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BULLETIN

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General Information on Croatia

Economic Indicators

	1994	1995	1996	1997	1998	1999	2000	2001	2002
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538
GDP ^a (million USD, current prices)	14,585	18,811	19,872	20,109	21,628	19,906	18,427	19,863*	22,436
GDP – annual changes ^a (in %, constant prices)	5.9	6.8	5.9	6.8	2.5	–0.9	2.9	4.4*	5.2
GDP per capita ^{a,b} (in USD)	3,137	4,029	4,422	4,398	4,805	4,371	4,153*	4,477*	5,057
Retail price inflation (in %, end of year)	– 3.0	3.7	3.4	3.8	5.4	4.4	7.4	2.6	2.3
Population ^b (million)	4.6	4.7	4.5	4.6	4.5	4.6	4.4	4.4	4.4
Exports of goods and services (as % of GDP)	49.8	37.1	40.1	39.9	39.5	40.8	47.0	48.5*	47.1*
Imports of goods and services ^c (as % of GDP)	47.4	48.7	49.7	56.6	48.7	49.2	52.1	54.4*	58.2*
Current account balance ^c (as % of GDP)	4.9	–7.5	–4.8	–12.5	–6.7	–7.0	–2.5	–3.7	–8.5*
Outstanding external debt (million USD, end of year)	3,020	3,809	5,308	7,452	9,683	9,878	11,055	11,317	15,392*
Outstanding external debt (as % of GDP)	20.7	20.2	26.7	37.1	44.8	50.1	60.0	57.0*	68.6*
Outstanding external debt (as % of exports of goods and services)	41.6	54.6	66.6	92.9	113.3	122.9	127.6	117.5	145.7*
External debt service ^d (as % of exports of goods and services)	9.0	10.1	9.0	9.9	12.5	20.8	23.3	24.4	26.0
Gross international reserves (million USD, end of year)	1,405	1,895	2,314	2,539	2,816	3,025	3,525	4,704	5,886
Gross international reserves (in terms of months of imports of goods and services, end of year)	2.4	2.5	2.8	2.7	3.2	3.7	4.4	5.2	5.6
Exchange rate on 31 December (HRK : 1USD)	5.6287	5.3161	5.5396	6.3031	6.2475	7.6477	8.1553	8.3560	7.1457
Average exchange rate (HRK : 1USD)	5.9953	5.2300	5.4338	6.1571	6.3623	7.1124	8.2768	8.3391	7.8637

^a Preliminary data for 2002.

^b Data on population in 2000 and 2001 are reported according to the Results of the 2001 Census.

^c Includes changes in the methodology aimed at monitoring the 2002 goods imports at f.o.b. parity.

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

Sources: Central Bureau of Statistics and Croatian National Bank.

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Quarterly Report

Introduction

Croatian real GDP grew by 5.0% in the first half of 2003, led by strong investment demand and a positive contribution from net exports of goods and services. In the same period, consumption growth started to decelerate slowly, and government purchases of goods and services almost stagnated.

Preliminary indicators of the third quarter suggest a continuation of rapid economic growth, but with some moderation in growth rates in industrial production and domestic trade turnover. Year-on-year industrial production growth fell to 3.4% in the third quarter from 6.9% in the second quarter. Real trade turnover grew 5.6% year-on-year in the first nine months, well below last year's growth rates. Automobile sales in particular slowed down in the third quarter. Year-on-year growth of the construction work index, measured in the working hours of construction workers at building sites, dropped from the very high level of 28.7% in the second quarter to a still substantial 21.8% in July and August.

Rapid economic growth has also resulted in increased employment and decreased unemployment. According to the Labor Force Survey, which uses the methodology of the International Labor Organization and therefore is the most appropriate data for international comparisons, unemployment fell to 14.1% in the first half of 2003. This represents a 1.1% decrease compared to same period last year. The survey also confirmed that employment increased during the first half of 2003. Data from the Croatian Employment Institute (CEI), which is available with a much shorter time lag but suffers from some methodological weaknesses, shows increasing employment continuing through the first eight months of 2003, as well as decreasing unemployment. However, starting in September 2003, unemployment as measured by the CEI has increased again, in keeping with the usual seasonal dynamics.

After an uptick at the beginning of 2003 due to decreases in taxes on labor income, net real average wage growth moved downward again in the third quarter, growing only 2.9% year-on-year. The only economic sector experiencing notably higher wage growth has been construction. In light of the extremely high growth rates in this sector, higher wage growth comes as little surprise. At the same time, industrial productivity grew at a rate of 9.5% year-on-year in the third quarter, offering some hopes of improved industrial competitiveness.

High productivity growth and low overall wage growth suggest the continuation of a benign inflation climate. As of October, retail price inflation was 1.5% year-on-year, some 0.6 percentage points below the level recorded a year ago. Core inflation, which excludes volatile energy prices and prices subject to government regulation, was even lower at 1.0%. Although refined petroleum products prices rose during July and August by 1.7% and 4.4% respectively, they fell again in September and October by 1.0% and 1.4% respectively. In the end, there was little impact on inflation in Croatia.

The kuna depreciated by 1.11% against the euro during

October and November, and in fact stood 3.01% weaker at the end of November 2003 than a year before. This moderate depreciation has not resulted in inflationary pressures. Depreciation pressures are common in the fall months, after the foreign exchange inflows from the tourist season end. The Croatian National Bank did intervene on the foreign exchange market once, on November 19, selling EUR 60m to banks with the aim of moderating the depreciation. Overall, in the first nine months of 2003, the real effective exchange rate of the kuna (producer prices) has actually appreciated by a very slight 0.97%, as depreciation against the euro has been offset by appreciation against the US dollar.

During 2003, the CNB has adopted measures to limit loan growth and a somewhat restrictive monetary policy stance. These policies aim at decreasing the current account deficit and limiting foreign borrowing. During the first ten months of this year, bank loans to the non-government, non-financial sector grew by 11.2%, far below the 27.3% observed in the same period last year. This suggests that lending will not exceed the 16% goal set by the CNB. Loans to households grew 23.5% in the first ten months of 2003, and loans to enterprises only 1.5%. However, it is clear that total credit available to enterprises grew rather more than this, if account is taken of increases in leasing, direct foreign borrowing by enterprises, and accelerated loan write-offs by banks.

Tighter monetary policy can be seen in lower growth rates of the main monetary aggregates. At the end of the third quarter, the broadest monetary aggregate, M4, had grown by 12.7% year-on-year, far below the 42.5% growth seen in the same period last year. The narrower M1 aggregate grew at an identical rate of 12.7%. In addition, the central bank increased the share of the reserve requirement on foreign exchange liabilities that must be kept in kuna from 35% to 40% in November, and to 42% in December. These increases, following the increase from 25% to 35% that took effect in September, were intended to offset the effects of the CNB's purchases of much of the foreign exchange proceeds received by the government from the privatization of INA.

The current account balance has improved somewhat in 2003 relative to 2002. According to preliminary data, a surplus of some USD 2bn was recorded in the third quarter. The surplus was mainly the result of a USD 1.7bn or 71.3% increase in tourist income. The exceptionally strong tourism receipts made up for the merchandise trade deficit, which grew to USD 2.1bn in the third quarter. It should be noted that these dollar figures are influenced by the nearly 20% fall in the dollar's value during 2003.

Also, when speaking about the current account data, it is important to mention that the CNB, in continuing efforts to improve the methodology of balance of payments compilation, has made two important revisions. First, based on a new survey regarding the import component of the transportation and insurance costs of international trade, the relationship between c.i.f. and f.o.b. parities has been revised. The new factors are quite similar to those used in neighboring countries, and have resulted in substantial increases in imports in 2002 and 2003. Second, in an attempt to better capture the composition of tourist spending, the CNB has implemented a

new system of weighting tourist expenditure by the country of origin of visitors. This weighting system results in somewhat more conservative and, we believe, more accurate estimates of total tourist expenditures. The CNB will continue to work on improvements of tourist expenditure methodologies, and will continue its policy of revising the data when such improvements become available in the future.

Despite all these methodological changes, it is still possible to analyze important trends. Regarding merchandise trade, total exports in constant US dollars grew 9.9% year-on-year in the first nine months of 2003. Exports of ships, electrical machinery, apparatus and equipment, oil and oil products, clothing, sugar, sugar and honey products, and natural and industrial gas all made substantial contributions to export growth. Although export growth was lower in the third quarter than in the second quarter, it remained higher than in third quarter of 2002.

During the first nine months of 2003, imports at constant exchange rates grew 14.6%. While this rate exceeded export growth, it represented a decrease of 4.2 percentage points compared to the same period of 2002. Imports of automobiles continue to play a key role in import growth. Their value at constant exchange rates increased by 20.3% year-on-year in the first nine months of 2003. But quarterly growth rates have slowed, with the third quarter auto sales growth reaching 4.3% year-on-year. This was reflected in decreased retail sales growth rates, since auto sales are a substantial fraction of total retail sales.

Despite these somewhat improved developments on the current account, the external debt continues to grow. At the end of October 2003, it reached USD 20.8bn, 35.4% more than at the end of December 2002. The external debt of the banking sector and of foreign direct investment firms grew more rapidly than the overall external debt. But the external debt of government and of enterprises also grew significantly, 25.1% and 34.5% respectively in current dollar terms. These rates of growth exceed the change in the kuna/dollar exchange rate, indicating that these sectors increased their external debt by USD 2bn or 19.6% on the basis of net transactions (cross-currency changes excluded) compared to end-2002.

The most effective way to limit the external debt would be to reduce government foreign borrowing. This would require greater reliance on domestic sources of financing and/or decreases in the overall deficit. However, during 2003, the government increased its reliance on foreign financing sources. And, after substantial progress was made in decreasing the deficit of consolidated general government in 2002 to 4.5% of GDP, the deficit in 2003 is expected to come in essentially unchanged at 4.7%.

After weak tax revenues in the second quarter, tax revenues recovered in the third quarter. However, tax revenues did not recover as much as the strong data on tourist revenues might suggest. Consolidated general government revenues were up by 3.8% year-on-year in the first nine months of the year. Consolidated general government expenditures were roughly within targeted levels, growing some 9.2% year-on-year in the same period. Capital expenditures are ex-

pected to slow down in the fourth quarter, as colder weather slows the pace of highway construction.

At 51.2%, the government's debt, including guarantees, remains well below the 60% maximum set in the EU's Maastricht Treaty. However, during 2003, more than half of the deficit was financed from foreign sources, including EUR 500m worth of eurobonds issued in February and JPY 25bn worth of Samurai bonds (roughly USD 210m) issued in June. The proceeds of the 100 million USD tranche of the World Bank's Structural Adjustment Loan in November were deposited in the Ministry of Finance's account at the CNB. The privatization of 25% of the shares of Croatia's oil company, INA, brought in USD 505m.

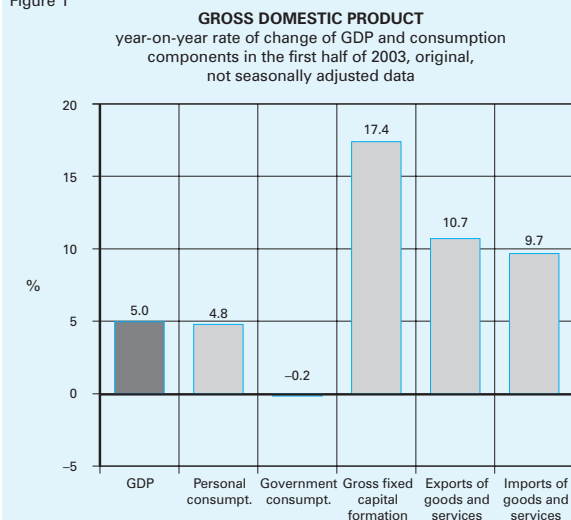
Demand

The first half of 2003 saw a continuation of the strong economic activity from the end of the previous year with a 5.0% rise in real GDP compared with the same period in 2002. The main generator of such developments was a heightened investment activity paralleled with an increase in foreign goods and services trade. In the third quarter of 2003, the growth of foreign demand continued, with a slowdown recorded in certain components of domestic demand.

Foreign Demand

The main characteristic of the foreign goods and services trade developments in 2003 compared with the previous year was stronger exports and a continued growth of imports. It is worth mentioning that favorable developments in the Croatian exports coincided with a weak economic activity in the external environment. Thus, the Economic and Monetary Union (EMU) saw an economic stagnation in the last quarter of 2003, while in the first two quarters of the year a slight slowdown in GDP was recorded at the quarterly level. This trend was apparently reversed in the third quarter, when, ac-

Figure 1



Source: CBS.

cording to the first Eurostat estimates, GDP in all EMU Member States rose by 0.4% compared with the previous quarter.

A strong economic growth in Croatia in 2002 was induced by a great domestic demand paralleled with a pronounced negative impact of foreign demand. Such developments slowed down in 2003. Thus, given the weakened domestic demand and reduced negative trends in foreign demand, the impact of net foreign demand on GDP growth in the first half of 2003 was only slightly negative. In this connection, a small positive contribution of foreign demand to GDP growth was recorded in the first quarter, while in the second quarter this contribution was negative. Such indicators were contrary to the expectations based on the preliminary balance of payments data, which pointed to a strong contribution of foreign demand to economic growth.

According to the quarterly GDP estimate, goods and services exports rose by 14.3% in real terms in the first quarter of 2003 compared with the same period in 2002, with a stron-

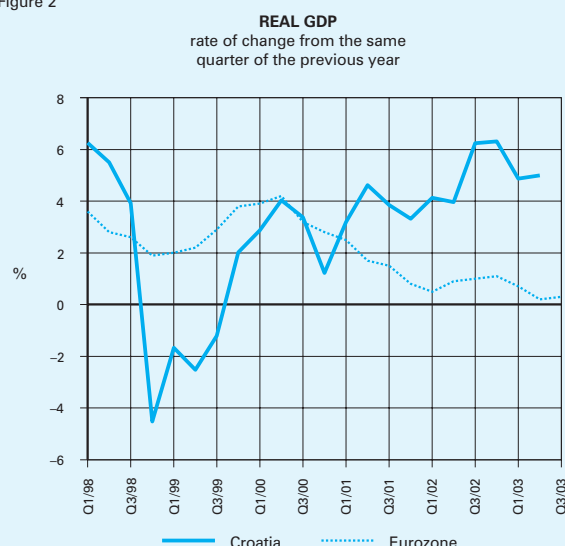
ger growth recorded in exports of goods than in exports of services. In the second quarter, real growth slowed down to 8.1%, which is attributed to a stagnant goods exports and a strong growth of services exports, induced by an increase in revenues from tourism and transport services. These developments were less pronounced than the trends in the balance of payments, which is elaborated in Box 2.

In the first and the second quarter of 2003, the strong growth of imports continued at a slower pace than in the second half of 2002. These trends suggest that the weakened domestic demand also contributed to a slight decline in imports. According to the quarterly GDP estimate, the real annual growth of goods and services imports was 10.3% and 9.1% in the first and second quarters respectively. This was the result of an extremely strong growth of goods imports, while services imports declined.

Domestic Demand

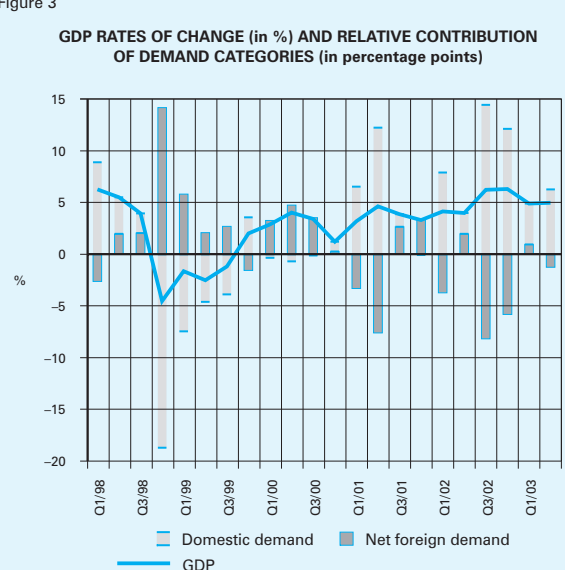
As already mentioned, the first half of 2003 saw a slowdown in domestic demand following its extremely high growth in the second half of 2002. However, different developments were observed in individual components of domestic demand in the first half of 2003. Thus, the upward trend in final consumption slowed, as a result of a weakening personal consumption, while gross capital formation was marked by great leaps in inventories, which include both the changes in inventories and a statistical discrepancy.¹ In the first half of 2003, the change in inventories was smaller than in the same period in 2002 and it contributed to a slowdown in gross capital formation. The strong growth of gross fixed capital formation continued at an even faster pace compared with the previous year. Owing to this, gross fixed capital formation had an increasingly strong impact on GDP formation.

Figure 2



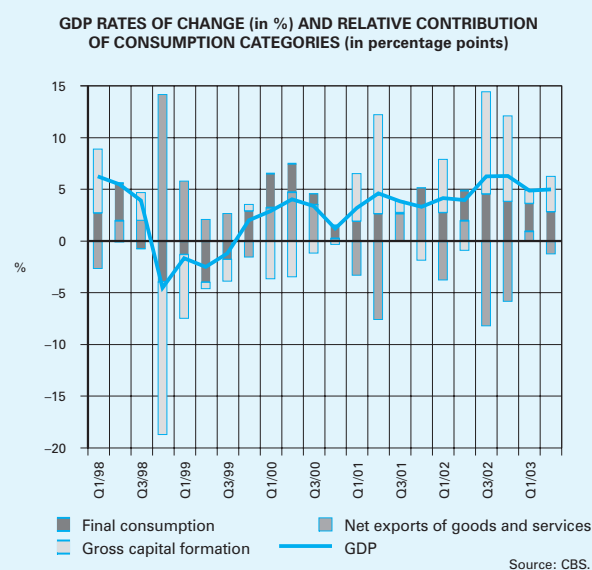
Sources: CBS and Eurostat.

Figure 3



Source: CBS.

Figure 4



Source: CBS.

1 A statistical discrepancy represents the difference between GDP calculations made by the expenditure and production methods.

Box 1: Final Annual Calculation of Gross Domestic Product for 2001

The Central Bureau of Statistics (CBS) makes and publishes gross domestic product (GDP) estimates by expenditure category and by industrial grouping. The calculation is made on the basis of current and constant prices. The first step includes the publishing of a quarterly GDP estimate and, after a longer period of time, the final annual GDP calculation is published. Both the quarterly and annual calculations rely on the same principles, but the quarterly calculation is less reliable due to a smaller number and a narrower scope of data, and therefore it only mirrors the trends in GDP. At the time of the annual GDP calculation additional data are provided, which are only available at the annual level (e.g. annual financial statements of entrepreneurs) and they ensure a more accurate estimate of economic developments and GDP level. The importance of a quarterly calculation lies in its faster and more frequent disclosure of the assessed GDP outturn, while the annual calculation provides more reliable data but with a time lag of sometimes more than a year.

The CBS's statistical yearbook for 2003 contains the final annual GDP calculation for 2001, which differs from the assessed GDP outturn for 2001 obtained by a quarterly calculation. It was established that in 2001, GDP amounted to HRK 165.6bn or HRK 2.7bn above the amount obtained by a quarterly GDP estimate. The higher nominal level of the realized GDP is also reflected in higher growth rates. Thus, the real annual rate of GDP growth in 2001 increased from 3.8% (in the quarterly calculation) to 4.4%. The change was also made in the implicit deflator, where the annual rate of change went up from 2.9% to 4.0%.

The new value of annual GDP for 2001 will also induce changes in the quarterly GDP estimate for the quarters of the years 2001, 2002 and 2003. In this connection, GDP level in all the four quarters of 2001 must be adjusted with the final annual calculation. As concerns the growth rates in the years following 2001, it is assumable that the growth rates related to the quarters of these years will remain unchanged, given that the quarterly GDP calculation reflects the estimated trend in GDP change. This will have a direct impact on the linear increase in the estimated nominal GDP realized in 2002 and 2003.

According to the final annual calculation, gross value added realized in 2001 was HRK 1.9bn above that obtained by the quarterly calculation, while taxes on products reduced by subsidies increased by HRK 0.8bn. In 2001, the strongest growth of gross value added (16.6% in real terms) was recorded in trade, which considerably exceeded the previous quarterly estimate (10.6%). The second fastest growing activity was transport, storage and communication, which recorded an 11.5% growth of gross value added in 2001 compared with the previous year. An above-average real growth of gross value added was also observed in mining and quarrying, other social services and private households. In contrast to this, gross value added in public administration, defense, education and health care declined a little or stagnated compared with the previous year.

The final annual GDP calculation by expenditure category shows that larger adjustments were made in domestic demand than in foreign demand. In this connection, negative adjustments were made in government consumption and investment and positive in the change in inventories. Thus, in 2001, government consumption decreased by 6.2% in real terms according to the annual calculation and by 4.3% according to the quarterly calculation. Adjustments were also made in gross fixed capital formation, where the real annual growth rate decreased from 9.7% to 7.1%. Personal consumption remained almost unchanged, while slight adjustments were made in foreign demand. The real growth of goods and services exports decreased from 8.7% to 8.1%, while imports rose from 9.3% to 9.8%. These changes resulted in a stronger negative contribution of net foreign demand to GDP growth, which, consequently, participated with -1.4 percentage points in GDP growth rate of 4.4% in 2001. The most significant adjustment was made in the 'change in inventories', which includes statistical discrepancy. As most expenditure categories decreased in the final annual calculation, the increase in inventories remains the only category, which contributed to the 4.4% growth of real GDP. In the 'change in inventories', negative values turned to a positive growth, which resulted in a large (3.2 percentage points) positive contribution of the change in inventories to real GDP growth. In the 'change in inventories' category it is not specified which portion relates to the actual change in inventories and which to statistical discrepancy resulting from a difference in the results of GDP calculation made by the production and the expenditure method.

Personal Consumption

The economic developments in 2002 were marked by a strong growth of personal consumption, which made the largest contribution to GDP growth. However, this growth slowed down a little in early 2003, resulting in a 4.8% increase in personal consumption in the first half of the year compared with the same period in 2002. Considering the largest share of personal consumption in gross domestic product of approximately 60%, its contribution to GDP growth remained substantial, although smaller than in 2002. Thus, in the first half of 2003, personal consumption participated with 3.0 percentage points in the real GDP growth rate.

The available indicators of personal consumption in the third quarter of 2003 point to its pronounced slowdown during the year. This is primarily reflected in a reduced real turnover in overall trade over the summer months (adjusted for seasonal influences). In addition to this, a sharp slowdown was recorded in real retail trade turnover. Thus, in the third quarter of 2003, real retail trade turnover remained at approximately the same level as in the third quarter of the previ-

ous year, with a 6.5% growth recorded in the first half of 2003 compared with the same period last year. This slowdown in consumption is partly related to a reduced turnover in the sale, maintenance and repair of motor vehicles that has been observed since the beginning of the second quarter of 2003, with a substantial increase in turnover in the sale of foodstuffs.

The slowdown in personal consumption was also reflected in a slower growth of consumer goods imports following a boom in 2002, particularly at year-end. Thus, in the first nine months of 2003, imports of durable consumer goods rose by 10.8% in nominal terms (measured in kuna) and of non-durable consumer goods by 9.5%. A significant slowdown was observed in imports of durable consumer goods. The purchase of passenger vehicles also trended downwards. Thus, imports of road vehicles have slowed down since mid-2003, following a strong growth at the beginning of the year, which outdid the growth in 2002.

The trends in the sources of personal consumption financing also reflect a decline in personal consumption, which was particularly pronounced in the second quarter. It can be concluded that, following the CNB's decision (adopted in the first

Figure 5

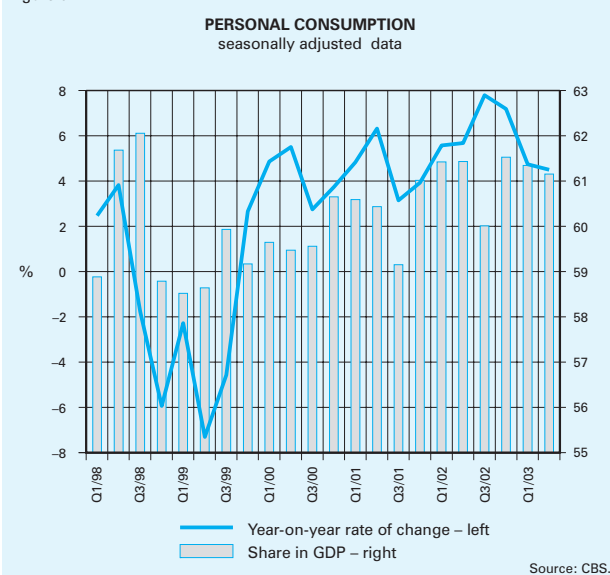


Figure 7

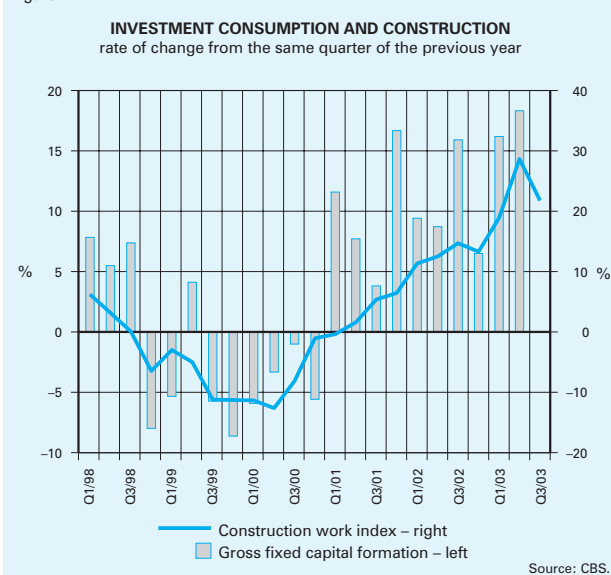
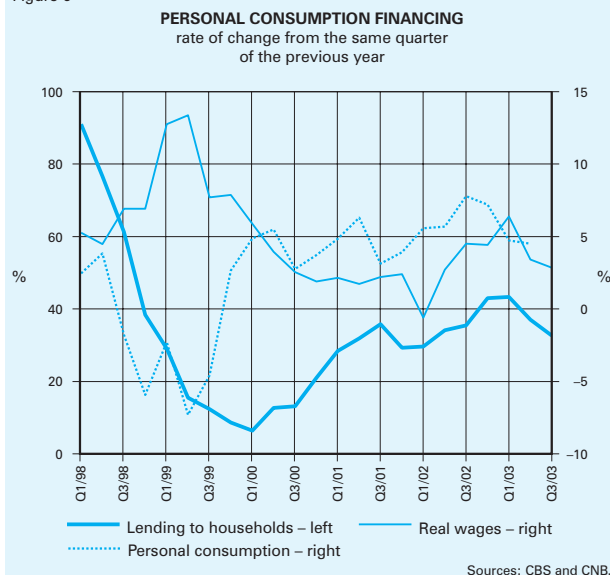


Figure 6



quarter of 2003) on limiting the growth of bank placements to 16% in 2003, household crediting started to decline in the second quarter and continued its downward trend in the third quarter, which caused difficulties in financing a booming personal consumption and resulted in its decline. Similar trends were perceived in regular sources of financing, where the growth of real net wages slowed down. The real annual growth rate of net wages paid dropped from 6.4% in the first quarter to 3.4% and 2.9% in the second and third quarters respectively. The higher growth of net wages paid in 2003 compared with the previous year can be partly attributed to the tax reform, but there was no other significant increase in wages to finance the stronger growth of personal consumption.

Investment Consumption

The main generator of economic developments in 2003 was an exceptionally strong investment activity, primarily in

construction. The strongest impetus was provided by a substantial investment in road infrastructure but also in residential construction. Since both of these projects have partly been based on the government incentive, they represent government investment.

Investment activity has gradually heightened since the beginning of 2003, reaching its peak at the end of the second quarter. Gross fixed capital formation rose by 16.2% in the first quarter compared with the same period last year and grew additionally in the second quarter, so its annual growth rate was 18.3%. In the first quarter, investment growth was partly stimulated by a growth in construction, which was partly attributable to the stronger imports of equipment. In March, owing to a more favorable weather conditions, road construction activities heightened and continued even more intensely in the following months. This was aimed at opening to traffic some motorway sections before the beginning of the main tourist season. Therefore, the construction activity peaked at the end of the second quarter, while a mild slowdown began in July and August compared with the exceptionally strong trends in the previous period. However, even in the summer months of 2003, investment activity remained at a much higher level compared with the same period last year, which points to a strong annual growth of gross fixed capital formation, although somewhat weaker than in the second quarter.

The intense construction activity partly influenced the growth of imports of machinery and equipment. However, imports of electrical machinery, apparatus and equipment, as well as of various general-purpose and branch-specific industrial machinery grew much slower than last year. No significant increase was recorded in the domestic production of equipment and machinery either, so that the strong growth of gross fixed capital formation was mainly induced by an intense construction activity.

Government Consumption

The decline in government consumption, observed in the

Box 2: Exports of Services in the Context of National Accounts and Balance of Payments

The data for the assessment of gross domestic product developments are obtained from various sources, primarily the Central Bureau of Statistics (CBS), where GDP calculations are made, but also from some external sources like the Ministry of Finance, Croatian National Bank (CNB) or Financial Agency (Fina). Here we will discuss the problems arising from discrepancies in the statistical data provided by various sources.

The data collected and published by the CNB are used for gross domestic product compilation by expenditure approach. According to this approach, gross domestic product represents the sum of all expenditure categories, i.e.: household consumption, consumption of non-profit institutions, government consumption, investment consumption and net exports and imports. The calculation begins with an estimation of GDP at current prices, which is based on the data on the developments in the above mentioned expenditure categories expressed in market prices. The inputs used include the CNB data representing the estimates of individual subcomponents of goods and services imports and exports. The value of GDP by expenditure approach at constant prices is then determined by deflating the disaggregated expenditure categories by the appropriate price indices.

The CNB data used for GDP calculation are collected on the basis of statistical surveys conducted for the purpose of balance of payments compilation and, indirectly, for GDP compilation. The value of imports and exports of goods is estimated from the data obtained through the CBS surveys of foreign goods trade, while the estimation of the value of foreign services trade is made by using the data collected through CNB statistical surveys. Consequently, for the purpose of foreign goods trade estimation, the CBS data on foreign goods trade are also included in the GDP calculation by expenditure approach, while the services trade estimation is made on the basis of the CNB data. Moreover, GDP compilation also includes various adjustments of the data on goods imports and exports,² which are estimated by the CNB for the purpose of balance of payments compilation.

Apart from being used directly, i.e. for the estimation of net exports, the CNB data are used for the estimation of other expenditure categories. Thus, in GDP calculation made by the expenditure method the final household consumption is estimated as the total final consumption of residents in the country and abroad, reduced by the consumption of non-residents in the country. Specifically, personal consumption in Croatia is estimated as follows:

- total consumption in the country is estimated on the basis of the data on retail trade and services rendered in transport, telecommunications and catering,
- this is increased by the consumption of residents abroad, estimated by the CNB for the purpose of balance of payments compilation,
- and decreased by the consumption of non-residents in Croatia, estimated by the CNB for the purpose of balance of payments compilation.

Accordingly, both the developments in net exports reflected in the balance of payments and the developments in net exports recorded in GDP by expenditure approach should follow the same trend. These developments are not always identical, for which there are several explanations. Firstly, there is a difference between the fre-

quency of data publication and adjustment of data in the process of balance of payments compilation and the frequency of GDP compilation. At each publication of the quarterly balance of payments, historical data are adjusted with the most recent data to achieve better comparability and accuracy. However, this results in considerable changes in published data. Secondly, in the quarterly GDP calculation data related to the previous periods are not adjusted with the latest available data. Thus, contrary to a continuing data adjustment used in the balance of payments compilation, in GDP calculation only the last quarter developments are estimated, while the data for the previous periods are not adjusted with the most recent data. The previously published data on the quarterly GDP developments are only adjusted in the final annual calculation, which lags behind the estimate of GDP developments for the last quarter of the relevant year by one to two years.

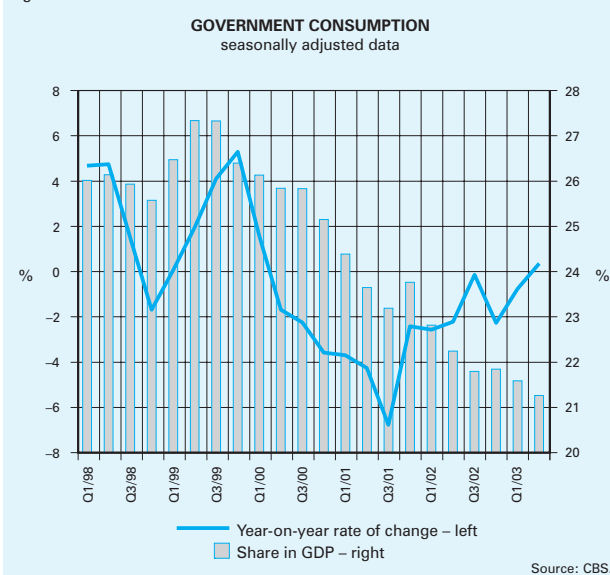
Besides these methodological differences, the disparity in the data on individual economic categories between the national accounts and balance of payments is sometimes the result of subjective circumstances. Thus, experts may sometimes assess that certain data cannot be used for the estimation of a certain economic value. This may be due to various reasons, but most frequently due to inconsistency of data caused by various structural breaks in data series. These breaks may result from methodological changes, which obstructs monitoring the change in a certain value compared with the same period in the previous year, as these two values have become incomparable. In addition, a doubt may arise about the credibility of data in the cases when they seriously depart from the alternative indicators, which help in recognizing certain trends.

In the quarterly gross domestic product calculation for the second quarter of 2003, there is a great disproportion between the magnitude of the change in goods and services exports and the trends in the balance of payments. According to the preliminary balance of payments data, goods and services exports amounted to HRK 22.4bn in the second quarter of 2003, 15.4% more in nominal terms than in the same period last year. Goods exports stagnated, while services exports rose significantly, which was particularly reflected in a strong growth of revenues from tourism. At the same time, the growth of imports was half so strong as the growth of exports. However, the quarterly GDP estimate for the second quarter of 2003 did not include the complete preliminary balance of payments data. Thus, the quarterly GDP estimate for the second quarter included the nominal growth of goods and services exports of only 8.9%, while the developments in imports correspond with the balance of payments data. The difference in the data on the trends in exports between the national accounts and balance of payments results from different values of services exports. In the national accounts the CNB data have been adjusted by reducing the estimated growth of revenues from tourism by almost a half. This was done in order to reduce the impact of an exceptionally strong growth of foreign demand on the final GDP calculation and to curb its indirect negative influence on personal consumption. While the CBS gave no explanation as to the method of the services exports estimation and the factor by which the CNB data have been reduced, it is assumable that the decision was made on the basis of other indicators of trends in tourism (the number of tourist arrivals and nights, turnover in catering and trade turnover in tourist destinations). The same results can be expected for the third quarter, as the balance of payments data point to an even stronger growth of revenues from tourism (53,0% expressed in HRK), compared with the same period last year, than in the second quarter (40.2%).

2 The CBS data on goods exports are adjusted for coverage (repairs of goods and the value of goods purchased by non-residents in Croatia), while the data on goods imports are adjusted for coverage (imports into free zones

and ports, repairs of goods and the value of residents' consumption abroad) and for classification (adjustments related to c.i.f./f.o.b. parities). For more details see Box 4.

Figure 8



previous three years, continued in early 2003, but at a slower pace. Thus, in the first half of 2003, government consumption decreased by as little as 0.2% in real terms compared with the same period last year, while a slight increase in consumption was observed in the second quarter. As a result, the negative contribution of government consumption to GDP growth was reduced and brought down to approximately zero in the first half of 2003.

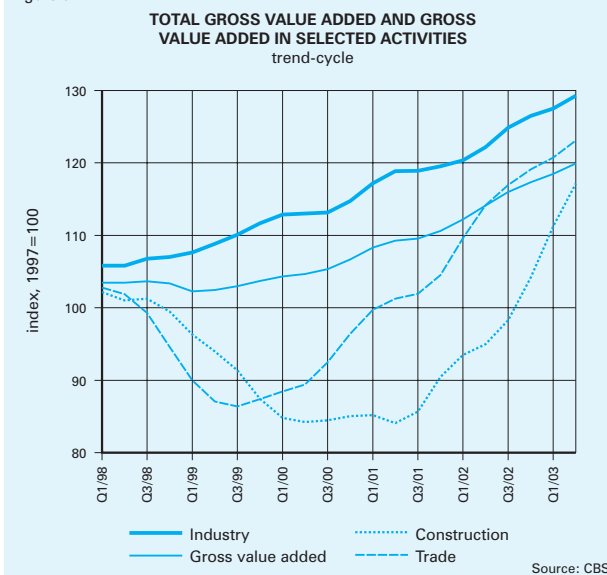
The real indicators of the final government consumption are the Ministry of Finance data on the expenditures of the consolidated central government. They are contrary to the data included in GDP calculation and point to a growth of government consumption. According to these data, the central government expenditures on goods and services, which represent the final government consumption, rose by 7.3% in nominal terms in the first half of 2003 compared with the same period last year. In real terms, i.e. adjusted for the growth in prices and change in employment, they point to a real growth of government consumption rather than its slight decline or stagnation. In the third quarter, the trend was partly reversed, with a decrease in government expenditure on goods and services and a continuation of the high expenditure on wages induced by growing expenditures on severance payments to the employees of the Ministry of Defense.

Output

In the first half of 2003, gross value added rose by 5.4% compared with the same period last year. Stronger developments were recorded in the second quarter, which saw a 5.8% annual growth of gross value added. Such a marked growth in the second quarter was only achieved in the gross value added included in GDP calculation made by the production method,³ while the growth of gross domestic product

³ Gross domestic product calculated by the production method represents a total of gross value added in all activities increased by taxes and reduced by grants.

Figure 9



was lower (5.0%). The relationship between gross value added and GDP is determined by the level of tax on products reduced by state grants. Therefore, due to a high estimated level of state grants gross domestic product grew slower than gross value added. In the first quarter of 2003, there were no significant changes in net taxes and grants, so that gross domestic product followed the trends in gross value added.

The analysis of the growth of gross value added in individual activities shows an exceptionally strong growth in construction in the first half of 2003. Favorable trends also continued in other activities, which grew in 2002, especially industry, where a slight upturn was recorded in the first half of the year. In contrast to these positive developments, a two-year stagnation in public and social services continued. Apart from this, agriculture, which was exceptionally strong in the second quarter of 2003, recorded a sharp decline in gross value added owing to a long draught. As agriculture accounts for somewhat less than 10% of the total estimated gross value added, the fall recorded in the first half of this year made a large negative contribution of 0.4 percentage points to the 5.4% annual growth of total gross value added.

Indicators of gross value added in the third quarter of 2003 point to its slowdown compared with the previous quarter, which was primarily reflected in a decreased production in industry and a slower growth of trade turnover. A slight downward trend was also observed in construction, yet the level of activity in this category was still well above the average in other economic activities. This will continue to have a strong impact on the growth of total gross value added, despite the relatively small share of this activity and its gross value added in the total gross value added in all activities.

Industry

The first half of 2003 saw an exceptionally strong growth of gross value added in industry, which includes all the three areas of industrial production (mining and quarrying, manufacturing as well as electricity, gas and water supply), with a

year-on-year growth rate of 6.3%. Given the large share of industry in the overall economy (it accounts for almost one third of the total gross value added), this sector made the largest contribution to the growth of total gross value added. These developments were particularly pronounced in the second quarter, when a strong upward trend was observed in industrial production.

In the first half of 2003, total volume of production in industry followed the developments in gross value added. After a somewhat slower growth in the first quarter, the sharpest rise in the industrial production index was recorded in April, which was followed by a slight slowdown in May and June. However, the second quarter saw the strongest growth of production in 2003, with a 6.9% annual growth of the industrial production index. A slowdown in industry was observed in all months of the third quarter, with a 0.2% average growth of production at the monthly level. As a result, the annual growth rate of industrial production also decreased to 3.4% in the third quarter, which suggests that the annual growth rate of gross value added in industry was half as high as in the previous quarter. Industrial production rose by 1.2% in October compared with September. However, due to a high production level in October 2002, the annual growth rate was as low as 2.3%. Similar developments can be expected in the last two months of 2003, with a continuing slowdown in gross value added in industry.

A slowdown in industrial production was also observed in some transition countries, reflecting unfavorable economic developments in the European Union. Figure 10 shows that industrial production in the presented countries followed similar upward and downward trends. Naturally, differences still exist, so that in late 2002 and early 2003, Croatia and Slovakia recorded a faster growth of industrial production despite the downward trends in the European economy. However, as early as in the second quarter of 2003, signs of a downturn were observed in these countries, too, so that their industrial production approached the trends in other countries.

The industrial production developments in Croatia were

different in each individual industrial activity. Thus, production in manufacturing and electricity, gas and water supply followed the overall industrial production trends, with much less favorable developments in mining and quarrying. Within the main industrial groupings, the strongest growth was recorded in the industrial production of non-durable consumer products, while production of capital goods declined.

Mining and quarrying was the only industrial activity, which trended downwards in 2003. In the first nine months, total production in mining and quarrying rose by as little as 2.9% compared with the same period last year, with the poorest results recorded in the second quarter of 2003. There were two reasons for that: a decline in production in extraction of crude oil and natural gas and a slowdown in mining and quarrying. Extraction of crude oil and natural gas saw a significant fall in production in the first half of the year, but it recovered in August and September and stagnated in October. However, due to a decline recorded in the first half of

Figure 11

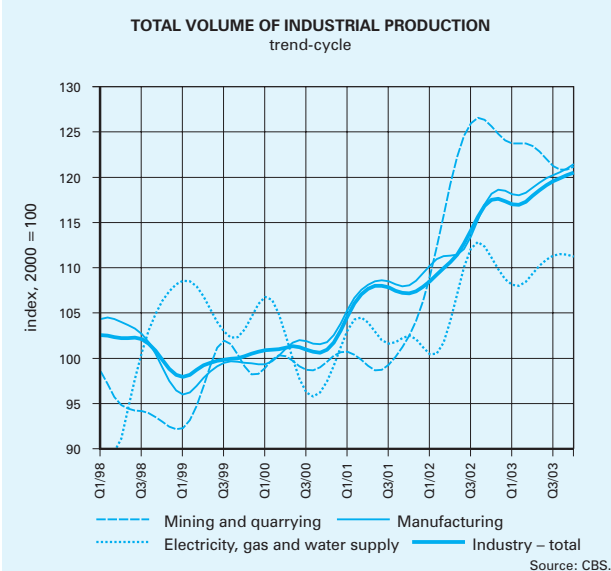


Figure 10

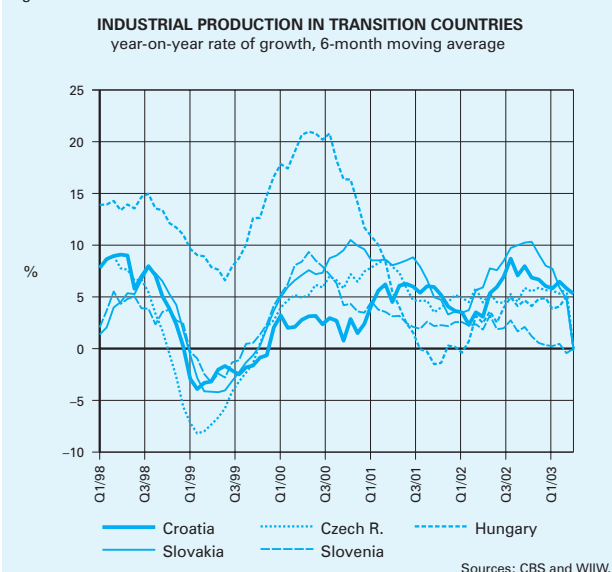
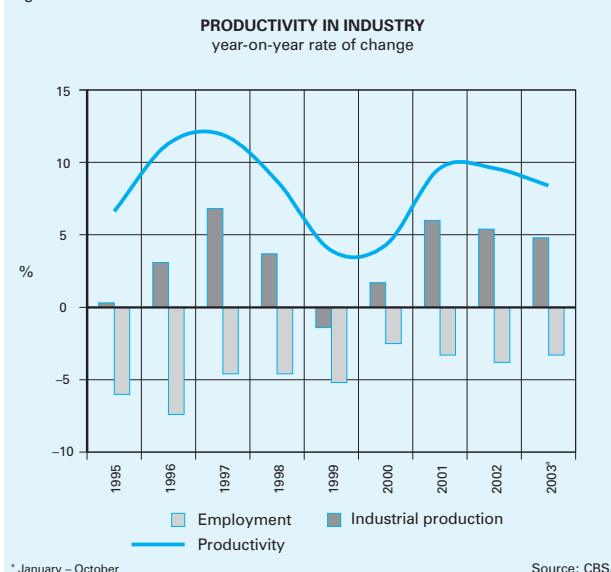


Figure 12



2003, production in this division decreased in the first ten months compared with the same period in 2002. The developments in mining and quarrying were strongly influenced by a heightened road construction activity, which resulted in a sizeable growth of production in this division slowing down towards the year-end. Given the marked increase in mining and quarrying during the summer months in 2002, the decline in production recorded in 2003 can be partly attributed to the effects of the base period.

Following exceptionally strong developments in early 2003, electricity, gas and water supply also saw a downturn in production at mid-year, which continued towards the end of the year. Thus, in the first ten months, energy supply rose by 4.5% compared with the same period last year, with a strong growth recorded in January and February, followed by a downturn in energy supply in September and October.

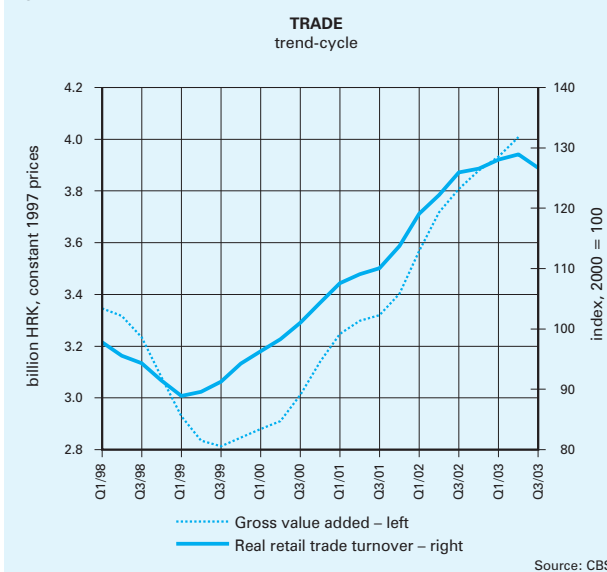
The strongest growth of production in manufacturing, which accounts for the largest share in overall industrial production, was achieved in the second quarter. This was followed by a slowdown in production and, consequently, a reduced production in overall industry. Following a decline over the summer months, production stagnated in September, but went up slightly in October. Thus, in the first ten months of 2003, production in manufacturing rose by 5.2% compared with the same period last year. The largest contribution to production growth was made by the manufacture of food and beverages, publishing and printing and manufacture of fabricated metal products. In addition to this, production increased significantly in a number of minor divisions, e.g. manufacture of radio, television and communication equipment and apparatus, manufacture of electrical machinery and apparatus and recycling. In the same period, nine out of 23 divisions recorded a decline in production, and the largest negative contribution to the growth of production in manufacturing was made by manufacture of chemicals and chemical products and manufacture of other transport equipment (ships). In addition to this, a decline in production was recorded in all divisions of textile industry.

Total volume of production in overall industry increased by 4.8% in the first ten months of 2003 compared with the same period last year. This was paralleled by a continuing decline in employment, which, together with the growth of production, affects the increase in productivity. Thus, in the first ten months of 2003, productivity rose by 8.4% compared with the same period last year.

Trade

In the previous two years, trade turnover grew exceptionally fast owing to the expansion of numerous chains of stores throughout the country, which stimulated price competition and led to the fall of sales prices owing to reduced margins. The effects of such developments have lessened owing to a decreased activity in trade. Gross value added in overall trade increased by 8.9% in real terms in the first half of 2003 compared with the same period in 2002, while in the previous years, gross value added in trade grew at annual rates higher than 10.0%. However, it should be emphasized that the

Figure 13



growth rate of gross value added in trade is still very high and is the second highest rate after that in construction. Employment in trade is still growing, but at a slower pace than in the previous years.

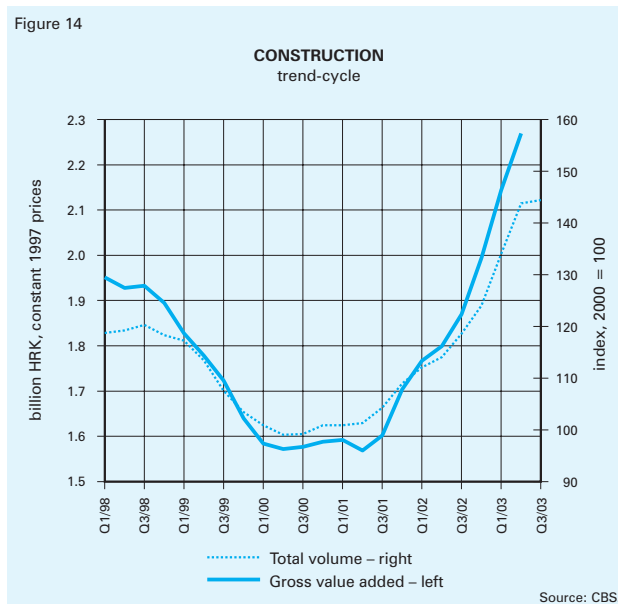
A slight slowdown in retail trade turnover over the first half of 2003 was followed by a decline in the summer months compared with the previous year. As a result, the moderate growth in September was insufficient to raise the activity at the annual level, so the third quarter of 2003 saw a decline in overall retail trade turnover compared with the same quarter last year. The strongest impact on the fall in turnover during the summer months was made by reduced sales of motor vehicles. Turnover in shops engaged in the sale, repair and maintenance of motor vehicles has trended downwards since April compared with the same months last year, with the sharpest fall recorded in July and September 2003. These developments point to a reduced expenditure on the purchase of passenger vehicles, following an upsurge in early 2003, which followed the trends from the previous year.

In the first nine months of 2003, the overall trade turnover rose by 5.6% in real terms compared with the same period in 2002. The real turnover in retail trade grew somewhat slower than in overall trade, which can be an indication of a further slowdown in personal consumption.

Construction

Like in the previous year, construction was the fastest growing activity in 2003. Given the strong impact of seasonal factors on this activity, it began to expand in March, as a result of improved weather conditions, and further intensified in the second quarter. The strongest growth of construction works was recorded in the second quarter as the result of accelerated works on certain highway sections, which had to be completed before the beginning of the main tourist season. Owing to such developments gross value added in construction rose by 20.5% in real terms in the first half of 2003 compared with the same period last year.

Figure 14



The described trends primarily resulted from construction of roads, but also construction of buildings. However, road construction activity was stronger, which contributed to the relative significance of road construction in overall construction works. Thus, in the first eight months of 2003, other projects, mainly roads, accounted for 62.7% of total construction works. Construction of buildings also increased. So, in mid-2003, the number of uncompleted dwellings went up significantly compared with the same period last year.

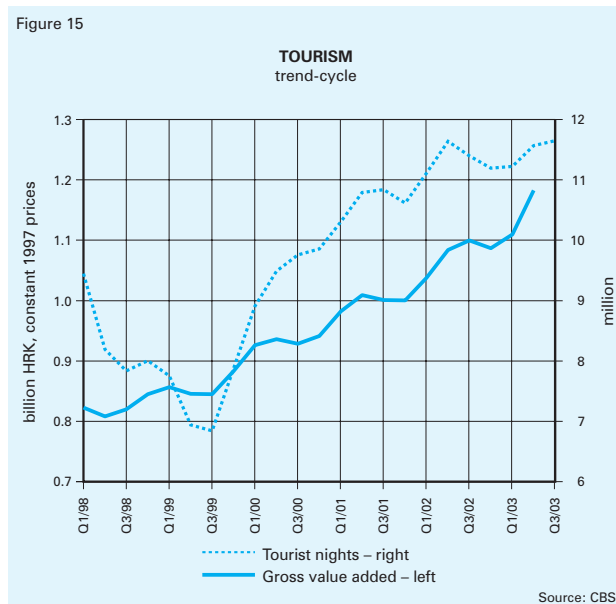
The heightened activity was also reflected in a marked increase in the value of completed construction projects compared with the first half of 2002. In contrast to this, however, the value of net construction project orders declined compared with the stated period, so construction was not expected to grow at such high rates in future. These expectations were realized as early as summer months of this year when construction activity slowed down compared with the end of the first half of 2003. Thus, the index of the total volume of construction works, measuring the working hours of construction workers at building sites, rose by 21.8% in July and August compared with the same period last year. However, this was lower than the 28.75 growth recorded in the second quarter of this year, which points to a downward trend in construction works.

The growth of activity also resulted in a marked increase in employment and wages in construction. Thus, over the first eight months of 2003, the number of registered employees in legal persons engaged in construction rose by 7.6% compared with the same period last year. This was paralleled by an above-average growth of wages, so the average gross wage paid in construction in the first eight months rose at the annual rate of 7.2% (compared with the average 3.3% rate for all activities).

Tourism

In the first quarter, which has a relatively small relevance in this seasonally dependable activity, no significant growth was

Figure 15

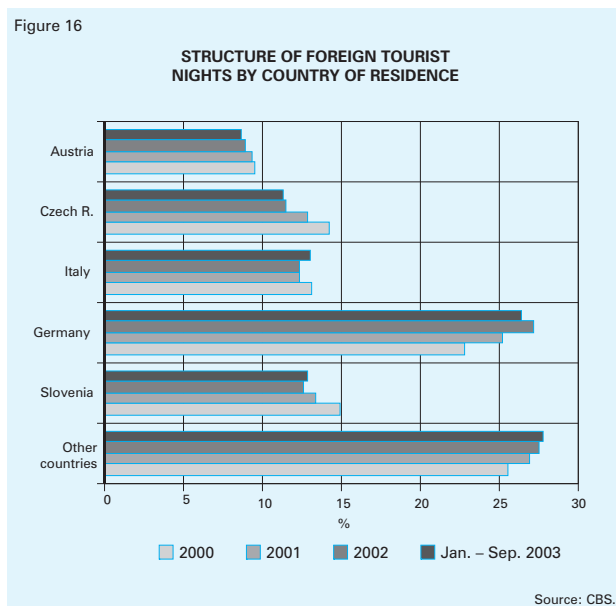


recorded. A slight increase in gross value added was paralleled with a decline in the number of tourist arrivals and nights compared with the same period last year. However, starting from the Easter holidays, April saw a sharp increase in tourist arrivals and nights. This was followed by somewhat poorer results in May compared with those last year, but June saw a recovery of the tourist activity owing to good weather conditions. As a result, tourist nights rose by 10.0% in the second quarter of 2003 compared with the same period last year, with a 10.5% annual growth of real gross value added. On the whole, following a weak performance in the first quarter of 2003, gross value added rose by 7.9% in real terms over the first half of the year.

In July, at the beginning of the main tourist season, tourist arrivals and nights remained at the level from the same period last year. However, in August, which is the main month of the tourist season, the number of tourist arrivals and nights increased and continued to grow at a slow pace at the beginning of the post-season in September. Thus, over the third quarter of 2003 tourist arrivals and nights increased by 5.5% and 3.0% respectively compared with the same quarter last year. The described increase in volume indicators of the tourist season was slower than that recorded in the second quarter, which is also the result of limited tourist facilities and their high occupancy rate over the summer months. For this reason, the pre-season and post-season offer good opportunities for the development of tourism and so the annual growth rates of tourist nights recorded in these periods are higher than in July and August.

The structure of tourist facilities reflects various trends. Thus, the first nine months of 2003 saw a marked increase in the nights stayed in private rooms, apartments and vacation houses. However, the nights stayed in camps remained at the average for all tourist facilities, while the nights stayed in hotels stagnated at the level from the same period last year. In addition to this, in foreign tourist nights a significant increase was recorded in the nights stayed in camps and ports of nautical tourism but they accounted for as little as 2% of the total

Figure 16



foreign tourist nights.

Apart from the increased number of tourists, 2003 saw a growth of prices in tourist facilities. Thus, in the first nine months, the prices of tourist nights in Croatia rose by 11.4% compared with the same period last year, with the sharpest increase recorded in September and in the summer months, i.e. during the peak tourist season. The increase in prices also affected the regional structure of tourists. Thus, the 4.1% increase in the total number of tourist nights in the first nine months of 2003, compared with the same period last year, mainly resulted from a sharp rise in the nights of tourists from Italy (9.2%), the Netherlands (24.5%), France (65.6%) and Germany (2.4%). A very strong impact on the overall growth of tourist nights was made by tourists from France and the Netherlands, whose share in the total number of tourists is negligible. However, compared with the same period last year, the nights of tourists from Poland declined sharply, while the nights stayed by tourists from the Czech Republic mildly decreased and the nights of tourists from Slovakia remained stagnant.

Transport and Communications

In the last few years, gross value added in transport, storage and communication grew faster than total gross value added which points to a continuing propulsiveness of this activity. Such trends strengthened a little in 2003, so in the first half of the year, gross value added in this activity rose by 7.9% compared with the same period last year.

Telecommunications services have been the fastest growing area of this activity for several consecutive years owing to a sharp competition, a growing number of users and the expansion of services. This particularly relates to mobile network, where minutes spent rose by 23.9% in the first nine months of 2003 compared with the same period last year, while a strong growth was observed during the whole year. Minutes spent in fixed network also grew, but at half the rate recorded in mobile network.

As concerns transport, different trends were observed in the individual types of transport. Thus, compared with the previous year, transport of passengers stagnated while transport of goods went up. In the first nine months of 2003, the number of transported passengers declined slightly compared with the same period in 2002, with a somewhat larger number of kilometers passed by passengers. In all the three quarters of 2003, the number of passengers went up only in sea and air transport. Road transport, which accounts for the largest number of transported passengers, stagnated at the level from the previous year. In contrast to this, railroad transport, which accounts for the second largest number of transported passengers, has recorded a continuous decline in the number of transported passengers. On the other hand, transport of goods went up, resulting in a 9.2% increase in the quantity of transported goods (in tons) in the first nine months of 2003 compared with the same period last year. However, the number of tone/kilometers stagnated at the level from the same period last year. Similar trends were observed in all types of goods transport (railroad, sea and air transport).

Labor Market

In the third quarter of 2003, the influence of the strong economic activity on labor market continued. This was primarily reflected in the growth of employment, while wages continued to stagnate. According to the preliminary CBS data, employment rose a little (or stagnated) in the third quarter. Due to the biased preliminary indicators (as the result of the sampling method used), which often underestimate the level of employment, it can be assumed that the growth continued at the same pace as in 2002. On the other hand, registered unemployment continued to decline, but the downward trend was slowed toward the end of the third quarter owing to a stronger inflow into the CEI register.

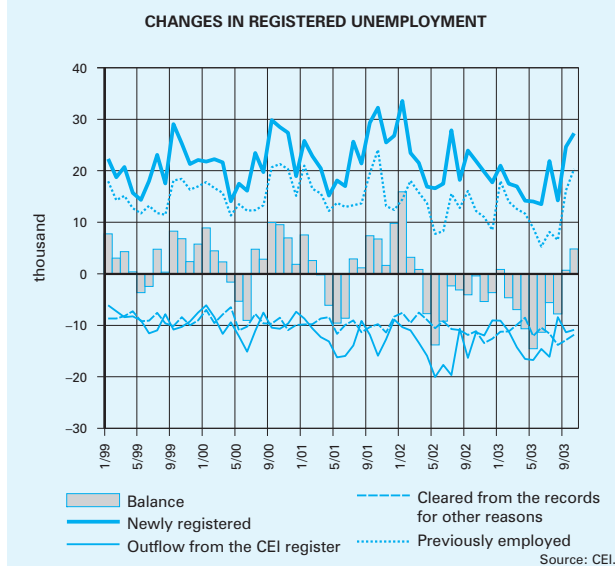
The Labor Force Survey results for the first half of 2003 confirm the decline of the unemployment rate, which stood at 14.1% in that period according to the survey data. The survey also demonstrates that employment increased in the first half of the year compared with the same period in 2002.

The average real gross wage continued to stagnate in the third quarter. Thus, following a yearlong stagnation, its annual growth was almost stopped at the end of the third quarter. The slower growth of wages was registered in all sectors, industry and public administration.

Unemployment and Employment

The third quarter saw a reversal of the previously recorded fall in inflows into the CEI register. This reversal was the result of an upsurge in the inflows into the CEI register at the end of the third quarter, following their continuous fall over the last year, which had the strongest impact on the decline in registered unemployment. Thus, in September and October 2003, the number of the newly registered with the CEI increased and was 25% larger in October than in the same month last year. The stronger inflow resulted from the in-

Figure 17

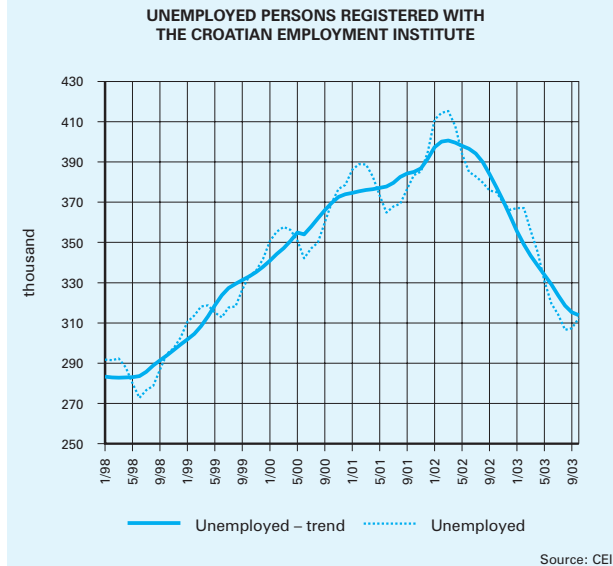


crease in the number of inactive persons with working experience who registered with the CEI. According to the CEI rules, this means that these persons stopped working at least three months before the registration, so that the leaps in inflows were probably the result of a delayed registration of the persons who lost their jobs.

On the other hand, outflows from the CEI register continued to decline during the third quarter of 2003 owing to a reduced employment of the persons registered with the CEI in the third quarter compared with the same period last year. This was paralleled with an increase in the number of persons cleared from the CEI records for other reasons. However, the impact of the reduced employment prevailed, so the total outflows from the CEI register declined in the third quarter. Excluding the seasonal impact of increased employment during the summer months, it appears that the current low level of employment from the CEI register was reached as early as in the second quarter of 2003. In the third quarter and at the beginning of the fourth quarter, outflows from the CEI register remained low: in the third quarter of 2003 they were almost 25% lower than in the same quarter of 2002. This was probably the end of a downward trend in outflows from the CEI register, that started after September 2002, when the obligation to report vacancies to the CEI had been lifted and the possibility had been opened up for private employment intermediation.

The increase in inflows into the CEI register made a strong impact on the total registered unemployment dynamics. Following a sharp fall in registered unemployment in the second quarter of 2003 compared with the previous quarter, the fall started to slow down in the third quarter, while the end of that quarter saw an upturn in registered unemployment. In the second quarter of 2003, registered unemployment decreased by 36,000 (11.3%), in the third quarter it decreased by 12,000 (4%), while in October it rose by almost 5,000 (1.6%). The slowdown in the fall of registered unemployment at the end of the third quarter is perceivable even after removing the seasonal influences, which are typical of the third quarter.

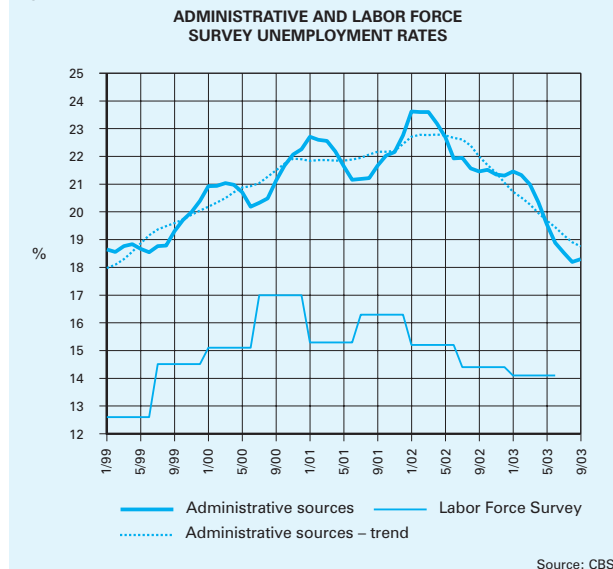
Figure 18



The developments in the number of persons registered with the CEI was the main determinant of the registered unemployment rate, which dropped to 18.3% at the end of the third quarter of 2003 and was 0.6 percentage points lower than at the end of the second quarter of this year or 3.2 percentage points lower than a year ago.

The Labor Force Survey results also confirm a decrease in unemployment rate, which dropped to 14.1% in the first half of the year and was 1.1 percentage points lower than in the same period in 2002. Over the last year, the administrative unemployment rate decreased much faster than the Labor Force Survey unemployment rate. As the former rate has always been higher than the latter since its statistical monitoring had been introduced and as the difference between the two rates increased till mid-2002, a more rapid decline in administrative unemployment resulted in a repeated convergence of the two rates, yet at a lower level. The convergence related not only to the level of the rates but also to the persons con-

Figure 19



sidered as unemployed according to both groups of criteria. In the first half of 2002, 42% of persons registered with the CEI were not considered as unemployed under the ILO survey criteria, while in the first half of 2003 there were 36% such persons. So far, the survey has recorded no increase in the number of the unemployed looking for jobs outside the CEI, which suggests that the main purpose of the employment intermediation reform, i.e. the harmonization of registered unemployment criteria with the international standards, is being accomplished.

The decline in unemployment was partly the result of employment growth. According to the preliminary CBS data, the annual growth rate of employment was 0.1% in the third quarter of 2003, which equals the rate in the second quarter and the cumulative growth rate of employment in the first nine months of the year. The Labor Force Survey also points to a slight increase in employment during the first half of 2003. The employment rate reached 43.2% in the first half of the year, which is 0.1 percentage point more than in the same period in 2002.

When assessing the employment dynamics it should be noted that the level of employment is systematically underestimated in the preliminary CBS data, while the final data are usually available with a considerable time lag. A comparison between the latest available employment indicators (i.e. the preliminary data for the third quarter of 2003) and the preliminary data for the same period in 2002 shows that employment grew at the annual rate of 1.4% in the third quarter of this year, which is much above the rate established by the comparison between the preliminary indicators for the third quarter of 2003 and the final data for the third quarter of 2002. Therefore, the final assessment of the employment dynamics will only be possible after publishing the final data for the third quarter of 2003.

The third quarter saw a continuation of the trends observed in individual employment components over the last few years. The annual growth rate of employment in crafts and trades and free-lances, the only growing activities, was

5.8%. According to the preliminary CBS data, employment in legal persons remained stagnant or even dropped by 0.5% in the third quarter compared with the same period last year. As the adjustments included in the final data relate to the employed in legal persons, expectations are that these adjustments will result in a slight rise in employment figures for legal persons at the annual level. In the third quarter of 2003, the number of private farmers insured with the CPII continued to decline. At end-September, there were 57,000 private farmers, i.e. 7,000 (10.4%) less than a year ago. The decline in the number of private farmers actually represents a decrease in the number of persons who have ceased to pay contributions for pension and invalidity insurance, which does not mean that they terminated their agricultural activities. Therefore, apart from the biased preliminary indicators of employment in legal persons, which is the result of the sampling method used, the assessment of total employment should also be based on the fact that the sharp fall in employment in agriculture, suggested by the CPII indicators, does not necessarily reflect a decrease in the number of persons who really terminated their agricultural activities. Excluding private farmers insured with the CPII from the indicators of total employment according to administrative sources, these employment indicators grew at the annual rate of 0.5% in the third quarter.

Given the bias in the estimates of employment according to administrative sources, the Labor Force Survey indicators of employment are usually more reliable. Making allowance for this bias, it seems that the final administrative employment indicators will probably point to a faster growth of employment than the Labor Force Survey indicators. This could be due to the fact that the Labor Force Survey employment rate is estimated from a sample of households with a certain confidence interval, which was one percentage point in the first half of 2003 around the central estimated value with a probability of 95%. Therefore, the calculation of the employment growth based on the central estimated value is not always reliable. However, the central estimated values according to the Labor Force Survey data may be correct, so that the adminis-

Figure 20

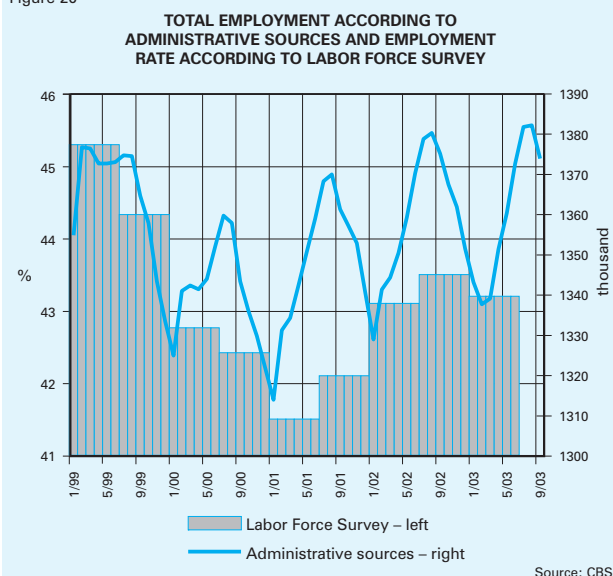


Figure 21

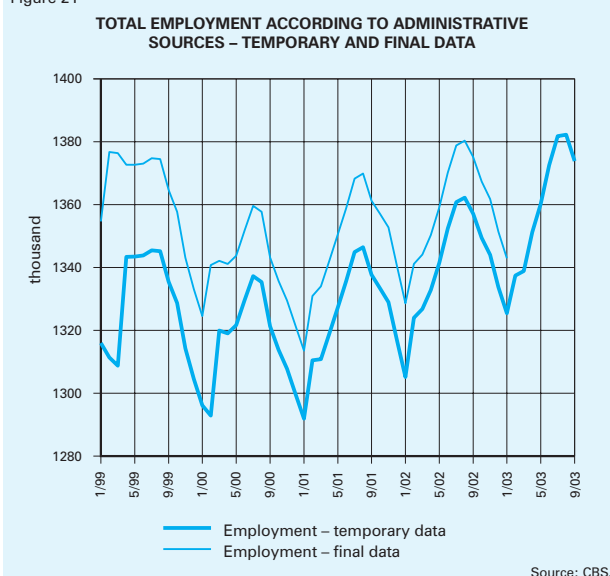
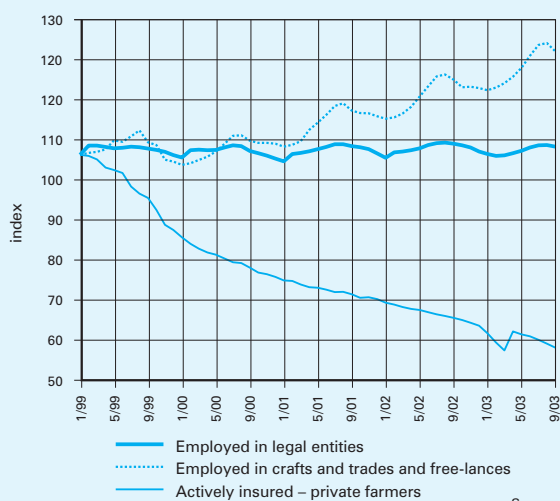


Figure 22

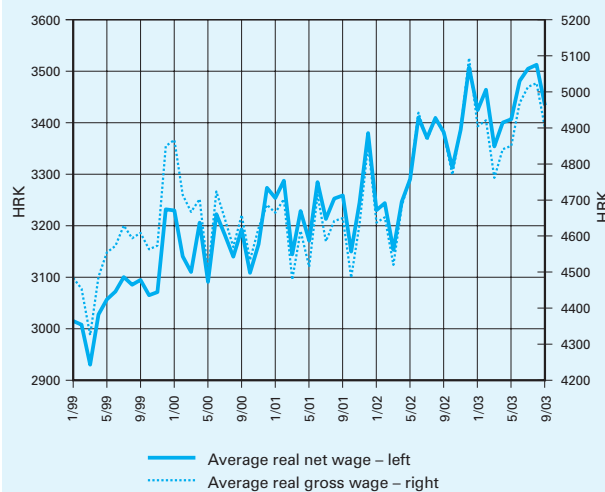
EMPLOYMENT ACCORDING TO ADMINISTRATIVE SOURCES
January 1999 = 100



Source: CBS.

Figure 23

AVERAGE REAL WAGES
at December 1999 prices



Source: CBS.

trative indicators point to a growth of employment, as a result of the fact that a certain number of employees is no longer in the non-formal sphere, which is much better covered by the Labor Force Survey.

The labor force dynamics should be considered as a result of all factors that influenced employment and unemployment, i.e. of a somewhat slower decline in unemployment than the growth of employment. Therefore, labor force decreased in 2003 according to both administrative and Labor Force Survey sources. In the third quarter of 2003, labor force declined at the rate of 3.9% year-on-year, which is somewhat faster than in the first half of the year. The Labor Force Survey indicators for the first half of 2003 point to a decrease in the activity rate from 50.9% in both the first and second half of 2002 to 50.3%.

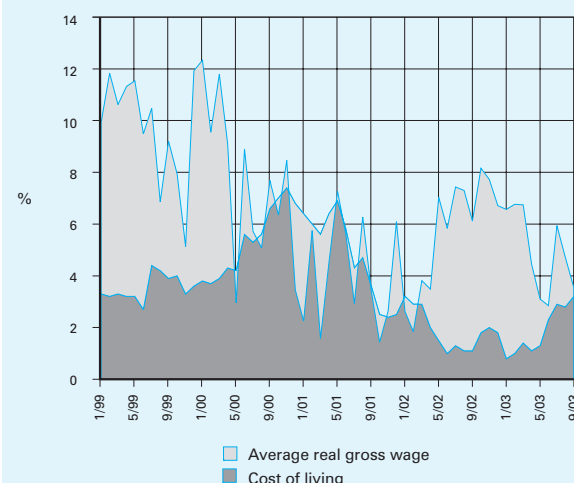
Wages and Labor Costs

A stagnation in real gross wages that started a year ago continued into the third quarter. This cancelled the effect of the base period on the growth rate of the average real gross wage, which grew till the third quarter of 2002, but fell to 0.4% in September 2003, with a nominal growth rate of gross wage reaching 1.6%. The annual growth rate of the average gross wage over the third quarter was somewhat higher, 1.8%, while its cumulative annual growth rate stood at 3.0%. The effect of a reduced tax burden on wages since the beginning of 2003 is reflected in the annual growth rates of the average net wage, which grew somewhat faster than gross wage. Thus, over the third quarter of 2003, the average net wage grew at the rate of 5.9% in nominal terms or 2.9% in real terms.

There are several reasons for the stagnation in the average real gross wage. Firstly, the reduced tax burden on wages, introduced in early 2003, provided a basis for a net wage growth without increasing labor costs, which probably resulted in a slower growth of gross wages. Secondly, the cost of living went up somewhat faster in the third quarter, which resulted in an additional slowdown in real wages.

Figure 24

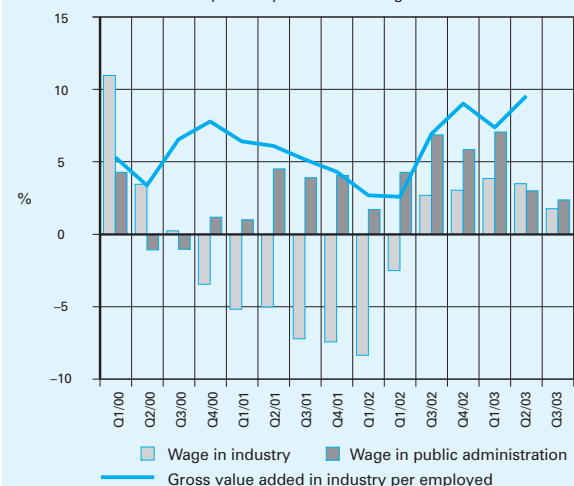
COST OF LIVING AND AVERAGE REAL GROSS WAGE
year-on-year rate of change



Source: CBS.

Figure 25

AVERAGE REAL GROSS WAGE IN PUBLIC ADMINISTRATION AND INDUSTRY AND GROSS VALUE ADDED IN INDUSTRY PER EMPLOYED
year-on-year rate of change



Source: CBS.

Unlike the first half of the year, which was marked by pronounced differences in the growth of wages among individual sectors, the third quarter saw a slowdown in the growth of wages in all activities, leveling out the differences in the annual growth rates of wages among them. The annual growth of the average real gross wage in industry slowed down a little in the third quarter of 2003, falling from 3.0% in the second quarter to 2.4% in the third quarter. The slowdown was more pronounced in public administration where the growth rate fell by almost a half, from 3.5% to 1.8%. The wage growth in construction almost stopped in September 2003, but, owing to the effect of the previous months, the cumulative growth rate in construction is still the highest, more than 7%.

Despite a slower wage growth, there are no signs of a slowdown in productivity in industry. In the second quarter of 2003, gross value added in industry per employed person at constant prices grew at the annual rate of 9.5%, three times faster than the real gross wages in industry during the same quarter. A slower growth in industry over the third quarter will probably result in a slowdown in productivity. However, this slowdown will certainly be less serious than the decline in gross wages. Consequently, in 2003, labor market did not produce any inflationary pressures, as the policy towards a moderate wage growth in the government and business sectors resulted in reduced unit labor costs.

Prices

All basic price movement indicators in Croatia suggest a continuation of high macroeconomic stability in this area in the first ten months of 2003. The year-on-year retail price inflation rate stood at 1.5% in October 2003, 0.8 percentage points below that at end-2002. The year-on-year core inflation rate, the second key price movement indicator, was only 1.0% in October 2003, down 0.2 percentage points compared to December 2002. After the initial leap in the year-on-year rate of change of producer prices, from 2.3% in

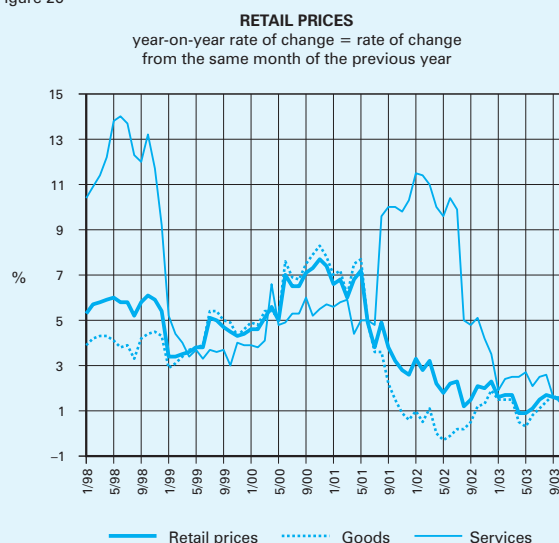
December 2002 to 4.7% in March 2003, movements in the index of producer prices of industrial products also show reduced pressures on the growth in retail prices. The year-on-year rate of change of producer prices was 0% in October 2003 and remained, on average, at almost the same level as in October 2002.

However, the comparison of the year-on-year retail price and core inflation rates at the end of the third quarter and at the beginning of the fourth quarter with inflation rates at the end of the second quarter shows a slight upward trend in the year-on-year inflation rate in the last four months. Accordingly, the retail price inflation rate grew from 1.1% year-on-year in June to 1.5% year-on-year in October. In the same period, the core inflation rate rose from 0.5% year-on-year to 1.0% year-on-year. In contrast, having recorded the level of 1.7% in June, the year-on-year rate of change of producer prices continued to decrease slowly and came in at 0% in October.

An analysis of movements in the year-on-year rate of change of retail prices by components indicates that the described inflation growth was stimulated by the growth in the year-on-year rate of change of goods prices, from 0.8% in June to 1.4% in October. In this period, the increase in the year-on-year rates of change of agricultural products prices (from 16.7% in June to 26.8% in October), industrial food products prices (from -0.3% in June to 0.2% in October) and liquid fuels and lubricants prices (from -5.4% in June to -2.8% in October) made the largest contribution to the growth in the year-on-year rate of change of goods prices.

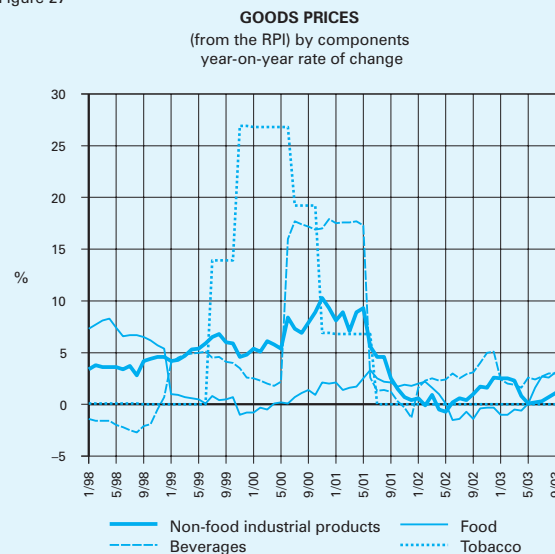
This significant increase in the year-on-year rate of agricultural products prices, with vegetables prices growing 70.2% in September, can in part be attributed to bad weather conditions. The growth in vegetables prices was less pronounced in eurozone countries, and resulted in the year-on-year rate of change of about 10% in September. Taking into account that agricultural products are tradable goods, a significant amount of which is imported into Croatia, it is possible that the pronounced increase in retail prices of agricultural products was

Figure 26



Source: CBS.

Figure 27



Source: CBS.

influenced by increased margins. The increase in agricultural products prices resulted in the growth of industrial food products prices (especially prices of corn-based products, processed fruits and vegetables, and milk).

Reflecting the volatility of crude oil prices in the world market and fluctuations in the kuna/US dollar exchange rate, refined petroleum products prices rose during July and August by 1.7% and 4.4% respectively, and fell again in September and October by 1.0% and 1.4% respectively. As a result, refined petroleum products prices in the domestic market outstripped in October by 3.7% the prices from June, and their year-on-year rate of change grew from -5.4% in June to -2.8% in October.

While the year-on-year rate of change of goods prices from the RPI grew in the last four months, the year-on-year rate of change of services prices from the same index fell from 2.1% in June to 1.6% in October. These movements resulted in converged year-on-year rates of change of goods prices and services prices. In addition, this year on-year rate of change of services prices was the lowest rate recorded since the introduction of the stabilization program.

Since the makers of monetary policy are trying to focus on abiding causes of change in inflation and since they should not react on changes in prices brought about by seasonal fluctuations and fluctuations that result from a certain one-off price shock which is caused by sources that are not under the control of monetary authorities (e.g. fiscal shocks, energy shocks), the CNB also lays great stress on the monitoring of core inflation movements. In accordance with the methodology for calculating core inflation index in Croatia, the core inflation measure is calculated in such a manner that agricultural products prices and administrative prices are excluded from the retail price basket in order to obtain a representative indicator of changes in prices caused by excessive pressures generated on the demand side and the monetary developments.

The year-on-year core inflation rate was low in Croatia and fluctuated between 0.1% and 1.0% in the first ten months of 2003. Its increase from 0.5% in June to 1.0% in October 2003 was brought about by the increase in the year-on-year rate of change of goods prices (from 0.5% in June to 0.8% in October) and in the year-on-year growth rate of services prices (from 0.2% to 1.5%). Taking into account that only market-regulated services prices are used in the calculation of the core inflation index, it can be concluded that the recorded decrease in the year-on-year rate of change of services prices from the RPI was stimulated by a fall in administratively set prices of services.

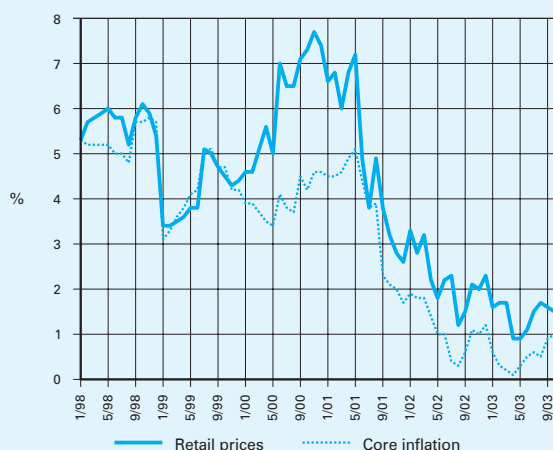
Overall, the growth of administrative prices was subdued in the pre-election period and their contribution to the total year-on-year retail price inflation rate fell from 1.55 percentage points in December 2002 to 0.36 percentage points in June and to 0.17 percentage points in October 2003. In contrast, contributions of agricultural prices and core inflation to the total RPI have increase.

The daily price of crude oil in the world market averaged USD 29.7 per barrel in August 2003, an increase of 6.3% compared with the average price of USD 27.91 per barrel in June. This increase was influenced by the news on slow recovery of crude oil production in Iraq and the reports on lower-than-usual OECD stocks of oil and refined petroleum products (especially in the USA). This created expectations of a growing demand in order to replenish the supplies. The end of the summer driving season, the recovery in Iraqi production and the reports on satisfactory levels of refined petroleum products stocks in OECD countries brought about a decrease in the average daily price of crude oil. The average daily crude oil price fell to USD 26.89 per barrel in September and was lower than the price registered at the end of the second quarter.

In an effort to keep the crude oil price stability at reasonable levels, at their meeting held on 24 September 2003,

Figure 28

RETAIL PRICES AND CORE INFLATION^a
year-on-year rate of change

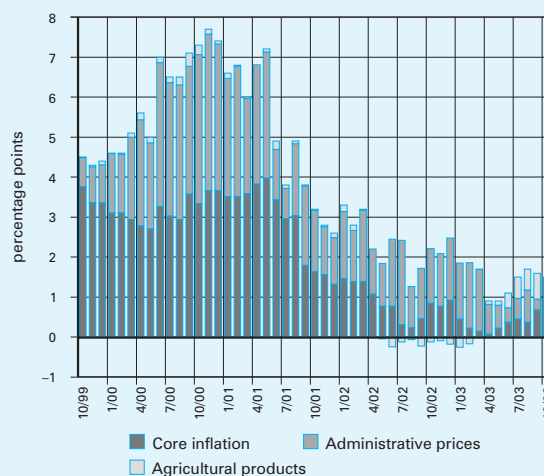


^a Core inflation is calculated in the manner that agricultural products prices and administrative prices (which, among others, include the prices of electricity and refined petroleum products) are excluded from the basket of goods and services used in the calculation of the retail price index. The methodology for calculating core inflation is explained in detail in the CNB Bulletin No. 61 (2001).

Source: CBS.

Figure 29

CONTRIBUTIONS^a OF THE RETAIL PRICE INDEX COMPONENTS TO YEAR-ON-YEAR INFLATION RATE

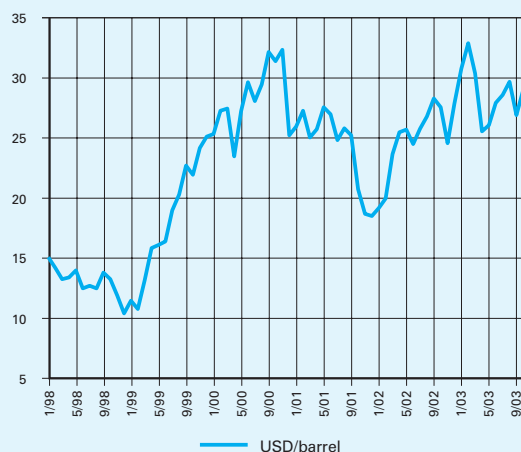


^a The contribution is defined as the relative importance of a certain component of the retail price index in the total inflation. The sum of contributions of all components expressed in percentage points in a relevant month is the amount of the year-on-year inflation rate. In addition to percentage points, contributions may also be expressed in percentages.

Sources: CBS and CNB calculations.

Figure 30

**AVERAGE OIL PRICES^a
ON THE WORLD MARKET**

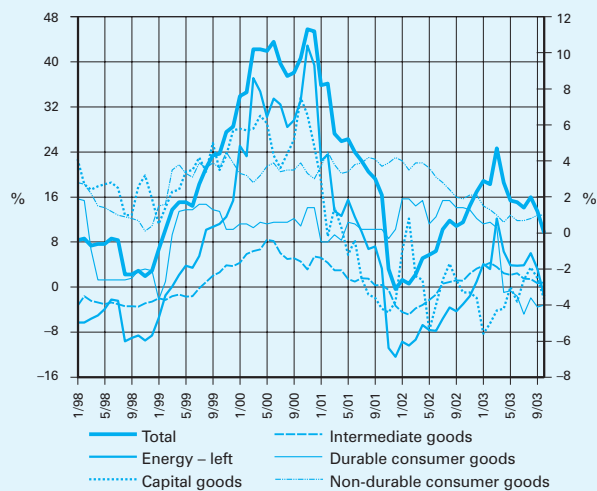


^a They are calculated as an average of the following oil prices (prompt delivery): Dubai Fateh, UK Brent and West Texas Intermediate.

Source: Bloomberg.

Figure 32

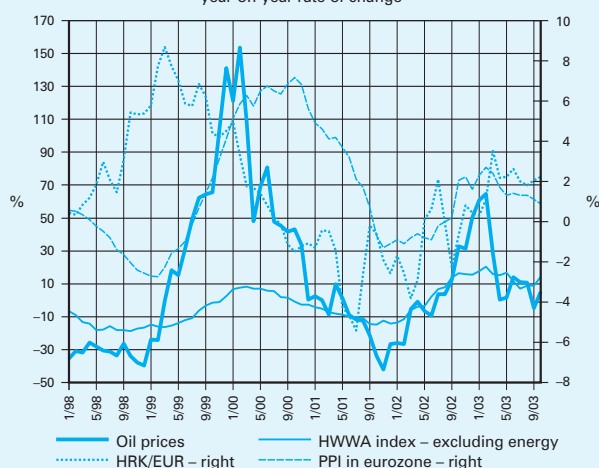
**PRODUCER PRICES OF INDUSTRIAL PRODUCTS
BY MAIN INDUSTRIAL GROUPINGS**
year-on-year rate of change



Source: CBS.

Figure 31

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



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

Sources: Bloomberg, HWWA, Eurostat and CNB.

OPEC ministries announced a 900,000 b/d reduction in total production quotas beginning on 1 November. Following the announcement, the crude oil price (prompt delivery) started to grow again, resulted in the average daily price of USD 29.01 per barrel in October and exceeded by 7.9% and 4.0% the price registered in September and at the end of the second quarter respectively. Due to the appreciation of the average monthly exchange rate of the kuna against the US dollar, the kuna price of crude oil per barrel grew mildly in October compared to September and stood at 4.5%.

Raw materials prices in the world market (excluding energy), expressed in US dollars, grew in August, September and October. Accordingly, the average raw materials prices measured by the aggregate raw materials prices index (HWWA index) rose by 8.8% in October compared with June. Expressed

in dollar terms, the year-on-year rate of change of the HWWA index (excluding energy) grew from 11.6% in June to 14.4% in October. Following a significant depreciation of the US dollar against the euro, raw material prices (excluding energy), expressed in euros, fell by 4% in October compared to the same month previous year. The dollar price of agricultural raw materials grew on account of reduced supply, brought about by unfavorable weather conditions, while the price of non-ferrous metals grew on account of increased demand (China's demand especially), stimulated by the world economy recovery.

The year-on-year rate of change of producer prices in the eurozone was very low and trended downwards – it fell from 2.4% at the end of the first quarter to 1.4% at the end of the second quarter and to 0.9% in October. This development in producer prices in the eurozone and a relatively stable exchange rate of the kuna against the euro reduced pressures from these sources on the growth in import prices.

Similarly, the year-on-year rate of change of producer prices in Croatia slowed down. Starting at the end of the first quarter, the year-on-year rate of change of producer prices fell from 4.7% in March to 1.7% in June, 1.2% in September and 0% in October. An analysis of the PPI by components, covering the period of the last four months, shows that the most pronounced falls were registered in energy producer prices (from 3.8% in June to -1.6% in October) and in intermediate products prices (from 2.5% in June to 0.8% in October).

Exchange Rate

During November and October 2003, the nominal exchange rate of the kuna against the euro weakened by a total of 1.11%, and the kuna depreciated from HRK 7.57/EUR on 30 September to HRK 7.66/EUR on 30 November. In comparison with the average exchange rate of HRK 7.40/EUR in 2002, the exchange rate of the kuna against the euro weak-

Figure 33

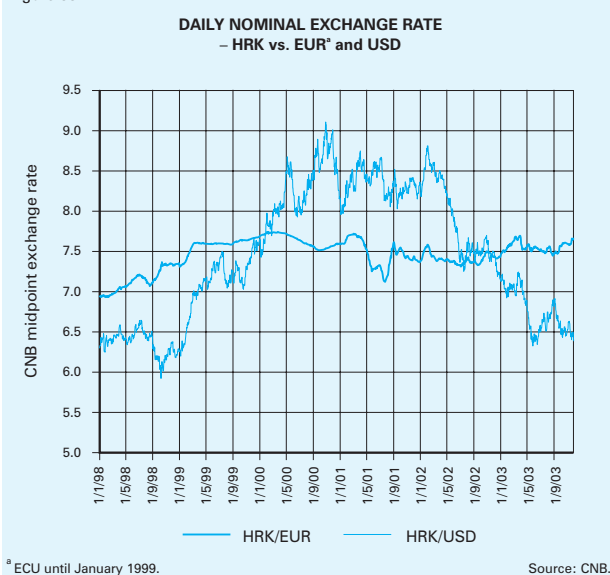
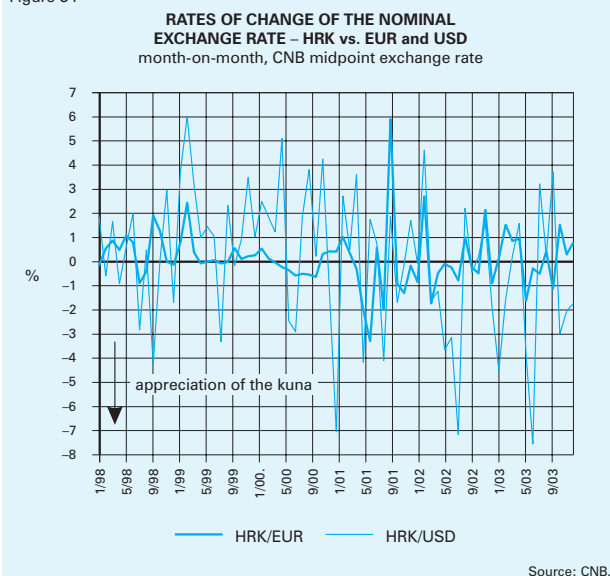


Figure 34



ened by a total of 3.35% at end-November. A slight depreciation of the kuna/euro exchange rate is a common trend in the last quarter of the year. This year's dynamics of the kuna/euro exchange rate depreciation did not deviate substantially from last year's dynamics when the kuna exchange rate fell by 1.22% at end-November in comparison with end-September. However, the depreciation was somewhat more pronounced in September when the kuna depreciated against the euro by a total of 1.25% (30 September 2003 to 31 August 2003). In contrast, the kuna/euro exchange rate appreciated by 0.48% in September 2002. As a result, the kuna/euro exchange rate in 2003, i.e. following the end of the tourist season, depreciated by a total of 2.64% in nominal terms (30 November to 31 August). In the same period last year, it depreciated by only 0.74%.

In comparison with the summer months, the depreciation of the kuna/euro exchange rate in October and November was characterized by decreased foreign exchange inflows,

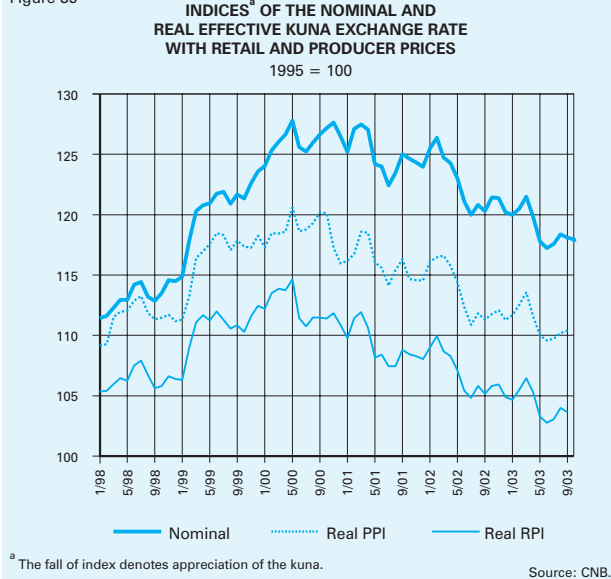
enterprises' increased demand for foreign exchange needed for import payments, and banks' substantial kuna liquidity. This liquidity made it possible for banks to purchase foreign exchange that they need, inter alia, to comply with the provisions of the Decision on the Minimum Required Amount of Foreign Exchange Claims. Depreciation pressures on the kuna/euro exchange rate were more pronounced in the second half of November, prompting the CNB to intervene for the first time after eight months. In an effort to ease these pressures, the CNB sold a total of EUR 60m to banks at a foreign exchange auction held on 19 November. In doing so, the CNB signaled to market participants that it stands ready to defend the exchange rate stability and that it will not subject this goal to any other goal, e.g. the IMF performance criterion on the minimum increase of net usable international reserves.

In accordance with a schedule agreed with the Ministry of Finance, the central bank bought USD 300.0m of INA privatization proceeds in the fourth quarter of 2003 (USD 200.0m on 11 November and USD 100.0m on 1 December).

On account of a significant depreciation of the US dollar against the euro in the world foreign exchange market, a pronounced appreciation trend of the nominal exchange rate of the kuna against the US dollar continued into October and November. The kuna/US dollar exchange rate of 6.38 at end-November appreciated in nominal terms by 3.73% in comparison with the exchange rate of 6.63 at end-September or by 18.83% in comparison with the average kuna/US dollar exchange rate of 7.86 in 2002.

The exchange rate of the US dollar against the euro weakened by a total of 18.10% in 2002, standing at USD 1.04/EUR at the end of 2002. This euro value was below the value estimated as equilibrium by market participants. Moreover, the equilibrium value is estimated to range between USD 1.15/EUR and USD 1.20/EUR. The US dollar continued to depreciate against the euro in 2003, approached the upper band of USD 1.20/EUR at end-November and weakened by a total of 15.14% in comparison with end-2002. Analysts estimate that the key factor influencing the continued weakening

Figure 35



Box 3: Currency Crisis Early Warning System

In many countries characterized by the fixed exchange rate, but also in economies like Croatia's where the exchange rate stability represents an indirect monetary policy objective, currency crises or larger fluctuations of the domestic currency exchange rate against the currency of the most important foreign trade partner, in general, may have significant and multiple adverse effects on the economic system of the country. The empirical studies have shown that pronounced exchange rate fluctuations result in higher inflation rate, fall in economic activity, greater inequality in income distribution, banking sector problems and undermined credibility of the central monetary institution. In view of significance of this problem and detrimental consequences of currency crises, in the last fifteen years, parallel to the development of various theoretical models aiming to explain distortions in the financial systems or exchange rate regime collapses, empirical analyses attempting to design models that would anticipate currency crises are also developed.

Taking into account significance of this problem and importance of investment in development of the control and prevention system, the Croatian National Bank ordered a project from the Economics Institute from Zagreb, within which the early warning system for currency crisis in Croatia was developed. It was based on the indicators method, as one of the techniques for anticipating currency crisis. In order to improve the data reliability of the stated project, the Croatian National Bank improved the acquired indicators method, and another alternative system for anticipating currency crisis was applied, which is based on a probit model. The result of the overall analysis has been presented in a paper which will soon be published in one of the CNB occasional publications, and which will explain in detail the overall methodology of the empirical analysis of currency distortions in Croatia.

The main objective of developing the early warning system was to identify, on the basis of the current experience with the crises and characteristics of the pre-crisis period, the indicators which will signal a currency crisis in the future, at a certain confidence level. To achieve this, it was necessary to define a currency crisis first, the length of a pre-crisis period, and then to identify the reliable signals.

In this empirical analysis (as in most of the empirical studies), a currency crisis is defined quantitatively, i.e. by means of a foreign exchange market pressure index (hereinafter: FEMPI), reflecting the changes in the nominal exchange rate of the kuna against the euro and changes in gross international reserves. As a result of the stated

FEMPI characteristics, the currency crisis in this project implies a situation where significant nominal depreciation of the kuna exchange rate against the euro occurs (at a monthly level) and/or significant reduction in gross international reserves (expressed in euro). FEMPI has identified two episodes of crisis in Croatia: one in September 1998 and another in August 2001.

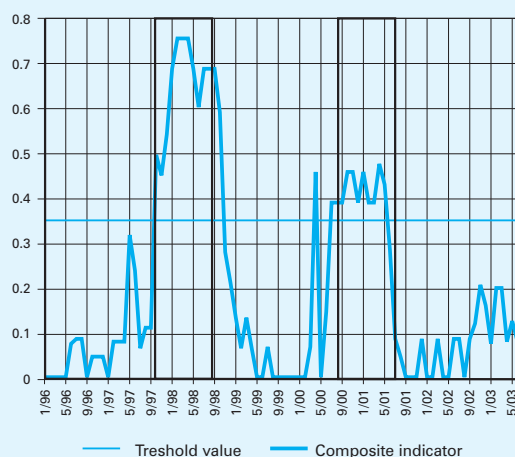
As a result of a short duration of time series (from January 1996 to March 2003), a pre-crisis period has been decided to encompass twelve months prior to the onset of a crisis, within which movements in a set of variables were observed, selected on the basis of theoretical knowledge and circumstances specific to the Croatian economic system. The most reliable currency crisis signals identified by the study are as follows: share of public finance balance in GDP, share of current account balance in GDP, inflation, share of free reserves in total assets of deposit money banks, external debt, m2 multiplier, deviation of real exchange rate from the trend, share of foreign assets in M4 and domestic credit growth.

Apart from individual variables identified by the indicators method with respect to their currency crisis predictive powers, a composite currency crisis indicator was also designed in the research, as a weighted average of the best individual currency crisis indicators. The threshold value above which the composite indicator signals the crisis (the so called critical value) is defined as the value that maintains best the balance between forecasting of crisis when there is no crisis and forecasting of crisis when crisis is actually triggered. Figure 36 shows movements of the composite indicator and the updated data for the second quarter of 2003. Twelve months prior to the onset of the first currency crisis, the composite indicator exceeded the critical value and was signaling a crisis until the moment of its onset in September 1998. It was similar with the second currency crisis, but in this case the indicator issued a warning signal even earlier than twelve months before the onset of the crisis. It can be noted that the composite indicator shows a clear difference between movements in pre-crisis periods (shown by black rectangles) and tranquil periods.

The alternative to the indicators method in forecasting a currency crisis is a probit model, an econometric probability model assigning the currency crisis probability to a set of independent variables. Although the same variables that are identified by the indicators method as the best system vulnerability indicators are also used as independent variables in evaluating the probit model, a more stringent statistical approach of the probit model has identified five variables empirically describing in the best possible way the periods in the run-up to the two stated currency crises in Croatia. These variables,

Figure 36

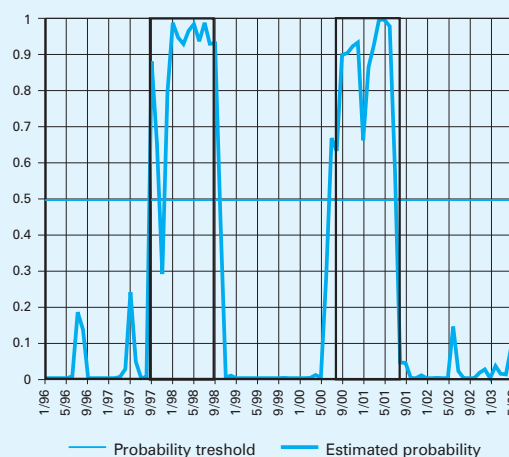
CURRENCY CRISIS COMPOSITE INDICATOR



Source: CNB.

Figure 37

CURRENCY CRISIS PROBABILITY ESTIMATED BY PROBIT MODEL



Source: CNB.

listed with respect to the marginal contribution of each individual variable to currency crisis probability, are as follows: public finances deficit/GDP, current account deficit/GDP, external debt growth rate, real exchange rate appreciation below the trend and inflation.

In estimating the value of currency crisis forecasts, the probability threshold was set at 0.50%, which was used as a criterion in deciding whether the probit model signals the crisis or not. The time series of the currency crisis probability estimated by the probit model are shown in Figure 37, where pre-crisis time horizons are also marked, as well as two currency crises and probability threshold (blue line) above which the probit model signals the crisis. The time series of the estimated probabilities indicate very strong currency crisis predictive powers of a probit model.

The newly developed models show that the two previously stated crisis episodes in Croatia, viewed ex-post, contained the components on the basis of which a crisis could have been predicted. Taking into account all restrictions of the empirical analysis and assuming that the same indicators will anticipate with a high probability a possible future currency crisis episode, the developed early warning system represents a valuable contribution (additional information) in the decision making process related to the economic policy, in terms of both changing instruments and/or taking appropriate measures with an aim to prevent currency distortions and their consequences.

The latest data available, which are incorporated in both previously described models, refer to the second quarter of 2003. In the stated period, certain characteristics of the movements of individual signals (i.e. those identified by the indicators method as the best currency crisis signals) should be noted. These characteristics relate to different behavior of identical variables relative to the previous periods, as well as to the aspect of signaling currency crisis. A downward trend in the current account balance/GDP ratio in June 2003 thus brought this ratio very close to the critical limit (-8.9%) above which the indicator signals the crisis. However, movements of other variables included in the calculation of the composite indicator contributed to its favorable movements in the observed period. More specifically, a downward trend in deficit has been evident for quite some

time from the public finance balance/GDP ratio, inflation has increased from month to month at a record low rate, a fall in external debt growth rate has been recorded for the first time since September 2002 (although the growth rate was above the critical value in the second quarter 2003 as well), and credit growth rate (after exceeding the critical value in the first quarter this year) does no longer signal the crisis.

While the composite indicator values decreased in the second quarter relative to the first quarter of this year, the series of the probability estimated by the probit model show the opposite movements in the observed period. However, the estimated probability is still far below the critical value above which the model would signal the crisis. The difference between the results of the probit model and composite indicator reflects the difference between the currency crisis forecasting mechanisms used in the two described techniques.

In conclusion, it should be noted that these improved currency crisis early warning models of the CNB are only about to face the greatest challenge, i.e. to reliably predict the future currency distortion or currency crisis. More specifically, the examples of other countries have shown that indicators and probit models tend to perform somewhat more poorly in predicting currency crises out of the sample used for the estimate of their parameters, which is also the case with the CNB model in out-of-sample period, i.e. following March 2003. This deficiency generally does not cause fundamental weaknesses of the model, but is rather reflected in instability of the evaluated parameters of these models in time, which is serious enough to call into question the reliance on the early warning systems in monetary policy planning.

Nevertheless, even though the developed models prove to be unreliable in anticipating future currency crises, they can always be used in ex-post analyses of currency disruptions and crises with an aim to identify their causes and consequences for the purpose of their possible elimination and mitigation in the future. Consequently, potential benefits of the developed models in the CNB monetary and foreign exchange policy analysis are beyond every doubt.

of the US dollar against the euro has been market participants' concern over discouraging fundamental indicators in the US economy (current account and fiscal deficits). Being reflected in their expectations, they have dwarfed the favorable indicators on cyclical movements in the US economy (the strong GDP growth). Market participants focused their attention on the movements of structural indicators in the US economy due to, inter alia, significantly reduced foreign capital investments in shares offered in the US market, which called into question the financing of a considerable current account deficit.

With a 1.11% nominal depreciation against the euro, 0.71% against the Swiss franc, 0.64% against the pound sterling, 0.71% against the Slovene tolar and a 3.73% nominal appreciation against the US dollar in the first two months of the fourth quarter, the index of the daily nominal effective kuna exchange rate strengthened by 0.42% at end-November in comparison with the index recorded at the end of the third quarter of 2003. Overall, in the first nine months of 2003 (September 2003 to December 2002), the index of the real effective kuna exchange rate appreciated by a very slight 0.97% (producer prices) and by 1.43% (retail prices).

Monetary Policy and Instruments

Monetary Environment

Price stability, the main objective of the Croatian National Bank, continued into the first two months of the fourth quarter of 2003. The year-on-year growth rates of core inflation, retail prices and cost of living in October were 1.0%, 1.5% and 3.0% respectively. Price movements have been largely determined by price stability in the European Union, which recorded a 2.1% inflation, and by the stability of the exchange rate of the kuna against the euro. Mild depreciation of the exchange rate of the kuna at the end of the third and in the first two months of the fourth quarter reflects a seasonal decline in foreign exchange inflows and an increased kuna liquidity, and the usual exchange rate fluctuations from previous years. Thus, at end-November, the exchange rate of the kuna against the euro weakened by 3.0%, compared with November last year, while the average exchange rate in the first eleven months of this year fell by 2.0%, compared with the same period of 2002.

The measures of monetary policy introduced earlier this year led to a slowdown in credit activities of banks. Neverthe-

less, the country's current account deficit continued to widen and its external debt continued to grow. To halt the negative trends, it is necessary to improve the coordination between monetary and fiscal policies, reduce government financing from foreign sources and discourage consumption of imported goods. However, additional measures of economic policy may be required to slow down the large inflow of capital attracted into the country by higher interest rates in the country compared with abroad.

To slow down the negative trends, the Croatian National Bank introduced in September this year a more restrictive monetary policy by raising the kuna share of reserve requirements against banks' foreign liabilities from 25% to 35%, thus withdrawing from the system HRK 2.1bn. The kuna share of reserve requirements was additionally raised from 35% to 40% in November and to 42% in December. With these measures the CNB sterilized the surplus liquidity created in the system through larger purchases of foreign exchange from the government in the fourth quarter than was initially planned. The increase in the kuna share of reserve requirements against foreign liabilities has a long-term effect on liquidity, and unlike issues of kuna CNB bills, it can add to a decline in structural surplus liquidity that can get in the way of active monetary policy management. In addition, banks keep the total amount of calculated reserve requirements in kuna with the CNB, either in their reserve requirements allocation accounts or their reserve requirements maintenance accounts. As regards their calculated foreign currency reserve requirements, banks have to meet a minimum of 40% of these requirements by setting them aside with the CNB, and can use the rest for transactions abroad. This means that, in effect, the rate of reserve requirements against kuna liabilities is larger than that against foreign exchange liabilities. With an increase in the share of reserve requirements against foreign liabilities that has to be met in kuna to 42%, the minimum rate of reserve requirements against foreign liabilities that has to be allocated to accounts with the CNB is 12.4%. By contrast, banks have to keep with the CNB the total amount of calculated reserve requirements against kuna liabilities, i.e. 19% of the kuna base.

Monetary policy is set to tighten further in the following period as credit control introduced in 2003 is replaced by more indirect measures of monetary policy.

Uses of Monetary Policy Instruments

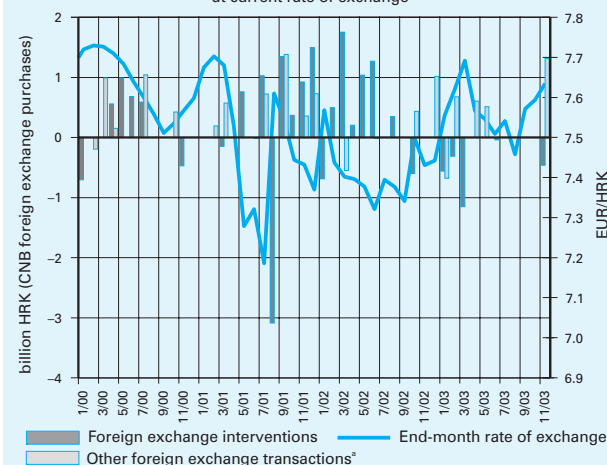
Monetary instruments used in 2003 were aimed to reduce surplus liquidity and money supply on the market and ensure credit control. High liquidity that has marked the system since 2000, is a result of a cut in the reserve requirements rate to 19%, the beginning of the unification of the instrument of reserve requirements and the settlement of a high HRK 9.5bn in government arrears that put an end to an economy-wide lack of liquidity. Foreign exchange inflows and attendant CNB foreign exchange purchases intensified during 2001 and 2002, further increasing kuna liquidity surpluses that the central bank managed to sterilize partly through issues of kuna CNB bills. However, monetary policy management which relies on

CNB bills issues that provide for banks considerably higher yields, given the stable exchange rate, because of higher interest rates compared with those offered on the global markets, can be very expensive and unsustainable over the long term. Therefore, the CNB cut down on its foreign exchange purchases in 2003, ensuring the needed liquidity through lower issues of kuna CNB bills. Aiming to sterilize the liquidity created through cash withdrawals following the completion of the tourist season in September, the central bank raised the percentage of the calculated reserve requirements against foreign liabilities that has to be met in kuna.

The announced increase in the share of foreign exchange reserve requirements that has to be met in kuna has led by mid-August to a demand for domestic currency, higher interest rates in the money market and more extensive use of Lombard loans. Liquidity recovered in October, as a result of a seasonal decline in currency, lower level of kuna deposits in government account with the CNB and the final sale of the entire stock of kuna CNB bills. The November increase in the share of reserve requirements against foreign liabilities that has to be met in kuna did not have an impact on liquidity as the central bank created liquidity by purchasing USD 200m from the government.

A decline in surplus liquidity this year was largely brought about by the CNB's *net foreign exchange sales* in the first eleven months of the year, in contrast with its net foreign exchange purchases in the previous years. In the first quarter of 2003, the central bank withdrew from the system HRK 2,401m through foreign exchange sales and in the second quarter created kuna liquidity through a purchase of foreign exchange amounting to HRK 1,090m. The CNB did not intervene in the foreign exchange market in the third quarter because the government did not need to sell foreign exchange and the exchange rate was stable. The CNB again purchased foreign exchange in the fourth quarter, early in November. The transaction, which created HRK 1,317m, involved a purchase from the government of USD 200m from INA privatization receipts. The funds entered the banking system several

Figure 38
FOREIGN EXCHANGE TRANSACTIONS OF THE CROATIAN NATIONAL BANK AND MIDPOINT HRK/EUR RATE OF EXCHANGE
at current rate of exchange



* Other foreign exchange transactions include transactions with the government and on behalf of the government and an extraordinary sale of foreign exchange to Riječka banka in March 2002.

Source: CNB.

days after their conversion, causing, together with uncertainties surrounding the pre-election period, a mild depreciation of the kuna, and prompting the CNB to respond by intervening in the foreign exchange market on 19 November. The CNB sold EUR 60m to deposit money banks, at a uniform exchange rate of HRK 7.64 /EUR. The intervention pulled out a total of HRK 458m, with a positive net effect of foreign exchange transactions in November standing at HRK 859m. Thus, in the first eleven months of this year, CNB foreign exchange sales outstripped foreign exchange purchases, with a net withdrawal effect of HRK 452m. By contrast, in the first eleven months of 2002, the CNB created HRK 3,716m through its net foreign exchange purchases and in the first eleven months of 2001, the central bank created HRK 4,424m. Until the end of the year, the central bank is expected to make another purchase of foreign exchange from the government.

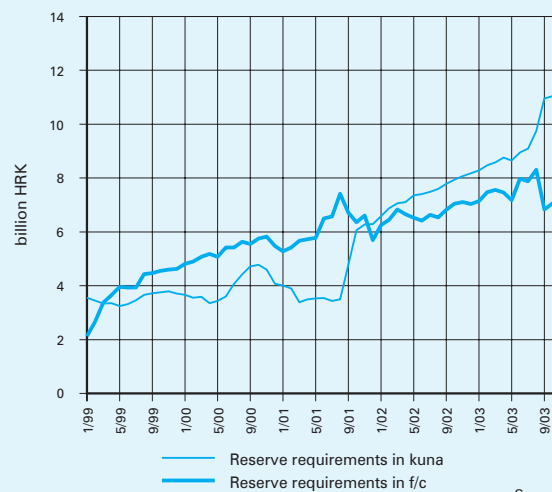
Liquidity declined as a result of the central bank's net foreign exchange sales which withdrew funds from the system, but also due to autonomous factors which play a role in reserve money formation such as growth in the currency in circulation and an increased reserve requirements due to the increase in their calculation base. Currency in circulation thus rose by HRK 774m, or by 8.0% in the first eleven months of 2003. This is a slight fall, compared with the last year's growth of HRK 841m or 9.9%. However, developments in currency last year were largely influenced by payment system reform, which also included a change in the supply of the banking system with cash.

Reserve requirements are the most important instrument of surplus liquidity sterilization as they can automatically sterilize any created liquidity. A relatively high reserve requirements rate (19%) reflects the openness of the Croatian economy and large capital inflows from abroad. Since autumn 2001, a share of reserve requirements against foreign liabilities has to be met in kuna. After the kuna share of reserve requirements against foreign liabilities was raised from 25% to 35% in September 2003, HRK 2,119m in kuna liquidity was withdrawn from the system. The additional increase in the kuna share of reserve requirements against foreign liabilities to 40% in November and to 42% in December resulted in a total negative net effect of HRK 1.5bn, of which HRK 1.1bn were withdrawn in November. The said increases in the share of kuna reserve requirements indicate a monetary policy tightening, as they, in effect, serve to increase the reserve requirements rate against foreign liabilities over the long term.

In the first eleven months of 2003, reserve requirements rose as a result of increases in the base. The kuna base rose more than the foreign exchange base, leading to a higher growth in kuna reserve requirements. In the first ten months, the kuna base for reserve requirements calculation rose by HRK 10.7bn or 30.6%, while the foreign exchange base rose by HRK 13.3bn or 13.0%. As a result of the increase in the kuna base, the calculated reserve requirements in kuna rose by HRK 2,028m (30.6%) in the first eleven months of this year and by additional HRK 3,931m (80.8% increase of the kuna share of reserve requirements) as a result of the growth in the foreign exchange base and the increase from 25% to 40% in

Figure 39

RESERVE REQUIREMENTS SET ASIDE WITH THE CNB
at current rate of exchange

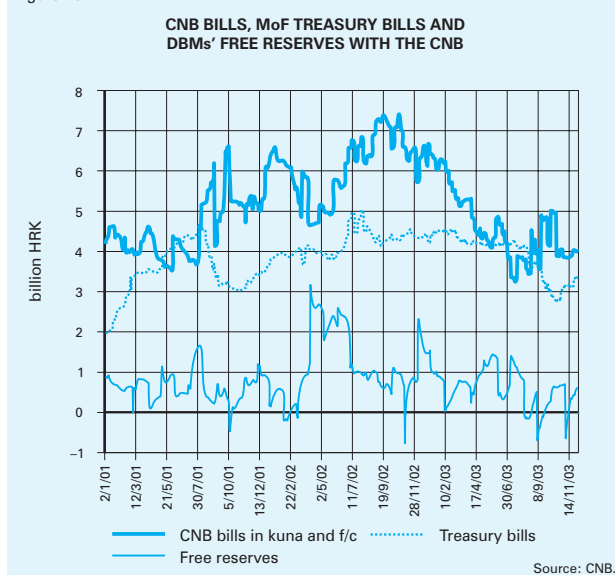


the share of reserve requirements against foreign liabilities that has to be met in kuna. Thus, total reserve requirements in kuna rose by HRK 5,959m, or 51.9% in the first eleven months of this year, or by HRK 694m in the first quarter, HRK 886m in the second quarter and by a high HRK 3,251m, largely as a result of an increase in the share of reserve requirements against foreign liabilities that has to be met in kuna, in the third quarter. In the first two months of the fourth quarter, kuna reserve requirements rose by HRK 1,129m, again due to the increase in the kuna share of reserve requirements. Of the total HRK 17,450m in kuna reserve requirements in November, reserve requirements against kuna liabilities accounted for HRK 8,651m while reserve requirements against foreign liabilities that are met in kuna accounted for HRK 8,799m.

Following the increase in the share of reserve requirements against foreign liabilities that has to be met in kuna, the share of calculated foreign exchange reserve requirements that has to be met in foreign currency declined from 75% to 65% in September, 60% in November and 58% in December. However, as the banks used the freed foreign exchange to maintain their minimum foreign exchange liquidity the appreciation pressures on the kuna were relatively small in September. The calculated reserve requirements in foreign currency rose by HRK 752m in the first quarter and by HRK 18m in the second quarter, and declined by HRK 1,599m in the third quarter, following a reduction in the share of calculated reserve requirements against foreign liabilities that has to be met in foreign currency. The share of reserve requirements against foreign liabilities that has to be met in foreign currency continued to decline in the first two months of the fourth quarter (HRK 574m). However, the banks decided to continue keeping their freed funds in their reserve requirements accounts with the CNB rather than transfer them to accounts of other liquid foreign exchange claims which are subject to up to 60% reserve requirements maintenance.

To meet their liquidity needs during the observed period, deposit money banks relied mainly on *kuna CNB bills* re-

Figure 40



demptions. Such liquidity policy of deposit money banks directly translated into lower CNB bills subscriptions in the first three quarters of this year. As a result, CNB bills subscriptions fell by HRK 1,115m in the first quarter, HRK 1,212m in the second quarter and HRK 2,555m in the third quarter. The remaining stock of HRK 105m worth of kuna CNB bills was sold in October.

CNB bills in kuna were last subscribed at an auction on 10 September, at interest rate below the market rate. The CNB discouraged CNB bills subscriptions during the third quarter by accepting at auctions only very low interest rates. Such CNB bills issuing policy reduced the attractiveness of these securities and interest for them, ending in a sale of the entire CNB bills stock.

Unlike their kuna counterpart, subscriptions of *foreign exchange CNB bills* increased significantly towards the end of the third quarter. The stock of foreign exchange CNB bills rose throughout the year and recorded a rapid growth towards the end of the third quarter. Foreign exchange CNB bills subscriptions rose by HRK 181m in the first quarter and by HRK 162m in the second quarter. Following a mild increase in July, the demand for foreign exchange CNB bills increased significantly in August and September, leading to an increase in their subscriptions of a high HRK 2,556m in the third quarter. October and November saw a mild decrease in foreign exchange CNB bills (HRK 113m). Evidently, at its present level, and the given level of T-bills, the stock of foreign exchange CNB bills seems to offer sufficient collateral to deposit money banks for Lombard loans. At end-November, foreign exchange CNB bills stood at HRK 4,012m, which is an increase of HRK 2,786m, compared with the beginning of the year.

As the sale of CNB bills, prompted by central bank measures did not provide sufficient liquidity for all banks, some banks had to turn to Lombard loans to meet their reserve requirements in August. The use of the Lombard facility increased additionally in September, after the central bank raised share of foreign exchange reserve requirements that

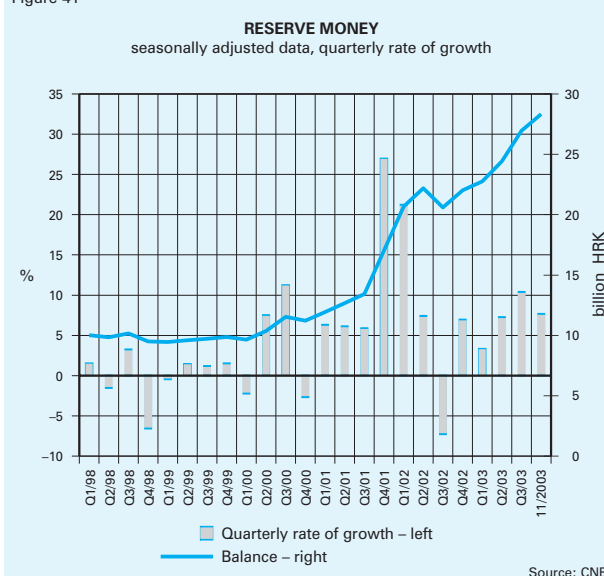
has to be met in kuna. With improved liquidity in October, the use of the Lombard loans abated; the facility was used for a total of three days at the beginning of the month in the average amount of HRK 315m. Despite sufficient liquidity, the use of Lombard loans increased somewhat in November. They were used for a total of seven days in that month, in an average amount of HRK 501m. It should be noted that the difference between interest rates on the money market and the Lombard loan rate (9.5%) was small in August and September and that the Lombard loan was used in November despite an increase in the interest rate spread. Such a policy of liquidity management was pursued by those banks that could not meet their liquidity needs on the money market.

Reserve Money and International Reserves

Reserve money (M0) grew somewhat faster in 2003 compared with the previous year due to a more rapid growth in kuna reserve requirements. In the first eleven months of 2003, M0 increased by 22.0%, compared with 16.8% in the first eleven months of 2002. The system's lower liquidity did not lead to a slowdown in reserve money as the decline in surplus liquidity took place simultaneously with an increase in the two categories of reserve money, currency in circulation and reserve requirements in kuna. The decline in kuna CNB bills subscriptions replaced the creation of reserve money through foreign exchange purchases, which were absent this year. After declining seasonally by HRK 1,144m in the first quarter of this year, reserve money recovered in the second quarter, increasing by HRK 2,381m and continuing to grow steadily in the third quarter (HRK 3,024m) and the first two months of the fourth quarter (HRK 797m). Seasonal effects excluded, M0 rose by 3.4% in the first quarter, 7.3% in the second quarter, 10.5% in the third quarter and 7.7% in the first two months of the fourth quarter. At end-November, reserve money stood at HRK 28.1bn, which is an increase of 35.0%, compared with the same month last year.

Bank deposits with the CNB, which structurally constitute

Figure 41



the largest category of reserve money, rose the most. In the first eleven months they increased by HRK 4,295m or by 32.2%. There were significant fluctuations in the individual types of bank deposits during that period. More specifically, the total balance of banks' cash in vaults rose by HRK 162m or by 13.3%, reserve requirements allocated in kuna rose by HRK 3,794m or a high 46.3%, while the total balance in the settlement accounts increased by HRK 231m or by 5.9%. Currency in circulation increased by HRK 774m or by 8.0% during the same period.

After increasing by 125.5%, or more than doubling in 2002, compared with the previous year, due to the payment system reform and the reform of the system of supplying banks with cash, the banks' cash in vaults continued to grow in 2003. The average balance of the banks' cash in vaults stood at HRK 1,294m in the first quarter, HRK 1,540m in the second quarter and HRK 1,566 in the third quarter. In the first two months of the fourth quarter, the average cash in vaults declined mildly due to a seasonal fall in demand for cash and stood at HRK 1,443m. At end-November, banks' cash in vaults stood at HRK 1,377m, which is an increase of 44.2%, compared with November last year.

Balances in *settlement accounts* are a category of bank deposits and total reserve money most prone to fluctuation. Banks use deposits in settlement accounts for payment transactions, but also to meet their reserve requirements. Balances in settlement accounts declined in the first quarter, as a result of liquidity sterilization and the sale of foreign exchange, and stood on average at HRK 2,974m. Following their recovery in the second quarter, they averaged HRK 3,305 and HRK

3,446m in the third quarter. Balances in the settlement accounts increased additionally in the first two months of the fourth quarter, reflecting an increase in kuna reserve requirements, and stood at HRK 4,405m. At end-November, settlement accounts stood at HRK 4,154m, which is an increase of 72.6%, compared with November last year.

Developments in the settlement accounts can only partly account for liquidity developments. Table 1 shows the balances of reserve money, liquidity indicators and factors affecting liquidity developments. Liquidity indicators shown include free reserves and surplus kuna liquidity. Free reserves are defined as any surplus of bank deposits with the CNB over the prescribed amount of reserve requirements that has to be maintained in accounts. Surplus kuna liquidity is defined as a sum total of deposit money banks' kuna claims against the CNB, net of their kuna liabilities towards the CNB, including the reserve requirements in kuna. As shown in Table 1, banks raised considerably their free reserves in the second quarter of 2002, due to their taking over of the payment system. High free reserves in the system that had marked the system ever since, declined considerably in August this year.

Table 1 also shows that the surplus kuna liquidity of banks created in 2000 after the government settled its arrears, thus putting an end to a period of general, system-wide lack of liquidity, rose steadily throughout the period to the last quarter of 2002, when it reached its maximum. Monetary policy operations this year caused a gradual reduction in surplus liquidity, and led to its full sterilization in September. The end of September and October saw a mild recovery in liquidity as a result of a seasonal decline in currency, the redemption of the

Table 1: Liquidity and Factors Affecting Reserve Money Creation, quarterly averages, in million HRK

Period		Reserve money	Free reserves	Surplus kuna liquidity	Main factors affecting creation/withdrawal (balances)						
					Currency	Kuna reserve requirements	CNB bills in kuna	Government deposits in kuna	Credits to banks	Repo transactions	CNB foreign exchange transactions
1999	Q1	9,440	191	-234	5,244	3,356	663	518	1,312	305	-1,835
	Q2	9,130	123	-801	5,237	3,197	590	508	1,569	171	924
	Q3	10,055	101	-497	5,883	3,462	890	530	1,387	67	150
	Q4	10,119	186	239	5,632	3,648	1,435	636	1,201	22	2,161
2000	Q1	9,453	107	349	5,196	3,552	1,407	476	959	47	98
	Q2	9,614	212	1,436	5,410	3,405	1,807	592	363	2	2,393
	Q3	11,519	297	2,341	6,417	4,133	2,475	862	261	-	1,639
	Q4	11,573	425	2,714	6,037	4,509	2,573	1,081	167	26	-44
2001	Q1	11,389	619	2,962	6,106	3,809	2,450	1,163	38	18	621
	Q2	12,420	586	3,034	6,816	3,506	2,641	1,513	109	98	749
	Q3	13,795	747	3,587	7,648	3,798	3,397	1,436	505	68	1,400
	Q4	16,560	573	2,800	7,500	6,099	2,288	1,492	27	17	3,889
2002	Q1	18,348	508	3,616	8,428	6,788	3,400	1,363	265	-	1,022
	Q2	21,530	2,234	5,492	9,262	7,301	3,458	678	561	-	2,505
	Q3	21,834	889	5,892	10,327	7,596	5,080	666	180	-	347
	Q4	21,800	860	6,065	9,691	8,035	5,233	992	188	-	859
2003	Q1	22,348	739	5,300	9,641	8,416	4,568	636	-	-	-2,020
	Q2	23,696	957	4,057	10,056	8,753	3,118	513	-	-	1,085
	July	25,350	1,023	3,030	11,133	9,035	2,006	408	-	-	-
	August	25,652	334	2,045	11,565	9,581	1,762	465	80	-	-
	September	27,236	449	413	10,945	10,680	390	619	425	-	-
	October	27,419	638	605	10,469	11,023	10	474	43	-	-
	November ^a	28,195			10,437	11,757	-	667	167	-	859

^a Free reserves are defined as any surplus of bank deposits with the CNB over the prescribed amount of reserve requirements that has to be maintained in accounts. Surplus kuna liquidity is defined as a sum total of deposit money banks' kuna claims against the CNB, net of their kuna liabilities towards the CNB, including the reserve requirements in kuna.

remaining stock of kuna CNB bills and a decline in average government kuna deposits. Good liquidity continued into November, when the CNB, through its monetary policy operations, helped keep the liquidity at levels similar to those in October. Good liquidity notwithstanding, a number of banks continued to use the Lombard loans to meet their reserve requirements.

The trend of decline in kuna *government deposits* with the CNB from 2001 continued into 2003. The significance of this decline lies in the fact that it involves a transfer of funds from the government account, across deposit money banks' accounts to accounts of other sectors and vice versa, thus affecting total banking system liquidity. After averaging HRK 636m in the first quarter of 2003, average kuna government deposits fell to HRK 513m in the second quarter and to HRK 497m in the third quarter. Average government deposits in kuna increased slightly to HRK 569m in the first two months of the fourth quarter as a result of the sale to the central bank of USD 200m, the kuna equivalent of which was transferred to kuna government account. At end-November, kuna government deposits stood at HRK 689m, which is a decline of HRK 79m, compared with the beginning of the year.

Government deposits in foreign currency have increased in significance this year. The government started depositing its foreign exchange inflows with the CNB, in an attempt to avoid shocks on the foreign exchange market caused by capital inflows. Inflows realized in the first six months were those arising from the issue of eurobonds (total EUR 500m) in March and Samurai bonds (total JPY 24.9bn) in June. Most of these inflows were used for the settlement of foreign liabilities, and the CNB purchased from the government in the second quarter net EUR 157m. The succession-related inflow in May, amounting to USD 54.7m, was deposited in the government's foreign exchange account with the CNB. Receipts from the privatization of INA generated USD 505m in the fourth quarter. One part of this amount will be used for the settlement of foreign liabilities abroad and one part will be converted into kuna and spent in Croatia. The central bank

purchased USD 200m in November and an additional USD 100m on the first day of December. At end-November, government deposits in foreign currency stood at HRK 2,718m.

Developments in *international reserves of the Croatian National Bank* are determined by the central bank's foreign exchange transactions with banks, developments in foreign currency government deposits, foreign exchange reserve requirements of banks, foreign exchange CNB bills as well as developments in foreign exchange liabilities arising from international reserves management policy. Following their increase from USD 5.9bn at the beginning of the year to close to USD 7bn until May this year, international reserves, expressed in US dollars, decreased in the June-August period due to a decline in government foreign exchange deposits and appreciation of the dollar. The large subscription of CNB bills in foreign currency late in August and early in September and the depreciation of the dollar against the euro compensated for the September decline in foreign exchange reserve requirements allocations. International reserves increased again in November, after the government received USD 505m from the privatization of INA. The dollar's depreciation against the euro in November led to a further increase in the dollar equivalent of international reserves in November, despite CNB's sale of EUR 60m to deposit money banks. At end-November, total international reserves stood at USD 7,788m, which is an increase of USD 1,842m, compared with the beginning of the year. In kuna terms, total international reserves at end-November stood at HRK 50.2bn, which is an increase of 5.3bn, compared with the beginning of the year. Developments in reserve requirements in foreign currency and foreign exchange CNB bills do not have an impact on developments in net usable international reserves, which stood at USD 5,634m at the end of November, which is an increase of USD 970m, compared with the beginning of the year.

Monetary Developments

Monetary developments in the third and early fourth quarter 2003 were marked by a further slowdown in bank placements to the non-banking sector. Looking at data on credit activities of banks in the first ten months of this year, it can be seen that the slowdown in credit activities is largely due to a significant fall in corporate lending and only a moderate reduction in household lending.

Credit slowdown did not bring about a corresponding improvement in the country's current account, nor a significant reduction in its external debt as alternative modes of corporate financing provided by other financial institutions on the market enabled further growth of personal consumption which typically boosts imports. However, the government played a major role in the country's external debt this year. Acting autonomously outside the sphere of direct central bank competence, the government continued to borrow abroad, either directly or indirectly through its state-owned or partially state-owned companies.

The first ten months of the year saw a significant increase in kuna non-monetary deposits, mostly generated by the house-

Figure 42



hold and the corporate sectors that can be attributed to macroeconomic stability and confidence in the domestic currency.

Credits

Bank placements to the non-banking sector were extremely large and steady in the past two years (25.5%, and 30.4% in 2001 and 2002 respectively). After having exhausted the domestic sources in 2001 and early 2002, banks turned to foreign borrowing from their parent banks. Such credit policy of banks, encouraged by higher yields in Croatia compared with the EU and efforts of banks to win market shares in the Croatian banking market, led to a large external debt and current account deterioration. In response to such developments, the CNB introduced early in 2003 measures aimed at slowing down credit growth and reducing private sector indebtedness as well as narrowing the current account deficit and curbing external debt growth.

Bank placements to the non-banking sector in the first ten months of this year suggest that CNB measures were successful in reducing credit activities of deposit money banks. In the first ten months of this year, bank placements to the non-banking sector grew by 11.2%. Compared with 27.3%, i.e. their growth rate in the same period last year, this is an evident slowdown. Should this trend persist in the last two months of the year, placements growth will not exceed the 16% growth prescribed by the central bank earlier this year.

Total placements in the first ten months rose by HRK 13.3bn (13.6%), which is less than half the growth rate recorded in the same period last year (28.1%).

Data on loan distribution in the first ten months point to a slowdown in both corporate and household loans. However, the slowdown in the household loans segment was much slower than that in the corporate loans segment. More precisely, household loans fell from 37.1%, their growth rate in the first ten months of 2002, to 23.5% in the first ten months of this year. Though largely attributable to CNB measures, the

fall can also be attributed to a steady moderate fall in demand for household loans due to the present level of household's indebtedness arising from previous loans. By contrast, corporate loans rose by a mere 1.5% in the first ten months of this year, compared with 20.3% in the same period last year, which is a considerable decline. As a result of higher growth rates of household loans compared with corporate loans in the past two years, the level of household loans exceeded the level of corporate loans in May 2003.

The banks' increasing orientation towards the household sector, and the corresponding decline in corporate loans is the result of banks' adjustment to central bank measures.

To adjust to the central bank's Decision on the Compulsory Purchase of CNB Bills (16% annual growth of placements), banks reduced their corporate loans, making room for the growth of high-yielding household loans. In the first half of the year, banks reduced their securities portfolio and their off-balance sheet items (guarantees, lines of credit, and contingent liabilities) included in the calculation of placements, in terms of the CNB Decision on the Compulsory Purchase of CNB Bills. According to data from the end of the first semester, banks reduced their off-balance sheet items by HRK 1.4bn, and their securities investments (T-bills and CNB bills excluded) by HRK 3.2bn (investment and trading portfolio), thus creating additional room (approximately HRK 4.6bn) for household credit growth, simultaneously with a decline in corporate lending.

However, to ensure further financing for their corporate clients, banks turned to their parent banks abroad, providing financing in the form of direct credit lines from abroad. This type of borrowing further increased the private sector's external debt. Also, banks redirected a part of their clientele base to alternative forms of financing, such as those provided by leasing companies in very close ownership relationships with Croatian daughter banks and parent banks abroad. In addition, banks acted as intermediaries for foreign syndicated loans granted to companies.

Evidently, banks replaced corporate loans with new alter-

Figure 43

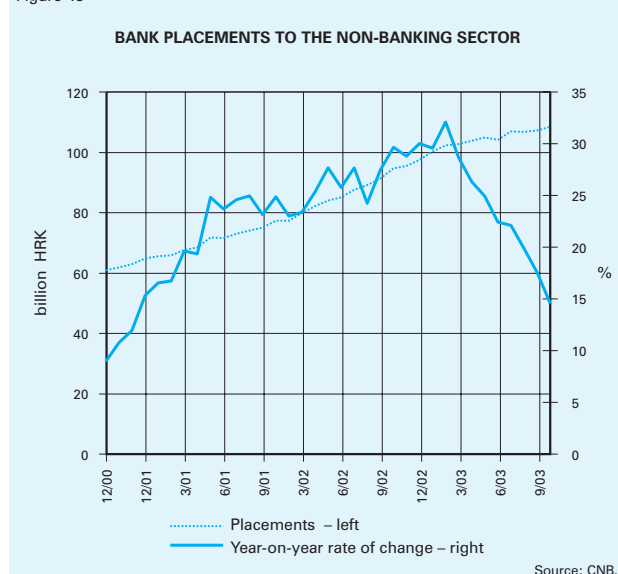
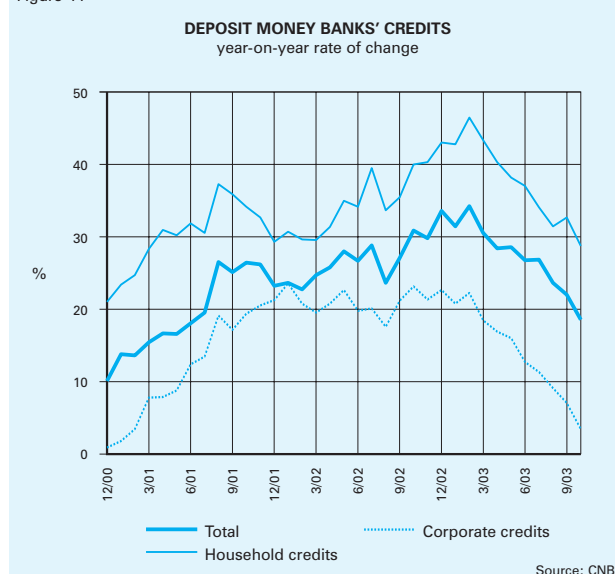


Figure 44



native forms of financing. Such alternative forms of financing, in particular leasing and direct foreign borrowing provide for parent banks satisfactory yields without employing assets of their daughter banks in Croatia.

Money Supply

A slowdown in credit activities of banks in the first ten months of 2003 caused a slowdown in the growth of money supply. The annual growth rate of *money (M1)* at the end of the third quarter was 12.7%, or three times lower compared with the same period last year (42.5%). At the end of October, M1 stood at HRK 32.8bn, an increase of 12.8%, compared with the end of last year. Developments in this monetary aggregate are sensitive to seasonal influences, and the summer months are typically the periods of growth in M1 and its components. Currency and demand deposits equally influenced developments in M1 during the year.

Figure 45

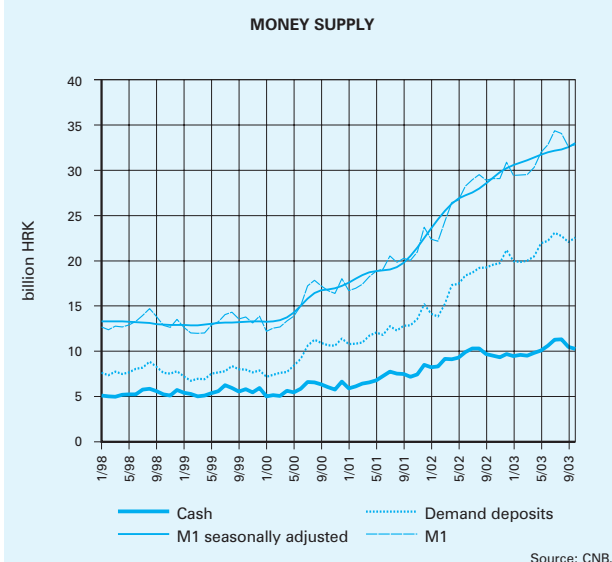


Figure 46

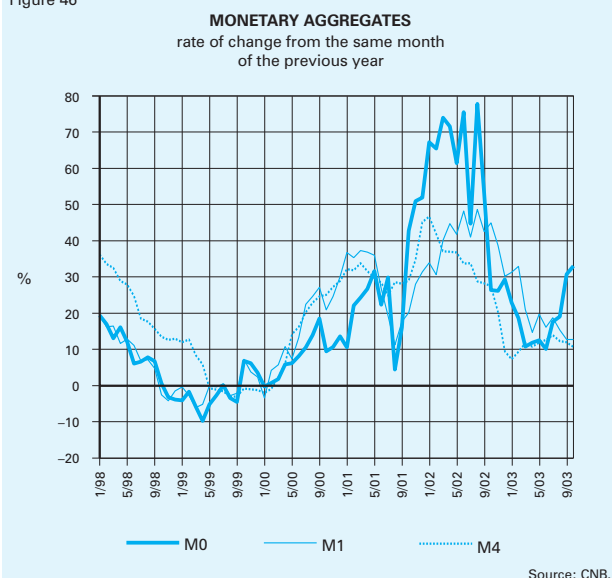
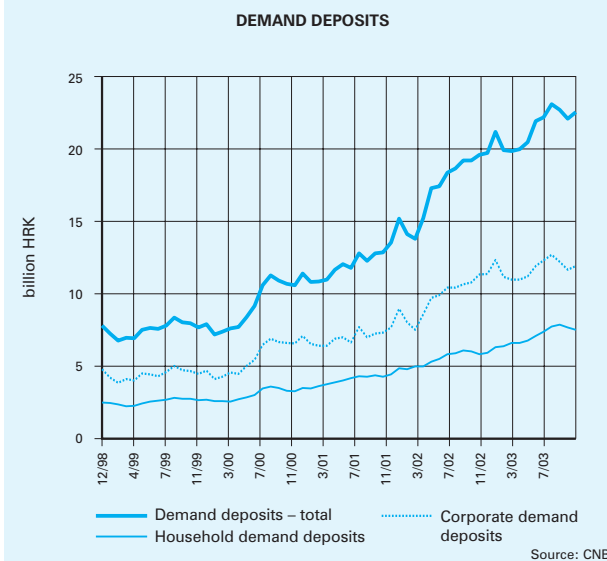


Figure 47



Developments in *demand deposits* are closely correlated with economic activities and placements of deposit money banks. Lower credit activity of deposit money banks in the first ten months of this year affected developments in this component of money supply. As a result, the rate of growth of demand deposits decelerated throughout the year, falling from 39.4% at end-2002 to 14.8% at the end of the third quarter of this year. The level of demand deposits is mainly influenced by deposits of the corporate sector, which account for 52.9% of total demand deposits, and household deposits, which account for 33.4% of total demand deposits. In the first ten months of 2003, corporate demand deposits declined by 3.5%, while household demand deposits increased by 19.2%.

Currency also recorded a slowdown in the first ten months of this year, compared with the same period last year. At end-October, it stood at HRK 10.3bn, growing by 6.0%, or two times more slowly than in the same period last year. The slowdown in currency growth can be attributed to a stabilized cash management policy within the payment system, a slowdown in retail trade and an ever-increasing use of credit cards and electronic cards in payment transactions.

Total Liquid Assets (M4)

Kuna non-monetary deposits (savings and time deposits) increased by 42.6% at end-October this year, compared with end-October last year. Household deposits grew the most (50.9%) while corporate deposits grew at a slightly slower rate (45.3%).

It should be pointed out that in addition to these two components, other financial institutions, particularly investment funds and voluntary pension fund management companies in the second pillar of mandatory pension insurance, have a growing influence on kuna deposits. The nature of total assets and liquidity management policies of these institutional investors is subject to changes connected with the exchange rate movements, often leading to volatility of these institutions' kuna deposits. With their expected future growth, it is

Figure 48

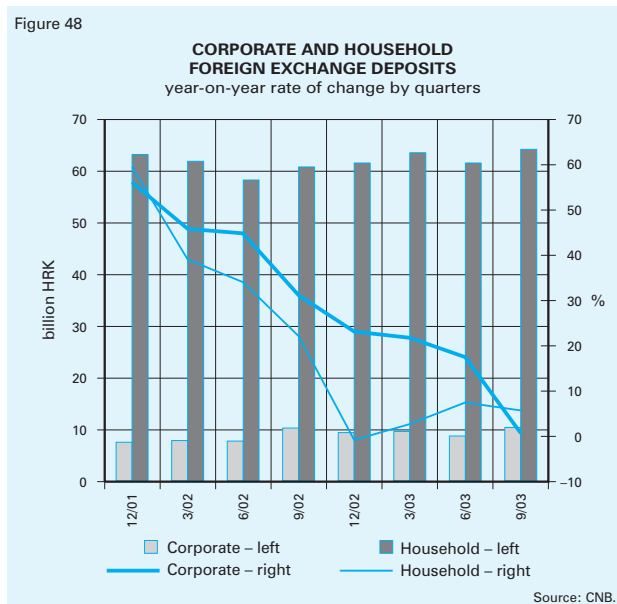
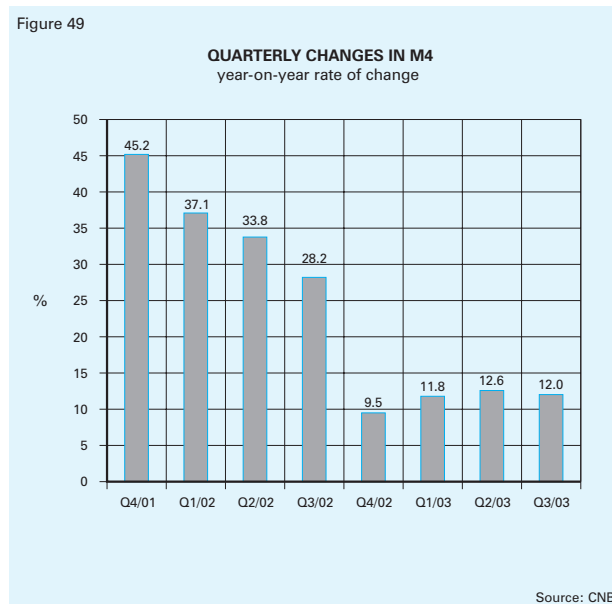


Figure 49



likely that these institutions will have an increasing influence on this monetary aggregate.

A steady increase in kuna non-monetary deposits led to an increase in the share of kuna savings and time deposits in quasi money. At the end of the third quarter this year, kuna deposits accounted for 19.2% of quasi money, which is an increase of over 20%, compared with the end of last year when kuna deposits accounted for 15.5% of quasi money.

A rapid growth in the kuna component of quasi money reflects a stable macroeconomic environment, characterized by low inflation, stable domestic currency and higher interest rates offered by banks on kuna time deposits as well as the use of kuna deposits as loan collateral.

After holding steady in the first half of the year, *foreign exchange deposits* started increasing in the third and early in the fourth quarter as a result of a successful tourist season and good foreign exchange inflows.

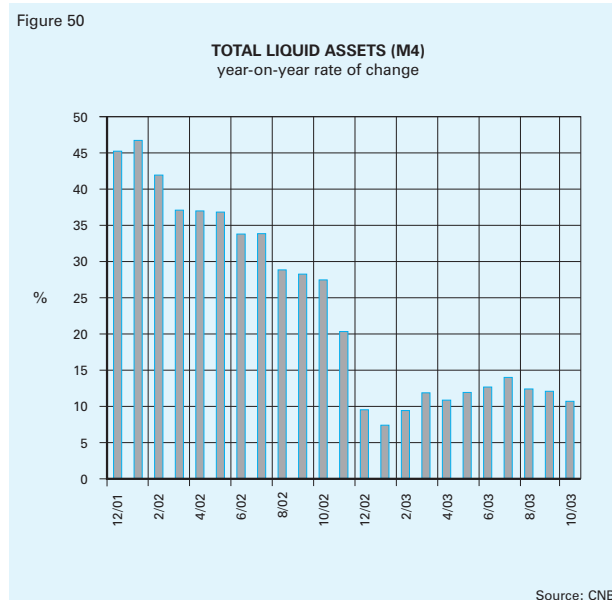
At end-October, foreign exchange deposits stood at HRK 76.2bn nominally, which is an increase of HRK 4.1bn, compared with the end of last year, indicating their recovery following a stagnation last year due to the euro effects and problems in Riječka banka.

In the first ten months of this year, household foreign exchange deposits rose by HRK 2.5bn (4.0%), the fastest growth in absolute terms. The level of foreign exchange deposits in the comparable 10-month period last year was 1.9% lower. Household foreign exchange deposits at end-October 2003 accounted for 84.3% of total foreign exchange deposits.

Corporate foreign exchange deposits increased by HRK 1.8bn in absolute terms in the first ten months of this year, growing by a high 18.6% compared with the end of last year. Though common during the summer months, the increase in corporate foreign exchange deposits can also be attributed to corporate investment activities stimulated by particularly large infrastructural projects in 2003.

Corporate presence on the foreign exchange market had a stabilizing effect on the market as companies buy foreign exchange when the exchange rates are more favorable to use

Figure 50



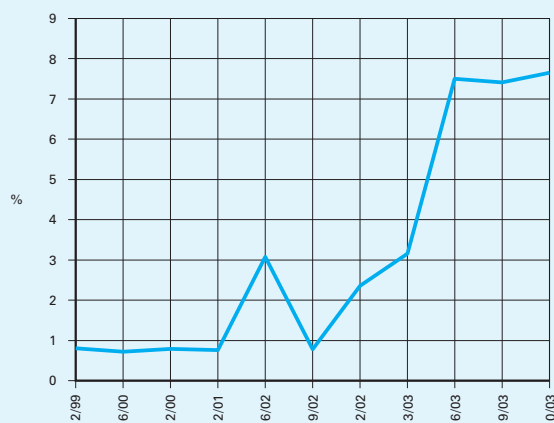
them for payments in periods when the exchange rates are not so favorable and thus reduce appreciation and depreciation pressures on the domestic currency.

Time deposits accounted for 63.9%, or the largest share of total deposits (*deposits in current and giro accounts, savings and time deposits*) at the end of September. Savings deposits and funds in current and giro accounts accounted for much smaller shares; i.e. 18.7% and 17.4% respectively.

Developments described above caused *total liquid assets* (M4) to increase in the third quarter. M4 held steady in the first half of this year (growing by 2.3% in the first quarter, compared with the end of last year, and by 1.0%, compared with March). However, this broadest monetary aggregate recovered in the third quarter, increasing by 5.7%, compared with the end of the first semester. At end-October, M4 held at its September level (HRK 127.1bn), which is an increase of 10.3%, compared with the same month last year, when this monetary aggregate grew annually by 27.4%.

Figure 51

SHARE OF KUNA FOREIGN LIABILITIES IN TOTAL FOREIGN LIABILITIES



Source: CNB.

Foreign Assets and Liabilities

Following a decline of HRK 4.3bn in *net foreign assets of deposit money banks (NFA)* in the first half of the year due to bank portfolio restructuring, NFA of deposit money banks increased in the third quarter. Typically higher inflows of foreign exchange and larger conversions of foreign exchange from tourism during the summer caused foreign assets of deposit money banks to increase by HRK 4.4bn. During the same period, there was a mild increase in foreign liabilities (HRK 1.0bn). The resultant increase in NFA of deposit money banks in the third quarter was HRK 3.4bn. NFA declined seasonally by HRK 1.1bn in October.

The share of kuna foreign liabilities in total foreign liabilities increased heavily in the first nine months of 2003 as a result of deposit money banks' adjustments to the central bank's measure on minimum foreign exchange liquidity. A number of parent banks deposited kuna with their daughter banks and granted kuna loans, causing their foreign liabilities to decline and their kuna foreign liabilities to increase. Of the total increase in kuna foreign liabilities, loans increased the most (HRK 1.6bn) in the first ten months of the year while time deposits and callable loans increased by HRK 0.5bn during the same period. At end-October, kuna foreign liabilities accounted for 7.7% of total foreign liabilities, compared with only 2.4% at end-2002.

Government

Developments in *deposit money banks' net claims on the central government* were largely determined by government financing through bond issues on the global markets. With each inflow from bonds, government foreign exchange deposits with the CNB increased, causing a mild increase in bank claims on the government as government used foreign exchange inflows for payments to domestic creditors. In the first ten months of 2003, bank claims on the government increased by a mere 2%.

At the end of the third quarter this year, deposit money banks' net claims on the central government increased by HRK 0.6bn compared with the end of the first semester. The central government withdrew HRK 1.3bn in deposits from the CNB and HRK 40.0m in deposits from deposit money banks. At the same time, bank claims arising from loans increased by HRK 0.4bn. The amount of deposits withdrawn equals the decline in government liabilities arising from issued bonds (HRK 0.9bn) and money market instruments (HRK 0.4bn). In October this year, banks' net claims on the central government fell by HRK 0.8bn. At end-October, banks' net claims on the central government were HRK 15.3bn, which is an increase of 1.3%, compared with the end of last year.

Money Market

Further tightening of the CNB's monetary policy made a strong impact on money market developments in the third quarter of 2003. The seasonally common increase in demand for kuna in July and August continued into September due to the withdrawal of an approximate HRK 2.1bn from the system effected under the amendments to the Decision on Reserve Requirements.

The resulting reduction in the banking system kuna liquidity brought about an upsurge in ZMM interest rates in late August and early September 2003. However, bank liquidity improved on account of seasonal cash inflows to banks during September and October and the redemption of kuna CNB bills, so that interest rates gradually went back to their second quarter level in October.

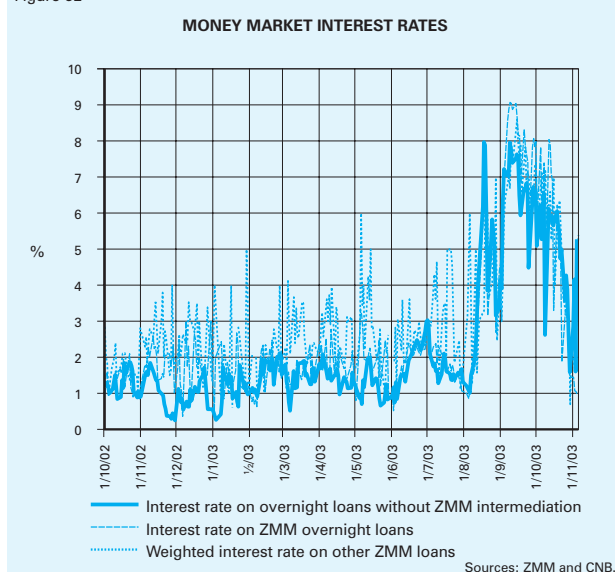
In the primary short-term securities market, the CNB did not increase interest rates on CNB bills above their 2.55% September level and banks offers held steady at 4%, with the result that the CNB bills balance was eventually reduced to zero. The funds freed up by the redemption of CNB bills made a positive impact on the banking system liquidity and eased the conditions in the ZMM. In contrast, due to the government's short-term financing needs, interest rates on MoF T-bills followed market interest rate trends increasing significantly in September, with the rates on T-bills with shorter maturities continuing growth in October.

Money market developments partly influenced deposit money banks' interest rates. Both lending and deposit rates halted their long-lasting downward trend in July, and some rates, mainly those in corporate banking, even recorded a rise in September.

Money Market Interest Rates

The reported demand for loans in the ZMM almost doubled in consequence of the announced amendments to the Decision on Reserve Requirements increasing the kuna allocated part of the reserve requirements held against banks for foreign exchange liabilities from 25% to 35%. Following a strong upward interest rate trend in the second half of August, banks with good liquidity, anticipating substantial gains, also increased the reported supply of free reserves. However, the

Figure 52



gap between the reported supply and demand widened further, bringing about an even stronger interest rate increase in September. The turnover of loans with all maturities also rose in the same period.

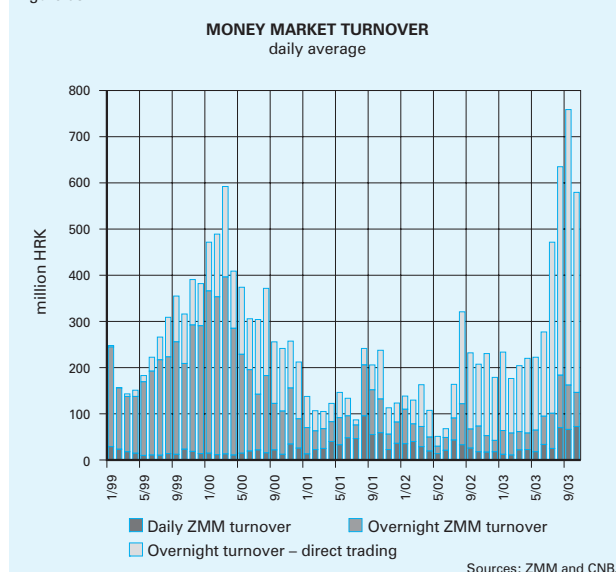
The weighted monthly interest rate in the ZMM stood at 3.96% in August (a rise of 1.8 percentage points compared with July), leaping to 6.50% in September, the level last attained at the end of 2000. However, both demand and interest rates decreased as early as in October, when the reported demand for loans declined by HRK 2bn relative to September and the weighted interest rate fell to 5.45%.

The weighted monthly interest rate on overnight loans, accounting for 60% in the total ZMM turnover, rose to 3.98% in August, leapt to 6.29% in September and dipped to 5.45% in October. The weighted monthly interest rate on other loans started to grow as soon as in the second quarter, continued its growth in August (3.94%) and September (6.79%) and went down to 5.37% in October. Interest rates on callable loans and time deposits (deposits with maturities shorter than a week) rose the most. Interest rates on loans with shorter maturities exceeded those on loans with longer maturities in September, as an indication that the market considered the interest rate increase as only temporary.

Banks kuna liquidity needs triggered intensive trading both in the ZMM and direct interbank market in the third quarter of 2003.

According to ZMM data, total turnover reached HRK 21bn in the first ten months of 2003. The turnover in the third quarter was HRK 9.4bn, three times higher than in the same period in the previous year, with intense trading continuing into October. The largest turnover share, about two thirds, was characteristically accounted for by trading in overnight loans. The average daily turnover in overnight loans stood at HRK 95.1m in the third quarter, falling to HRK 74.1m in October. In the same period, the average daily turnover in other loans amounted to HRK 54.2m, rising to HRK 72.6m in October. The share of callable loans in total loans grew from 60% to 76% in August, which is typical of low liquidity periods.

Figure 53



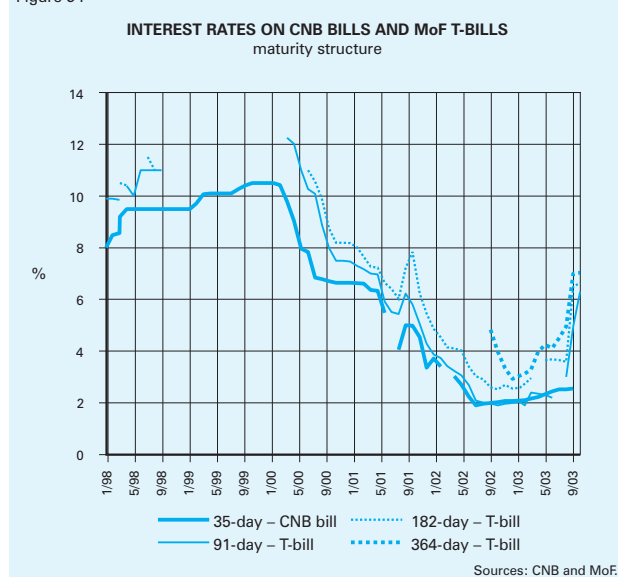
The direct interbank market had a total turnover of HRK 58.1bn in the period from early 2003 to late October. Of this amount, HRK 29.8bn was generated in the third quarter and HRK 9.5bn in October. The average daily turnover in direct interbank loans was HRK 472.5m and 432.5m in the third quarter and in October 2003 respectively. The average interest rate on direct interbank loans exceeded that on overnight loans with ZMM intermediation reaching its peak of 7.27% in September and declining to 5.39% in October.

Interest Rates in the Short-Term Securities Market

High demand for kuna in the short-term securities market boosted interest rates on MoF T-bills, while interest rates on kuna CNB bills remained unaltered by the CNB. CNB bills were last purchased at the auction held on 10 September, at an interest rate of 2.55%. Their balance declined to HRK 104,900 by the end of the third quarter in 2003 and reached zero in October after the last purchased bills had matured. Interest rates have trended upwards at MoF T-bills auctions since early 2003. Their steep rise was recorded late in the third quarter, especially regarding interest rates on 91 and 182-day bills, which came close to those on one-year T-bills in September and October. The weighted monthly interest rate on 91-day T-bills rose from 3% to 6.31% in the period from August to October, and that on 182-day bills from 3.60% to 6.65%. The weighted average interest rate on T-bills with the longest maturity increased from 4.95% to 7.03% in the same period.

The balance of purchased T-bills held steady at HRK 5.2bn in July and August. Having decreased to HRK 4.9bn in late September following the maturity of the first one-year T-bills, it rose again to HRK 5.2bn in October. Although one-year bills are still dominant in the T-bills structure, their share has diminished. Having trended downwards for several months, the balance of 91 and 182-day T-bills reached its record low in August. However, it rose several times over by end-October, due to the renewed investors interest in these bills

Figure 54



brought about by the rise in their interest rates.

Interest rates on foreign exchange CNB bills halted their downward trend in the third quarter of 2003. As interest rates on foreign exchange CNB bills are calculated by deducting 1/16 of a percentage point from the LIBID rate for the appropriate currency and maturity, their trends are directly related to interest rate developments in international markets. Interest rates on 35-day foreign exchange CNB bills exceeded those on 63-day bills for twelve months, leveling off with them in the third quarter of 2003. This trend was reversed in September and October; a sign that international markets no longer expect the ECB and Fed to further cut interest rates. The weighted monthly interest rate on 35 and 63-day EUR denominated CNB bills stood at 1.91% and 1.93% respectively in October. The weighted monthly interest rate on USD denominated CNB bills remained below 1 percentage point, standing at 0.93% and 0.94% for 35 and 63 bills respectively in October.

Increasing slowly during 2003, the balance of purchased foreign exchange CNB bills advanced considerably in the third quarter. Having reached EUR 545.9m in September, it declined to EUR 505.5m in October. The largest share in the structure of foreign exchange CNB bills, about 70%, is accounted for by EUR denominated bills. As the increase in demand for foreign exchange CNB bills cannot be explained by their low interest rates and a relatively stable kuna exchange rate, these trends were most likely caused by banks satisfying their needs for foreign exchange liquidity in order to comply with the CNB's Decision on the Minimum Required Amount of Foreign Exchange Claims. In addition, foreign exchange CNB bills serve as collateral for the CNB Lombard loan, which has been in high demand in the third quarter of 2003 due to reduced bank liquidity and increased money market interest rates.

Deposit Money Banks' Interest Rates

CNB measures aimed at slowing placement growth have almost completely halted the downward trend in deposit money banks' lending and deposit rates in 2003. Due to the rise in money market interest rates, some deposit money banks' interest rates went up in August and September.

Interest rates on short-term corporate loans increased in the third quarter of 2003 relative to the previous quarter, continuing their slow rise from late 2002. The average interest rate on short-term kuna corporate loans without a currency clause reached its 12-month high in September, standing at 8.04%. Interest rates on short-term household loans, which were trending downwards even while other lending rates stagnated, also rose slightly in the third quarter of 2003. The average interest rate on short-term household loans without a currency clause was 14.90% in September, a rise of 5 basis points compared with the end of the second quarter in 2003.

Interest rates on long-term corporate loans oscillated most markedly in comparison with other observed deposit money banks' interest rates. The average monthly interest rate on

Figure 55

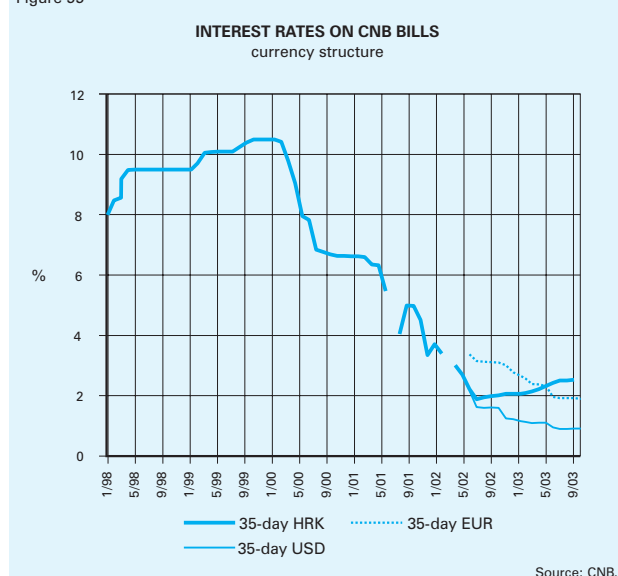
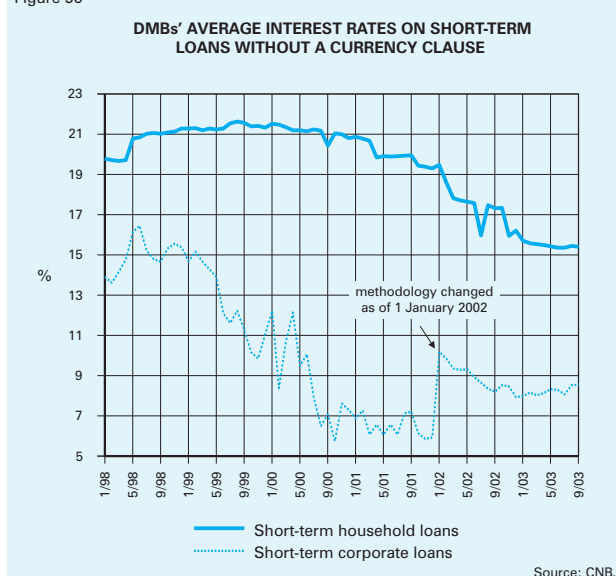


Figure 56



long-term corporate loans with a currency clause stood at 6.64% in September. Interest rates on long-term loans to households first increased late in the first half of the year and continued at a moderate upward trend in the third quarter. The average interest rate on long-term household loans amounted to 8.77% in September.

Rising loan prices in the money market also affected interest rates on kuna time deposits with deposit money banks. Halting its downward trend in June 2003, the average monthly interest rate on kuna time deposits went up to 5.25% in September, a rise of 188 basis points over the end of the second quarter. This was brought about by the interest rate on corporate time deposits leaping from 2.95% in June to 5.65% in September, in contrast with the interest rate on household time deposits which rose by a mere 10 basis points, from 3.86% in June to 3.96% in September. The average monthly interest rate on kuna sight deposits held steady at 0.55% in the second quarter, fell to 0.51% in August and remained stagnant in September. The downward trend in interest rates

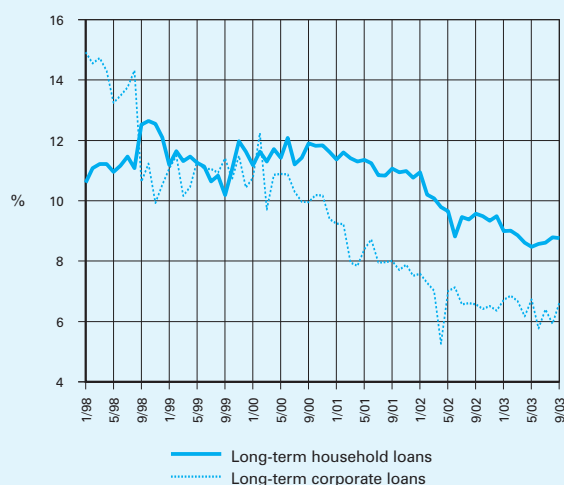
on foreign exchange time deposits continued into the third quarter of 2003. The average monthly interest rate on foreign exchange time deposits was 2.64% in September whereas that on foreign exchange sight deposits remained at 0.32%.

The spread between banks lending and deposit interest rates did not change considerably in the third quarter. The increase in the average interest rate on kuna loans with a currency clause and the parallel decrease in the interest rate on foreign exchange deposits pushed up the spread between these rates to 5.9 percentage points in September. The spread between interest rates on total loans and total deposits was 7.84 percentage points in the same month.

An analysis of interest rates in selected transition countries and the EMU shows certain differences in nominal and real interest rate trends. Deposit money banks' nominal interest rates decreased in most observed countries in the third quarter of 2003. Due to the parallel fall in inflation, measured by the CPI, real interest rates decreased less markedly. The only exception was Slovakia, whose inflation rate was on the in-

Figure 57

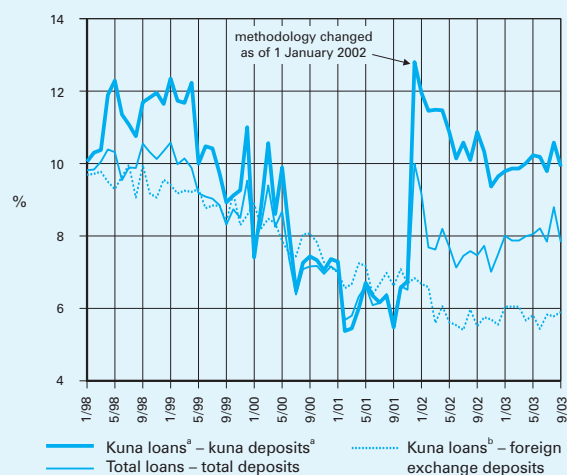
DMBs' AVERAGE INTEREST RATES ON LONG-TERM LOANS WITH A CURRENCY CLAUSE



Source: CNB.

Figure 59

SPREAD BETWEEN DMBs' AVERAGE INTEREST RATES ON LOANS AND DEPOSITS

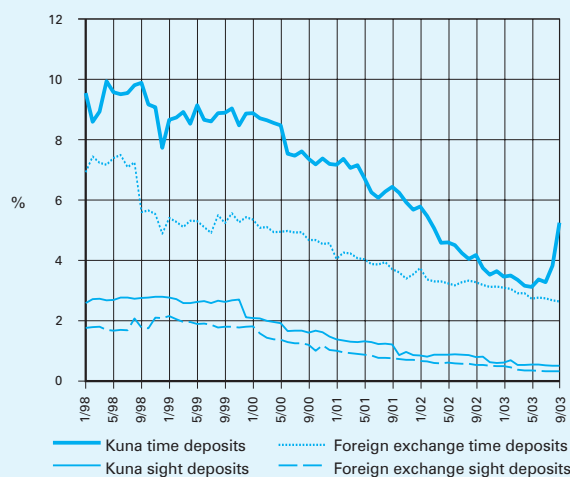


^a Without a currency clause. ^b With a currency clause.

Source: CNB.

Figure 58

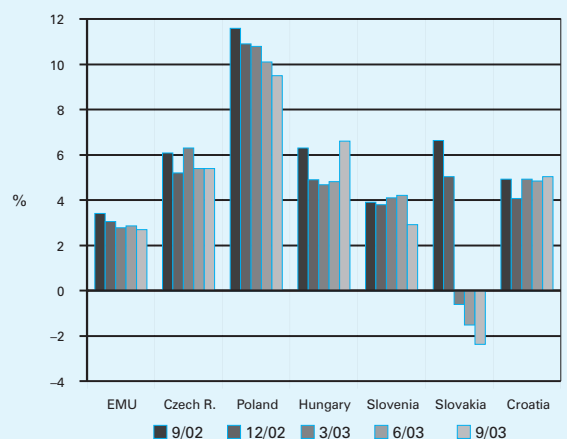
DMBs' AVERAGE DEPOSIT INTEREST RATES



Source: CNB.

Figure 60

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

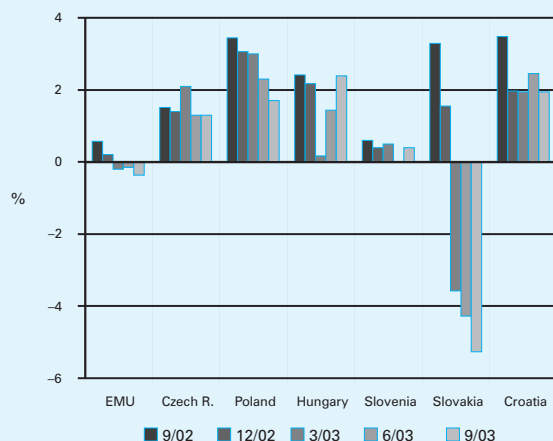


Note: Due to the differences between some countries' statistical coverage interest rates cannot be directly compared, but their development can be analyzed.

Sources: Central banks' bulletins and CNB.

Figure 61

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



Note: Due to the differences between some countries' statistical coverage interest rates cannot be directly compared, but their development can be analyzed.

Sources: Central banks' bulletins and CNB.

crease during 2003, bringing about negative real interest rates on both loans and deposits despite rising nominal rates. Nominal interest rates also rose in Hungary, where the inflation rate held steady, so that real interest rates rose as well. The nominal interest rate on short-term deposits is below the inflation level in the EMU, with the result that the real deposit interest rate has been negative for the third consecutive quarter. In Croatia, the nominal interest rate on long-term corporate loans rose in comparison with the end of the previous quarter, which was partly offset by a slight rise in the inflation rate. The nominal interest rate on short-term household deposits held steady, while the real interest rate decreased by the amount of the increase in the inflation rate.

Capital Market

As shown by most US economic indicators, strong economic recovery continued in the third quarter of 2003 making a positive impact on the world's capital markets. Financial markets thus no longer expected further interest rate cuts by the Fed and ECB so that bond yields, at their lows in the second quarter, increased in the third quarter. This was also the cause of optimism prevailing in the world's stock exchanges, with the result that international capital market indices exceeded their end-2002 levels in the third quarter. Croatian eurobond yields followed international trends with only negligible deviations, while CROBEX trends were relatively unaffected by the developments in major share indices.

Equities Market

Market capitalization of equities on the Zagreb Stock Exchange increased considerably in the third quarter of 2003 compared with the end of the second quarter. This was due to the increase in the number of companies listed on the ZSE caused by an additional listing of public limited companies totaling 112 by the end of October. In consequence, market

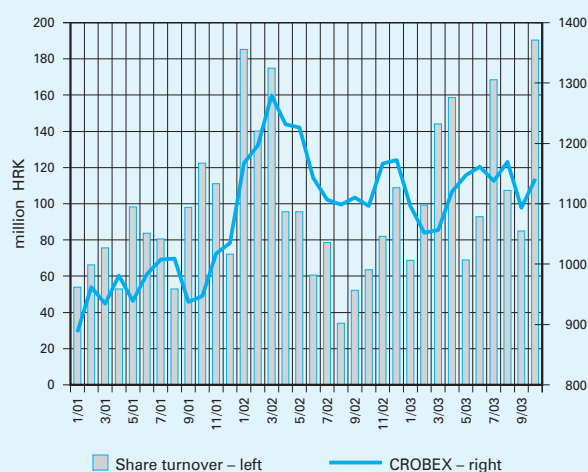
capitalization of equities owned by the listed companies amounted to HRK 35.1bn in late October 2003, i.e. 18.5% of the 2003 GDP estimate, a significant rise compared with 14.6% of the GDP estimate at the end of the second quarter.

After its regular revision carried out in September, the CROBEX comprised the shares of Croatia osiguranje, Istraturist, Kraš, Končar Elektroindustrija, Plava laguna, Pliva, Podravka and Riviera Holding. The shares of Rabac, Karlovačka pivovara and Erste & Steiermärkische bank were excluded from the index.

The rise in share prices in the second quarter did not continue into the third quarter, which was also reflected in the CROBEX value. Following an upward trend started in April 2003, the CROBEX reached its end-2002 level of 1170 points by the end of August, only to fall by 80 points over September. This fall was mostly due to the prices of Pliva and Podravka shares from Quotation I attaining relatively low levels in late September. The October rise in the prices of all shares covered by the CROBEX pushed it up to 1141 points

Figure 62

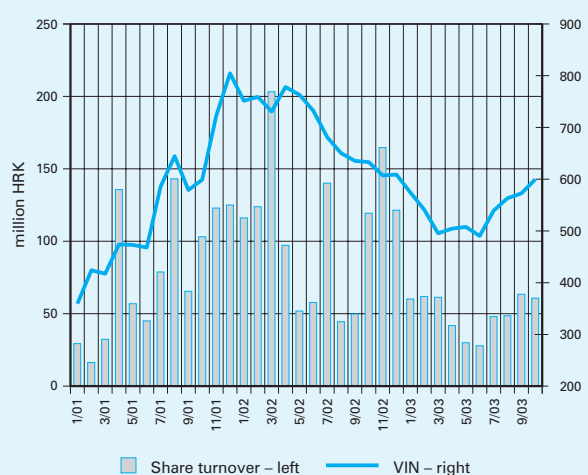
ZSE MONTHLY SHARE TURNOVER AND END-MONTH CROBEX



Source: ZSE.

Figure 63

VSE MONTHLY SHARE TURNOVER AND END-MONTH VIN



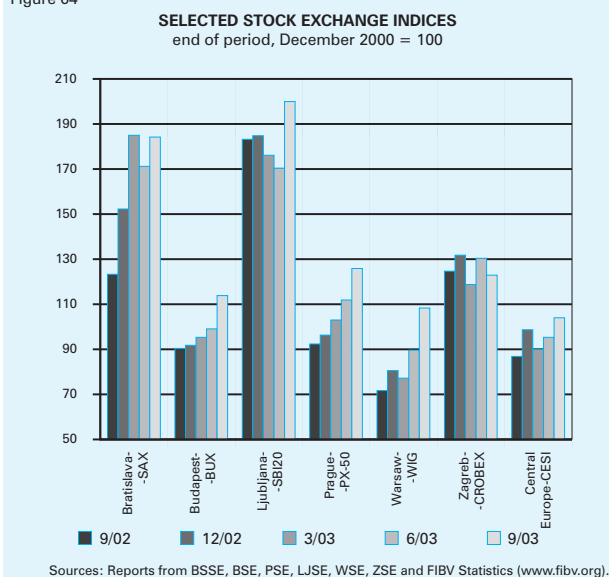
Source: VSE.

Table 2: Comparison of Capital Market Indicators

September 2003	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million USD)	2.8	25.5	2.9	50.5	100.6	0.6
Average daily turnover, bonds (million USD)	123.2	3.1	2.1	123.7	6.8	6.1
Turnover ^a /GDP ^c , annual level (%)	2.9	9.8	3.5	19.2	14.1	0.7
Turnover ^b /GDP ^c , annual level (%)	124.9	1.2	2.6	47.0	1.0	7.1
Turnover velocity ^d	22.2	36.0	13.4	61.2	80.8	2.9
Market capitalization ^a (million USD), end month	304.3	15,279	5,694	21,775	32,871	5,319
Market capitalization ^b (million USD), end month	9,246	24,827	3,974	17,675	...	2,009
Market capitalization ^a /GDP ^c , end month (%)	12.8	23.2	25.9	31.3	17.4	23.7
Market capitalization ^b /GDP ^c , end month (%)	39.0	37.7	18.1	25.4	...	9.0
Index movement from the beginning of the year (%)	20.9	14.5	8.2	30.7	31.8	-6.8
Index movement from the beginning of the month (%)	-3.0	-1.4	7.5	-2.7	-9.4	-6.5

^a Shares. ^b Bonds. ^c 2002. ^d Annualized monthly share turnover \times 100/ market capitalization of shares.
Sources: Reports from BSSE, BSE, PSE, LJSE, WSE, ZSE and FIBV Statistics (www.fibv.org).

Figure 64



by the end of the month.

On the increase for several consecutive quarters, the ZSE share turnover amounted to HRK 360.7m in the third quarter of 2003 compared with HRK 312.0m and 320.4m in the first and second quarters respectively. The September fall in share prices positively influenced the volume of trade in October when the turnover was HRK 190m. Pliva and Podravka shares from Quotation I accounted for about half of the total turnover in the third quarter. After being listed in the quotation of public limited companies (Quotation JDD) in July, the share of Tvornica duhana Rovinj started trading intensively, accounting for 13% of the total share turnover in the third quarter and for almost 60% in October.

The Varaždin Stock Exchange share turnover trended downwards since early 2003, reaching its low at the end of the first half of the year. Following the introduction of the Quotation JDD and the first share listings in that quotation, the VSE turnover started recovering. Quotation JDD comprised 123 public limited companies shares at the end of October, with the turnover in that stock exchange segment showing an upward trend. Quotation JDD accounted for about half of the total turnover, standing at 160m in the third quarter of 2003 and amounting to a relatively high HRK 60m

in October. Among other VSE trading segments, the most significant was the Free Market Quotation, while the turnover in other quotations (Quotation I, Quotation II and the PIF Quotation) was almost negligible. Listed in the VSE Quotation I in September as the first share after the three-month period with no shares listed, the Varteks share did not produce a considerable turnover.

The VSE index, VIN, underwent three special revisions from July to October 2003 which lead to the exclusion of Expandia, Sunce and Velebit closed-end funds' shares. The VIN comprised 14 shares at the end of October, the most important ones being those of Ericsson Nikola Tesla, Riviera Holding, Kraš and Dom holding. Following a yearlong decrease, the VIN steadied at 500 points in March and rose to 572 points in the third quarter of 2003. It increased further to 599 points in October, mainly due to the rise in the price of the Ericsson Nikola Tesla share.

Stock exchange indices in the markets of transition countries rose considerably in the third quarter following world market developments. The combined index of Central European stock exchanges, CESI, exceeded 1300 points in September after almost three years, rising by 9% compared with the end of the second quarter. With the exception of the CROBEX, all observed indices have shown the rise in share prices in transition countries stock exchanges. The indices of the Budapest, Prague and Warsaw stock exchanges have risen over several consecutive quarters, reaching their three-year highs in late September 2003. In contrast, the indices of Bratislava and Ljubljana stock exchanges surged during 2002, decreasing at mid-2003 and rebounding in the third quarter.

Market capitalization of both shares and bonds increased in all observed countries in the third quarter. Favorable capital market trends stimulated trading so that most observed stock exchanges recorded a turnover rise in comparison with the previous quarter.

Debt Securities Market

There were no new bond issues in the domestic market in the third quarter or in October 2003. Bonds listed on the ZSE totaled 11, including 7 government and 4 corporate bonds.

Seven government bond issues and two corporate bonds (Hypo Alpe-Adria Bank kuna bonds and Bina Istra bonds is-

Figure 65

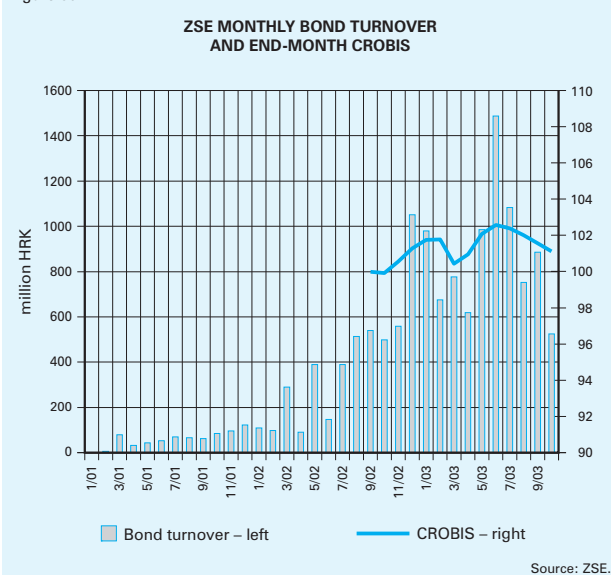
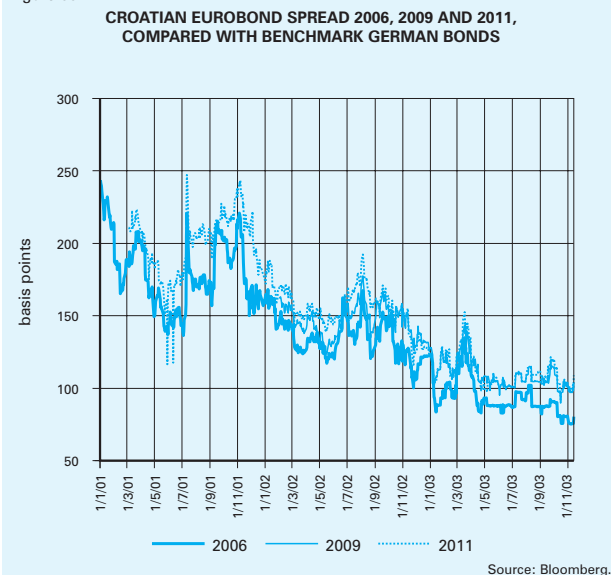


Figure 66



sued at the Luxemburg stock exchange with a government guarantee) are traded in the ZSE Quotation I. The remaining two corporate bonds are traded in Quotation TN.

Very intensive in the last 12 months, bond trading in the ZSE declined somewhat late in the third quarter of 2003. This was primarily caused by the interest rate increase in the money market temporarily discouraging investing in bonds.

Total bond turnover on the ZSE was HRK 2.7bn in the third quarter (compared with HRK 3.1bn in the second quarter) and HRK 524.3m in October. The bond of the Republic of Croatia maturing in 2012 traded the most, accounting for 30% to 40% of the total volume of trade. Trading in the kuna bond of the Republic of Croatia fell considerably in August and September due to the increase in money market interest

Table 3: Bond Issues in the Domestic Market

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price	Current yields 31/10/2003
DAB-O-03CA	DAB	19/12/2000	19/12/2003	EUR	105,000,000	8.000%	103.00	7.767%
DAB-O-05CA	DAB	19/12/2000	19/12/2005	EUR	225,000,000	8.375%	110.30	7.593%
HZZO-O-047A	CIHI	19/7/2000	19/7/2004	EUR	222,000,000	8.500%	104.20	8.157%
RHMF-O-049A	Republic of Croatia	20/9/2001	20/9/2004	EUR	200,000,000	6.500%	104.00	6.250%
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	111.20	6.183%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	111.50	6.166%
RHMF-O-085A	Republic of Croatia	28/5/2003	28/5/2008	HRK	1,000,000,000	6.125%	100.70	6.082%
BLSC-O-051A	Belišće d.d.	17/1/2002	17/1/2005	EUR	17,000,000	7.375%	102.50	7.195%
PLAG-O-048A	Plava laguna d.d.	25/2/2002	25/8/2004	EUR	12,000,000	6.750%	101.50	6.650%
HYBA-O-086A	Hypo-Alpe-Adria Bank	6/6/2003	6/6/2008	HRK	150,000,000	6.500%	96.85	6.711%

Source: ZSE.

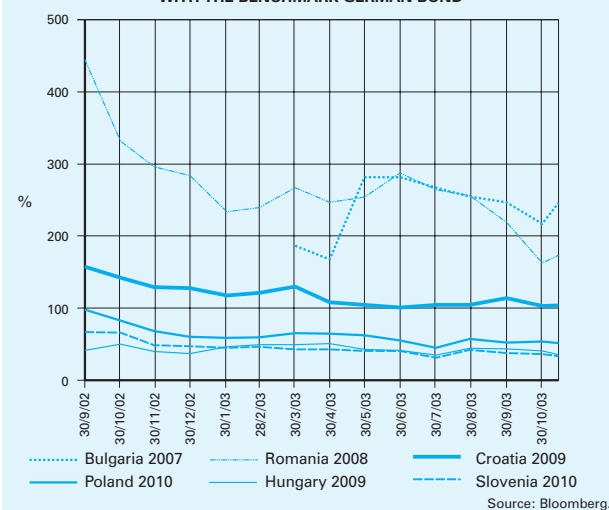
Table 4: Republic of Croatia International Bond Issues

Bond	Currency	Amount	Nominal interest rate	Yield on issue date	Spread ^a 31/3/2003	Spread ^a 30/6/2003	Spread ^a 30/9/2003	Spread ^a 31/10/2003
London Club A	USD	857,796,000	6 month LIBOR + 81.25 b.p.		133	129	121	122
London Club B	USD	604,426,000	6 month LIBOR + 81.25 b.p.		128	126	107	111
Euro-DEM bonds, 2004	DEM	300,000,000	6.125%	6.20%	93	74	62	50
Eurobonds, 2006	EUR	300,000,000	7.375%	7.45%	113	87	91	81
Samurai bonds, 2004	JPY	25,000,000,000	4.00%	4.00%	79	67	69	62
Eurobonds, 2005	EUR	500,000,000	7.00%	7.06%	88	76	78	71
Samurai bonds, 2007	JPY	40,000,000,000	3.00%	3.00%	137	89	92	87
Samurai bonds, 2006	JPY	25,000,000,000	2.50%	2.50%	121	83	83	80
Eurobonds, 2011	EUR	750,000,000	6.75%	6.90%	135	101	118	104
Eurobonds, 2009	EUR	500,000,000	6.25%	6.45%	129	100	114	101
Samurai bonds, 2008	JPY	25,000,000,000	2.15%	2.15%	150	109	107	101
Eurobonds, 2010	EUR	500,000,000	4.625%	4.65%	124	99	107	93
Samurai bonds, 2009 ^b	JPY	25,000,000,000	1.230%	1.23%	...	...	...	...

^a In relation to benchmark bond. ^b No benchmark bond. Source: Bloomberg.

Figure 67

CROATIAN EUROBOND SPREAD AND THE SPREAD OF SIMILAR EURO-DENOMINATED BONDS OF SELECTED TRANSITION COUNTRIES COMPARED WITH THE BENCHMARK GERMAN BOND



rates, which exceeded this bond's yield in September. Trading in this bond revived only after the interest rate fall in the money market in October.

Market capitalization of bonds stood at HRK 13.3bn (EUR 1.76bn) in late October, i.e. 7% of the 2003 GDP estimate. Market capitalization of government bonds was HRK 13bn (EUR 1.7bn) or 6.8% of GDP.

Bond prices in the domestic market decreased over the third quarter compared with the second quarter while their yields increased. Consequently, the ZSE bond index, CROBIS was on the decrease in the period from July to October, falling to 101.1 points at end-October.

There are 13 Croatian eurobond issues listed in international stock exchanges: two USD denominated issues (bonds which replaced the debt to the London Club), six EUR and five JPY denominated issues.

Total nominal value of the 13 Croatian eurobond issues was HRK 36.5bn or EUR 4.8bn at the end of October 2003.

Following international trends, Croatian eurobond yields rose in the third quarter of 2003, decreased slightly in September and started going up again in October. The fall in European bond yields in late September was more marked than the fall in Croatian eurobond yields, which accounted for the increase in the spread. However, a quick recovery of European bonds and a growing demand for bonds of transition countries resulted in a renewed decrease in the spread between Croatian eurobonds and the benchmark German bond in October.

In comparison with the candidate countries for the first round of EU expansion, the spread of Croatian eurobonds is still relatively high. The spread between Hungarian and Slovene eurobonds maturing in 2009 and 2010 and the benchmark German bond has oscillated around 40 basis points in the last 6 months. The yield of the Croatian eurobond maturing in 2009 exceeded the yield of the benchmark German bond by an approximate 100 basis points in the same period. On the other hand, on account of an improved credit rating and more favorable macroeconomic indicators, the spread

between the Croatian eurobond and the benchmark German bond was twice lower than the spread of Romanian and Bulgarian eurobonds, also EUR denominated, maturing in 2008 and 2007 respectively.

International Transactions

Preliminary data indicate that the balance of payments current account surplus stood at a high USD 2bn in the third quarter of 2003, which is an increase of USD 1.1bn or 117.2% compared to the same period last year. The strong annual growth of surplus was mainly the result of the above average growth in tourism receipts.

The CNB undertook the revision of methodological instructions for the compilation of the survey on consumption of tourists on account of the fact that there were no arguments that might fully confirm the annual growth rate of tourism income recorded by this survey in the second and especially in the third quarter of 2003. Following the analysis of methodological guidelines, the CNB decided to introduce the improvements into the weighting system of road passengers in paid accommodation in 2003. Although the new system of weights decreases the income from tourism generated in the first nine months of 2003 by a total of USD 416m, they are still substantial, recording the high annual rate of growth of USD 1.7bn or 71.3%. In continuing efforts to improve the methodology of balance of payments compilation, the CNB will continue to analyze the survey on consumption of tourists.

External debt continued to grow and stood at USD 20.8bn at end-October, an increase of USD 5.4bn or 35.4% compared with end-2002. An exceptionally strong growth in external debt in October and the US dollar/euro exchange rate movements indicate that external debt might reach USD 22bn at end-2003.

Current Account

Goods deficit was USD 2.1bn in the July-September period of 2003, up USD 0.6bn or 38.8% compared with the same period last year. The nominal annual growth resulted from significant exchange rate movements, the fact that only less than one third of Croatia's trade in goods is conducted in the reporting currency (US dollar) and the fact that the new correction factor was for the first time applied to goods imports in 2002 and 2003 (see Box 4). The new correction factor, which increases the value of goods imports f.o.b. and thus widens the imbalance in goods trade, excludes the costs of transportation and insurance from the total value of goods imports c.i.f.

In the third quarter of 2003, the average monthly exchange rate of the US dollar against the euro depreciated at an annual rate of 14.2%, while the exchange rate of the kuna against the US dollar appreciated at an annual rate of 10.7%. Concurrently, data based on the ITRS, reported in only two currencies (US dollar and euro), show that transactions conducted in euros accounted for 75.1% of goods exports and

Box 4: The Application of the New Correction Factors and Their Main Effects on the Republic of Croatia's Balance of Payments

Data on goods imports on the Republic of Croatia's balance of payments, provided by the Croatian National Bank, are reported at f.o.b. parity, in accordance with the methodology defined by international financial institutions, rather than at c.i.f. parity which is used by the Central Bureau of Statistics to collect, process and publish the data on goods imports.⁴ The value of goods imports c.i.f. is adjusted to the value of goods imports f.o.b. by two corrections: for the coverage of goods imports (the value of goods imports c.i.f. is increased by the estimated consumption of the Croatian residents abroad and by the expenditures of the Croatian ships in foreign ports) and for the classification (the value of goods imports c.i.f. is reduced by the estimated costs of transportation and insurance in imports of goods).

The procedure of excluding the costs of transportation and insurance from the total value of goods imports c.i.f., which has been applied so far, is based on the 1997 calculation, based on the survey of 100 largest importers, i.e. on their costs of transportation and insurance in goods imports in 1996. According to the results of the survey, the exclusion of the value of costs of transportation and insurance reduces the value of goods imports c.i.f. by 4.3%, whereas the estimated reduction for the rest of the population was somewhat larger, amounting to 9%. It was thus estimated that the value of goods imports c.i.f. should be ultimately reduced by 7.1% in order to exclude the costs related to transportation and insurance. From 1997, the stated correction factor was applied in the estimate of the value of adjustment for classification.

Of the total amount of costs of transportation and insurance related to goods imports, a portion accounting for domestic carriers is determined (the 1997 calculation indicated that it amounted to 75.3% of total costs of transportation in goods imports), as well as a portion accounting for foreign carriers (24.7%). The first amount does not represent a balance of payments transaction (since it is a transaction between two residents) and is thus completely excluded from the balance of payments records, whereas 24.7% of total costs of transportation and insurance related to goods freight is transferred to the service account expenditures.

A recent CNB research, based on an annual survey of 124 companies selected in the stratified sample (of which 111 companies responded), on the data from the monthly records of external payment transactions, as well as on a quarterly survey of costs of transportation in goods imports, shows that costs of transportation and insurance in goods imports account for 3.73%, whereas the share of foreign carriers in total costs of transportation related to goods imports stands, on average, at approximately 41.4%. It should be noted that the new correction factor for the estimate of the value of adjustment for classification is similar to the correction factor applied in Slovenia (the estimated costs of transportation and insurance in goods imports account for 4% of the total value of the Slovenian goods imports c.i.f.), Macedonia (4% to 5%) and EU member states (2% to 3%). The correction factors obtained by the new research (3.73% and 41.4%)

Table 5: Correction Factors for the Estimate of the Value of Adjustment for Classification and for the Estimate of the Share of Foreign Carriers in Total Costs of Transportation, in %

	1997 – 2001	2002 – 2003
Share of costs of transportation and insurance in total value of goods imports c.i.f.	7.10	3.73
Share of foreign carriers in total transportation costs in goods imports	24.70	41.40

Source: CNB.

have replaced those calculated in 1997 (7.1% and 24.7%), which were applied for 2002 and the first half of 2003.

The application of new correction factors has the following impacts on the balance of payments of the Republic of Croatia for 2002 and 2003:

- a) decrease in the absolute value of imports c.i.f. reduction (i.e. increase in the value of imports f.o.b.),
- b) decrease in expenditures for transportation services and insurance related to goods imports,
- c) increase in current account deficit by net effects of a) and b),
- d) reduction in net errors and omissions.

The application of the new correction factor for the exclusion of costs of transportation and insurance and of the new correction factor for the estimate of the share of foreign carriers in total costs of transportation related to goods imports resulted in a USD 338m increase in the current account deficit for the entire 2002, compared to the published CNB data. Expressed as a percentage of GDP, the current account deficit for 2002 thus grew from –7% to –8.5%. If new correction factors are applied to the data for the first three quarters of 2003, the current account deficit increases by USD 321m, or –1.1% of the estimated GDP for 2003, as compared with the figures that would be obtained by applying the correction factors from 1997. The effects on balance of payments for 2002 and for the first three quarters of 2003 are shown in Table 6.

Table 6: Balance of Payments for 2002 and for the First Three Quarters of 2003, Before and After the Change in the Correction Factors, in million USD

	2002	Q1 – Q3 2003
Previous reduction in goods imports c.i.f. by the value of costs of transportation and insurance (correction factor 7.10%)	760	721
New reduction in goods imports c.i.f. by the value of costs of transportation and insurance (correction factor 3.43%)	399	379
Difference	361	342
Previous increase in service account expenditures for transportation of imported goods performed by foreign carriers (correction factor 24.70%)	–188	–178
New increase in service account expenditures for the transportation of imported goods performed by foreign carriers (correction factor 41.40%)	–165	–157
Difference	–22	–21
Memo items: Joint effect of change in both correction factors		
	2002	Q1 – Q3 2003
Absolute difference (in million USD)	–338	–321
Difference (in percentage of current GDP)	–1.5	–1.1

Source: CNB.

79.6% of goods imports in July and August. Owing to the facts stated, movements in trade in goods can be correctly analyzed and estimated only if they are reported at a constant exchange rate.

The nominal annual growth of total goods exports f.o.b. of

13% in the third quarter of 2003 (CBS data) corresponds to the annual growth of 2.9% measured at constant 2002 exchange rate. It should be noted that the growth rate of 2.9%, which was considerably lower than the rate registered in the first half of 2003 (when total goods exports at a constant ex-

⁴ The abbreviation f.o.b. stands for free on board and refers to total costs of goods until they are loaded onto some vehicle or vessel at a named location (usually factory area or manufacturing plant). The abbreviation c.i.f.

stands for cost, insurance and freight, and encompasses costs of goods, inclusive of freight and insurance to the named point of destination (usually a warehouse of goods buyer).

change rate grew at an annual rate of 13.7%), was 1.9 percentage points higher than the annual rate of growth recorded in the third quarter of 2002. This is also evidenced by total seasonally adjusted goods exports which, measured at a constant exchange rate, grew at an annual rate of 5.4% (3.2 percentage points above that in the third quarter of 2002). The analysis of the impact of seasonal factors on goods exports shows that the impact was most pronounced in August – the most common holiday month. Therefore, apart from the fall in exports of oil, refined petroleum products and ships, August 2003 also saw a monthly fall in exports in most SITC divisions, which was most pronounced in exports of wearing apparel, cork, wood and electrical machinery, apparatus and equipment.

The nominal annual growth of total goods imports c.i.f., which according to CBS data stood at 25.8% in the third quarter of 2003, was reflected in the annual growth of 13.7%, measured at constant 2002 exchange rate. This growth was 1.3 percentage points lower than that in the same period last year (contributions of individual SITC sectors and divisions to total exports and imports of goods are analyzed in Merchandise Trade).

It should be noted that CNB data on goods imports f.o.b., already published for 2002 and the first two quarters of 2003, show an increase due to the application of the new correction factor, which excludes the costs of transportation and insurance related to goods imports from the total value of goods imports c.i.f. The new correction factor is a part of adjustments aimed at reporting the value of goods imports, currently published at c.i.f. parity by the CBS, at f.o.b. parity which, within the balance of payments statistics, is published by the CNB (see Box 4).

The new correction factor, applied to total goods imports f.o.b. in 2002, increased their value by USD 361m or 1.6% of GDP. The value of goods imports f.o.b. in the first half of 2003 rose by USD 223m compared to the earlier published data, or by USD 342m in the first three quarters of 2003 compared to import performances to which the old correction factor

Table 7: Year-on-Year Rate of Change of Nights Stayed by Tourists from Selected Countries in the Third Quarter of 2003, in %

	Germany	Italy	Slovenia	Czech R.	Austria
July	-22.4	6.5	1.9	0.0	-1.3
August	20.6	6.8	6.3	3.0	-2.0
September	-0.5	18.5	0.0	-4.3	-3.5

would be applied. The new correction factor resulted in somewhat higher nominal annual rate of growth of goods imports f.o.b. in the third quarter (26.4%) in comparison with the indicator for goods imports c.i.f. – 25.8%. As a result, total movements in international trade in the third quarter are reflected in the annual growth of the foreign trade deficit of 22.8%, measured at a constant exchange rate.

Services account performance was exceptionally good in the third quarter of 2003, and tourism made the strongest contribution to the growth of net income from services. Such a high growth in income from tourism in the said period (84.6% based on survey results used in the calculation of income from tourism) resulted from an increase in volume indicators, a pronounced annual growth in prices of tourist nights and somewhat moderate growth in prices of other catering services, developments in the exchange rate of the reporting US dollar against the euro, and, to a large extent, an annual growth in the number of foreign passenger whose individual personal consumption exceeded 5,000 kuna (survey results).

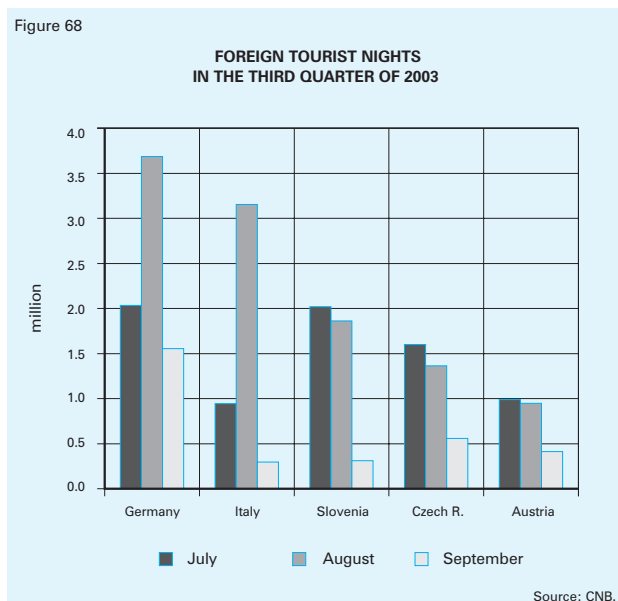
Volume indicators also show a 5.5% increase in the total number of tourist arrivals (the annual growth of foreign tourist arrivals stood at 5.4%, while that of domestic stood at 6.7%). Observed at monthly levels, the highest annual growth rates of tourist arrivals were registered in August 2003 (8.6%) and September (5.6%). In contrast, the annual growth rate of tourist arrivals was much lower in July (1.9%).

Increased tourist arrivals resulted in a larger number of total nights stayed. CBS data for the third quarter show that a total of 33.4 million of nights was stayed in commercial facilities (annual increase of 3%), of which foreign tourists accounted for 30.4 million or 91.1%. The structure of nights stayed by tourists from individual countries shows that the Germans predominated in the third quarter of 2003. They were followed by the Italians, Slovenians, Czechs and Austrians.

The highest annual growth in the number of nights stayed was recorded by German tourists in August 2003. A significant annual growth in the number of nights stayed in the third quarter as a whole was recorded by Italian tourists. On the other hand, observed at the annual level, the number of nights stayed by German tourists fell significantly in July 2003, whereas a significant fall in the number of nights stayed by Czech and German tourists was registered in September. The annual rates of the number of nights stayed by Austrian tourists fell in July, August and September.

In addition to volume indicators, the growth in income from tourism was influenced by an increase in prices of tourist nights, i.e. an increase in prices of total catering services (which, apart from tourist nights, include prices of foods and alcohol and non-alcohol beverages). The average price of tourist nights grew at annual rates of 11.2% and 12.1% in July and August respectively and at a high annual rate of 18.9% in

Figure 68



Box 5: New Weighting System for Road Passengers in Paid Accommodation and its Impact on Revenues from Tourism in 2003

The consumption of non-residents in the Republic of Croatia and expenditures of the Croatian residents for travel abroad is estimated by the Croatian National Bank. As already described, a stratified sample is used in this procedure, the results of which are used for the estimate of total revenues and expenditures of the two populations (see Bulletin No. 86, pp. 39 and 40). In this text, a new weighting method is described for the estimate of revenues from foreign tourists who traveled by road vehicles and stayed for a minimum of one night in paid accommodation.

Table 8: Structure of Foreign Visitors by Type of Transport, in %

	1999	2000	2001	2002
Road transport	96.7	96.2	95.8	95.8
Air transport	1.4	1.7	1.8	1.6
Railway transport	1.4	1.2	1.2	1.5
Maritime transport	0.5	0.9	1.3	1.1

Source: Ministry of the Interior.

According to the Ministry of the Interior data, the largest number of foreign tourists (more than 95%) enter Croatia through road border crossings (Table 8).

Road border crossings are divided into 9 groups according to the geographic principle, since it is expected that most of the passengers from a particular country enter Croatia at a particular group of crossings (generally, the closest ones to their countries). Each group is represented by a special representative crossing (generally, by the crossing with the largest number of passengers crossing it) where the survey of foreign passengers is carried out.

The results from the sample are used for the estimate of revenues by strata (it should be noted that apart from the group of crossings, the strata are formed on the basis of other criteria as well, such as day in week). For example, in each month (m), every survey response j on total consumption ($c_{m,i,j}$) is classified into an appropriate stratum (there are L_m strata), and in order to calculate the weights, total ($N_{m,i}$) and surveyed ($n_{m,i}$) number of visitors in a stratum i are used. The average consumption per foreign passenger in a month (\bar{c}_m) is calculated as follows:

$$\bar{c}_m = \frac{\sum_{i=1}^{L_m} \sum_{j=1}^{n_{m,i}} \frac{N_{m,i}}{n_{m,i}} \cdot c_{m,i,j}}{\sum_{i=1}^{L_m} N_{m,i}} \quad (1)$$

The above expression may be written in the following way

$$\bar{c}_m = \frac{\sum_{i=1}^{L_m} N_{m,i} \cdot \frac{1}{n_{m,i}} \sum_{j=1}^{n_{m,i}} c_{m,i,j}}{\sum_{i=1}^{L_m} N_{m,i}} = \frac{\sum_{i=1}^{L_m} N_{m,i} \cdot \bar{c}_{m,i}}{N} = \sum_{i=1}^{L_m} w_{m,i} \cdot \bar{c}_{m,i} \quad (2)$$

where $w_{m,i}$ is a ratio between the number of passengers in the observed stratum and total number of passengers (Ministry of the Interior data) and actually expresses the weight of the average consumption $\bar{c}_{m,i}$ of every stratum i in a month m .

Regular statistical research indicators provide an interesting distribution of the share of passengers in paid accommodation and revenues from passengers in paid accommodation. All this indicates that there is a problem of coverage of the entire population of foreign passengers in the official statistical data published by the CBS (Table 9).

It is evident that the number of passengers in paid accommodation in the observed period is between 22.2% and 27.6%, depending on a year. On the other hand, the share of revenues from these passengers regularly exceeds 50% of total revenues. Therefore, the Croatian National Bank has decided to pay a special attention to this segment of passengers.

Monthly First Release issues on tourism published by the Central Bureau of Statistics contain the table Foreign Tourist Arrivals and Nights by Country of Residence (Table 2 of the stated CBS First Release). Since one of the questions the surveyed passengers were asked referred to the country of permanent residence, it was decided to create weights for the estimate of total revenues (including average revenues, number of nights, etc.) by using those data and comparable data from the survey.

In view of the fact that the CBS data have a narrower coverage, the questionnaires of the surveyed road passengers in paid accommodation have been selected and the weighting system has been changed: the average consumption for the observed segment of passengers from one country is weighted by the share of nights of these passengers, according to the CBS data. By summing the values estimated in this manner by strata, weighted average is obtained for all road passengers in paid accommodation. Apart from average consumption per passenger, average number of nights and average daily consumption are also calculated.

In other words, the estimated average consumption per passenger is calculated by applying the same approach as in the previous example (expressions 1 and 2), the only difference being the application of new strata in this case, which have been created only on the basis of data on foreign passenger's country of residence (no distinction is made between work and non-work days since CBS data do not make a distinction between them). In every month (m), average consumption per foreign passenger (\bar{c}_{2m}) is calculated as a weighted arithmetic mean:

$$\bar{c}_{2m} = \sum_{i=1}^{L_m} w_{2m,i} \cdot \bar{c}_{2m,i} \quad (3)$$

where the average consumption of population is equal to a weighted average of arithmetic means by countries whose weights $w_{2m,i}$ actually represent the ratio between number of nights of the respective country i in a month m and total number of nights in the same month (CBS data).

The existing and revised weighting methods (Method 1 and

Table 10: Data Sources for Creating Weights Used in the Estimate of Monthly Consumption of the Observed Population Segment

	Method 1	Method 2
Weights	Number of passengers by border crossings (Source: Ministry of the Interior)	Number of nights by countries (Source: Ministry of the Interior)
	Special attention is paid to work/non-work days	

Source: CNB.

Table 11: Revenues from Tourism in 2003 Calculated According to Method 1 and Method 2, in million USD

	Q1 2003	Q2 2003	Q3 2003
Method 1	390	1,357	4,338
Method 2	398	1,246	4,026
Difference (1-2)	-8	112	312

Source: CNB.

Table 9: Share of Passengers in Paid Accommodation in Total Number of Passengers and Share of Revenues from Consumption of these Passengers in Total Revenues, in %

	1999	2000	2001	2002
Share of passengers in paid accommodation	23.5	22.2	24.6	27.6
Share of revenues from passengers in paid accommodation	52.4	63.1	65.4	67.5

Sources: CBS and CNB.

Method 2) for the estimate of average consumption of the observed segment of road passengers population in paid accommodation is shown in Table 10.

Finally, the balance of payments data on total revenues from tourism under the revised method were calculated in the following manner:

1. monthly revenues from tourism were calculated by applying Method 1,
2. monthly revenues for the segment of road passengers in paid accommodation were calculated by applying Method 1,
3. monthly revenues for the segment of road passengers in paid accommodation were calculated by applying Method 2,
4. revised revenues from tourism in the observed month were obtained in the following manner: (1) – (2) + (3).

The revised weighting method increases revenues in the first, and reduces them in the second and third quarter of 2003. The effect on the entire 2003 amounts to USD –415.5m (Table 11).

The new weighting method produced lower estimates of total revenues from foreign passengers and tourists in the first nine months of this year. The differences are not so pronounced, since the main reason for the increase in revenues from tourism is a strong growth in average consumption, determined according to the survey results.

The Croatian National Bank will continue to work on improvements of methodology for estimates of balance of payments inflows and outflows in the item travel, especially for the segment of passengers who stayed in unpaid accommodation (also tourists) and same day visitors.

September. The increase in the price of tourist nights in the third quarter (peak of tourist season) resulted from the strong foreign demand, limited accommodation capacities currently available in Croatia, and from intensive investment in hotels and other types of accommodation facilities in the last two years. The value of these investments grew significantly in 2003 in comparison with 2002.⁵

The third quarter data of the survey on consumption of tourists show an exceptional increase of 196.2% in the number of foreign tourist with personal consumption above 5.000 kuna. For example, the survey shows that in the said period the number of German tourists, with personal consumption above 5.000 kuna, reached about 970.000, which corresponds to an increase of 663,000 or 216.6% in comparison with the number recorded in the same period last year. Tourists from Italy and Slovenia, with personal consumption above 5.000 kuna, recorded an annual increase of 221.4% and 230.3% respectively in the July-September period.

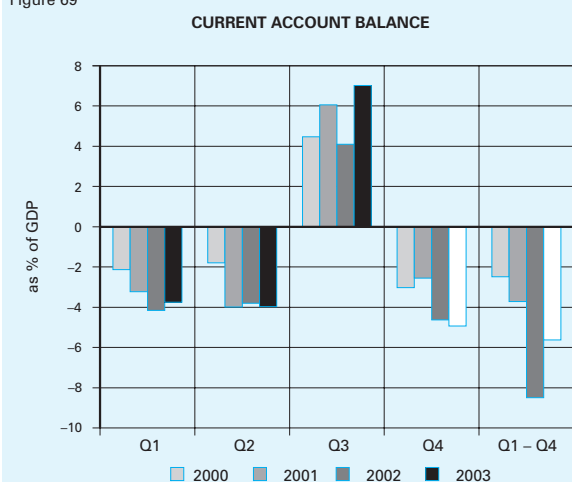
Although the CNB has no reason to doubt that the increase in income from tourism, expressed in US dollars, was substantial in 2003, there are no arguments that might fully confirm the above-average annual growth rate of tourism income recorded by the survey on consumption of tourists in the second and especially in the third quarter of 2003. Relevant indicators such as government tax revenues and retail trade turnover should, at least in part, support the data on this high annual growth rate of tourism income. According to CBS data, trade was marked by no pronounced seasonal deviation in the April-September period of 2003, and the annual growth in excises (2.5%) and VAT (6.1%), registered in the third quarter, was modest.⁶ At the same time, in the July-September period of 2003 net errors and omissions in the balance of payments grew strongly (according to the preliminary balance of payment data, they amount to about USD 1.7bn; in contrast, they were USD 1.1bn in the same period last year). The said annual rates of growth of tax revenues, or the differences between these rates and the annual growth rate of income from tourism, prompted the CNB to revise the methodological instructions used in the compilation of the survey on consumption of tourists.

Following the analysis of methodological guidelines, the CNB decided to introduce the improvements into the weighting system of road passengers in paid accommodation in 2003 (see Box 5). The new weighting system decreased the income from tourism generated in the first nine months of 2003 by a total of USD 416m, from USD 6.1bn to USD 5.7bn. Accordingly, income from tourism for the third quarter of 2003 fell by USD 312m (it currently stands at USD 4,026m). However, its annual rate of growth is still high and amounts to USD 1.7bn or 71.3%. In continuing efforts to improve the methodology of balance of payments compilation, the CNB will continue to analyze the survey on consumption of tourists.

Observed at the annual level, movements in balances on income account and current transfers account were moderate in the third quarter of 2003 in comparison with the same period last year.

Movements in the current account deficit in the first three quarters of 2003 indicate that the deficit estimate for 2003, according to assumptions incorporated by the CNB and information available at the time of writing this Bulletin, could reach 6.8% of the 2003 GDP estimate. Since the deficit for 2003 was under the significant influence of the transfer of the

Figure 69



Note: Black columns denote the balances in the first three quarters of 2003, and white columns denote the projected value for the fourth quarter of 2003 and the estimate for the entire 2003. The balance for the second quarter of 2003 excludes reinvested profit of Pliva d.d. on the basis of transfer of the patents' market value to connected company abroad.

Source: CNB.

⁵ See CNB Bulletin No. 86, pp. 37.

⁶ See Budget Revenues in the section on Government Finance.

market value of patent of Pliva d.d. to connected company abroad,⁷ following the exclusion of the value of the said transfer, the current account deficit estimated for 2003 could amount to 5.6% GDP, which is a significant reduction in the external imbalance compared with 2002 when deficit stood at 8.5% of GDP.

Merchandise Trade

In the first nine months of 2003, according to the preliminary CBS data, total goods exports stood at USD 4.4bn (an annual increase of 24.8%) and total goods imports at USD 10.2bn (an annual increase of 31.8%). These movements resulted in a foreign trade deficit of USD 5.7bn, up 37.7% compared with the first nine months of 2002.

The nominal annual growth of the major foreign trade variables, expressed in the reporting US dollar, was brought about by, roughly stated, an increase (statistical) that is prone to the influence of movements in the US dollar/euro exchange rate and by real movements in merchandise trade. More than a half of the value of the annual growth rates in the January-September period of 2003 can be accounted for by the movements in the average monthly exchange rate of the US dollar against the euro, whose annual rate of depreciation in the said period stood at a high 19.9%.

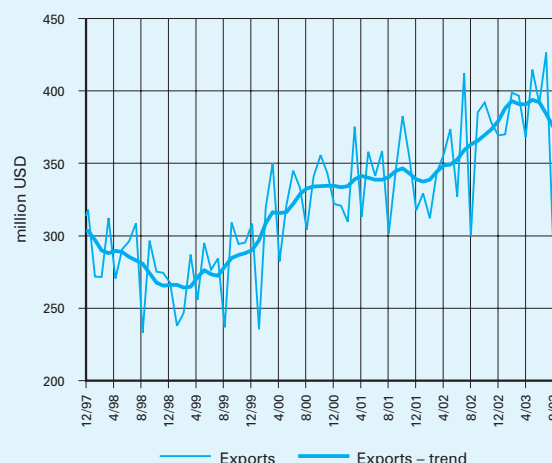
The exclusion of the impact of movements in the dollar/euro exchange rate on the values of goods exports and imports in the reporting US dollar results in the values of foreign trade variables at a constant exchange rate. Thus, in the January-September period of 2003, total goods exports and imports, expressed in the US dollar at constant 2002 exchange rate, grew at annual rates of 9.9% and 14.6% respectively. The result of these movements is the annual increase in the foreign trade deficit of 18.6%, which corresponds to one half of the nominal growth of 37.7%.

In addition to ships, exports of electrical machinery, apparatus and equipment (their nominal annual growth, according to CBS data, stood at 36.1% in the first nine months of 2003), oil and refined petroleum products (35.5%), wearing apparel (17.6%), sugar, sugar and honey products (133.6%) and natural and industrial gas (38%) made the largest contributions to the annual growth of total goods exports in the January-September period of 2003.

The annual growth rate of total goods exports, at a constant exchange rate, stood at 2.9% in the third quarter, and was far below the annual rate of growth registered in the first half of the year (13.7%). This was the result of the usual seasonal impact, i.e. the influence of the holiday season on the export activity. The said seasonal impact was most pronounced in August 2003 when the monthly fall in goods exports was registered in most SITC divisions (exports of oil and refined petroleum products and exports of ships excluded). The monthly fall was the strongest in exports of wearing apparel, wood and electrical machinery apparatus and equipment.

Figure 70

MERCHANDISE EXPORTS (f.o.b.) AND TREND other transport equipment excluded, at constant 2002 exchange rate



Sources: CBS and CNB.

The exclusion of seasonal impacts from time series on total goods exports shows that a relative progress was achieved in the third quarter of 2003. The seasonally adjusted annual growth rate of total goods exports was 5.4% or 3.2 percentage points above the rate for the same period last year. It should be noted that movements in the last few years show an acceleration of the export activity in the fourth quarter, i.e. the highest quarterly value of goods exports (exports of ships excluded) in the calendar year. Since the repetition of this movements is expected in 2003 as well, goods exports recorded in the third quarter are expected to reverse their slight downward trend by the end of the year and to start to grow at annual rates registered in the first half of the year.

In the first nine months of 2003, the annual growth rate of total goods imports, at a constant exchange rate, was 14.6%, down 4.2 percentage points compared to the rate registered in the same period last year. Of SITC divisions, imports of road vehicles and ships made the most remarkable contributions to the growth of total goods imports.

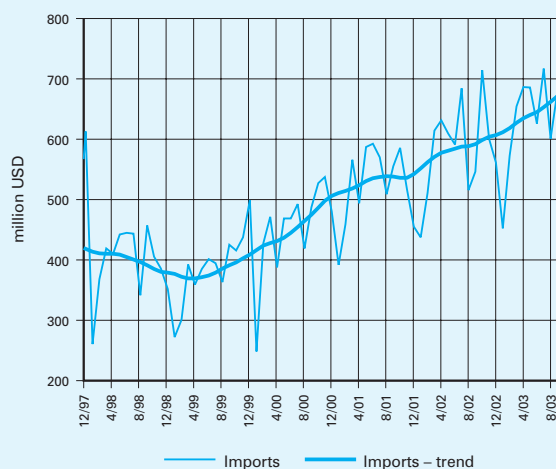
In the January-September period of 2003, imports of road vehicles, at a constant exchange rate, grew at an annual rate of 20.3%. It should be noted that the largest contribution to the high annual growth rate of road vehicles imports in the said period was made by the annual growth rate of road vehicles imports registered in the first quarter of 2003 (39.6%). In the second quarter, this rate was considerably lower, standing at 22.4%, while in the third quarter it fell to 4.3%. Observed at monthly levels, the largest fall was recorded in July 2003, when the annual rate of growth stood at -0.2%. Due to a strong correlation between time series on the annual growth rates of road vehicles imports and the index of the road vehicles trade volume in the domestic market (an insignificant time gap included), the downward trend in the annual rates of growth of road vehicles imports in individual quarters of 2003 resulted in a fall in the overall retail trade turnover.

A marked fall in the average value of road vehicles imports in July and August of 32%, compared with the average value registered in July, was of a temporary nature. Data for previ-

⁷ See Box 2: What Stands Behind a Large Annual Growth in Reinvested Profit of PLIVA d.d. in the Second Quarter of 2003?, CNB Bulletin No. 86, pp. 38.

Figure 71

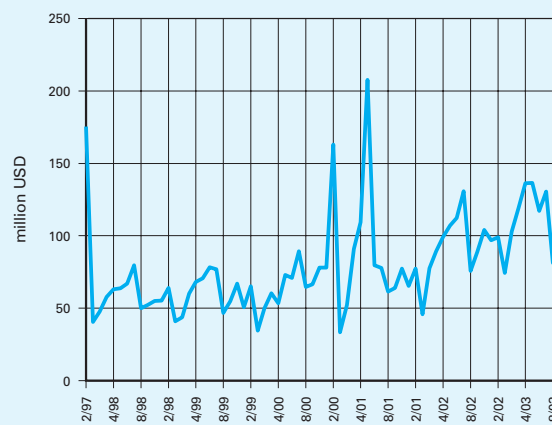
MERCHANDISE IMPORTS (c.i.f.) AND TREND
machinery and transport equipment excluded,
at constant 2002 exchange rate



Sources: CBS and CNB.

Figure 73

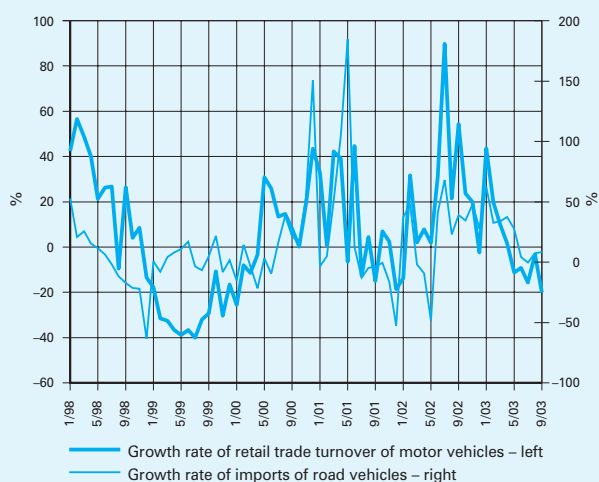
IMPORTS OF ROAD VEHICLES (c.i.f.)
at constant 2002 exchange rate



Sources: CBS and CNB.

Figure 72

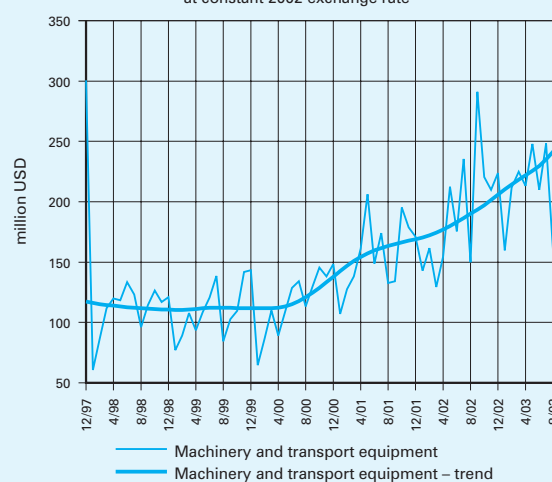
RETAIL TRADE TURNOVER OF MOTOR VEHICLES AND IMPORTS OF ROAD VEHICLES
year-on-year rate of change



Sources: CBS and CNB.

Figure 74

IMPORTS OF MACHINERY AND TRANSPORT EQUIPMENT (c.i.f.) AND TREND
other transport equipment and road vehicles excluded,
at constant 2002 exchange rate



Sources: CBS and CNB.

ous years (see Figure 73) show that pronounced monthly falls in road vehicles imports are usually recorded in January, August and September. In case that the fourth quarter rate exceeds the rate from the second quarter, it could be concluded that road vehicles imports have finally started to trend downwards.

In addition to road vehicles, the strong contribution to the growth of total goods imports in the first nine months of 2003 was made by other transport equipment (according to CBS data, the annual rate of growth stood at 105.1%), electrical machinery, apparatus and equipment (40.2%) and general-purpose machinery (35.7%). A pronounced annual growth in the said period was also evidenced in imports of oil and refined petroleum products (20.7%) and basic iron and steel (40.2%).

Exports/imports of goods by economic classification of countries show an increase in exports into developed countries and a decrease into exports in developing countries in

the first nine months of 2003 compared to same period last year. 2.3 percentage points growth in goods exports to developed countries was mainly the result of increased exports to Italy and other developed countries.

The three most important trading partners of the Republic of Croatia accounted for the major shares in the absolute growth of exports to the EU countries. As a result, in the first nine months of 2003, exports to Italy grew by USD 350m or 40.2% compared with the same period last year, mainly on account of ship exports. It should be noted that the absolute growth in total exports to Italy was significantly lower as the statistics of ship exports/imports overestimates the performance of international trade in ships, i.e. it repeats the export/import of the same ship in case of finishing operations. In addition to Italy, exports to Germany and Austria also grew at high rates of 7.8% and 25.1% respectively (annual rate of growth).

Croatia's exports to developing countries stood at 37.1%

Table 12: Imports and Exports by Economic Classification of Countries, in %

Exports	2000	2001	2002	Jan. – Sep. 2002	Jan. – Sep. 2003 ^a
Developed countries	60.1	61.7	58.1	60.6	62.9
EU-15	54.5	54.1	52.7	55.3	56.2
Austria	6.6	5.7	7.5	7.8	7.9
Italy	22.3	23.7	22.7	24.5	27.5
Germany	14.3	14.8	12.5	12.5	12.3
EFTA	1.0	1.1	0.8	0.8	0.8
Other developed countries	4.6	6.5	4.6	4.5	5.9
Developing countries	39.9	38.3	41.9	39.4	37.1
CEFTA	13.8	12.1	12.4	11.8	11.9
Slovenia	10.8	9.1	8.7	8.4	8.2
Bosnia and Herzegovina	11.2	12.0	14.4	14.3	14.6
Serbia and Montenegro	2.4	3.2	3.5	3.5	3.1
Imports	2000	2001	2002	Jan. – Sep. 2002	Jan. – Sep. 2003 ^a
Developed countries	64.7	66.0	64.5	64.8	65.3
EU-15	55.4	57.1	55.8	56.2	56.7
Austria	6.7	6.9	6.6	6.7	6.4
Italy	16.6	18.1	17.3	17.8	18.3
Germany	16.5	17.3	16.3	16.1	15.5
EFTA	2.4	2.1	2.0	2.0	1.8
Other developed countries	7.0	6.8	6.8	6.6	6.8
Developing countries	35.3	34.0	35.5	35.2	34.7
CEFTA	14.8	14.8	16.0	16.1	16.6
Slovenia	7.9	7.8	7.7	8.0	7.6
Bosnia and Herzegovina	1.0	1.4	1.6	1.5	1.6
Serbia and Montenegro	0.4	0.4	0.5	0.5	0.5

^a Preliminary data. Source: CBS.

in the January-September period of 2003, which corresponds to the annual decrease of 2.3 percentage points. At the same time, the absolute annual growth of Croatia's exports to developing countries was greatly stimulated by exports to Bosnia and Herzegovina of 27.5% and to Slovenia of 22.3% (annual growth in the first nine months of 2003, in US dollars).

In the January-September period of 2003, Croatia's imports from the EU stood at 56.7%, which is 0.5 percentage points more than in the same period last year. In this period, the largest contribution to the growth of total goods imports, expressed in US dollars, was made by imports from Italy (annual growth of 34.8%), Germany (30.1%) and France (38.6%). Of developing countries, Slovenia (annual growth of 26%, in the January-September period of 2003), Syria (98%, mostly on account of oil imports) and China (56%) contributed the most to the growth of Croatia's total goods imports.

Capital and Financial Account

The preliminary balance of payments data show that net FDI into Croatia amounted to USD 80m in the third quarter of 2003, down USD 10m or 11% in comparison with the same period of 2002. Croatia's outward FDI stood at USD 11m and fell by USD 41m or 79.1%, while its inward FDI stood at USD 90m and fell by USD 51m or 36.2% compared to the same period last year. The absolute annual fall in inward FDI may almost in full be attributed to decreased investment in shares.

The fall in inward FDI inflows in the third quarter of 2003 is even more pronounced when compared with USD 0.8bn of inflows generated in the April-June period of 2003. An exceptionally high absolute value of FDI in the second quarter re-

flects the fact that most Croatian enterprises have reported their 2002 operating results in the said period. Good operating results resulted in an increase in reinvested profit, which was especially high in telecommunication sector and in financial intermediation. A significant amount of reinvested profit was also reported by Pliva d.d. (for the most part, it resulted from the transfer of the market value of patent to connected company abroad).

The value of transactions from the portfolio investment registered in item assets stood at USD 153m, up USD 74m or 94.2% compared with the same period last year. This difference reflects, to a large extent, changes in bank portfolios. Liabilities arising from the portfolio investment were USD 55m in the third quarter of 2003, and largely comprised the payment of credit installment of USD 81m to the London Club and the inflow of USD 19m from money market instruments issued by other sectors (enterprises). The comparison with liabilities arising from the portfolio investment registered in the second quarter of 2003 indicates significant changes which mainly resulted from the fact that the April-June period of 2003 was marked by the issuance of yen-denominated bonds (USD 212m), while the third quarter of 2003 saw no placement of bonds in the foreign market.

The financial assets generated by other investment reached an exceptionally high USD 0.9bn in the third quarter of 2003, and were determined by movements in item currency and deposits of Croatian banks held abroad (an increase of USD 0.9bn) and of the government sector (a decrease of USD 69m due to the settlement of payment obligations). The growth in banks' foreign assets was influenced by the CNB's decisions on the minimum foreign exchange li-

quidity and on the increase of the portion of reserve requirements against banks' foreign liabilities that must be held in domestic currency, increased inflows of foreign exchange in the summer months and by, on other hand, lower credit activity.

The value of transactions related to obligations arising from other investment (about USD 1bn) grew significantly in the July-September period of 2003 in comparison with both the previous quarter and the same period last year. The largest relative growth in the third quarter of 2003, compared with the two stated periods, was registered with respect to long-term credits of the banking sector and with respect to, though to somewhat reduced extent, long-term corporate credits. In addition, the largest relative fall was registered with respect to currency and deposits of foreign parent banks with their domestic daughter banks.

Despite the fact that the CNB did not intervene in the foreign exchange market, the value of transactions related to international reserves grew by USD 277m in the third quarter of 2003. At end-September, the stock of international reserves was USD 7.1bn, which corresponds to an absolute increase of USD 1.2bn or 19.9% compared to the stock at end-2002. The third quarter developments in transactions related to international reserves were marked by a USD 188m increase in currency and deposits of banks and by a USD 90m inflow from issued bonds.

Preliminary data on capital and financial accounts in the third quarter of 2003 show that net errors and omissions were about USD 1.7bn, which a significant increase in comparison with the same period last year when they stood at USD 1.1bn.

External Debt

External debt developments are still negative. At end-October 2003, external debt stood at USD 20.8bn, and grew by USD 5.4bn or 35.4% compared to end-2002 or by a high USD 0.9bn or 4.3% compared to end-September 2003.

The structure of individual debtor shares in total external debt shows a fall in the government share, to 38.5% at end-October, which was 2.8 percentage points below the share at end-2002. Enterprises registered an insignificant decrease from 25.7% to 25.5%, while bank and direct investment shares in total external debt grew, from 26.1% to 28% and from 6.8% to 8% respectively.

Data on the change in external debt in the first ten months of 2003 show that net transactions accounted for USD 3.8bn or 70% of total external debt increase of USD 5.4bn, while the remaining portion of external debt increase was accounted for by cross-currency changes.

In the January-October period of 2003, according to the debtor sector, banks made the largest contribution to the increase in total external debt arising from net transactions. Bank external debt arising from net transaction grew by USD 1.3bn in the said period, of which USD 0.7bn related to net credit transactions and the remaining portion to currency and deposits. The next largest debt generator was the government. Its external debt arising from net transactions grew by USD 1.1bn, mainly on account of developments in net transactions arising from foreign bond issues (portfolio investment) and movements in net long-term credits (e.g. in October only, CBRD credit of USD 200m was registered and withdrawn, while the countervalue of registered long-term credits of the CH, to be successively used in 2003-2004 period, amounted to USD 292m). The increase in other sectors' external debt arising from net transactions stood at USD 1bn, of which net long-term credits accounted for USD 0.6bn. The foreign issue of Bina-Istra bonds in the first quarter of 2003 accounted for the major share in the net portfolio investment increase (USD 202m).

The projection of future principal payments shows that a total of USD 2.5bn in principal and USD 0.8bn in interest payments will fall due in 2004. The foreign liabilities of the government will increase in 2004 in comparison with 2003. In accordance with the external debt stock at 31 October

Table 13: External Debt by Debtor, end of period, in million USD and %

	2000	2001	2002	Oct. 2003	Structure				Indices		
					2000	2001	2002	Oct. 2003	2001/00	2002/01	Oct. 2003/02
1. Monetary sector	159	122	0	0	1.4	1.1	0.0	0.0	76.9	0.0	0.0
2. Government	4,828	5,133	6,361	8,020	43.7	45.4	41.3	38.5	106.3	123.9	126.1
3. Banks	2,086	2,299	4,019	5,830	18.9	20.3	26.1	28.0	110.2	174.8	145.0
4. Other sectors (enterprises)	3,355	3,128	3,959	5,325	30.3	27.6	25.7	25.5	93.2	126.6	134.5
5. Direct investment	627	635	1,052	1,666	5.7	5.6	6.8	8.0	101.3	165.7	158.3
Total (1+2+3+4+5)	11,055	11,317	15,392	20,841	100.0	100.0	100.0	100.0	102.4	136.0	135.4

Source: CNB.

Table 14: Change in External Debt by Debtor, in million USD

	Outstanding debt 31/12/2002	Change			Cross-currency change	Outstanding debt 31/10/2003
		Disbursement	Amortization			
			Principal	Interest		
1. Direct investment	1,052	658	187	30	143	1,666
2. Government	6,361	1,415	349	272	593	8,020
3. Central bank (CNB)	0	0	0	0	0	0
4. Banks	4,019	2,093	767	70	484	5,830
5. Other sectors (enterprises)	3,959	1,947	995	121	413	5,325
Total (1+2+3+4+5)	15,392	6,114	2,298	493	1,634	20,841

Source: CNB.

Table 15: Projected Future Principal and Interest Payments by Debtor, in million USD

	Outstanding debt 30/9/2003	Principal repaid by 31/10/2003	Projected payments for period Nov.-Dec. 2003	Total 2003	Projected Future Principal Payments			
					2004	2005	2006	Other
1. Central bank (CNB)	0	0	0	0	0	0	0	0
2. Government	8,020	349	36	385	955	993	1,008	5,023
3. Banks	5,830	767	70	837	286	771	900	3,727
4. Other sectors (enterprises)	5,325	995	206	1,201	1,105	741	661	2,050
5. Direct investment	1,666	187	271	459	191	143	357	585
Total (1+2+3+4+5)	20,841	2,298	584	2,882	2,537	2,649	2,926	11,386
Supplement:								
Projected interest payments	–	493	127	620	778	658	521	1,561
Total principal and interest	–	2,790	712	3,502	3,315	3,306	3,447	12,947

Source: CNB.

2003, principal payments by the government are estimated at USD 1bn in 2004, which is a USD 0.6bn increase in comparison with principal payments made at end-September 2004 or in comparison with principal payments estimated for the fourth quarter of 2003.

An extremely strong increase in external debt in October 2003 and movements in the exchange rate of the US dollar against the euro indicate that external debt might reach USD 22bn at end-2003.

International Liquidity

In the second and third quarter of 2003, the FEMPI (the weighted average of the rate of change of the exchange rate of the kuna against the euro and the rate of change of gross international reserves, with standard deviations as weights) does not indicate potential difficulties in the imbalance of international transactions. The favorable movements in the FEMPI in the second quarter of 2003 resulted mainly from the appreciation of the kuna against the euro. On the monthly level, the kuna appreciated against the euro by 0.14% in April, 0.15% in May and 0.08% in June. On the other hand, the increase in international reserves made a positive contribution to the favorable movements in the FEMPI in the third

quarter of 2003. The average monthly growth in international reserves, expressed in euros, was 2.9% in the third quarter of 2003.

Government Finance

Budget Highlights in the First Nine Months of 2003

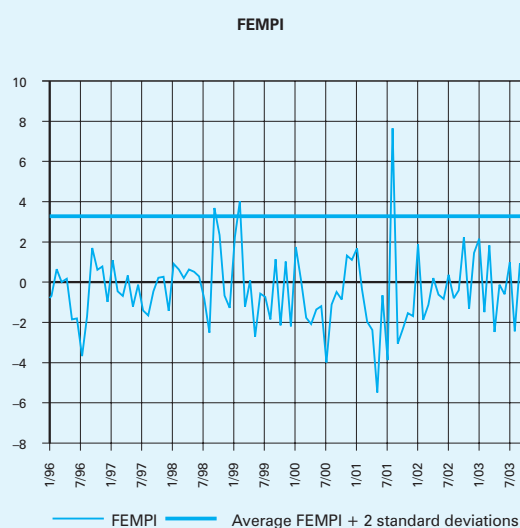
Having recorded a shortfall in the second quarter, budget revenues rebounded slightly during the summer season. However, their summer season outturn fell short of expectations since the outstanding tourist season performance made no impact either on VAT or excise revenues in the summer months. On the whole, the annual revenue plan is still feasible. Budget outlays have grown at a very stable and relatively strong quarterly pace this year, so that the slight recovery of revenues proved insufficient to prevent a considerable further widening of the budget deficit in the summer season. The consolidated general government budget deficit reached HRK 6.1bn in the first nine months (excluding capital revenues from budget revenues). The deficit financing structure has changed in favor of foreign financing, since the government almost exclusively relied on foreign financing sources in the third quarter.

The general government debt rose by HRK 7.5bn in the first three quarters of this year. Of this amount, HRK 4.3bn was accounted for by its external component. This debt reached a total of HRK 82.8bn (with the central government debt accounting for HRK 81.6bn) in late September, i.e. HRK 97.2bn, or 51.2% of GDP, including total issued guarantees (potential debt).

Budget Outturn

Budget Revenues

Revenues amounted to HRK 62.7bn or 70.0% of the consolidated general government annual plan. The following comments relate to the revenues and expenditures of the consolidated central government, comprising the revenues and expenditures of the CH, CR, DAB and CPF, which is due to the fact that this level is the highest consolidation level wherein the budget is drawn up by economic classification.

Figure 75

Source: CNB.

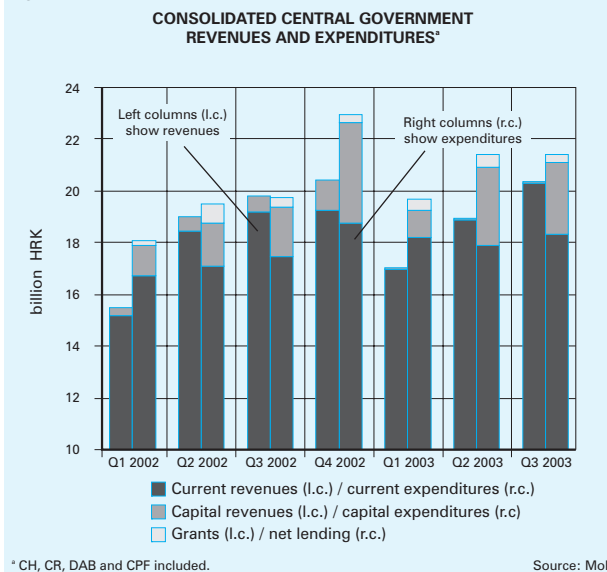
Consolidated central government revenues totaled HRK 56.4bn in the first nine months, a rise of 3.8% compared with the same period last year. Excluding capital revenues, current revenues increased by a slightly higher 6.2%. However, attention should be paid to the quarterly dynamics of this increase, which was 11.5%, 2.4% and 5.5% in the first, second and third quarter respectively, clearly indicating a slight recovery of current revenues in the third quarter. Nevertheless, as these are nominal values, the 5.5% growth in the third quarter is insufficient for current revenues to record a real increase in comparison with the same period last year (in view of this year's estimated nominal GDP growth). In addition, the downward trend in tax revenues comprised by current revenues gives some reason for concern. Specifically, the shortfall in current revenues in the second quarter was almost completely accounted for by weaker non-tax revenues (tax revenues rose by 6.5% in that period). In the third quarter, however, it was primarily brought about by tax revenues increasing by a slight 5.4%, mostly because of lower VAT and excise revenues. Excises went up by a negligible 2.5% in nominal terms,⁸ exclusive of excises on car imports continuing growth at a substantial rate of 12.9% in the third quarter, whereas VAT increased by 6.1%, its lowest quarterly increase this year. Such relatively low outturn of both tax revenue categories has been somewhat surprising, especially in view of the excellent tourist season. Tax revenues thus cannot account for the substantial increase in this year's tourist consumption shown by the tourist consumption survey. Accordingly, it can either be concluded that the outstanding tourist season performance will be shown by the October data (as late payments) or that this tourist season, considering the average consumption per tourist, is not different from previous ones. The latter conclusion implies that this and/or last year's survey, as well as previous surveys, produced questionable results. In addition, tax evasion might have increased on account of the November parliamentary elections. In fact, each of the mentioned solutions is possible, or some of them, so that further recovery of budget tax revenues should hopefully be expected by the end of the year.

Budget Expenditures

The expenditures of the consolidated general government totaled HRK 68.2bn in the first nine months, 72.3% of the total amount planned for the whole year. Of this amount, HRK 62.5bn was accounted for by the consolidated central government; a rise of 9.2% nominally compared with the same period last year. A comparison of quarterly expenditures in this and the previous year still shows no significant deviations in consumption growth at the quarterly level. Total expenditures rose by 8.6% in the third quarter of this year relative to the same quarter last year, a somewhat lower rise compared with 9.0% and 9.9% in the first and second quarters respectively.

⁸ This low excise revenue growth was primarily due to revenues generated by excises on refined petroleum products rising by a mere 2.6% in the third quarter compared with the same period last year.

Figure 76



Such relatively high expenditure growth in the third quarter was mostly accounted for by continued large capital outlays. Having reached their peak in the second quarter, construction works declined slightly, at least as shown by the data. However, capital expenditures growth remained at a very high 41.5% relative to the summer months in the previous year.⁹ In nominal terms, capital expenditures totaled HRK 2.8bn in the period from early July to late September, a decrease of a mere HRK 0.2bn in comparison with the previous quarter. In addition, this amount was mainly accounted for by CH and CR capital expenditures (an approximate HRK 1.8bn), in confirmation of the fact that construction (road construction) works continued at a strong pace even after the opening of some highway sections before the tourist season. Accordingly, all indications are that construction works planned for this year will be completed, in contrast with last year when CH and CR performance and, in turn, capital expenditures, were 20% lower than planned.

Budget Balance and Deficit Financing

Revenues and expenditures realized in the first nine months of this year have generated the consolidated general government deficit amounting to HRK 5.5bn, i.e. HRK 6.1bn excluding capital revenues. The deficit (inclusive of repayments) was to a large degree financed from external sources. Eurobonds worth EUR 500m were issued in February, and Samurai bonds worth JPY 25bn (an approximate USD 210m) were issued in June in the Japanese market. The latter issue was used for financing in the third quarter, which was not in keeping with the initial plan which provided for using the funds generated by the Samurai bond issue for financing in

⁹ It should be noted that capital expenditures in the first three quarters last year might have been underestimated since the CH showed the main part of its capital expenditures as late as in the last quarter of 2002. The nominal growth of expenditures in the second and third quarters of 2003, capital expenditures included, could therefore be lower than indicated.

Table 16: Balance of the Consolidated General Government by Levels, in million HRK and %

	2002		2003		2003/2002
	Q1 – Q3	Q1 – Q4 ^a	Q1 – Q3	Q1 – Q4 ^b	Q1 – Q3
Government budget	...	-2,771	-3,327	-909	...
Revenues	...	70,680	53,229	77,010	...
Expenditures	...	73,451	56,556	77,919	...
State agencies	...	-1,907	-2,272	-3,288	...
CH	...	-2,030	-2,448	-3,599	...
CR	...	62	-135	-145	...
DAB	...	12	267	360	...
CPF	...	49	44	97	...
Local government budgets	...	-45	63	-656	...
Consolidated general government balance	...	-4,723	-5,536	-4,854	...
as % of GDP	...	-2.7	...	-2.5	...
Consolidated general government balance (capital revenues excluded)	...	-7,873	-6,124	-8,937	...
as % of GDP	...	-4.5	...	-4.7	...
Note:					
General government arrears, change	-479	...	...

^a Revised data. ^b Revised plan. Source: MoF.

the first quarter next year. This is partly accounted for by the delay in the second SAL tranche (the funds were received in the last quarter of 2003). However, this is only a partial excuse, as the SAL tranche amounted to USD 100m, while the Samurai bond issue exceeded USD 210m. In general, domestic sources were not exploited significantly in the third quarter, with the result that the deficit financing structure has changed in favor of external financing. This was also due to the fact that the MoF managed to refinance most T-bills falling due during September (HRK 570m of the total HRK 920m), which was, naturally, followed by a considerable increase in the interest rate on T-bills, which at one point came close to 7%.

As concerns financing from privatization receipts, major revenues were generated this year only by the privatization of 25% of INA shares completed in the last quarter, when USD 505m was received by the government treasury. Finally, it should be noted that government arrears decreased by an additional HRK 135m during summer months and cumulatively by almost HRK 480m in the first nine months. The government thus has to settle only the remaining HRK 300m to achieve regular payer status.

Government Debt

According to CNB data, the general government debt (exclusive of issued government guarantees) stood at HRK 82.8bn late in the third quarter of 2003, or 43.6% of the 2003 GDP estimate. Due to the adjustment of data on the claims and liabilities of the local government and funds, the data on the debt for 2003 have been revised with a monthly frequency, starting from December 2002. The revision resulted in a one-off increase in the general government debt of an approximate HRK 0.6bn, comparing, for example, the old and revised data on the end-June general government debt.

The Republic of Croatia issued guarantees stood at HRK 14.4bn in late September, i.e. 7.6% of the estimated GDP. The government debt, inclusive of the potential debt in the form of guarantees, thus totaled HRK 97.2bn or 51.2% of the GDP estimate. Quarterly dynamics of the general government debt show a considerable increase (at the net level) in the first quarter, from HRK 75.2bn to HRK 81.1bn, followed by a modest rise to HRK 81.9bn and HRK 82.8bn in the second and third quarters respectively. Some differences can be observed in the debt increase structure. Foreign borrowing, dominant in the

Table 17: Domestic Debt of Central Government, end of period, in million HRK

	Stock				Change	
	Dec. 2001	Dec. 2002	Jun. 2003	Sep. 2003	Jan. – Sep. 2002	Jan. – Sep. 2003
1. Domestic debt of central government	24,907	28,747	32,555	32,187	2,246	3,440
1.1. Domestic debt of the Republic of Croatia	21,468	24,735	28,760	28,263	2,084	3,528
Treasury bills	4,892	5,633	5,984	5,646	652	13
Money market instruments	7	0	0	0	-7	0
Bonds	15,416	16,022	17,981	17,508	681	1,486
Credits from CNB	-	0	1	3	0	3
Credits from DMBs	1,152	3,080	4,793	5,106	758	2,026
1.2. Domestic debt of central government funds	3,439	4,012	3,795	3,924	162	-88
Money market instruments	-	-	-	-	-	-
Bonds	1,636	1,652	1,667	1,681	-6	29
Credits from DMBs	1,803	2,360	2,128	2,243	168	-116
Note: Issued guarantees	6,026	7,528	6,808	6,535	1,371	-993

Source: CNB.

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

	Stock				Change	
	Dec. 2001	Dec. 2002	Jun. 2003	Sep. 2003	Jan. – Sep. 2002	Jan. – Sep. 2003
1. External debt of central government	42,413	45,252	48,100	49,452	1,420	4,396
1.1. External debt of the Republic of Croatia	39,657	41,473	44,433	45,603	1,187	4,306
Bonds	30,029	30,261	33,747	34,057	373	3,941
Credits	9,628	11,212	10,685	11,546	814	364
1.2. External debt of central government funds	2,757	3,779	3,667	3,849	233	90
Bonds	697	1,024	1,004	1,012	-408	-7
Credits	2,060	2,755	2,663	2,837	640	97
Note: Issued guarantees	8,549	7,787	7,742	8,105	-768	319

Source: CNB.

first quarter, decreased and was gradually replaced by the domestic component during the second quarter. However, these trends were reversed again in the third quarter, with the external component starting to dominate again. Aggregately, the external and domestic debt component rose by HRK 4.3 and HRK 3.2bn respectively in the first nine months, which is in line with the previously mentioned budget deficit financing mostly by foreign financing sources. Issued guarantees decreased by an aggregate amount of HRK 657m in the first nine months of this year. It should be stressed, however, that they rose by a slight HRK 94m over the third quarter, following a steep decline in the second quarter.

The central government accounted for HRK 81.6bn of the HRK 82.8bn general government debt in late September. It is worth noting that data on the total debt for both levels include the debt of the CBRD and that the only difference between the central and general government debt is the amount of the local government debt.

Central Government Domestic Debt

The central government domestic debt decreased by HRK

0.4bn in the third quarter, which implies the HRK 3.4bn rise in the domestic debt in the first nine months. The increase in the domestic debt can be completely attributed to the Republic of Croatia level, as the debt of central government funds declined by almost HRK 0.1bn in the same period. Bank loans generated the largest share in the domestic debt (approximately 60%), whereas the remaining 40% of the “new” debt was derived from the issue of bonds. In a change from the previous quarter when they accounted for almost 10% of the domestic debt increase, T-bills made no impact on its growth in this quarter.

Central Government External Debt

In contrast with the domestic debt, the central government external debt rose by HRK 1.4bn net in the third quarter, bringing the cumulative external debt up by HRK 4.4bn in the first nine months. The increase can be wholly attributed to the Republic of Croatia level, as the share of central government funds was slightly lower than HRK 0.1bn. Finally, it is worth noting that the main external debt growth instruments were bonds, generating almost 90% (on the net basis).

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 exam-

ple insurance companies, pension funds).

The central government and funds comprise government authorities including the Croatian Roads and Croatian Highways, State Agency for Deposit Insurance and Bank Rehabilitation, 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	December	11,717.3	18,030.3	18,256.4	73,061.1	44,043.9	60,883.8	7.32	10.04	9.89	3.66	10.46	2.66
2001	December	17,803.2	23,703.5	23,936.5	106,071.4	57,410.0	74,964.5	8.01	13.00	11.96	11.65	3.40	1.16
2002	August	21,706.3	29,502.1	30,155.7	113,036.5	72,714.9	89,091.9	1.86	1.92	2.29	3.01	1.79	1.85
	September	20,871.2	28,913.6	30,043.0	113,275.2	73,340.9	91,165.6	–3.85	–1.99	–0.37	0.21	0.86	2.33
	October	20,319.8	29,090.4	29,899.1	114,826.3	76,709.3	94,581.1	–2.64	0.61	–0.48	1.37	4.59	3.75
	November	20,798.0	29,092.3	29,850.9	114,260.6	77,210.7	95,408.8	2.35	0.01	–0.16	–0.49	0.65	0.88
	December	23,027.9	30,869.8	31,876.7	116,141.8	83,324.4	97,463.7	10.72	6.11	6.79	1.65	7.92	2.15
2003	January	21,678.2	29,412.1	30,260.9	116,614.9	86,344.4	100,155.5	–5.86	–4.72	–5.07	0.41	3.62	2.76
	February	22,483.3	29,456.0	30,071.0	117,208.5	84,687.7	102,161.0	3.71	0.15	–0.63	0.51	–1.92	2.00
	March	21,883.5	29,512.2	30,147.9	118,791.2	85,953.3	102,706.0	–2.67	0.19	0.26	1.35	1.49	0.53
	April	23,216.0	30,294.4	30,888.6	117,854.4	88,256.7	103,713.6	6.09	2.65	2.46	–0.79	2.68	0.98
	May	23,618.8	32,002.0	32,660.8	119,105.0	90,424.9	104,887.7	1.74	5.64	5.74	1.06	2.46	1.13
	June	24,264.7	32,828.3	33,494.6	120,021.6	89,724.0	104,065.6	2.73	2.58	2.55	0.77	–0.78	–0.78
	July	25,064.8	34,381.5	35,031.8	125,023.3	93,926.6	106,822.9	3.30	4.73	4.59	4.17	4.68	2.65
	August	25,854.2	34,044.3	34,586.9	126,979.7	92,451.1	106,761.8	3.15	–0.98	–1.27	1.56	–1.57	–0.06
	September	27,289.1	32,589.4	33,247.6	126,910.9	92,696.3	107,180.1	5.55	–4.27	–3.87	–0.05	0.27	0.39
	October	27,037.8	32,805.7	33,482.9	127,072.4	93,345.6	108,516.8	–0.92	0.66	0.71	0.13	0.70	1.25

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

Table A1: Monetary and Credit Aggregates

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

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

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

	1999	2000	2001	2002	2003.			
	Dec.	Dec.	Dec. ^b	Dec.	Mar.	Jun.	Sep.	Oct.
ASSETS								
1. Foreign assets (net)	16,655.5	29,017.2	48,661.3	32,817.4	32,838.0	30,297.6	34,214.6	33,726.8
2. Domestic credit	65,938.6	72,051.4	87,637.6	112,518.9	117,269.0	119,500.8	123,208.2	123,767.8
2.1. Claims on central government and funds (net)	10,062.8	11,167.6	12,673.1	15,055.2	14,563.0	15,435.2	16,028.1	15,251.0
2.2. Claims on other domestic sectors	55,676.4	60,653.4	74,513.0	96,329.0	101,128.3	102,711.2	105,783.3	107,048.7
2.3. Claims on other banking institutions	45.4	68.7	170.2	219.5	214.0	209.2	455.9	515.1
2.4. Claims on other financial institutions	154.0	161.7	281.4	915.3	1,363.7	1,145.2	940.9	952.9
Total (1+2)	82,594.1	101,068.7	136,298.9	145,336.3	150,107.0	149,798.4	157,422.9	157,494.5
LIABILITIES								
1. Money	13,858.9	18,030.3	23,703.5	30,869.8	29,512.2	32,828.3	32,589.4	32,805.7
2. Savings and time deposits	5,397.5	7,651.1	10,213.1	13,001.1	15,056.8	15,825.9	18,262.9	17,341.7
3. Foreign currency deposits	36,966.0	46,901.6	71,836.9	72,054.6	74,068.6	71,104.3	75,416.0	76,329.8
4. Bonds and money market instruments	436.8	478.2	317.8	216.3	153.7	263.0	642.6	595.2
5. Restricted and blocked deposits	3,814.7	2,864.5	1,926.2	1,729.5	1,812.6	1,873.8	1,958.0	1,768.7
o/w: Households' blocked f/c deposits	2,742.7	1,695.1	770.2	319.3	257.5	242.3	177.2	174.6
6. Other items (net)	22,120.0	25,143.1	28,301.4	27,465.1	29,503.2	27,903.1	28,553.9	28,653.4
Total (1+2+3+4+5+6)	82,594.1	101,068.7	136,298.9	145,336.3	150,107.0	149,798.4	157,422.9	157,494.5

^a The privatisation of Privredna banka Zagreb brought about a one-off decrease in its balance sheet total of HRK 2,759.4m. 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)".

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

Table B1: Monetary Survey

The monetary survey shows consolidated data from the Monetary Authorities Accounts (Table C1) and 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	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	August	47	7	13	7	7	10	3	11	3	6	2
	September	47	7	12	6	9	10	3	11	3	6	2
	October	47	7	12	6	9	10	3	11	3	6	2
	November	46	6	12	6	9	8	5	11	3	6	2
	December	46	4	13	7	9	8	5	10	3	5	2
2003	January	46	4	13	7	8	9	5	10	3	5	2
	February	46	4	13	8	7	9	5	10	4	4	2
	March	46	4	12	8	9	8	5	10	4	4	2
	April	46	4	12	8	9	8	5	9	4	3	2
	May	46	4	13	8	7	9	5	9	5	2	2
	June	45	4	12	8	7	9	5	9	5	2	2
	July	44	4	12	8	7	8	5	9	5	2	2
	August	43	4	13	7	6	7	6	9	5	2	2
	September	43	3	14	7	6	7	6	9	5	2	2
	October	43	3	13	8	6	7	6	9	5	2	2

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 opera-

tions, so that data up to June 1995 relate only to those savings banks that reported voluntarily to the CNB. From July 1995 on, the data cover all registered savings banks. Savings banks that were granted a bank operating license are required to adjust their operations to the provisions of the Banking Law by 31 December 2006.

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

Table C1: Monetary Authorities Accounts

End of period, million kuna

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
ASSETS								
1. Foreign assets	23,135.7	28,747.4	39,308.9	42,058.8	44,479.0	44,520.5	46,801.6	47,000.7
1.1. Gold	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	1,449.2	1,204.2	905.8	17.4	10.2	8.3	6.9	6.7
1.3. Reserve position in the IMF	1.6	1.8	1.8	1.6	1.7	1.6	1.6	1.6
1.4. Currency and demand deposits with foreign banks	1,109.6	7.4	6.1	6.4	5.9	1,370.7	10.0	5.3
1.5. Time deposits with foreign banks	17,702.4	20,986.9	25,565.9	28,183.2	25,243.7	18,423.8	21,389.5	21,636.7
1.6. Securities in f/c	2,871.6	6,545.7	12,829.3	13,850.0	19,217.5	24,716.2	25,393.6	25,350.4
1.7. Nonconvertible foreign exchange	1.3	1.3	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	24.1	0.0	–	0.5	2.0	1.5	3.0	2.5
2.1. Claims in kuna	24.1	0.0	–	0.5	2.0	1.5	3.0	2.5
2.2. Claims in f/c	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	276.8	289.5	229.2	110.6	110.5	102.4	94.5	93.8
4. Claims on DMBs	1,138.7	329.9	18.5	17.9	14.1	13.7	343.4	14.9
4.1. Credits to DMBs	1,125.3	313.6	–	–	–	–	329.4	–
Lombard credits	176.7	–	–	–	–	–	329.4	–
Short-term liquidity credits	929.0	–	–	–	–	–	–	–
Other credits	19.7	14.0	–	–	–	–	–	–
CNB bills under repurchase agreement	–	299.6	–	–	–	–	–	–
4.2. CNB deposits with DMBs	13.4	15.2	16.6	17.6	13.8	13.7	14.0	14.1
4.3. Overdue claims	0.0	1.1	1.9	0.3	0.3	–	–	0.8
5. Claims on other banking institutions	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	24,575.3	29,366.8	39,556.6	42,187.7	44,605.6	44,638.0	47,242.4	47,111.9
LIABILITIES								
1. Reserve money	10,310.0	11,717.3	17,803.2	23,027.9	21,883.5	24,264.7	27,289.1	27,037.8
1.1. Currency outside banks	5,958.9	6,636.7	8,507.4	9,680.9	9,526.1	10,637.2	10,506.0	10,261.7
1.2. DMBs' cash in vaults	382.1	532.3	538.8	1,214.8	1,624.7	1,548.5	1,385.7	1,430.4
1.3. DMBs' deposits	3,960.4	4,540.7	8,741.5	12,109.4	10,719.2	12,075.5	15,385.2	15,338.6
Settlement accounts	247.9	459.5	2,450.1	3,923.4	2,132.0	3,097.3	4,340.7	4,182.8
Statutory reserves	3,712.5	4,081.2	6,291.4	8,186.0	8,587.2	8,951.5	10,958.8	11,046.6
CNB bills on obligatory basis	–	–	–	–	–	26.7	85.8	109.2
1.4. Deposits of other banking institutions	8.5	7.5	15.5	19.1	4.2	1.5	1.2	–
1.5. Deposits of other domestic sectors ^b	–	0.0	0.1	3.5	9.2	1.8	11.0	7.1
2. Restricted and blocked deposits	5,016.8	5,805.5	6,030.5	7,091.2	7,589.1	7,998.5	6,858.4	7,086.9
2.1. Statutory reserve in f/c	4,636.2	5,490.5	5,705.1	7,042.3	7,562.5	7,983.0	6,839.7	7,060.1
2.2. Restricted deposits	380.6	315.0	325.4	49.0	26.6	15.5	18.7	26.9
2.3. Escrow deposits	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,671.2	1,630.8	1,597.5	195.7	1,134.2	868.0	2,610.6	2,233.7
3.1. Use of IMF credit	1,501.7	1,290.3	1,025.5	2.8	–	–	–	–
3.2. Liabilities to international organizations	6.8	9.5	12.2	12.6	13.2	16.3	16.3	16.1
3.3. Liabilities to foreign banks ^a	162.7	331.0	559.8	180.2	1,121.0	851.7	2,594.3	2,217.5
4. Central government and funds deposits	397.2	1,157.4	1,752.1	768.1	2,858.9	2,555.9	1,214.8	1,842.4
4.1. Demand deposits	394.2	1,008.5	1,752.1	608.3	649.9	750.1	762.2	836.1
Central government demand deposits	388.0	980.8	1,564.8	569.5	648.1	742.1	762.1	830.6
Central government funds demand deposits	6.2	27.7	187.3	38.7	1.8	7.9	0.1	5.5
4.2. Central government f/c deposits	0.0	–	–	–	2,094.3	1,741.0	452.6	1,006.3
4.3. CNB bills	2.9	148.8	–	159.9	114.8	64.9	–	–
5. CNB bills	2,887.2	4,207.3	6,372.3	6,212.4	5,279.0	4,229.4	4,230.2	4,042.5
5.1. CNB bills in kuna	1,252.5	2,394.6	3,458.9	4,986.2	3,871.4	2,659.9	104.9	–
5.2. CNB bills in f/c	1,634.7	1,812.7	2,913.4	1,226.3	1,407.6	1,569.5	4,125.3	4,042.5
6. Capital accounts	4,535.5	5,216.6	6,425.2	5,353.5	6,328.8	5,194.0	5,482.8	5,312.3
7. Other items (net)	–242.4	–368.1	–424.2	–461.1	–467.9	–472.4	–443.5	–443.8
Total (1+2+3+4+5+6+7)	24,575.3	29,366.8	39,556.6	42,187.7	44,605.6	44,638.0	47,242.4	47,111.9

^a Since October 2001, Liabilities to foreign banks include also liabilities based on CNB bills subscribed by nonresidents.^b In December 2002, CDA accounts with the CNB for the gross and net settlement of purchased securities have been reclassified from the sector central government to the sector other financial organisations.

Table C1: Monetary Authorities Accounts

The table reports data on claims and liabilities by monetary authorities. In September 1999, the data were revised, with savings banks being transferred from 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 vault, reserve position in the International Monetary Fund, current account balances with foreign banks and accrued interest, 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. 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 and accrued interest, 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, kuna funds set aside in the period between May 1999 and April 2002 and deposits of banks against which bankruptcy proceedings have been initiated. Blocked foreign exchange deposits are funds that were set aside in special accounts at the Croatian National Bank for repaying unpaid amounts due to foreign creditors.

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

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

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

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

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

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

Table D1: Deposit Money Banks' Accounts

End of period, million kuna

	1999	2000	2001	2002	2003			
	Dec. ^a	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
ASSETS								
1. Reserves with the CNB	8,987.9	10,588.9	15,002.7	20,373.5	19,993.5	21,492.5	23,678.7	23,846.4
1.1. In kuna	4,352.6	5,098.4	9,306.2	13,340.0	12,438.6	13,516.3	16,844.9	16,791.7
1.2. In f/c	4,635.3	5,490.5	5,696.5	7,033.5	7,554.8	7,976.2	6,833.8	7,054.6
2. Foreign assets	12,400.1	19,710.4	32,807.6	25,977.8	26,950.7	27,100.6	31,465.9	30,959.0
3. Claims on central government and funds	16,264.4	19,055.5	20,059.9	21,917.7	22,935.5	23,243.1	22,508.6	22,345.9
3.1. Bonds arising from blocked f/c deposits	5,419.9	4,484.4	3,420.1	2,473.5	2,047.2	1,999.5	1,517.6	1,523.0
3.2. Big bonds	1,321.8	1,475.7	1,659.4	1,699.1	1,725.0	1,702.1	1,707.2	1,710.3
3.3. Other claims	9,522.8	13,095.3	14,980.4	17,745.2	19,163.3	19,541.6	19,283.8	19,112.6
4. Claims on other domestic sectors	55,399.7	60,363.9	74,283.8	96,218.4	101,017.8	102,608.8	105,688.9	106,954.9
4.1. Claims on local government and funds	905.6	1,174.9	1,280.0	1,422.4	1,307.4	1,278.7	1,274.0	1,327.7
4.2. Claims on enterprises	35,244.3	35,890.7	42,882.0	51,723.4	53,023.3	52,020.7	52,172.0	52,416.8
4.3. Claims on households	19,249.8	23,298.3	30,121.9	43,072.6	46,687.1	49,309.4	52,242.9	53,210.4
5. Claims on other banking institutions	45.4	68.7	170.2	219.5	214.0	209.2	455.9	515.1
6. Claims on other financial institutions	154.0	161.7	281.4	915.3	1,363.7	1,145.2	940.9	952.9
Total (1+2+3+4+5+6)	93,251.5	109,949.1	142,605.6	165,622.2	172,475.1	175,799.5	184,738.9	185,574.2
LIABILITIES								
1. Demand deposits	7,891.5	11,386.0	15,180.6	21,166.2	19,972.7	22,187.7	22,071.2	22,536.9
2. Savings and time deposits	5,397.5	7,651.1	10,213.1	13,001.1	15,056.8	15,825.9	18,262.9	17,341.7
3. Foreign currency deposits	36,966.0	46,901.6	71,836.9	72,054.6	74,068.6	71,104.3	75,416.0	76,329.8
4. Bonds and money market instruments	436.8	478.2	317.8	216.3	153.7	263.0	642.6	595.2
5. Foreign liabilities	17,209.1	17,809.7	21,857.8	35,023.5	37,457.5	40,455.6	41,442.3	41,999.3
6. Central government and funds' deposits	5,828.6	6,730.5	5,634.7	6,094.9	5,515.5	5,253.5	5,268.7	5,254.9
7. Credit from central bank	1,138.7	328.8	16.6	17.6	13.8	13.7	343.4	14.1
8. Restricted and blocked deposits	3,434.2	2,549.6	1,600.8	1,680.5	1,785.9	1,858.3	1,939.3	1,741.9
o/w: Households' blocked f/c deposits	2,742.7	1,695.1	770.2	319.3	257.5	242.3	177.2	174.6
9. Capital accounts	21,975.4	24,953.1	25,455.1	26,323.2	26,526.4	26,120.3	26,808.6	27,184.8
10. Other items (net)	-7,026.4	-8,839.4	-9,507.8	-9,955.6	-8,075.7	-7,282.8	-7,456.0	-7,424.3
Total (1+2+3+4+5+6+7+8+9+10)	93,251.5	109,949.1	142,605.6	165,622.2	172,475.1	175,799.5	184,738.9	185,574.2

^a The privatisation of Privredna banka Zagreb brought about a one-off decrease in its balance sheet total amount of HRK 2,759.4m. 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 subordinated and hybrid instruments, purchased by foreign investors, are excluded from this item.

Foreign liabilities comprise the following forms of kuna and foreign currency liabilities to foreign legal and natural persons: giro and current accounts, savings deposits (including loro letters of credit and other forms of collateral), time deposits, loans received and liabilities due. Issued 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

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Foreign assets in f/c	12,352.8	19,619.2	32,763.6	25,924.4	26,879.1	26,948.4	31,355.5	30,896.3
1.1. Claims on foreign banks	11,598.5	19,154.9	31,660.3	21,333.5	23,598.3	23,785.5	27,276.8	26,886.3
Foreign currencies	886.7	1,002.8	7,324.7	1,019.8	853.0	1,270.7	1,041.0	942.6
Demand deposits	1,498.5	995.0	1,231.9	757.7	1,611.7	1,050.3	1,041.2	833.0
Time and notice deposits	8,509.4	16,286.7	21,765.2	17,569.8	18,477.0	19,349.9	23,181.1	23,051.1
Securities	–	454.9	1,008.5	1,690.2	2,330.3	1,845.2	1,749.5	1,745.0
Loans and advances	569.8	370.9	290.3	278.7	308.5	252.0	246.4	297.0
Shares and participations	134.1	44.6	39.7	17.2	17.8	17.4	17.4	17.5
1.2. Claims on foreign nonbanks	754.3	464.3	1,103.3	4,590.8	3,280.8	3,162.9	4,078.8	4,010.1
Claims on foreign governments	399.9	137.8	596.2	3,855.5	2,764.0	2,708.0	3,612.3	3,539.3
Claims on other nonresidents	350.4	322.4	505.5	733.7	515.2	454.6	466.0	470.4
Securities	4.5	–	72.1	191.3	40.3	36.7	35.9	38.5
Loans and advances	345.9	322.4	433.4	542.4	474.9	417.9	430.1	431.8
Shares and participations	4.0	4.1	1.6	1.6	1.6	0.3	0.4	0.4
2. Foreign assets in kuna	47.3	91.2	44.1	53.4	71.7	152.2	110.4	62.7
2.1. Claims on foreign banks	16.6	66.1	29.2	19.6	19.3	130.2	88.9	41.0
2.2. Claims on foreign nonbanks	30.6	25.1	14.8	33.8	52.4	22.1	21.5	21.7
o/w: Loans and advances	29.6	23.3	13.9	33.0	51.6	21.3	20.7	20.9
Total (1+2)	12,400.1	19,710.4	32,807.6	25,977.8	26,950.7	27,100.6	31,465.9	30,959.0

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

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Bonds (c/part to blocked f/c savings deposits)	5,419.9	4,484.4	3,420.1	2,473.5	2,047.2	1,999.5	1,517.6	1,523.0
2. Big bonds	1,321.8	1,475.7	1,659.4	1,699.1	1,725.0	1,702.1	1,707.2	1,710.3
3. Other claims	9,522.8	13,095.3	14,980.4	17,745.2	19,163.3	19,541.6	19,283.8	19,112.6
3.1. In kuna	8,564.0	11,412.0	12,699.2	14,271.8	15,452.9	15,723.3	14,886.7	14,789.7
3.1.1. Claims on central government	7,831.3	9,812.6	11,150.7	12,270.8	13,605.5	13,810.0	12,970.1	12,878.4
Securities	6,897.3	8,587.8	10,323.7	9,816.5	10,506.7	10,106.0	9,225.1	8,878.3
Loans and advances	934.0	1,224.9	826.9	2,454.3	3,098.8	3,704.1	3,745.0	4,000.1
3.1.2. Claims on central government funds	732.7	1,599.4	1,548.5	2,001.0	1,847.4	1,913.2	1,916.6	1,911.3
Securities	–	627.3	560.1	560.7	641.7	654.7	693.1	698.6
Loans and advances	732.7	972.1	988.4	1,440.3	1,205.7	1,258.5	1,223.5	1,212.7
3.2. In f/c	958.8	1,683.3	2,281.2	3,473.3	3,710.4	3,818.3	4,397.1	4,322.9
3.2.1. Claims on central government	921.4	1,492.7	1,390.9	2,359.1	2,591.3	2,777.2	3,207.9	3,247.2
Bonds	518.1	869.2	1,065.5	1,733.4	1,860.8	1,687.8	1,847.1	1,822.9
Loans and advances	403.3	623.5	325.5	625.7	730.5	1,089.4	1,360.8	1,424.2
3.2.2. Claims on central government funds	37.4	190.6	890.3	1,114.2	1,119.0	1,041.1	1,189.2	1,075.8
Securities	27.6	35.0	75.4	195.0	218.4	171.4	169.5	171.4
Loans and advances	9.8	155.5	814.8	919.2	900.7	869.6	1,019.7	904.3
Total (1+2+3)	16,264.4	19,055.5	20,059.9	21,917.7	22,935.5	23,243.1	22,508.6	22,345.9

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

	1999	2000	2001	2002	2003			
	Dec. ^a	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Claims in kuna	48,336.4	53,739.5	66,626.8	85,418.7	90,821.9	92,714.2	95,916.7	96,995.9
1.1. Money market instruments	365.7	231.9	544.7	1,394.7	1,483.2	1,503.7	1,386.7	1,300.1
1.2. Bonds	0.0	1.0	7.7	72.4	60.5	78.2	69.4	73.6
1.3. Loans and advances	44,505.1	49,566.8	62,180.6	80,887.6	86,206.8	88,190.3	91,497.8	92,645.5
1.4. Shares and participations	3,465.5	3,939.8	3,893.8	3,064.0	3,071.3	2,942.0	2,962.8	2,976.8
2. Claims in f/c	7,063.3	6,624.3	7,657.0	10,799.8	10,195.9	9,894.6	9,772.2	9,959.0
2.1. Securities	74.9	112.4	126.6	243.2	197.3	276.2	298.1	271.0
2.2. Loans and advances	6,988.5	6,512.0	7,530.5	10,556.6	9,998.7	9,618.4	9,474.0	9,688.0
Total (1+2)	55,399.7	60,363.9	74,283.8	96,218.4	101,017.8	102,608.8	105,688.9	106,954.9

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

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

	1999	2000	2001	2002	2003			
	Dec. ^a	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
LOANS IN KUNA								
1. Loans to central government and funds	1,666.6	2,196.9	1,815.4	3,894.6	4,304.5	4,962.6	4,968.5	5,212.7
1.1. Loans to central government	934.0	1,224.9	826.9	2,454.3	3,098.8	3,704.1	3,745.0	4,000.1
1.2. Loans to central government funds	732.7	972.1	988.4	1,440.3	1,205.7	1,258.5	1,223.5	1,212.7
2. Loans to local governments and funds	785.7	996.8	1,069.1	1,202.9	1,177.7	1,190.4	1,200.3	1,258.0
3. Loans to enterprises	24,533.4	25,328.0	31,049.4	36,708.1	38,437.9	37,791.1	38,199.4	38,343.3
4. Loans to households	19,186.1	23,242.1	30,062.1	42,976.6	46,591.3	49,208.8	52,098.1	53,044.2
o/w: Housing loans	7,469.5	8,257.8	9,450.0	12,363.4	13,604.9	14,432.0	15,555.3	15,967.0
5. Loans to other banking institutions	31.3	33.5	34.7	17.6	18.5	21.1	110.6	187.4
6. Loans to other financial institutions	138.6	105.5	240.9	521.3	827.2	815.3	597.0	622.4
A. Total (1+2+3+4+5+6)	46,341.6	51,902.8	64,271.6	85,321.1	91,357.0	93,989.2	97,173.9	98,668.1
LOANS IN F/C								
1. Loans to central government and funds	413.1	779.1	1,140.3	1,544.9	1,631.2	1,959.0	2,380.5	2,328.6
1.1. Loans to central government	403.3	623.5	325.5	625.7	730.5	1,089.4	1,360.8	1,424.2
1.2. Loans to central government funds	9.8	155.5	814.8	919.2	900.7	869.6	1,019.7	904.3
2. Loans to local governments and funds	118.7	171.6	179.1	152.3	55.1	55.4	46.7	46.8
3. Loans to enterprises	6,806.1	6,284.0	7,291.7	10,308.3	9,847.7	9,462.3	9,282.5	9,475.0
4. Loans to households	63.7	56.3	59.7	96.0	95.8	100.6	144.8	166.2
5. Loans to other banking institutions	1.7	–	–	1.2	–	7.5	169.6	137.8
6. Loans to other financial institutions	–	–	–	28.3	105.8	50.4	72.0	57.5
B. Total (1+2+3+4+5+6)	7,403.2	7,291.0	8,670.7	12,131.0	11,735.6	11,635.4	12,096.1	12,211.9
TOTAL (A+B)	53,744.9	59,193.9	72,942.3	97,452.1	103,092.6	105,624.5	109,270.1	110,880.0

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

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Local governments and funds	314.7	573.6	907.0	1,910.4	1,867.3	1,995.5	2,200.6	2,525.5
2. Enterprises	4,695.6	7,087.1	8,981.6	12,344.5	10,982.9	12,301.5	11,656.0	11,918.6
3. Households	2,686.5	3,499.7	4,872.0	6,307.4	6,594.0	7,379.5	7,658.7	7,518.7
4. Other banking institutions	6.9	11.6	17.0	42.1	86.6	30.2	61.5	91.6
5. Other financial institutions	190.0	221.7	407.1	568.1	443.9	485.1	497.8	485.8
6. Less: Checks of other banks and checks in collection	-2.2	-7.6	-4.2	-6.4	-2.1	-4.0	-3.4	-3.3
Total (1+2+3+4+5+6)	7,891.5	11,386.0	15,180.6	21,166.2	19,972.7	22,187.7	22,071.2	22,536.9

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

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Savings deposits	1,371.4	1,676.1	2,006.8	2,236.2	2,212.5	2,349.4	2,418.3	2,531.0
1.1. Local governments and funds	91.7	137.6	118.3	14.8	15.1	17.0	13.5	14.7
1.2. Enterprises	92.1	142.4	88.0	213.3	124.9	140.9	208.2	169.6
1.3. Households	1,167.3	1,348.3	1,712.2	1,996.3	2,061.9	2,129.8	2,170.5	2,309.5
1.4. Other banking institutions	2.6	0.6	20.8	0.0	0.0	0.0	–	–
1.5. Other financial institutions	17.8	47.2	67.5	11.8	10.5	61.7	26.1	37.1
2. Time and notice deposits	4,026.2	5,975.0	8,206.3	10,764.9	12,844.3	13,476.5	15,844.6	14,810.7
2.1. Local governments and funds	176.1	230.7	340.7	482.8	684.5	653.9	685.3	683.9
2.2. Enterprises	1,417.0	2,871.4	3,618.3	4,633.6	5,620.2	6,095.8	7,606.8	6,650.6
2.3. Households	1,531.7	1,789.8	2,554.1	3,793.8	4,451.6	4,908.1	5,487.3	5,678.7
2.4. Other banking institutions	33.5	20.8	24.7	58.4	75.3	132.8	174.6	110.1
2.5. Other financial institutions	867.8	1,062.2	1,668.5	1,796.3	2,012.6	1,685.9	1,890.6	1,687.4
Total (1+2)	5,397.5	7,651.1	10,213.1	13,001.1	15,056.8	15,825.9	18,262.9	17,341.7

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

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Savings deposits	12,228.1	14,566.3	23,748.8	21,074.4	21,649.3	20,835.2	22,363.1	22,329.3
1.1. Local governments and funds	29.5	16.8	13.2	12.2	12.9	13.3	13.9	14.0
1.2. Enterprises	1,842.6	2,408.0	2,884.2	3,346.7	3,703.9	3,473.3	4,048.6	3,979.0
1.3. Households	10,256.6	12,041.5	20,688.3	17,537.3	17,785.4	17,232.4	18,185.2	18,099.3
1.4. Other banking institutions	6.4	10.3	23.9	34.7	6.7	2.6	0.7	71.7
1.5. Other financial institutions	93.0	89.8	139.2	143.5	140.4	113.6	114.7	165.3
2. Time deposits	24,737.9	32,335.3	48,088.1	50,980.3	52,419.3	50,269.1	53,052.9	54,000.5
2.1. Local governments and funds	15.5	8.2	1.7	9.5	6.8	5.0	4.5	3.8
2.2. Enterprises	1,442.3	2,753.1	4,619.1	6,009.6	5,868.3	5,186.9	6,297.0	7,118.0
2.3. Households	22,957.7	29,097.2	42,705.4	44,159.2	45,894.9	44,479.1	46,151.8	46,255.4
2.4. Other banking institutions	2.5	4.2	11.5	41.5	2.8	20.5	14.2	94.0
2.5. Other financial institutions	320.0	472.7	750.3	760.5	646.5	577.6	585.4	529.3
Total (1+2)	36,966.0	46,901.6	71,836.9	72,054.6	74,068.6	71,104.3	75,416.0	76,329.8

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

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Money market instruments (net)	1.4	–	–	5.1	0.2	–	–	–
2. Bonds (net)	384.1	353.5	104.4	92.8	62.5	138.9	145.5	145.8
3. Other domestic borrowing	51.2	124.7	213.4	118.4	91.0	124.2	497.1	449.4
3.1. Local governments and funds	–	–	–	–	–	0.8	0.8	0.8
3.2. Enterprises	13.7	15.2	158.1	46.3	44.0	43.6	41.8	51.9
3.3. Other banking institutions	15.7	1.3	4.6	10.0	8.5	24.3	78.1	37.2
3.4. Other financial institutions	21.8	108.2	50.7	62.0	38.5	55.5	376.4	359.6
Total (1+2+3)	436.8	478.2	317.8	216.3	153.7	263.0	642.6	595.2

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 subordinated and hybrid instru-

ments, excluding 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

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Foreign liabilities in f/c	17,066.0	17,669.8	21,692.7	34,198.5	36,276.5	37,421.8	38,372.7	38,784.2
1.1. Liabilities to foreign banks	11,525.4	11,957.6	16,407.4	28,662.3	30,461.5	31,635.5	32,200.9	32,694.6
Demand deposits	157.1	176.3	147.1	130.9	100.8	118.0	109.6	115.1
Time and notice deposits	1,267.0	345.9	1,208.3	9,002.9	9,621.7	11,003.4	11,443.7	11,558.8
Loans and advances	10,101.2	11,435.4	15,052.1	19,528.5	20,739.0	20,514.1	20,647.6	21,020.7
1.2. Liabilities to foreign nonbanks	5,540.7	5,712.2	5,285.2	5,536.2	5,815.1	5,786.4	6,171.8	6,089.7
Savings and time deposits	2,545.9	2,868.1	3,777.8	4,160.2	4,359.0	4,477.5	4,889.8	4,809.3
Sight deposits	754.0	745.5	873.7	875.6	938.6	855.7	969.3	894.1
Time and notice deposits	1,791.9	2,122.6	2,904.1	3,284.6	3,420.4	3,621.8	3,920.5	3,915.2
Loans and advances	2,994.8	2,844.1	1,507.4	1,376.0	1,456.0	1,308.8	1,282.0	1,280.4
2. Foreign liabilities in kuna	143.1	140.0	165.1	825.0	1,180.9	3,033.8	3,069.6	3,215.0
2.1. Liabilities to foreign banks	65.0	37.0	46.9	690.9	845.6	2,707.5	2,824.2	2,957.2
Demand deposits	52.6	14.4	38.2	53.6	225.8	64.4	59.1	227.2
Time and notice deposits	11.7	22.0	4.2	635.8	618.4	2,003.7	1,208.1	1,168.3
Loans and advances	0.7	0.7	4.5	1.5	1.5	639.4	1,557.1	1,561.7
2.2. Liabilities to foreign nonbanks	78.1	103.0	118.2	134.1	335.3	326.3	245.4	257.8
Demand deposits	42.1	50.8	60.1	56.2	54.0	67.0	85.6	87.8
Time and notice deposits	35.9	52.2	58.1	77.9	281.4	259.3	158.1	168.4
Loans and advances	0.1	–	–	–	–	–	1.7	1.7
Total (1+2)	17,209.1	17,809.7	21,857.8	35,023.5	37,457.5	40,455.6	41,442.3	41,999.3

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). Loans and advances also include issued subordinated 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

	1999	2000	2001	2002	2003			
	Dec. ^a	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. In kuna	3,269.6	3,073.3	3,335.1	4,036.8	3,805.2	3,748.8	3,892.0	4,007.2
1.1. Central government deposits	330.9	430.0	295.9	634.3	459.1	420.8	347.3	416.0
Demand deposits	74.7	116.7	33.9	476.4	265.4	287.9	248.4	311.5
Savings deposits	15.9	26.1	41.6	3.3	24.9	18.3	16.0	16.0
Time and notice deposits	202.3	259.5	217.6	153.6	167.7	113.6	81.9	87.5
Loans and advances	38.1	27.7	2.8	1.1	1.1	1.1	1.1	1.1
1.2. Central government funds' deposits	2,938.8	2,643.3	3,039.2	3,402.5	3,346.1	3,327.9	3,544.7	3,591.1
Demand deposits	40.6	116.9	214.6	553.2	383.7	381.8	422.0	372.8
Savings deposits	4.5	15.2	10.8	0.0	0.0	0.1	0.1	0.1
Time and notice deposits	57.2	32.6	195.2	144.3	173.7	196.7	208.8	214.6
Loans and advances	2,836.5	2,478.6	2,618.6	2,705.0	2,788.7	2,749.4	2,913.9	3,003.6
2. In f/c	2,559.0	3,657.1	2,299.6	2,058.1	1,710.3	1,504.7	1,376.6	1,247.8
2.1. Central government deposits	2,497.6	3,622.6	2,275.0	1,938.9	1,522.4	1,417.0	1,302.7	1,177.8
Savings deposits	59.1	1,256.1	329.8	263.0	265.5	263.4	262.8	159.2
Time and notice deposits	10.5	27.0	55.8	293.1	4.7	4.6	–	–
Refinanced loans and advances	2,428.0	2,339.4	1,889.5	1,382.8	1,252.2	1,148.9	1,039.9	1,018.6
2.2. Central government funds' deposits	61.4	34.6	24.5	119.2	188.0	87.7	73.9	70.0
Savings deposits	55.2	25.0	22.9	114.1	177.7	79.5	73.9	70.0
Time and notice deposits	6.1	9.5	1.6	5.0	10.3	8.3	–	–
Total (1+2)	5,828.6	6,730.5	5,634.7	6,094.9	5,515.5	5,253.5	5,268.7	5,254.9

^a Refinanced loans and advances decreased by a one-off HRK 2,759.4m.

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

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Restricted deposits	691.4	854.4	830.6	1,361.2	1,528.4	1,616.0	1,762.2	1,567.3
1.1. In kuna	81.8	131.6	100.3	789.6	750.5	814.2	820.5	825.5
1.2. In f/c	609.7	722.8	730.3	571.6	777.9	801.8	941.7	741.8
2. Blocked f/c deposits	2,742.7	1,695.1	770.2	319.3	257.5	242.3	177.2	174.6
2.1. Central government	–	–	–	–	–	–	–	–
2.2. Enterprises	–	–	–	–	–	–	–	–
2.3. Households	2,742.7	1,695.1	770.2	319.3	257.5	242.3	177.2	174.6
Total (1+2)	3,434.2	2,549.6	1,600.8	1,680.5	1,785.9	1,858.3	1,939.3	1,741.9

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**

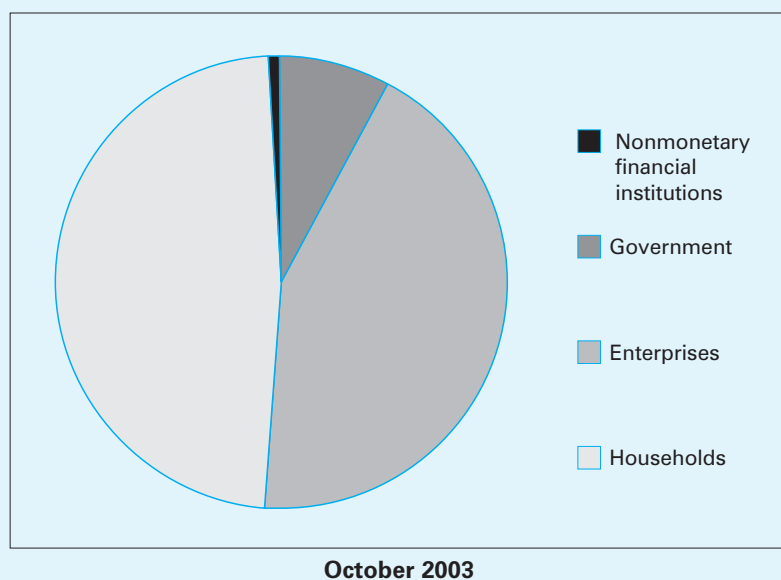
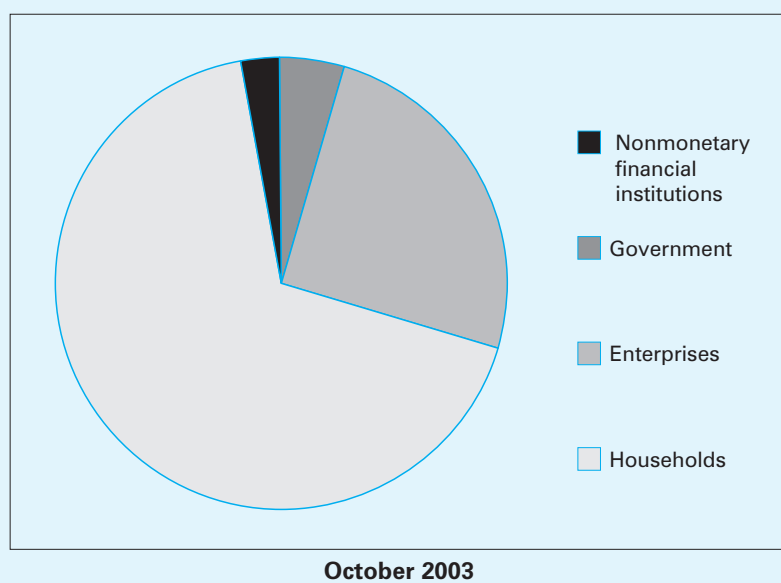


Figure D2

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



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

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
ASSETS								
1. Reserves with the CNB	8.6	7.6	15.5	19.1	4.2	1.6	2.1	0.0
2. Claims on central government and funds	81.4	497.6	1,208.8	1,983.9	2,178.9	2,445.1	2,613.4	2,714.7
3. Claims on other domestic sectors	5.3	1.1	11.6	93.3	114.1	139.6	162.6	170.2
o/w: Claims on households	–	0.6	11.6	91.3	114.1	139.6	162.6	170.2
4. Claims on banks	57.0	7.6	18.1	37.2	36.8	60.6	80.5	56.0
5. Claims on other banking institutions	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	152.3	513.8	1,254.0	2,133.6	2,334.0	2,646.9	2,858.6	2,941.0
LIABILITIES								
1. Time deposits	87.6	437.8	1,137.5	2,012.9	2,210.7	2,470.5	2,690.6	2,773.3
2. Bonds and money market instruments	–	10.0	10.0	–	–	10.5	10.6	10.6
3. Capital accounts	117.4	112.5	124.0	141.1	159.7	181.8	170.2	164.3
4. Other items (net)	–52.7	–46.5	–17.5	–20.4	–36.4	–16.0	–12.8	–7.3
Total (1+2+3+4)	152.3	513.8	1,254.0	2,133.6	2,334.0	2,646.9	2,858.6	2,941.0

Table E1: Housing Savings Banks' Accounts

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

Housing savings banks' required reserves held at the central bank include 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 depos-

its with banks.

Claims on other banking institutions include investments in investment funds.

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

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

Capital accounts 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 refinancing 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	December	5.90	12.00	18.00	–	13.00	–	18.00	18.00
2001	December	5.90	10.00	–	–	11.00	–	15.00	18.00
2002	August	5.90	9.50	–	–	10.50	–	15.00	15.00
	September	5.90	9.50	–	–	10.50	–	15.00	15.00
	October	4.50 ^b	9.50	–	–	10.50	–	15.00	15.00
	November	4.50	9.50	–	–	10.50	–	15.00	15.00
	December	4.50	9.50	–	–	10.50	–	15.00	15.00
2003	January	4.50	9.50	–	–	10.50	–	15.00	15.00
	February	4.50	9.50	–	–	10.50	–	15.00	15.00
	March	4.50	9.50	–	–	10.50	–	15.00	15.00
	April	4.50	9.50	–	–	10.50	–	15.00	15.00
	May	4.50	9.50	–	–	10.50	–	15.00	15.00
	June	4.50	9.50	–	–	10.50	–	15.00	15.00
	July	4.50	9.50	–	–	10.50	–	15.00	15.00
	August	4.50	9.50	–	–	10.50	–	15.00	15.00
	September	4.50	9.50	–	–	10.50	–	15.00	15.00
	October	4.50	9.50	–	–	10.50	–	15.00	15.00

^a Since 24 April 2002. ^b Since 23 October 2002.

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 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days
1	2	3	4	5	6	7	8	9	10	11	12	13
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	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–
2002	August	1.75	–	–	1.97	–	–	2.36	3.05	–	–	–
	September	1.75	–	–	2.00	–	–	2.50	3.01	–	–	–
	October	1.75	–	–	2.03	–	–	2.52	2.85	–	–	–
	November	1.75	–	–	2.08	–	–	2.70	2.85	–	–	–
	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–
2003	January	1.50 ^a	–	–	2.08	–	–	2.27	2.30	–	–	–
	February	1.50	–	–	2.11	–	–	1.98	2.47	–	–	–
	March	1.50	–	–	2.16	–	–	1.89	2.07	–	–	–
	April	1.50	0.50	–	2.23	–	–	1.66	2.20	–	–	–
	May	1.50	0.50	–	2.34	–	–	1.60	2.00	–	–	–
	June	1.50	0.50	–	2.44	–	–	1.56	1.86	–	–	–
	July	1.50	0.50	–	2.52	–	–	1.43	1.88	–	–	–
	August	1.50	0.50	–	2.52	–	–	1.74	1.35	–	–	–
	September	1.50	0.50	–	2.55	–	–	1.69	1.19	–	–	–
	October	1.50	0.50	–	–	–	–	1.65	1.65	–	–	–

^a Since 29 January 2003.

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

Table F3: Deposit Money Banks' Reserve Requirements

Daily averages and percentages, million kuna and %

Year	Month	Weighted average res. requirement in % on res. base	Reserve requirement (RR)			Other obligatory deposits with the CNB	Statutory reserves deposited with the CNB		Weighted avg. remuneration rate on immobilized funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
1993	December	25.32	894.9	894.9	–	19.8	804.0	–	1.97	–
1994	December	26.20	1,826.0	1,826.0	–	188.3	1,779.2	–	5.63	–
1995	December	30.90	2,431.8	2,431.8	–	826.5	2,215.9	–	7.93	–
1996	December	35.91	3,652.9	3,652.9	–	–	3,312.0	–	4.99	–
1997	December	32.02	4,348.8	4,348.8	–	–	3,914.2	–	4.05	–
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.06	....
2001	December	19.67	21,187.1	8,691.5	12,495.5	–	6,287.8	5,950.0	1.97	2.73
2002	August	19.00	23,967.9	10,599.9	13,368.0	–	7,578.3	6,607.1	1.71	2.55
	September	19.00	24,482.1	10,822.7	13,659.4	–	7,742.9	6,748.3	1.69	2.48
	October	19.00	24,997.1	11,056.5	13,940.5	–	7,908.7	6,909.4	1.68	2.45
	November	19.00	25,547.1	11,274.2	14,272.9	–	8,043.6	7,077.8	1.70	2.49
	December	19.00	25,985.1	11,447.1	14,538.0	–	8,156.7	7,139.9	1.72	2.16
2003	January	19.00	26,507.2	11,693.9	14,813.3	–	8,265.0	7,182.9	1.66	1.96
	February	19.00	27,119.0	12,011.3	15,107.6	–	8,414.0	7,359.0	1.41	2.10
	March	19.00	27,495.8	12,169.4	15,326.5	–	8,554.3	7,429.8	1.39	1.85
	April	19.00	27,949.3	12,394.7	15,554.6	14.0	8,723.3	7,563.2	1.40	1.73
	May	19.00	28,113.0	12,591.2	15,521.8	26.7	8,679.6	7,439.0	1.41	1.82
	June	19.00	28,357.6	12,952.8	15,404.8	26.7	8,872.4	7,737.2	1.40	1.65
	July	19.00	28,664.6	13,191.0	15,473.5	60.1	9,063.0	7,860.7	1.39	1.43
	August	19.00	29,398.7	13,703.8	15,694.8	85.8	9,602.2	8,143.7	1.37	1.55
	September	19.00	29,977.8	15,743.2	14,234.6	85.8	10,676.7	7,229.5	1.38	1.41
	October	19.00	30,120.0	16,227.5	13,892.5	99.7	11,023.3	6,995.3	1.41	1.54

Table F3: Deposit Money Banks' Reserve Requirements

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

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

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

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

Column 6 shows the amount of foreign currency reserve requirements, i.e. the prescribed amount of funds banks are required to deposit in a special statutory reserve account with the CNB, or to main-

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

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

Column 8 shows the portion of the kuna reserve requirement which banks deposit in a special statutory reserve account with the CNB (until December 1994 this amount corresponded with the statutory reserve instrument, while since January 1995 a minimum percentage of the total reserve requirement banks are required to deposit in a special statutory reserve account with the CNB has been prescribed). This percentage currently stands at 40%.

Column 9 shows the portion of the foreign currency reserve requirement which banks deposit in a special statutory reserve account with the CNB. The minimum percentage of the total reserve requirement banks are required to deposit in a special statutory reserve account with the CNB currently stands at 40%.

Column 10 shows the weighted average remuneration rate on all forms of immobilized funds which include reserve requirements and

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	Kuna treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
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	-	183.8
1997	December	396.3	....	2.92	32.7	728.9	-	260.7
1998	December	221.9	....	1.65	445.5	850.4	1,377.4	141.3
1999	December	179.6	....	1.30	1,183.6	1,348.7	1,507.6	410.4
2000	December	638.8	10,721.4	3.32	80.1	2,496.0	1,692.7	2,095.8
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,457.2
2002	August	916.2	12,727.4	2.83	0.6	4,766.4	1,704.2	4,091.8
	September	611.1	14,981.0	1.85	0.6	5,509.6	1,722.7	4,251.7
	October	558.4	13,230.0	1.66	0.6	5,417.9	1,596.0	4,311.3
	November	732.7	11,602.3	2.14	19.4	5,221.3	1,257.8	4,435.8
	December	1,225.0	10,398.0	3.53	0.6	4,966.0	1,273.9	4,356.6
2003	January	890.4	9,601.7	2.50	0.6	5,118.3	1,184.0	4,418.2
	February	652.6	9,228.8	1.78	0.7	4,666.4	1,241.1	4,494.5
	March	622.1	10,130.5	1.67	0.6	3,883.8	1,370.7	4,307.0
	April	973.5	11,109.2	2.57	0.6	3,384.6	1,391.4	4,203.4
	May	1,282.3	10,104.0	3.29	0.4	2,809.7	1,463.6	4,184.2
	June	827.9	10,479.6	2.01	0.4	3,090.7	1,457.2	4,182.2
	July	756.3	13,122.4	1.79	0.4	2,004.4	1,617.3	4,167.9
	August	568.1	16,349.2	1.27	84.1	1,792.3	1,931.0	3,896.8
	September	326.0	18,023.3	0.70	425.5	388.8	3,911.2	3,459.9
	October	578.6	18,567.1	1.26	43.2	10.0	4,387.0	2,889.1

other obligatory deposits with the CNB.

Column 11 shows the weighted average remuneration rate on allocated funds in foreign currency. The Croatian National Bank pays remuneration equaling the average interest earned on placements abroad on the calculated foreign currency reserve requirement deposited in the foreign exchange accounts with the Croatian National Bank.

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.

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

Column 4 shows free reserves in foreign currency, defined as funds for the maintenance of foreign currency reserve requirements (foreign currency cash and checks in foreign exchange, liquid foreign exchange claims maintained in the accounts with the high-grade foreign banks and foreign currency CNB bills) decreased by the minimal required balance of these funds in the same period.

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

day-to-day averages of deposits which constitute the reserve base.

Column 6 shows the monthly average of day-to-day balances of secondary liquidity sources used. Secondary liquidity sources comprise: 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 in 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 7 reports the monthly average of day-to-day balances of kuna CNB bills on a voluntary basis (until December 1994, this amount is decreased by the portion of voluntarily registered CNB bills used by banks to maintain the prescribed minimal liquidity).

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

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

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

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

Year	Month	Money market interest rates		Interest rates on kuna credits not indexed to foreign currency								
		On overnight credits	On other credits	Total average	On short-term credits					On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households
1	2	3	4	5	6	7	Total average	Credit lines	Other	11	12	13
1992	December	2,182.26	2,182.26	2,332.92	2,384.89	....	....	....	....	1,166.29	....	....
1993	December	34.49	86.90	59.00	59.00	....	....	....	....	78.97	....	....
1994	December	8.50	17.76	15.39	15.43	....	....	....	....	13.82	....	....
1995	December	27.26	27.15	22.32	22.56	22.23	23.81	23.75	25.58	13.48	13.39	14.38
1996	December	9.66	10.72	18.46	19.35	19.18	20.18	19.90	23.12	11.51	11.29	14.28
1997	December	8.46	9.49	14.06	14.12	13.17	19.26	19.34	18.11	13.24	12.98	13.75
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97
2001	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14
2002	August	0.99	0.95	12.35	12.55	7.85	16.45	16.58	9.34	8.12	7.34	11.02
	September	1.15	1.55	11.81	12.18	7.69	16.27	16.34	10.61	6.99	6.21	11.29
	October	1.29	1.58	12.54	12.71	8.02	16.30	16.38	10.76	8.36	6.75	11.37
	November	1.96	2.39	11.91	12.02	7.97	14.91	15.38	5.98	9.19	7.56	11.07
	December	1.58	1.89	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88
2003	January	1.37	1.71	11.26	11.56	7.49	15.20	15.27	9.72	7.74	7.43	7.87
	February	1.43	1.92	11.43	11.63	7.65	15.07	15.20	9.17	9.47	7.44	10.60
	March	1.60	2.48	11.30	11.50	7.52	15.04	15.14	11.18	9.38	6.58	10.61
	April	1.90	2.83	11.41	11.62	7.64	15.00	15.10	11.71	9.85	7.19	11.23
	May	2.00	2.58	11.58	11.96	7.83	14.92	15.04	11.80	9.80	7.17	11.18
	June	1.95	2.67	11.55	11.75	7.78	14.85	15.02	10.79	10.21	6.64	11.05
	July	1.84	2.98	11.15	11.39	7.56	14.86	15.01	11.21	9.79	6.83	10.82
	August	3.98	3.94	12.08	12.32	8.03	14.94	15.03	12.12	10.10	6.99	11.12
	September	6.29	6.79	11.71	12.02	8.04	14.90	15.00	11.69	9.77	7.63	11.20
	October	5.37	5.54	12.00	12.25	8.23	14.96	15.07	12.39	9.87	7.84	10.97
Relative significance ^a		–	–	63.40	56.65	22.78	33.87	32.53	1.33	6.75	2.38	4.37

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros		
		Total average	On short-term credits			On long-term credits					Total average	On short-term credits	On long-term credits
			Total average	Enterprises	Households	Total average	Enterprises	Total average	Housing credits	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1992	December	20.41	9.90	....	....	21.41	....	....	....	....	....	....	....
1993	December	21.84	19.00	....	....	23.14	....	....	....	....	....	....	....
1994	December	11.99	12.38	....	....	11.65	....	....	....	....	....	....	....
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	August	7.99	8.70	7.95	11.52	7.83	6.61	9.40	7.37	10.14	6.55	6.48	6.61
	September	8.54	9.16	8.41	10.97	8.39	6.57	9.59	7.40	10.35	5.79	7.02	5.19
	October	8.04	8.67	7.89	11.39	7.91	6.42	9.51	7.38	10.27	6.18	7.00	5.51
	November	8.29	8.57	7.94	11.30	8.22	6.52	9.36	7.37	10.10	6.46	6.60	6.28
	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44
2003	January	8.09	8.35	7.74	10.39	8.01	6.73	9.01	7.24	9.76	6.19	6.70	5.59
	February	8.55	8.84	7.89	11.39	8.49	6.86	9.02	7.21	9.75	6.33	6.62	5.80
	March	8.41	8.64	8.06	10.67	8.35	6.69	8.87	7.18	9.61	5.70	6.40	5.30
	April	8.03	8.80	7.99	10.84	7.85	6.18	8.62	7.08	9.31	6.55	6.77	6.31
	May	8.07	8.31	7.66	10.86	8.02	6.74	8.49	7.12	9.27	4.60	6.00	4.03
	June	7.68	8.46	7.88	10.53	7.49	5.77	8.58	7.02	9.44	5.84	6.11	5.62
	July	8.05	8.67	8.17	10.54	7.90	6.41	8.62	7.04	9.47	4.74	6.31	4.20
	August	7.96	8.72	7.62	11.44	7.81	5.92	8.80	7.18	9.73	6.19	6.51	5.97
	September	8.12	7.79	7.25	10.21	8.24	6.64	8.77	7.10	9.81	4.77	5.14	4.42
	October	8.09	7.93	7.67	9.18	8.14	6.64	8.80	7.18	9.66	5.73	6.00	5.28
Relative significance ^a		30.22	7.30	6.03	1.26	22.93	7.04	15.89	5.54	10.35	6.37	3.99	2.39

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	Total average	On time deposits					
					On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
1992	December	434.47	184.69	1,867.18	....	....	....	....	....	....
1993	December	27.42	18.16	52.16	....	....	....	....	....	....
1994	December	5.03	3.55	9.65	....	....	....	....	....	....
1995	December	6.10	3.88	13.65	13.80	10.56	14.28	9.88	10.67	9.62
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	August	1.77	1.00	4.04	3.97	5.45	3.07	6.20	7.57	3.72
	September	1.71	0.98	4.18	4.10	5.24	3.17	6.46	7.33	1.82
	October	1.67	0.95	3.75	3.68	5.22	2.61	6.09	7.21	2.26
	November	1.58	0.94	3.52	3.44	4.36	2.80	5.56	7.11	2.37
	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	January	1.61	0.92	3.45	3.34	4.21	2.77	6.62	7.27	1.53
	February	1.64	0.95	3.51	3.43	4.31	2.87	6.45	6.68	1.33
	March	1.44	0.83	3.36	3.29	3.82	2.83	4.44	5.37	3.90
	April	1.40	0.80	3.16	3.12	3.87	2.62	4.73	5.31	2.23
	May	1.35	0.80	3.13	3.08	3.74	2.58	4.30	5.54	1.62
	June	1.37	0.80	3.37	3.31	3.74	2.96	5.20	5.79	2.37
	July	1.36	0.79	3.28	3.21	3.59	2.99	4.93	5.53	1.86
	August	1.50	0.75	3.83	3.80	3.62	3.90	4.90	5.25	2.01
	September	1.79	0.74	5.25	5.25	3.88	5.66	4.98	5.30	4.22
	October	1.70	0.74	4.72	4.72	3.66	5.15	4.66	4.71	4.22
Relative significance ^a		42.51	32.77	6.36	6.20	1.79	4.42	0.16	0.14	0.02

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

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

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

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

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

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

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

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

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

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

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

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

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

Weighted averages of monthly interest rates, in % on annual basis										
Year	Month	Interest rates on savings and time deposits indexed to f/c				Interest rates on foreign currency deposits				
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits				
						Total average	Households		Enterprises	
							EUR	USD	EUR	USD
1	2	3	4	5	6	7	8	9	10	11
1992	December	6.04	....	....	....	....	....	....	....	....
1993	December	5.91	....	....	....	....	....	....	....	....
1994	December	6.95	....	....	....	....	....	....	....	....
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40
2002	August	3.44	3.66	4.90	2.59	0.57	0.56	0.48	0.60	0.87
	September	3.39	4.03	3.53	2.56	0.53	0.54	0.43	0.69	0.41
	October	3.62	3.57	4.54	2.54	0.53	0.53	0.42	0.65	0.44
	November	3.58	3.97	4.87	2.54	0.51	0.52	0.42	0.56	0.42
	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38
2003	January	3.61	3.47	4.45	2.54	0.50	0.52	0.42	0.50	0.35
	February	3.30	2.82	5.17	2.50	0.45	0.47	0.31	0.54	0.30
	March	3.61	3.15	4.92	2.37	0.38	0.40	0.26	0.45	0.32
	April	3.52	3.42	4.85	2.36	0.36	0.37	0.24	0.46	0.28
	May	2.98	2.62	4.47	2.26	0.35	0.37	0.23	0.37	0.25
	June	3.61	3.37	4.43	2.24	0.34	0.37	0.23	0.31	0.20
	July	3.25	3.26	4.69	2.22	0.32	0.35	0.24	0.22	0.19
	August	3.14	2.71	4.77	2.17	0.32	0.36	0.24	0.25	0.18
	September	3.40	3.46	4.89	2.22	0.32	0.36	0.24	0.26	0.19
	October	3.37 ^b	3.18	4.74	2.20	0.32	0.36	0.23	0.26	0.27
Relative significance ^a		1.80	1.15	0.28	55.69	33.60	23.48	4.30	4.71	1.11

^a Relative significance is calculated as a percentage of corresponding deposit category in total deposits received in the reporting month (according to data for the last period included in the table). ^b Of the total amount of deposits to which this interest rate refers, 53.87 percent refers to enterprises.

Table G4 a and b: Deposit Money Banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits

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

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

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

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

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

Up to December 2001, interest rates on foreign currency deposits

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

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

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

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

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

Table G4b: Deposit Money banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits

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

Year	Month	Interest rates on foreign currency deposits										
		On time deposits										
		Total Average	On short-term deposits				On long-term deposits					
			Total Average	Households		Enterprises		Total Average	Households		Enterprises	
1	2	12	13	EUR	USD	EUR	USD	18	EUR	USD	EUR	USD
1992	December	....	....	....	....	....	....	....	....	....	....	....
1993	December	....	....	....	....	....	....	....	....	....	....	....
1994	December	....	....	....	....	....	....	....	....	....	....	....
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23
2002	August	3.33	3.14	3.40	2.63	3.27	1.84	4.66	4.84	4.03	3.62	0.00
	September	3.28	3.16	3.35	2.59	3.29	1.89	4.47	4.64	3.87	4.18	–
	October	3.19	3.07	3.30	2.29	3.21	1.84	4.34	4.57	3.86	3.50	3.68
	November	3.12	3.00	3.25	2.19	3.20	1.49	4.46	4.61	3.80	3.53	–
	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30
2003	January	3.09	2.91	3.29	2.20	2.76	1.44	4.42	4.63	3.85	3.28	4.60
	February	3.06	2.90	3.25	2.10	2.81	1.43	4.30	4.47	3.73	3.13	3.00
	March	2.91	2.78	3.12	1.90	2.72	1.46	4.33	4.53	3.29	3.22	2.00
	April	2.91	2.76	3.14	1.88	2.61	1.37	3.98	4.07	3.12	3.31	–
	May	2.72	2.60	2.94	1.83	2.56	1.42	4.25	4.41	2.96	3.65	1.84
	June	2.76	2.62	3.01	1.74	2.36	1.29	4.46	4.60	3.43	3.58	–
	July	2.75	2.57	2.91	1.75	2.37	1.20	4.31	4.44	3.01	2.61	1.33
	August	2.68	2.48	2.89	1.67	2.13	1.22	4.59	4.86	3.04	2.86	1.17
	September	2.64	2.46	2.89	1.70	2.21	1.15	4.23	4.90	3.00	3.07	–
	October	2.68	2.50	2.85	1.61	2.39	1.29	4.76	4.85	3.22	6.37	2.04
Relative significance ^a		22.09	20.30	10.73	1.59	6.74	1.23	1.79	1.54	0.17	0.08	0.00

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

Relative significance of particular interest rates (reported in the last line of the table) refers to data for the last period included in the table. It is calculated as a percentage of the corresponding deposit category

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

Table G5: Deposit Money Banks' Trade with Foreign Exchange

Million EUR, current exchange rate

	1999	2000	2001	2002	2003				
					Mar.	Jun.	Sep. ^b	Oct. ^a	Nov. ^a
A. Purchase of foreign exchange									
1. Legal persons	2,924.9	3,316.4	5,012.4	7,112.1	1,006.4	1,077.1	1,328.9	1,005.6	1,152.0
2. Natural persons	2,170.0	2,549.2	3,339.9	3,342.7	271.2	334.4	295.8	273.8	246.6
2.1. Residents	1,794.7	2,021.1	2,684.5	2,842.0	250.4	276.3	250.8		
2.2. Non-residents	375.3	528.0	655.4	500.8	20.9	58.1	45.8		
3. Commercial banks	1,204.4	2,441.4	3,985.8	5,996.0	407.9	479.5	851.4	624.8	682.5
4. Croatian National Bank	934.8	168.2	481.7	294.4	150.1	–	–	–	60.0
Total (1+2+3+4)	7,234.0	8,475.2	12,820.1	16,745.2	1,835.7	1,890.9	2,476.1	1,904.2	2,141.1
B. Sale of foreign exchange									
1. Legal persons	4,487.0	5,414.8	8,534.2	11,227.4	1,399.6	1,396.3	1,722.1	1,345.5	1,403.4
2. Natural persons	893.1	963.6	1,253.5	1,333.6	119.1	93.5	141.9	112.0	102.8
2.1. Residents	892.7	962.8	1,252.3	1,329.9	118.9	92.6	140.3		
2.2. Non-residents	0.4	0.6	1.2	3.7	0.3	0.9	1.6		
3. Commercial banks	1,204.4	2,441.4	3,985.8	5,996.0	407.9	479.5	851.4	624.8	682.5
4. Croatian National Bank	48.3	284.2	915.7	745.3	–	–	–	–	
Total (1+2+3+4)	6,632.8	9,104.1	14,689.5	19,302.4	1,926.7	1,969.3	2,715.4	2,082.4	2,188.7
C. Net purchase (A-B)									
1. Legal persons	–1,562.1	–2,098.4	–3,521.9	–4,115.1	–393.2	–319.2	–393.3	–340.0	–251.4
2. Natural persons	1,276.8	1,585.4	2,086.3	2,009.1	152.1	240.9	153.9	161.7	143.9
2.1. Residents	901.9	1,058.2	1,432.2	1,512.3	131.5	183.6	110.5		
2.2. Non-residents	374.9	527.3	654.2	497.0	20.6	57.3	43.4		
3. Croatian National Bank	886.5	–116.0	–434.0	–450.9	150.1	–	–	–	60.0
Total (1+2+3)	601.2	–628.9	–1,869.6	–2,557.0	–91.0	–78.4	239.4	–178.3	–47.5
Memo items: Other Croatian National Bank transactions									
Purchase of foreign exchange	1,044.9	405.8	536.8	197.5	–	–	–		166.7
Sale of foreign exchange	100.4	86.9	2.6	3.3	–	5.3	–		

^a Preliminary data. ^b Revised data.

Table G5: 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

Million US dollars

	1999 ^b	2000 ^b	2001 ^b	2002 ^b	2002				2003		
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^b	Q3 ^a
A. CURRENT ACCOUNT (1+6)	-1,397.2	-459.4	-725.1	-1,907.7	-934.6	-854.8	920.2	-1,038.4	-1,066.4	-1,455.3	1,998.6
1. Goods, services, and income (2+5)	-2,029.7	-1,342.6	-1,690.8	-2,983.9	-1,174.3	-1,118.1	623.5	-1,315.0	-1,394.8	-1,827.0	1,686.9
1.1. Credit	8,372.6	9,008.9	10,053.1	10,990.3	1,762.2	2,523.9	4,301.0	2,403.2	2,451.7	3,468.1	6,259.2
1.2. Debit	-10,402.2	-10,351.4	-11,743.8	-13,974.2	-2,936.5	-3,642.0	-3,677.6	-3,718.2	-3,846.5	-5,295.1	-4,572.4
2. Goods and services (3+4)	-1,673.4	-935.9	-1,174.3	-2,485.1	-962.6	-907.5	682.1	-1,297.1	-1,174.9	-1,026.1	1,742.6
2.1. Credit	8,117.8	8,663.1	9,634.2	10,562.0	1,665.1	2,420.6	4,191.0	2,285.3	2,330.6	3,354.1	6,136.5
2.2. Debit	-9,791.1	-9,598.9	-10,808.5	-13,047.0	-2,627.7	-3,328.1	-3,508.9	-3,582.4	-3,505.5	-4,380.1	-4,394.0
3. Goods	-3,298.6	-3,203.8	-4,101.3	-5,640.0	-1,083.8	-1,474.0	-1,506.3	-1,575.9	-1,446.0	-2,125.0	-2,090.5
3.1. Credit	4,394.7	4,567.2	4,758.7	4,994.6	1,051.2	1,250.2	1,319.4	1,373.8	1,490.5	1,534.9	1,481.8
3.2. Debit	-7,693.3	-7,770.9	-8,860.0	-10,634.6	-2,135.0	-2,724.2	-2,825.7	-2,949.7	-2,936.5	-3,659.9	-3,572.4
4. Services	1,625.2	2,267.9	2,927.0	3,155.0	121.2	566.6	2,188.4	278.8	271.1	1,099.0	3,833.1
4.1. Credit	3,723.0	4,095.9	4,875.5	5,567.4	614.0	1,170.4	2,871.6	911.5	840.1	1,819.2	4,654.7
4.2. Debit	-2,097.8	-1,828.0	-1,948.5	-2,412.4	-492.7	-603.8	-683.2	-632.7	-569.0	-720.2	-821.6
5. Income	-356.3	-406.7	-516.5	-498.9	-211.7	-210.6	-58.7	-17.8	-219.9	-800.9	-55.7
5.1. Credit	254.8	345.8	418.9	428.3	97.1	103.3	110.0	117.9	121.1	114.1	122.7
5.2. Debit	-611.1	-752.5	-935.3	-927.2	-308.8	-313.9	-168.7	-135.7	-341.0	-915.0	-178.4
6. Current transfers	632.5	883.2	965.7	1,076.2	239.7	263.3	296.7	276.5	328.4	371.7	311.7
6.1. Credit	967.4	1,101.0	1,174.5	1,358.5	302.0	335.3	355.2	366.0	393.0	449.3	395.1
6.2. Debit	-335.0	-217.8	-208.8	-282.3	-62.4	-72.0	-58.5	-89.4	-64.6	-77.6	-83.3
B. CAPITAL AND FINANCIAL ACCOUNT	2,497.1	1,197.4	1,270.5	2,779.4	770.2	884.9	155.5	968.8	1,089.2	1,255.8	-299.5
B1. Capital account	24.9	20.9	133.0	443.4	5.6	427.3	7.5	3.1	6.5	62.4	4.5
B2. Financial account, excl. reserves	2,850.7	1,758.7	2,450.6	3,032.9	987.6	737.1	317.2	990.9	1,257.2	1,484.0	-26.9
1. Direct investment	1,420.0	1,084.8	1,406.7	591.1	227.8	-43.5	89.1	317.7	310.4	748.7	79.3
1.1. Abroad	-47.2	-3.9	-154.6	-532.9	-9.0	-449.9	-52.2	-21.8	-22.5	-8.6	-10.9
1.2. In Croatia	1,467.2	1,088.7	1,561.3	1,124.0	236.8	406.4	141.3	339.5	332.9	757.3	90.2
2. Portfolio investment	532.4	707.6	600.7	-258.8	-83.9	224.0	-111.9	-288.0	811.8	244.3	-207.7
2.1. Assets	-38.3	-22.7	-129.3	-669.8	-191.9	-24.9	-78.7	-374.4	78.3	79.3	-152.8
2.2. Liabilities	570.8	730.3	730.0	410.0	108.0	248.9	-33.3	86.4	733.6	165.0	-54.9
3. Other investment	898.2	-33.7	443.2	2,701.5	843.7	556.6	340.1	961.2	134.9	491.0	101.5
3.1. Assets	-24.7	-986.5	349.6	401.9	654.8	0.9	-282.7	28.9	-73.0	-295.9	-899.1
3.2. Liabilities	922.9	952.8	93.6	2,299.6	188.9	555.6	622.8	932.3	207.9	786.9	1,000.6
B3. Reserve assets (CNB)	-378.5	-582.1	-1,313.1	-696.9	-223.0	-279.5	-169.2	-25.2	-174.5	-290.6	-277.1
C. NET ERRORS AND OMISSIONS	-1,099.8	-738.0	-545.5	-871.7	164.4	-30.1	-1,075.7	69.7	-22.8	199.5	-1,699.1

^a Preliminary data. ^b Revised 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 Croatian National Bank and an external agency.

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 an external agency. 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 an external agency. For the 1993 to 1996 period, merchandise imports from the merchandise trade statistics are

Table H2: Balance of Payments – Goods and Services

Million US dollars

	1999 ^b	2000 ^b	2001 ^b	2002 ^b	2002				2003		
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^b	Q3 ^a
1. Goods	-3,298.6	-3,203.8	-4,101.3	-5,640.0	-1,083.8	-1,474.0	-1,506.3	-1,575.9	-1,446.0	-2,125.0	-2,090.5
1.1. Credit	4,394.7	4,567.2	4,758.7	4,994.6	1,051.2	1,250.2	1,319.4	1,373.8	1,490.5	1,534.9	1,481.8
1.1.1. Exports f.o.b. in trade statistics	4,302.5	4,431.6	4,665.9	4,894.6	1,033.9	1,228.7	1,291.3	1,340.7	1,467.7	1,503.7	1,451.8
1.1.2. Adjustments for coverage	92.2	135.6	92.8	100.0	17.2	21.5	28.1	33.1	22.9	31.2	30.0
1.2. Debit	-7,693.3	-7,770.9	-8,860.0	-10,634.6	-2,135.0	-2,724.2	-2,825.7	-2,949.7	-2,936.5	-3,659.9	-3,572.4
1.2.1. Imports c.i.f. in trade statistics	-7,798.6	-7,886.5	-9,147.1	-10,703.8	-2,142.5	-2,748.6	-2,829.2	-2,983.5	-2,952.4	-3,652.0	-3,546.0
1.2.2. Adjustments for coverage	-448.4	-444.4	-362.3	-330.1	-72.4	-78.1	-102.1	-77.5	-94.3	-144.1	-158.6
1.2.3. Adjustments for classification	553.7	559.9	649.4	399.3	79.9	102.5	105.5	111.3	110.1	136.2	132.3
2. Services	1,625.2	2,267.9	2,927.0	3,155.0	121.2	566.6	2,188.4	278.8	271.1	1,099.0	3,833.1
2.1. Transportation	83.8	178.6	166.8	163.7	34.9	28.7	55.1	44.9	53.8	74.0	97.6
2.1.1. Credit	484.0	557.3	588.6	590.2	118.1	141.3	177.3	153.5	153.9	206.3	228.0
2.1.2. Debit	-400.1	-378.7	-421.8	-426.5	-83.1	-112.6	-122.1	-108.6	-100.1	-132.3	-130.5
2.2. Travel	1,742.0	2,189.9	2,728.6	3,030.2	95.0	551.7	2,096.0	287.4	270.7	1,098.0	3,802.5
2.2.1. Credit	2,493.4	2,758.0	3,335.0	3,811.4	236.7	756.9	2,350.0	467.9	397.8	1,245.6	4,025.5
2.2.2. Debit	-751.4	-568.1	-606.4	-781.3	-141.7	-205.2	-254.0	-180.4	-127.1	-147.6	-223.0
2.3. Other services	-200.6	-100.6	31.6	-38.9	-8.7	-13.9	37.3	-53.5	-53.4	-73.0	-67.0
2.3.1. Credit	745.7	780.6	951.9	1,165.8	259.2	272.2	344.3	290.1	288.4	367.3	401.2
2.3.2. Debit	-946.3	-881.2	-920.3	-1,204.6	-267.9	-286.1	-307.0	-343.6	-341.8	-440.3	-468.1
Total (1+2)	-1,673.4	-935.9	-1,174.3	-2,485.1	-962.6	-907.5	682.1	-1,297.1	-1,174.9	-1,026.1	1,742.6

^a Preliminary data. ^b Revised data.

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. Additional data from the Croatian Institute for Health Insurance on health services provided to nonresidents 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 residents' income from factor services to peacekeeping and humanitarian missions in the Republic of Croatia, based on the research of the Cro-

atian 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 an external agency) 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 residents (Survey on Consumption of Domestic Travelers Abroad, which is carried out jointly by the Croatian National Bank and an exter-

Table H3: Balance of Payments – Income and Current Transfers

Million US dollars

	1999 ^b	2000 ^b	2001 ^b	2002 ^b	2002				2003		
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^b	Q3 ^a
1. Income	-356.3	-406.7	-516.5	-498.9	-211.7	-210.6	-58.7	-17.8	-219.9	-800.9	-55.7
1.1. Compensation of employees	60.3	69.6	124.5	154.8	34.6	36.5	39.8	43.9	46.8	41.0	55.4
1.1.1. Credit	75.2	82.7	137.3	173.2	38.3	40.3	44.7	49.8	51.7	54.4	62.9
1.1.2. Debit	-14.9	-13.1	-12.8	-18.4	-3.8	-3.9	-4.9	-5.9	-4.9	-13.4	-7.5
1.2. Direct investment income	-65.5	-152.9	-290.5	-320.3	-68.1	-193.0	-38.6	-20.6	-61.0	-787.9	-43.7
1.2.1. Credit	4.6	9.3	20.2	23.3	0.7	4.8	6.6	11.3	10.7	6.0	5.7
1.2.2. Debit	-70.1	-162.2	-310.7	-343.7	-68.8	-197.8	-45.2	-31.8	-71.7	-793.9	-49.3
1.3. Portfolio investment income	-129.4	-178.8	-218.1	-193.5	-142.4	-8.9	-35.1	-7.1	-176.1	-18.2	-31.4
1.3.1. Credit	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2. Debit	-129.5	-178.8	-218.1	-193.6	-142.4	-9.0	-35.1	-7.1	-176.1	-18.2	-31.4
1.4. Other investment income	-221.6	-144.5	-132.4	-139.8	-35.8	-45.1	-24.8	-34.1	-29.6	-35.9	-36.1
1.4.1. Credit	174.9	253.8	261.4	231.7	58.1	58.2	58.7	56.8	58.7	53.6	54.1
1.4.2. Debit	-396.6	-398.3	-393.7	-371.5	-93.9	-103.3	-83.5	-90.9	-88.3	-89.6	-90.2
2. Current transfers	632.5	883.2	965.7	1,076.2	239.7	263.3	296.7	276.5	328.4	371.7	311.7
2.1. General government	-130.3	21.7	56.7	28.6	4.0	6.8	17.4	0.4	23.8	29.8	17.2
2.1.1. Credit	76.2	118.0	125.5	132.2	27.6	30.4	36.5	37.7	58.5	70.1	55.6
2.1.2. Debit	-206.5	-96.3	-68.9	-103.6	-23.6	-23.5	-19.1	-37.3	-34.7	-40.3	-38.5
2.2. Other sectors	762.7	861.5	909.0	1,047.6	235.7	256.4	279.3	276.2	304.6	341.9	294.6
2.2.1. Credit	891.2	983.0	1,049.0	1,226.3	274.4	304.9	318.7	328.3	334.4	379.2	339.4
2.2.2. Debit	-128.5	-121.5	-139.9	-178.7	-38.7	-48.4	-39.4	-52.1	-29.8	-37.3	-44.9
Total (1+2)	276.2	476.5	449.2	577.4	27.9	52.7	238.0	258.7	108.5	-429.2	256.0

^a Preliminary data. ^b Revised data.

nal agency). 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

Million US dollars

	1999 ^b	2000 ^b	2001 ^b	2002 ^b	2002				2003		
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^b	Q3 ^a
ASSETS	-24.7	-986.5	349.6	401.9	654.8	0.9	-282.7	28.9	-73.0	-295.9	-899.1
1. Trade credits	-292.1	97.8	56.7	-87.0	45.0	-20.5	-47.7	-63.7	-31.8	2.9	-3.8
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	-292.1	97.8	56.7	-87.0	45.0	-20.5	-47.7	-63.7	-31.8	2.9	-3.8
1.2.1. Long-term	-20.7	2.4	8.3	-10.3	-8.7	1.9	-6.1	2.5	-6.4	2.3	5.6
1.2.2. Short-term	-271.4	95.4	48.4	-76.7	53.7	-22.4	-41.7	-66.3	-25.4	0.6	-9.4
2. Loans	-97.5	-93.2	34.7	-42.1	-3.7	34.9	-28.1	-45.2	11.1	26.8	-42.8
2.1. General government	1.1	0.0	-3.2	0.6	0.0	0.0	-0.3	0.9	-0.6	-0.4	-0.3
2.1.1. Long-term	1.1	0.0	-3.2	0.6	0.0	0.0	-0.3	0.9	-0.6	-0.4	-0.3
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	-24.6	2.7	-9.2	-7.0	-4.3	-13.6	-2.0	12.9	-1.0	6.4	-2.1
2.2.1. Long-term	-14.8	2.3	-3.0	-11.2	-0.7	-4.8	-3.0	-2.6	7.8	3.4	0.0
2.2.2. Short-term	-9.8	0.4	-6.3	4.2	-3.5	-8.8	1.1	15.5	-8.9	2.9	-2.0
2.3. Other sectors	-74.0	-96.0	47.1	-35.7	0.6	48.5	-25.8	-59.0	12.8	20.8	-40.4
2.3.1. Long-term	-74.0	-96.0	47.1	-35.6	0.6	48.5	-25.7	-59.0	12.8	20.8	-40.4
2.3.2. Short-term	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
3. Currency and deposits	364.9	-991.1	258.1	531.0	613.5	-13.5	-206.8	137.9	-52.3	-325.7	-852.6
3.1. General government	12.3	-26.7	-15.2	-28.4	3.4	75.1	-44.1	-62.8	69.4	-15.9	68.7
3.2. Banks	185.6	-921.4	-1,613.7	1,366.8	972.4	332.5	-120.7	182.7	-191.7	-269.8	-921.2
3.3. Other sectors	167.0	-43.0	1,887.0	-807.4	-362.3	-421.1	-42.0	18.0	70.0	-40.0	0.0
LIABILITIES	922.9	952.8	93.6	2,300.5	189.0	555.9	623.0	932.7	208.1	787.1	1,000.7
1. Trade credits	310.6	276.9	72.7	474.0	-106.7	400.9	79.8	100.0	-290.6	431.6	174.8
1.1. General government	0.9	-3.2	1.1	0.1	0.4	0.0	-0.2	-0.1	-0.2	-0.1	-0.2
1.1.1. Long-term	-1.0	-0.5	1.1	0.1	0.4	0.0	-0.2	-0.1	-0.2	-0.1	-0.2
1.1.2. Short-term	1.9	-2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other sectors	309.7	280.1	71.6	474.0	-107.1	401.0	80.1	100.0	-290.4	431.6	175.0
1.2.1. Long-term	-9.3	-12.7	-14.9	-8.4	1.5	5.5	-3.6	-11.7	-8.4	-14.1	-17.6
1.2.2. Short-term	319.0	292.8	86.5	482.3	-108.6	395.5	83.7	111.8	-282.0	445.7	192.6
2. Loans	576.7	780.8	-179.8	658.9	124.0	-135.4	345.4	324.9	394.0	-135.9	854.9
2.1. Monetary authorities	-31.4	-28.7	-30.8	-129.6	-3.0	-13.7	-3.1	-109.8	0.0	0.0	0.0
2.1.1. Use of Fund credit and loans	-31.4	-28.7	-30.8	-129.6	-3.0	-13.7	-3.1	-109.8	0.0	0.0	0.0
2.1.1.1. Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.1.2. Repayments	-31.4	-28.7	-30.8	-129.6	-3.0	-13.7	-3.1	-109.8	0.0	0.0	0.0
2.2. General government	186.1	300.8	-189.8	390.1	108.0	23.1	140.1	119.0	-18.2	-1.1	127.5
2.2.1. Long-term	170.6	13.9	170.2	390.1	108.0	23.1	140.1	119.0	-18.2	-1.1	127.5
2.2.1.1. Drawings	236.1	264.6	325.3	547.3	138.5	59.6	183.5	165.7	34.5	67.2	183.1
2.2.1.2. Repayments	-65.5	-250.6	-155.1	-157.2	-30.6	-36.5	-43.3	-46.7	-52.7	-68.3	-55.7
2.2.2. Short-term (net)	15.5	286.9	-360.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3. Banks	-5.7	101.5	127.6	65.6	-10.8	-22.8	-84.6	183.9	250.3	-227.0	340.5
2.3.1. Long-term	-7.2	107.9	133.1	65.4	-10.5	-23.2	-84.3	183.3	250.4	-194.2	331.2
2.3.1.1. Drawings	494.6	652.6	750.0	610.6	71.3	57.1	238.9	243.4	450.6	47.8	556.1
2.3.1.2. Repayments	-501.8	-544.7	-616.9	-545.2	-81.7	-80.3	-323.2	-60.0	-200.3	-242.0	-224.9
2.3.2. Short-term (net)	1.5	-6.4	-5.5	0.2	-0.3	0.4	-0.4	0.5	-0.1	-32.8	9.2
2.4. Other sectors	427.7	407.2	-86.8	332.7	29.8	-122.0	293.1	131.8	161.9	92.2	387.0
2.4.1. Long-term	439.3	466.5	-38.7	252.8	9.8	-132.7	233.2	142.6	131.6	74.6	369.5
2.4.1.1. Drawings	979.8	971.1	690.1	1,107.0	161.6	167.1	350.2	428.0	363.7	306.4	627.7
2.4.1.2. Repayments	-540.5	-504.6	-728.8	-854.1	-151.9	-299.8	-117.0	-285.5	-232.2	-231.8	-258.1
2.4.2. Short-term (net)	-11.6	-59.3	-48.1	79.9	20.1	10.8	59.9	-10.8	30.4	17.6	17.4
3. Currency and deposits	35.6	-104.9	200.7	1,167.6	171.7	290.3	197.7	507.8	104.7	491.5	-29.0
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	35.6	-104.9	200.7	1,167.6	171.7	290.3	197.7	507.8	104.7	491.5	-29.0
4. Other liabilities (short-term)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.3. Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data. ^b Revised data.

Table H5: Balance of Payments – Summary

Million kuna

	1999 ^b	2000 ^b	2001 ^b	2002 ^b	2002				2003		
					Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^b	Q3 ^a
A. CURRENT ACCOUNT (1+6)	-9,953.0	-3,894.0	-6,052.7	-15,614.8	-7,965.9	-6,874.2	6,909.1	-7,683.9	-7,502.8	-9,513.2	13,374.2
1. Goods, services, and income (2+5)	-14,456.2	-11,217.5	-14,108.1	-24,114.8	-10,015.6	-8,991.6	4,687.1	-9,794.7	-9,842.7	-11,993.2	11,250.7
1.1. Credit	59,736.5	74,694.1	83,975.4	85,339.0	14,994.6	20,264.1	32,176.1	17,904.1	17,350.0	23,221.2	41,737.6
1.2. Debit	-74,192.7	-85,911.5	-98,083.6	-109,453.8	-25,010.2	-29,255.7	-27,489.0	-27,698.8	-27,192.7	-35,214.4	-30,487.0
2. Goods and services (3+4)	-11,928.5	-7,894.9	-10,019.2	-20,043.4	-8,208.1	-7,306.6	5,130.6	-9,659.3	-8,298.4	-6,755.0	11,698.9
2.1. Credit	57,919.7	71,797.8	80,246.0	82,004.5	14,176.2	19,439.5	31,358.4	17,030.4	16,477.9	22,440.1	40,988.9
2.2. Debit	-69,848.2	-79,692.7	-90,265.2	-102,047.8	-22,384.3	-26,746.1	-26,227.8	-26,689.7	-24,776.3	-29,195.1	-29,290.1
3. Goods	-23,586.6	-26,686.7	-34,327.9	-44,074.9	-9,241.8	-11,810.0	-11,264.3	-11,758.8	-10,216.1	-14,196.0	-13,938.7
3.1. Credit	31,369.6	37,910.1	39,690.9	39,129.0	8,951.5	10,088.0	9,861.3	10,228.2	10,538.2	10,176.5	9,874.8
3.2. Debit	-54,956.2	-64,596.7	-74,018.8	-83,203.9	-18,193.3	-21,898.0	-21,125.5	-21,987.1	-20,754.4	-24,372.5	-23,813.5
4. Services	11,658.1	18,791.7	24,308.7	24,031.5	1,033.7	4,503.4	16,394.8	2,099.6	1,917.7	7,441.0	25,637.5
4.1. Credit	26,550.1	33,887.7	40,555.2	42,875.5	5,224.7	9,351.5	21,497.1	6,802.2	5,939.7	12,263.7	31,114.1
4.2. Debit	-14,892.0	-15,096.0	-16,246.4	-18,843.9	-4,191.0	-4,848.1	-5,102.2	-4,702.6	-4,022.0	-4,822.7	-5,476.6
5. Income	-2,527.7	-3,322.5	-4,089.0	-4,071.4	-1,807.6	-1,685.0	-443.4	-135.4	-1,544.3	-5,238.2	-448.2
5.1. Credit	1,816.8	2,896.3	3,729.4	3,334.5	818.4	824.6	817.8	873.7	872.1	781.1	748.7
5.2. Debit	-4,344.5	-6,218.8	-7,818.4	-7,405.9	-2,626.0	-2,509.7	-1,261.2	-1,009.1	-2,416.4	-6,019.3	-1,196.9
6. Current transfers	4,503.2	7,323.5	8,055.5	8,500.0	2,049.8	2,117.5	2,222.0	2,110.8	2,339.9	2,480.0	2,123.5
6.1. Credit	6,898.2	9,131.4	9,795.4	10,465.9	2,553.5	2,618.7	2,617.9	2,675.9	2,757.9	2,928.6	2,600.8
6.2. Debit	-2,394.9	-1,807.9	-1,740.0	-1,965.9	-503.7	-501.2	-395.9	-565.1	-418.0	-448.6	-477.3
B. CAPITAL AND FINANCIAL ACCOUNT	17,191.0	9,958.9	10,184.5	21,737.5	6,844.5	6,551.0	1,168.4	7,173.6	7,782.5	8,392.0	-1,993.5
B1. Capital account	178.0	172.1	1,140.1	3,695.5	47.9	3,568.9	55.8	22.9	45.8	402.5	30.7
B2. Financial account, excl. reserves	20,005.0	14,596.5	20,079.4	23,614.3	8,685.3	5,197.8	2,378.0	7,353.3	8,946.3	9,993.3	-147.7
1. Direct investment	10,132.2	8,760.9	11,693.8	4,501.8	1,931.8	-443.1	673.7	2,339.4	2,255.0	4,982.0	557.5
1.1. Abroad	-347.2	-32.9	-1,279.6	-4,375.9	-77.7	-3,749.2	-388.3	-160.7	-171.4	-75.9	-102.0
1.2. In Croatia	10,479.3	8,793.8	12,973.4	8,877.7	2,009.5	3,306.1	1,062.0	2,500.1	2,426.4	5,057.8	659.6
2. Portfolio investment	3,697.3	5,658.5	4,975.0	-1,889.0	-716.5	1,807.3	-838.6	-2,141.3	5,737.2	1,606.0	-1,385.4
2.1. Assets	-277.4	-189.8	-1,081.7	-5,201.6	-1,635.3	-194.1	-587.7	-2,784.5	550.3	514.2	-1,019.0
2.2. Liabilities	3,974.8	5,848.2	6,056.7	3,312.6	918.9	2,001.4	-250.9	643.2	5,186.9	1,091.7	-366.4
3. Other investment	6,175.5	177.1	3,410.6	21,001.5	7,470.0	3,833.5	2,542.9	7,155.2	954.1	3,405.4	680.2
3.1. Assets	-503.7	-8,136.7	2,531.2	3,424.9	5,861.8	-538.6	-2,113.5	215.2	-515.9	-1,779.6	-5,994.9
3.2. Liabilities	6,679.1	8,313.8	879.4	17,576.6	1,608.1	4,372.1	4,656.4	6,940.0	1,470.0	5,185.0	6,675.1
B3. Reserve assets (CNB)	-2,992.0	-4,809.8	-11,035.1	-5,572.2	-1,888.6	-2,215.6	-1,265.4	-202.6	-1,209.6	-2,003.9	-1,876.5
C. NET ERRORS AND OMISSIONS	-7,238.0	-6,064.9	-4,131.8	-6,122.7	1,121.3	323.2	-8,077.6	510.3	-279.7	1,121.3	-11,380.7

^a Preliminary data. ^b Revised data.

Table H6: International Reserves and Banks' Foreign Exchange Reserves

End of period, million US dollars

End of period, million US dollars

Year	Month	International reserves of the Croatian National Bank							Banks' foreign exchange reserves ^a
		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	–	484.0
1993	December	616.2	3.7	–	–	612.5	612.5	–	689.4
1994	December	1,405.0	4.5	–	–	1,400.5	1,400.5	–	878.7
1995	December	1,895.2	139.8	–	–	1,755.4	1,651.0	104.3	1,330.3
1996	December	2,314.0	125.6	–	–	2,188.4	2,016.6	171.8	1,919.5
1997	December	2,539.1	147.1	0.1	–	2,391.9	2,011.7	380.2	2,291.3
1998	December	2,815.7	231.2	0.2	–	2,584.4	1,927.0	657.4	1,885.2
1999	December	3,025.0	189.5	0.2	–	2,835.3	2,459.8	375.5	1,350.2
2000	December	3,524.8	147.7	0.2	–	3,376.9	2,574.3	802.6	2,152.9
2001	December	4,704.2	108.4	0.2	–	4,595.6	3,060.3	1,535.3	3,577.4
2002	August	5,758.3	95.3	0.2	–	5,662.8	3,779.1	1,883.7	2,674.6
	September	5,705.2	91.6	0.2	–	5,613.4	3,573.5	2,039.9	2,705.4
	October	5,715.9	77.3	0.2	–	5,638.4	3,628.7	2,009.7	2,677.9
	November	5,852.9	76.5	0.2	–	5,776.1	3,914.2	1,861.9	2,665.3
	December	5,885.8	2.4	0.2	–	5,883.2	3,945.0	1,938.2	2,688.7
2003	January	5,948.9	2.5	0.2	–	5,946.2	3,982.8	1,963.4	2,653.5
	February	6,429.5	1.4	0.2	–	6,427.9	4,275.8	2,152.1	2,443.1
	March	6,207.8	1.4	0.2	–	6,206.2	3,524.0	2,682.1	2,913.1
	April	6,524.1	1.4	0.2	–	6,522.4	2,898.9	3,623.5	2,601.4
	May	7,003.5	1.2	0.2	–	7,002.0	3,034.4	3,967.6	3,149.0
	June	6,772.2	1.3	0.2	–	6,770.7	3,011.0	3,759.7	3,232.3
	July	6,663.5	1.3	0.2	–	6,662.0	2,839.8	3,822.2	3,569.7
	August	6,624.1	1.0	0.2	–	6,622.8	2,986.4	3,636.4	3,404.9
	September	7,058.5	1.0	0.2	–	7,057.2	3,227.4	3,829.8	3,821.5
	October	7,237.0	1.0	0.2	–	7,235.7	3,332.4	3,903.4	3,810.8
	November ^b	7,860.0	0.8	0.2	–	7,859.0	3,887.7	3,971.2	4,018.7

^a Data starting from May 1999 have been revised. ^b 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	2002	2003			
	Dec.	Dec.	Dec. ^b	Dec.	Mar.	Jun.	Sep.	Oct.
I. Official reserve assets and other f/c assets (approximate market value)								
A. Official reserve assets	2,847.4	3,432.3	4,704.2	5,885.8	6,207.8	6,772.2	7,058.5	7,237.0
(1) Foreign currency reserves (in convertible f/c)	2,616.3	2,567.4	3,420.3	4,423.1	4,909.2	6,121.6	6,220.8	6,385.9
(a) Securities	375.5	802.6	1,535.3	1,938.2	2,682.1	3,759.7	3,829.8	3,903.4
o/w: issuer headquartered in reporting country but located abroad								
(b) Total currency and deposits with:	2,240.8	1,764.8	1,885.0	2,484.9	2,227.0	2,361.9	2,391.0	2,482.5
(i) other national central banks, BIS and IMF	712.3	545.7	406.9	338.6	335.5	401.6	325.5	328.5
(ii) banks headquartered in the reporting country								
o/w: located abroad								
(iii) banks headquartered outside the reporting country	1,528.6	1,219.1	1,478.1	2,146.3	1,891.5	1,960.3	2,065.5	2,154.0
o/w: located in the reporting country								
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	189.5	147.7	108.4	2.4	1.4	1.3	1.0	1.0
(4) gold								
(5) other reserve assets	41.4	717.0	1,175.3	1,460.1	1,297.0	649.1	836.4	849.9
– reverse repo	41.4	717.0	1,175.3	1,460.1	1,297.0	649.1	836.4	849.9
B. Other foreign currency assets (specify)	177.6	92.5						
– time deposits	177.6	92.5						
C. Total (A+B)	3,025.0	3,524.8	4,704.2	5,885.8	6,207.8	6,772.2	7,058.5	7,237.0
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	-1,191.4	-771.6	-846.3	-884.6	-1,448.7	-1,465.7
(a) Croatian National Bank	-258.7	-265.0	-391.1	-174.4	-199.2	-241.4	-625.9	-626.0
Up to 1 month	Principal -90.2	-107.6	-172.9	-142.6	-150.6	-184.3	-477.1	-502.7
Interest -5.0	-4.3	-2.8	-2.3	-2.0	-1.9	-2.2	-2.1	-2.1
More than 1 and up to 3 months	Principal -123.6	-116.5	-179.6	-27.6	-46.4	-55.0	-146.3	-120.9
Interest -2.7	-2.8	-1.9	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3
More than 3 months and up to 1 year	Principal -29.9	-29.0	-30.4	-1.7				
Interest -7.3	-4.7	-3.4	-0.1					
(b) Central government (excluding extrabudgetary funds)	-673.9	-945.8	-800.3	-597.3	-647.1	-643.2	-822.9	-839.8
Up to 1 month	Principal -63.5	-89.3	-89.7	-102.1	-3.1	-104.5	-3.5	-3.5
Interest -58.3	-69.0	-49.0	-44.6	-3.2	-53.6	-3.4	-2.8	-2.8
More than 1 and up to 3 months	Principal -6.0	-93.8	-310.1	-9.0	-55.0	-8.3	-31.9	-135.0
Interest -42.9	-77.1	-110.9	-154.3	-20.2	-7.3	-22.8	-63.4	-63.4
More than 3 months and up to 1 year	Principal -384.6	-497.1	-150.6	-183.5	-261.0	-186.6	-441.6	-346.4
Interest -118.7	-119.6	-90.0	-103.8	-304.7	-282.9	-319.6	-288.8	-288.8
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	-66.3	-22.4	-153.8	-129.6	-391.3	-341.4
– outflows related to repos (-)	-21.3	-40.7	-66.3	-22.4	-153.8	-129.6	-391.3	-341.4
Up to 1 month	Principal -21.3	-40.6	-66.3	-22.4	-153.6	-129.5	-391.1	-341.2
Interest 0.0	-0.1	-0.1	0.0	-0.2	0.0	-0.3	-0.2	-0.2
More than 1 and up to 3 months								
More than 3 months and up to 1 year								
4. Total predetermined short-term net drains on foreign currency assets (1+2+3)	-954.0	-1,251.5	-1,257.7	-794.1	-1,000.1	-1,014.2	-1,840.1	-1,807.1
III. Contingent short-term net drains on f/c assets (nominal value)								
1. Contingent liabilities in foreign currency	-869.9	-969.3	-960.3	-1,698.7	-1,424.9	-1,594.3	-1,437.5	-1,338.5
(a) Collateral guarantees on debt falling due within 1 year	-263.6	-296.0	-278.6	-714.4	-370.5	-381.0	-406.9	-252.3
– Croatian National Bank								
– Central government (excluding extrabudgetary funds)	-263.6	-296.0	-278.6	-714.4	-370.5	-381.0	-406.9	-252.3
Up to 1 month	-37.3	-48.4	-43.6	-54.5	-10.9	-59.8	-9.5	-2.5
More than 1 and up to 3 months	-57.6	-11.4	-21.8	-36.7	-38.0	-39.8	-44.4	-74.8

More than 3 months and up to 1 year	-168.7	-236.2	-213.2	-623.2	-321.6	-281.4	-352.9	-175.0
(b) Other contingent liabilities	-606.2	-673.2	-681.7	-984.3	-1,054.4	-1,213.3	-1,030.7	-1,086.3
– Croatian National Bank	-606.2	-673.2	-681.7	-984.3	-1,054.4	-1,213.3	-1,030.7	-1,086.3
Up to 1 month								
More than 1 and up to 3 months	-606.2	-673.2	-681.7	-984.3	-1,054.4	-1,213.3	-1,030.7	-1,086.3
More than 3 months and up to 1 year								
– Central government (excluding extrabudgetary funds)								
2. F/c sec. issued with embedded options (puttable bonds)								
3. Undrawn, unconditional credit lines provided by	80.0	80.0	150.7					
– BIS (+)	80.0	80.0						
– IMF (+)			150.7					
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	-809.7	-1,698.7	-1,424.9	-1,594.3	-1,437.5	-1,338.5
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	-61.7	-20.8	-140.5	-122.8	-374.1	-325.6
– 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	1,089.3	1,385.5	1,231.3	578.3	799.3	791.5
(e) financial derivative assets (net, marked to market)								
(f) currency composition of official reserves assets ^a								
– currencies in SDR basket	2,983.7	3,524.8	4,704.2	5,885.8	6,207.8	6,772.2	7,058.5	7,237.0
– currencies not in SDR basket	41.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
– by individual currencies								
USD	1,186.1	922.5	1,533.2	1,667.2	1,870.9	2,135.4	2,049.1	2,166.8
EUR	1,405.1	2,453.9	2,062.0	4,215.9	4,335.2	4,427.7	5,008.1	5,069.0
Other	433.8	148.4	109.0	2.7	1.7	209.2	1.3	1.3

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

Table 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 "International Reserves and Foreign Currency Liquidity – Guidelines for a Data Template, 2001".

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

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

The fourth part of the Template lists memo items. Short-term, domestic currency debt indexed to foreign currency (IV.a) shows obligations arising from the 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
2001		7.468966	0.542791	1.138637	0.385740	4.946376	12.010492	8.339074	3.818822
2002		7.406773				5.050089	11.788895	7.863712	
2002	August	7.377005				5.045000	11.605190	7.541780	
	September	7.346884				5.014697	11.644205	7.483577	
	October	7.426918				5.070771	11.795687	7.570804	
	November	7.467559				5.090816	11.740230	7.464486	
	December	7.423370				5.059394	11.566062	7.297541	
2003	January	7.500084				5.135489	11.424463	7.081599	
	February	7.583557				5.168355	11.367500	7.032163	
	March	7.662875				5.218167	11.233061	7.098993	
	April	7.553503				5.052297	10.967309	6.965821	
	May	7.542339				4.981129	10.611795	6.548923	
	June	7.535980				4.892906	10.710707	6.443352	
	July	7.497616				4.846985	10.726292	6.590582	
	August	7.514508				4.877767	10.754869	6.736661	
	September	7.498390				4.845884	10.782269	6.701337	
	October	7.591783				4.906285	10.874359	6.486725	
	November	7.610261				4.885643	10.991890	6.502923	

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
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2002	August	7.376568				5.022857	11.620302	7.488902	
	September	7.341343				5.003642	11.677021	7.504951	
	October	7.498423				5.126075	11.872107	7.627325	
	November	7.431178				5.035697	11.613030	7.482809	
	December	7.442292				5.120256	11.451442	7.145744	
2003	January	7.555767				5.139628	11.544335	7.035165	
	February	7.620482				5.210230	11.185208	7.052737	
	March	7.692318				5.210186	11.196969	7.164976	
	April	7.567308				5.021772	10.965524	6.889392	
	May	7.546434				4.937150	10.514747	6.368836	
	June	7.508844				4.856007	10.879229	6.574019	
	July	7.541513				4.870205	10.704774	6.591079	
	August	7.457896				4.853189	10.816383	6.835209	
	September	7.571370				4.914878	10.936545	6.630502	
	October	7.593986				4.892087	11.055446	6.494472	
	November	7.655148				4.949662	11.006683	6.383013	

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	116.27	109.49
2000	December	125.97	113.53	107.66
2001	December	122.99	111.96	104.32
2002	August	119.29	108.79	101.71
	September	118.68	108.15	100.95
	October	120.00	108.69	101.71
	November	119.93	109.08	101.89
	December	118.58	108.13	100.64
2003	January	118.31	108.68	100.46
	February	118.95	109.68	101.38
	March	120.10	110.90	102.48
	April	118.17	108.49	101.16
	May	115.76	106.62	98.84
	June	115.10	106.03	98.20
	July	115.50	106.31	98.50
	August	116.45	106.78	99.60
	September	116.10	107.01 ^a	99.26 ^a
	October	115.93	106.92 ^a	98.73 ^a
	November	116.20		

^a Preliminary data.

Note: From 1 January 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. The historical data may be corrected for the subsequent changes in the data published by the statistical offices of the countries whose prices are included in the calculation of the index of the real effective exchange rate of the kuna.

Table H11: External Debt by Domestic Sectors

Million US dollars

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec. *	Mar.	Jun.	Sep.	Oct.
1. Direct investment	348.6	626.6	635.0	1,052.2	1,282.3	1,469.0	1,600.9	1,666.1
2. Government	3,975.3	4,828.4	5,132.6	6,361.0	6,894.5	7,371.2	7,508.0	8,020.3
2.1 Portfolio investment	2,522.9	3,141.2	3,677.1	4,357.1	4,882.3	5,286.2	5,289.1	5,408.1
Bonds	2,522.9	3,141.2	3,677.1	4,357.1	4,882.3	5,286.2	5,289.1	5,408.1
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2 Other investment	1,452.4	1,687.2	1,455.5	2,003.9	2,012.2	2,085.1	2,218.9	2,612.2
2.2.1 Trade credits	3.3	0.1	1.1	1.3	1.0	1.0	0.8	0.7
Long-term	0.6	0.1	1.1	1.3	1.0	1.0	0.8	0.7
Short-term	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 Credits	1,449.1	1,687.1	1,454.4	2,002.6	2,011.2	2,084.1	2,218.1	2,611.5
Long-term	1,373.8	1,327.1	1,454.4	2,002.6	2,011.2	2,084.1	2,218.1	2,611.5
Short-term	75.3	360.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian National Bank	196.6	158.7	122.1	0.0	0.0	0.0	0.0	0.0
o/w: IMF	196.6	158.7	122.1	0.0	0.0	0.0	0.0	0.0
4. Banks	2,184.8	2,086.5	2,299.4	4,019.4	4,473.4	5,002.5	5,684.1	5,830.0
4.1. Portfolio investment	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
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2 Other investment	2,184.8	2,086.5	2,299.4	4,019.4	4,473.4	5,002.5	5,684.1	5,830.0
4.2.1 Currency and deposits	537.7	432.8	633.5	1,975.7	2,130.0	2,737.1	2,707.9	2,792.2
4.2.2 Credits	1,647.1	1,653.7	1,665.9	2,043.7	2,343.4	2,265.4	2,976.2	3,037.9
Long-term	1,627.0	1,640.0	1,657.7	2,036.5	2,334.0	2,257.0	2,912.9	2,968.4
Short-term	20.1	13.7	8.2	7.2	9.4	8.4	63.3	69.4
5. Other sectors	3,272.6	3,354.6	3,127.5	3,959.1	4,345.3	4,717.1	5,179.8	5,324.8
5.1 Portfolio investment	48.5	38.4	54.8	167.7	374.7	409.9	428.8	439.1
Bonds	31.1	28.9	27.3	167.7	374.7	398.6	398.5	408.1
Money market instruments	17.4	9.5	27.4	0.0	0.0	11.3	30.3	31.0
5.2 Other investment	3,224.1	3,316.3	3,072.8	3,791.4	3,970.7	4,307.1	4,751.0	4,885.7
5.2.1 Trade credits	383.9	334.0	293.7	325.1	321.6	328.5	326.5	321.7
Long-term	298.5	269.5	239.9	275.8	270.0	272.3	261.5	256.6
Short-term	85.4	64.4	53.8	49.2	51.6	56.3	65.0	65.2
5.2.2 Credits	2,840.2	2,982.3	2,779.1	3,466.3	3,649.0	3,978.6	4,424.4	4,563.9
Long-term	2,611.6	2,838.0	2,691.6	3,378.6	3,469.2	3,809.7	4,226.2	4,340.6
Short-term	228.6	144.3	87.5	87.8	179.9	168.9	198.3	223.3
Total (1+2+3+4+5)	9,977.9	11,054.8	11,316.6	15,391.6	16,995.5	18,559.7	19,972.7	20,841.2

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 of other sectors 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, gov-

ernment 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

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec. *	Mar.	Jun.	Sep.	Oct.
1. Portfolio investment	2,571.4	3,179.6	3,731.8	4,524.8	5,257.0	5,696.1	5,717.9	5,847.2
Bonds	2,554.0	3,170.1	3,704.4	4,524.8	5,257.0	5,684.8	5,687.6	5,816.1
o/w: London Club	1,380.9	1,255.4	1,106.0	956.7	876.1	876.1	795.5	795.5
Money market instruments	17.4	9.5	27.4	0.0	0.0	11.3	30.3	31.0
2. Other investment	7,406.5	7,875.2	7,584.8	10,866.9	11,738.5	12,863.6	14,254.8	14,994.1
2.1. Currency and deposits	537.7	432.8	633.5	1,975.7	2,130.0	2,737.1	2,707.9	2,792.2
2.2. Long-term	6,442.8	6,781.7	6,769.0	8,696.8	9,189.2	9,714.1	11,010.0	11,623.8
2.2.1. Public creditors	2,157.6	2,269.1	2,230.4	2,569.1	2,648.9	2,750.0	2,806.8	2,957.9
a) International financial organizations	1,032.8	1,128.6	1,166.1	1,376.9	1,416.9	1,428.5	1,506.6	1,629.7
– IMF	196.6	158.7	122.1	0.0	0.0	0.0	0.0	0.0
– IBRD	396.3	417.7	468.8	611.0	618.5	629.4	634.7	752.9
– IFC	28.6	71.9	85.6	132.3	131.2	105.3	101.6	103.4
– EBRD	219.1	296.8	318.7	374.9	405.3	408.5	431.5	427.1
– EUROFIMA	78.5	85.6	82.7	109.4	111.6	115.1	115.4	117.6
– EIB	98.2	74.0	52.2	84.8	84.1	97.4	132.1	135.3
– CEB	15.4	24.0	36.0	64.5	66.2	72.7	91.4	93.4
b) Governments and government agencies	1,124.9	1,140.5	1,064.3	1,192.2	1,232.0	1,321.5	1,300.2	1,328.2
– Paris Club	771.9	687.5	622.4	631.2	613.9	630.7	605.8	614.8
– Other	353.0	453.0	441.9	561.1	618.2	690.8	694.5	713.3
2.2.2. Private creditors	4,285.1	4,512.6	4,538.6	6,127.7	6,540.3	6,964.1	8,203.2	8,665.9
a) Banks	3,366.8	3,397.6	3,477.9	4,716.3	5,153.6	5,425.7	6,554.6	6,973.2
o/w: guaranteed by government agencies	441.2	634.6	733.9	686.0	615.3	582.2	563.2	564.6
b) Other sectors	918.3	1,115.0	1,060.6	1,411.4	1,386.8	1,538.4	1,648.6	1,692.8
o/w: guaranteed by government agencies	17.8	13.8	9.8	6.0	5.5	5.8	5.1	4.0
2.3. Short-term	426.1	660.8	182.3	194.4	419.3	412.5	536.9	578.1
2.3.1. Public creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3.2. Private creditors	426.1	660.8	182.3	194.4	419.3	412.5	536.9	578.1
a) Banks	246.5	486.5	62.5	47.4	123.6	105.8	196.9	222.7
o/w: guaranteed by government agencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Other sectors	179.5	174.3	119.9	146.9	295.8	306.7	340.0	355.4
o/w: guaranteed by government agencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2)	9,977.9	11,054.8	11,316.6	15,391.6	16,995.5	18,559.7	19,972.7	20,841.2

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 31/10/2003	Nonreported principal payments	Projected future principal payments													
			Q4/03	Q1/04	Q2/04	Q3/04	Q4/04	2003	2004	2005	2006	2007	2008	2009	2010	Other
1. Direct investment	1,666.1	118.7	271.5	42.2	44.1	31.9	72.5	271.5	190.6	143.3	356.9	230.9	191.5	25.2	28.0	109.6
2. Government	8,020.3	4.6	36.3	221.5	62.3	321.5	350.0	36.3	955.4	992.7	1,008.0	761.9	626.7	1,167.6	868.4	1,598.8
2.1. Portfolio investment	5,408.1	0.0	0.0	119.1	0.0	260.0	231.4	0.0	610.5	745.9	743.4	448.3	332.8	917.5	686.0	923.7
Bonds	5,408.1	0.0	0.0	119.1	0.0	260.0	231.4	0.0	610.5	745.9	743.4	448.3	332.8	917.5	686.0	923.7
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Other investment	2,612.2	4.6	36.3	102.4	62.3	61.6	118.6	36.3	344.9	246.9	264.6	313.7	293.9	250.1	182.4	675.0
2.2.1. Trade credits	0.7	0.0	0.1	0.3	0.1	0.3	0.1	0.1	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.7	0.0	0.1	0.3	0.1	0.3	0.1	0.1	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. Credits	2,611.5	4.5	36.2	102.2	62.3	61.3	118.5	36.2	344.2	246.9	264.6	313.7	293.9	250.1	182.4	675.0
Long-term	2,611.5	4.5	36.2	102.2	62.3	61.3	118.5	36.2	344.2	246.9	264.6	313.7	293.9	250.1	182.4	675.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Banks	5,830.0	75.1	70.1	48.9	71.7	109.2	56.4	70.1	286.2	771.3	900.0	236.8	286.3	131.3	45.0	3,027.8
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	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2. Other investment	5,830.0	75.1	70.1	48.9	71.7	109.2	56.4	70.1	286.2	771.3	900.0	236.8	286.3	131.3	45.0	3,027.8
4.2.1. Currency and deposits	2,792.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,792.2
4.2.2. Credits	3,037.9	75.1	70.1	48.9	71.7	109.2	56.4	70.1	286.2	771.3	900.0	236.8	286.3	131.3	45.0	235.6
Long-term	2,968.4	67.7	22.2	48.9	65.8	101.0	56.4	22.2	272.2	771.3	900.0	236.8	286.3	131.3	45.0	235.6
Short-term	69.4	7.4	48.0	0.0	5.8	8.2	0.0	48.0	14.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Other sectors	5,324.8	561.0	206.2	305.3	235.1	233.3	331.0	206.2	1,104.6	741.4	661.4	597.7	378.7	224.9	156.1	692.8
5.1. Portfolio investment	439.1	0.0	11.6	11.5	0.0	44.2	0.0	11.6	55.7	0.0	0.0	152.0	7.7	7.7	8.8	195.6
Bonds	408.1	0.0	0.0	0.0	0.0	36.2	0.0	0.0	36.2	0.0	0.0	152.0	7.7	7.7	8.8	195.6
Money market instruments	31.0	0.0	11.6	11.5	0.0	7.9	0.0	11.6	19.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2. Other investment	4,885.7	561.0	194.6	293.8	235.1	189.1	331.0	194.6	1,048.9	741.4	661.4	445.7	371.0	217.2	147.3	497.2
5.2.1. Trade credits	321.7	129.0	29.2	36.2	34.3	19.6	15.7	29.2	105.8	31.5	14.7	6.2	2.9	1.3	0.9	0.3
Long-term	256.6	97.1	18.7	21.5	28.0	17.8	15.7	18.7	83.1	31.5	14.7	6.2	2.9	1.3	0.9	0.3
Short-term	65.2	31.9	10.5	14.7	6.3	1.8	0.0	10.5	22.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2.2. Credits	4,563.9	432.0	165.4	257.6	200.8	169.5	315.2	165.4	943.1	709.9	646.7	439.5	368.1	215.9	146.5	496.9
Long-term	4,340.6	366.6	119.6	214.5	150.4	160.4	305.7	119.6	831.0	709.9	646.7	439.5	368.1	215.9	146.5	496.9
Short-term	223.3	65.4	45.8	43.1	50.4	9.1	9.6	45.8	112.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	20,841.2	759.4	584.0	617.9	413.2	695.8	809.8	584.0	2,536.7	2,648.7	2,926.3	1,827.4	1,483.2	1,549.0	1,097.5	5,429.0
Supplement: Projected interest payments		88.9	127.5	335.5	130.7	148.7	163.0	127.5	777.9	657.8	521.0	398.0	321.4	260.7	186.1	395.0
Note:																
Publicly guaranteed debt	2,609.2															
o/w: Banks and other sectors	1,228.4															

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 H14: International Investment Position – Summary

Million US dollars

	1999	2000	2001	2002	2002				2003		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^a
1. International investment position (net)	-5,196.3	-5,743.5	-4,452.8	-8,867.5	-6,289.6	-6,424.8	-7,018.7	-8,867.5	-9,709.0	-12,037.1	-11,839.6
2. Assets	7,142.9	8,353.9	11,083.4	12,245.9	10,277.8	11,448.7	11,387.2	12,245.9	12,519.8	14,041.0	14,592.5
2.1. Direct investment abroad	881.7	875.1	967.1	1,818.1	922.1	1,477.5	1,224.9	1,818.1	1,480.4	2,144.4	1,542.9
2.2. Portfolio investment	26.0	14.3	22.5	26.3	61.6	26.5	15.0	26.3	23.4	39.5	41.1
2.2.1. Equity securities	26.0	14.3	22.5	26.3	61.6	26.5	15.0	26.3	23.4	39.5	41.1
2.2.2. Debt securities	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
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	3,210.2	3,942.3	5,389.6	4,515.7	4,408.7	4,342.9	4,442.0	4,515.7	4,808.2	5,085.0	5,950.2
2.4.1. Trade credits	194.4	186.3	181.8	188.6	183.5	179.3	188.6	188.6	195.7	199.6	211.5
2.4.2. Loans	164.9	154.7	107.3	134.1	111.6	130.6	134.1	134.1	140.7	138.5	125.9
2.4.3. Currency and deposits	2,850.9	3,601.2	5,100.5	4,193.1	4,113.6	4,033.0	4,119.4	4,193.1	4,471.9	4,746.9	5,612.9
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5. Reserve assets (CNB)	3,025.0	3,522.2	4,704.2	5,885.8	4,885.4	5,601.7	5,705.2	5,885.8	6,207.8	6,772.2	7,058.3
3. Liabilities	12,339.2	14,097.4	15,536.3	21,113.5	16,567.4	17,873.5	18,405.9	21,113.5	22,228.8	26,078.1	26,432.1
3.1. Direct investment in Croatia	2,578.1	3,560.3	4,706.4	6,710.7	5,469.9	5,186.1	5,432.4	6,710.7	6,356.4	8,800.2	8,818.1
3.2. Portfolio investment	2,700.0	3,288.4	3,880.0	4,694.6	3,916.6	4,539.3	4,461.3	4,694.6	5,410.8	5,883.4	5,876.6
3.2.1. Equity securities	128.3	108.8	148.2	169.8	172.6	144.2	209.5	169.8	153.8	187.3	158.7
3.2.2. Debt securities	2,571.8	3,179.6	3,731.8	4,524.8	3,744.0	4,395.1	4,251.8	4,524.8	5,257.0	5,696.1	5,717.9
Bonds	2,554.4	3,170.1	3,704.4	4,524.8	3,739.1	4,390.2	4,246.9	4,524.8	5,257.0	5,684.8	5,687.6
Money market instruments	17.4	9.5	27.4	0.0	4.9	4.9	4.9	0.0	0.0	11.3	30.3
3.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.4. Other investment	7,061.0	7,248.6	6,949.8	9,708.2	7,180.9	8,148.1	8,512.2	9,708.2	10,461.6	11,394.6	11,737.4
3.4.1. Trade credits	390.9	334.0	294.8	312.9	288.8	332.1	319.5	312.9	322.6	329.5	327.3
3.4.2. Loans	6,132.4	6,481.8	6,021.5	7,419.6	6,093.5	6,629.3	6,826.7	7,419.6	8,003.6	8,328.1	8,702.3
3.4.3. Currency and deposits	537.7	432.8	633.5	1,975.7	798.6	1,186.7	1,366.0	1,975.7	2,135.3	2,737.0	2,707.8
3.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data.

Table H14: International Investment Position

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

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

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

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

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

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

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

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

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

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

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

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

Table H15: International Investment Position – Direct Investment

Million US dollars

	1999	2000	2001	2002	2002				2003		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^a
Direct investment (net)	-1,696.4	-2,685.2	-3,739.3	-4,892.6	-4,547.8	-3,708.6	-4,207.4	-4,892.6	-4,876.0	-6,655.8	-7,275.2
1. Abroad	881.7	875.1	967.1	1,818.1	922.1	1,477.5	1,224.9	1,818.1	1,480.4	2,144.4	1,542.9
1.1. Equity capital and reinvested earnings	839.7	824.1	926.8	1,776.0	881.1	1,435.7	1,182.9	1,776.0	1,428.1	2,081.7	1,474.7
Claims	839.7	824.1	926.8	1,776.0	881.1	1,435.7	1,182.9	1,776.0	1,428.1	2,081.7	1,474.7
Liabilities	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 capital	42.0	51.0	40.3	42.1	41.0	41.8	42.1	42.1	52.3	62.7	68.2
Claims	....	....	....	....	....	....	....	....	....	....	....
Liabilities	....	....	....	....	....	....	....	....	....	....	....
1.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	2,578.1	3,560.3	4,706.4	6,710.7	5,469.9	5,186.1	5,432.4	6,710.7	6,356.4	8,800.2	8,818.1
2.1. Equity capital and reinvested earnings	2,205.5	2,904.1	3,760.6	5,304.4	4,469.4	3,968.3	4,168.0	5,304.4	4,663.4	6,907.3	5,877.0
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	2,205.5	2,904.1	3,760.6	5,304.4	4,469.4	3,968.3	4,168.0	5,304.4	4,663.4	6,907.3	5,877.0
2.2. Other capital	372.6	656.2	945.9	1,406.3	1,000.5	1,217.8	1,264.3	1,406.3	1,693.0	1,892.8	2,941.1
Claims	....	....	....	....	....	....	....	....	....	....	....
Liabilities	....	....	....	....	....	....	....	....	....	....	....
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data.

Table H16: International Investment Position – Portfolio Investment

Million US dollars

	1999	2000	2001	2002	2002				2003		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^a
Portfolio investment (net)	-2,674.0	-3,274.1	-3,857.5	-4,668.3	-3,855.0	-4,512.8	-4,446.3	-4,668.3	-5,387.4	-5,843.8	-5,835.5
1. Assets	26.0	14.3	22.5	26.3	61.6	26.5	15.0	26.3	23.4	39.5	41.1
1.1. Equity capital and reinvested earnings	26.0	14.3	22.5	26.3	61.6	26.5	15.0	26.3	23.4	39.5	41.1
Banks	0.7	7.2	7.1	8.5	6.5	8.1	6.5	8.5	3.9	5.7	4.0
Other sectors	25.3	7.1	15.4	15.7	52.5	15.8	6.5	15.7	16.4	30.6	34.4
1.2. Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	2,700.0	3,288.4	3,880.0	4,694.6	3,916.6	4,539.3	4,461.3	4,694.6	5,410.8	5,883.4	5,876.6
2.1. Equity capital and reinvested earnings	128.3	108.8	148.2	169.8	172.6	144.2	209.5	169.8	153.8	187.3	158.7
Banks	61.5	36.5	36.5	40.4	42.5	36.8	96.9	40.4	31.0	43.9	37.3
Other sectors	66.8	72.3	111.7	129.4	130.1	107.5	112.6	129.4	122.8	143.4	121.5
2.2. Debt securities	2,571.8	3,179.6	3,731.8	4,524.8	3,744.0	4,395.1	4,251.8	4,524.8	5,257.0	5,696.1	5,717.9
Bonds	2,554.4	3,170.1	3,704.4	4,524.8	3,739.1	4,390.2	4,246.9	4,524.8	5,257.0	5,684.8	5,687.6
General government	2,523.2	3,141.2	3,677.1	4,357.1	3,712.1	4,230.0	4,089.4	4,357.1	4,882.3	5,286.2	5,289.1
Other sectors	31.2	28.9	27.3	167.7	27.0	160.1	157.5	167.7	374.7	398.6	398.5
Money market instruments	17.4	9.5	27.4	0.0	4.9	4.9	4.9	0.0	0.0	11.3	30.3
Other sectors	17.4	9.5	27.4	0.0	4.9	4.9	4.9	0.0	0.0	11.3	30.3

^a Preliminary data.

Table H17: International Investment Position – Other Investment

Million US dollars

	1999	2000	2001	2002	2002				2003		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^a
Other investment (net)	-3,850.8	-3,306.3	-1,560.2	-5,192.5	-2,772.3	-3,805.2	-4,070.2	-5,192.5	-5,653.3	-6,309.6	-5,787.2
1. Assets	3,210.2	3,942.3	5,389.6	4,515.7	4,408.7	4,342.9	4,442.0	4,515.7	4,808.2	5,085.0	5,950.2
1.1. Trade credits	194.4	186.3	181.8	188.6	183.5	179.3	188.6	188.6	195.7	199.6	211.5
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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. Other sectors	194.4	186.3	181.8	188.6	183.5	179.2	188.5	188.5	195.6	199.5	211.4
Long-term	182.4	154.4	158.9	176.6	165.5	166.6	176.6	176.6	186.7	191.5	203.3
Short-term	12.0	31.9	22.9	11.9	18.0	12.7	11.9	11.9	9.0	8.0	8.1
1.2. Loans	164.9	154.7	107.3	134.1	111.6	130.6	134.1	134.1	140.7	138.5	125.9
1.2.1. General government	3.7	3.5	5.4	5.8	5.3	5.6	5.8	5.8	5.7	5.9	6.3
Long-term	3.7	3.5	5.4	5.8	5.3	5.6	5.8	5.8	5.7	5.9	6.3
1.2.2. Banks	94.8	121.7	73.0	97.5	76.7	95.2	97.5	97.5	104.1	101.4	88.6
Long-term	60.0	83.6	41.4	62.7	42.5	60.2	62.7	62.7	64.9	67.9	62.6
Short-term	34.8	38.1	31.6	34.8	34.2	35.1	34.8	34.8	39.2	33.5	26.1
1.2.3. Other sectors	66.4	29.6	28.9	30.7	29.5	29.8	30.7	30.7	30.9	31.2	31.0
Long-term	66.4	29.6	28.9	30.6	29.5	29.8	30.6	30.6	30.8	31.1	31.0
Short-term	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.0
1.3. Currency and deposits	2,850.9	3,601.2	5,100.5	4,193.1	4,113.6	4,033.0	4,119.4	4,193.1	4,471.9	4,746.9	5,612.9
1.3.2. General government	46.0	69.0	83.5	120.5	79.3	11.4	55.4	120.5	53.2	70.7	1.5
1.3.3. Banks	1,562.9	2,389.2	3,915.0	2,868.6	2,906.3	2,837.6	2,931.0	2,868.6	3,110.7	3,472.2	4,407.4
1.3.4. Other sectors	1,242.0	1,143.0	1,102.0	1,204.0	1,128.0	1,184.0	1,133.0	1,204.0	1,308.0	1,204.0	1,204.0
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	7,061.0	7,248.6	6,949.8	9,708.2	7,180.9	8,148.1	8,512.2	9,708.2	10,461.6	11,394.6	11,737.4
2.1. Trade credits	390.9	334.0	294.8	312.9	288.8	332.1	319.5	312.9	322.6	329.5	327.3
2.1.1. General government	3.3	0.1	1.1	1.3	1.5	1.5	1.3	1.3	1.0	1.0	0.8
Long-term	0.6	0.1	1.1	1.3	1.5	1.5	1.3	1.3	1.0	1.0	0.8
Short-term	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	387.6	334.0	293.7	311.6	287.3	330.6	318.2	311.6	321.6	328.5	326.5
Long-term	302.1	269.5	239.9	262.1	237.9	269.9	262.2	262.1	270.0	272.3	261.5
Short-term	85.4	64.4	53.8	49.6	49.4	60.7	56.0	49.6	51.6	56.3	65.0
2.2. Loans	6,132.4	6,481.8	6,021.5	7,419.6	6,093.5	6,629.3	6,826.7	7,419.6	8,003.6	8,328.1	8,702.3
2.2.1. Croatian National Bank	196.7	158.7	122.1	0.0	118.4	111.7	107.8	0.0	0.0	0.0	0.0
o/w: IMF	196.7	158.7	122.1	0.0	118.4	111.7	107.8	0.0	0.0	0.0	0.0
2.2.2. General government	1,450.8	1,687.1	1,454.4	1,988.0	1,553.8	1,680.6	1,805.5	1,988.0	2,011.2	2,084.1	2,218.1
Long-term	1,375.4	1,327.1	1,454.4	1,988.0	1,553.8	1,680.6	1,805.5	1,988.0	2,011.2	2,084.1	2,218.1
Short-term	75.5	360.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,650.2	1,653.7	1,665.9	2,004.3	1,636.9	1,827.2	1,713.4	2,004.3	2,343.4	2,265.4	2,059.8
Long-term	1,630.1	1,640.0	1,657.7	1,995.0	1,629.0	1,818.3	1,705.0	1,995.0	2,334.0	2,257.0	1,996.5
Short-term	20.1	13.7	8.2	9.3	7.9	8.9	8.5	9.3	9.4	8.4	63.3
2.2.4. Other sectors	2,834.7	2,982.3	2,779.1	3,427.4	2,784.4	3,009.9	3,199.9	3,427.4	3,649.0	3,978.6	4,424.4
Long-term	2,606.5	2,838.0	2,691.6	3,258.3	2,677.8	2,880.7	3,024.2	3,258.3	3,469.2	3,809.7	4,226.2
Short-term	228.2	144.3	87.5	169.1	106.6	129.1	175.7	169.1	179.9	168.9	198.3
2.3. Currency and deposits	537.7	432.8	633.5	1,975.7	798.6	1,186.7	1,366.0	1,975.7	2,135.3	2,737.0	2,707.8
2.3.1. Banks	537.7	432.8	633.5	1,975.7	798.6	1,186.7	1,366.0	1,975.7	2,135.3	2,737.0	2,707.8
2.4. Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data.

Table I1: Consolidated Central Government

Million kuna

million kuna

	1998	1999	2000	2001	2002	2003					
						Mar.	Jun.	Jul.	Aug.	Sep.	Oct.
REVENUE AND GRANTS											
1. Budgetary central government	43,808.6	46,355.5	44,635.7	52,747.4	66,932.2	5,739.7	6,026.8	6,704.3	5,879.1	6,085.1	6,537.7
2. Extrabudgetary funds	21,302.1	21,185.5	22,099.3	18,098.2	4,026.3	380.1	532.2	572.4	599.9	541.3	480.0
2.1. Pension Fund	10,713.4	10,799.8	11,254.2	5,806.8	129.8	7.9	5.5	7.3	22.2	10.6	6.7
2.2. Health Insurance Fund	8,269.0	8,686.4	8,967.4	10,314.5	473.7	47.9	116.6	78.7	61.9	59.4	51.4
2.3. Employment Fund	718.2	760.6	822.4	910.9	25.4	2.2	1.6	2.0	1.1	1.7	1.1
2.4. Child Benefit Fund	542.8	9.1	7.1	5.1	–	–	–	–	–	–	–
2.5. Croatian Waters	1,058.6	929.6	1,048.2	1,060.9	1,098.8	63.9	88.3	102.6	86.0	117.6	121.1
2.6. Development and Employment Fund	–	–	–	–	1,797.8	–	–	–	–	–	–
2.7. Regional Development Fund	–	–	–	–	500.9	–	–	–	–	–	–
2.8. Croatian Highways	–	–	–	–	–	136.1	161.0	191.3	198.3	195.6	177.4
2.9. Croatian Roads	–	–	–	–	–	94.2	111.5	106.6	111.3	121.5	104.3
2.10. State Agency for Deposit Insurance and Bank Rehabilitation	–	–	–	–	–	15.3	8.5	40.7	105.6	4.5	10.3
2.11. Croatian Privatization Fund	–	–	–	–	–	12.6	39.3	43.2	13.6	30.3	7.7
A. Total (1+2)	65,110.7	67,541.0	66,735.0	70,845.6	70,958.5	6,119.8	6,559.0	7,276.7	6,479.0	6,626.4	7,017.7
EXPENDITURE AND LENDING (minus repayments)											
3. Budgetary central government	34,125.4	35,979.1	36,730.8	44,844.5	67,543.8	6,666.0	5,842.1	6,928.3	5,321.6	5,967.9	6,691.6
4. Extrabudgetary funds	30,103.1	34,363.9	37,701.4	30,044.6	7,030.5	655.3	1,337.5	1,072.6	1,030.5	1,139.6	1,120.2
4.1. Pension Fund	16,170.4	18,998.5	20,180.8	12,125.3	1,558.1	139.8	152.0	149.3	148.6	155.1	163.1
4.2. Health Insurance Fund	10,776.0	11,919.6	13,918.1	13,192.7	1,261.1	33.6	155.6	73.9	50.4	22.8	118.0
4.3. Employment Fund	571.2	824.9	995.5	983.4	236.7	11.8	9.9	12.5	10.0	10.5	11.7
4.4. Child Benefit Fund	1,032.1	1,136.2	1,250.6	2,467.0	–	–	–	–	–	–	–
4.5. Croatian Waters	1,553.3	1,484.8	1,356.4	1,276.1	1,409.9	49.8	105.3	136.9	113.7	149.4	149.7
4.6. Development and Employment Fund	–	–	–	–	2,288.0	–	–	–	–	–	–
4.7. Regional Development Fund	–	–	–	–	276.6	–	–	–	–	–	–
4.8. Croatian Highways	–	–	–	–	–	291.8	653.4	509.0	600.7	588.7	570.8
4.9. Croatian Roads	–	–	–	–	–	102.7	150.2	180.5	102.9	104.7	101.2
4.10. State Agency for Deposit Insurance and Bank Rehabilitation	–	–	–	–	–	22.5	106.5	4.9	0.9	1.2	1.4
4.11. Croatian Privatization Fund	–	–	–	–	–	3.2	4.6	5.7	3.2	107.1	4.3
B. Total (3+4)	64,228.6	70,343.0	74,432.3	74,889.1	74,574.3	7,321.3	7,179.6	8,001.0	6,352.1	7,107.5	7,811.8
C. Overall surplus/deficit (A-B)	882.1	–2,802.1	–7,697.3	–4,043.5	–3,615.8	–1,201.5	–620.6	–724.2	126.9	–481.1	–794.1
5. Budgetary central government (1-3)	9,683.1	10,376.4	7,904.8	7,902.9	–611.6	–926.3	184.8	–224.1	557.5	117.2	–154.0
6. Extrabudgetary funds (2-4)	–8,801.1	–13,178.4	–15,602.1	–11,946.4	–3,004.2	–275.2	–805.3	–500.2	–430.6	–598.3	–640.2

Source: Ministry of Finance.

Table I2: Budgetary Central Government Operations

Million kuna

	1999	2000	2001	2002	2003			
					Mar.	Jun.	Sep.	Oct.
1. Total revenue	46,355.5	44,635.7	53,503.6	69,869.1	6,012.1	6,315.6	6,382.9	6,761.3
1.1. Current revenue	40,044.6	41,535.0	48,906.3	69,651.1	5,989.9	6,297.3	6,359.9	6,732.9
1.1.1. Tax revenue	38,317.6	39,939.0	47,274.0	67,965.5	5,850.0	6,202.7	6,246.9	6,611.0
1.1.2. Nontax revenue	1,727.0	1,595.9	1,632.3	1,685.6	139.8	94.7	113.0	121.9
1.2. Capital revenue	6,310.9	3,100.7	4,597.3	218.0	22.2	18.3	23.0	28.4
2. Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.6
2.1. Current	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.6
2.2. Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A. Total revenue and grants (1+2)	46,355.5	44,635.7	53,503.6	69,869.1	6,012.1	6,315.6	6,382.9	6,770.8
3. Total expenditure	47,379.6	49,567.5	56,723.3	71,992.1	6,716.0	6,003.5	6,388.9	7,033.5
3.1. Current expenditure	38,476.1	44,237.4	52,819.2	68,923.5	6,540.0	5,569.5	6,046.7	6,636.7
3.2. Capital expenditure	8,903.5	5,330.1	3,904.1	3,068.7	176.1	434.0	342.2	396.8
4. Lending minus repayments	1,499.2	1,176.1	1,089.5	1,377.5	388.8	326.3	96.0	119.3
B. Total expenditure and lending minus repayment	48,878.8	50,743.5	57,812.8	73,369.6	7,104.8	6,329.8	6,484.9	7,152.7
5. Current account surplus without grants (1.1.-3.1.)	1,568.5	-2,702.4	-3,912.9	727.6	-550.1	727.8	313.2	96.2
6. Current account surplus with current grants (5+2.1.)	1,568.5	-2,702.4	-3,912.9	727.6	-550.1	1,727.8	313.2	105.7
7. Gross fixed capital formation ^a	-2,216.9	-395.4	-3,101.4	966.7	45.0	127.5	178.8	130.4
8. Gross capital formation ^b	-2,216.9	-395.4	-3,101.4	966.7	45.0	127.5	178.8	130.4
C. Overall surplus/deficit (A-B)	-2,523.3	-6,107.9	-4,309.1	-3,500.5	-1,092.8	-14.2	-102.0	-381.9
9. Foreign financing	4,615.1	6,921.5	2,299.6	2,347.8	3,014.4	1,046.3	-74.1	602.5
10. Domestic financing	-2,091.8	-813.6	2,009.6	1,152.7	-1,921.6	-1,032.2	176.1	-220.6
10.1. From other general government	-87.0	-92.0	-11.0	0.0	0.0	0.0	0.0	0.0
10.2. From monetary authorities	2.0	-12.5	-389.1	241.7	-2,027.6	-947.5	189.1	-829.5
10.3. From deposit money banks	-1,859.4	-288.8	2,559.1	782.9	83.4	-121.0	-109.5	595.3
10.4. Other domestic financing	-147.4	-420.3	-149.4	128.1	22.6	36.3	96.6	13.6
D. Total financing (9+10)	2,523.3	6,107.9	4,309.1	3,500.5	1,092.8	14.2	102.0	381.9

^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

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Domestic debt of central government	16,754.6	21,324.2	24,907.3	28,746.7	30,814.2	32,554.8	32,186.9	32,722.3
1.1. Domestic debt of the Republic of Croatia	16,012.1	18,509.7	21,467.9	24,735.0	27,000.1	28,759.7	28,262.8	28,919.4
Treasury bills	776.7	2,564.6	4,892.3	5,632.7	5,696.1	5,983.8	5,645.9	5,940.3
Money market instruments	153.3	14.2	7.4	0.1	0.0	0.1	0.1	0.1
Bonds	13,720.7	14,082.5	15,415.8	16,021.7	17,472.6	17,980.8	17,508.1	17,552.3
Credits from the CNB	24.1	0.0	–	0.5	2.0	1.5	3.0	2.5
Credits from DMBs	1,337.3	1,848.4	1,152.4	3,080.0	3,829.3	4,793.5	5,105.8	5,424.3
1.2. Domestic debt of central government funds	742.5	2,814.4	3,439.4	4,011.8	3,814.1	3,795.1	3,924.1	3,802.9
Money market instruments	–	–	–	–	–	–	–	–
Bonds	–	1,686.8	1,636.1	1,652.2	1,707.7	1,667.0	1,680.8	1,685.9
Credits from DMBs	742.5	1,127.6	1,803.3	2,359.6	2,106.4	2,128.1	2,243.2	2,117.0
2. External debt of central government	29,981.4	38,927.2	42,413.4	45,056.1	49,025.3	48,100.0	49,452.0	51,759.0
2.1. External debt of the Republic of Croatia	28,617.0	36,845.7	39,656.8	41,296.8	45,243.0	44,432.9	45,602.7	46,665.9
Money market instruments	–	–	–	–	–	–	–	–
Bonds	18,903.3	25,231.2	30,029.0	30,115.3	33,936.6	33,747.4	34,056.8	34,113.1
Credits	9,713.7	11,614.5	9,627.8	11,181.6	11,306.4	10,685.5	11,545.9	12,552.9
2.2. External debt of central government funds	1,364.3	2,081.5	2,756.7	3,759.3	3,782.2	3,667.1	3,849.3	5,093.0
Money market instruments	–	–	–	–	–	–	–	–
Bonds	390.6	386.5	696.6	1,019.3	1,045.1	1,004.0	1,012.4	1,009.4
Credits	973.7	1,695.0	2,060.0	2,739.9	2,737.2	2,663.1	2,836.9	4,083.6
3. Total (1+2)	46,735.9	60,251.4	67,320.8	73,802.9	79,839.4	80,654.8	81,638.9	84,481.3
Supplement: Central government guaranteed debt								
– guarantees for domestic debt	....	3,412.3	6,025.6	7,528.1	7,683.7	6,807.7	6,534.8	6,761.5
– guarantees for external debt	8,844.0	9,636.0	8,548.9	7,786.1	8,231.6	7,741.8	8,104.9	8,077.2

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, Cost of Living and Producer Prices Indices

Year	Month	Chain indices			Monthly year-on-year indices			Cumulative year-on-year indices		
		Retail prices	Cost of living	Producer prices	Retail prices	Cost of living	Producer prices	Retail prices	Cost 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	December	100.0	100.5	100.2	107.4	106.8	111.2	106.2	105.3	109.7
2001	December	99.8	100.6	99.0	102.6	102.5	96.9	104.9	104.8	103.6
2002	August	99.9	99.8	99.9	101.2	101.1	100.7	102.4	102.0	98.7
	September	100.5	100.3	100.4	101.5	101.1	100.4	102.2	101.9	98.9
	October	100.5	100.3	101.0	102.1	101.8	100.6	102.2	101.9	99.2
	November	99.7	100.3	99.4	102.0	102.0	101.5	102.3	101.9	99.4
	December	100.1	100.4	99.9	102.3	101.8	102.3	102.2	101.9	99.6
2003	January	100.4	100.4	100.5	101.6	100.8	102.9	101.6	100.8	102.9
	February	100.2	100.2	100.4	101.7	101.0	102.7	101.6	100.9	102.8
	March	100.4	100.5	100.8	101.7	101.4	104.7	101.7	101.1	103.4
	April	99.6	100.2	99.1	100.9	101.1	102.8	101.5	101.1	103.3
	May	100.2	101.0	99.2	100.9	101.3	101.8	101.4	101.1	103.0
	June	100.1	99.9	100.2	101.1	102.3	101.7	101.3	101.3	102.8
	July	100.0	99.7	100.2	101.5	102.9	101.4	101.3	101.5	102.5
	August	100.1	99.6	100.5	101.7	102.8	102.0	101.4	101.7	102.5
	September	100.4	100.6	99.6	101.6	103.2	101.2	101.4	101.9	102.4
	October	100.3	100.1	100.2	101.5	103.0	100.0	101.4	102.0	102.1
	November	100.1	100.1	100.3	101.9	102.8	100.9	101.5	102.0	102.0

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	December	100.1	100.1	100.2	104.6	104.8	103.5
2001	December	99.8	99.7	100.8	101.7	101.1	105.6
2002	August	100.0	100.0	99.9	100.3	99.9	102.9
	September	100.3	100.3	100.1	100.6	100.3	102.7
	October	100.5	100.5	100.5	101.1	100.8	103.0
	November	99.9	100.2	98.4	101.0	101.0	101.2
	December	100.0	100.0	100.0	101.2	101.4	100.2
2003	January	99.7	99.6	100.1	100.6	100.7	99.2
	February	99.9	99.9	99.9	100.3	100.5	98.9
	March	100.1	100.1	100.2	100.2	100.4	99.1
	April	100.0	99.9	100.5	100.1	100.1	99.5
	May	100.3	100.2	100.7	100.3	100.3	100.1
	June	100.2	100.2	100.1	100.5	100.5	100.2
	July	99.8	99.7	100.8	100.6	100.5	101.0
	August	99.9	99.8	100.1	100.5	100.3	101.3
	September	100.7	100.9	100.2	100.9	100.9	101.4
	October	100.5	100.4	100.6	101.0	100.8	101.5
	November	100.2	100.2	100.3	101.3	100.9	103.5

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	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	August	3,738.0	99.5	104.8	104.3
	September	3,673.0	98.3	107.1	104.6
	October	3,766.0	102.5	106.4	104.8
	November	3,916.0	104.0	105.7	104.8
	December	3,839.0	98.0	107.2	105.0
2003	January	3,891.0	101.4	108.2	108.2
	February	3,786.0	97.3	108.2	108.2
	March	3,846.0	101.6	106.2	107.5
	April	3,892.0	101.2	105.3	106.9
	May	3,973.0	102.1	104.6	106.5
	June	3,988.0	100.4	107.2	106.6
	July	3,981.0	99.8	106.0	106.5
	August	3,915.0	98.4	104.7	106.3
	September	3,899.0	99.6	106.1	106.3

Source: Central Bureau of Statistics.

Table J2: Core Retail Prices Indices

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 92 goods and services are excluded and their share in the retail price basket stands at 25.14% in 2003 (of which: agricultural products account for 2.18 percentage points, and administrative prices for 22.96 percentage points). The zero weighting method is used to exclude prices and goods.

List of Deposit Money Banks & Savings Banks

1 December 2003

Licensed Banks

1. Banka Brod d.d., Slavonski Brod¹
2. Banka Kovanica d.d., Varaždin¹
3. Banka Sonic d.d., Zagreb
4. Brodsko-posavska banka d. d., Slavonski Brod
5. Centar banka d.d., Zagreb
6. Credo banka d.d., Split
7. Croatia banka d.d., Zagreb
8. Dresdner Bank Croatia d.d., Zagreb
9. Dubrovačka banka d.d., Dubrovnik
10. Erste & Steiermärkische Bank d.d., Zagreb
11. Gospodarsko kreditna banka d.d., Zagreb
12. Hrvatska poštanska banka d.d., Zagreb
13. HYPO Alpe-Adria-Bank d.d., Zagreb
14. Imex banka d.d., Split
15. Istarska kreditna banka Umag d.d., Umag
16. Jadranska banka d.d., Šibenik
17. Karlovačka banka d.d., Karlovac
18. Kreditna banka Zagreb d.d., Zagreb
19. Križevačka banka d.d. Križevci¹
20. Kvarner banka d.d., Rijeka
21. Međimurska banka d.d., Čakovec
22. Nava banka d.d., Zagreb
23. Nova banka d.d., Zagreb
24. Partner banka d.d., Zagreb
25. Podravska banka d.d., Koprivnica
26. Požeška banka d.d., Požega
27. Primorska banka d.d. Rijeka
28. Primus banka d.d., Zagreb
29. Privredna banka – Laguna banka d.d., Poreč
30. Privredna banka Zagreb d.d., Zagreb
31. Raiffeisenbank Austria d.d., Zagreb
32. Riadria banka d.d., Rijeka
33. Samoborska banka d.d., Samobor
34. Slatinska banka d.d., Slatina
35. Slavonska banka d.d., Osijek
36. Splitska banka d.d., Split
37. Splitsko-dalmatinska banka d.d., Split¹
38. Štedbanka d.d., Zagreb
39. Varaždinska banka d.d., Varaždin
40. Volksbank d.d., Zagreb
41. Zagorska banka d.d., Krapina¹
42. Zagrebačka banka d.d., Zagreb

Licensed Housing Savings Banks

1. PBZ Stambena štedionica d.d., Zagreb
2. Prva stambena štedionica d.d., Zagreb
3. Raiffeisen stambena štedionica d.d., Zagreb
4. Wüstenrot stambena štedionica d.d., Zagreb

Other Licensed Institutions with Full Authorization

1. Hrvatska banka za obnovu i razvitak, Zagreb

Representative Offices of Foreign Banks

1. Bank für Kärnten und Steiermark AG, Zagreb
2. Commerzbank Aktiengesellschaft, Zagreb
3. Deutsche Bank AG, Zagreb
4. LHB Internationale Handelsbank AG, Zagreb
5. Sanpaolo IMI S.p.A., Zagreb

Banks and Savings Banks under Bankruptcy Proceedings

Name of bank/savings bank	Date of bankruptcy proceedings initiation
1. Adria štedionica d.o.o., Zagreb	12/10/2000
2. Agroobrtnička banka d.d., Zagreb	14/06/2000
3. Alpe Jadran banka d.d., Split	15/06/2002
4. Cibale banka d.d., Vinkovci	20/10/2000
5. Glumina banka d.d., Zagreb	30/04/1999
6. Gold štedionica d.o.o., Split	05/10/2001
7. Gospodarska štedionica d.d., Vrbovec	03/04/2003
8. Gradska banka d.d., Osijek	03/05/1999
9. Građanska štedionica d.o.o., Karlovac	03/11/1998
10. Hrvatska gospodarska banka d.d., Zagreb	19/04/2000
11. Ilirija banka d.d., Zagreb	06/04/1999
12. Invest štedionica d.o.o., Zagreb	30/06/1999
13. Kaptol banka d.d., Zagreb	25/11/2002
14. Komercijalna banka d.d., Zagreb	30/04/1999
15. Neretvansko gospodarska banka d.d., Ploče	10/05/1999
16. Promdei banka d.d., Zagreb	22/12/1999
17. Razvojna banka "Dalmacija" d.o.o., Split	24/09/2001
18. Slavonska štedionica d.d., Zagreb	04/12/2002
19. Štedionica Dugi pogled d.o.o., Zagreb	19/01/2001
20. Štedionica Groš banak d.o.o., Zagreb	23/04/2001
21. Štedionica Mediteran d.o.o., Split	5/12/2001
22. Štedionica za razvoj i obnovu d.o.o., Zagreb	02/07/2001
23. Trgovačko-turistička banka d.d., Split	08/09/2000
24. Vukovarska banka d.d., Vukovar	25/02/1998
25. Županjska banka d.d., Županja	03/05/1999

¹ In accordance with Article 190 of the Banking Law and the pace prescribed therein, the bank is required to adjust its share capital to the provisions of this Law by 31 December 2006.

Banks and Savings Banks under Liquidation Proceedings

Name of bank/savings bank	Date of liquidation proceedings initiation
1. Convest banka d.d., Zagreb	01/11/2003
2. Investicijsko-komercijalna štedionica d.d., Zagreb	31/05/2000
3. Međimurska štedionica d.d., Čakovec	15/10/2003
4. Štedionica Dora d.d., Zagreb	01/01/2002
5. Štedionica SA-GA d.d., Zagreb	31/12/2001

6. Štedionica Zlatni vrutak d.d., Zagreb	28/12/2001
7. Trgovačka štedionica d.o.o., Zagreb	01/01/2002

Banks and Savings Banks whose License Was Revoked, but Have Not Initiated Liquidation Proceedings

Name of bank/savings bank	Date of revoking operating license
1. Hibis štedionica d.d., Zagreb	07/03/2001
2. Marvil štedionica d.d., Zagreb	08/06/2001

Management of the Croatian National Bank

1 December 2003

Members of the Council of the Croatian National Bank

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

Management of the CNB

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

Executive Directors

Research and Statistics Area	Ljubinko Jankov
Central Banking Operation Area	Irena Kovačec
International Affairs and External Relations Area	Jadranka Granić
Banker Supervision Area	Marija Mijatović-Jakšić
Planning, Analysis and Accounting Area	
Payment Operations Area	Neven Barbaroša
Information Technology Area	Mario Žgela
Legal, Human Resources, General Support and Administrative Services Area	Boris Ninić

List of Abbreviations & Symbols

bn	– billion
b.p.	– basis points
CBRD	– Croatian Bank for Reconstruction and Development
CBS	– Central Bureau of Statistics
CEFTA	– Central European Free Trade Agreement
CEI	– Croatian Employment Institute
CH	– Croatian Highways
CNB	– Croatian National Bank
consumpt.	– consumption
CPF	– Croatian Privatization Fund
CPII	– Croatian Pension Insurance Institute
CR	– Croatian Roads
DAB	– State Agency for Deposit Insurance and Bank Rehabilitation
dep.	– deposit
DMB	– deposit money bank
ECB	– European Central Bank
EFTA	– European Free Trade Association
EMU	– European Monetary Union
EU	– European Union
f/c	– foreign currency
FEMPI	– Foreign Exchange Market Pressure Index
FDI	– foreign direct investment
FINA	– Financial Agency
FISIM	– Financial Intermediation Services Indirectly Measured
GDP	– gross domestic product
GVA	– gross value added
IMF	– International Monetary Fund
IPT	– Institute for Payment Transactions
MEFP	– Memorandum of Economic and Financial Policies
MoF	– Ministry of Finance
NUR	– net usable reserves

o.w.	– of which
PPI	– producer price index
Q	– quarterly
RPI	– retail price index
RR	– reserve requirement
SDR	– special drawing rights
VSE	– Varaždin Stock Exchange
ZIBOR	– Zagreb Interbank Offered Rate
ZMM	– Zagreb Money Market
ZSE	– Zagreb Stock Exchange
WTO	– World Trade Organization

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
EUR	– euro
JPY	– Japanese yen

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

