of high repayments on the increasing external debt (see External Debt) caused a deterioration in the balance in the income account: the deficit rose by 92% (seasonally adjusted) to USD 365m. This was mostly due to an increase in the repayment of interest on received portfolio investments (government bonds) and other investments (increased borrowings), and the repatriation of profit to foreign investors (e.g. from banks privatized in the course of the last year). After stagnating in 2000, the income account reversed its trend, resulting in a 70% higher deficit in the first half of 2001. A further increase in debt in the first half of 2001, together with still high repayment quotas on old debts, may cause a higher income account deficit in the future that might offset the positive effect the current transfers balance has had on the current account balance.

The current transfers balance rose by 10% (seasonally adjusted) in the first six months of 2001 compared to the same period last year, which amounts to a surplus of USD 458m. The upward trend has continued (an 8% rise) primarily due to an increased inflow of Croatian pensions from citizens who were temporarily employed aboard and a fall in the outflow of funds from Croatia based on intergovernmental donations (especially towards Bosnia and Herzegovina). With respect to this, it is expected that the surplus in the current transfers account will fur-

ther improve due to a forecast growth in inflow based on pensions earned by Croatian citizens abroad.

Merchandise Trade

The merchandise trade was marked by a strong growth in imports of 21.3% (seasonally adjusted) or USD 5.450m in the first seven months compared to the same period last year. Goods exports (seasonally adjusted) stood at USD 2.646m in the first seven months of 2001, an increase of 1.9% compared to the first seven months of 2000. In the same period, the merchandise trade deficit reached USD 2,825m (seasonally adjusted), exceeding the merchandise trade deficit in the January-July period of 2000 by 43.1%. Parallel with the growth in imports and the stagnation in exports, the average coverage of imports by exports fell from 59% (the average for the first seven months of 2000) to 48.6%.

Expressed in kunas, the average real trend monthly rate of goods imports for the first seven months of 2001 (HRK 6.0bn) exceeded the average real trend monthly rate in 2000 (HRK 5.3bn) by 13.2%.

The structure of imported goods by economic purpose shows that imports of capital goods grew by 29.7% in real terms in the first seven months of 2001. Their share in the value of real imports increased by 2.5%. Durable consumer goods rose the most (32.6%).

The increased import of cars in the first quarter of 2001, as a result of the impending repeal of car import privileges, continued into the second quarter of 2001. Imports peaked in May, when the real growth rate stood at 65.9% in comparison with the first five months of 2000. In June and July imports decreased.

The import value of machinery and transport equipment grew in the first seven months of 2001 (28.7% in real terms), and their share in total imports rose from 32% to 34.5%. Compared to the first seven months of 2000, industrial machinery grew at a real rate of 41.9%. These developments were caused by the revival of the investment cycle at the end of 2000 and in the first half of 2001, i.e. the upsurge in the real trend of manufacturing and retail trade turnover. As a result, this should increase the production capacity of the economy and increase growth above the projected 4% in real terms.

The comparison between the movements in imports and loans extended to the private sector by banks in the first six months of 2001 gives a reasonable explanation for the said movements in imports. Taking into consideration the condition of the real sector and the need for its restructuring, it can be expected that the relationship between technological gaps, imports of equipment, and loans to the private sector will probably exist in the forthcoming period (5-10 years). In other words, we can expect pressure on the import of goods, especially goods for investment. On the other hand, a reduction in government spending, especially in the current consumption sector, envisaged by the stand-by arrangement and the government's long-term program, might ease the pressure on the import of goods, especially in the current consumption sector. It remains to be seen whether the plan for reducing government spending will be carried out.

Capital and Financial Account

In the first half of 2001, the balance of payments of capital and financial account was characterized by the absence of receipts from the HT privatization and the new government debt created by issuing international bonds. The balance in the capital and financial account increased by 150% in the first two quarters of 2001 compared with the same period last year, reaching USD 700m due to the need to finance the larger deficit in the current account.

The capital account balance rose by almost ten times (i.e. to USD 120m) in the first half of 2001 compared with the first half of 2000, reflecting the distribution of the former SFRY assets held in the Bank for International Settlements in Basel. According to the distribution key and the price of gold in June, Croatia received gold in the value of USD 115m. This is an extraordinary inflow which is thus recorded as an increase in the CNB's international reserves and as a received capital transfer in the capital account.

FDIs were half the size in the first half of 2001 compared with the same period last year due to delayed privatization projects (Privredna, Splitska and Riječka banka were privatized in the first half of 2000) and amounted to USD 380m (FDIs are further discussed in the section below). As a result of administrative and other obstacles, massive greenfield FDIs failed to be made (see the section on FDIs).

The portfolio investment rose by 34% compared with the first half of 2000, mostly due to increased government debts created by issuing bonds, especially euro bonds (EUR 500m) and Samurai bonds (about USD 216m). Together with the new euro bonds issued in July (EUR 250m), the debt reached USD 603m.

In addition, the debt also increased on the account of classic loans that increased the balance in other investments by USD 727m in the first half of 2001 compared with the same period last year.

In contrast to the previous two years, when it seemed that FDIs will to a large extent be used for financing the current account deficit, this year (as in 1998) again increased the importance of financing through debt.

Although the difference between the interest rates in the domestic market and European financial markets was still significant in 2000 (almost 7%), domestic interest rates fell due to a high kuna liquidity in domestic banks, followed by a simultaneous growth in interest rates in European financial markets. As a result, the spread between interest rates in the domestic market and in European financial markets was below 3%. This means that taking loans abroad for the purpose of covering the imbalance in budget revenues is no longer cost-effective for the government. On the other hand, if the downward trend in interest rates continues, the inflow of private capital into Croatia may come to a halt and change into an outflow for investments abroad.

Foreign Direct Investments (FDIs)

According to economic studies, the influence of FDIs on the development of an economy depends on the type and extent

of the FDIs, the quality and structure of available domestic economic sources, and the macroeconomic and organizational policy of a government. Most studies agree that FDIs have a positive effect: an increase in foreign trade and in the transfer of technology and management skills.

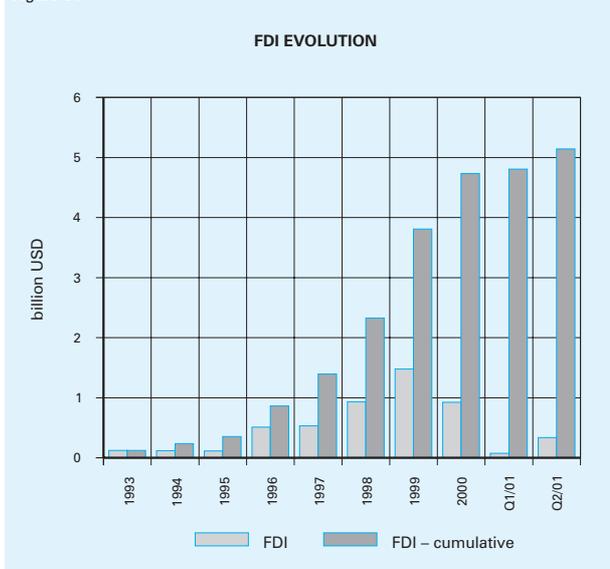
FDIs per capita and as a share in the GDP are relatively high in Croatia compared with other transitional countries. In the period between 1990 and 1999, the highest FDIs were recorded in Hungary (USD 1.810 per capita), followed by the Czech Republic (USD 1.405 per capita), Poland (USD 837 per capita), and Croatia (USD 810 per capita). This order is significantly reversed if we analyze the share of FDIs in the average GDP. According to this criterion, the Czech Republic and Poland almost share their positions, Hungary is still convincingly in the first position (40% share in the average GDP), while Croatia with a share of almost 20% takes a position before Slovakia and Slovenia.

No FDIs were brought into Croatia in the beginning of the 1990s due to insecurity and the war. In the period between 1993 to the first half of 2001, Croatia received FDIs in the amount of about USD 5.1bn in nominal terms, mostly as a result of privatization. In contrast, the largest outflow of foreign exchange took place in 1999 at USD 1.5bn (the first round of the HT privatization).

The first ten activities account for the largest share in total FDIs (about 80%). 65% of total FDIs were in the following three activities: telecommunications (24%), other financial intermediations (21%), and the manufacturing of pharmaceutical products (20%). Wholesale trade is the sixth largest activity, accounting for only 1.96% of total FDIs. The group which includes the extraction of crude petroleum and natural gas and the manufacturing of cement accounts for a 3% share in total FDIs. According to the country of origin, the largest investors in Croatia are the United States (USD 1.11bn up to now), Germany (USD 1.06bn), Austria (USD 890.2bn), Italy and the Netherlands. According to activity, the largest investments were made in manufacturing – 49% (the manufacturing of pharmaceutical products – Pliva), transportation, storage and communication – 31% (telecommunications – HT) and financial intermediation – 12% (Zagrebačka banka and other banks).

The recent study on obstacles to FDIs in Croatia prepared by the FIAS (Foreign Investment Advisory Service – member of the World Bank Group), upon the request of the Ministry of Economy, was completed at the beginning of 2001 and states about fifty obstacles to investments into Croatia. These obstacles include slow and inefficient administration, the number of licenses, old-fashioned land registers, bureaucratic barriers (such as the time required to get a work permit and the necessary documentation), and the slow and inefficient judiciary system. These obstacles may make one country less attractive to investors relative to other similar counties that have even higher tax rates but a more efficient administration. Croatia's efforts to attract more FDIs by decreasing tax rates will fail to produce results as long as a new company can be registered within a maximum of two months in Hungary, while the same process takes a few months in Croatia and is followed by nontransparent costs and numerous forms. Only if the Croatian government, guided by the findings of the study, takes prompt

Figure 54



measures to remove obstacles, can it receive larger FDIs (“greenfield” FDIs) that might bring positive incentives to growth and development, reduce unemployment and improve the balance of payments. Otherwise, if the financing of the balance of payments continues to be based on privatization revenues, the problem of financing the current account deficit will reemerge, especially once the big privatization projects are completed (HT, INA, HEP, etc.). In addition, if there is no upswing in the goods and services account, financing through external debt might increase and consequently exacerbate the problems related to indebtedness (see the section on External Debt).

External Debt

The increased balance of payments deficit, the deterioration of the basic balance and the postponement of big privatization projects (the delay of the second round of HT privatization) increased the need for deficit finance. In 1999 and 2000, the deficit was largely financed by FDIs; after that, however, external debt again became the main source of finance. Total debt rose to USD 251m in the first half of 2001 compared with the end of 2000, i.e. by 2.3%, reaching USD 11.1bn.

Compared with the end of 2000, the government sector share in total debt rose by 2 percentage points, i.e. to 46% (EUR 500m worth of euro bonds and about 216m worth of Samurai bonds), while the banks' share fell slightly (from 15% to 14%). Other sectors share in total debt fell by 3 percentage points (to 27%), and the monetary sector share by 1 percentage point (to 1%). The credit relations between enterprises founded through foreign direct investment and the parent enterprises headquartered abroad recorded a 1 percentage point increase. In July, the government debt rose by additional EUR 250m worth of euro bonds.

To what degree are these increases in external debt sustainable? According to economic studies, the sustainability of an external debt can be roughly estimated by comparing the growth rates of the total external debt, the GDP (gross domestic

Table 7: External Debt by Debtor Sector, in million USD

	1998	1999	2000	Structure 2000	Growth 2000/1999	Q1/2001	Q2/2001	Structure Q2/2001	Growth Q2/2001/2000
Monetary sector	234	197	159	1.46	-19.29	152	136	1.22	-10.53
Government	3,395	3,973	4,797	44.07	20.74	5,201	5,130	46.07	-1.37
of which: London Club	1,405	1,381	1,255	11.53	-9.12	1,181	1,181	10.61	0.00
Banks	2,266	1,954	1,596	14.66	-18.32	1,601	1,595	14.32	-0.37
of which: Currency and deposits	615	538	433	3.98	-19.52	510	557	5.00	9.22
Other sectors (enterprises)	3,215	3,208	3,269	30.03	1.90	3,135	3,036	27.27	-3.16
Direct investment	477	540	1,064	9.78	97.04	1,063	1,239	11.13	16.56
Total	9,586	9,872	10,884	100.00	10.25	11,152	11,135	100.00	-0.15

Source: CNB

Table 8: Comparison of Debt Indicators, in %

	Heavily indebt. countries ^a	Former Yugoslavia ^b	Republic of Croatia ^a							Average
	1983 – 1986	1982 – 1986	1995	1996	1997	1998	1999	2000	1995 – 2000	
Growth rate of total debt	8.3	2.7	26.1	39.3	40.4	28.6	3.0	10.3	24.6	
GDP growth rate	-15.8	2.7	30.2	5.4	1.4	7.5	-8.2	-5.6	5.1	
Growth rate of goods and services exports	3.0	0.8	-0.4	10.7	4.8	4.3	-5.3	6.6	3.4	

^a For data on Croatia, in million USD, the CNB midpoint exchange rate. ^b Source: World Debt Tables 1990-91 & 1991-92, Vol. 2 Country Tables, World Bank, Washington D.C., 1990-1992; Global Development Finance, Vol.2 Country Tables, World Bank, Washington D.C., 1993-1999

product) or the GNP (gross national product) expressed in US dollars, and exports of goods and services expressed in US dollars. If the growth rate of external debt exceeds the growth rate of GDP, the ratio of debt to GDP will be increasingly unfavorable and the external debt will increasingly burden the annual economic activity. If the growth rate of external debt exceeds the growth rate of export of goods and services, the ratio of debt to goods exports will be increasingly unfavorable and the external debt will increasingly burden the main activities which generate foreign exchange (see the section on External Debt in the June edition). Annual averages are frequently used to see long-term trends in growth rates and thus estimate sustainability. Table 8 gives the averages for the group of heavily indebted countries (the World Bank Classification; see June edition) in the period of the debt crisis between 1983 and 1986; for the former Yugoslavia in the period between 1982 and 1986; and for Croatia in the period between 1995 and 2000. The data for Croatia are stated by years and give the averages for the said period.

In the period between 1983 and 1986, the heavily indebted countries experienced an increase in external debt that was almost three times the increase in exports, as well as a GNP decrease, which resulted in an unsustainable external debt and a debt crises. In the period between 1982 and 1986, the external debt of the former Yugoslavia exceeded the growth in exports by three times, while the GNP growth equaled the debt increase, which resulted in aggravated debt repayment and a debt crisis. In the 1995-2000 period, Croatia's external debt growth rate was larger than its export growth rate and, except in 1995, was also larger than the GNP growth rate. This is clearly shown by the average growth rates for the whole period. The average growth rates of external debt, GNP and exports were 25%, 5% and 3%, respectively. Accordingly, it can be concluded that the ratio of debt to GDP and the ratio of debt to exports of goods and services are on a continued downward trend. The government sector contributed most to the increase in total external debt.

The first half of 2001 was marked by the dollar strengthening against the euro and the kuna, which consequently increased the external debt level. Since 55% of the external debt of the Republic of Croatia was denominated in the euro in the first half of 2000 (a 1 percentage point decrease compared with the end of 2000), and only 33% in US dollars (and 12% in other currencies), the weakening of the euro against the dollar decreased the total debt by USD 675m in 2000. The external debt would have increased by the same amount if it had been denominated in US dollars only.

The period of high repayment quotas, estimated to be USD 1.9bn this year, has continued. Since a portion of the debt (especially the debt inherited from the former Yugoslavia) has been rescheduled based on new borrowings (government bonds), the structure of payments to be made in the upcoming years has also changed. Although previous projections indicated a downward trend in repayment quotas after 2002,

Figure 55



^a Metodological changes introduced in 1998.

which were estimated to be below USD 1bn, the new projection shows that the repayments quotas will be larger than USD 1bn in the forthcoming period and amount to above USD 1.5bn in 2001 and 2002. The projection is divided into two parts (modes): a) repayments (mostly old debt) to be made until 2003, and b) repayments to be made in and after 2004 that are on an upward trend. Such a prolongation of debt repayment term by incurring new debt threatens the sustainability of the external debt due to the added uncertainty related to various economic shocks that may jeopardize repayment.

International Liquidity

What have been the movements in the international liquidity? Although the gross international reserves rose by about USD 400m and the kuna strengthened against the euro by almost 4%, the foreign exchange market pressure index (FEMPI, for more details see the June edition) fluctuations were strong in 1999, and especially in 2001 after increased liberalization of foreign exchange transactions.

The y-axis in Figure 56 represents the standard deviation of the index (from 0.035 to 3.5%). The positive values of the index indicate appreciation pressures on the currency, while the negative values indicate depreciation pressures. In the observed period, the international liquidity measured by the FEMPI fluctuated between the plus and minus of the two standard deviations, and the fluctuations were more pronounced in the period after January 1999. The FEMPI trend shows a slight upward movement in the period.

However, three major disruptions in the foreign exchange market can be seen. The first was in January 1999, when the index fell by more than two standard deviations (-0.072), showing depreciation pressure. The second was in July 2000, when the index exceeded the two standard deviations and had a positive sign (0.079), showing appreciation pressure. The largest disruption (0.086) came in July 2001, when the exchange rate appreciated strongly (3%) compared with the previous month.

The high volatility in international liquidity and the developments in the balance of payments and external debt send warning signals to monetary policy makers. Such volatility increases the influence of the market and market expectations and diminishes the effectiveness of predictable monetary policy measures, as evidenced by the recent economic literature.

Government Finance

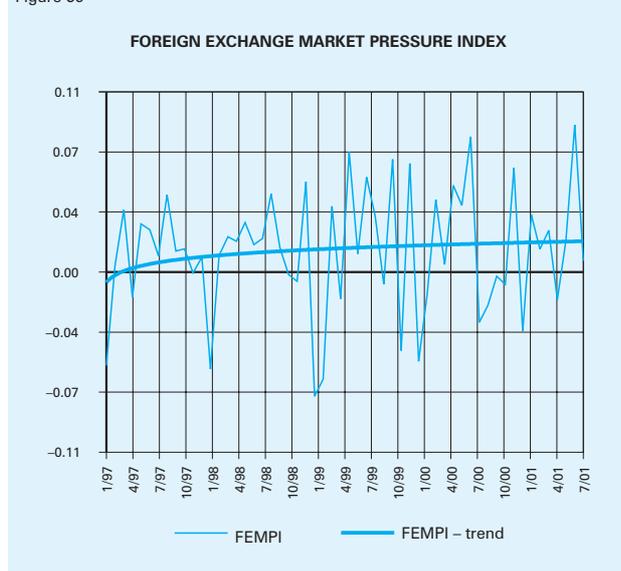
Budget Highlights in the Second and Third Quarter of 2001

The government's policy target for the end of 2001 is a consolidated⁵ central government deficit of 5.3% of GDP at most, without capital revenues. This year's total deficit ceiling, excluding capital revenues, is HRK 9.0-9.2bn, provided that GDP reaches HRK 170-174bn. If no changes occur in the movements of budgetary items, the deficit on a cash basis⁶ is expected to be between HRK 10.5bn and HRK 10.9bn (capital revenues excluded), or 6.3% of GDP. No major changes are to be expected on the revenue side of the consolidated central government budget in 2001 since the government has no intention of changing taxes or improving the tax collection from the informal economy. Hence, the budget expenditures should be cut by HRK 1.5-1.9bn by the year-end to achieve the targeted consolidated central government deficit. The time available to the government to cut budget expenditures is, at best, the fourth quarter of 2001, after the September parliamentary session at which new laws are to be adopted.

In the period of January till July, 2001, the nominal consolidated central government deficit was HRK 4.3bn, or HRK 4.5bn if capital revenues are excluded. During the first official revision of the government budget outturn in July, in accordance with the stand-by arrangement, the government disclosed unfavorable financial developments in four areas: child benefit payments, pension payments, the civil service wage bill and the financial position of the health fund (CIHI). The most important restrictive measures up to now are a cut in civil service wages caused by a cut in basic wages and the introduction of new coefficients, and the devolution of central government authority to the local level, as of July 2001. In addition, car import exemptions for war veterans were abolished at the beginning of June 2001, which has, among others, contributed to a strong growth in import levels in the first half of the year.

The technical budget revision has changed the activities of the pension fund (CPII). More precisely, contribution and pension payments in Croatia have been transferred to the single treasury account, whereas the expected 2001 privatization revenues went down from HRK 8.7bn to HRK 6.5bn. The two events dominating the sphere of government financing in the second quarter of 2001 were the privatization of an additional 16% in Croatian Telecom (HT) and the new Law on the CNB. The government budget will realize an inflow of EUR 500m

Figure 56



5 The difference between the unconsolidated and consolidated central government budget is explained in Box 4.

6 The difference between the government budget reported on a cash and accrual basis is explained in Box 5.

from the HT privatization in the beginning of October, with an additional release of USD 46m, held up since 1999 by prior agreement between the government and Deutsche Telekom (DT). The changes introduced by the new Law on the CNB mostly relate to a change in the institutional status of the CNB, and they have not directly influenced government financing since the previously available option of short-term government borrowing from the central bank of up to 5% of the current year budget was not much used in the last two years. This option does not exist in the present law, so that the government has been definitely prevented from borrowing from the central bank, and thereby also from monetizing the budget deficit.

The stated measures and financing methods are a part of the government's efforts to restrain its expenditures. Other restrictive measures that might lead to the same results are not at the government's discretion. Instead, they have to be adopted by the Parliament in an emergency procedure since they require changes in legislation to restrict expenditures for social security transfers. The emergency procedure and the adoption and implementation of the new laws as soon as possible, probably in September, are needed if the effects of these measures are to be felt in this budgetary year. To cover the widening deficit, the government borrowed additional EUR 250m on the international market in July, by enlarging the March 2001 issue of bonds. Furthermore, the government issued EUR 200m worth of domestic bonds, bearing 6.7% interest and maturing in 3 years. This was the first successful domestic market placement of government securities with longer maturities. Generally speaking, in addition to the uncertainties regarding the cut in expenditures, the government has been focused on the problem of financing this year's budget deficit. After 2001, in which considerable financing resources have been used to cover the deficit, the beginning of 2002 will bring large costs stemming from the pension reform (starting in January 2002), and external debt repayments of USD 542m due in the first quarter of 2002. It seems that larger, if any at all, privatization revenues will not be at the government's disposal in 2002, so that the surplus funds from privatizations in 2001 will be transferred to 2002. However, this will not be sufficient to cover needs for financing. The necessity to enter international financial markets in that case will only increase the need to prolong the stand-by arrangement with the IMF if the current favorable trend in borrowing on the international financial market is to be continued.

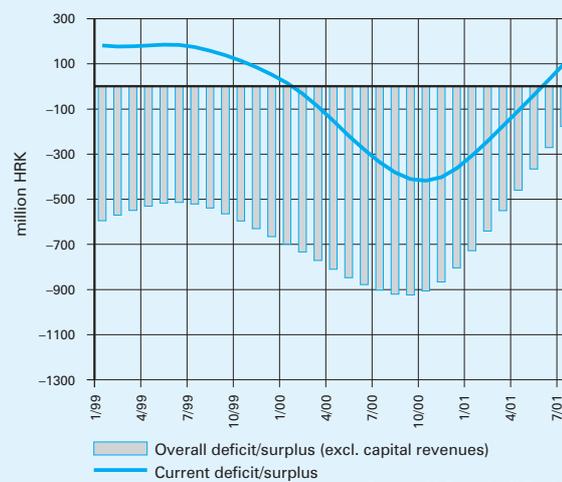
The Outturn of the Consolidated Central Government Budget

Overall, Current and Primary Deficits of the Consolidated Central Government Budget

In the April-July period of 2001, the total consolidated central government deficit in nominal terms rose by HRK 1.0bn, amounting to HRK 4.35bn (cumulative for January-July). It was HRK 7.7bn (4.9% of GDP) in 2000. Under the stand-by arrangement, the consolidated central government deficit is observed without privatization revenues⁷ since they produce one-time effects and do not provide information on viability of government operations. Viewed from this perspective, the

Figure 57

THE TREND IN OVERALL AND CURRENT DEFICIT/SURPLUS OF THE CONSOLIDATED CENTRAL GOVERNMENT BUDGET at constant prices, December 1999 = 100



real⁸ consolidated central government deficit was 39.7% lower in the January-July period of 2001 than in the same period of 2000.

The current balance shows the government's ability to finance current expenditures (excluding capital investments) by current revenues. Lower current revenues than expenditures could, in the long run, lead to a substantial upturn in government debt and a new wave of creating arrears. This year's movements in the current balance of the consolidated central government budget have been on a positive trend (Figure 57).

The trend in the cumulative real value of the current deficit was HRK -734.3m, or 33.0% lower in the first seven months of 2001 than it was in 2000. The current deficit started widening sharply in February 2000, and reached its high in October (HRK -417m) due to, among other things, the settlement of inherited government arrears.⁹ In June and July 2001, the real trend in the current balance was again positive, mostly owing to a cut in consolidated central government expenditures. These trends suggest that the government measures taken up to now have resulted in reduced expenditures and thus, a narrower deficit. Nevertheless, the delayed implementation of restrictive measures (due to local elections and political tensions at the most recent extraordinary parliamentary session) has threatened the 2001 government spending targets.

The primary government budget¹⁰ deficit is the difference between total revenues and expenditures less interest payments. It shows the size of the gap between total revenues and the part of expenditures influenced by the fiscal policymakers. The real trend in the primary government budget deficit indicates a partial recovery in the second quarter of 2001; it was 13.7% lower than in the preceding quarter. However, the cumulative data for the first seven months of 2001 are very prom-

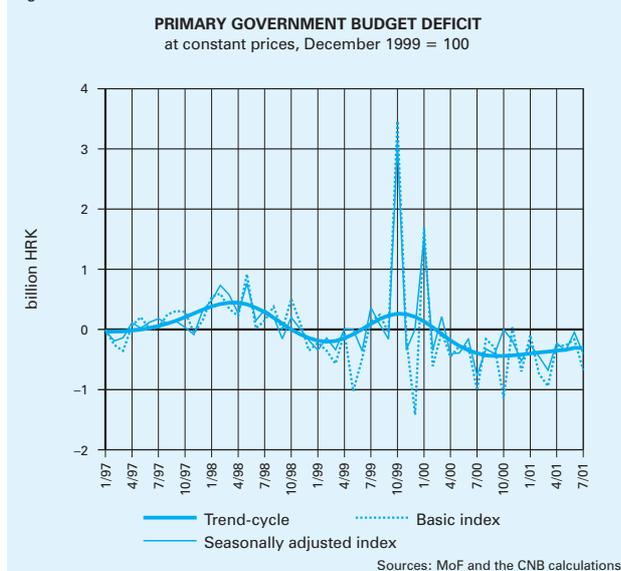
7 With additional modifications

8 "Real" data refer to the series deflated by the index December 1999 = 100.

9 The differences between the deficit on a cash basis and accrual basis, and changes in government arrears over the last years are described in Box 5.

10 The definition of the government budget is given in Box 4.

Figure 58



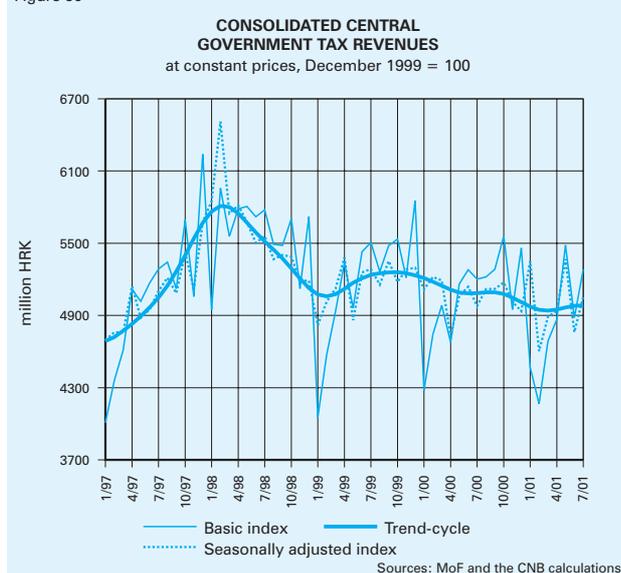
ising, showing that the primary government budget deficit was more than double (121.8%) those levels from the same period last year. In absolute terms, the real primary deficit grew by HRK 2.2bn (Figure 58). This implies that the government is unable to pay interest payments out of total revenues, but rather pays them by additional borrowing.

Consolidated Central Government Revenues

Consolidated central government revenues stood at mostly expected levels in the second quarter of 2001. In this period, tax revenues grew by 0.5% (seasonally adjusted) in real terms compared with the quarter before. They fell by 2.2% (seasonally adjusted) cumulatively in the January-July period of 2001 compared with the same period last year (Figure 59).

The mid-2000 increase in excises, which should have cushioned the effects of a drop in income tax revenues and of the lengthened collection lag for VAT, has not produced the ex-

Figure 59



pected results. Excise revenues went down 1.0% (seasonally adjusted) in real terms in the first seven months of 2001 than in the same period of 2000. This indicates development in the so-called gray market, primarily in oil (averaging some 60% of total excise revenues) and cigarettes (averaging some 30% of the total). The decline in income tax revenues, expected in the first quarter of 2001, continued in the second quarter of 2001, falling by 6.4% (seasonally adjusted) in real terms in the second quarter compared with the first quarter of 2001 and by 22.8% (seasonally adjusted) in cumulative terms in the first seven months of 2001 compared with the same period in 2000. This downward trend is expected to continue in the forthcoming period owing to already implemented and announced further staff reductions in public administration. The trend in real profit tax income apparently bottomed out at end-2000 and has since then been growing despite a cut in the tax rate from 35% to 20% at the beginning of 2001. Together with the growth in the industrial production index, this trend confirms that company performance has improved on the aggregate level. Real VAT revenues were 2.6% (seasonally adjusted) higher in the first seven months of 2001 than in the same period last year. An even more considerable increase is expected in the forthcoming period owing to a strong tourist season (an increase in the total number of tourist nights of 15.2% in the January-July period of 2001 over that in the same period of 2000, and the anticipated leap in personal consumption (around 4.0%). Real revenues from taxes on international trade continued rising in the second quarter of this year; they rose 31.9% (seasonally adjusted) compared with the first quarter of 2001. Nevertheless, the cumulative real trend shows that they were off 9.2% in the first seven months compared to that in the same period last year despite the increase in the value of imported goods (real import growth was 20.0% in the January-July period of 2001, seasonally adjusted). This can be explained by Croatia's accession to the WTO and the bilateral agreements it signed with numerous countries. Real revenues from social security contributions have remained on a mild upward trend, after a substantial decline at end-2000. They were up 1.1% in the second quarter from their levels in the first quarter of 2001. Contribution collection should be more efficient owing to the inclusion of CIHI financial operations in the government budget. In addition, the Ministry of Finance intends to unify contributions soon, within the pension system reform.

Table 9: Structure of Current Tax Revenues, in %

	1997	1998	1999	2000	Jan. - Jul. 2001
1. Current revenues	100.0	100.0	100.0	100.0	100.0
1.1. Tax revenues	94.2	94.8	95.0	95.2	95.1
Income tax	7.5	7.8	7.5	6.4	5.3
Profit tax	3.3	3.9	3.9	2.6	3.4
Social security contributions	36.7	31.7	32.3	32.3	33.5
Property tax	0.4	0.4	0.4	0.4	0.4
Retail sales tax	27.8	0.0	0.6	0.2	0.2
Value added tax	0.0	35.1	32.4	34.3	34.3
Excises	9.9	9.1	9.8	11.9	10.8
Taxes on international trade	8.6	6.7	7.3	6.1	6.4
Other taxes	0.1	0.0	0.8	0.7	0.7
1.2. Non-tax revenues	5.8	5.2	5.0	4.8	4.9

Source: MoF

Despite a successful tourist season and real economic growth, real tax revenues are not expected to be significantly higher in 2001 than in 2000 owing to a decline in civil service wages, staff reductions in public administration, the full effects of the tax burden redistribution (a rise in the income tax threshold from HRK 1,000 to HRK 1,200), the lengthening of the collection lag for VAT, and the developed unofficial economy for oil, cigarettes and alcoholic drinks.

Within current revenues, non-tax revenues¹¹ have fluctuated considerably over the year. Real non-tax revenues were 7.2% higher cumulatively in the January-July period of 2001 compared with the same period last year. Capital revenues include inflows from the sale of state- and army-owned apartments. They mostly depend on privatization revenues, which will be discussed in more detail in *Financing*.

Consolidated Central Government Expenditures

The downturn in real total expenditures that started at end-2000 continued in the second quarter of 2001 (Figure 60) when their real trend value was 3.6% lower than in the quarter before. The July 2001 data indicate a real decrease in total expenditures of 32.0% compared to July 2000. However, despite a successful cut in expenditures, the government has been facing a number of problems in 2001 which could result in the consolidated central government deficit moving above the targeted 5.3% of GDP. These problems relate primarily to the delayed implementation of the new basic wage for civil service employees and a new system of coefficients, aimed at reallocating income within public administration. Hence, the wage bill could be some HRK 200-300m higher than targeted. In addition, the adoption of the new Law on Child Benefits at end-2000, based on inaccurate estimates, has resulted in annual outlays exceeding the planned by HRK 800-900m. Also, inflows from pension contributions have been overestimated

by HRK 500-700m. On the whole, restrictive measures in the range between HRK 1.5 and HRK 1.9bn will have to be implemented to meet the targeted consolidated central government deficit.

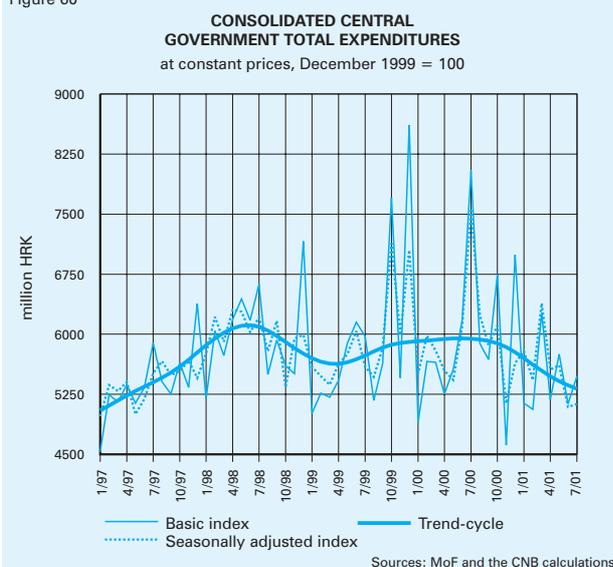
Wages

In real terms, outlays for wages were 4.7% lower in the second quarter than in the first quarter of 2001. The July 2001 wage bill was 10.0% lower in real terms compared with that in December 2000. Total nominal budgetary outlays for wages and contributions were HRK 8.8bn in the first seven months of 2001. To reach the annual target of HRK 14.2bn, the government needs to cut these outlays by HRK 300-400m. In other words, the effects of the implemented governmental decisions will depend on keeping the wages in the Ministry of Defense and Ministry of the Interior within that planned. The total cut in these gross wages should be HRK 430-490m in the period between August and December of 2001. On the other hand, the position of the education and science sectors has improved, so that their total wage bill will be about HRK 600m higher than planned at the beginning of the year.

Current Transfers and Subsidies

The real trend value of current transfers and subsidies stagnated in the second quarter of 2001 at HRK 7.5bn. At the cumulative level, they were 7.8% higher in the first seven months of 2001 than in the same period last year. Subsidies accounted for 2.4% of real GDP in 1999 and 2000. The share of social security transfers¹² in real GDP was 15.2% and 14.9% in 1999 and 2000 respectively (in real terms). Social security transfers continued rising in the second quarter of 2001, totaling HRK 12.1bn in the first seven months of the year. In real terms, government social expenditures moved 12.0% higher in the first half of 2001 compared with the same period last year, up 14.8% compared with the same period of 1999. In this period, outlays for pensions grew by HRK 803.4m, for health insurance by HRK 232.0m, and for child benefits by HRK 683.5m compared with the same period of 2000. Despite the government's¹³ intention to reallocate social expenditures by

Figure 60



Sources: MoF and the CNB calculations

Table 10: Structure of Total Expenditures, in %

	1997	1998	1999	2000	Jan. - Jul. 2001
1. Total expenditures (-net lending)	100.0	100.0	100.0	100.0	100.0
1.1. Current expenditures	88.9	87.1	86.0	90.4	94.4
Goods and services	45.2	43.8	43.7	46.5	43.2
- wages	22.1	21.7	23.7	24.2	25.1
- other purchases of goods and services	23.2	22.1	20.0	22.3	18.1
Interest payments	3.1	3.0	3.2	3.7	5.8
Subsidies and other current transfers	40.6	40.3	39.2	40.2	45.3
- subsidies	4.0	4.8	4.9	5.1	4.9
- transfers	36.6	35.5	34.3	35.1	40.4
1.2. Capital expenditures	25.9	23.4	26.0	26.2	31.2

Source: MoF

11 Revenues from entrepreneurial and property income, administrative charges, non-industrial and incidental sale, fines and forfeits.

12 Social security transfers are approximately equal to the CPII, CIHI and CBF transfers to households.

13 Increase in child benefits, repayment of debt to pensioners and a rise in transfers to the health fund.

increasing social security transfers to households, inaccurately estimated outlays have put strong pressure on total expenditures. Untenably high government expenditures for social security fund transfers are the reason for the reforms in the social sphere of government transfers.

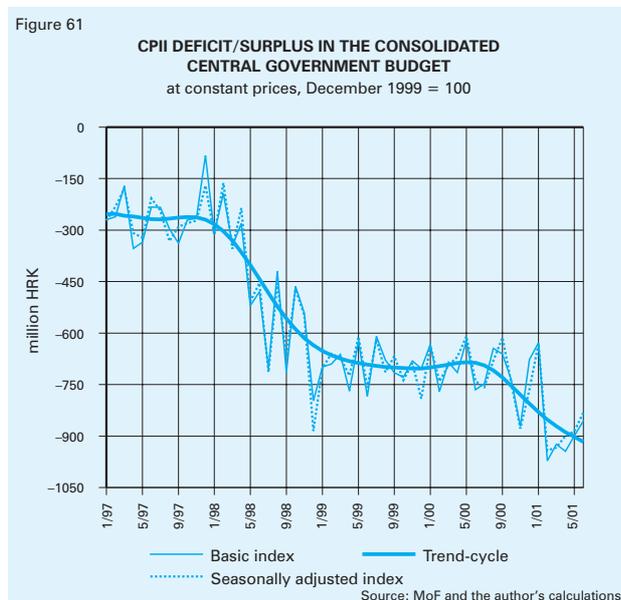
Extrabudgetary Funds

The real extrabudgetary fund deficit (in the consolidated central government budget) stagnated at about HRK 3.8bn in the second quarter of 2001. It stood at HRK 7.6bn in the first half of the year, or 13.7% more than in the same period last year, as a result of a rise in the CPII deficit (Figure 61) and an only superficial¹⁴ improvement in the CIHI balance.

The sudden widening of the CPII deficit began in the third quarter of 2000. A negative real trend, after the first quarter, continued in the second quarter of 2001; it was 6.0% higher than in the first, and even 31.5% higher than in the second quarter of 2000. A higher than planned increase in the CPII

deficit, a more efficient collection of contributions (for pension and disability insurance) and pension payments have, among others, led to the transformation of the pension system which resulted in the transfer of most CPII financial operations to the government budget. The process of transferring all CPII financial operations to the government budget is expected to end in early 2002. This is expected to lower the costs of interest payments owing to the more favorable terms of the Ministry of Finance's short-term borrowing from banks, which is used to bridge the gap between contributions collected and pensions paid.

Although its real deficit was down 16.2% in the second quarter from the first quarter of 2001, the CIHI still has difficulties with arrears. In the first half of 2001, both its "actual" and "potential" arrears¹⁵ grew, by HRK 648.1m¹⁶ and HRK 291.8m respectively. The total stock of its arrears stood at HRK 756.9m at the end of the first half of 2001. These arrears mostly comprise obligations to pharmacies and insured persons (sick pay benefits).



Financing

The total consolidated central government debt stood at HRK 66.7bn at end-June 2001, whereas its potential debt based on the guarantees issued reached HRK 19.0bn.¹⁷

Domestic Central Government Debt to Banks

Total banking system claims on the consolidated central government were HRK 22.8bn net at end-June 2001 (Table 11), up 7.0%, or HRK 1.5bn, compared with December 2000. Thanks to its successful entry into foreign financial markets in January 2001, the central government repaid HRK 450m net of its debt to domestic banks in the first half of 2001. However, short-term government borrowing via T-bills rose by HRK 3.0bn in the same period. Although the government managed to increase the share of 182-day T-bills in total T-bills issued to over 50%, the total debt was HRK 5.6bn at end-June 2001, at an average interest rate of slightly over 5%.

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

	Balance			Change		
	Dec. 2000	Mar. 2001	Jun. 2001	Jan. – Mar. 2001	Apr. – Jun. 2001	Jan. – Jun. 2001.
1. Domestic debt of central government	21,344.7	22,551.6	22,832.8	1,206.9	281.2	1,488.1
1.1 Domestic debt of the Republic of Croatia	18,509.7	19,595.3	20,080.7	1,085.5	485.4	1,571.0
Treasury bills	2,564.6	4,418.0	5,579.7	1,853.4	1,161.7	3,015.1
Money market instruments	14.2	11.8	10.6	-2.4	-1.3	-3.6
Bonds	14,082.5	13,631.2	13,070.0	-451.3	-561.2	-1,012.5
Credits from the CNB	0.0	-	0.0	-	0.0	0.0
Credits from DMBs	1,848.4	1,534.2	1,420.5	-314.2	-113.7	-428.0
1.2 Domestic debt of central government funds	2,835.0	2,956.3	2,752.1	121.4	-204.3	-82.9
Money market instruments	20.5	21.0	20.8	0.5	-0.2	0.2
Bonds	1,686.8	1,705.1	1,625.2	18.3	-79.9	-61.6
Credits from DMBs	1,127.6	1,230.2	1,106.1	102.6	-124.1	-21.5

Source: CNB Bulletin, Table I3

¹⁴ It is only superficial because, due to a shortage of funds, the CIHI has increased the level of its arrears.

¹⁵ See Box 5.

¹⁶ Source: Obligations of the Croatian Institute for Health Insurance as of June 30, 2001 (July 18, 2001).

¹⁷ Source: CNB Bulletin, Table I3.

External Central Government Debt

External central government debt was HRK 43.9bn in June 2001, up HRK 5.2bn over that in December 2000. The new inflow of foreign funds stemmed mostly from Samurai bonds issued in February 2001 (in the counter-value of USD 200m), and EUR bonds issued in March 2001 (EUR 500m), whereas a small portion came in the form of bank loans. A portion of funds from the bond issues was used for an external debt repayment of almost HRK 1.0bn in the second quarter.

The government incurred additional debt by augmenting the March 2001 issue of bonds by EUR 250m in July 2001. It thus ended this year's cycle of euro bond issuance using favorable foreign market expectations regarding Croatia. The debt coming due in the second half of 2001 amounts to USD 584m. The external debt of USD 542m to be repaid in early 2002 will be accompanied by additional costs from the pension reform and seasonally common low budget revenues. Furthermore, the privatization portfolio will not be ready before the end of 2002, whereas the potential debt in the form of government guarantees that may come due totals USD 78.1m in the first, and USD 100.8m¹⁸ in the second quarter of 2002.

Privatization

Revision of the 2001 government budget provides for financing the consolidated central government deficit of HRK

6.5bn. Up to now, EUR 500m (about HRK 3.7bn) has been achieved from the sale of a 16% stake in HT with an additional release of USD 46m (about HRK 380m). Inflow from this sale is expected in October, provided that certain conditions within the agreement are met. With the potential sale of additional HT shares to DT (ESOP program), revenues from the HT privatization might reach HRK 4.7 – 4.9bn. The privatization of Croatia banka and Dubrovačka banka, prepared by the government, would increase financing funds by HRK 400-450m. At present, one can only speculate about the method by which the additional HRK 1.4bn needed to meet the privatization plan is to be raised. Numerous options are available, from the sale of the government's stake in banks (PBZ, Splitska banka, Riječka banka) to the sale of its stakes in Pliva and Podravka. It seems that preparations for privatization of Croatia osiguranje have not been completed, so that this inflow is not to be expected in 2001.¹⁹ More likely, it will occur early next year, thus mitigating the described financial tensions in the budget at the beginning of 2002. It seems that no major privatization revenues will be forthcoming until the end of the third quarter of 2002, so that the 2001 privatization surplus (if any) will be transferred to 2002. This, however, will not be sufficient to cover financial needs. The exit to international financial markets would in that case only increase the need to prolong the arrangement with the IMF in order to continue the favorable trend in Croatia's foreign market borrowing.

Table 12: External Debt of Central Government, end of period, in million HRK

	Current Levels				Change	
	Dec. 2000	Mar. 2001	Jun. 2001	Jan. – Mar. 2001	Apr. – Jun. 2001	Jan. – Jun. 2001
1. External debt of central government	38,648	44,875	43,906	6,227	-969	5,258
1.1 External debt of the Republic of Croatia	36,562	42,060	41,175	5,497	-884	4,613
Bonds	25,231	30,342	29,703	5,110	-639	4,472
Credits	11,331	11,718	11,473	387	-246	141
1.2 External debt of central government funds	2,086	2,815	2,731	730	-84	645
Bonds	387	727	705	340	-21	319
Credits	1,699	2,089	2,026	390	-63	326

Source: CNB Bulletin, Table 13

¹⁸ Source: CNB, Database on external credit operations, balance as of August 31, 2001.

¹⁹ The sale of shares in Pliva and Podravka, and privatization of Croatia osiguranje may be more difficult owing to uncertainties on the international financial markets, which have resulted from terrorist attacks on the U.S.

Box 4: Unconsolidated and Consolidated Central Government Budget

The government budget can be analyzed on three levels. The first level is the budgetary central government (state government bodies, the State Agency for Deposit Insurance and Bank Rehabilitation, the Croatian Guarantee Agency and the Croatian Road Administration) or the unconsolidated central government budget. The second level comprises extrabudgetary or republic funds and one public enterprises²⁰, and the third includes local government bodies. The *consolidated central government budget* is formed by consolidating the first and second level, whereas the *consolidated general government budget* is formed by consolidating all three levels. Data on general government are published once a year for the previous year, so that central government budgets are most often used in making current analyses of fiscal policy.

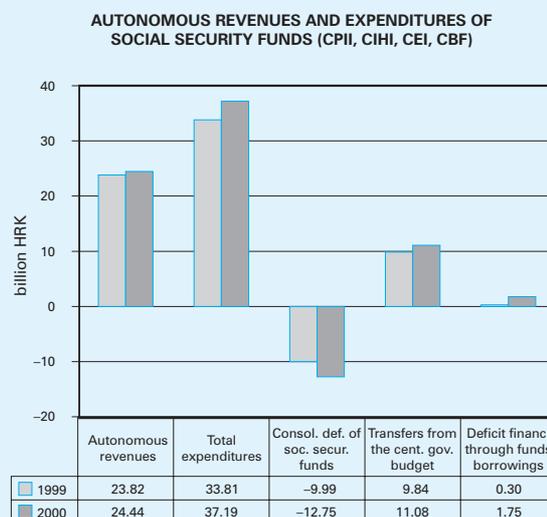
Revenues from VAT, excises, income and profit taxes, taxes on international trade, other tax revenues, as well as non-tax revenues are inflows to the government budget. Capital revenues, mostly resulting from the privatization process, are also included in the government budget. From the beginning of July 2001, contributions for pension and disability insurance are not paid to the pension fund's account, but to the government budget account within the Treasury. The expenditure side includes outlays for subsidies and transfers to extrabudgetary funds, interest payments, state government employees wages (local governments excluded), the purchase of other goods and services, and capital expenditures.

The second level includes four extrabudgetary funds: the Child Benefit Fund (CBF), the pension fund (CPII), the health fund (CIHI), the Croatian Employment Institute (CEI), and the public enterprise Croatian Waters (CW). Each fund has its own budget and some sources of financing – contributions or other autonomous revenues. The funds' autonomous revenues are usually not sufficient to cover their expenditures. The largest single expenditure item in the CBF, CPII, CIHI and CEI (also called social security funds) are transfers to households, whereas the largest expenditures of CW are capital expenditures. The difference between the funds' autonomous revenues and their total expenditures is mostly settled by government transfers, used to finance the current and/or capital needs of funds. (Figure 62). A minor portion is covered by borrowing in the fund's name, which is again guaranteed by

the central government.

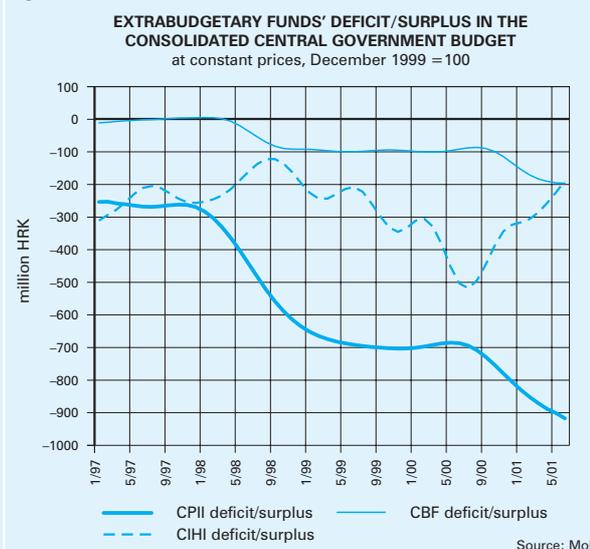
In consolidating the central government budget, transactions between the government and extrabudgetary funds, as well as transactions among the funds themselves are ex-

Figure 62



Source: MoF

Figure 63



Source: MoF

Tablica 13. Revenues and Expenditures of the Central Government Budget before and after Consolidation in 2000, in billion HRK

	Unconsolidated				Consolidated		
	Revenues	of which: Transfers from the central government budget	Expenditures	Surplus/deficit	Revenues	Expenditures	Surplus/deficit
Budgetary central government	44.6	-	50.7	-6.1	44.6	36.7	7.9
Extrabudgetary funds	37.0	0.0	38.6	-1.6	22.1	37.7	-15.6
Pension Fund	20.2	7.2	20.2	0.0	11.3	20.2	-8.9
Health Insurance Fund	13.1	2.7	14.7	-1.7	9.0	13.9	-4.9
Employment Fund	1.0	0.0	1.0	0.0	0.8	1.0	-0.2
Child Benefit Fund	1.3	1.3	1.3	0.0	0.0	1.3	-1.2
Croatian Waters	1.4	0.4	1.4	0.1	1.0	1.4	-0.4

Source: MoF, Monthly Statistical Review, No. 70.

20 According to the Monthly Statistical Review of the Ministry of Finance

cluded. This provides an insight into the actual, autonomous financial position of particular segments of the central government. Thus, for example, the largest part of consolidation eliminates central government transfers to extrabudgetary funds. This shows the extent to which a particular fund can cover its legally proscribed obligations via its autonomous revenues. Figure 62 shows that the consolidated deficits of social security funds were HRK 10.0bn and HRK 12.8bn in 1999 and 2000 respectively, and that HRK 9.8bn and HRK 11.1bn respectively were transferred from the government budget to settle the funds' obligations to households.

The real trends (deflated nominal monthly amounts, seasonally adjusted) in the consolidated deficits of social security

funds show that they have been widening over time (Figure 63).²¹ A wider gap between funds' revenues and expenditures leads to a rise in transfers from the government budget, which is a considerable added burden on government finances. Hence, the government (due to the high level of public debt, and aware of the consequences of tax increases) is forced to cut expenditures, among others, in the social sphere.

21 An exception is the health fund which has been accruing arrears. They are hidden in calculations on a cash basis, but visible in calculations on an accrual basis – see Box 5.

Box 5: The Calculation of the Budget Deficit on a Cash and Accrual Basis or Why Government Budget Deficits are NOT as They are Presented to the Public?

Definition of Arrears

Arrears is the term used in economic literature for contractual financial obligations that are not paid upon maturity. Obligations categorized as arrears are payments overdue by more than 90 days. The data on government operations are presented on an accrual basis when arrears are included in the budget.

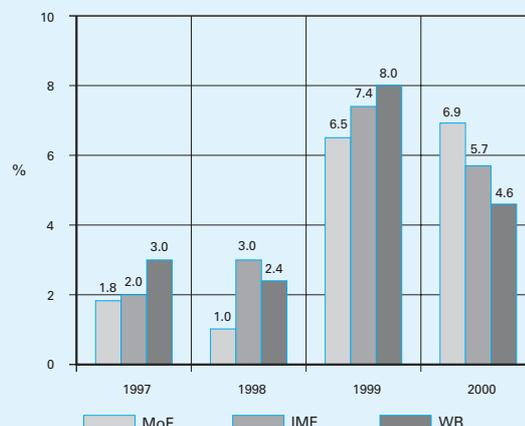
Arrears are a very common phenomenon in Croatia in relation to budgetary deficit financing. Government revenues have stopped growing in real terms since 1998, while expenditures have continued expanding in real terms. Arrears, as a way of deficit financing, began rising rapidly in 1998 and 1999. How is a budget deficit financed through arrears? One way is to continue issuing procurement orders for goods and services despite the lack of funds and leave them unsettled even three months after the final contractual date of payment (e.g. a ministry orders the delivery and installation/networking of computer equipment). Another way is a lengthy delay in the payment of social obligations (e.g. payment of sick pay benefits to companies), or legally determined payments to households (e.g. insured savings). By accruing arrears, the government increases spending. This is not reflected in the budget deficit because, on a cash basis, only effected payments are recorded. Owing to the swift increase in the value of arrears, it is understandable why the government has not reported them in its statistical reports. Our assumption is that arrears are partially "responsible" for the delayed set-up and operation of the Treasury.

Budget Deficits on a Cash and Accrual Basis

Because statistical data cover only government budget transactions settled on a cash basis, a generally accepted opinion is that the government budget deficit has seriously deteriorated during 2000 and 2001. The actual situation is quite different. Considerable differences are observable if deficits on a cash basis are compared with the estimated defi-

Figure 64

CONSOLIDATED CENTRAL GOVERNMENT DEFICITS ACCORDING TO THE MOF, IMF AND WB ESTIMATES (excl. privatization revenues)



Sources: Authors' calculations on the basis of the Monthly Statistical Review, MoF, Croatia: Regaining Fiscal Sustainability and Enhancing Effectiveness: A Public Expenditure and Institutional Review, Report No. 22155-HR, World Bank (2001), and LOI, IMF (2001).

Figure 65

COMPARISON OF CONSOLIDATED CENTRAL GOVERNMENT DEFICIT ON A CASH BASIS AND DEFICIT ESTIMATES ON AN ACCRUAL BASIS



Sources: CNB calculations, Monthly Statistical Review, MoF (2001), Croatia: Regaining Fiscal Sustainability and Enhancing Effectiveness: A Public Expenditure and Institutional Review, Report No. 22155-HR, World Bank (2001), and MEFP, IMF (2001).

cits on an accrual basis (Figure 64).

What can be concluded from Figure 64 is that first, in the period between 1997 and 1999, the deficits (cash) reported by the Ministry of Finance were lower than the deficits (accrual) estimated by the other two institutions by the amount of arrears. Second, the 2000 deficit according to the MoF statistics is higher than that estimated by the other two sources. This resulted from a partial settlement, in 2000, of arrears accrued in previous periods. Third, the estimated value of arrears settled²² in 2000 is HRK 3.0 – 5.0bn. Fourth, the real consolidated central government deficit on an accrual basis did not continue growing in 2000, and was lower than in 1999 (Figure 65). Finally, by reducing its total arrears, the government has begun to solve a part of the liquidity problem in the country.

Current Balance of Arrears

The Treasury, established in early 2001, should primarily provide the government with more transparent data on the creation of arrears and enable it to control them. The use of a single treasury account for ministerial operations prevents uncontrolled borrowing through arrears. Also, one of the government's obligations under the stand-by arrangement is to

settle all arrears in the medium-term, without creating new ones. However, two facts are especially disturbing at the moment. The first is the continued non-transparency of government actions with regard to the creation of new arrears, which results in the lack of public control over this area of government obligations. The second is the situation developing in the health fund. Despite the mid-2000 issue of HRK 1.7bn in CIHI bonds, and the settlement of a major portion of its arrears, the situation has again worsened dramatically since end-2000. Arrears stood at HRK 756.9m in June 2001 (an increase of HRK 648m compared with end-2000), and continued to grow briskly, reaching HRK 959.8m at end-August. Thus, they grew by HRK 202.9m during July and August.

The CIHI floating debt, i.e. its obligations whose maturity period has not yet expired, is HRK 2.5bn. These obligations form potential arrears. In addition, one should not forget the payment of the principal on issued bonds that will additionally burden the CIHI budget, and implicitly the government budget as well.

The described situation in the CIHI finances shows the gap between its revenues and expenditures and is the source of continuous budgetary deficits unsustainable in the medium-term. It is questionable whether the proposed laws on a basic package for public health provision, a new list of prescription drugs, and the introduction of additional co-payments will be sufficient to solve the problem of financing CIHI expenditures.

²² Net payment, because new arrears have been incurred in the meantime.

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), deposit money banks (DMBs), other banking institutions and other financial institutions. The central bank is the Croatian National Bank (CNB). Deposit money banks are institutions to which the Croatian National Bank has issued a license to perform banking business services in accordance with the Banking Law, including savings banks during a transition period. Data on DMBs do not include claims and liabilities of banks undergoing bankruptcy proceedings, nor former branches of banks with their headquarters in the former Yugoslavia. Other banking institutions comprise housing savings banks, savings and loan cooperatives and investment funds. Other financial institutions are financial institutions not classified as

banks or other banking institutions (for example insurance companies).

The central government and funds comprise government authorities including the Croatian Roads Administration, State Agency for Deposit Insurance and Bank Rehabilitation and Croatian Guarantee Agency, and the following central government funds: Croatian Institute for Health Insurance, Croatian Pension Insurance Institute, Croatian Employment Institute, Croatian Privatization Fund, Croatian Waters and Croatian Bank for Reconstruction and Development. Other domestic sectors are local government authorities and local funds, public and private enterprises and households, including craftsmen and non-profit institutions providing services to households. In some tables other domestic sectors are divided into the following sub-sectors: local government (which comprises local government authorities and local funds), public and private 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 midpoint CNB 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 M1a	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth						
								Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit	
1993	December	2,248.9	3,134.4	3,759.2	10,061.1	12,005.7	20,287.9	–	–	–	–	–	–	–
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	April	9,544.6	13,335.4	13,452.7	58,977.5	37,798.2	56,231.6	4.55	5.25	5.33	1.80	2.04	0.17	
	May	9,875.5	13,857.9	14,011.5	59,997.1	38,597.9	56,372.4	3.47	3.92	4.15	1.73	2.12	0.25	
	June	10,259.7	15,032.6	15,180.5	62,031.3	39,958.3	56,508.3	3.89	8.48	8.34	3.39	3.52	0.24	
	July	11,330.0	17,215.5	17,546.8	65,651.7	39,561.1	57,400.5	10.43	14.52	15.59	5.84	-0.99	1.58	
	August	11,681.8	17,837.6	18,163.6	68,215.5	39,576.9	57,448.2	3.10	3.61	3.52	3.91	0.04	0.08	
	September	11,746.9	17,244.0	17,485.9	68,958.6	40,187.2	57,826.4	0.56	-3.33	-3.73	1.09	1.54	0.66	
	October	11,255.3	16,702.1	16,921.9	69,809.9	39,270.1	58,535.4	-4.18	-3.14	-3.23	1.23	-2.28	1.23	
	November	10,918.1	16,384.7	16,612.8	70,483.9	39,873.5	59,287.9	-3.00	-1.90	-1.83	0.97	1.54	1.29	
December	11,717.3	18,030.3	18,256.4	73,061.1	44,043.9	60,863.3	7.32	10.04	9.89	3.66	10.46	2.66		
2001	January	10,541.8	16,717.2	16,870.2	74,062.5	46,937.0	61,896.7	-10.03	-7.28	-7.59	1.37	6.57	1.70	
	February	11,454.1	16,970.6	17,057.9	75,524.2	46,900.1	62,858.4	8.65	1.52	1.11	1.97	-0.08	1.55	
	March	11,346.1	17,395.2	17,493.8	77,504.6	46,387.0	64,723.8	-0.94	2.50	2.56	2.62	-1.09	2.97	
	April	12,097.2	18,252.7	18,368.7	77,651.4	48,017.0	65,530.9	6.62	4.93	5.00	0.19	3.51	1.25	
	May	13,000.3	18,845.0	18,948.1	77,827.6	48,787.0	65,784.4	7.47	3.25	3.15	0.23	1.60	0.39	
	June	12,553.5	19,065.1	19,207.5	79,689.9	49,328.4	67,573.7	-3.44	1.17	1.37	2.39	1.11	2.72	
	July	14,717.4	20,530.8	20,725.9	81,992.6	51,373.4	68,443.7	17.24	7.69	7.91	2.89	4.15	1.29	
	August	12,206.9	19,838.2	20,121.7	87,747.7	53,164.5	71,626.4	-17.06	-3.37	-2.92	7.02	3.49	4.65	

^a Domestic credit decreased by a one-off 2,759.4 million kuna.

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 DMBs' demand deposits. Money (M1a) comprises currency outside banks and DMBs' demand deposits, increased by the demand deposits of the central government and funds with DMBs.

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 DMBs' claims on other domestic sectors, other banking institutions and other 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 259.3 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

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec. ^a	Dec.	Mar.	Jun.	Jul.	Aug.
ASSETS										
1. Foreign assets (net)	3,046.7	11,740.7	16,913.0	12,713.5	16,655.5	29,017.2	31,117.6 [†]	30,361.5	30,619.3	34,583.2
2. Domestic credit	47,976.6	48,464.9	56,194.9	66,923.1	65,938.6	72,051.4	75,817.2	78,690.4	79,742.6	83,207.9
2.1. Claims on central government and funds (net)	15,157.1	14,633.7	7,331.4	7,131.1	10,062.8	11,188.2	11,093.4	11,116.7	11,298.9	11,581.5
2.2. Claims on other domestic sectors	32,718.6	33,691.0	48,616.6	59,597.7	55,676.4	60,653.4	64,485.0	67,228.2	67,958.7	71,396.1
2.3. Claims on other banking institutions	–	–	–	0.4	45.4	48.2	77.2	97.1	88.3	63.5
2.4. Claims on other financial institutions	100.8	140.2	246.8	193.9	154.0	161.7	161.6	248.3	396.7	166.7
Total (1+2)	51,023.3	60,205.6	73,107.8	79,636.5	82,594.1	101,068.7	106,934.8 [†]	109,051.9	110,361.9	117,791.1
LIABILITIES										
1. Money	8,234.9	11,368.9	13,731.4	13,531.4	13,858.9	18,030.3	17,395.2	19,065.1	20,530.8	19,838.2
2. Savings and time deposits	2,158.0	3,386.6	5,598.9	5,683.8	5,397.5	7,651.1	8,951.0	8,920.3	9,253.8	8,874.1
3. Foreign currency deposits	14,099.4	21,817.5	31,278.1	37,970.9	36,966.0	46,901.6	50,706.4	51,210.3	51,546.0	58,468.0
4. Bonds and money market instruments	130.7	128.1	133.6	154.1	436.8	478.2	451.9 [†]	494.2	662.0	567.5
5. Restricted and blocked deposits	10,717.4	8,305.4	5,953.4	4,315.2	3,814.7	2,864.5	2,580.2	2,495.0	2,067.3	2,233.5
o/w: Households' blocked f/c deposits	9,812.5	7,170.6	4,573.8	3,419.1	2,742.7	1,695.1	1,465.5	1,371.0	1,071.3	1,061.7
6. Other items (net)	15,682.8	15,199.2	16,412.5	17,981.1	22,120.0	25,143.1	26,850.0	26,867.0	26,302.0	27,809.9
Total (1+2+3+4+5+6)	51,023.3	60,205.6	73,107.8	79,636.5	82,594.1	101,068.7	106,934.8 [†]	109,051.9	110,361.9	117,791.1

^a The privatisation of Privredna banka Zagreb brought about a one-off decrease in its balance sheet total of 2,759.4 million kuna. Loans in f/c to public enterprises diminished on the assets side and at the same time obligations to the Republic of Croatia arising from loans in f/c diminished on the liabilities side. Loans in f/c to public enterprises are listed under assets item "2.2. Claims on other domestic sectors". Obligations to the Republic of Croatia arising from loans in f/c are listed under assets item "2.1 Claims on central government and funds (net)".

Table B1: Monetary Survey

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

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

Domestic credit is the sum of corresponding items from Monetary Authorities Accounts and DMBs' 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 DMBs.

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 DMBs' demand deposits (item Demand deposits in DMBs' 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 DMBs' Accounts, while item Restricted and blocked deposits represents the sum of corresponding items from the Monetary Authorities Accounts (excluding DMBs' blocked deposits with the CNB) and DMBs' Accounts. Other items (net) are unclassified liabilities decreased by unclassified assets.

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 DMBs' balance sheet total amounted to 4,296.3 million kuna. Data for June 1999 are comparable with data for July 1999 if Claims on other domestic sectors and Other items (net) are increased by 3,513.5 million kuna.

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

Year	Month	Total number of reporting DMBs	Reporting DMBs 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
1993	December	43	16	12	7	4	2	2	0	0	0	0
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	April	53	4	22	8	8	9	2	30	5	21	4
	May	53	5	21	8	8	9	2	30	5	21	4
	June	52	5	20	8	8	9	2	30	5	21	4
	July	50	5	18	9	7	9	2	30	5	21	4
	August	50	4	18	10	6	10	2	30	5	21	4
	September	47	3	17	9	6	10	2	30	5	20	5
	October	45	2	16	9	6	10	2	29	5	19	5
	November	45	2	16	9	6	10	2	29	5	19	5
	December	45	3	15	9	6	10	2	29	5	19	5
2001	January	45	3	15	9	6	10	2	27	5	17	5
	February	45	3	15	9	5	11	2	27	5	17	5
	March	45	3	15	8	6	11	2	27	5	17	5
	April	45	3	15	8	6	11	2	26	5	16	5
	May	45	3	15	8	6	11	2	26	5	16	5
	June	45	3	15	8	6	11	2	26	4	17	5
	July	45	3	15	8	6	11	2	25	4	16	5
	August	45	3	15	8	6	11	2	25	4	16	5

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

The table shows the total number of DMBs and savings banks which report monthly to the CNB. Their operations are shown in the DMBs' Accounts.

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. In accordance with the Banking Law, savings banks must meet the conditions set out in the Law by December 31, 2001, or they will be liquidated.

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

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics.

Table C1: Monetary Authorities Accounts

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
ASSETS										
1. Foreign assets	10,075.2	12,818.9	16,005.6	17,592.5	23,135.7	28,747.4	30,652.0	32,843.9	34,314.3	34,339.8
1.1. Gold	–	–	–	–	–	–	–	993.8	944.5	962.3
1.2. Holdings of SDRs	743.4	695.5	927.0	1,444.4	1,449.2	1,204.2	1,216.9	1,073.9	1,040.7	1,077.6
1.3. Reserve position in the IMF	0.1	0.3	0.7	1.0	1.6	1.8	1.9	1.8	1.8	1.8
1.4. Currency and demand deposits with foreign banks	395.8	165.9	510.6	342.0	1,109.6	7.4	7.6	6.8	7.0	7.3
1.5. Time deposits with foreign banks	8,381.3	11,009.8	12,169.5	11,696.6	17,702.4	20,986.9	20,594.7	20,156.6	22,755.3	23,073.1
1.6. Securities in f/c	554.6	947.3	2,396.5	4,107.2	2,871.6	6,545.7	8,829.7	10,609.6	9,563.7	9,216.3
1.7. Nonconvertible foreign exchange	0.0	0.0	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3
2. Claims on central government and funds	390.1	218.8	–	–	24.1	0.0	–	0.0	–	4.1
2.1. Claims in kuna	353.1	206.4	–	–	24.1	0.0	–	0.0	–	4.1
Bridging loans	–	–	–	–	–	–	–	–	–	–
Loans under separate decrees	353.1	206.4	–	–	–	–	–	–	–	–
Other loans	0.1	–	–	–	24.1	0.0	–	0.0	–	4.1
2.2. Claims in f/c	37.0	12.4	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	0.9	1.1	24.4	1.0	276.8	289.5	275.2	269.7	267.8	265.9
4. Claims on DMBs	220.2	213.9	33.5	1,053.8	1,138.7	329.9	22.7	225.6	15.8	1,972.3
4.1. Credits to DMBs	129.7	212.3	31.0	1,044.4	1,125.3	313.6	6.5	209.8	–	1,955.5
Refinancing of DMBs	–	–	–	–	–	–	–	–	–	–
Short-term credits against securities portfolio	25.8	–	–	–	–	–	–	–	–	–
Lombard credits	96.6	211.3	30.0	252.3	176.7	–	–	–	–	1,955.5
Short-term liquidity credits	–	–	–	–	929.0	–	–	–	–	–
Other credits	7.3	1.0	1.0	333.0	19.7	14.0	6.5	1.7	–	–
CNB bills under repurchase agreement	–	–	–	459.2	–	299.6	–	208.0	–	–
4.2. CNB deposits with DMBs	1.3	1.4	2.5	9.3	13.4	15.2	16.1	15.8	15.8	16.8
4.3. Overdue claims	89.2	0.1	0.0	0.0	0.0	1.1	0.1	–	–	–
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	10,686.4	13,252.6	16,063.5	18,647.3	24,575.3	29,366.8	30,950.0	33,339.3	34,597.9	36,582.1
LIABILITIES										
1. Reserve money	6,744.1	8,770.4	10,346.1	9,954.2	10,310.0	11,717.3	11,346.1	12,553.5	14,717.4	12,206.9
1.1. Currency outside banks	3,362.1	4,361.3	5,307.5	5,718.8	5,958.9	6,636.7	6,411.7	7,266.3	7,733.6	7,539.0
1.2. DMBs' cash in vaults	134.5	152.2	216.9	251.4	382.1	532.3	373.9	485.9	461.0	592.9
1.3. DMBs' deposits	3,244.7	4,256.7	4,821.6	3,980.2	3,960.4	4,540.7	4,545.5	4,777.4	6,502.3	4,061.6
Settlement accounts	197.1	913.5	866.6	467.5	247.9	459.5	1,153.7	1,229.4	3,062.1	561.6
Statutory reserves	2,231.5	3,343.2	3,955.0	3,512.7	3,712.5	4,081.2	3,391.8	3,548.0	3,440.2	3,500.0
CNB bills on obligatory basis	816.0	–	–	–	–	–	–	–	–	–
1.4. Deposits of other banking institutions	–	–	–	2.4	8.5	7.5	4.7	10.1	3.6	0.8
1.5. Deposits of other domestic sectors	2.8	0.1	0.1	1.3	–	0.0	10.2	13.8	16.9	12.5
2. Restricted and blocked deposits	212.2	243.2	101.1	1,787.6	5,016.8	5,805.5	5,937.6	6,806.0	6,819.4	7,758.4
2.1. Statutory reserve in f/c	–	–	–	1,668.4	4,636.2	5,490.5	5,676.1	6,510.8	6,581.7	7,420.0
2.2. Restricted deposits	54.1	78.7	101.1	119.1	380.6	315.0	261.4	295.2	237.7	338.4
2.3. Escrow deposits	158.1	164.4	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,175.2	1,160.4	1,471.4	1,465.4	1,671.2	1,630.8	1,335.1	1,347.2	1,495.3	2,111.6
3.1. Use of IMF credit	1,174.0	1,158.5	1,468.4	1,461.3	1,501.7	1,290.3	1,323.5	1,179.7	1,143.2	1,192.1
3.2. Liabilities to international organizations	1.2	1.8	3.0	4.1	6.8	9.5	11.6	12.1	11.5	11.7
3.3. Liabilities to foreign banks	–	–	–	–	162.7	331.0	0.0	155.4	340.6	907.7
4. Central government and funds deposits	395.5	557.6	1,032.7	434.8	397.2	1,157.4	2,341.2	2,672.2	2,367.1	2,416.6
4.1. Demand deposits	395.5	424.6	805.7	390.2	394.2	1,008.5	1,339.8	1,711.9	1,359.1	1,378.3
Central government demand deposits	338.6	342.0	625.7	291.0	388.0	980.8	1,262.2	1,539.3	1,263.6	1,316.4
Central government funds demand deposits	56.9	82.6	180.1	99.3	6.2	27.7	77.6	172.6	95.6	61.9
4.2. Central government f/c deposits	–	–	147.6	–	0.0	–	768.2	740.9	790.5	840.4
4.3. CNB bills	–	133.0	79.4	44.6	2.9	148.8	233.3	219.4	217.5	197.8
5. CNB bills	168.3	665.7	722.0	2,242.9	2,887.2	4,207.3	4,517.9	4,267.8	4,134.0	5,953.4
5.1. CNB bills in kuna	168.3	665.7	722.0	830.7	1,252.5	2,394.6	2,580.8	3,157.8	3,111.5	4,453.7
5.2. CNB bills in f/c	–	–	–	1,412.2	1,634.7	1,812.7	1,937.1	1,110.0	1,022.4	1,499.7
6. Capital accounts	2,019.3	1,900.1	2,361.8	2,898.2	4,535.5	5,216.6	5,914.6	6,143.4	5,521.7	6,629.6
7. Other items (net)	–28.2	–44.7	28.5	–135.8	–242.4	–368.1	–442.6	–450.8	–457.0	–494.2
Total (1+2+3+4+5+6+7)	10,686.4	13,252.6	16,063.5	18,647.3	24,575.3	29,366.8	30,950.0	33,339.3	34,597.9	36,582.1

Table C1: Monetary Authorities Accounts

The table reports data on claims and liabilities by monetary authorities. In September 1999, the data were revised, with savings banks being transferred for the sub-sector other banking institutions to the sub-sector banks. The whole data series has been revised accordingly.

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 vaults, reserve position in the International Monetary Fund, current account balances with foreign banks, time deposits with foreign banks, 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. 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 based on the liabilities to the IMF and foreign banks. Item Claims in foreign currency was a counter-entry to the liability to the IMF based on the succession of membership in that institution. In accordance with the new Law on the Croatian National Bank that entered into force in April 2001, the Croatian National Bank may not extend credit to the Republic of Croatia.

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

Claims on DMBs are credits to DMBs, deposits by the CNB with DMBs and overdue claims on DMBs. Credits to DMBs are split according to the type of financial instruments. Refinancing of DMBs include loans granted within general and selective quotas up to the end of 1993, as well as advances to DMBs for performing exchange office operations. Refinancing loans granted within the general and selective quotas were paid back in their entirety by the end of April 1994. In July 1994, they were formally revoked. Item Lombard credits comprises credits to DMBs 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) and due but unpaid credits. Overdue claims on DMBs 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 DMBs and Claims on other banking institutions have been revised.

Reserve money consists of currency outside banks, cash in DMBs' vaults, DMBs' deposits with the CNB, other banking institutions' deposits and other domestic sectors' deposits with the CNB. DMBs' deposits are: settlement account balances, statutory reserves deposited on a special account with the CNB as well as CNB bills on an obligatory basis. Deposits by other banking institutions are 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, restricted deposits and blocked foreign exchange deposits. Banks and savings banks are required to place foreign exchange reserve deposits in accounts at the Croatian National Bank on the basis of certain foreign exchange deposits they hold. Restricted deposits are kuna funds set aside on the basis of a court order or legal regulation 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.

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, DMBs' cash in vaults, DMBs' deposits and Deposits of other banking institutions were revised. Since May 1999, deposits of banks against which bankruptcy proceedings have been initiated are included as well.

Table D1: Deposit Money Banks' Accounts

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec. ^a	Dec.	Mar.	Jun.	Jul.	Aug.
ASSETS										
1. Reserves with the CNB	3,350.3	4,409.6	5,045.6	5,908.1	8,987.9	10,588.9	10,625.5	11,796.5	13,566.6	12,094.6
1.1. In kuna	3,350.3	4,409.6	5,045.6	4,239.7	4,352.6	5,098.4	4,949.5	5,285.6	6,984.9	4,674.6
1.2. In f/c	–	–	–	1,668.4	4,635.3	5,490.5	5,676.1	6,510.8	6,581.7	7,420.0
2. Foreign assets	9,296.6	12,549.6	16,185.8	12,763.1	12,400.1	19,710.4	20,416.7	18,258.3	17,444.7	23,493.5
3. Claims on central government and funds	17,188.1	16,693.4	15,238.8	14,864.2	16,264.4	19,076.0	19,676.4	19,313.7	19,145.6	19,691.8
3.1. Bonds arising from blocked f/c deposits	10,078.3	8,291.1	6,714.4	5,802.3	5,419.9	4,484.4	4,036.4	3,847.7	3,306.7	3,502.9
3.2. Big bonds	5,060.9	2,438.5	2,291.9	2,103.1	1,321.8	1,475.7	1,712.4	1,696.6	1,686.3	1,677.6
3.3. Other claims	2,048.9	5,963.8	6,232.5	6,958.8	9,522.8	13,115.8	13,927.6	13,769.4	14,152.6	14,511.3
4. Claims on other domestic sectors	32,717.7	33,689.9	48,592.2	59,596.7	55,399.7	60,363.9	64,209.8	66,958.5	67,690.9	71,130.2
4.1. Claims on local government and funds	147.1	145.4	308.8	654.0	905.6	1,174.9	1,186.8	1,163.9	1,105.3	1,206.9
4.2. Claims on enterprises	27,827.4	26,929.3	35,487.2	41,225.5	35,244.3	35,890.7	37,892.8	38,972.6	39,466.5	41,031.7
4.3. Claims on households	4,743.2	6,615.2	12,796.2	17,717.2	19,249.8	23,298.3	25,130.1	26,822.0	27,119.1	28,891.7
5. Claims on other banking institutions	–	–	–	0.4	45.4	48.2	77.2	97.1	88.3	63.5
6. Claims on other financial institutions	100.8	140.2	246.8	193.9	154.0	161.7	161.6	248.3	396.7	166.7
Total (1+2+3+4+5+6)	62,653.6	67,482.7	85,309.3	93,326.4	93,251.5	109,949.1	115,167.2	116,672.4	118,332.8	126,640.3
LIABILITIES										
1. Demand deposits	4,870.0	7,007.5	8,423.8	7,808.9	7,891.5	11,386.0	10,968.6	11,774.9	12,776.6	12,285.9
2. Savings and time deposits	2,158.0	3,386.6	5,598.9	5,683.8	5,397.5	7,651.1	8,951.0	8,920.3	9,253.8	8,874.1
3. Foreign currency deposits	14,099.4	21,817.5	31,278.1	37,970.9	36,966.0	46,901.6	50,706.4	51,210.3	51,546.0	58,468.0
4. Bonds and money market instruments	130.7	128.1	133.6	154.1	436.8	478.2	709.3	494.2	662.0	567.5
5. Foreign liabilities	15,150.0	12,467.4	13,807.1	16,176.8	17,209.1	17,809.7	18,358.6	19,393.6	19,644.4	21,138.5
6. Central government and funds' deposits	2,025.6	1,720.9	6,874.7	7,298.3	5,828.6	6,730.5	6,241.8	5,524.8	5,479.6	5,697.8
7. Credit from central bank	182.6	267.8	33.7	1,049.2	1,138.7	328.8	22.6	225.6	15.8	1,972.3
8. Restricted and blocked deposits	10,662.4	8,223.6	5,852.3	4,196.0	3,434.2	2,549.6	2,318.8	2,199.7	1,829.6	1,895.1
o/w: Households' blocked f/c deposits	9,812.5	7,170.6	4,573.8	3,419.1	2,742.7	1,695.1	1,465.5	1,371.0	1,071.3	1,061.7
9. Capital accounts	15,392.3	15,440.8	17,027.0	19,785.6	21,975.4	24,953.1	25,329.2	24,667.2	24,571.8	25,378.7
10. Other items (net)	-2,017.4	-2,977.4	-3,719.9	-6,797.2	-7,026.4	-8,839.4	-8,439.2	-7,738.2	-7,446.9	-9,637.4
Total (1+2+3+4+5+6+7+8+9+10)	62,653.6	67,482.7	85,309.3	93,326.4	93,251.5	109,949.1	115,167.2	116,672.4	118,332.8	126,640.3

^a The privatisation of Privredna banka Zagreb brought about a one-off decrease in its balance sheet total amount of 2,759.4 million kuna. Loans in f/c to public enterprises diminished on the assets side and at the same time obligations to the Republic of Croatia arising from loans in f/c diminished on the liabilities side. Loans in f/c to public enterprises are listed under assets item "4.2 Claims on enterprises". Obligations to the Republic of Croatia arising from loans in f/c are listed under liabilities item "6. Central government and funds' deposits".

Table D1: Deposit Money Banks' Accounts

DMBs' Accounts include data on DMBs' claims and liabilities. DMBs' mutual claims and liabilities are consolidated. In September 1999, the data was revised to include savings banks. The whole data series was revised accordingly.

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

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. The main forms of claims on the central government are shown separately: bonds issued in accordance with the Law on Converting Households' Foreign Exchange Deposits into the Public Debt of the Republic of Croatia, and bonds issued in accordance with the Law on the Issue of Bonds for the Restructuring of the Economy of the Republic of Croatia.

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 other 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 other 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 debt 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 debt and hybrid instruments, purchased by foreign investors, are also included in loans received. Central government and funds' deposits are all forms of DMBs' 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 DMBs. Repurchase of securities is also considered and treated as a loan.

Restricted and blocked deposits comprise the following DMBs' liabilities: kuna and foreign currency restricted deposits by other domestic sectors, other banking institutions, other financial institutions, central government and funds as well as foreign legal and natural persons; and households' blocked foreign currency deposits, regulated by the Law 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 current year, retained profit (loss), required reserves, reserves provided for by the articles of association, other capital reserves and provisions for identified and unidentified losses.

Other items (net) are unclassified liabilities decreased by unclassified assets.

In May 1999, bankruptcy proceedings have been initiated against several few banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' share in the DMBs' balance sheet total amounted to 5,701.4 million kuna. On the assets side, most significant were: Claims on enterprises (4,378.7 million kuna) and Claims on households (701.4 million kuna). On the liabilities side, most significant were: Foreign currency deposits (3,443.7 million kuna), Foreign liabilities (1,024.6 million kuna) and Capital accounts (854.6 million kuna). Beginning in July 1999, the total amount of provisions for identified losses is shown within the Capital accounts item. Data for June 1999 are comparable to data for July 1999 if Claims on other domestic sectors and Capital accounts are increased by 3,513.5 million kuna. Other items have been corrected by small amounts.

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 DMBs' Accounts (Table D1).

Table D2: Deposit Money Banks' Foreign Assets

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Foreign assets in f/c	9,279.3	12,525.5	16,167.9	12,743.4	12,352.8	19,619.2	20,362.4	18,198.1	17,392.1	23,441.1
1.1. Claims on foreign banks	8,181.5	11,397.8	15,425.6	11,980.5	11,598.5	19,154.9	19,721.6	16,959.6	16,285.7	22,377.0
Foreign currencies	592.0	663.6	850.4	586.9	886.7	1,002.8	771.9	1,008.7	1,242.6	1,266.4
Demand deposits	3,466.1	5,915.6	6,938.5	6,228.6	1,498.5	995.0	985.0	1,177.6	994.6	1,014.8
Time and notice deposits	3,803.8	4,482.7	7,010.9	4,637.1	8,509.4	16,286.7	16,778.9	14,003.2	13,243.2	19,233.0
Securities	76.1	72.7	88.6	51.1	–	454.9	760.1	490.0	516.0	549.4
Loans and advances	156.9	179.7	408.7	343.4	569.8	370.9	380.4	240.8	250.7	272.3
Shares and participations	86.5	83.6	128.4	133.5	134.1	44.6	45.3	39.4	38.7	41.0
1.2. Claims on foreign nonbanks	1,097.8	1,127.7	742.4	762.9	754.3	464.3	640.7	1,238.4	1,106.3	1,067.1
Claims on foreign governments	–	–	–	–	399.9	137.8	244.6	603.0	538.4	569.1
Claims on other nonresidents	804.9	846.2	580.4	583.9	350.4	322.4	392.0	633.8	566.3	496.3
Securities	536.2	492.5	17.7	3.7	4.5	–	–	251.3	171.2	76.0
Loans and advances	268.7	353.7	562.7	580.2	345.9	322.4	392.0	382.5	395.1	420.3
Shares and participations	292.9	281.4	162.0	179.0	4.0	4.1	4.2	1.6	1.6	1.7
2. Foreign assets in kuna	17.4	24.2	17.9	19.7	47.3	91.2	54.3	60.3	52.7	49.4
2.1. Claims on foreign banks	0.6	5.7	3.6	3.1	16.6	66.1	40.8	46.7	39.1	36.2
2.2. Claims on foreign nonbanks	16.7	18.5	14.3	16.6	30.6	25.1	13.5	13.6	13.5	13.1
o/w: Loans and advances	16.7	18.5	14.3	16.6	29.6	23.3	11.6	11.7	12.6	12.2
Total (1+2)	9,296.6	12,549.6	16,185.8	12,763.1	12,400.1	19,710.4	20,416.7	18,258.3	17,444.7	23,493.5

Table D2: Deposit Money Banks' Foreign Assets

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

Foreign assets of DMBs' comprise foreign assets in kuna and foreign currency.

Claims on foreign banks and Claims on foreign nonbanks (total and by financial instruments) are shown separately within both foreign as-

sets in kuna and in foreign currency.

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' Foreign assets amounted to 402.3 million kuna. Through June 1999, some households' f/c savings deposits were included in Demand deposits and f/c savings deposits.

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

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Bonds (c'part to blocked f/c savings deposits)	10,078.3	8,291.1	6,714.4	5,802.3	5,419.9	4,484.4	4,036.4	3,847.7	3,306.7	3,502.9
2. Big bonds	5,060.9	2,438.5	2,291.9	2,103.1	1,321.8	1,475.7	1,712.4	1,696.6	1,686.3	1,677.6
3. Other claims	2,048.9	5,963.8	6,232.5	6,958.8	9,522.8	13,115.8	13,927.6	13,769.4	14,152.6	14,511.3
3.1. In kuna	182.6	4,121.2	4,261.8	5,066.1	8,564.0	11,432.5	12,335.9	12,348.6	11,602.3	12,022.3
3.1.1. Claims on central government	167.8	4,100.2	4,191.8	4,614.1	7,831.3	9,812.6	10,679.2	10,833.0	10,649.4	11,018.5
Securities	147.1	4,071.6	4,171.7	4,426.9	6,897.3	8,587.8	9,795.6	10,035.9	9,874.3	9,479.8
Loans and advances	20.6	28.6	20.1	187.2	934.0	1,224.9	883.6	797.1	775.1	1,538.7
3.1.2. Claims on central government funds	14.9	21.0	70.0	452.0	732.7	1,619.9	1,656.7	1,515.7	952.8	1,003.8
Securities	–	21.0	–	–	–	647.8	622.1	591.5	632.7	676.4
Loans and advances	14.9	0.0	70.0	452.0	732.7	972.1	1,034.6	924.2	320.1	327.5
3.2. In f/c	1,866.3	1,842.6	1,970.7	1,892.7	958.8	1,683.3	1,591.7	1,420.8	2,550.4	2,489.0
3.2.1. Claims on central government	1,771.2	1,828.5	1,966.7	1,879.5	921.4	1,492.7	1,317.4	1,162.0	1,700.7	1,591.4
Bonds	704.7	1,396.9	1,172.5	1,182.2	518.1	869.2	666.8	538.7	1,036.7	908.9
Loans and advances	1,066.5	431.7	794.2	697.3	403.3	623.5	650.6	623.4	664.0	682.5
3.2.2. Claims on central government funds	95.1	14.1	4.0	13.2	37.4	190.6	274.3	258.8	849.7	897.6
Securities	–	11.8	2.8	0.2	27.6	35.0	78.7	76.9	74.1	78.5
Loans and advances	95.1	2.3	1.3	13.0	9.8	155.5	195.6	181.9	775.6	819.1
Total (1+2+3)	17,188.1	16,693.4	15,238.8	14,864.2	16,264.4	19,076.0	19,676.4	19,313.7	19,145.6	19,691.8

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

The table shows kuna and foreign currency DMBs' claims on the central government and funds.

Bonds arising from blocked foreign currency savings deposits are issued in accordance with the Law on Converting Households' Foreign Exchange Deposits into the Public Debt of the Republic of Croatia.

Big bonds are those issued in accordance with the Law on the Issue

of Bonds for the Restructuring of the Economy of the Republic of Croatia.

Other claims are all other DMBs' kuna and foreign currency claims on central government and funds: securities, loans and equities.

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' Claims on central government and funds amounted to 17.8 million kuna.

Table D4: Deposit Money Banks' Claims on Other Domestic Sectors

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec. ^a	Dec.	Mar.	Jun.	Jul.	Aug.
1. Claims in kuna	21,668.8	25,602.5	40,149.5	50,509.7	48,336.4	53,739.5	57,600.1	60,484.1	61,236.9	64,478.2
1.1. Money market instruments	76.8	42.1	81.5	101.8	365.7	231.9	237.8	402.4	408.8	459.3
1.2. Bonds	8.0	2.1	1.7	0.7	0.0	1.0	1.0	2.3	2.3	2.3
1.3. Loans and advances	16,330.0	21,759.1	35,971.2	45,956.0	44,505.1	49,566.8	53,820.2	56,561.0	57,410.6	60,589.1
1.4. Shares and participations	5,254.1	3,799.2	4,095.2	4,451.3	3,465.5	3,939.8	3,541.1	3,518.4	3,415.2	3,427.5
2. Claims in f/c	11,048.9	8,087.4	8,442.7	9,087.0	7,063.3	6,624.3	6,609.7	6,474.4	6,454.0	6,652.0
2.1. Securities	3.6	2.9	0.6	0.6	74.9	112.4	32.6	63.1	60.5	62.2
2.2. Loans and advances	11,045.3	8,084.5	8,442.1	9,086.3	6,988.5	6,512.0	6,577.0	6,411.2	6,393.4	6,589.7
Total (1+2)	32,717.7	33,689.9	48,592.2	59,596.7	55,399.7	60,363.9	64,209.8	66,958.5	67,690.9	71,130.2

^a Loans in f/c decreased by a one-off 2,759.4 million kuna.

Table D4: Deposit Money Banks' Claims on Other Domestic Sectors

The table shows DMBs' kuna and foreign currency claims on other domestic sectors, classified according to financial instruments: money market instruments, bonds, loans and advances (including acceptances and purchased claims), and equities and arrears.

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

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' Claims on other domestic sector amounted to 5,088.0 million kuna. Data for June 1999 are comparable with data for July 1999 if item Loans and advances under Claims in kuna is increased by 2,904.3 million kuna, item Shares and participations is decreased by 520.3 million kuna, and if item Loans and advances under Claims in f/c is increased by 1,129.4 million kuna.

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

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec. ^a	Dec.	Mar.	Jun.	Jul.	Aug.
LOANS IN KUNA										
1. Loans to central government and funds	35.1	11.5	74.6	633.2	1,666.6	2,196.9	1,918.2	1,721.3	1,095.2	1,866.2
1.1. Loans to central government	20.2	11.5	4.6	181.9	934.0	1,224.9	883.6	797.1	775.1	1,538.7
1.2. Loans to central government funds	14.9	0.0	70.0	451.3	732.7	972.1	1,034.6	924.2	320.1	327.5
2. Loans to local governments and funds	122.5	125.1	293.2	623.5	785.7	996.8	1,006.9	981.0	968.1	1,021.3
3. Loans to enterprises	11,474.5	15,029.5	22,925.8	27,660.0	24,533.4	25,328.0	27,735.6	28,810.2	29,374.2	30,729.7
4. Loans to households	4,733.0	6,604.5	12,752.2	17,672.5	19,186.1	23,242.1	25,077.7	26,769.9	27,068.3	28,838.2
5. Loans to other banking institutions	–	–	–	0.4	31.3	33.5	32.0	32.8	38.0	38.8
6. Loans to other financial institutions	61.3	89.0	166.6	114.2	138.6	105.5	138.7	220.3	364.9	134.0
A. Total (1+2+3+4+5+6)	16,426.4	21,859.7	36,212.4	46,703.7	46,341.6	51,902.8	55,909.1	58,535.3	58,908.7	62,628.2
LOANS IN F/C										
1. Loans to central government and funds	773.9	190.2	679.9	637.4	413.1	779.1	846.2	805.3	1,439.6	1,501.6
1.1. Loans to central government	678.8	187.9	678.6	624.5	403.3	623.5	650.6	623.4	664.0	682.5
1.2. Loans to central government funds	95.1	2.3	1.3	13.0	9.8	155.5	195.6	181.9	775.6	819.1
2. Loans to local governments and funds	21.4	18.9	13.1	30.5	118.7	171.6	172.9	164.5	120.2	169.8
3. Loans to enterprises	11,013.5	8,054.3	8,382.3	9,009.8	6,806.1	6,284.0	6,351.6	6,194.6	6,222.5	6,366.4
4. Loans to households	10.4	11.3	46.8	46.0	63.7	56.3	52.5	52.1	50.8	53.5
5. Loans to other banking institutions	–	–	–	–	1.7	–	–	–	–	–
6. Loans to other financial institutions	–	–	–	–	–	–	–	–	–	–
B. Total (1+2+3+4+5+6)	11,819.2	8,274.7	9,122.0	9,723.8	7,403.2	7,291.0	7,423.2	7,216.6	7,833.0	8,091.3
TOTAL(A+B)	28,245.6	30,134.4	45,334.4	56,427.5	53,744.9	59,193.9	63,332.3	65,751.9	66,741.7	70,719.4

^a Loans in f/c to public enterprises decreased by a one-off 2,759.4 million kuna.

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

The table shows data on kuna and foreign currency loans granted by DMBs to domestic sectors, including acceptances, financial leases, payments made on the basis of guarantees and similar instruments and purchased claims.

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' loans amounted to 4,463.3 million kuna. Data for June 1999 are comparable with data for July 1999 if total loans in kuna are increased by 2,972.6 million kuna, and total loans in f/c are increased by 840.9 million kuna.

Table D6: Demand Deposits with Deposit Money Banks

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Local governments and funds	495.3	683.8	484.2	514.3	314.7	573.6	590.0	547.1	473.0	684.9
2. Enterprises	3,161.9	4,489.2	5,692.8	4,794.2	4,695.6	7,087.1	6,407.6	6,652.2	7,703.5	7,005.4
3. Households	1,168.8	1,661.3	2,235.7	2,492.2	2,686.5	3,499.7	3,741.8	4,171.2	4,298.8	4,271.6
4. Other banking institutions	–	–	–	–	6.9	11.6	11.1	12.1	12.1	13.4
5. Other financial institutions	79.6	208.2	203.8	190.0	190.0	221.7	223.0	397.0	294.1	315.5
6. Less: Checks of other banks and checks in collection	–35.5	–35.0	–192.6	–181.8	–2.2	–7.6	–4.8	–4.7	–5.0	–5.0
Total (1+2+3+4+5+6)	4,870.0	7,007.5	8,423.8	7,808.9	7,891.5	11,386.0	10,968.6	11,774.9	12,776.6	12,285.9

Table D6: Demand Deposits with Deposit Money Banks

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

Demand deposits are the sum of other domestic sectors', other banking institutions' and other 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.

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, Demand deposits with those banks amounted to 259.3 million kuna.

Table D7: Time and Savings Deposits with Deposit Money Banks

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Savings deposits	497.7	719.3	1,115.7	1,117.5	1,371.4	1,676.1	1,642.6	1,729.1	1,692.0	1,701.4
1.1. Local governments and funds	–	–	–	–	91.7	137.6	94.0	100.3	103.5	108.3
1.2. Enterprises	–	–	–	–	92.1	142.4	115.4	109.0	50.0	59.5
1.3. Households	497.7	719.3	1,115.7	1,117.5	1,167.3	1,348.3	1,413.3	1,495.8	1,501.0	1,505.4
1.4. Other banking institutions	–	–	–	–	2.6	0.6	0.6	7.8	6.7	6.7
1.5. Other financial institutions	–	–	–	–	17.8	47.2	19.3	16.1	30.8	21.5
2. Time and notice deposits	1,660.2	2,667.3	4,483.2	4,566.3	4,026.2	5,975.0	7,308.4	7,191.3	7,561.8	7,172.7
2.1. Local governments and funds	81.2	89.7	102.6	185.3	176.1	230.7	286.3	306.2	305.2	332.0
2.2. Enterprises	830.2	1,054.7	1,785.0	1,569.2	1,417.0	2,871.4	3,800.9	3,407.4	3,642.9	3,104.6
2.3. Households	547.1	1,124.3	1,962.1	1,998.7	1,531.7	1,789.8	2,085.6	2,225.2	2,196.0	2,185.9
2.4. Other banking institutions	–	–	–	–	33.5	20.8	27.0	33.9	41.1	49.5
2.5. Other financial institutions	201.7	398.6	633.6	813.1	867.8	1,062.2	1,108.6	1,218.6	1,376.6	1,500.7
Total (1+2)	2,158.0	3,386.6	5,598.9	5,683.8	5,397.5	7,651.1	8,951.0	8,920.3	9,253.8	8,874.1

Table D7: Time and Savings Deposits with Deposit Money Banks

The table shows Kuna savings and time deposits by other domestic sectors, other banking institutions and other financial institutions with DMBs.

In May 1999, bankruptcy proceedings have been initiated against

several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, Time and savings deposits with those banks amounted to 323.7 million kuna. In July 1999, certain deposits of local government, enterprises, other banking institutions and other financial institutions were reclassified from savings to time deposits.

Table D8: Foreign Currency Deposits with Deposit Money Banks

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Savings deposits	7,952.1	9,242.8	10,750.3	12,140.3	12,228.1	14,566.3	14,895.1	15,265.7	15,607.0	18,121.7
1.1. Local governments and funds	6.0	10.5	111.7	19.5	29.5	16.8	15.8	19.3	24.8	24.3
1.2. Enterprises	1,498.0	1,762.8	1,969.4	2,091.9	1,842.6	2,408.0	2,450.7	2,777.0	2,741.4	3,971.3
1.3. Households	6,419.8	7,419.9	8,616.2	9,976.4	10,256.6	12,041.5	12,319.5	12,261.4	12,693.1	13,988.5
1.4. Other banking institutions	–	–	–	–	6.4	10.3	11.1	13.1	19.6	24.9
1.5. Other financial institutions	28.3	49.5	52.9	52.5	93.0	89.8	98.1	194.9	128.1	112.7
2. Time deposits	6,147.3	12,574.7	20,527.8	25,830.6	24,737.9	32,335.3	35,811.3	35,944.6	35,939.0	40,346.2
2.1. Local governments and funds	–	–	–	–	15.5	8.2	4.7	3.0	2.9	3.4
2.2. Enterprises	743.7	1,160.1	1,457.2	1,579.4	1,442.3	2,753.1	2,936.9	3,053.8	3,012.9	4,485.2
2.3. Households	5,276.4	11,209.1	18,849.8	23,994.7	22,957.7	29,097.2	32,266.8	32,321.6	32,310.1	35,162.4
2.4. Other banking institutions	–	–	–	–	2.5	4.2	9.3	4.3	3.6	3.8
2.5. Other financial institutions	127.2	205.5	220.8	256.5	320.0	472.7	593.6	561.9	609.6	691.5
Total (1+2)	14,099.4	21,817.5	31,278.1	37,970.9	36,966.0	46,901.6	50,706.4	51,210.3	51,546.0	58,468.0

Table D8: Foreign Currency Deposits with Deposit Money Banks

The table shows foreign currency savings and time deposits by other domestic sectors, other banking institutions and other financial institutions with DMBs. 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.

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, Foreign currency deposits with those banks amounted to 3,443.7 million kuna.

Table D9: Bonds and Money Market Instruments

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Money market instruments (net)	0.2	0.9	7.0	4.5	1.4	–	–	–	–	–
2. Bonds (net)	42.9	55.6	19.1	24.1	384.1	353.5	310.8	281.4	274.0	280.0
3. Other domestic borrowing	87.6	71.6	107.5	125.6	51.2	124.7	141.1	212.8	388.0	287.5
3.1. Local governments and funds	9.9	7.3	0.0	0.0	–	–	–	–	–	–
3.2. Enterprises	6.3	8.3	29.9	22.5	13.7	15.2	47.2	45.0	131.6	187.6
3.3. Other banking institutions	–	–	–	54.2	15.7	1.3	2.4	4.5	15.6	11.1
3.4. Other financial institutions	71.4	55.9	77.6	48.9	21.8	108.2	91.5	163.3	240.8	88.8
Total (1+2+3)	130.7	128.1	133.6	154.1	436.8	478.2	451.9	494.2	662.0	567.5

Table D9: Bonds and Money Market Instruments

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

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

Bonds (net) comprise DMBs' net liabilities for kuna and foreign currency bonds issued, as well as issued debt and hybrid instruments, ex-

cluding those purchased by foreign investors.

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

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' Bonds and Money market instruments amounted to 9 million kuna. In July 1999, certain debt and hybrid instruments were reclassified from Time and notice deposits to Bonds (net). The amount reclassified was 3,513.5 million kuna.

Table D10: Deposit Money Banks' Foreign Liabilities

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Foreign liabilities in f/c	15,107.7	12,380.7	13,540.1	15,878.2	17,066.0	17,669.8	18,465.1	19,159.0	19,500.4	20,957.5
1.1. Liabilities to foreign banks	11,995.8	9,365.4	8,979.3	10,557.0	11,525.4	11,957.6	13,643.2	14,474.3	14,836.2	15,989.1
Demand deposits	119.0	206.3	300.9	242.3	157.1	176.3	121.0	124.1	133.0	134.1
Time and notice deposits	1,152.8	979.6	2,365.5	411.5	1,267.0	345.9	981.1	1,335.9	1,337.1	816.4
Loans and advances	10,724.0	8,179.4	6,313.0	9,903.2	10,101.2	11,435.4	12,541.1	13,014.4	13,366.1	15,038.7
1.2. Liabilities to foreign nonbanks	3,111.9	3,015.3	4,560.8	5,321.2	5,540.7	5,712.2	4,821.9	4,684.8	4,664.1	4,968.4
Savings and time deposits	1,204.2	1,496.8	2,056.8	2,892.6	2,545.9	2,868.1	3,195.2	3,131.7	3,181.4	3,414.7
Sight deposits	654.2	667.6	608.4	620.5	754.0	745.5	821.6	759.5	826.5	864.0
Time and notice deposits	549.9	829.2	1,448.4	2,272.1	1,791.9	2,122.6	2,373.6	2,372.2	2,354.9	2,550.6
Loans and advances	1,907.8	1,518.5	2,504.0	2,428.6	2,994.8	2,844.1	1,626.7	1,553.1	1,482.7	1,553.7
2. Foreign liabilities in kuna	42.3	86.7	266.9	298.6	143.1	140.0	150.9	234.5	144.1	180.9
2.1. Liabilities to foreign banks	7.5	30.9	187.1	156.3	65.0	37.0	41.2	116.0	46.5	82.5
Demand deposits	6.4	27.0	52.3	70.5	52.6	14.4	13.1	37.5	41.5	11.6
Time and notice deposits	1.1	3.9	128.4	85.8	11.7	22.0	23.6	71.9	3.4	24.7
Loans and advances	–	–	6.4	–	0.7	0.7	4.6	6.6	1.6	46.2
2.2. Liabilities to foreign nonbanks	34.8	55.8	79.9	142.3	78.1	103.0	109.6	118.5	97.5	98.4
Demand deposits	29.6	22.1	42.0	41.0	42.1	50.8	57.1	70.8	51.1	52.0
Time and notice deposits	0.1	29.4	33.1	96.1	35.9	52.2	52.5	47.7	46.5	46.4
Loans and advances	5.1	4.3	4.8	5.2	0.1	–	–	–	–	–
Total (1+2)	15,150.0	12,467.4	13,807.1	16,176.8	17,209.1	17,809.7	18,616.0	19,393.6	19,644.4	21,138.5

Table D10: Deposit Money Banks' Foreign Liabilities

The table shows DMBs' 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.

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

Within foreign kuna and foreign currency liabilities, liabilities to for-

ign banks are reported separately from liabilities to foreign nonbanks (total and by financial instruments). Within foreign liabilities in f/c, loans and advances also include issued debt and hybrid instruments purchased by foreign investors.

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' Foreign liabilities amounted to 1,024.6 million kuna.

Table D11: Central Government and Funds' Deposits with Deposit Money Banks

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec. ^a	Dec.	Mar.	Jun.	Jul.	Aug.
1. In kuna	1,760.4	1,585.3	2,386.3	3,033.3	3,269.6	3,073.3	3,049.6	2,941.0	2,976.0	3,147.2
1.1. Central government deposits	179.3	131.2	82.1	130.1	330.9	430.0	469.8	366.0	370.0	278.7
Demand deposits	17.9	23.3	31.7	4.5	74.7	116.7	87.2	21.7	21.0	19.8
Savings deposits	–	–	–	–	15.9	26.1	43.4	35.1	34.9	34.4
Time and notice deposits	126.5	77.4	21.7	100.4	202.3	259.5	311.4	281.2	286.2	196.3
Loans and advances	34.9	30.5	28.7	25.2	38.1	27.7	27.9	28.0	28.0	28.1
1.2. Central government funds' deposits	1,581.1	1,454.1	2,304.2	2,903.2	2,938.8	2,643.3	2,579.8	2,574.9	2,606.0	2,868.5
Demand deposits	253.2	102.8	85.7	83.0	40.6	116.9	26.3	144.6	194.7	277.0
Savings deposits	–	–	–	–	4.5	15.2	6.5	6.8	6.8	6.8
Time and notice deposits	200.7	38.0	19.4	33.9	57.2	32.6	78.6	96.0	117.6	122.7
Loans and advances	1,127.2	1,313.3	2,199.1	2,786.4	2,836.5	2,478.6	2,468.5	2,327.6	2,286.9	2,461.9
2. In f/c	265.2	135.7	4,488.4	4,265.0	2,559.0	3,657.1	3,192.2	2,583.9	2,503.5	2,550.6
2.1. Central government deposits	145.4	54.2	4,483.7	4,249.5	2,497.6	3,622.6	3,171.8	2,538.7	2,469.3	2,499.3
Savings deposits	134.3	48.8	160.1	83.2	59.1	1,256.1	460.4	381.2	550.7	539.6
Time and notice deposits	11.1	5.3	0.1	0.1	10.5	27.0	591.8	56.4	55.4	61.1
Refinanced loans and advances	–	–	4,323.5	4,166.2	2,428.0	2,339.4	2,119.6	2,101.2	1,863.3	1,898.5
2.2. Central government funds' deposits	119.8	81.5	4.7	15.5	61.4	34.6	20.4	45.2	34.2	51.3
Savings deposits	21.2	58.2	4.7	8.0	55.2	25.0	14.4	38.1	28.4	45.3
Time and notice deposits	98.6	23.4	–	7.5	6.1	9.5	6.0	7.1	5.7	6.1
Total (1+2)	2,025.6	1,720.9	6,874.7	7,298.3	5,828.6	6,730.5	6,241.8	5,524.8	2,479.6	5,697.8

^a Refinanced loans and advances decreased by a one-off 2,759.4 million kuna.

Table D11: Central Government and Funds' Deposits with Deposit Money Banks

The table reports total DMBs' 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 DMBs.

Kuna and foreign currency deposits by the Republic of Croatia and central government funds are shown separately. Kuna deposits com-

prise demand deposits, savings deposits, kuna time and notice deposits, and kuna loans obtained from the central government and funds. Foreign currency deposits comprise foreign currency sight deposits, as well as savings deposits, foreign currency time and notice deposits.

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, Central government and funds deposits with those banks amounted to 193.5 million kuna.

Table D12: Restricted and Blocked Deposits with Deposit Money Banks

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Restricted deposits	693.4	891.8	1,199.4	700.6	691.4	854.4	853.3	828.8	758.3	833.4
1.1. In Kuna	277.8	251.0	260.9	202.5	81.8	131.6	100.1	105.2	107.3	95.2
1.2. In f/c	415.6	640.8	938.5	498.0	609.7	722.8	753.2	723.6	651.0	738.1
2. Blocked f/c deposits	9,969.0	7,331.8	4,652.9	3,495.5	2,742.7	1,695.1	1,465.5	1,371.0	1,071.3	1,061.7
2.1. Central government	67.9	66.8	69.9	74.0	–	–	–	–	–	–
2.2. Enterprises	88.7	94.5	9.1	2.4	–	–	–	–	–	–
2.3. Households	9,812.5	7,170.6	4,573.8	3,419.1	2,742.7	1,695.1	1,465.5	1,371.0	1,071.3	1,061.7
Total (1+2)	10,662.4	8,223.6	5,852.3	4,196.0	3,434.2	2,549.6	2,318.8	2,199.7	1,829.6	1,895.1

Table D12: Restricted and Blocked Deposits with Deposit Money Banks

The table shows restricted and blocked deposits by the central government and funds, other domestic sectors, other banking institutions, other financial institutions and foreign legal and natural persons with DMBs.

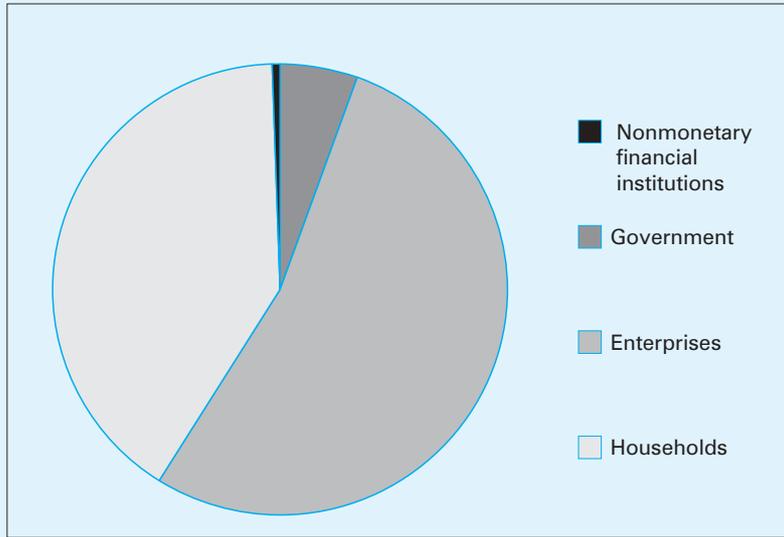
Restricted and blocked deposits include two categories of deposits: restricted (kuna and foreign currency) deposits and blocked foreign currency deposits.

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

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, Restricted and blocked deposits with those banks amounted to 39.9 million kuna. In July 1999, data on blocked deposits of the central government and of enterprises were revised.

Figure D1

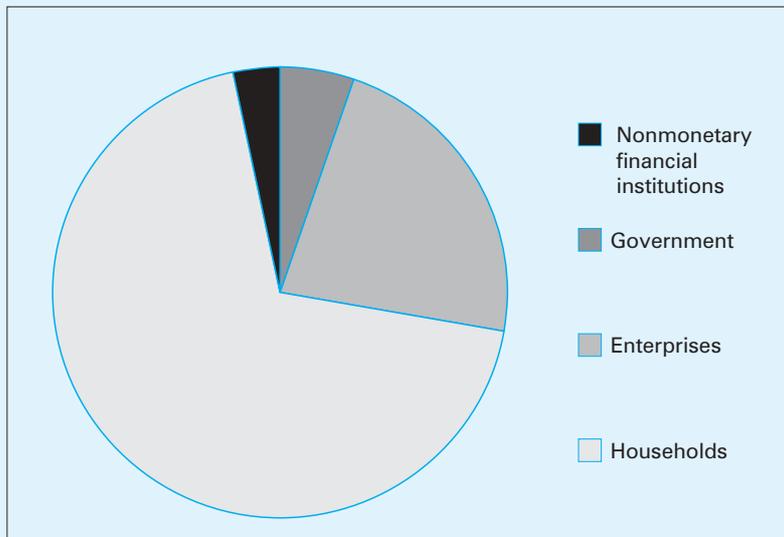
**DISTRIBUTION OF DEPOSIT MONEY BANKS' LOANS
BY DOMESTIC INSTITUTIONAL SECTORS**



August 2001

Figure D2

**DISTRIBUTION OF DEPOSIT MONEY BANKS' DEPOSITS
BY DOMESTIC INSTITUTIONAL SECTORS**



August 2001

Note:
Sector "Government" includes the central government and funds and local government and funds.
Sector "Nonmonetary financial institutions" includes other banking institutions and other financial institutions.

Table E1: Housing Savings Banks' Accounts

End of Period, million kuna

	1998	1999	2000				2001					
	Dec.	Dec.	Mar.	June	Sep.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
ASSETS												
1. Reserves with the CNB	2.4	8.6	3.4	11.8	2.0	7.6	4.7	3.9	6.0	10.1	3.7	0.8
2. Claims on central government and funds	49.7	81.4	136.0	204.0	330.0	497.6	621.1	635.6	652.0	706.0	720.2	850.4
3. Claims on other domestic sectors	–	5.3	1.3	–	–	1.1	3.0	4.0	4.8	5.5	6.8	7.7
o/w: Claims on households	–	–	–	–	–	0.6	3.0	4.0	4.8	5.5	6.8	7.7
4. Claims on banks	54.2	57.0	46.0	46.8	20.2	7.6	10.4	11.4	25.5	14.5	33.8	37.5
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–	–	1.0
Total (1+2+3+4+5)	106.3	152.3	186.7	262.6	352.2	513.8	639.2	655.0	688.3	736.1	764.4	897.4
LIABILITIES												
1. Time deposits	8.7	87.6	129.3	189.0	263.7	437.8	539.9	563.4	580.4	624.2	650.9	785.0
2. Bonds and money market instruments	0.4	–	–	–	10.0	10.0	10.0	10.0	10.8	10.0	10.0	10.0
3. Capital accounts	108.3	117.4	130.5	124.2	118.5	112.5	113.6	107.2	124.5	125.5	123.8	124.7
4. Other items (net)	–11.0	–52.7	–73.1	–50.6	–40.0	–46.5	–24.2	–25.7	–26.7	–23.6	–20.2	–22.2
Total (1+2+3+4)	106.3	152.3	186.7	262.6	352.2	513.8	639.2	655.0	688.3	736.1	764.4	897.4

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 kuna vault cash and 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.

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 include share capital, profit or loss for the current year, retained profit (loss), required reserves, reserves provided for by the articles of association, other capital reserves and provisions for identified and 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	Credit rates						
			On lombard credits	On intervention credits	On intra-day refinance facility	On short-term liquidity credits	On advances on the account of statutory reserves	On inaccurately calculated statutory reserves	On arrears
1	2	3	4	5	6	7	8	9	10
1992	December	1,889.39	2,840.09	–	6,881.51	–	4,191.93	6,881.51	4,191.93
1993	December	34.49	46.78	–	289.60	–	101.22	289.60	166.17
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	April	5.90 ^a	12.00 ^a	18.00 ^a	–	13.00	–	18.00 ^a	18.00
	May	5.90	12.00	18.00	–	13.00	–	18.00	18.00
	June	5.90	12.00	18.00	–	13.00	–	18.00	18.00
	July	5.90	12.00	18.00	–	13.00	–	18.00	18.00
	August	5.90	12.00	18.00	–	13.00	–	18.00	18.00
	September	5.90	12.00	18.00	–	13.00	–	18.00	18.00
	October	5.90	12.00	18.00	–	13.00	–	18.00	18.00
	November	5.90	12.00	18.00	–	13.00	–	18.00	18.00
	December	5.90	12.00	18.00	–	13.00	–	18.00	18.00
2001	January	5.90	12.00	18.00	–	13.00	–	18.00	18.00
	February	5.90	12.00	18.00	–	13.00	–	18.00	18.00
	March	5.90	9.50 ^b	18.00	–	10.50	–	18.00	18.00
	April	5.90	9.50	18.00	–	10.50	–	18.00	18.00
	May	5.90	9.50	18.00	–	10.50	–	18.00	18.00
	June	5.90	9.50	18.00	–	10.50	–	18.00	18.00
	July	5.90	9.50	18.00	–	10.50	–	18.00	18.00
	August	5.90	9.50	–	–	10.50	–	18.00	18.00

^a Since April 11, 2000; ^b Since March 14, 2001.

Table F1: Credit Rates of the Croatian National Bank

The table shows interest rates used by the CNB to calculate and charge interest on loans and on all other claims.

Credit rates of the CNB are being set by special decisions of the Council of the Croatian National Bank, on annual basis. Exceptionally, from June 1995 to September 11, 1996 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 weighted average interest rate on lombard credits. Interest rate in September 1996 is calculated as the weighted average of interest rate applied in the first 10 days of September 1996 (according to the regime mentioned above) and fixed interest rate applied since September 11, 1996.

Time series presented in the table contain certain breaks, due to changes in CNB's monetary policy instruments. Consequently, until November 1994, column 4 shows interest rates on regular credits for maintenance of day-to-day liquidity, which were granted based on securities portfolio, and from December 1994 onwards, interest rates on lombard credits.

Furthermore, data shown in column 6 refer, until September 1994, to interest rates on special credits for savings deposits' payments and for payments from households' current accounts, and from October 1994 until September 1997 to interest rates on daily credits for savings deposits and households' current accounts in kuna. Daily credits, as opposed to special credits, are paid back on the same day. In October 1997, this instrument was replaced by daily credits for overcoming

short-term liquidity problems that are 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 7 refer, until December 1994, to interest rate on initial credits, and since March 18, 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.

Interest rates reported in column 8 refer to the use of statutory reserves, which was being used by banks (in prescribed percentage) to maintain day-to-day liquidity until September 1994. Interest rates paid until September 1994 on the use of statutory reserve funds in amount above prescribed and/or for longer period than allowed are shown in column 9. Since October 1994, interest rates paid on the use of statutory reserve funds are the same as those used for any other failure to fulfill financial obligations, in accordance with the late interest regulations (shown in column 10).

Until June 1994, the same interest rate was applied to funds used above amounts available on giro accounts and to inaccurately calculated or under-appropriated statutory reserves (reported in column 9). From July to September 1994, interest rate applied to the use of those funds from the primary issue was 21%, and since October 1994, the same interest rates have been applied as for other failures to fulfill financial obligations, shown in column 10.

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				Interest rates on f/c CNB bills on a voluntary basis			
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 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
1992	December	367.60	556.66	1,057.67	1,889.39	–	–	–	–	–	–
1993	December	0.00	–	67.84	63.08	97.38	–	–	–	–	–
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	April	5.90	–	–	9.79	11.00	12.30	4.53	6.11	–	–
	May	5.90	–	–	9.05	9.80	10.93	4.85	5.28	6.88	–
	June	5.90	–	–	7.96	8.97	10.00	5.54	5.26	6.73	7.00
	July	5.90	–	–	7.84	8.84	9.74	5.09	5.94	6.01	–
	August	5.90	–	–	6.85	7.81	9.12	6.00	5.05	–	–
	September	5.90	–	–	6.78	7.80	9.02	4.90	5.14	–	–
	October	5.90	–	–	6.70	7.37	7.79	5.93	6.19	–	–
	November	4.50 ^a	–	–	6.65	7.00	7.70	6.22	5.15	–	–
	December	4.50	–	–	6.65	7.00	7.70	5.51	4.83	–	–
2001	January	4.50	–	–	6.64	6.99	7.70	4.96	5.22	–	–
	February	4.50	–	–	6.63	6.90	–	4.95	5.18	–	–
	March	3.70 ^b	–	–	6.61	6.80	7.00	4.68	4.77	–	–
	April	3.70	–	–	6.36	6.73	6.95	4.52	4.38	–	–
	May	3.70	–	–	6.34	6.72	6.93	4.26	4.26	–	–
	June	3.70	–	–	5.48	5.87	6.30	3.98	4.17	–	–
	July	3.50 ^c	–	–	–	–	–	3.98	4.27	–	–
	August	3.50	–	–	4.06	4.80	5.34	3.91	4.12	–	–

^a Since November 8, 2000; ^b Since March 14, 2001; ^c Since July 9, 2001.

Table F2: Deposit Rates of the Croatian National Bank

The table shows interest rates paid by the CNB on funds deposited with the CNB as well as on securities issued.

Interest rates paid by the CNB for appropriated statutory reserve funds are being set by the Council of the CNB. Until 7 October 1993, the CNB was setting different exchange rates for statutory reserve funds based on savings and time deposits. Therefore, for that period the table reports the weighted average interest rate on appropriated statutory reserve funds (column 3). From October 8, 1993 until the end of February 1994, the CNB paid no interest on appropriated statutory reserve funds, and since March 1994, uniform rate has been applied to these funds.

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

Until October 1993, interest rates on CNB bills on a voluntary basis were also set by the Council of the CNB, while since November 1993, they have been set at CNB bills' auction sales. Congruently, since November 1993, columns 5, 6 and 7 report weighted average interest rates attained at auctions of CNB bills.

Until October 1994, interest rates on CNB bills on a voluntary basis due in 30 and 90 days are reported in columns 6 and 7, respectively. From November 1994 through January 2001, columns 7 and 9 report interest rates on CNB bills on a voluntary basis due in 91 and 182 days, respectively.

Since April 1998 columns 9, 10, 11 report weighted average interest rates of CNB bills on a voluntary basis in EUR and USD (until December 1998 in DEM and USD), due in 63, 91, 182 and 365 days attained at CNB bills' auctions as a weighted average of subscribed amounts in those two currencies.

Table F3: Deposit Money Banks' Reserve Requirements

Daily averages and percentages, million kuna and %

Year	Month	Reserve requirement (RR)	Weighted average RR in % of res. base	Statutory reserves deposited with the CNB	Statutory reserves deposited with the CNB in % of RR	Other deposits with the CNB on obligatory basis	Total reserve requirement	Total reserve requirement in % of res. base	Weighted avg. remuneration in % of total RR	Use of reserve requirements
1	2	3	4	5	6= $\frac{5}{3} \times 100$	7	8=3+7	9	10	11
1993	December	894.9	25.32	804.0	89.84	19.8	914.7	25.88	1.97	143.6
1994	December	1,826.0	26.20	1,779.2	97.44	188.3	2,014.3	28.90	5.63	3.5
1995	December	2,431.8	30.90	2,215.9	91.12	826.5	3,258.4	41.40	7.93	45.9
1996	December	3,652.9	35.91	3,312.0	90.67	–	3,652.9	35.91	5.50	0.1
1997	December	4,348.8	32.02	3,914.2	90.01	–	4,348.8	32.02	4.50	0.5
1998	December	3,967.2	29.57	3,469.8	87.46	57.4	4,024.7	30.00	5.28	9.6
1999	December	4,210.1	30.50	3,695.1	87.77	37.3	4,247.4	30.77	5.62	0.9
2000	April	3,978.5	30.03	3,517.5	88.41	27.9	4,006.5	30.24	5.57	3.2
	May	3,824.7	28.50	3,368.4	88.07	30.5	3,855.2	28.73	5.66	1.6
	June	3,997.9	28.50	3,513.1	87.87	31.2	4,029.1	28.72	5.66	1.4
	July	4,292.8	28.50	3,764.6	87.70	29.5	4,322.3	28.70	5.69	1.4
	August	4,782.5	28.50	4,188.4	87.58	25.2	4,807.7	28.65	5.59	1.4
	September	5,210.1	28.50	4,559.4	87.51	24.3	5,234.4	28.63	5.67	1.4
	October	5,407.9	28.50	4,737.6	87.61	21.9	5,429.8	28.62	5.56	1.3
	November	5,151.2	26.97	4,622.3	89.73	21.7	5,172.9	27.08	4.44	1.3
	December	4,646.8	24.17	4,191.6	90.21	5.0	4,651.8	24.20	4.05	1.1
2001	January	4,561.9	23.50	4,030.3	88.35	0.0	4,562.0	23.50	3.98	1.1
	February	4,666.4	23.50	3,928.1	84.18	0.2	4,666.6	23.50	3.79	0.4
	March	4,688.1	23.50	3,503.8	74.74	0.7	4,688.8	23.50	3.82	0.2
	April	4,825.4	23.50	3,469.0	71.89	0.7	4,826.1	23.50	3.59	0.1
	May	5,030.1	23.50	3,525.8	70.09	0.7	5,030.8	23.50	3.61	–
	June	5,108.8	23.50	3,542.8	69.35	0.7	5,109.5	23.50	3.59	–
	July*	4,904.7	22.38	3,467.4	70.69	–	4,904.7	22.38	3.39	–
	August	4,944.5	22.00	3,486.5	70.51	–	4,944.5	22.00	3.32	–

Table F3: Deposit Money Banks' Reserve Requirements

This table shows data on monthly averages of day-to-day balances of DMBs' required reserves with the CNB. Savings banks are included beginning in July 1999, and the earlier data series has not been revised.

Reserve requirement (column 3) represents the prescribed amount of funds banks are required to deposit on a special statutory reserve account with the CNB, or to maintain (in average) on their settlement accounts or in vaults. This amount corresponds with the statutory reserve instrument of January 1995, 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).

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

Column 5 shows the portion of the reserve requirement banks are required to deposit on a special statutory reserves account with the CNB (until December 1994 this amount corresponded with the statutory reserves instrument, while since January 1995 a minimum percentage of the total reserve requirement banks are required to deposit on a special statutory reserves account with the CNB has been prescribed). This percentage currently stands at 40%.

Column 6 shows the percentage of the statutory reserves deposited

with the CNB in the total reserve requirement.

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) and statutory reserves on f/c deposits, f/c credits from foreign banks and guarantees and f/c credits from foreign banks.

Column 8 shows the total reserve requirement as a sum of reserve requirement and other deposits with the CNB on an obligatory basis. Column 9 shows the percentage of total reserve requirement in the reserve base.

Column 10 shows the weighted average remuneration rate for all forms of immobilized funds (i.e. for all components of total reserve requirement).

Column 11 shows the use of required reserves, which includes use of appropriated statutory reserve funds (authorized and unauthorized), inaccurately calculated statutory reserves, non-maintenance of the prescribed minimal liquidity, i.e. (since January 1995) non-maintenance of the minimal average settlement account and vault balance (determined in accordance with the calculation of statutory reserves), unregistered amount of the CNB bills on an obligatory basis and inaccurately calculated special statutory reserves (until July 1995) and inaccurately calculated statutory reserves on f/c deposits, f/c credits from foreign banks and guarantees and f/c credits from foreign banks.

Table F4: Deposit Money 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
1	2	3	4	5	6	6
1993	December	-18.5	-0.52	188.0	1.9	-
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	-
1997	December	396.3	2.92	32.7	728.9	-
1998	December	221.9	1.65	445.5	850.4	1,377.4
1999	December	179.6	1.30	1,183.6	1,348.7	1,507.6
2000	April	114.3	0.86	420.8	1,532.5	1,162.4
	May	270.1	2.01	410.0	1,592.2	1,510.5
	June	289.7	2.06	436.2	1,944.9	1,842.1
	July	413.9	2.75	303.6	2,392.3	1,601.3
	August	215.1	1.28	281.7	2,445.2	1,849.2
	September	250.1	1.37	231.0	2,318.4	1,954.8
	October	334.2	1.76	182.6	2,378.8	1,705.8
	November	310.3	1.62	165.0	2,531.6	1,710.9
2001	December	638.8	3.32	80.1	2,496.0	1,692.7
	January	580.2	2.99	12.1	2,649.2	1,813.6
	February	565.6	2.85	39.8	2,309.1	1,774.3
	March	642.8	3.22	8.9	2,197.9	1,917.1
	April	436.8	2.13	20.3	2,492.0	1,815.5
	May	728.5	3.40	3.9	2,245.1	1,433.1
	June	530.8	2.44	16.2	2,945.6	1,223.8
	July	1,245.2*	5.68*	6.6	2,787.9	1,013.8
August	540.7	2.41	388.4	4,105.9	1,177.1	

Table F4: Deposit Money Banks' Liquidity Indicators

The table reports monthly averages of day-to-day balances of some indicators of DMBs' liquidity. Savings banks are included beginning in July 1999. The earlier data series has not been revised.

Column 3 shows free reserves, defined as bank's total reserves (on settlement accounts and in vaults) decreased by the minimal average settlement account and vault balance, as prescribed by instruments of the CNB (until December 1994 by the requirement for banks' minimal liquidity, and since January 1995 by statutory reserve requirement).

Column 4 shows the primary liquidity ratio as a percentage of monthly day-to-day free reserves averages in monthly day-to-day averages of deposits which constitute the reserve base.

Column 5 shows the monthly average of day-to-day balances of secondary liquidity sources used. Secondary liquidity sources com-

prise: use of statutory reserves (until October 1994), regular loans for maintenance of day-to-day liquidity (until November 1994), use of funds exceeding those available on the bank's giro account (until October 1994), special credits for overcoming liquidity problems (initial credits, credits for overcoming liquidity problems of banks under evaluation for entry into rehabilitation and restructuring procedures), lombard credits (since December 1994), intervention credits for overcoming liquidity problems (since October 1994), short-term liquidity credits (since February 1999) as well as overdue liabilities to the CNB.

Column 6 reports the monthly average of day-to-day balances of CNB bills on a voluntary basis in kuna (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 7 reports the monthly average of day-to-day balances on CNB bills on a voluntary basis in foreign currency (EUR and USD).

Table G1: Deposit Money Banks' Credit Rates

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

Year	Month	Money market interest rates		Interest rates on credits in kuna			Interest rates on credits in kuna indexed to f/c			Interest rates on credits in f/c		
		On daily market	On overnight market	Total average	On short-term credits	On long-term credits	Total average	On short-term credits	On long-term credits	Total average	On short-term credits	On long-term credits
1	2	3	4	5	6	7	8	9	10	11	12	13
1992	December	2,182.26	2,182.26	2,332.92	2,384.89	1,166.29	20.41	9.90	21.41	....	....	....
1993	December	86.90	34.49	59.00	59.00	78.97	21.84	19.00	23.14	....	....	....
1994	December	17.76	8.50	15.39	15.43	13.82	11.99	12.38	11.65	....	....	....
1995	December	27.15	27.26	22.32	2.56	13.48	19.56	21.62	14.33	15.73	16.56	12.27
1996	December	10.41	9.66	18.46	19.35	11.51	18.97	22.56	12.12	19.28	21.11	10.95
1997	December	9.41	8.46	14.06	14.12	13.24	14.40	16.92	12.25	13.56	14.58	10.05
1998	December	15.81	10.00	16.06	16.22	11.73	13.04	14.28	11.15	6.96	8.29	5.92
1999	December	12.72	10.00	13.54	13.52	15.14	12.53	13.66	10.81	6.89	7.27	6.57
2000	April	12.41	10.00	14.59	14.65	8.42	12.28	12.86	11.40	5.97	5.66	6.72
	May	11.31	7.89	12.52	12.52	13.15	12.18	12.96	11.29	7.22	7.35	7.05
	June	8.93	6.67	13.48	13.50	11.54	11.69	11.76	11.61	7.35	7.47	7.12
	July	8.34	5.02	11.46	11.48	8.39	11.30	11.87	10.85	6.36	6.14	7.25
	August	6.57	3.28	9.90	9.90	13.28	11.21	11.71	10.79	6.45	6.11	7.22
	September	5.63	3.51	10.73	10.73	11.53	11.64	12.38	11.16	6.85	6.56	8.09
	October	4.59	2.97	10.92	10.94	8.66	11.60	11.93	11.33	6.92	6.75	7.84
	November	6.64	5.06	10.90	10.90	11.65	11.34	11.32	11.36	6.96	6.68	8.04
December	4.46	2.39	10.45	10.45	9.90	10.74	11.17	10.52	7.47	7.15	8.20	
2001	January	3.81	2.24	10.81	10.82	10.72	10.26	9.99	10.53	7.40	7.22	7.76
	February	4.49	3.31	10.89	10.89	10.84	10.27	9.99	10.55	6.63	6.31	7.66
	March	3.61	2.71	8.98	8.97	9.99	9.82	9.82	9.83	6.94	6.77	7.50
	April	5.04	3.60	8.99	8.97	10.46	9.81	9.99	9.72	6.38	6.11	7.05
	May	4.13	2.96	9.32	9.31	10.43	10.34	10.33	10.35	6.68	6.35	7.48
	June	2.79	2.69	9.88	9.89	9.64	10.15	10.09	10.18	5.47	5.27	6.11
	July	3.04	3.55	9.39	9.33	11.70	9.31	9.27	9.34	6.15	6.22	5.97
	August	4.04	3.88	9.27	9.25	11.17	9.64	9.76	9.56	5.77	5.36	6.78
Relative significance ^a		14.29	16.51	52.50	51.95	0.56	13.76	5.50	8.25	2.93	2.07	0.86

^a This data represent percentages of related credits in total credits included in calculation of weighted averages of monthly interest rates (for the last month included in this table).

Table G1: Deposit Money Banks' Credit Rates

The table contains weighted averages of DMBs' monthly interest rates on credits in kuna and credits in foreign currency, reported on a yearly basis. Savings banks are not covered.

Columns 3 and 4 show interest rates on the interbank, daily and overnight money markets, according to information received from the Zagreb Money Market. Data on DMBs' interest rates on credits in kuna and credits in foreign currency are based on DMBs' periodic reports. Basis for calculation of weighted averages are amounts of credits bearing corresponding interest rates, which were disbursed during the reported month, with the exception of interest rates on giro and current accounts credit lines, for which weighted averages were calculated based on the balance of these loans at the end of the reported month.

Column 5 shows interest rates on total (short-term and long-term) kuna credits not indexed to foreign currency. Interest rates on

short-term kuna credits (shown in column 6) also include interest rates on discounted short-term securities (not indexed to foreign currency), weighted based on their face value.

Columns 8, 9, 10 show interest rates on total (short-term and long-term) kuna credits indexed to foreign currency, including interest rates on discounted short-term securities indexed to foreign currency.

Interest rates on foreign currency credits (columns 11, 12 and 13) refer to credits released in Deutsche Mark or US dollars in a reported month, 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 corresponding credit category (to which exchange rates apply) in total credits included in the calculation of weighted averages for that period.

Table G2: Deposit Money Banks' Deposit Rates

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

Year	Month	Interest rates on deposits in kuna			Interest rates on time and savings deposits in kuna indexed to f/c	Interest rates on deposits in f/c		
		Total average	On demand deposits	On time and savings deposits		Total average	On demand deposits	On time and savings deposits
1	2	3	4	5	6	7	8	9
1992	December	434.47	184.69	1,867.18	6.04	....	....	....
1993	December	27.42	18.16	52.16	5.91	....	....	....
1994	December	5.03	3.55	9.65	6.95	....	....	....
1995	December	6.10	3.88	13.65	12.69	4.57	2.82	6.83
1996	December	4.15	2.19	10.19	9.46	5.09	1.44	7.77
1997	December	4.35	2.19	9.10	7.63	4.77	1.75	6.36
1998	December	4.11	2.31	7.73	7.47	3.98	2.09	4.89
1999	December	4.27	2.24	8.87	6.62	4.23	1.80	5.43
2000	April	4.03	1.99	8.55	6.36	3.81	1.38	4.93
	May	3.91	1.96	8.48	6.00	3.83	1.37	4.95
	June	3.59	1.89	7.54	6.75	3.83	1.29	4.98
	July	3.34	1.75	7.47	6.40	3.78	1.25	4.92
	August	3.42	1.77	7.61	6.43	3.77	1.25	4.94
	September	3.47	1.71	7.37	6.67	3.59	1.20	4.67
	October	3.48	1.62	7.18	5.77	3.53	1.01	4.67
	November	3.57	1.64	7.38	5.64	3.51	1.19	4.55
	December	3.40	1.64	7.20	5.54	3.47	1.03	4.57
2001	January	3.45	1.52	7.17	5.19	3.13	1.01	4.05
	February	3.60	1.60	7.36	5.22	3.27	0.95	4.26
	March	3.60	1.59	7.07	5.64	3.26	0.93	4.23
	April	3.54	1.57	7.15	5.40	3.13	0.90	4.07
	May	3.32	1.53	6.72	5.94	3.09	0.87	4.04
	June	3.18	1.54	6.26	5.69	2.98	0.85	3.88
	July	3.04	1.46	6.07	5.29	2.93	0.77	3.87
	August	3.11	1.49	6.28	4.63	2.96	0.77	3.94

Table G2: Deposit Money Banks' Deposit Rates

The table shows weighted averages of monthly DMBs' interest rates on kuna and foreign currency deposits, reported on a yearly basis. Savings banks are not covered.

Data on interest rates on DMBs' deposits are obtained from DMBs' periodic reports.

Column 3 reports weighted averages of monthly interest rates on total kuna deposits (sight deposits, savings and time deposits) not indexed to foreign currency. Weighted averages of monthly interest rates on total kuna deposits indexed to foreign currency are reported in column 6.

Interest rates on foreign currency deposits refer to deposits received in Deutsche Mark or US dollars, while weighted averages are calcu-

lated based on their kuna equivalent using current exchange rate. Deposits received in other foreign currencies are not included in the data reported in this table.

The basis for calculation of weighted averages is the end-of-month balance of deposits. Kuna and foreign currency time and savings deposits are exceptions; for them weighted averages are calculated (since July 1995) based on the amounts of those deposits received during the reported month. Weighted averages of interest rates on total kuna and foreign currency deposits (columns 3 and 7) 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.

Table G3: Commercial Banks' Trade with Foreign Exchange

Million EUR, current exchange rate

	1995	1996	1997	1998	1999	2000	2001				
							Mar.	Jun.	Jul.	(Aug.)	(Sep.)
A. Purchase of foreign exchange											
1. Legal persons	1,685.2	2,011.2	2,506.4	3,186.0	2,924.9	3,316.4	308.7	377.5	468.0	485.6	422.3
2. Natural persons	1,815.0	2,124.9	2,093.4	2,273.5	2,170.0	2,549.2	197.3	281.1	385.4	347.9	277.4
2.1. Residents	1,487.4	1,749.7	1,695.5	1,854.5	1,794.7	2,021.1	180.2	206.5	248.0		
2.2. Non-residents	327.6	375.2	397.9	419.1	375.3	528.0	17.1	74.6	137.4		
3. Commercial banks	306.7	392.7	1,002.3	1,138.2	1,204.4	2,441.4	295.0	410.1	578.4	356.2	244.7
4. Croatian National Bank	170.8	61.4	57.1	582.2	934.8	168.2	19.1	–	–	410.3	
Total (1+2+3+4)	3,977.8	4,590.2	5,659.1	7,179.9	7,234.0	8,475.2	820.1	1,068.7	1,431.8	1,599.9	944.4
B. Sale of foreign exchange											
1. Legal persons	2,556.7	3,415.3	4,513.7	4,656.0	4,487.0	5,414.8	615.3	723.9	750.7	985.0	693.3
2. Natural persons	768.3	797.8	925.9	1,011.8	893.1	963.6	85.1	97.4	123.5	153.0	107.4
2.1. Residents	768.3	797.8	925.2	1,011.5	892.7	962.8	85.1	97.2	123.3		
2.2. Non-residents	–	–	0.7	0.3	0.4	0.6	–	0.1	0.2		
3. Commercial banks	306.7	391.7	1,002.3	1,138.2	1,204.4	2,441.4	295.0	410.1	578.4	356.2	244.7
4. Croatian National Bank	339.1	345.7	257.8	217.0	48.3	284.2	–	–	143.7		180.7
Total (1+2+3+4)	3,970.8	4,950.5	6,699.7	7,022.9	6,632.8	9,104.1	995.4	1,231.4	1,596.3	1,494.3	1,226.1
C. Net purchase (A-B)											
1. Legal persons	–871.5	–1,404.1	–2,007.4	–1,470.1	–1,562.1	–2,098.4	–306.6	–346.5	–282.8	–499.4	–271.0
2. Natural persons	1,046.7	1,327.2	1,167.5	1,261.7	1,276.8	1,585.4	112.1	183.7	261.9	194.8	170.0
2.1. Residents	719.1	952.0	770.3	843.0	901.9	1,058.2	95.0	109.3	124.7		
2.2. Non-residents	327.6	375.2	397.3	418.7	374.9	527.3	17.1	74.5	137.2		
3. Croatian National Bank	–168.3	–284.3	–200.7	365.2	886.5	–116.0	19.1	–	–143.7	410.3	–180.7
Total (1+2+3)	6.9	–361.3	–1,040.6	156.8	601.2	–628.9	–175.4	–162.8	–164.6	105.7	–281.7
Memo items: Other Croatian National Bank transactions											
Purchase of foreign exchange	–	–	–	–	106.5	61.4	–	–	–		75.0
Sale of foreign exchange	–	–	–	171.0	97.7	61.1	–	–	–		

Table G3: Deposit Money Banks' Trade with Foreign Exchange

Data on trade with foreign exchange between DMBs comprise transactions of purchase and sale of foreign exchange on domestic foreign currency market. The transactions are classified by categories of participants (legal and natural persons, banks, CNB). Source of data are

DMBs' periodic reports on trading with foreign exchange, sent to the CNB on a regular basis. The amounts are stated in the euro (EUR), converted from other foreign currencies using the CNB's midpoint exchange rate (reporting period average). Other Croatian National Bank transactions include foreign exchange sales and purchases on behalf of the Ministry of Finance.

Table H1: Balance of Payments – Summary (revised data)

Million US dollars

	1995	1996	1997	1998	1999	2000				2001	
						Q1	Q2	Q3	Q4	Q1 ^a	Q2 ^a
A. CURRENT ACCOUNT (1+6)	-1,441.5	-1,091.3	-2,325.1	-1,530.6	-1,390.4	-402.6	-274.3	817.6	-539.5	-606.7	-812.8
1. Goods, services, and income (2+5)	-2,243.8	-2,113.7	-3,194.5	-2,236.6	-2,022.9	-610.4	-485.0	584.7	-745.8	-822.2	-1,055.1
1.1. Credit	7,306.0	8,112.3	8,578.4	8,963.5	8,370.0	1,668.7	2,126.1	3,258.7	1,966.8	1,795.4	2,163.4
1.2. Debit	-9,549.8	-10,226.0	-11,772.9	-11,200.1	-10,392.9	-2,279.2	-2,611.1	-2,674.0	-2,712.6	-2,617.6	-3,218.5
2. Goods and services (3+4)	-2,215.0	-2,043.8	-3,172.0	-2,072.6	-1,673.4	-496.3	-383.7	693.4	-759.5	-675.1	-834.8
2.1. Credit	7,087.2	7,842.4	8,214.6	8,568.6	8,117.8	1,610.4	2,017.6	3,197.1	1,826.1	1,698.2	2,070.9
2.2. Debit	-9,302.2	-9,886.2	-11,386.6	-10,641.2	-9,791.1	-2,106.7	-2,401.3	-2,503.7	-2,585.6	-2,373.3	-2,905.7
3. Goods	-3,259.3	-3,623.5	-5,196.2	-4,147.4	-3,298.6	-548.4	-857.2	-802.5	-995.9	-807.7	-1,287.3
3.1. Credit	4,632.7	4,545.7	4,210.3	4,604.5	4,394.7	1,093.7	1,122.9	1,213.9	1,136.6	1,111.3	1,164.0
3.2. Debit	-7,892.0	-8,169.2	-9,406.5	-8,751.9	-7,693.3	-1,642.1	-1,980.0	-2,016.3	-2,132.5	-1,919.0	-2,451.3
4. Services	1,044.3	1,579.7	2,024.2	2,074.8	1,625.2	52.1	473.5	1,495.8	236.4	132.6	452.5
4.1. Credit	2,454.5	3,296.7	4,004.3	3,964.1	3,723.0	516.7	894.8	1,983.2	689.6	586.8	906.9
4.2. Debit	-1,410.2	-1,717.0	-1,980.1	-1,889.3	-2,097.8	-464.7	-421.3	-487.4	-453.2	-454.3	-454.4
5. Income	-28.8	-69.9	-22.4	-164.0	-349.5	-114.1	-101.3	-108.7	13.8	-147.1	-220.3
5.1. Credit	218.8	269.8	363.8	394.9	252.2	58.3	108.5	61.6	140.7	97.2	92.5
5.2. Debit	-247.6	-339.7	-386.2	-558.9	-601.7	-172.4	-209.8	-170.3	-126.9	-244.4	-312.8
6. Current transfers	802.3	1,022.4	869.4	706.0	632.5	207.8	210.8	232.9	206.3	215.5	242.3
6.1. Credit	971.1	1,173.2	964.0	919.1	967.4	251.2	260.7	282.3	271.1	259.0	284.0
6.2. Debit	-168.8	-150.8	-94.6	-213.1	-335.0	-43.4	-50.0	-49.4	-64.8	-43.5	-41.7
B. CAPITAL AND FINANCIAL ACCOUNT	1,095.6	1,995.3	2,651.6	1,469.0	2,134.3	482.9	-186.2	-112.8	498.9	285.1	442.5
B1. Capital account	0.0	16.2	21.5	19.1	24.9	6.2	6.4	3.7	4.3	3.4	119.3
B2. Financial account, excl. reserves	1,538.8	2,512.3	3,058.2	1,601.5	2,487.9	449.9	115.6	179.0	499.8	421.8	710.0
1. Direct investment	108.8	486.4	346.7	834.9	1,444.6	416.8	278.0	143.8	59.3	64.1	317.5
1.1. Abroad	-5.4	-24.4	-186.1	-97.5	-34.4	7.9	8.4	-18.9	-25.4	-9.5	-18.4
1.2. In Croatia	114.2	510.8	532.9	932.4	1,479.0	408.9	269.5	162.7	84.7	73.6	335.9
2. Portfolio investment	4.9	628.3	577.0	14.9	574.0	444.4	5.6	303.0	-20.1	575.9	26.7
2.1. Assets	0.3	6.2	11.1	-0.1	-0.3	0.0	-0.1	-0.1	0.0	0.0	3.2
2.2. Liabilities	4.6	622.1	565.9	15.1	574.3	444.4	5.7	303.0	-20.1	576.0	23.5
3. Other investment	1,425.1	1,397.6	2,134.4	751.7	469.3	-411.2	-168.0	-267.7	460.6	-218.2	365.7
3.1. Assets	419.5	794.4	171.3	348.8	-336.9	-102.5	-168.6	-702.6	108.6	161.8	9.4
3.2. Liabilities	1,005.6	603.3	1,963.2	402.9	806.2	-308.8	0.6	434.9	352.0	-380.0	356.3
B3. Reserve assets (CNB)	-443.1	-533.3	-428.0	-151.5	-378.5	26.8	-308.2	-295.5	-5.3	-140.0	-386.8
C. NET ERRORS AND OMISSIONS	345.9	-904.0	-326.5	61.7	-743.8	-80.3	460.5	-704.7	40.7	321.6	370.3

^a Preliminary data.

Table H1-H5: Balance of Payments

The balance of payments is compiled in accordance with the recommendations of the International Monetary Fund (Balance of Payments Manual, Fifth Edition, 1993). Data sources include: reports of the Central Bureau of Statistics, the Croatian Institute for Health Insurance, the Institute for Payment Transactions, banks, enterprises and the Croatian National Bank, as well as research by the Institute for Tourism and the Croatian National Bank.

Balance of payments of the Republic of Croatia data are recorded in US dollars (USD) and domestic currency (HRK). The balance of payments in both reporting currencies is compiled using the same sources of information and the same principles regarding the scope of transactions covered and the procedures for composing particular positions. Depending on the sources of data available, conversion of transaction values from the original currencies into reporting currencies is performed:

- by applying the midpoint exchange rate of the Croatian National Bank on the date of the transaction;
- by applying monthly and quarterly average midpoint exchange rates of the Croatian National Bank;
- by applying the average monthly exchange rate versus the US dollar when assessing transactions representing the difference between balances evaluated according to the exchange rate applicable at the end of the period.

Exports and Imports are shown on an f.o.b. basis. The basic data source for these items is the Report of the Central Bureau of Statistics on merchandise foreign trade of the Republic of Croatia. The data of the Central Bureau of Statistics are modified in accordance with the compilation method of the IMF: merchandise imports, which are shown in the Central Bureau of Statistics' report in c.i.f. terms, are corrected to f.o.b. (corrected for classification) and both imports and exports are corrected so that the coverage includes goods defined as such in the balance of payments methodology but not included in the statistics on merchandise trade.

Regarding exports, beginning with the first quarter of 1999, coverage has been increased via estimates on purchases by individual foreign travelers in the Republic of Croatia. These estimates are based on the Survey on Consumption of Foreign Travelers in Croatia, carried out jointly by the Croatian National Bank and the Institute for Tourism. Regarding imports, the difference between c.i.f. and f.o.b. is estimated on the basis of research studies of the CNB on samples of the largest and large importers, and the resulting value of f.o.b. imports is adjusted on the basis of foreign payments for repairs of ships and supply purchases in foreign ports, as well as estimates on purchases by individual Croatian citizens abroad, obtained via a research study of the CNB. From the first quarter of 1999 on, estimates are based on the Survey on Consumption of Domestic Travelers Abroad, carried out jointly by the Croatian National Bank and the Institute for Tourism. For the 1993 to 1996 period, merchandise imports from the merchandise trade statis-

Table H2: Balance of Payments – Goods and Services (revised data)

Million US dollars

	1995	1996	1997	1998	1999	2000				2001	
						Q1	Q2	Q3	Q4	Q1 ^a	Q2 ^a
1. Goods	-3,259.3	-3,623.5	-5,196.2	-4,147.4	-3,298.6	-548.4	-857.2	-802.5	-995.9	-807.7	-1,287.3
1.1. Credit	4,632.7	4,545.7	4,210.3	4,604.5	4,394.7	1,093.7	1,122.9	1,213.9	1,136.6	1,111.3	1,164.0
1.1.1. Exports f.o.b. in trade statistics	4,632.7	4,511.8	4,170.7	4,541.1	4,302.5	1,069.3	1,096.3	1,160.4	1,105.6	1,093.2	1,141.3
1.1.2. Adjustments for coverage	0.0	33.9	39.6	63.4	92.2	24.4	26.5	53.5	31.0	18.1	22.7
1.2. Debit	-7,892.0	-8,169.2	-9,406.5	-8,751.9	-7,693.3	-1,642.1	-1,980.0	-2,016.3	-2,132.5	-1,919.0	-2,451.3
1.2.1. Imports c.i.f. in trade statistics	-7,509.9	-7,787.9	-9,104.0	-8,383.1	-7,798.6	-1,659.9	-2,010.6	-2,029.6	-2,186.3	-1,989.1	-2,547.1
1.2.2. Adjustments for coverage	-915.3	-934.3	-948.9	-964.0	-448.4	-100.0	-112.1	-130.8	-101.4	-71.2	-85.1
1.2.3. Adjustments for classification	533.2	552.9	646.4	595.2	553.7	117.9	142.8	144.1	155.2	141.2	180.8
2. Services	1,044.3	1,579.7	2,024.2	2,074.8	1,625.2	52.1	473.5	1,495.8	236.4	132.6	452.5
2.1. Transportation	313.8	310.0	282.5	227.6	83.8	27.1	34.2	58.1	59.2	45.5	38.5
2.1.1. Credit	707.3	710.6	681.5	565.7	484.0	109.9	130.7	160.3	156.3	135.2	154.1
2.1.2. Debit	-393.5	-400.6	-399.0	-338.1	-400.1	-82.8	-96.6	-102.2	-97.1	-89.7	-115.6
2.2. Travel	927.5	1,503.6	1,993.0	2,133.2	1,742.0	79.9	421.0	1,486.8	202.1	81.3	391.7
2.2.1. Credit	1,349.1	2,014.0	2,523.1	2,733.4	2,493.4	234.8	548.8	1,652.3	322.1	237.0	532.2
2.2.2. Debit	-421.6	-510.4	-530.1	-600.3	-751.4	-154.8	-127.8	-165.5	-120.0	-155.7	-140.5
2.3. Other services	-196.9	-233.9	-251.4	-286.0	-200.6	-55.0	18.3	-49.0	-25.0	5.8	22.3
2.3.1. Credit	398.2	572.1	799.6	665.0	745.7	172.1	215.3	170.6	211.1	214.7	220.6
2.3.2. Debit	-595.1	-806.0	-1,051.0	-951.0	-946.3	-227.0	-196.9	-219.7	-236.1	-208.9	-198.2
Total (1+2)	-2,215.0	-2,043.8	-3,172.0	-2,072.6	-1,673.4	-496.3	-383.7	693.4	-759.5	-675.1	-834.8

^a Preliminary data.

tics are modified by estimates on imports in duty-free zones (prepared by the CNB), while from 1997 on, data on these imports are included in the merchandise trade statistics.

Beginning with the first quarter of 1999, income and expenditures from transport services are compiled on the basis of data from a new CNB research project on international transport services, with two exceptions: first, income and expenditures from road transport are compiled via data on realized foreign payments, and second, a portion of expenditures on transport services for transport of goods imported to the Republic of Croatia are based on a survey of the largest and large Croatia importers. This survey is carried out in the context of the reformulation of data on imports from a c.i.f. to an f.o.b. basis.

Income from travel-tourism is calculated on the basis of the Survey on Consumption of Foreign Travelers in Croatia starting in the first quarter of 1999. This survey is carried out jointly by the Croatian National Bank and the Institute for Tourism. Additional data from the Croatian Institute for Health Insurance on health services provided to non-residents is also used.

Expenditures from travel-tourism are, starting in the first quarter of 1999, based on the results of the Survey on Consumption of Domestic Travelers Abroad, and supplemented by data on foreign exchange expenditures of the Croatian Institute for Health Insurance.

Item Other services includes data from the foreign payments statistics which relate to investment projects abroad, representation fees, insurance services, delivery services, postal services and the costs of Croatian representative offices overseas. To this category is added a part of unclassified services which can be explained as a linear trend, as well as estimates on expenditures of international peacekeeping and humanitarian missions for goods and services in the Republic of Croatia, based on a research by the Croatian National Bank.

The income account includes data from the foreign payments statistics on compensation of employees, payments on the basis of interest, data from the CNB's research on income paid from foreign direct and portfolio investment of the private sector, Croatian National Bank data and Institute for Payment Transactions data on income paid from foreign portfolio investment in the official sector and estimates on resi-

dents' income from factor services to peacekeeping and humanitarian missions in the Republic of Croatia, based on the research of the Croatian National Bank for the period 1993 to 1996, data on foreign direct investment do not include data on retained profit.

Current transfers to the government include data from the foreign payments statistics on the payment of pensions and other social transfers, monetary support and gifts, as well as data from the merchandise trade statistics of the Republic of Croatia on imports and exports of goods without payment obligation.

Income from transfers to other sectors includes data from the foreign payments statistics on the total value of foreign exchange transfers received from abroad. To this is added an estimate on unregistered transfers. For the 1993 to 1998 period, this estimate is seen as 15% of the difference between the unexplained foreign exchange inflows and outflows of the household sector. Beginning with the first quarter of 1999, data on buy-out of foreign exchange cheques from domestic natural persons are also included.

The foreign exchange receipts of the household sector include the purchase of foreign cash at exchange offices from residents and deposits of foreign cash in foreign exchange accounts of residents at domestic banks. Payments made abroad and income earned through business trips, education and training, tourist receipts and other tourist income are added to this. The total inflow is decreased by: estimated tourist income and estimates on purchases by individual foreign tourists in the Republic of Croatia (Survey on Consumption of Foreign Tourists in Croatia, carried out jointly by the Croatian National Bank and the Institute for Tourism) plus estimated consumption of goods and services by members of peacekeeping and humanitarian missions in the Republic of Croatia.

The foreign exchange expenditures of the household sector include purchases of foreign cash from exchange offices and withdrawals of foreign cash from households' foreign exchange accounts at domestic banks. Realized foreign payments and expenditures from business trips, education and training, tourist payments and other tourist expenditures are added to this. The total outflow is decreased by: individuals' expenditures for goods abroad and expenditures for foreign tourism by

Table H3: Balance of Payments – Income and Current Transfers (revised data)

Million US dollars

	1995	1996	1997	1998	1999	2000				2001	
						Q1	Q2	Q3	Q4	Q1 ^a	Q2 ^a
1. Income	-28.8	-69.9	-22.4	-164.0	-349.5	-114.1	-101.3	-108.7	13.8	-147.1	-220.3
1.1. Compensation of employees	38.7	38.9	55.6	69.7	60.3	15.2	15.0	17.7	21.2	28.8	29.6
1.1.1. Credit	38.7	46.7	70.2	81.0	75.2	17.7	18.5	21.1	24.9	31.6	32.7
1.1.2. Debit	0.0	-7.8	-14.6	-11.4	-14.9	-2.6	-3.4	-3.4	-3.7	-2.9	-3.1
1.2. Direct investment income	0.6	9.8	-52.0	-100.6	-69.5	-4.3	-99.5	-21.4	-6.8	-27.7	-198.8
1.2.1. Credit	7.0	17.5	16.9	5.3	4.2	0.7	0.9	1.9	3.7	1.9	10.3
1.2.2. Debit	-6.3	-7.6	-68.9	-105.9	-73.7	-5.0	-100.4	-23.4	-10.5	-29.7	-209.1
1.3. Portfolio investment income	-0.1	-2.0	-91.6	-102.6	-129.2	-84.5	-14.0	-73.6	-6.1	-123.7	-23.2
1.3.1. Credit	0.2	0.2	2.6	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2. Debit	-0.3	-2.2	-94.2	-102.8	-129.3	-84.5	-14.0	-73.6	-6.1	-123.7	-23.2
1.4. Other investment income	-68.0	-116.6	65.6	-30.5	-211.1	-40.5	-2.9	-31.4	5.4	-24.4	-27.9
1.4.1. Credit	173.0	205.6	274.1	308.3	172.8	39.8	89.1	38.5	112.0	63.7	49.4
1.4.2. Debit	-240.9	-322.2	-208.6	-338.8	-383.9	-80.3	-92.0	-69.9	-106.6	-88.1	-77.3
2. Current transfers	802.3	1,022.4	869.4	706.0	632.5	207.8	210.8	232.9	206.3	215.5	242.3
2.1. General government	279.8	154.5	32.8	-9.2	-130.3	1.2	-1.9	11.2	-10.6	7.8	10.8
2.1.1. Credit	309.2	193.4	55.6	77.6	76.2	18.5	17.6	33.9	19.7	17.3	21.3
2.1.2. Debit	-29.3	-38.9	-22.8	-86.8	-206.5	-17.3	-19.6	-22.6	-30.4	-9.5	-10.5
2.2. Other sectors	522.4	867.9	836.5	715.2	762.7	206.6	212.7	221.7	216.9	207.7	231.5
2.2.1. Credit	661.9	979.7	908.4	841.5	891.2	232.7	243.1	248.5	251.3	241.7	262.7
2.2.2. Debit	-139.5	-111.9	-71.9	-126.3	-128.5	-26.0	-30.4	-26.8	-34.4	-34.0	-31.3
Total (1+2)	773.5	952.5	846.9	542.0	283.0	93.7	109.4	124.2	220.0	68.4	22.0

^a Preliminary data.

residents (Survey on Consumption of Domestic Travelers Abroad, which is carried out jointly by the Croatian National Bank and the Institute for Tourism). Expenditures on transfers of other sectors are based on foreign payments statistics data on the total value of foreign exchange transfers abroad.

Capital accounts are compiled from data on realized foreign payments by migrants (income and expenditures).

Foreign direct and portfolio investment includes data on those investments from the research of the CNB and data from the securities register of the official sector (central bank and central government) at the Croatian National Bank and the Institute for Payment Transactions. In the 1993 to 1996 period, data on foreign direct investment of the private sector (banks and other sectors) did not include direct foreign debt investment, nor retained profit of the investor.

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

Item Assets - Trade credits has been compiled since the first quarter of 1996. It includes advances paid for goods imports by Croatian importers. Starting in the first quarter of 1999, it includes loans with a maturity below 90 days given by Croatian exporters to foreign buyers as well as long-term and short-term (from 91 days to 1 year) trade credits granted to the government and other sectors.

Item Assets - Loans includes data on loans granted abroad, classified according to institutional sectors. The data are obtained from statistics on foreign credit relations of the Croatian National Bank, which are based on concluded credit agreements registered with the Croatian National Bank.

Item Assets - Currency and deposits - Banks in the 1993 to 1998 period shows the change in the total liquid foreign exchange of banks authorized to do business abroad reduced by the amount of foreign exchange deposited by DMBs with the CNB in fulfillment of a part of their reserve requirements. Beginning with the first quarter of 1999,

transaction-based changes are estimated by converting changes in the original currencies into US dollar changes using the average monthly exchange rate of currencies held in the banks' assets against the US dollar. Item Assets - Currency and deposits - Other sectors, in the 1993 to 1998 period includes a part of the net foreign exchange inflows of the household sector which is not classified on the current account, and which amounts to 85% of the unexplained foreign exchange inflows to the household sector. Beginning with the first quarter of 1999, this item is no longer estimated.

Item Liabilities - Trade credits has been compiled since the first quarter of 1996, and includes data on loans with a maturity below 90 days granted by foreign suppliers to Croatian importers. From the first quarter of 1999 on, this item includes data on advances granted by foreign purchasers to Croatian exporters for exports of goods, as well as data on long-term and short-term (from 91 days to 1 year) trade credits received by the government and other sectors.

Data on credits received from abroad and corresponding arrears are shown by institutional sectors. They are obtained from statistics on foreign credit relations of the Croatian National Bank, which are based on concluded credit agreements registered with the Croatian National Bank.

Item Liabilities - Currency and deposits includes changes in those foreign exchange and kuna foreign liabilities of the monetary authorities (CNB) and banks based on current accounts, time and notice deposits, sight deposits and demand deposits.

Changes in the international reserves of the Croatian National Bank on a transactions basis are estimated using accounting data on the stock of foreign exchange reserves in particular currencies at the end of the month. In the estimate on transactions in the period from 1993 to the fourth quarter of 1998, changes in the original currencies were transformed into dollar changes using the average monthly exchange rate of the currency in question against the US dollar. Starting from the first quarter of 1999, the source of data on changes in international reserves has been a Report on International Reserves Transactions compiled by the CNB Accounting Department.

Table H4: Balance of Payments – Other Investments (revised data)

Million US dollars

	1995	1996	1997	1998	1999	2000				2001	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
ASSETS	419.5	794.4	171.3	348.8	-336.9	-102.5	-168.6	-702.6	108.6	161.8	9.4
1. Trade credits	0.0	36.3	18.1	-19.5	-293.4	253.7	-235.9	-93.7	173.6	127.6	-308.7
1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1. Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	0.0
1.2. Other sectors	0.0	36.3	18.1	-19.5	-293.4	253.7	-235.9	-93.7	173.6	127.6	-308.7
1.2.1. Long-term	0.0	0.0	0.0	0.0	-13.8	0.7	-3.2	1.2	3.6	4.0	4.5
1.2.2. Short-term	0.0	36.3	18.1	-19.5	-279.6	253.0	-232.7	-94.9	170.0	123.6	-313.3
2. Loans	0.0	0.0	0.0	0.0	-84.3	0.9	-3.7	-1.5	-5.2	-1.5	6.5
2.1. General government	0.0	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	-4.0	0.0
2.1.1. Long-term	0.0	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	-4.0	0.0
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	0.0
2.2. Banks	0.0	0.0	0.0	0.0	-85.4	0.9	-3.7	-1.5	-5.2	2.5	6.5
2.2.1. Long-term	0.0	0.0	0.0	0.0	-76.1	0.0	-3.1	-0.9	-1.3	0.7	3.8
2.2.2. Short-term	0.0	0.0	0.0	0.0	-9.3	0.9	-0.6	-0.5	-4.0	1.8	2.7
2.3. Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3.1. Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Currency and deposits	419.5	758.0	153.2	368.3	40.9	-357.2	70.9	-607.4	-59.8	35.6	311.7
3.1. Government	-15.5	-33.4	30.7	-22.3	-0.5	-10.2	2.1	-22.4	-1.6	1.0	16.9
3.2. Banks	-451.6	-589.2	-371.8	406.1	41.4	-347.0	68.8	-585.0	-58.2	34.6	294.8
3.3. Other sectors	886.6	1,380.6	494.3	-15.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LIABILITIES	1,005.6	603.3	1,963.2	402.9	806.2	-308.8	0.6	434.9	352.0	-380.0	356.3
1. Trade credits	0.0	390.1	217.9	-466.9	309.6	-99.3	-117.6	414.2	83.1	-456.9	330.8
1.1. General government	0.0	0.0	0.0	0.0	0.6	-0.7	-1.5	-0.6	-0.4	0.0	1.1
1.1.1. Long-term	0.0	0.0	0.0	0.0	-1.0	-0.1	-0.4	-0.0	0.0	0.0	1.1
1.1.2. Short-term	0.0	0.0	0.0	0.0	1.6	-0.7	-1.1	-0.5	-0.4	0.0	0.0
1.2. Other sectors	0.0	390.1	217.9	-466.9	309.0	-98.6	-116.2	414.8	83.5	-456.9	329.7
1.2.1. Long-term	0.0	0.0	0.0	0.0	-36.7	-10.6	2.2	-5.1	-17.4	-13.7	-1.5
1.2.2. Short-term	0.0	390.1	217.9	-466.9	345.7	-88.0	-118.4	419.9	100.9	-443.3	331.3
2. Loans	425.6	666.6	1,474.1	1,045.7	460.9	-158.3	78.2	15.1	368.4	0.3	-22.5
2.1. Monetary authorities	97.6	-4.3	37.3	-8.9	-31.4	0.0	-14.6	0.0	-14.1	0.0	-13.8
2.1.1. Use of Fund credit and loans	97.6	-4.3	37.3	-8.9	-31.4	0.0	-14.6	0.0	-14.1	0.0	-13.8
2.1.1.1. Drawings	103.0	0.0	39.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.1.2. Repayments	-5.4	-4.3	-2.2	-8.9	-31.4	0.0	-14.6	0.0	-14.1	0.0	-13.8
2.2. General government	-47.2	268.6	95.7	-61.4	258.3	-29.2	-75.9	6.0	323.1	21.4	-2.7
2.2.1. Long-term	-147.2	260.4	104.2	-12.2	229.8	43.9	-75.9	6.0	-36.9	21.4	-2.7
2.2.1.1. Drawings	9.4	349.8	180.7	248.0	297.2	64.9	43.8	27.7	50.9	46.8	9.5
2.2.1.2. Repayments	-156.6	-89.4	-76.4	-260.2	-67.4	-21.1	-119.7	-21.8	-87.9	-25.4	-12.2
2.2.2. Short-term (net)	100.0	8.2	-8.6	-49.2	28.5	-73.1	0.0	0.0	360.0	0.0	0.0
2.3. Banks	218.3	200.4	399.2	311.6	-66.9	-69.3	-58.1	12.2	-73.6	-17.4	-7.5
2.3.1. Long-term	-52.1	64.4	337.3	362.3	-53.9	-60.0	-54.5	14.9	-73.0	-18.7	-7.6
2.3.1.1. Drawings	72.0	167.5	587.9	517.0	589.4	20.5	45.1	231.0	12.9	27.1	26.0
2.3.1.2. Repayments	-124.1	-103.1	-250.6	-154.7	-643.3	-80.5	-99.6	-216.2	-85.9	-45.8	-33.6
2.3.2. Short-term (net)	270.4	135.9	61.8	-50.7	-13.0	-9.3	-3.6	-2.7	-0.5	1.4	0.1
2.4. Other sectors	156.9	202.1	942.0	804.3	300.9	-59.8	226.8	-3.1	132.9	-3.8	1.5
2.4.1. Long-term	57.4	128.8	747.0	668.0	247.2	-54.3	187.8	20.9	141.6	-3.2	28.9
2.4.1.1. Drawings	233.7	327.0	1,007.0	969.7	770.9	89.4	261.7	95.9	266.1	85.7	161.7
2.4.1.2. Repayments	-176.3	-198.2	-259.9	-301.8	-523.6	-143.8	-74.0	-75.0	-124.6	-88.9	-132.8
2.4.2. Short-term (net)	99.5	73.3	194.9	136.4	53.7	-5.5	39.1	-24.0	-8.6	-0.6	-27.4
3. Currency and deposits	274.3	25.9	271.1	-175.9	35.6	-51.1	40.0	5.6	-99.4	76.7	48.0
3.1. Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2. Banks	274.3	25.9	271.1	-175.9	35.6	-51.1	40.0	5.6	-99.4	76.7	48.0
4. Other liabilities (short-term)	305.7	-479.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.1. General government	213.1	125.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2. Banks	78.8	-604.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.3. Other sectors	13.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data.

Table H5: Balance of Payments – Summary (revised data)

Million kuna

	1995	1996	1997	1998	1999	2000				2001	
						Q1	Q2	Q3	Q4	Q1 ^a	Q2 ^a
A. CURRENT ACCOUNT (1+6)	-7,823.3	-6,009.0	-14,078.7	-9,726.7	-9,830.5	-3,174.1	-2,272.6	6,821.8	-4,671.7	-5,107.0	-6,898.9
1. Goods, services, and income (2+5)	-12,017.4	-11,574.1	-19,421.5	-14,223.5	-14,333.7	-4,800.8	-4,009.0	4,877.8	-6,461.6	-6,896.3	-8,954.3
1.1. Credit	38,281.5	44,010.1	53,096.0	57,052.5	59,793.0	13,065.8	17,498.3	27,214.5	17,110.3	14,886.1	18,379.0
1.2. Debit	-50,299.0	-55,584.2	-72,517.4	-71,276.1	-74,126.8	-17,866.6	-21,507.3	-22,336.7	-23,572.0	-21,782.4	-27,333.3
2. Goods and services (3+4)	-11,864.0	-11,185.0	-19,349.8	-13,153.1	-11,852.6	-3,910.0	-3,184.0	5,786.6	-6,574.5	-5,676.0	-7,084.2
2.1. Credit	37,135.5	42,544.5	50,830.7	54,546.5	57,995.6	12,608.2	16,596.6	26,697.6	15,895.7	14,081.0	17,592.4
2.2. Debit	-48,999.6	-53,729.5	-70,180.5	-67,699.6	-69,848.2	-16,518.2	-19,780.6	-20,911.0	-22,470.2	-19,757.0	-24,676.6
3. Goods	-17,303.7	-19,692.1	-32,205.2	-26,422.2	-23,586.6	-4,318.9	-7,056.5	-6,677.6	-8,635.0	-6,760.4	-10,926.4
3.1. Credit	24,294.4	24,693.7	25,758.2	29,278.2	31,369.6	8,581.0	9,251.9	10,170.3	9,905.5	9,228.4	9,891.1
3.2. Debit	-41,598.1	-44,385.8	-57,963.4	-55,700.4	-54,956.2	-12,899.9	-16,308.5	-16,847.9	-18,540.5	-15,988.9	-20,817.4
4. Services	5,439.7	8,507.1	12,855.4	13,269.1	11,734.0	408.9	3,872.5	12,464.2	2,060.5	1,084.4	3,842.2
4.1. Credit	12,841.2	17,850.8	25,072.5	25,268.3	26,626.0	4,027.2	7,344.6	16,527.3	5,990.2	4,852.6	7,701.3
4.2. Debit	-7,401.5	-9,343.7	-12,217.1	-11,999.2	-14,892.0	-3,618.3	-3,472.1	-4,063.1	-3,929.7	-3,768.2	-3,859.2
5. Income	-153.4	-389.1	-71.7	-1,070.4	-2,481.1	-890.8	-825.0	-908.8	112.9	-1,220.3	-1,870.1
5.1. Credit	1,146.0	1,465.6	2,265.3	2,506.0	1,797.5	457.6	901.7	517.0	1,214.7	805.0	786.6
5.2. Debit	-1,299.4	-1,854.7	-2,336.9	-3,576.5	-4,278.6	-1,348.4	-1,726.7	-1,425.8	-1,101.8	-2,025.4	-2,656.7
6. Current transfers	4,194.2	5,565.1	5,342.8	4,496.8	4,503.2	1,626.6	1,736.4	1,944.0	1,789.9	1,789.3	2,055.4
6.1. Credit	5,076.3	6,387.5	5,925.4	5,846.2	6,898.2	1,966.5	2,146.9	2,354.5	2,344.9	2,149.2	2,407.8
6.2. Debit	-882.2	-822.5	-582.6	-1,349.4	-2,394.9	-339.8	-410.4	-410.5	-555.0	-359.8	-352.4
B. CAPITAL AND FINANCIAL ACCOUNT	5,590.8	13,367.1	16,177.9	9,123.9	14,613.0	3,660.0	-1,546.4	-855.3	4,306.1	2,306.1	3,766.5
B1. Capital account	0.0	87.3	132.4	121.9	178.0	48.3	52.7	31.2	37.3	27.9	1,019.5
B2. Financial account, excl. reserves	7,858.7	16,160.5	18,730.7	10,056.6	17,426.9	3,457.8	952.0	1,485.1	4,310.0	3,485.1	6,024.9
1. Direct investment	573.2	2,641.9	2,135.2	5,349.3	10,333.9	3,197.1	2,282.8	1,184.1	519.6	531.7	2,695.6
1.1. Abroad	-28.6	-132.8	-1,149.7	-619.7	-250.4	60.7	69.8	-160.3	-217.6	-79.4	-156.7
1.2. In Croatia	601.8	2,774.7	3,284.8	5,969.1	10,584.3	3,136.4	2,213.0	1,344.4	737.2	611.1	2,852.3
2. Portfolio investment	25.4	3,349.8	3,523.4	107.9	3,996.9	3,470.9	48.7	2,531.8	-174.9	4,776.5	202.5
2.1. Assets	1.4	33.7	70.6	-0.9	-2.1	-0.1	-0.5	-0.7	0.0	-0.3	2.7
2.2. Liabilities	24.0	3,316.1	3,452.8	108.8	3,999.1	3,471.0	49.3	2,532.6	-174.8	4,776.8	199.8
3. Other investment	7,260.1	10,168.8	13,072.0	4,599.3	3,096.1	-3,210.3	-1,379.5	-2,230.8	3,965.2	-1,823.1	3,126.9
3.1. Assets	2,151.7	4,347.9	750.9	2,139.9	-2,741.0	-800.7	-1,390.8	-5,871.7	943.2	1,339.2	96.0
3.2. Liabilities	5,108.4	5,820.9	12,321.1	2,459.4	5,837.1	-2,409.5	11.3	3,640.8	3,022.0	-3,162.3	3,030.9
B3. Reserve assets (CNB)	-2,267.9	-2,880.7	-2,685.2	-1,054.5	-2,992.0	154.0	-2,551.0	-2,371.6	-41.1	-1,206.8	-3,277.9
C. NET ERRORS AND OMISSIONS	2,232.5	-7,358.1	-2,099.2	602.9	-4,782.5	-485.9	3,819.0	-5,966.5	365.5	2,800.9	3,132.4

^a Preliminary data.

Table H6: International Reserves and Banks' Foreign Exchange Reserves

End of period, million US dollars

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	
1991	December	–	–	–	–	–	–	–	200.9
1992	December	166.8	–	–	–	166.8	166.8	–	502.3
1993	December	616.2	3.7	–	–	612.5	612.5	–	712.9
1994	December	1,405.0	4.5	–	–	1,400.5	1,400.5	–	902.4
1995	December	1,895.2	139.8	–	–	1,755.4	1,651.0	104.3	1,369.5
1996	December	2,314.0	125.6	–	–	2,188.4	2,016.6	171.8	1,992.1
1997	December	2,539.1	147.1	0.1	–	2,391.9	2,011.7	380.2	2,333.2
1998	December	2,815.7	231.2	0.2	–	2,584.4	1,927.0	657.4	1,949.4
1999	December	3,025.0	189.5	0.2	–	2,835.3	2,459.8	375.5	1,608.9
2000	April	2,940.7	164.8	0.2	–	2,775.7	2,082.6	693.1	1,817.5
	May	3,100.8	165.9	0.2	–	2,934.7	2,240.5	694.2	1,830.4
	June	3,236.8	168.1	0.2	–	3,068.5	2,339.4	729.1	1,844.9
	July	3,511.3	165.1	0.2	–	3,346.0	2,645.5	700.5	2,102.2
	August	3,424.9	162.9	0.2	–	3,261.8	2,650.4	611.4	2,330.9
	September	3,378.7	161.2	0.2	–	3,217.3	2,583.6	633.7	2,338.9
	October	3,374.6	145.7	0.2	–	3,228.7	2,539.2	689.5	2,286.1
	November	3,336.9	144.9	0.2	–	3,191.8	2,536.1	655.7	2,368.7
	December	3,524.8	147.7	0.2	–	3,376.9	2,574.3	802.6	2,455.8
2001	January	3,394.1	146.7	0.2	–	3,247.2	2,347.6	899.7	2,274.2
	February	3,466.8	145.0	0.2	–	3,321.6	2,306.6	1,015.0	2,339.6
	March	3,514.1	139.5	0.2	–	3,374.4	2,362.1	1,012.3	2,429.5
	April	3,635.9	127.5	0.2	–	3,508.1	2,254.6	1,253.5	2,286.6
	May	3,694.5	125.4	0.2	–	3,568.9	2,405.7	1,163.2	2,077.9
	June	3,798.5	124.2	0.2	114.9	3,559.2	2,332.1	1,227.1	2,082.9
	July	4,175.8	126.7	0.2	114.9	3,934.0	2,770.1	1,163.9	2,070.5
	August	4,101.3	128.7	0.2	114.9	3,857.5	2,756.7	1,100.8	2,820.5
	September ^a	4,416.3	124.8	0.2	–	4,291.3	3,003.3	1,288.0	2,785.9

^a Preliminary data.

Table H6: 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 commercial banks include foreign currency and domestic commercial banks' deposits with foreign banks. These foreign exchange reserves represent an additional source of liquidity for bridging imbalances in international payments.

Table H7: International Reserves and Foreign Currency Liquidity

Million US dollars

	1999	2000	2001			
	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
I. Official reserve assets and other f/c assets (approximate market value)						
A. Official reserve assets	2,847.4	3,432.3	3,398.3	3,749.1	4,107.5	3,990.8
(1) Foreign currency reserves (in convertible f/c)	2,616.3	2,567.4	2,411.4	2,731.2	2,777.3	2,544.5
(a) Securities	375.5	802.6	1,012.3	1,227.1	1,163.9	1,100.8
o/w: issuer headquartered in reporting country but located abroad						
(b) Total currency and deposits with:	2,240.8	1,764.8	1,399.1	1,504.1	1,613.4	1,443.8
(i) other national central banks, BIS and IMF	712.3	545.7	506.4	349.3	375.2	342.3
(ii) banks headquartered in the reporting country						
o/w: located abroad						
(iii) banks headquartered outside the reporting country	1,528.6	1,219.1	892.6	1,154.8	1,238.3	1,101.5
o/w: located in the reporting country						
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	189.5	147.7	139.5	123.6	126.0	128.0
(4) gold				114.9	114.9	114.9
(5) other reserve assets	41.4	717.0	847.1	779.2	1,089.1	1,203.0
– reverse repo	41.4	717.0	847.1	779.2	1,089.1	1,203.0
B. Other foreign currency assets (specify)	177.6	92.5	115.9	49.4	68.2	110.6
– time deposits	177.6	92.5	115.9	49.4	68.2	110.6
C. Total (A+B)	3,025.0	3,524.8	3,514.1	3,798.5	4,175.8	4,101.3
II. Predetermined short-term net drains on f/c assets (nominal value)						
1. F/c loans, securities, and deposits (total net drains up to one year)	-932.6	-1,210.8	-1,430.9	-1,323.4	-1,325.3	-1,387.6
(a) Croatian National Bank	-258.7	-265.0	-270.7	-171.1	-167.7	-223.7
Up to 1 month						
Principal	-90.2	-107.6	-119.2	-71.7	-51.2	-70.3
Interest	-5.0	-4.3	-3.9	-3.6	-3.1	-3.8
More than 1 and up to 3 months						
Principal	-123.6	-116.5	-118.5	-60.6	-90.8	-127.3
Interest	-2.7	-2.8	-2.2	-1.5	-2.0	-1.2
More than 3 months and up to 1 year						
Principal	-29.9	-29.0	-19.6	-29.9	-16.7	-17.1
Interest	-7.3	-4.7	-7.2	-3.8	-3.9	-4.0
(b) Central government (excluding extrabudgetary funds) ^a	-673.9	-945.8	-1,160.2	-1,152.4	-1,157.5	-1,163.9
Up to 1 month						
Principal	-63.5	-89.3	-4.0	-86.2	-2.1	-367.6
Interest	-58.3	-69.0	-3.2	-61.8	-16.0	-5.9
More than 1 and up to 3 months						
Principal	-6.0	-93.8	-16.8	-369.5	-370.8	-5.8
Interest	-42.9	-77.1	-17.1	-22.8	-8.1	-2.2
More than 3 months and up to 1 year						
Principal	-384.6	-497.1	-874.1	-441.2	-532.4	-531.5
Interest	-118.7	-119.6	-245.0	-170.9	-228.1	-251.0
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	-21.3	-40.7		-18.0	-41.5	-108.6
– outflows related to repos (-)	-21.3	-40.7		-18.0	-41.5	-108.6
Up to 1 month						
Principal	-21.3	-40.6		-18.0	-41.4	-108.4
Interest	0.0	-0.1		0.0	-0.1	-0.2
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)	-954.0	-1,251.5	-1,430.9	-1,341.4	-1,366.8	-1,496.2
III. Contingent short-term net drains on f/c assets (nominal value)						
1. Contingent liabilities in foreign currency	-869.9	-969.3	-936.1	-1,057.2	-1,125.1	-1,217.3
(a) Collateral guarantees on debt falling due within 1 year	-263.6	-296.0	-285.4	-304.2	-324.2	-331.0
– Croatian National Bank						
– Central government (excluding extrabudgetary funds) ^a	-263.6	-296.0	-285.4	-304.2	-324.2	-331.0
Up to 1 month	-37.3	-48.4	-37.7	-38.8	-4.0	-68.4

More than 1 and up to 3 months	-57.6	-11.4	-35.7	-64.1	-76.4	-14.8
More than 3 months and up to 1 year	-168.7	-236.2	-212.0	-201.2	-243.8	-247.7
(b) Other contingent liabilities	-606.2	-673.2	-650.8	-753.0	-801.0	-886.2
– Croatian National Bank	-606.2	-673.2	-650.8	-753.0	-801.0	-886.2
Up to 1 month						
More than 1 and up to 3 months	-606.2	-673.2	-650.8	-753.0	-801.0	-886.2
More than 3 months and up to 1 year						
– Central government (excluding extrabudgetary funds) ^a						
2. F/c sec. issued with embedded options (puttable bonds)						
3. Undrawn, unconditional credit lines provided by	80.0	80.0		90.0	151.0	154.6
– BIS (+)	80.0	80.0				
– IMF (+)				90.0	151.0	154.6
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)	-789.9	-889.3	-936.1	-967.2	-974.1	-1,062.7
IV. Memo items						
(a) short-term domestic currency debt indexed to the exchange rate o/w: central government (excluding extrabudgetary funds)						
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)						
(c) pledged assets	177.0					
(d) securities lent and on repo						
– lent or repoed and included in Section I	-20.1	-40.0		-16.9	-40.0	-107.3
– 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	37.4	685.6	783.9	700.1	1,038.5	1,107.5
(e) financial derivative assets (net, marked to market)						
(f) currency composition of official reserves assets ^b						
– currencies in SDR basket	2,983.7	3,524.8	3,398.2	3,634.2	3,992.6	3,875.8
– currencies not in SDR basket	41.4	0.0	0.0	115.0	115.0	115.0
– by individual currencies						
USD	1,186.1	922.5	842.5	1,202.6	1,397.0	1,396.8
EUR	1,405.1	2,453.9	2,415.6	2,307.4	2,469.0	2,350.3
Other	433.8	148.4	140.2	239.1	241.6	243.7

^a Preliminary data for 2001; ^b Until January 2001: Currency structure of official reserve assets and other foreign currency assets.

Table H7: 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 “Data Template on International Reserves and Foreign Currency Liquidity – Operational Guidelines, October 1999” issued by the IMF.

The first part of the Template shows total assets of the Croatian National Bank in convertible foreign currency. Official reserve assets (I.A.) show only 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 less than 3 months, reserve position with the IMF, special drawing rights, gold, and reverse repos with foreign negotiable debt securities. Other foreign currency assets of the CNB (I.B.) include foreign currency time deposits with a maturity over 3 months.

The second part of the Template shows fixed predetermined foreign currency net liabilities of the Croatian National Bank and the central government (excluding extrabudgetary 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 extrabudgetary 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 DMBs (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 extrabudgetary funds), which fall due in the next 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 households’ deposits in foreign currency with remaining maturity of up to 3 months). 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 Law 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.).

Table H8: 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
1992		0.340174	0.024304	0.050419	0.020916	0.190597	0.375277	0.264299	0.171018
1993		4.133563	0.305485	0.621058	0.224018	2.433869	5.369428	3.577417	2.155526
1994		7.087400	0.524804	1.079560	0.371475	4.381763	9.166192	5.995300	3.692018
1995		6.757758	0.518734	1.047969	0.321342	4.425311	8.252950	5.229967	3.649342
1996		6.804708	0.513722	1.062735	0.352150	4.404976	8.479850	5.433800	3.614536
1997		6.959708	0.505322	1.056355	0.361942	4.246962	10.081567	6.157050	3.555932
1998		7.136608	0.514421	1.079581	0.366683	4.395149	10.539883	6.362292	3.619321
1999		7.579622	0.550834	1.155501	0.391455	4.738375	11.504100	7.112441	3.875409
2000		7.634973	0.554855	1.163944	0.394313	4.901679	12.529639	8.276819	3.903700
2000	April	7.725391	0.561426	1.177728	0.398983	4.907308	12.918253	8.158377	3.949930
	May	7.695526	0.559256	1.173175	0.397400	4.945350	12.849028	8.508858	3.934660
	June	7.656650	0.556430	1.167249	0.395433	4.904278	12.174320	8.075785	3.914783
	July	7.611087	0.553119	1.160303	0.393080	4.907463	12.201744	8.082124	3.891487
	August	7.575196	0.550511	1.154831	0.391226	4.885028	12.465103	8.353507	3.873136
	September	7.530710	0.547278	1.148049	0.388929	4.913555	12.389037	8.636115	3.850391
	October	7.521939	0.546641	1.146712	0.388476	4.969879	12.754030	8.777919	3.845906
	November	7.552528	0.548864	1.151376	0.390056	4.960171	12.600643	8.828263	3.861546
	December	7.585632	0.551269	1.156422	0.391765	5.009320	12.357001	8.459373	3.878472
2001	January	7.605594	0.552720	1.159465	0.392796	4.974222	11.987261	8.088795	3.888678
	February	7.697274	0.559383	1.173442	0.397531	5.013567	12.152421	8.351871	3.935554
	March	7.695090	0.559224	1.173109	0.397418	5.009254	12.215118	8.443783	3.934437
	April	7.615417	0.553434	1.160963	0.393303	4.984932	12.247077	8.528187	3.893701
	May	7.369043	0.535529	1.123403	0.380579	4.803162	11.992724	8.409159	3.767732
	June	7.298230	0.530383	1.112608	0.376922	4.792849	11.977367	8.544508	3.731526
	July	7.199348	0.523197	1.097533	0.371815	4.756738	11.843820	8.383935	3.680968
	August	7.377423	0.536138	1.124681	0.381012	4.873952	11.783157	8.208499	3.772017
	September	7.516445	0.546241	1.145875	0.388192	5.038014	12.060134	8.247745	3.843097

Table H9: 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
1992		0.964508	0.070357	0.145244	0.054153	0.546218	1.206464	0.798188	0.495000
1993		7.262200	0.540504	1.120052	0.381300	4.471653	9.714800	6.561900	3.801812
1994		6.902400	0.516285	1.052510	0.346500	4.288893	8.784200	5.628700	3.632100
1995		6.812200	0.526742	1.085365	0.335800	4.618693	8.234500	5.316100	3.705900
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.511000
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2000	April	7.710201	0.560322	1.175413	0.398199	4.910521	13.318940	8.494217	3.942163
	May	7.683790	0.558403	1.171386	0.396835	4.904236	12.334838	8.286196	3.928659
	June	7.639108	0.555156	1.164575	0.394527	4.910084	12.204998	8.046248	3.905814
	July	7.600773	0.552370	1.158730	0.392547	4.908158	12.369037	8.195787	3.886214
	August	7.559582	0.549376	1.152451	0.390420	4.885029	12.292003	8.509210	3.865153
	September	7.511311	0.545868	1.145092	0.387927	4.924481	12.500102	8.528796	3.840472
	October	7.535421	0.547620	1.148768	0.389172	4.948723	12.994346	8.890303	3.852800
	November	7.567727	0.549968	1.153693	0.390840	5.004779	12.487998	8.773159	3.869317
	December	7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001	January	7.675722	0.557816	1.170156	0.396418	5.048821	12.203056	8.376866	3.924534
	February	7.703111	0.559807	1.174332	0.397832	5.014393	12.157688	8.418701	3.938538
	March	7.680701	0.558178	1.170915	0.396675	5.034874	12.436368	8.722122	3.927080
	April	7.526926	0.547003	1.147472	0.388733	4.898110	12.060449	8.358607	3.848456
	May	7.278507	0.528950	1.109601	0.375904	4.767165	12.068491	8.504916	3.721442
	June	7.320680	0.532015	1.116030	0.378082	4.812438	12.152523	8.646132	3.743004
	July	7.185933	0.522222	1.095488	0.371122	4.757006	11.684444	8.217190	3.674109
	August	7.610640	0.553087	1.160235	0.393057	5.019549	12.155630	8.372541	3.891258
	September	7.542032	0.548101	1.149775	0.389513	5.104590	12.105990	8.230964	3.856180

Table H10: Indices of the Effective Exchange Rate of the Kuna

Indices 1995=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	107.96	104.89	103.27
1998	December	111.87	108.03	102.41
1999	December	122.56	116.29	109.50
2000	March	125.42	116.56	111.15
	April	126.15	116.68	111.00
	May	127.47	119.04	112.07
	June	124.91	116.61	108.32
	July	124.45	116.85	107.59
	August	125.34	117.52	108.38
	September	126.15	118.37	108.32
	October	126.75	118.28	108.26
	November	127.29	114.98	108.76
	December	125.97	113.54	107.66
	2001	January	124.42	113.72	106.35
February		126.69	114.32	108.30
March		127.10	116.48	108.89
April		126.60	116.52	107,37
May		123,23	113,65	104,46
June		123,03	113,12	104,75
July		121,19	111,46 ^a	103,63 ^a
August		122,41		
September		124,23		

^a Preliminary data.

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

Table H10: 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 exchange rates of the kuna against the euro, US dollar, Swiss franc, British pound and Slovenian tolar. The weights are determined based on the average share of a particular foreign currency in the structure of the current account of the balance of foreign currency transactions between July 1996 and January 2000. The year 1995 is a base period for calculating the index. 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. The index of the real effective exchange rate is a weighted geometric average of the index of bilateral exchange rates of the kuna corrected for the relevant relative price indices (the ratio of price indices in partner countries and domestic prices). Producer price and retail price indices are used, in particular the total harmonized retail price index for the Economic and Monetary Union member countries. Data for the last two months are preliminary.

Table H11: External Debt by Domestic Sectors

Million US dollars

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.*	Mar.	Jun.	Jul.	Aug.
1. Direct investment	0.0	0.0	0.0	476.5	539.9	1,067.5	1,062.8	1,238.6	1,128.4	1,158.9
2. Government	240.7	2,397.3	2,905.7	3,395.3	3,973.0	4,796.8	5,200.7	5,130.0	5,315.0	5,458.2
2.1 Portfolio investment	0.0	1,462.2	1,954.5	2,049.3	2,522.9	3,141.2	3,562.0	3,516.9	3,698.4	3,791.4
Bonds	0.0	1,462.2	1,954.5	2,049.3	2,522.9	3,141.2	3,562.0	3,516.9	3,698.4	3,791.4
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2 Other investment	240.7	935.1	951.2	1,346.0	1,450.2	1,655.5	1,638.7	1,613.1	1,616.6	1,666.8
2.2.1 Trade credits	5.4	12.2	18.1	2.7	3.4	0.1	0.1	1.2	1.2	1.2
Long-term	5.4	3.6	18.1	1.8	0.7	0.1	0.1	1.2	1.2	1.2
Short-term	0.0	8.6	0.0	0.8	2.7	0.0	0.0	0.0	0.0	0.0
2.2.2 Credits	235.3	922.9	933.1	1,343.3	1,446.8	1,655.5	1,638.6	1,611.9	1,615.4	1,665.6
Long-term	134.9	822.9	833.1	1,293.3	1,371.5	1,295.5	1,278.6	1,251.9	1,255.4	1,305.6
Short-term	100.4	100.0	100.0	50.0	75.3	360.0	360.0	360.0	360.0	360.0
3. Croatian National Bank	222.5	208.3	231.8	233.9	196.6	158.7	151.7	136.4	139.1	142.4
o/w: IMF	222.5	208.3	231.8	233.9	196.6	158.7	151.7	136.4	139.1	142.4
4. Banks	2,434.9	1,251.8	2,215.6	2,265.6	1,954.5	1,596.7	1,601.3	1,594.5	1,671.0	1,795.8
4.1. Portfolio investment	999.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	999.9	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
4.2 Other investment	1,435.0	1,251.8	2,215.6	2,265.6	1,954.5	1,596.7	1,601.3	1,594.5	1,671.0	1,795.8
4.2.1 Currency and deposits	472.7	499.2	789.9	614.6	537.7	432.8	509.5	557.3	583.4	537.4
4.2.2 Credits	962.3	752.6	1,425.7	1,651.0	1,416.8	1,163.9	1,091.8	1,037.2	1,087.6	1,258.4
Long-term	957.0	630.2	1,382.0	1,616.1	1,385.6	1,156.8	1,076.2	1,029.9	1,080.7	1,251.6
Short-term	5.3	122.4	43.7	34.9	31.2	7.0	15.6	7.3	6.9	6.8
5. Other sectors	911.0	1,450.2	2,098.5	3,214.9	3,208.3	3,316.2	3,135.4	3,035.8	3,069.7	3,167.6
5.1 Portfolio investment	0.0	0.0	0.0	8.7	48.5	38.4	41.3	61.8	63.0	64.4
Bonds	0.0	0.0	0.0	0.0	31.1	28.9	27.3	26.2	27.1	28.2
Money market instruments	0.0	0.0	0.0	8.7	17.4	9.5	14.0	35.6	35.9	36.2
5.2 Other investment	911.0	1,450.2	2,098.5	3,206.2	3,159.8	3,277.9	3,094.1	2,974.0	3,006.7	3,103.2
5.2.1 Trade credits	356.7	419.2	608.4	441.1	373.8	334.7	301.7	302.3	307.7	310.9
Long-term	268.5	296.7	442.8	323.4	274.3	269.8	205.8	238.8	241.8	242.8
Short-term	88.2	122.5	165.6	117.7	99.5	64.9	95.9	63.4	65.9	68.1
5.2.2 Credits	554.3	1,031.0	1,490.1	2,765.1	2,786.0	2,943.2	2,792.4	2,671.7	2,699.0	2,792.3
Long-term	523.1	973.3	1,260.9	2,373.1	2,535.7	2,794.5	2,573.8	2,598.3	2,637.5	2,733.4
Short-term	31.2	57.7	229.2	392.0	250.3	148.7	218.6	73.4	61.5	58.8
Total (1+2+3+4+5)	3,809.1	5,307.6	7,451.6	9,586.2	9,872.3	10,935.8	11,151.9	11,135.3	11,323.2	11,722.9

Table H11: External Debt by Domestic Sectors

According to a new methodology in force starting in March 2000, external debt is defined as the total of liabilities of residents, including: deposits of foreign legal and natural persons (these deposits were not included under the old methodology), loans granted by foreigners with an original maturity longer than 150 days (up to July 11, 2001, this maturity was 90 days), loans for financial purposes, counted exceptionally regardless of their maturity, and bonds and money market instruments issued on foreign markets (at face value).

External debt by domestic sectors is shown in the same manner as in the Capital and Financial Account of the BOP: Direct investment includes borrower – lender transactions that are interrelated by ownership (borrower or lender owns more than 10 percent of the other). Item Government shows external debt of the broadly defined government sector, which includes the central government, government

funds (including the Croatian Bank for Reconstruction and Development), as well as local government authorities and funds. Item Croatian National Bank shows the central bank debts. Item Banks shows debts of banks and saving banks. Item Other sectors consists of other financial institutions (other than banks and savings banks), enterprises and households.

Each sector is further divided into Portfolio and other investment. Portfolio investment includes bonds and money market instruments. Other investment includes Currency and deposits (foreign deposits) and Credits. Credits are divided into Trade credits (sale of goods for delayed payment) and Credits (all other credit obligations).

Outstanding external debt is expressed in millions of US dollars according to the CNB's midpoint exchange rate at the end of the period.

The debt balance includes so-called non-reported principal payments (they should have been paid but are not statistically reported as paid) and future principal payments.

Table H12: External Debt by Creditors

Million US dollars

	1995	1996	1997	1998	1999	2000	2001			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.*	Mar.	Jun.	Jul.	Aug.
1. Portfolio investment	999.9	1,462.2	1,954.8	2,058.0	2,571.4	3,179.6	3,603.3	3,578.8	3,761.4	3,855.7
Bonds	999.9	1,462.2	1,954.8	2,049.3	2,554.0	3,170.1	3,589.3	3,543.2	3,725.5	3,819.5
o/w: London Club	999.9	1,462.2	1,428.4	1,404.7	1,380.9	1,255.4	1,180.7	1,180.7	1,106.0	1,106.0
Money market instruments	0.0	0.0	0.0	8.7	17.4	9.5	14.0	35.6	35.9	36.2
2. Other investment	2,809.2	3,845.4	5,496.8	7,528.1	7,301.0	7,756.3	7,548.6	7,556.6	7,561.8	7,867.1
2.1. Currency and deposits	472.7	499.2	789.9	614.6	537.7	432.8	509.5	557.3	583.4	537.4
2.2. Long-term	2,111.4	2,935.0	4,168.4	6,249.1	6,221.9	6,652.8	6,094.1	6,277.8	6,304.1	6,656.1
2.2.1. Public creditors	1,340.2	1,889.6	1,867.0	2,196.7	2,162.4	2,254.3	2,115.0	2,060.5	2,110.5	2,191.0
a) International financial organizations	493.7	673.1	851.0	1,039.2	1,013.9	1,114.6	1,065.9	1,045.4	1,078.5	1,129.5
– IMF	222.5	208.3	231.8	233.9	196.6	158.7	151.7	136.4	139.1	142.4
– IBRD	59.6	188.4	294.5	344.1	395.0	411.9	408.5	406.7	412.1	418.3
– IFC	2.5	0.0	0.0	30.9	28.6	71.9	68.7	73.6	80.4	89.5
– EBRD	16.2	108.4	171.2	251.3	218.8	297.1	275.5	273.3	288.3	303.6
– EUROFIMA	38.9	32.8	42.9	72.6	78.5	85.6	80.8	77.8	80.8	83.7
– EIB	143.7	131.0	108.3	105.2	81.0	65.6	57.7	55.0	54.8	57.0
– CEB	10.3	4.2	2.3	1.1	15.4	24.0	23.1	22.5	23.0	35.0
b) Governments and government agencies	846.5	1,216.5	1,016.0	1,157.5	1,148.5	1,139.7	1,049.0	1,015.1	1,032.0	1,061.5
– Paris Club	750.6	1,014.1	852.5	884.8	770.8	686.4	641.2	626.3	618.7	631.8
– Other	95.9	202.4	163.5	272.7	377.7	453.3	407.8	388.9	413.3	429.7
2.2.2. Private creditors	771.2	1,045.4	2,301.4	4,052.5	4,059.5	4,398.5	3,979.1	4,217.3	4,193.7	4,465.1
a) Banks	486.7	736.0	1,833.3	3,257.5	3,311.9	3,344.1	3,210.4	3,254.3	3,199.5	3,448.0
o/w: guaranteed by government agencies	297.3	191.8	167.0	213.7	330.7	482.5	470.9	465.0	474.8	489.3
b) Other sectors	284.5	309.4	468.1	794.9	747.6	1,054.4	768.7	963.0	994.2	1,017.1
o/w: guaranteed by government agencies	37.5	21.9	17.6	28.5	17.8	13.8	11.9	11.0	11.2	11.7
2.3. Short-term	225.1	411.2	538.5	664.4	541.3	670.7	945.0	721.5	674.3	673.6
2.3.1. Public creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3.2. Private creditors	225.1	411.2	538.5	664.4	541.3	670.7	945.0	721.5	674.3	673.6
a) Banks	136.2	278.6	370.1	381.1	246.1	481.9	504.3	414.8	407.3	408.1
o/w: guaranteed by government agencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Other sectors	88.9	132.6	168.4	283.3	295.2	188.7	440.7	306.6	267.0	265.5
o/w: guaranteed by government agencies	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2)	3,809.1	5,307.6	7,451.6	9,586.2	9,872.3	10,935.8	11,151.9	11,135.3	11,323.2	11,722.9

Table H12: External Debt by Creditors

The Table shows outstanding external debt by foreign creditors valued in the same way as in Table H11.

Table H13: External Debt by Domestic Sectors and Projected Future Payments

Million US dollars

	Outstanding debt 31/08/2001	Nonreported principal payments	Projected future principal payments								
			Q3/2001	Q4/2001	2001	2002	2003	2004	2005	2006	Other
1. Direct investment	1,158.9	54.7	151.6	117.4	269.0	123.5	108.4	104.9	195.2	152.0	151.4
2. Government	5,458.2	11.2	415.9	29.0	444.9	620.2	307.6	708.7	731.5	762.8	1,871.3
2.1. Portfolio investment	3,791.4	0.0	0.0	0.0	0.0	495.6	161.2	548.1	615.7	642.8	1,328.0
Bonds	3,791.4	0.0	0.0	0.0	0.0	495.6	161.2	548.1	615.7	642.8	1,328.0
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
2.2. Other investment	1,666.8	11.2	415.9	29.0	444.9	124.6	146.4	160.7	115.8	120.0	543.3
2.2.1. Trade credits	1.2	0.0	0.0	0.0	0.0	0.4	0.4	0.4	0.0	0.0	0.0
Long-term	1.2	0.0	0.0	0.0	0.0	0.4	0.4	0.4	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. Credits	1,665.6	11.2	415.9	28.9	444.8	124.2	146.0	160.3	115.8	120.0	543.3
Long-term	1,305.6	11.2	55.9	28.9	84.8	124.2	146.0	160.3	115.8	120.0	543.3
Short-term	360.0	0.0	360.0	0.0	360.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian National Bank	142.4	0.0	3.1	14.0	17.1	34.3	34.3	34.3	13.2	6.2	3.1
o/w: IMF	142.4	0.0	3.1	14.0	17.1	34.3	34.3	34.3	13.2	6.2	3.1
4. Banks	1,795.8	51.2	26.3	32.4	58.6	224.6	484.8	132.2	76.2	68.6	699.6
4.1. Portfolio investment	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
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
4.2. Other investment	1,795.8	51.2	26.3	32.4	58.6	224.6	484.8	132.2	76.2	68.6	699.6
4.2.1. Currency and deposits	537.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	537.4
4.2.2. Credits	1,258.4	51.2	26.3	32.4	58.6	224.6	484.8	132.2	76.2	68.6	162.2
Long-term	1,251.6	45.2	25.6	32.2	57.8	224.6	484.8	132.2	76.2	68.6	162.2
Short-term	6.8	6.0	0.6	0.2	0.8	0.0	0.0	0.0	0.0	0.0	0.0
5. Other sectors	3,167.6	302.5	61.2	221.7	282.9	625.1	451.3	448.0	262.5	249.8	545.4
5.1. Portfolio investment	64.4	0.0	0.0	13.7	13.7	22.5	0.0	28.2	0.0	0.0	0.0
Bonds	28.2	0.0	0.0	0.0	0.0	0.0	0.0	28.2	0.0	0.0	0.0
Money market instruments	36.2	0.0	0.0	13.7	13.7	22.5	0.0	0.0	0.0	0.0	0.0
5.2. Other investment	3,103.2	302.5	61.2	208.0	269.2	602.6	451.3	419.9	262.5	249.8	545.4
5.2.1. Trade credits	310.9	73.4	13.9	43.6	57.5	100.7	36.2	21.3	9.3	2.6	9.9
Long-term	242.8	51.4	8.4	25.8	34.2	77.8	36.2	21.3	9.3	2.6	9.9
Short-term	68.1	22.0	5.5	17.8	23.3	22.9	0.0	0.0	0.0	0.0	0.0
5.2.2. Credits	2,792.3	229.0	47.3	164.4	211.7	502.0	415.1	398.6	253.2	247.2	535.5
Long-term	2,733.4	190.0	44.2	150.8	195.0	499.0	415.0	398.5	253.2	247.2	535.5
Short-term	58.8	39.1	3.1	13.6	16.7	3.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	11,722.9	419.5	658.0	414.4	1,072.4	1,627.7	1,386.3	1,428.2	1,278.6	1,239.4	3,270.8
Supplement: Projected interest payments		56.3	48.9	95.8	144.7	544.9	457.7	379.0	294.9	217.7	496.5
Note:											
Publicly guaranteed debt	1,518.0										
o/w: Banks and other sectors	1,015.2										

Table H13: External Debt by Domestic Sectors and Projected Future Payments

The Table shows outstanding external debt at the end of the period and the principal and interest payment projection. All data are shown at the midpoint exchange rate of the CNB at the end of period.

Projected interest payments do not include interest on deposits from nonresidents and late interest. Payments are projected at the interest rates at the contracting time and do not reflect changes of vari-

able interest rates.

The note points out the outstanding publicly guaranteed debt – total and the outstanding debt of the banking sector and other sectors covered by government guarantees. The difference is the amount of the government guarantees issued to the government sector (for example the Croatian Bank for Reconstruction and Development, Croatian Roads Administration, etc. included in a broad definition of the government sector).

Table I1: Consolidated Central Government

Million kuna

	1995	1996	1997	1998	1999	2000	2001			
							Mar.	Jun.	Jul.	Aug.
TOTAL REVENUE AND GRANTS										
1. Budgetary central government	27,980.8	31,367.5	33,846.1	43,808.6	46,355.5	44,635.7	3,314.2	3,444.9	4,788.2	4,715.0
2. Extrabudgetary funds	15,302.3	17,029.1	19,499.1	21,302.1	21,185.5	22,099.3	1,759.2	1,945.7	1,002.9	913.4
2.1. Pension Fund	8,720.4	9,584.7	11,022.2	10,713.4	10,799.8	11,254.2	910.2	1,009.1	11.0	3.1
2.2. Health Insurance Fund	4,558.1	5,196.3	5,824.2	8,269.0	8,686.4	8,967.4	720.1	790.4	829.6	755.1
2.3. Employment Fund	691.2	676.1	638.3	718.2	760.6	822.4	71.6	75.4	77.5	78.3
2.4. Child Benefit Fund	782.1	878.5	976.7	542.8	9.1	7.1	0.7	0.3	0.0	0.4
2.5. Croatian Roads Administration ^a	–	–	–	–	–	–	–	–	–	–
2.6. Croatian Waters	550.5	693.5	1,037.7	1,058.6	929.6	1,048.2	56.6	70.4	84.8	76.4
A. Total (1+2)	43,283.1	48,396.6	53,345.3	65,110.7	67,541.0	66,735.0	5,073.5	5,390.6	5,791.1	5,628.4
TOTAL EXPENDITURE AND NET LENDING (minus repayments)										
3. Budgetary central government	26,189.3	27,591.9	29,409.4	34,125.4	35,979.1	36,730.8	3,483.7	2,298.5	4,365.5	4,198.6
4. Extrabudgetary funds	17,976.8	21,282.1	25,522.5	30,103.1	34,363.9	37,701.4	3,285.3	3,343.1	1,615.0	1,411.9
4.1. Pension Fund	8,860.7	10,459.8	13,795.1	16,170.4	18,998.5	20,180.8	1,908.5	1,950.3	123.6	103.3
4.2. Health Insurance Fund	7,083.1	8,357.5	8,742.8	10,776.0	11,919.6	13,918.1	1,024.7	1,022.1	1,069.7	928.0
4.3. Employment Fund	445.9	676.2	714.1	571.2	824.9	995.5	77.7	79.4	74.5	70.9
4.4. Child Benefit Fund	820.6	853.2	1,003.7	1,032.1	1,136.2	1,250.6	215.4	204.7	242.2	224.6
4.5. Croatian Roads Administration ^a	–	–	–	–	–	–	–	–	–	–
4.6. Croatian Waters	766.6	935.5	1,266.8	1,553.3	1,484.8	1,356.4	59.0	86.6	105.0	85.2
B. Total (3+4)	44,166.1	48,874.0	54,931.9	64,228.6	70,343.0	74,432.3	6,769.0	5,641.6	5,980.5	5,610.5
C. Overall surplus/deficit (A-B)	–883.0	–477.4	–1,586.7	882.1	–2,802.1	–7,697.3	–1,695.5	–251.0	–189.4	17.8
5. Budgetary central government (1-3)	1,791.5	3,775.6	4,436.7	9,683.1	10,376.4	7,904.8	–169.5	1,146.4	422.7	516.4
6. Extrabudgetary funds (2-4)	–2,674.6	–4,253.0	–6,023.4	–8,801.1	–13,178.4	–15,602.1	–1,526.1	–1,397.4	–612.1	–498.6

^a In 1995 included in government budget; Source: Ministry of Finance

Table I2: Budgetary Central Government Operations

Million kuna

	1995	1996	1997	1998	1999	2000	2001			
							Mar.	Jun.	Jul.	Aug.
1. Total revenue	27,880.8	31,367.5	33,846.1	43,808.6	46,355.5	44,635.7	3,314.2	3,444.9	4,891.2	4,847.2
1.1. Current revenue	27,287.1	30,244.3	33,385.0	42,019.4	40,044.6	41,535.0	3,297.2	3,426.4	4,875.2	4,730.6
1.1.1. Tax revenue	26,505.4	28,530.4	31,338.2	39,899.7	38,317.6	39,939.0	3,203.4	3,325.0	4,671.9	4,637.7
1.1.2. Nontax revenue	781.8	1,713.9	2,046.8	2,119.7	1,727.0	1,595.9	93.8	101.4	203.3	92.9
1.2. Capital revenue	593.7	1,123.1	461.1	1,789.2	6,310.9	3,100.7	17.0	18.5	16.0	116.5
2. Grants	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1. Current	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Capital	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A. Total revenue and grants (1+2)	27,980.8	31,367.5	33,846.1	43,808.6	46,355.5	44,635.7	3,314.2	3,444.9	4,891.2	4,847.2
3. Total expenditure	28,475.6	30,972.8	34,395.2	41,390.4	47,379.6	49,567.5	4,932.9	3,703.6	5,037.0	4,873.6
3.1. Current expenditure	25,495.2	25,930.1	29,579.7	34,883.0	38,476.1	44,237.4	4,973.2	3,452.6	4,742.0	4,542.1
3.2. Capital expenditure	2,980.4	5,042.7	4,815.5	6,507.3	8,903.5	5,330.1	229.7	251.0	295.0	331.5
4. Lending minus repayments	220.6	528.7	611.1	1,161.5	1,499.2	1,176.1	84.1	76.6	23.9	53.2
B. Total expenditure and net lending (3+4)	28,696.2	31,501.5	35,006.3	42,551.9	48,878.8	50,743.5	5,017.0	3,780.3	5,060.7	4,926.8
5. Current account surplus without grants (1.1.-3.1.)	1,791.9	4,314.3	3,805.3	7,136.4	1,568.5	–2,702.4	–1,406.0	–26.2	133.3	188.5
6. Current account surplus with current grants (5+2.1.)	1,791.9	4,314.3	3,805.3	7,136.4	1,568.5	–2,702.4	–1,406.0	–26.2	133.3	188.5
7. Gross fixed capital formation ^a	1,040.5	1,113.9	1,516.4	976.1	–2,216.9	–395.4	63.6	79.5	68.4	–34.5
8. Gross capital formation ^b	1,040.5	1,113.9	1,516.4	976.1	–2,216.9	–395.4	63.6	79.5	68.4	–34.5
C. Overall surplus/deficit (A-B)	–715.4	–134.0	–1,160.2	1,256.7	–2,523.3	–6,107.9	–1,702.8	–335.3	–169.6	–79.6
9. Foreign financing	686.0	803.9	2,985.9	–9.1	4,615.1	6,921.5	3,265.4	–28.9	1,053.7	240.6
10. Domestic financing	29.4	–669.9	–1,825.7	–1,247.6	–2,091.8	–813.6	–1,562.7	364.2	–884.1	–160.9
10.1. From other government	0.0	0.0	0.0	190.0	–87.0	–92.0	0.0	0.0	0.0	0.0
10.2. From monetary authorities	396.0	–152.7	–354.8	112.4	2.0	–12.5	–197.0	126.6	18.7	–102.9
10.3. From deposit money banks	0.0	–308.4	–1,357.3	–1,638.6	–1,859.4	–288.8	–1,239.2	237.5	–902.8	–57.6
10.4. Other domestic financing	–366.6	–208.8	–113.6	88.7	–147.4	–420.3	–126.4	0.0	0.0	–0.4
D. Total financing (9+10)	715.4	134.0	1,160.2	–1,256.7	2,523.3	6,107.9	1,702.8	335.3	169.6	79.6

^a Net purchase of fixed capital formation; ^b Net purchase of fixed capital formation and net purchase of shares; Source: Ministry of Finance.

Table I3: Central Government Debt

End of period, million kuna

	1995	1996	1997	1998	1999	2000	2001		
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.
1. Domestic debt of central government	17,741.2	17,263.0	15,538.4	15,047.8	16,754.6	21,344.7	22,551.6	22,832.8	22,288.5
1.1. Domestic debt of the Republic of Croatia	17,631.2	17,260.7	15,467.1	14,582.9	16,012.1	18,509.7	19,595.3	20,080.7	19,504.5
Treasury bills	–	272.1	449.6	565.8	776.7	2,564.6	4,418.0	5,579.7	5,698.4
Money market instruments	134.5	254.3	44.0	96.8	153.3	14.2	11.8	10.6	10.9
Bonds	16,019.5	16,055.2	14,159.2	13,035.8	13,720.7	14,082.5	13,631.2	13,070.0	12,356.1
Credits from the CNB	390.1	218.8	–	–	24.1	0.0	–	0.0	–
Credits from DMBs	1,087.1	460.2	814.3	884.4	1,337.3	1,848.4	1,534.2	1,420.5	1,439.1
1.2. Domestic debt of central government funds	110.0	2.3	71.3	465.0	742.5	2,835.0	2,956.3	2,752.1	2,784.0
Money market instruments	–	–	–	–	–	20.5	21.0	20.8	93.1
Bonds	–	–	–	–	–	1,686.8	1,705.1	1,625.2	1,595.3
Credits from DMBs	110.0	2.3	71.3	465.0	742.5	1,127.6	1,230.2	1,106.1	1,095.7
2. External debt of central government	1,279.6	13,477.8	18,314.9	21,049.7	29,962.5	38,648.2	44,875.0	43,906.2	43,307.3
2.1. External debt of the Republic of Croatia	....	....	....	19,920.0	28,598.2	36,562.3	42,059.6	41,175.2	40,630.4
Money market instruments	....	....	....	–	–	–	–	–	–
Bonds	....	....	....	12,431.1	18,903.3	25,231.2	30,341.6	29,702.7	29,708.5
Credits	....	....	....	7,489.0	9,694.9	11,331.1	11,718.0	11,472.5	10,921.9
2.2. External debt of central government funds	....	....	....	1,129.7	1,364.3	2,085.9	2,815.4	2,731.0	2,676.9
Money market instruments	....	....	....	–	–	–	–	–	–
Bonds	....	....	....	372.1	390.6	386.5	726.5	705.3	681.9
Credits	....	....	....	757.6	973.7	1,699.3	2,088.9	2,025.7	1,995.0
3. Total (1+2)	19,020.8	30,740.9	33,853.3	36,097.5	46,717.1	59,992.4	67,426.6	66,739.0	65,595.8
Supplement: Central government guaranteed debt									
– guarantees for domestic debt	....	....	....	....	....	4,104.5	5,492.0	6,412.1	6,477.6
– guarantees for external debt	....	....	....	....	....	12,374.9	13,193.1	12,578.4	12,126.9

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 Statistical

Review, Monetary Authorities Accounts and Deposit Money 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. DMBs 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: Retail Prices, Costs of Living and Producer Prices Indices

Year	Month	Chain indices			Monthly year-on-year indices			Cumulative year-on-year indices		
		Retail prices	Costs of living	Producer prices	Retail prices	Costs of living	Producer prices	Retail prices	Costs of living	Producer prices
1992	December	122.4	125.3	129.1	1,053.4	1,026.3	1,120.9	745.4	694.7	846.6
1993	December	99.5	100.6	98.5	1,249.7	1,225.1	1,175.6	1,616.6	1,591.3	1,610.4
1994	December	100.2	100.9	100.2	97.0	102.5	94.5	197.5	207.2	177.7
1995	December	100.2	100.7	100.5	103.7	104.6	101.6	102.0	104.0	100.8
1996	December	100.0	100.4	100.3	103.4	103.7	101.5	103.5	104.3	101.4
1997	December	100.7	101.2	99.9	103.8	104.9	101.6	103.6	104.1	102.3
1998	December	100.2	100.7	100.0	105.4	105.3	97.9	105.7	106.4	98.8
1999	December	100.3	101.0	100.3	104.4	103.6	105.9	104.2	103.5	102.6
2000	April	100.8	100.8	100.5	105.6	104.3	110.2	104.9	103.9	108.9
	May	100.2	100.7	99.8	105.0	104.2	110.1	105.0	104.0	109.1
	June	101.9	100.7	100.7	107.0	105.6	110.6	105.4	104.3	109.5
	July	100.5	100.1	99.8	106.5	105.3	109.4	105.4	104.4	109.4
	August	100.0	99.7	100.2	106.5	105.6	108.7	105.5	104.6	109.3
	September	101.2	101.2	100.9	107.1	106.6	108.9	105.7	104.7	109.2
	October	100.6	100.7	101.1	107.3	107.0	109.7	105.9	105.0	109.4
	November	100.2	100.2	103.4	107.7	107.4	111.3	106.0	105.2	109.4
	December	100.0	100.5	100.2	107.4	106.8	111.2	106.2	105.3	109.7
2001	January	100.1	100.5	99.3	106.6	106.4	108.2	106.6	106.4	108.2
	February	100.5	100.3	100.9	106.8	106.0	108.3	106.7	106.3	108.2
	March	100.1	100.1	98.4	106.0	105.6	105.5	106.5	105.9	107.3
	April	101.4	101.4	100.0	106.8	106.4	105.1	106.6	106.1	106.7
	May	100.6	101.2	100.0	107.2	106.9	105.2	106.8	106.3	106.4
	June	99.7	99.6	100.1	104.9	105.8	104.5	106.4	106.2	106.1
	July	99.4	98.8	99.3	103.8	104.3	104.0	106.0	105.9	105.8
	August	101.8	100.6	99.5	105.8	105.2	103.4	106.0	105.8	105.5
	September	100.3	100.3	100.6	104.7	104.1	103.0	105.9	105.6	105.2

Source: Central Bureau of Statistics

Table J2: Core Retail Prices Indices

Year	Month	Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services
1994	December	100.1	99.9	101.2	96.3	94.8	109.1
1995	December	100.1	100.0	100.5	103.1	102.6	107.1
1996	December	100.0	100.0	100.0	102.8	101.9	109.5
1997	December	100.2	100.2	100.5	102.5	102.3	104.5
1998	December	100.1	100.0	100.2	105.7	105.3	107.8
1999	December	100.1	100.2	100.0	104.2	104.2	104.1
2000	April	100.2	100.2	100.5	103.5	103.5	104.0
	May	100.2	100.2	100.0	103.4	103.4	103.4
	June	100.9	101.0	100.2	104.1	104.2	103.5
	July	100.8	100.8	100.7	103.8	103.8	103.6
	August	100.1	100.2	99.9	103.7	103.9	103.4
	September	101.4	101.4	101.4	104.5	104.5	104.8
	October	100.3	100.3	100.0	104.2	104.4	103.1
	November	100.1	100.1	100.2	104.6	104.9	103.3
	December	100.1	100.1	100.2	104.6	104.8	103.5
2001	January	100.0	100.0	100.2	104.5	104.8	103.6
	February	100.2	100.2	100.0	104.5	104.7	103.4
	March	100.3	100.1	100.9	104.6	104.6	104.1
	April	100.5	100.5	100.6	104.9	104.9	104.3
	May	100.4	100.4	101.2	105.1	105.1	105.5
	June	100.2	100.2	100.1	104.4	104.2	105.4
	July	100.2	100.2	100.8	103.8	103.6	105.5
	August	100.2	100.1	100.3	103.9	103.5	105.9
	September	99.9	99.9	100.3	102.3	102.0	104.7

Source: Central Bureau of Statistics

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
1992	December	74.4	120.2	681.7	409.4
1993	December	1,073.2	105.2	1,442.1	1,605.3
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	February	3,179.0	99.7	110.2	109.3
	March	3,303.0	103.9	110.4	109.7
	April	3,207.0	97.1	105.3	108.5
	May	3,367.0	105.0	110.8	109.0
	June	3,329.0	98.9	108.3	108.9
	July	3,274.0	98.3	107.6	108.7
	August	3,369.0	102.9	110.0	108.9
	September	3,303.0	98.0	108.6	108.9
	October	3,369.0	102.0	110.8	109.1
	November	3,503.0	104.0	108.4	109.0
December	3,499.0	99.9	107.3	108.9	
2001	January	3,546.0	101.3	111.2	111.2
	February	3,395.0	95.7	106.8	109.0
	March	3,535.0	104.1	107.0	108.3
	April	3,513.0	99.4	109.5	108.6
	May	3,625.0	103.2	107.6	108.4
	June	3,503.0	96.7	105.2	107.8
	July	3,550.0	101.3	108.4	107.9

Source: Central Bureau of Statistics

Table J2: Core Retail Price Index

The Central Bureau of Statistics calculates the core retail 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 ser-

vices used in the calculation of the retail price index. A total of 88 goods and services are excluded and their share in the retail price basket stands at 22.06% in 2001 (of which: agricultural products account for 2.28 percentage points, and administrative prices for 19.78 percentage points). The zero weighting method is used to exclude prices and goods.

List of Deposit Money Banks & Savings Banks

October 1, 2001

Licensed Banks

a) licensed banks in accordance with Article 37 of the Banking Law (full authorization)

1. Bayerische Hypo- und Vereinsbank AG Glavna podružnica Zagreb
2. Brodsko-posavska banka d.d., Slavonski Brod
3. Cassa di Risparmio di Trieste – Banca d.d., Zagreb
4. Centar banka d.d., Zagreb
5. Convest banka d.d., Zagreb
6. Credo banka d.d., Split
7. Croatia banka d.d., Zagreb
8. Dalmatinska banka d.d., Zadar
9. Dresdner Bank Croatia d.d., Zagreb
10. Dubrovačka banka d.d., Dubrovnik
11. Erste & Steiermärkische Bank d.d., Zagreb¹
12. Gospodarsko kreditna banka d.d., Zagreb
13. Hrvatska poštanska banka d.d., Zagreb
14. HVB Bank Croatia d.d., Zagreb
15. Hypo Alpe-Adria-Bank d.d., Zagreb
16. Imex banka d.d., Split
17. Istarska banka d.d., Pula
18. Istarska kreditna banka Umag d.d., Umag
19. Jadranska banka d.d., Šibenik
20. Karlovačka banka d.d., Karlovac
21. Kreditna banka Zagreb d.d., Zagreb
22. Kvarner banka d.d., Rijeka
23. Međimurska banka d.d., Čakovec
24. Partner banka d.d., Zagreb
25. Podravska banka d.d., Koprivnica
26. Požeška banka d.d., Požega
27. Privredna banka – Laguna banka d.d., Poreč
28. Privredna banka Zagreb d.d., Zagreb²
29. Raiffeisenbank Austria d.d., Zagreb
30. Riadria banka d.d., Rijeka
31. Riječka banka d.d., Rijeka
32. Sisačka banka d.d., Sisak
33. Slatinska banka d.d., Slatina
34. Slavonska banka d.d., Osijek
35. Splitska banka d.d., Split
36. Štedbanka d.d., Zagreb
37. Varaždinska banka d.d., Varaždin

38. Volksbank d.d., Zagreb
39. Zagrebačka banka d.d., Zagreb³

b) licensed banks in accordance with Article 36 of the Banking Law (medium authorization)

40. Hypobanka d.d., Zagreb
41. Nava banka d.d., Zagreb

c) licensed banks in accordance with Article 35 of the Banking Law (limited authorization)

42. Samoborska banka d.d., Samobor

Licensed Savings Banks

1. Banica Credo štedionica d.d., Split⁴
2. Gospodarska štedionica d.d., Vrbovec⁴
3. Krapinska štedionica d.d., Krapina
4. Križevačka štedionica d.d., Križevci
5. Međimurska štedionica d.d., Čakovec⁴
6. Primorska štedionica d.d., Rijeka⁴
7. Prva obrtnička štedionica d.d., Zagreb⁴
8. Slavonska štedionica d.d., Zagreb
9. Štedionica Brod d.d., Slavonski Brod⁴
10. Štedionica Dora d.d., Zagreb⁴
11. Štedionica More d.d., Zagreb⁴
12. Štedionica Sa-ga d.d., Zagreb⁴
13. Štedionica Sonic d.d., Zagreb⁴
14. Štedionica splitsko-dalmatinska d.d., Split⁴
15. Štedionica Zagišted d.d., Zagreb
16. Štedionica Zlatni vrutak d.d., Zagreb
17. Trgovačka štedionica d.o.o., Zagreb
18. Varaždinska štedionica Kovanica d.d., Varaždin^{4,5}
19. ViD štedionica d.d., Zagreb⁴

Licensed Housing Savings Banks

1. Hrvatska stambena štedionica d.d., Varaždin
2. Prva stambena štedionica d.d., Zagreb
3. Raiffeisen stambena štedionica d.d., Zagreb
4. Wüstenrot stambena štedionica d.d., Zagreb

1 Bjelovarska banka d.d. Bjelovar took over Trgovačka banka d.d., Zagreb and Čakovečka banka d.d., Čakovec on September 1, 2000 and from this date on they operate under the new name.

2 The bank took over Krapinsko zagorska banka d.d., Krapina at the beginning of July 2000.

3 The bank took over Zagrebačka banka – Pomorska banka d.d., Split at the beginning of July 2000.

4 Operating license includes collection of households' foreign exchange savings and exchange operations.

5 The savings bank took over Štedionica Zlatnica d.d., Zagreb on the January 19, 2001.

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. Cassa di Risparmio di Udine e Pordenone S.p.A., Zagreb
3. Commerzbank Aktiengesellschaft, Zagreb
4. Deutsche Bank AG, Zagreb
5. Kreditna banka d.d. Tuzla, Zagreb
6. LHB Internationale Handelsbank AG, Zagreb

Banks and Savings Banks Under Bankruptcy Proceedings

Name of bank/savings bank	Date of bankruptcy proceedings initiation	Name of bank/savings bank	Date of revoking operating license
1. Adria štedionica d.o.o., Zagreb	12/10/2000	1. Alpe Jadran banka d.d., Split	06/12/2000
2. Agroobrtnička banka d.d., Zagreb	14/06/2000	2. Gold štedionica d.o.o., Split	22/03/2000
3. Cibalae banka d.d., Vinkovci	20/10/2000	3. Hibis štedionica d.d., Zagreb	07/03/2001
4. Glumina banka d.d., Zagreb	30/04/1999	4. Investicijsko-komercijalna štedionica d.d., Zagreb	22/03/2000
5. Gradska banka d.d., Osijek	03/05/1999	5. Kaptol banka d.d., Zagreb	07/03/2001
6. Građanska štedionica d.o.o., Karlovac	03/11/1998	6. Marvil štedionica d.d., Zagreb	06.06.2001
7. Hrvatsko gospodarska banka d.d., Zagreb	19/04/2000	7. Štedionica Mediteran d.o.o., Split	22.03.2000
8. Ilirija banka d.d., Zagreb	06/04/1999	8. Zagrebačka štedionica d.d., Zagreb	22/03/2000

9. Invest štedionica d.o.o., Zagreb	30/06/1999
10. Komercijalna banka d.d., Zagreb	30/04/1999
11. Neretvansko gospodarska banka d.d., Ploče	10/05/1999
12. Promdei banka d.d., Zagreb	22/12/1999
13. Razvojna banka "Dalmacija" d.o.o., Split	24/09/2001
14. Štedionica Dugi pogled d.o.o., Zagreb	19/01/2001
15. Štedionica Groš banak d.o.o., Zagreb	23/04/2001
16. Štedionica za razvoj i obnovu d.o.o., Zagreb	02/07/2001
17. Trgovačko-turistička banka d.d., Split	08/09/2000
18. Vukovarska banka d.d., Vukovar	25/02/1998
19. Županjska banka d.d., Županja	03/05/1999

Banks and Savings Banks whose License Was Revoked

Management of the Croatian National Bank

October 1, 2001.

Members of the Council of the Croatian National Bank

Chairman of the Council	Željko Rohatinski
Members of the Council	Boris Vujčić Relja Martić Tomislav Presečan Čedo Maletić Branko Vukmir Alen Belullo Silvije Orsag Branimir Lokin Mate Babić Damir Novotny Sandra Švaljek Božidar Jelčić

Management of the CNB

Governor	Željko Rohatinski
Deputy Governor	Boris Vujčić
Vicegovernor	Relja Martić
Vicegovernor	Tomislav Presečan
Vicegovernor	Čedo Maletić

Executive Directors

Research and Statistics Area	Ljubinko Jankov
Central Banking Operation Area	Adolf Matejka
International Affairs and External Relations Area	Jadranka Granić
Banker Supervision Area	Marija Mijatović
Planning, Analysis and Accounting Area	
Payment Operations Area	
Organization Planning and Information Technology Area	Petar Ćurković
Legal, Personnel and General Services Area	

List of Abbreviations & Symbols

avg.	– average	OTC	– over-the-counter
b.p.	– basis points	o.w.	– of which
CBF	– Child Benefit Fund	PBZ	– Privredna banka Zagreb d.d.
CBRD	– Croatian Bank for Reconstruction and Development	PIF	– Privatization Investment Fund
CBS	– Central Bureau of Statistics	PL	– Poland
CEI	– Croatian Employment Institute	PPI	– producer price index
cent.	– central	Q	– quarterly
CIHI	– Croatian Institute for Health Insurance	res.	– reserve
CLVPS	– Croatian Large Value Payment System	RPI	– retail price index
CNB	– Croatian National Bank	RR	– reserve requirement
consol.	– consolidated	SDR	– special drawing rights
count.	– country	sec.	– securities
CPI	– consumer price index	SI	– Slovenia
CPII	– Croatian Pension Insurance Institute	SITC	– Standard International Trade Classification
CPF	– Croatian Privatization Fund	SK	– Slovakia
CZ	– Czech Republic	soc.	– social
DAB	– State Agency for Bank Rehabilitation and Deposit Insurance	theoret.	– theoretical
DE	– Germany	transit.	– transition
def.	– deficit	util.	– utilities
dep.	– deposit	VAT	– value-added tax
DMB	– deposit money bank	ZIBOR	– Zagreb Interbank Offered Rate
ECB	– European Central Bank	ZMM	– Zagreb Money Market
EMU	– European Monetary Union	WTO	– World Trade Organization
EU	– European Union		
excl.	– excluding		
f/c	– foreign currency		
FDI	– foreign direct investment		
FED	– Federal Reserve System		
financ.	– financing		
GDP	– gross domestic product		
GNP	– gross national product		
gov.	– government		
HICP	– harmonized index of consumer prices		
HR	– Croatia		
HT	– Croatian Telekom		
HU	– Hungary		
ILO	– International Labor Organization		
IMF	– International Monetary Fund		
indebt.	– indebted		
IPT	– Institute for Payment Transactions		
MEFP	– Memorandum of Economic and Financial Policies		
MoF	– Ministry of Finance		
NCEA	– National Classification of Economic Activities		
NCS	– National Clearing System		
NDA	– net domestic assets		
NFA	– net foreign assets		
NUR	– net usable reserves		

Abbreviations for Currency

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

Symbols

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

