

**CROATIAN NATIONAL BANK**

**B U L L E T I N**

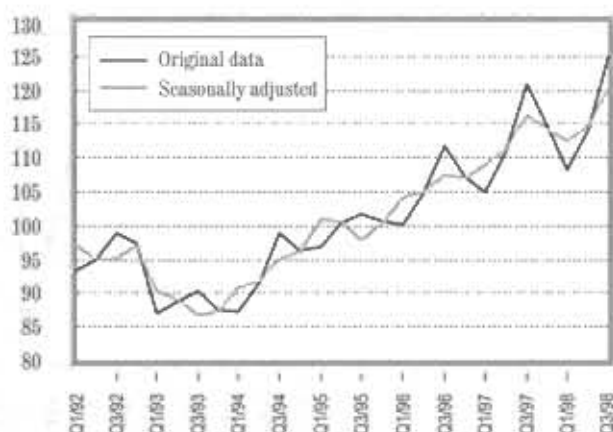
**No. 35 - FEBRUARY 1999**

## REAL SECTOR

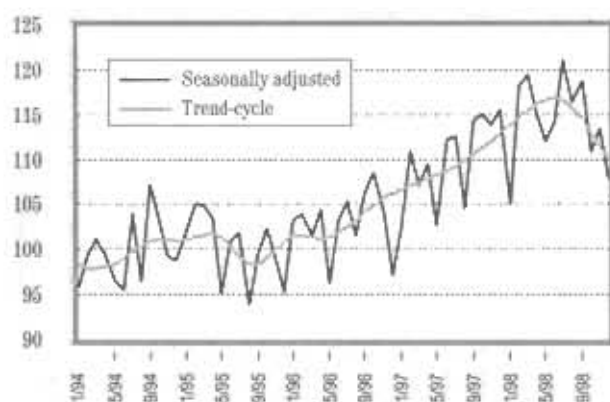
Industrial production and tourist night-stays are the only real sector indicators yet available for all of 1998. Industrial production in 1998 exceeded the 1997 figure by 3.7 percent. The number of tourist night-stays in 1998 grew by 3.2 percent. Data on transportation of goods and passengers and on retail trade turnover are available for the first eleven months of 1998. A decrease in the number of passengers transported (-7.9 percent), a decrease in the amount of goods transported (-1.3 percent) and an unchanged real value of retail trade turnover compared to the corresponding period of the preceding year indicate that the main generators of growth of total real sector output have been industrial production and tourism. These are followed by construction, which grew at an annual rate of 3.0 percent in the first nine months of 1998.

Regarding the sectors of the National Classification of Activities, production increased 3.2 percent in the processing industry, 8.7 percent in energy supply, and decreased 2.4 percent in mining and mineral extraction in 1998. The energy supply sector once again contributed heavily to the growth of total industry, thanks to its rapid growth and high share in total industry value added. Three of the largest and also the most carefully-analyzed branches within processing industry recorded following results: production of food and beverages grew at a 3.9 percent annual rate, production of chemicals and chemical products decreased 6.6 percent, and the printing and publishing output increased by a substantial 12.5 percent. The next most significant group of industries (with a share of total industry exceeding 4 percent) recorded the following results: production of clothes remained the same as in 1997, production of other non-metallic mineral products increased by 14.0

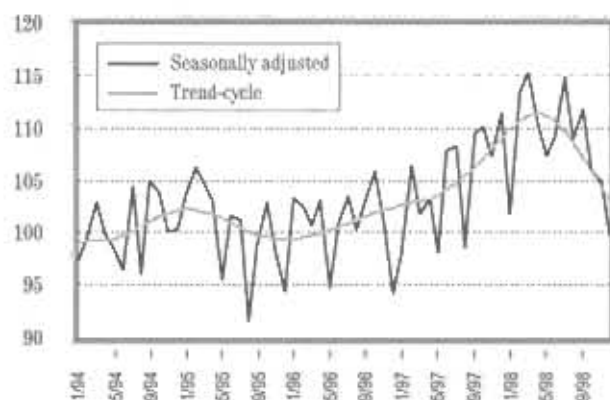
REAL GROSS DOMESTIC PRODUCT, 1995 = 100



MANUFACTURING PRODUCTION INDEX  
Seasonally adjusted and trend-cycle (1995 = 100)

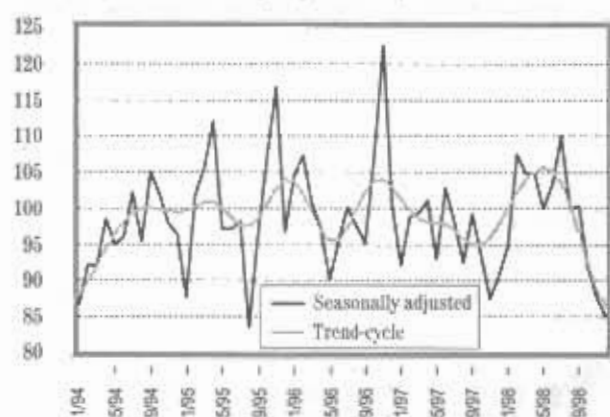


PROCESSING INDUSTRY  
Seasonally adjusted and trend-cycle (1995 = 100)



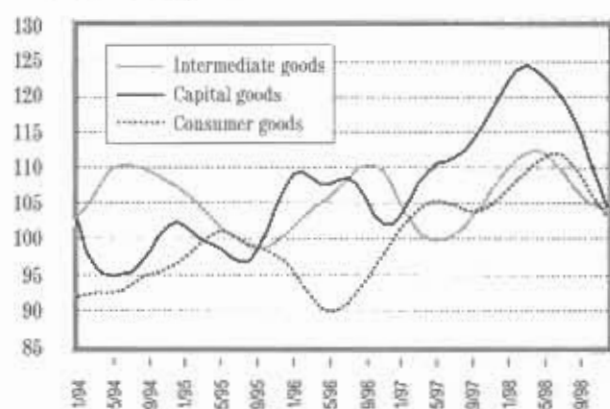
## PRODUCTION OF FOOD AND BEVERAGES

Seasonally adjusted and trend-cycle (1995 = 100)



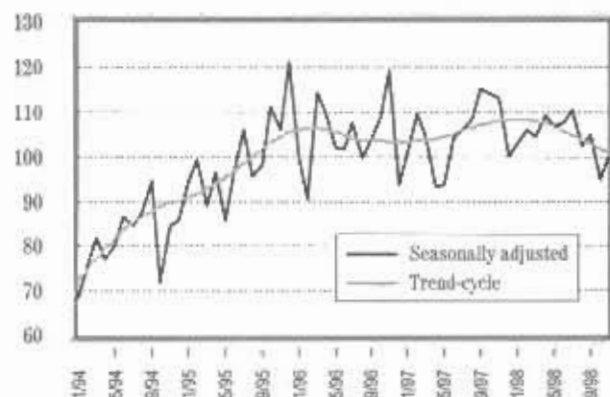
## INDEX OF PRODUCTION VOLUME IN INDUSTRY BY MAIN INDUSTRIAL GROUPS

Trend-cycle (1995 = 100)



## TRANSPORTATION - GOODS

Seasonally adjusted and trend-cycle (1995 = 100)



percent, production of metal products excluding machines and equipment increased by 11.1 percent, while the production of other transportation devices increased by 20.6 percent.

The value of merchandise exports of the industrial sector increased 13.3 percent in 1998 compared to the preceding year (measured in kuna), while imports decreased 4.9 percent. The largest amounts of exports were achieved in the production of other transportation devices (including shipbuilding), followed by production of chemicals and chemical products, production of clothes and finishing and dyeing of fur. These three groups accounted for 40.8 percent of the exports of total industry, i.e. 41.0 percent of processing industry's exports. The largest value of imports came in production of chemicals and chemical products, production of machines and equipment and production of motor vehicles, trailers and semi-trailers. These three groups accounted for 35.3 percent of the value of industry's exports, i.e. 37.9 percent of processing industry's exports.

The quantity of goods transported in the first eleven months of 1998 decreased 1.3 percent compared to the corresponding period last year. A decrease in the quantity of goods transported was seen in rail transport, road transport, and maritime transport. At the same time, transport of oil and gas, transport via internal waterways and air transport increased. The number of passengers transported in the first eleven months of 1998 decreased 7.9 percent compared to last year. Breaking the figures down by type of transportation, railroad and the road transport decreased, while maritime and air transport increased.

The physical volume of construction works in the first nine months of 1998 increased 3.0 percent compared to the corresponding period of the preceding year. A significant three-month year-on-year growth occurred in the first quarter (6.7 per-

cent), growth was more moderate in the second quarter (2.8 percent), while in the third quarter of 1998 the volume of construction works completed was unchanged compared to the same quarter of the preceding year.

In 1998, 5.4 million tourists who recorded 31.3 million night-stays visited our country. The number of tourists increased by 4.7 percent annually, while the number of night-stays increased only 3.2 percent. Foreign tourist arrivals and night-stays grew on a year-on-year basis, while with domestic tourists the situation was just the opposite.

## PRICES

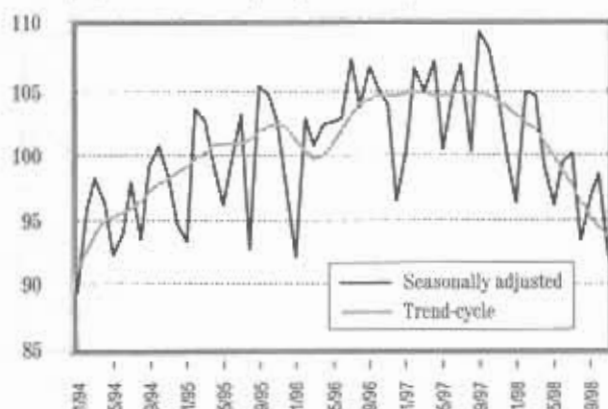
Retail prices increased in January at the rate of 0.5 percent. More importantly, the increase in prices on the annual level amounted to a mere 3.4 percent. In other words, increase in retail prices in 1998 did not exceed the increase in retail prices in preceding years (exclusive of the initial effects of the introduction of the value added tax).

The increase in prices was to an equal extent the result of increases in prices of both goods and services. The prices of goods increased 0.5 percent, while the prices of services increased 0.4 percent. The growth of prices of goods was mainly the result of movements in agricultural prices, which increased by 7.2 percent (including seasonal products) and 5.9 percent (excluding seasonal products).

The cost of living increased 0.9 percent in January. On the annual level, the cost of living increased by 3.3 percent. That means that the increase in the cost of living was almost identical to the increase in retail prices in the last twelve months. The cost of goods increased in January by 1.0 percent, while the cost of services increased 0.7 percent. Within the cost of goods, the most significant increase

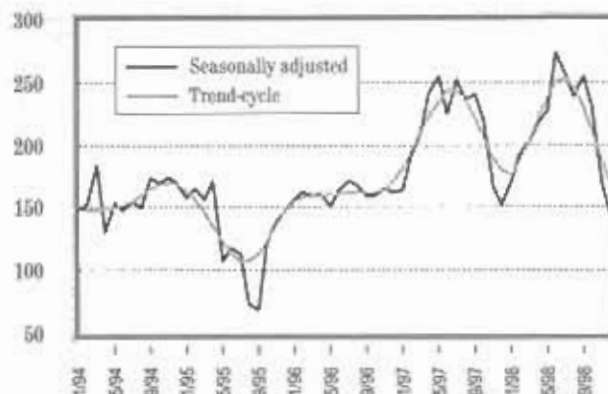
### TRANSPORTATION - PASSENGERS

Seasonally adjusted and trend-cycle (1995 = 100)

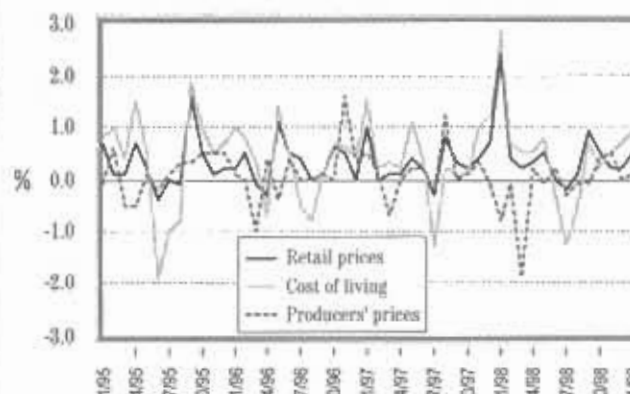


### TOURISM - OVERNIGHT STAYS

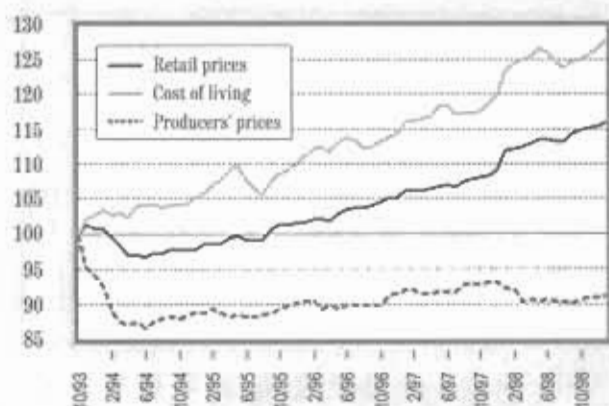
Seasonally adjusted and trend-cycle (1995 = 100)



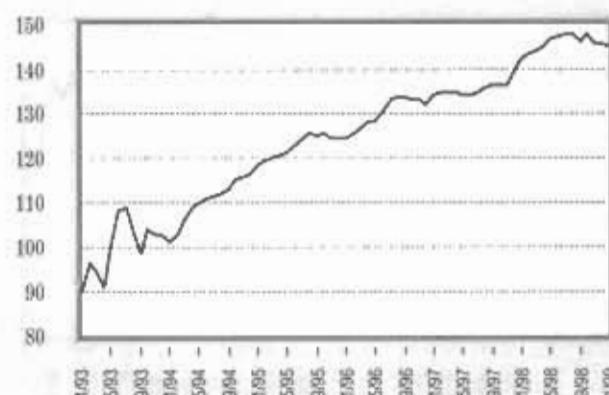
### MONTHLY RATES OF CHANGE (%) OF RETAIL PRICES, PRODUCERS' PRICES AND COST OF LIVING



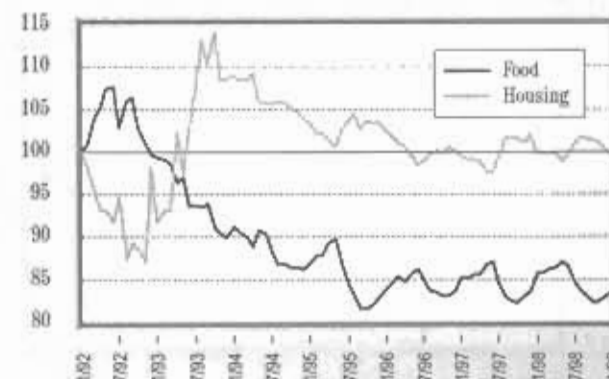
INDICES OF RETAIL PRICES, COST OF LIVING AND PRODUCERS' PRICES  
October 1993 = 100



RELATIVE PRICE INDEX FOR NON-TRADABLE GOODS  
(prices of services relative to goods' prices), 1992 = 100



INDICES OF RELATIVE PRICES OF FOOD AND HOUSING  
January 1992 = 100



Note: index is calculated as ratio of food prices and housing prices to total cost of living index.

was recorded in the cost of foodstuffs (1.6 percent). Among other costs, the most significant increase came in the cost of hygiene and health: 0.7 percent. It should be noted that, on the annual level, the most significant cost increase occurred in the cost of education, culture and entertainment: 9.3 percent.

Producers' prices of industrial products increased 0.1 percent in January. The most significant increase in prices occurred capital goods and non-durable consumer goods (0.5 percent). The price of energy decreased 0.9 percent, while the prices of all other products remained unchanged.

## EMPLOYMENT AND WAGES

Registered unemployment increased during December 1998 by 5,257 persons (i.e. 1.8 percent), reaching 302,731. The average level of registered unemployment amounted to 287,762 persons in 1998. This increase of 10,071 compared last year's figure.

Total employment decreased in December by 11,549 persons (0.9 percent), falling to 1,326,912 persons. In 1998, total employment amounted to an average of 1,350,147, which is 44,367 (i.e. 3.2 percent) less than the 1997 figure. The unemployment rate reached 18.6 percent in December. The average unemployment rate recorded in 1998 was 17.6 percent.

According to the labor survey in the first half of 1998, the total active population (i.e. working-age population) was 1,732 thousand, 36 thousand less than the figure found by the survey in June 1997. The total workforce includes 1,538 thousand employed and 194 thousand unemployed. This decrease in the active population occurred along with an increase in unemployment (by 19 thousand) and

a decrease in employment (by 55 thousand). These developments led to an increase in the survey rate of unemployment to 11.2 percent (from 9.9 percent in June 1997).

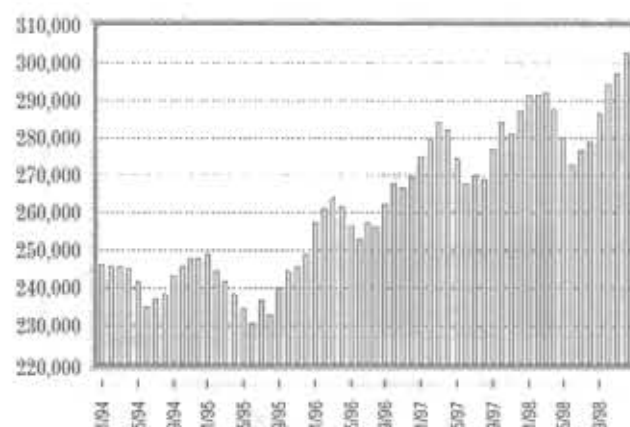
Net wages in December increased 0.5 percent in nominal terms, while at the same time real wages decreased 0.2 percent. Nominal net wages increased 12.8 percent on average in 1998. Deflated by the cost of living index, this yields a real growth rate of 5.9 percent. The year-on-year index of growth of gross wages was slightly higher. It grew 13.1 percent in nominal terms and 6.3 percent in real terms.

## MONETARY DEVELOPMENTS

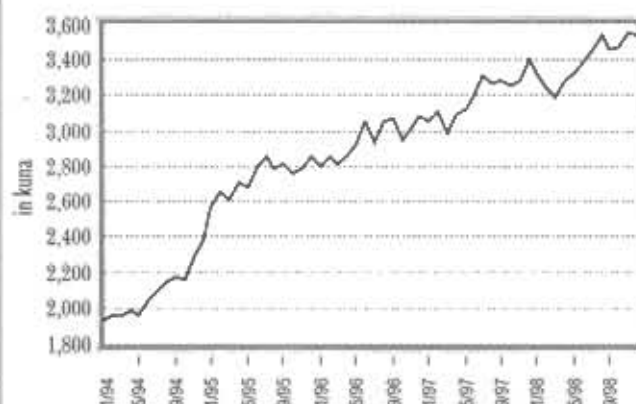
The final data for December allow us to make an assessment of monetary developments in 1998. The year was characterized by a slow-down in both real and monetary growth compared to 1997. The growth of lending was half as fast as in 1997. Net foreign assets (expressed in kuna) decreased 25 percent compared to 1997 (as opposed to 45 percent growth in 1997 compared to 1996).

The money supply, which grew 21 percent in 1997, decreased 1.0 percent (non-seasonally adjusted) in 1998. Cash increased by 7.7 percent, while deposit money decreased by 7.2 percent. Such divergent developments in cash and deposit money differ from those recorded in 1997, when both components of the money supply grew at very similar rates - around 21 percent). The structure of deposit money by sectors also reveals a significant difference between developments in deposit money of the household sector and deposit money in the enterprise sector. Deposits by enterprises decreased by 15.8 percent in 1998, while deposits by households increased by 11.3 percent. Such devel-

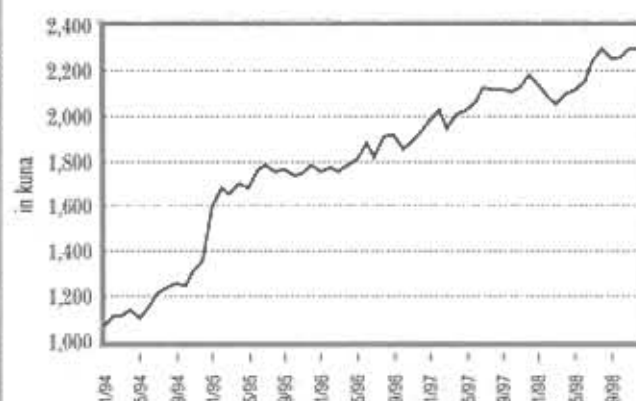
NUMBER OF THE UNEMPLOYED



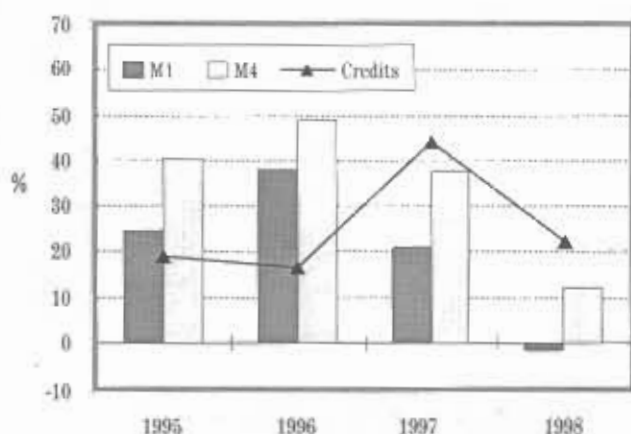
REAL AVERAGE GROSS WAGE  
Constant prices, January 1994



REAL AVERAGE NET WAGE  
Constant prices, January 1994

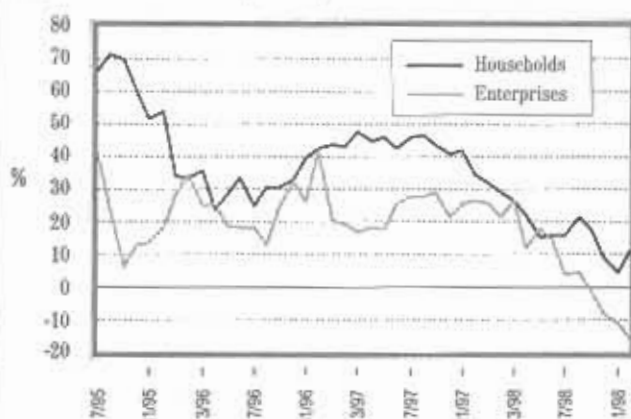


## ANNUAL GROWTH RATES OF M1, M4 AND CREDITS



## ANNUAL GROWTH RATES OF DEPOSIT MONEY

Relative to the same month previous year



## MONETARY AGGREGATE M4



opments indicate inferior liquidity of the enterprise sector, and reallocation of existing money to the household sector.

The growth of foreign currency deposits halved as well. In 1997, foreign currency deposits increased by 42 percent, while in 1998 they grew by only 20 percent. In December 1998, foreign currency deposits amounted to 37 billion kuna. Kuna deposits (which increased 62 percent in 1997 despite their low share in the structure of total liquid assets) reached total standstill in 1998. At the end of 1998, they amounted to 5.5 billion kuna. Total liquid assets amounted to 56.5 billion kuna at the end of 1998. This represents a 12 percent increase compared to the end-of-1997 figure.

The structure of quasi-money by sectors reveals a decrease in kuna deposits by enterprises from 1.7 billion to 1.5 billion (-13 percent) throughout 1998, in contrast to the increase in 1997 from 1 to 1.7 billion kuna or 70 percent. Only foreign currency deposits by enterprises increased slightly (by 0.2 billion kuna or 7 percent). Since the share of foreign currency deposits of the household sector in total foreign currency deposits amounts to 90 percent, the tendencies in that sector determine the tendencies in total foreign currency deposits. Foreign currency savings of the household sector was the only aggregate that increased significantly in 1998 - 23 percent (compared to 46 percent in 1997.)

Credit aggregates underwent similar changes. Compared to 1997, the growth rate of credit was halved in 1998 - from 44 percent to 23 percent. In December 1998, credit amounted to almost 59 billion kuna (compared to 48.3 billion in December 1997). Analyzed by sectors, the growth of consumer credit which marked 1997 (93 percent increase in credit to households), was not repeated in 1998 (credit to households grew only 45 percent). Credit to enterprises in-



creased 21 percent in 1998 (compared to a 41 percent increase in 1997).

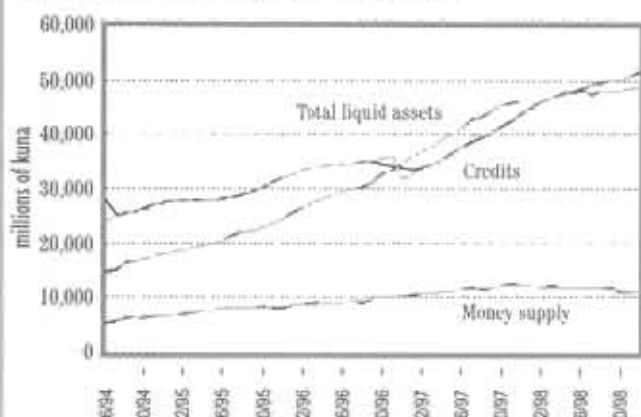
1998 was a year of significant changes in the relationship between the central government and commercial banks. While in 1997, the central government halved its (net) debt to commercial banks, in 1998 that item nearly stood still. As a reminder, claims on the central government decreased substantially in 1997 (from 15.9 billion kuna to 9.5 billion kuna), mainly based on two items: the 1.5 billion kuna decrease in claims on the central government on the basis of bonds for households' foreign currency savings and the 4.5 billion kuna increase in foreign currency deposits for refinanced loans. Throughout 1998, the central government settled claims from the "old" foreign currency savings (0.9 billion kuna), which was compensated by an increase in other net claims. Thus the balance of net claims on the central government on December 31, 1998 amounted to 9.9 billion kuna (7.1 billion excluding the credit by the Croatian Bank for Reconstruction and Development), which is approximately the same as at the end of 1997.

Developments in net foreign assets also differed significantly in 1998 compared to 1997. Total net foreign assets (NFA) of the banking system in 1998, expressed in kuna, decreased from 16.8 billion to 12.6 billion kuna (i.e. 25 percent), compared to a 44 percent (5 billion kuna) increase in 1997.

The liquidity of the banking system in January of this year (just as in preceding years) was significantly lower than in December. Reserve money decreased (just as in January 1998) by about 400 million kuna. The 1998 decrease reflected a 200 million kuna decrease in cash and another 200 million kuna decrease in banks' giro accounts. In 1999, cash decreased by 300 million kuna, while banks' giro accounts decreased by 100 million kuna, resulting in a January decrease in reserve money by 4 percent

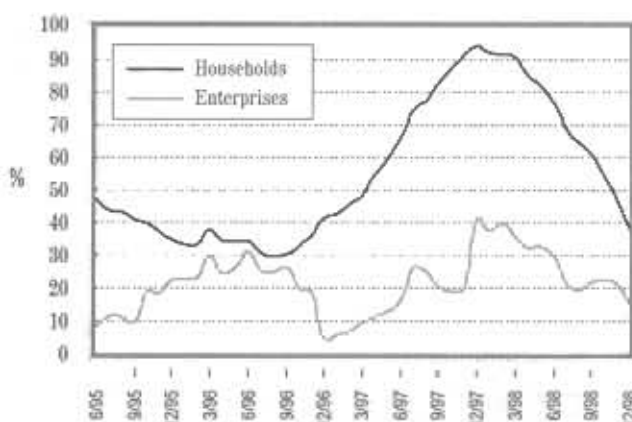
### DOMESTIC CREDITS, M4 AND M1

Seasonally adjusted and trend, in January 1994 prices

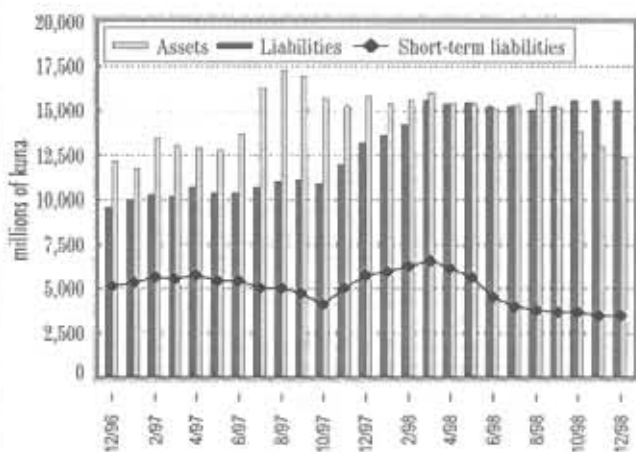


### GROWTH RATES OF CREDITS TO HOUSEHOLDS AND ENTERPRISES

Relative to the same month previous year

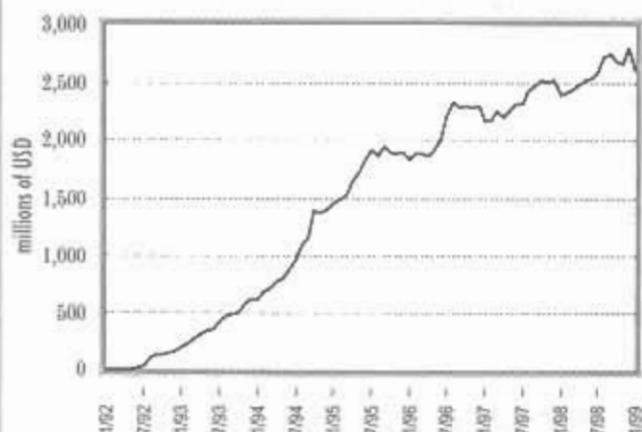


### FOREIGN ASSETS AND LIABILITIES OF COMMERCIAL BANKS



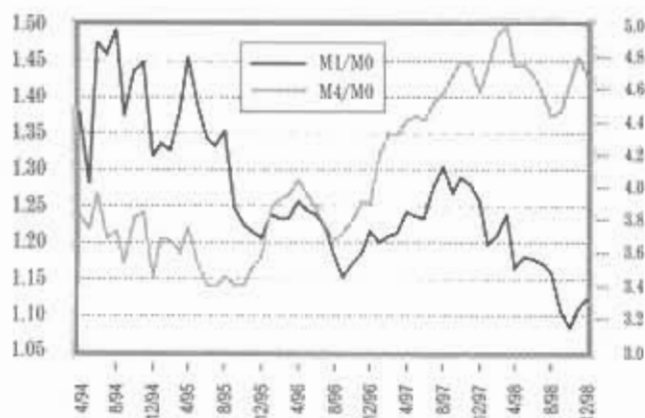


## CNB's INTERNATIONAL RESERVES

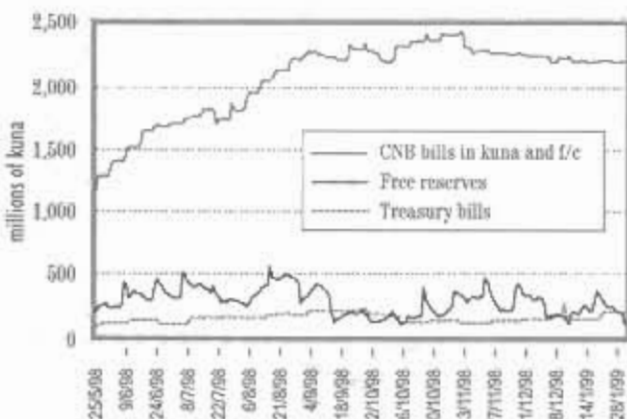


## MONEY MULTIPLIERS

$m1 = M1/M0$  (left) and  $m4 = M4/M0$  (right)



## CNB BILLS, TREASURY BILLS OF THE MINISTRY OF FINANCE AND AND DMB'S FREE RESERVES AT THE CNB



(the same as last year). Nevertheless, this year's level of reserve money, of (about) 9.6 billion kuna, was attained through significantly more intensive central bank activity than in January 1998. Banks were using a daily average of 400 million kuna through repurchase of Croatian National Bank bills, and about 60 million kuna through Lombard credits, along with the standard 300 million kuna of other central bank credit (used by banks in the process of rehabilitation, banks under direct supervision by the Croatian National Bank, and banks with increased difficulty maintaining their liquidity).

Increased use of secondary sources of liquidity in 1999 was caused by increased purchases of foreign exchange from the central bank: In January, banks purchased a net of 150 million US dollars (or four times more than in January 1998) in order to fulfill their obligations to foreign creditors. A more significant purchase of foreign exchange (57 million US dollars) from the Croatian National Bank was effected by the central government. In addition, the central government also used a 620 million kuna loan to overcome the misalignment of inflows and outflows of budgetary funds. That is, the state budget had to make up for the first move from bi-weekly to monthly collection of the value added tax, which was introduced in this year.

## EXCHANGE RATE

Throughout January, the nominal effective exchange rate of the kuna depreciated by 1.95 percent. The seasonal character of the depreciation of the kuna in January has been visible at the beginning of each year for the last four consecutive years. The depreciation of the nominal effective exchange rate of the kuna during the month of January 1997 amounted to 1.88 percent, in January 1996 to 1.44

percent, and in January 1998 to 0.7 percent. However, the depreciation of the kuna in January 1999 was the largest single month depreciation since the introduction of the stabilization program.

The kuna depreciated against the German mark by 1.0 percent in January. The value of the German mark on the exchange rate list of the Croatian National Bank amounted to 3.7770 kuna the last day of January. The kuna depreciated by 3.7 percent against the US dollar. The value of the US dollar increased to 6.4805 kuna. The growth of the value of the dollar was mainly the result of changes on world financial markets, where the dollar grew against the German mark, i.e. against the euro. Against the euro, the kuna depreciated by 1.1 percent in January. At the end of January, the euro was worth 7.3871 kuna. Against the Italian lira, the kuna depreciated by 1.0 percent, while against the Slovenian tolar, the kuna depreciated by 1.1 percent.

The Croatian National Bank organized three foreign exchange auctions in January, with the intention of alleviating the depreciation of the kuna. In those three auctions, 239 million US dollars were sold (within which 31.7 million dollars was the repurchase of December swap auctions), and 5.2 million dollars were bought.

Commercial banks' demand for foreign exchange increased significantly. At the same time, the inflow of foreign exchange from abroad was weak throughout January. Therefore the commercial banks effected most of their transactions through the inter-bank market, where the growing demand lowered the exchange rate.

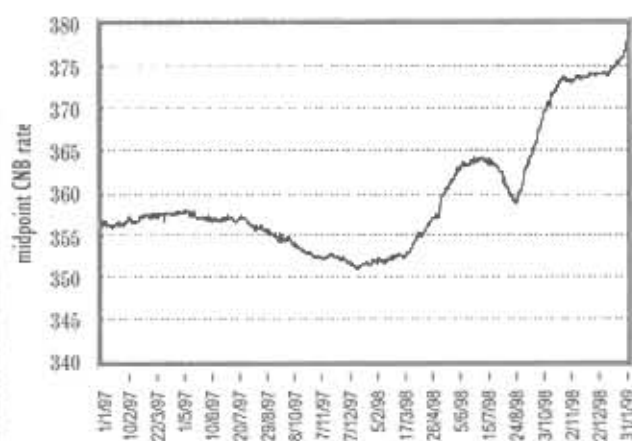
## BALANCE OF PAYMENTS

According to data provided by the State Bureau of Statistics, merchandise imports c.i.f. decreased significantly in December 1998. Mer-

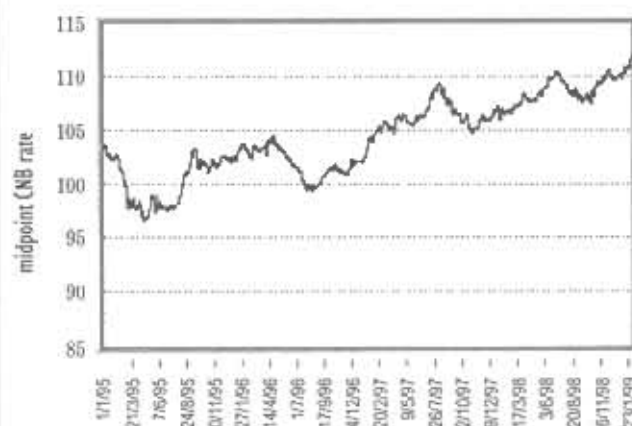
INDICES OF DAILY NOMINAL EXCHANGE RATES OF KUNA VS. DEM AND USD, (January 1, 1995 = 100)



DAILY NOMINAL EXCHANGE RATE - KUNA VS. 100 DEM



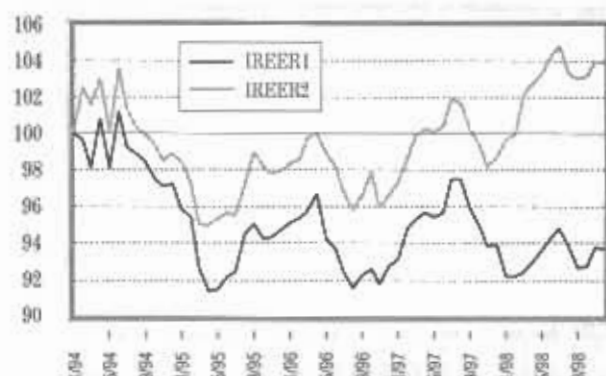
INDEX OF DAILY NOMINAL EFFECTIVE EXCHANGE RATE\*, 1995 = 100



\* the fall of index denotes appreciation

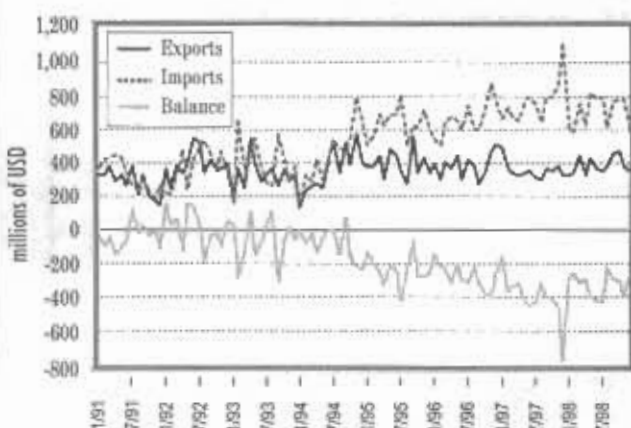
## INDEX\* OF REAL EFFECTIVE EXCHANGE RATE OF CROATIAN KUNA

(IREER1 - with retail prices, IREER2 - with producers' prices), January 1994=100



\* the fall of index denotes real appreciation

## MERCHANDISE EXPORTS (f.o.b.), IMPORTS (c.i.f.) AND TRADE BALANCE



## BALANCE OF PAYMENTS in millions of USD (preliminary data)

	Jan. - Sept. 1998	Jan. - Sept. 1997	indices Jan. - Sept. 1998/ Jan. - Sept. 1997
Current account	-878.2	-1,085.3	80.9
Capital and financial account	799.8	1,040.0	76.9
CNB international reserves	-218.4	-173.8	125.7
Net errors and omissions	296.8	219.1	135.5

Source: CNB

## MERCHANDISE EXPORTS AND IMPORTS (in millions of USD)

	Jan. - Dec. 1998	Jan. - Dec. 1997	Dec. 1998	Dec. 1997
Exports f.o.b.	4,541.1	4,170.7	350.2	322.6
Imports c.i.f.	8,383.1	9,104.0	603.3	1,099.8
Balance	-3,842.0	-4,933.3	-253.1	-777.2

Source: Bureau of Statistics

merchandise imports c.i.f. amounted to USD 603.3 million, a 20.8 percent decrease compared to the average in the last three months. This decrease in imports occurred due to a decrease in industrial production in the last quarter of 1998. Compared to December 1997, when the value of merchandise imports recorded its record high, the value of merchandise imports decreased 45.1 percent in December 1998.

December developments resulted in an additional decrease in the merchandise trade deficit. The deficit amounted to USD -3,842.0 million in 1998, a 22.1 percent decrease compared to 1997. Merchandise imports c.i.f. amounted to USD 8,383.1 million in 1998, a 7.9 percent decrease compared to the preceding year. Merchandise exports f.o.b. amounted to USD 4,541.1 million, an 8.9 percent increase compared to 1997. The increase in merchandise exports was to a great extent caused by an increase in exports of other transportation equipment (ships) at the rate of 366.4 percent. The most significant decrease in merchandise imports came in imports of energy and consumer goods.

Expressed in kuna, merchandise exports f.o.b. amounted to 28,876.1 million kuna in 1998 (a 13.2 percent increase compared to the preceding year). At the same time, merchandise imports c.i.f. amounted to 53,359.8 million kuna in 1998 (a 4.9 percent decrease compared to 1997). The coverage of merchandise imports with exports increased from 45.8 percent in 1997 to 54.1 percent in 1998.

These developments in merchandise trade indicate an additional decrease in the current account deficit of the balance of payments in 1998. In the first nine months of the year, the current account deficit amounted to USD -878.3 million (i.e. 19.1 percent less than in the same period last year). A significant change in the structure of the financial account has occurred at the same

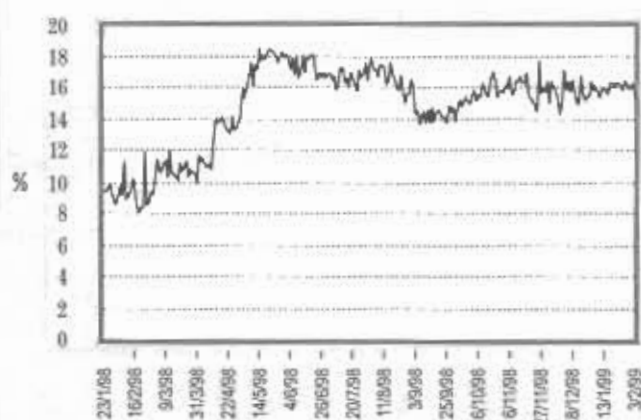
time; foreign direct investment became the most significant form of financing of the current account deficit, followed by increases in credit obligations to foreign creditors.

## MONEY MARKET AND INTEREST RATES

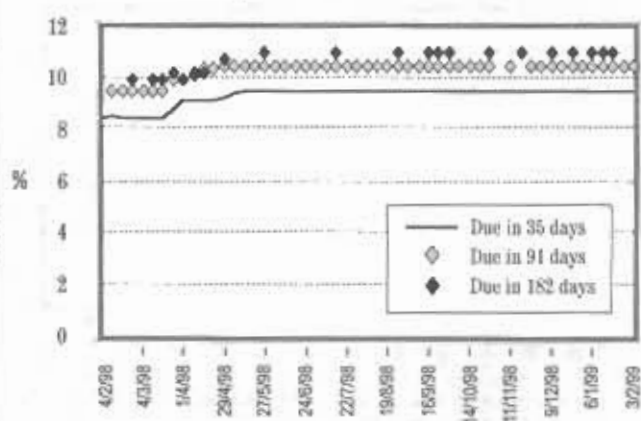
The average daily interest rate on the Money Market Zagreb increased in January to 16.1 percent (from 15.8 percent in December), despite an increase in supply and a decrease in demand in daily trading after the holidays. Along with the increase in interest rate, turnover also intensified. Daily turnover increased by around 8 percent, while overnight turnover increased by a substantial 20 percent. The increased supply failed to cause a decrease in average interest rates. On the contrary, almost all interest rates increased. Only the interest rate on one-day loans remained at 17 percent, while last month they were up to 20 percent. Solving problems of the banks in difficulties could lead to a decrease in interest rates on the money market, as has already happened in the recent past.

With the exception of CNB bills in kuna and foreign exchange (mainly used as instruments of monetary policy) and treasury bills of the Ministry of Finance, the narrow market of short-term securities has not seen any other short-term securities in quite a long while. Approximately two years ago, one Croatian enterprise issued its own commercial bills. However, this method of financing (although very favorable compared to loans from Croatian banks) received no response. In December 1998, the Croatian pharmaceutical company Pliva issued its first series of commercial bills with a nominal interest rate of 12 percent. We hope that this move will stimulate other economic agents to tap into this market and enrich it. Development of

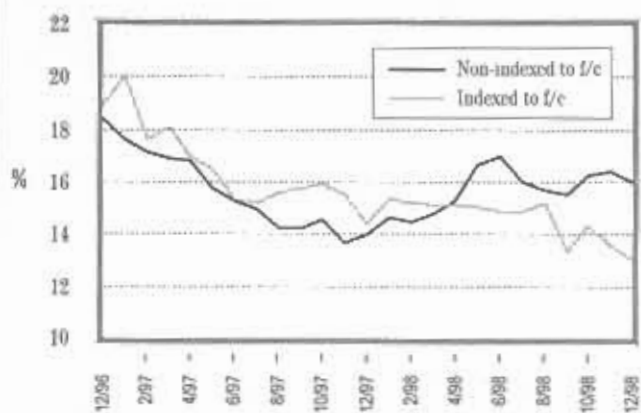
ANNUAL INTEREST RATE ON THE ZAGREB MONEY MARKET  
Daily data



INTEREST RATES ON CNB BILLS  
Annual level, on auction days

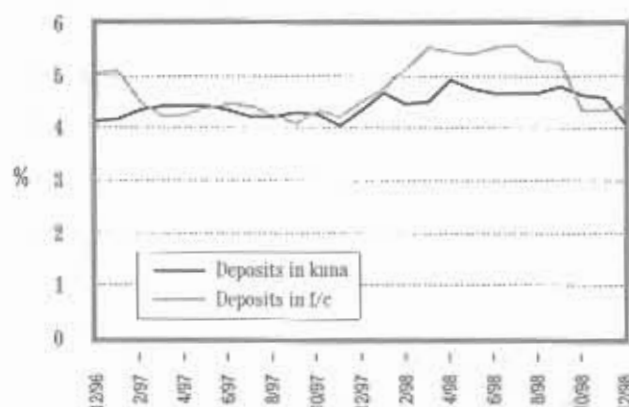


DMBs' AVERAGE INTEREST RATES ON CREDITS IN KUNA  
Annual level

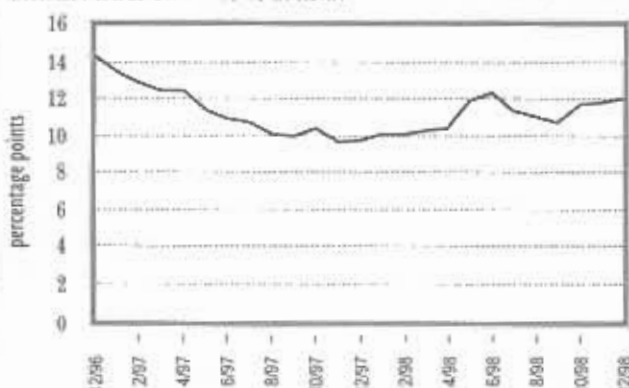


## DMBs' AVERAGE INTEREST RATES ON DEPOSITS

Annual level

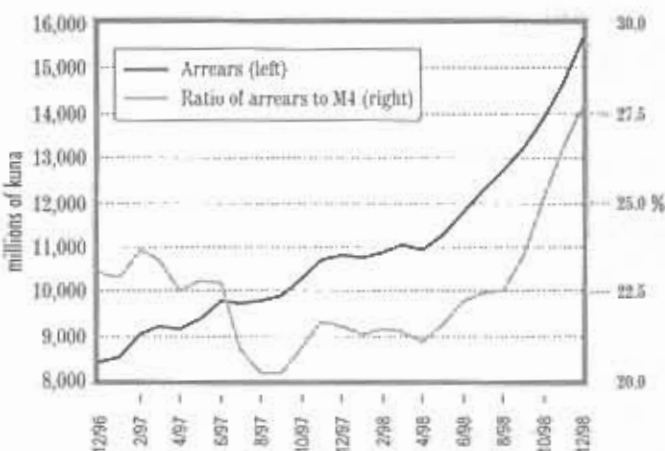


## DIFFERENCE BETWEEN INTEREST RATES ON CREDITS IN KUNA AND INTEREST RATES ON DEPOSITS IN KUNA



Note: spread is calculated as a difference between interest rates on non-indexed credits in kuna and interest rates on non-indexed deposits in kuna.

## ARREARS REPORTED TO PAYMENTS INSTITUTE



this market is crucial, for in this respect we have been beaten by competitors from Central and Eastern Europe. Interest rates on CNB bills in kuna and on treasury bills of the Ministry of Finance are still unchanged, with participants still preferring the shortest maturities. Interest rates on treasury bills in EUR (which replaced treasury bills in German marks) and USD decreased slightly, with only the shortest terms being offered in the last auction (63 days with 2.91 percent interest on EUR and 4.77 percent on USD).

Commercial banks' interest rates, both lending and deposit, decreased in December. Unfortunately, the decrease in deposit rates was larger in absolute terms, increasing our measure of the interest rate spread. The average interest rate on kuna loans without the currency clause decreased from 16.4 percent in November to 16.1 percent in December. The main item in these loans were short-term loans, where interest rates decreased from 16.6 percent to 16.2 percent. The average interest rate on kuna loans with the currency clause decreased by as much as 0.6 percentage points, reaching 13 percent. Almost 40 percent of kuna loans with the currency clause are long-term loans, with an average interest rate as low as 11.2 percent. In total, the average interest rates on all kuna loans decreased from 15.3 percent in November to 14.6 percent. Average interest rates on foreign exchange loans decreased to below 7.0 percent.

The average interest rate on kuna deposits decreased from 4.6 percent in November to 4.1 percent. This was mainly due to a decrease in the average interest rate on time deposits by a substantial 1.4 percentage points, bringing it to 7.7 percent. The average interest rate on foreign currency deposits decreased by 0.4 percent, reaching 4.0 percent. There too, the decrease was due to a significant decrease in the average interest rate on

time deposits (from 5.5 percent in November to 4.9 percent in December).

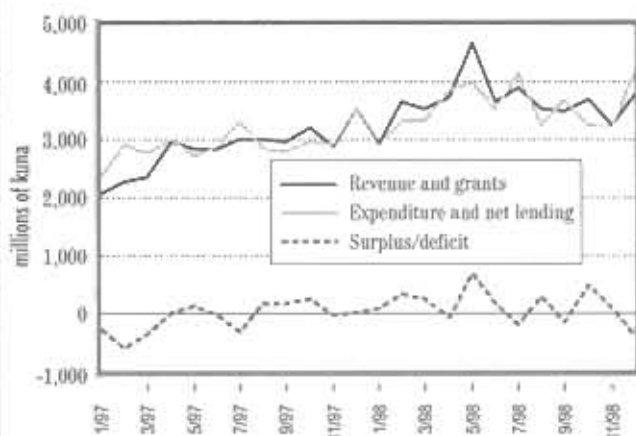
## STATE BUDGET

According to the preliminary data of the State Bureau of Statistics, the central government recorded a surplus on its current account of 1,257 million kuna. This surplus (together with a smaller amount of net foreign debt) was spent in its entirety on repayment of debt to domestic sectors. Both revenues and expenditures differed from the projection set by the new budget plan, which caused some deviations on the financing account.

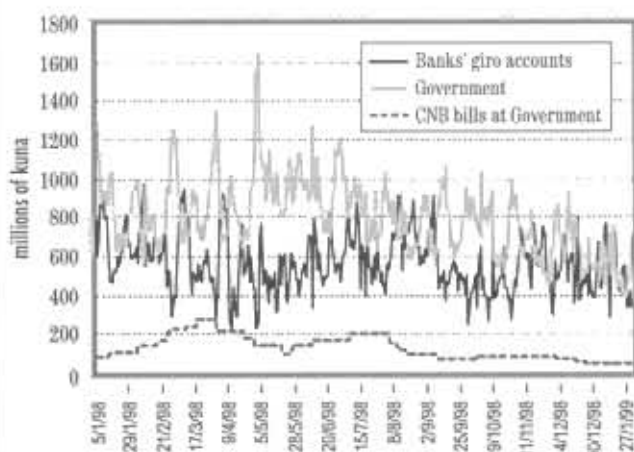
A total of 43.8 billion kuna was collected in revenue in 1998, which is almost 800 million kuna less than planned. In the category of current revenues, 250 million kuna less than planned was collected, while in capital revenues, 550 million kuna less than planned was collected. The reasons for these disappointing results in collection of current revenues should be sought on the side of both tax and non-tax revenues. It should be noted that almost all tax categories achieved a surplus in relation to the projection. The exceptions were the excise tax and the international trade tax, which differed significantly from projected amounts, thus decreasing the total tax revenues collected.

On the expenditure side of the state budget, expenditures realized amounted to 42.5 billion kuna i.e. 2 billion kuna less than projected by the new budget plan. The major savings compared to the projection were achieved in current expenditures (930 million kuna). Savings were achieved in all current expenditures, except wage expenditures. Further savings of 900 million kuna were achieved in capital expenses, while the rest of the difference refers to lending minus repayments.

### OUTTURN OF CENTRAL GOVERNMENT BUDGET



### CENTRAL GOVERNMENT DEPOSITS AT THE CNB AND BANKS' GIRO ACCOUNTS



### FINANCING OF CENTRAL BUDGET DEFICIT

in millions of kuna  
(\* preliminary data)

	Jan. - Dec. 1998*	1998 Budget
<b>TOTAL FINANCING</b>	-1,257	0
<b>DOMESTIC FINANCING</b>	-1,446	-2,292
From other general government	...	0
From monetary authorities	...	0
From deposit money banks	...	-1,921
Other domestic financing	...	-371
<b>FOREIGN FINANCING</b>	190	2,292
From international develop. institutions	...	1,102
From foreign governments	...	-503
Other foreign financing	...	1,693

# 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 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 granted, by the Croatian National Bank, the permission to perform banking business services in accordance with the Law on Banks and Savings Banks. Data on DMBs does not include claims and liabilities of former branches of banks with their headquarters in the former Yugoslavia. Other banking institutions comprise savings banks and housing savings banks. Since July 1995 savings banks have been under auspices, and have operated with the permission of the CNB. Other financial institutions are financial institutions not classified as banks or other banking institutions (insurance companies, investment funds, savings cooperatives etc.)

The central government and funds comprises government institutions including Croatian Roads Authority, State Agency for Deposit Insurance and Bank rehabilitation and Bank and Croatian Guarantee Agency, and following central government funds: Croatian Health Insurance Institute, Republic Fund for Pension and Disability Insurance of Workers in Croatia, Croatian Employment Service, Croatian Privatization Fund, Public Water Management Fund and Croatian Bank for Reconstruction and Development. Other domestic sectors are other central government funds (those not classified under the central government and funds sector), local government authorities and local funds, public and private companies and households, including craftsmen and non-profit institutions. In some tables other domestic sectors are divided into following sub-sectors: local governments and funds (including other republic funds, local government authorities and local funds), public and private enterprises, and households (including craftsmen and non-profit institutions).

Foreign sector includes foreign legal entities and individuals.

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

The table shows data on some basic monetary and credit aggregates, including their monthly growth rates.

*Reserve money* has been 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 cash outside banks, deposits with 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 above components 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.

### Table B1: Monetary Survey

The monetary survey shows consolidated data from the Monetary Authorities Accounts (Table C1) and DMB's 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 DMB's accounts. Claims on central government and funds are reported on the net basis, i.e. decreased by central government and funds' deposits with the CNB and DMBs.

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

**Table B2: Number of Reporting Deposit Money Banks and Savings Banks and Their Classification by Size**

The table shows the total number of DMBs and savings banks which report monthly to the CNB. Their operation is shown in the DMB's/savings banks' accounts.

Due to the fact that savings banks were not legally obliged to report their operation to the CNB until June 1995, the total number of savings banks refers only to those savings banks which reported voluntarily to the CNB. In July 1995, coordination of the registration of savings banks with the Law on Banks and Savings Banks, and reporting to the CNB became compulsory. Since July 1995, total number of savings banks reporting to the CNB has corresponded with the total number of registered savings banks. The table also shows the classification of reporting DMBs and savings banks according to their total assets.

**Table C1: Monetary Authorities Accounts**

The table reports data on claims and liabilities by monetary authorities. *Foreign assets* include the following forms of foreign currency and kuna claims on foreign legal entities and individuals: monetary gold, holdings of special drawing rights, foreign cash in vaults, reserve position in the International Monetary Fund, current account balances with foreign banks, time deposits in 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* are short-term loans granted for the purpose of overcoming the incoordination 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 State Budget for liabilities to the IMF and foreign banks. *Claims in foreign currency* was a counter-entry to the liability to the IMF based on the succession of membership in that institution.

*Claims on other domestic sectors* are loans and overdue claims on other domestic sectors.

*Claims on DMBs* are credit to DMBs, deposits by the CNB with DMBs and overdue claims on DMBs. *Credit to DMBs* is split according to the type of financial instruments. *Refinancing of DMBs* include loans granted within general and selective quotas up to the end of 1993, as well as advances to DMBs for performing currency exchanges. Refinancing loans granted within the general and selective quotas were paid back in their entirety by the end of April 1994. In July 1994, they were formally revoked. Item *Lombard credits* comprises credits to DMBs for regular maintaining of the day-to-day liquidity, which were replaced by lombard credits in December 1994. Overdue claims on DMBs comprise loans due, giro account overdrafts and banks' undiscipline in allocation and maintenance of statutory reserve requirements.

*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: giro account balances, statutory reserves deposited on a special account with the CNB as well as CNB bills on obligatory basis. *Deposits by other banking institutions* are: giro account balances of savings banks as well as statutory reserves of savings banks' deposited on a special accounts with the CNB. *Deposits by other domestic sectors* are: other domestic sectors' giro account balances (this refers to accounts opened with the CNB by October 1994, since when they have been in the process of transition into deposits with the DMBs).

*Restricted and blocked deposits* include required foreign exchange reserves, restricted deposits and blocked foreign exchange deposits.

Banks and savings banks are required to place foreign exchange reserve deposits in accounts at the Croatian National Bank on the basis of certain foreign exchange deposits they hold. Blocked deposits are mainly kuna funds set aside on the basis of court order or legal regulation. 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 and liabilities to international financial institutions.

*Central government and funds deposits* are demand deposits and foreign currency deposits of the central government and funds with the CNB, and CNB bills voluntary subscribed by the Croatian Bank for Reconstruction and Development and State Agency for Deposit Insurance and Bank Rehabilitation.

*CNB bills* are CNB bills on voluntary basis in kuna and in f/c excluding CNB bills voluntary subscribed by the Croatian Bank for Reconstruction and Development and State Agency for Deposit Insurance and Bank Rehabilitation.

*Capital accounts* include reserves, funds, undistributed profit and f/c revaluation adjustment (net).

*Other items (net)* are unclassified liabilities decreased by unclassified assets of the CNB's accounts.

#### **Table D1: Deposit Money Banks' Accounts**

DMBs accounts include data on Croatian DMBs' claims and liabilities. DMBs' mutual claims and liabilities are consolidated.

*Required reserves* held at the Central Bank include kuna and foreign exchange reserves. Kuna reserves include vault cash and kuna funds held in accounts at the Central Bank. Foreign exchange reserves include foreign exchange held in accounts at the Central Bank.

*Foreign assets* are the following forms of kuna and foreign currency claims on foreign legal entities and individuals: foreign cash in vaults, nostro letters of credit and other collateral's with foreign banks, deposits with foreign banks, securities, loans, equities and arrears. Unregulated claims on institutions of former Yugoslavia are shown separately.

*Claims on central government and funds* are the following forms of claims in kuna and foreign currency: securities, loans, equities and arrears (including claims for interest charged and due 30 and more days prior to the reporting date). Main forms of claims on the central government are shown separately: bonds issued in accordance with the Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks 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: securities, loans (including acceptances), equities and claims due.

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 other transferable deposits, decreased by 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.

*Foreign liabilities* comprise the following forms of kuna and foreign currency liabilities to foreign legal entities and individuals: giro and current accounts, loro letters of credit and other collateral's, savings and time deposits, loans received and liabilities due. Unregulated liabilities to institutions in former Yugoslavia are shown separately within foreign liabilities.

*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 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 entities and individuals; households' blocked foreign currency deposits, regulated by the Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks into the Public Debt of the Republic of Croatia and foreign currency deposits by domestic sectors to cover outstanding liabilities due to foreign creditors.

*Capital accounts* are share capital, reserves, provisions, current profit or loss, undistributed profits and f/c revaluation adjustments (net).

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

#### 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 Bank's Foreign Assets

This table shows DMBs' claims on foreign legal entities and individuals.

*Foreign assets* of the DMBs comprise foreign assets in kuna and foreign currency as well as DMBs' claims on the former Yugoslavia and the adjustment for former branches. Item *Claims on former Yugoslavia*.

*Claims on foreign banks* and *Claims on foreign nonbanks* (total and by financial instruments) are shown separately within both foreign assets in kuna and in foreign currency. Within *Claims on former Yugoslavia*, those in kuna and in foreign currency are shown separately.

#### 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 Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks 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, equities, postponed interest arrears (claims for interest due but not payable before relations with foreign creditors are regulated) and arrears (including claims for interest due 30 and more days prior to the reporting date).

*Adjustment for former branch banks* refers entirely to other central government's bonds.

#### Table D4: Deposit Money Bank's Claims on Other Domestic Sectors

The table shows DMBs' kuna and foreign currency claims on other domestic sectors, classified according to financial instruments: bills of exchange, commercial bills, bonds, other short-term securities, loans and advances (including acceptances and commodity futures), equities and arrears.

By October 1994, foreign currency loans were granted only when counterparted by DMB's loan abroad, in bank's name and on behalf of the final beneficiary of the loan. Due to the fact that foreign debts are still not entirely regulated, there is an item *Postponed interest arrears*. It refers to claims on interest due at the original due date, but the obligation to pay is postponed until relations with foreign creditors are regulated.

#### 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 and commodity futures.

**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, as well as other transferable deposits, decreased by currency in the payment system, i.e. by amount of checks in banks' vaults and checks in collection.

**Table D7: Time and Savings Deposits with Deposit Money Banks**

The table shows *Savings deposits of households* in kuna as well as *Time and notice deposits* in kuna by other domestic sectors, other banking institutions and other financial institutions with DMBs.

**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, while foreign currency time deposits also include foreign currency notice deposits.

**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.

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

**Table D10: Deposit Money Banks' Foreign Liabilities**

The table shows DMBs' total foreign currency and kuna liabilities to foreign legal entities and individuals, with the exception of restricted kuna and foreign currency deposits by foreign legal entities and individuals.

DMBs' foreign liabilities comprise foreign currency liabilities, foreign kuna liabilities and DMBs' liabilities to the former Yugoslavia.

Within foreign kuna and foreign currency liabilities, liabilities to foreign banks are reported separately from liabilities to foreign nonbanks (total and by financial instruments). Within liabilities to the former Yugoslavia, liabilities in foreign currency are reported separately from kuna liabilities.

Item *Postponed interest arrears* on foreign currency loans showing within foreign currency liabilities refers to liabilities for interest due on the original due date, but payable after the regulation of relations with foreign creditors.

**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 Republic of Croatia and republic funds are shown separately. Kuna deposits comprise demand 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 foreign currency time and notice deposits.

**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 entities and individuals 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 Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks into the Public Debt of the Republic of Croatia, as well as domestic sectors' deposits regulated by the Decree Law on the Settlement of Arrears to External Creditors.

#### **Table E1: Savings Banks' Accounts**

Savings banks' accounts include the data on savings banks' claims and liabilities. Savings banks' mutual claims and liabilities are consolidated.

*Reserves* are savings banks' kuna cash in vaults and kuna deposits with the CNB.

*Foreign assets* refer to foreign currency in savings banks' possession within arrangements with DMBs regarding performing currency exchange transactions.

*Claims on central government and funds* are all kuna and foreign currency claims on the Republic of Croatia and central government funds.

*Claims on other domestic sectors* are the following forms of kuna and foreign currency claims: securities, loans, equities and claims due. Claims on local governments and funds, enterprises and households, are shown separately within this item.

*Claims on DMBs* include the following forms of kuna and foreign currency claims on DMBs: savings and time deposits, securities, loans, equities and arrears. Item *Claims on other financial institutions* comprises the same forms of kuna and foreign currency claims.

*Demand deposits* comprises other domestic sectors' and other financial institutions' kuna giro and current accounts balances as well as other transferable deposits.

*Savings and time deposits* are households' savings deposits in kuna as well as time and notice deposits by other domestic sectors,

domestic deposit money banks and other financial institutions.

*Foreign currency deposits* are households' foreign currency savings and time deposits.

*Bonds* are liabilities by other banking institutions for securities issued (net), as well as loans received from other domestic sectors, domestic DMBs and other financial institutions.

*Foreign liabilities* are foreign savings and time deposits in foreign currency.

*Central government deposits* are kuna time and notice deposits by the Republic of Croatia and central government funds.

*Credit from central bank* comprise kuna loans obtained from the Croatian National Bank.

*Capital accounts* are: share capital, reserves, provisions, current profit or loss, undistributed profit and f/c revaluation adjustment (net).

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

#### **Table F1 - Credit Rates of Croatian National Bank**

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

Lending CNB interest rates are being set by special decrees of the Council of the Croatian National Bank, on annual basis. Exceptionally, from June 1995 to September 11, 1996 interest rate charged by CNB on lombard credits has been 1.5 percentage point higher than the weighted average interest rate on CNB bills on 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 weighted average of interest rate applied in 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 breaches, 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 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 which are collateralized by CNB bills. Since December 16, 1998 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 illiquidity problems of banks under evaluation for entry into rehabilitation and restructuring procedures.

Interest rates reported in column 8 refer to the use of statutory reserves, which was being used by the 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 form of financial undiscipline, 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 was 21%, and since October 1994 the same interest rates have been applied as for other forms of financial undiscipline, shown in column 10.

#### **Table F2: Deposit Rates of 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, CNB was setting different exchange rates for statutory reserve funds based on savings and time deposits. Therefore, for that period the table reports weighted average interest rate on appropriated statutory reserve funds (column 3). From 8 October 1993 until the end of February 1994, 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 obligatory basis are set by the Council of the CNB.

Until October 1993, interest rates on CNB bills on 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 in auctions of the CNB bills.

Until October 1994, interest rates on CNB bills on voluntary basis due in 30 and 90 days are reported in columns 6 and 7 respectively.

Since April 1998 column 9, 10, 11 report weighted average interest rates of the CNB bills on voluntary basis in DEM and USD due in 63, 91, 182 and 365 days attained in CNB bill's auctions as a weighted average of subscribed amounts in those two currencies.

#### **Table F3: Deposit Money Banks' Reserves on Obligatory Basis**

This table shows data on monthly averages of day-to-day balances of reserves on obligatory basis by DMBs with the CNB.

*Reserve requirement* (column 3) represents the prescribed amount of funds banks are required to deposit on a special statutory reserve account with the CNB, or to maintain (in average) on their giro accounts or in vaults. This amount corresponds with the statutory reserve instrument of January 1995, while until December 1994 it comprised two instruments: statutory reserves and liquid assets requirement - LAR (except for the part in which banks were conforming to this requirement by registering CNB bills on voluntary basis).

Column 4 shows weighted average reserve requirement ratio as a percentage of the reserve requirement (column 3) in the reserve base (CNB prescribes different reserve requirement ratios for different categories of deposit).



Column 5 shows the portion of the reserve requirement banks are required to deposit on a special statutory reserves account with the CNB (until December 1994 this amount corresponds with the statutory reserves instrument, while since January 1995 until May 1998, banks have been required to deposit at least 75% of the total reserve requirement on a special account with the CNB and since May 1998 at least 60% of the amount).

Column 6 shows the percentage of the statutory reserves deposited with the CNB in the total reserve requirement.

Column 7 shows the total amount of other deposits with the CNB on obligatory basis, which comprises CNB bills on obligatory basis, part of CNB bills on voluntary basis used by the 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 guaranties und f/c credits from foreign banks.

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

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

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

**Table F4: Deposit Money Banks' Liquidity Indicators**

The table reports monthly averages of day-to-day balances of some indicators of DMBs' liquidity.

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

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

Column 5 shows the monthly average of day-to-day balances of secondary liquidity sources used. Secondary liquidity sources 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 on the bank's giro account (until October 1994), special credits for overcoming illiquidity problems (initial credits, credits for overcoming illiquidity problems of banks under evaluation for entry into rehabilitation and restructuring procedures), lombard credits (since December 1994), intervention credits for overcoming illiquidity (since October 1994), as well as outstanding liabilities due to the CNB.

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

Column 7 reports monthly average of day-to-day balances on CNB bills on voluntary basis in foreign currency (DEM and USD).

**Table G1: Deposit Money Banks' Credit Rates**

The table contains weighted averages of DMBs' monthly interest rates on kuna and foreign currency loans, reported on a yearly basis.

Columns 3 and 4 show interest rates on the interbank daily and overnight money markets, according to information received from Money Market Zagreb. Data on DMBs' interest rates on kuna and foreign currency credits are based on DMBs' periodic reports. Basis for calculation of weighted averages are amounts of

credits bearing corresponding interest rates, which were disbursed during the reported month, with the exception of interest rates on giro and current accounts credit lines, for which weighted averages were calculated based on the balance of these loans at the end of the reported month.

Column 5 shows interest rates on total (short-term and long-term) kuna credits not indexed to foreign currency. Interest rates on short-term kuna credits (shown in column 6) also include interest rates on discounted short-term securities (not indexed to foreign currency), weighted based on their face value.

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

Interest rates on foreign currency credits (columns 11, 12 and 13) refer to credits released in Deutsche Mark or US dollars in a reported month, while weighted averages are calculated based on their kuna equivalent using current exchange rate. Credits released in other currencies are not included in this table.

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

#### **Table G2: Deposit Money Banks' Deposit Rates**

The table shows weighted averages of monthly DMBs' interest rates on kuna and foreign currency deposits, reported on a yearly basis.

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

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

Interest rates on foreign currency deposits refer to deposits received in Deutsche Mark or US dollars, while weighted averages are calculated based on their kuna equivalent using

current exchange rate. Deposits received in other foreign currencies are not included in the data reported in this table.

Basis for calculation of weighted averages are end-of-month balances of deposits. Exceptions are kuna and foreign currency time and savings deposits for which weighted averages are calculated (since July 1995) based on amounts of those deposits received during the reported month. Weighted averages of interest rates on total kuna and foreign currency deposits (columns 3 and 7) are weighted by the end-of-month balances of all categories included in the calculation.

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

#### **Table G3: 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 entities or individuals, 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 Deutsche Mark, converted from other foreign currencies using the CNB's midpoint exchange rate (reporting period average).

#### **Table H1-H4: 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 Health Insurance Institute, the Payments Institute, Commercial banks, enterprises and the Croatian national Bank, as well as research by the Tourism Institute and the Croatian National Bank.

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's 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 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 importers, and the resulting value of f.o.b. imports is adjusted on the basis of foreign payments for repairs of ships as well as supply purchases in foreign ports, as well as estimates of the purchases of individual Croatian citizens abroad, obtained via a research study of the CNB. For the 1993 to 1996 period, merchandise imports from the merchandise trade statistics are modified by estimates of imports in duty-free zones (prepared by the CNB), while from 1997 on, data on these imports are included in the merchandise trade statistics.

Income from transport services is recorded on the basis of research by the Croatian National Bank. This research was based on data provided by Croatian transport enterprises to the CNB. The data from this project are added to data from the statistics on international payments and income from pipelines and road transport, which were not included in the research project.

Expenditures on transport services include part of the difference between c.i.f. and f.o.b. imports, which pertain to services provided by non-residents, as well as estimates of the operating costs of Croatian transport companies in international transport. This estimate was performed by the Croatian National Bank, and amounts to 40% of the income of Croatian transport companies shown in the Croatian National Bank's research.

Income from travel and tourism is calculated as the total value of foreign exchange cash and checks purchased from nonresidents, the purchase of foreign checks from residents, foreign transfers of funds to the accounts of enterprises engaged in tourism, the sale of local currency and travelers checks abroad, health services provided to non-residents, receipts for scholarships and specialized study by non-residents in the Republic of Croatia, estimates of

tourist expenditures of non-residents in registered lodging and accommodations and estimates of other forms of tourist expenditures of non-residents. The estimate of tourist expenditure in registered lodging and accommodations is based on research by the Institute of Tourism, and the estimate of other forms of tourist expenditure is based on econometric analysis of the Croatian National Bank. The other categories mentioned are based on data from foreign payments statistics.

Expenditures for travel and tourism are calculated as the total value of outflows for official travel, stipends and specialized study, foreign exchange expenditures of the Croatian Health Insurance Institute, outflows for tourism organized by domestic tourism enterprises and estimates of the foreign tourist expenditures of residents. These estimates are based on research by the CNB, while the other categories mentioned are based on data on foreign payments.

Other services includes data from the foreign payments statistics which related to investment projects abroad, customs clearing services, representation fees, insurance 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 of the expenditures of international peacekeeping and humanitarian missions for goods and services in the Republic of Croatia, based on research by the Croatian National Bank.

The income account includes data from the foreign payments statistics on payments on the basis of interest, data from CNB research on income paid from foreign direct and portfolio investment of the private sector, Croatian National Bank data and Payments Institute data on income paid from foreign portfolio investment in the official sector and estimates of the factor income of resident peacekeeping and humanitarian missions in the Republic of Croatia, based on research of the Croatian National Bank. For the period 1993 to 1996, data on foreign direct investment do not include data on retained profit.

Current transfers to the government include data from the foreign payments statistics on the payment of pensions and other social transfers, monetary support and gifts, as well as data from the merchandise trade statistics of the

Republic of Croatia on imports and exports of goods without payment obligation.

Income from transfers to other sectors includes data from the foreign payments statistics on the total value of foreign exchange transfers received from abroad. To this is added an estimate for unregistered transfers. This estimate is seen as 15% of the difference between the unexplained foreign exchange inflows and outflows of the household sector.

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. The total inflow is decreased by: estimate of tourist income and estimates of 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 by exchange offices and withdrawals of foreign cash from households' foreign exchange accounts at domestic banks. The total outflow is decreased by: individuals' expenditures for goods abroad and expenditures for foreign tourism by residents.

Expenditures on transfers of other sectors is based on foreign payments data on the total value of foreign exchange transfers abroad.

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 Payments Institute. In the 1993 to 1996 period, data on foreign direct investment of the private sector (banks and other sectors) do not include direct foreign debt investment, nor retained profit of the investor.

Other investment is classified according to the following institutional sectors: Croatian National Bank, Government, Banks and Other. The Government sector comprises central government, local government and local funds. The Banking Sector comprises commercial banks.

Funds--foreign exchange and deposits--banks shows the change in the total liquid foreign exchange of banks authorized to do business abroad. Funds--foreign exchange and deposits--other sectors 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.

Data on credits and arrears 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.

Changes in the operational state of the foreign exchange reserves of the Croatian National Bank are calculated using current exchange rates of the currencies comprising the reserves, and are shown according to the exchange rate of the US dollar on the last day of the reporting period (end of the quarter or year).

#### **Table H5: 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, foreign currency, and deposits at foreign banks, as well as bonds and debt instruments.

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

#### **Table H8: External Debt**

The table shows the balance of external debt at the end of the period, in millions of US dollars, according to the CNB's midpoint foreign currency rate at the end of the period.

External debt is defined as total value of following liabilities for foreign credits: outstanding debt (including principal in arrears) and projection of principal payments.

Data are formed following the criteria of the final user, i.e. these include foreign credits used by the final users from the Republic of Croatia (and also those for which the debtor to

foreign country is a bank from the former Yugoslavia).

Principle arrears include principle payments which should have been paid, but for which no statistical information regarding payment has been received.

Interest arrears are estimated by using originally agreed interest rates and do not include late interest.

Short-term credits do not include the use of interbank line of credits.

**Table H9: Structure of foreign debt and repayment projection**

The table shows the structure of foreign debt by domestic institutional sectors, as well as the debt stock and a repayment projection for medium-term and long-term borrowing. All data are shown at the midpoint exchange rate of the Croatian National Bank at the end of the period.

Also, the tables show interest-payment projections for medium-term and long-term borrowing.

## LICENSED BANKS WITH FULL AUTHORIZATION

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1. AGROOBRTNIČKA BANKA d.d. Zagreb
2. ALPE JADRAN BANKA d.d. Split
3. BANK AUSTRIA CREDITANSTALT CROATIA d.d. Zagreb
4. BJELOVARSKA BANKA d.d. Bjelovar
5. BNP - DRESDNER BANK (CROATIA) d.d. Zagreb
6. BRODSKO-POSAVSKA BANKA d.d. Slavonski Brod
7. CASSA DI RISPARMIO DI TRIESTE - BANCA d.d.  
TRŠĆANSKA ŠTEDIONICA - BANKA d.d. Zagreb
8. CENTAR BANKA d.d. Zagreb
9. CIBALAE BANKA d.d. Vinkovci
10. CONVEST BANKA d.d. Zagreb
11. CREDO BANKA d.d. Split
12. CROATIA BANKA d.d. Zagreb
13. ČAKOVEČKA BANKA d.d. Čakovec
14. DALMATINSKA BANKA d.d. Zadar
15. DUBROVAČKA BANKA d.d. Dubrovnik
16. GLUMINA BANKA d.d. Zagreb
17. GOSPODARSKO KREDITNA BANKA d.d. Zagreb
18. GRADSKA BANKA d.d. Osijek
19. HRVATSKA GOSPODARSKA BANKA d.d. Zagreb
20. HRVATSKA POŠTANSKA BANKA d.d. Zagreb
21. HYPO BANKA CROATIA d.d. Zagreb
22. IMEX BANKA d.o.o. Split
23. ISTARSKA BANKA d.d. Pula
24. ISTARSKA KREDITNA BANKA UMAG d.d. Umag
25. JADRANSKA BANKA d.d. Šibenik
26. KAPTOL BANKA d.d. Zagreb
27. KARLOVAČKA BANKA d.d. Karlovac
28. KOMERCIJALNA BANKA ZAGREB d.d. Zagreb
29. KRAPINSKO ZAGORSKA BANKA d.d. Krapina
30. KREDITNA BANKA ZAGREB d.d. Zagreb
31. KVARNER BANKA d.d. Rijeka
32. MEĐIMURSKA BANKA d.d. Čakovec
33. PARTNER BANKA d.d. Zagreb
34. PODRAVSKA BANKA d.d. Koprivnica
35. POŽEŠKA BANKA d.d. Požega
36. PRIVREDNA BANKA ZAGREB d.d. Zagreb
37. PRIVREDNA BANKA – LAGUNA BANKA d.d. Poreč
38. PROMDEI BANKA d.d. Zagreb
39. RAIFFEISENBANK AUSTRIA d.d. Zagreb
40. RIADRIA BANKA d.d. Rijeka

41. RIJEČKA BANKA d.d. Rijeka
42. SISACKA BANKA d.d. Sisak
43. SLATINSKA BANKA d.d. Slatina
44. SLAVONSKA BANKA d.d. Osijek
45. SPLITSKA BANKA d.d. Split
46. ŠTEDBANKA d.o.o. Zagreb
47. TRGOVAČKA BANKA d.d. Zagreb
48. VARAŽDINSKA BANKA d.d. Varaždin
49. VOLKSBANK d.d. Zagreb
50. VUKOVARSKA BANKA d.d. Zagreb - *in bankruptcy*
51. ZAGREBAČKA BANKA d.d. Zagreb
52. ZAGREBAČKA BANKA - POMORSKA BANKA SPLIT d.d. Split
53. ŽUPANJSKA BANKA d.d. Županja

## **LICENSED BANKS WITH LIMITED AUTHORIZATION**

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1. HYPOBANKA d.o.o. Zagreb
2. ILIRIJA BANKA d.d. Zagreb
3. NAVA BANKA d.d. Zagreb
4. NERETVANSKA GOSPODARSKA BANKA d.d. Ploče
5. RAZVOJNA BANKA "DALMACIJA" d.o.o. Split
6. SAMOBORSKA BANKA d.d. Samobor
7. TRGOVAČKO-TURISTIČKA BANKA d.d. Split

## **LICENSED BRANCHES OF FOREIGN BANKS <sup>2)</sup>**

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1. Branch of SOCIETE GENERALE d.d. PARIS, Zagreb

## **REPRESENTATIVE OFFICES OF FOREIGN BANKS**

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1. ERSTE BANK DER ÖSTERREICHISCHEN SPARKASSEN AG, Zagreb
2. STEIERMARKISCHE BANK UND SPARKASSEN AG, Zagreb
3. LHB INTERNATIONALE HANDELSBANK AG, Zagreb



4. KREDITNA BANKA d.d. TUZLA, Zagreb
5. MARKET BANKA, Split
6. PRIVREDNA BANKA BIHAĆ, Zagreb
7. DEUTSCHE BANK AG, Zagreb
8. CASSA DI RISPARMIO DI UDINE E PORDENONE SPA, Zagreb
9. CREDIT SCHWEIZER BANK d.o.o. SARAJEVO, Zagreb
10. BANK FÜR KÄRNTEN UND STEIERMARK AG, Zagreb
11. COMMERZ BANK AKTIENGESELLSCHAFT, Zagreb

<sup>1)</sup> Licensed bank not yet operative.

<sup>2)</sup> Branches of foreign banks with full authorization.

Note:

*Full authorization is authorization for money transfers and credit transactions with foreign countries.*

*Limited authorization comprise f/c transfers in Croatia.*

## LICENSED SAVINGS BANKS

1. ADRIA ŠTEDIONICA d.o.o. Zagreb
2. BANICA Credo ŠTEDIONICA d.o.o. Split
3. GOLD ŠTEDIONICA d.o.o. Split
4. GOSPODARSKA ŠTEDIONICA ADRIATIC d.o.o. Vrbovec <sup>1)</sup>
5. GRAĐANSKA ŠTEDIONICA d.o.o. Karlovac - *in bankruptcy*
6. HIBIS ŠTEDIONICA d.o.o. Zagreb
7. INVEST ŠTEDIONICA d.o.o. Zagreb
8. INVESTICIJSKO - KOMERCIJALNA ŠTEDIONICA d.d. Zagreb
9. KRAPINSKA ŠTEDIONICA d.d. Krapina
10. MARVIL ŠTEDIONICA d.o.o. Zagreb
11. MEĐIMURSKA ŠTEDIONICA d.d. Čakovec
12. NAVA ŠTEDIONICA d.d. Zagreb
13. PRIMORSKA ŠTEDIONICA d.d. Rijeka
14. PRVA OBRTNIČKA ŠTEDIONICA d.o.o. Zagreb <sup>1)</sup>
15. SLAVONSKA ŠTEDIONICA d.d. Zagreb
16. ŠTEDIONICA BANAK d.o.o. Pula
17. ŠTEDIONICA BROD d.o.o. Slavonski Brod
18. ŠTEDIONICA DORA d.d. Zagreb
19. ŠTEDIONICA DUGI POGLED d.o.o. Zagreb
20. ŠTEDIONICA ISTRANOVA d.d. Pula
21. ŠTEDIONICA KOVANICA d.d. Varaždin
22. ŠTEDIONICA MEDITERAN d.o.o. Split

23. ŠTEDIONICA MORE d.o.o. Zagreb
24. ŠTEDIONICA SA-GA d.o.o. Zagreb
25. ŠTEDIONICA SONIC d.d. Zagreb <sup>1)</sup>
26. ŠTEDIONICA SPLITSKO DALMATINSKA d.o.o. Split <sup>1)</sup>
27. ŠTEDIONICA ZA RAZVOJ I OBNOVU d.o.o. Zagreb
28. ŠTEDIONICA ZAGIŠTED d.o.o. Zagreb
29. ŠTEDIONICA ZLATICA d.o.o. Zagreb
30. ŠTEDIONICA ZLATNI VRUTAK d.d. Zagreb
31. TRGOVAČKA ŠTEDIONICA d.o.o. Zagreb
32. ViD ŠTEDIONICA d.o.o. Zagreb
33. ZAGREBAČKA ŠTEDIONICA d.d. Zagreb

## **LICENSED HOUSING SAVINGS BANKS**

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1. PRVA STAMBENA ŠTEDIONICA d.d. Zagreb
2. WÜSTENROT STAMBENA ŠTEDIONICA d.d. Zagreb
3. HRVATSKA STAMBENA ŠTEDIONICA d.d. Varaždin

## **OTHER LICENSED INSTITUTIONS WITH FULL AUTHORIZATION**

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1. HRVATSKA BANKA ZA OBNOVU I RAZVITAK Zagreb

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<sup>1)</sup> Authorization includes raising households' l/c deposits and operating exchange offices.

<sup>2)</sup> Licensed savings bank not yet operative.

# MEMBERS OF THE COUNCIL OF THE CROATIAN NATIONAL BANK

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Chairman of the Council

**Marko Škreb**

**Zdravko Rogić**

**Relja Martić**

**Pero Jurković**

**Ivan Milas**

**Gorazd Nikić**

**Mate Babić**

**Vlado Leko**

## MANAGEMENT OF THE CNB

**Marko Škreb**, Governor

**Zdravko Rogić**, Deputy Governor

**Relja Martić**, Vice Governor

## BOARD OF EXECUTIVE DIRECTORS

Research and statistics area - **Velimir Šonje**

Area of central banking operation - **Adolf Matejka**

International financial relations area - **Jadranka Granić**

Area of control and supervision - **Čedo Maletić**

Accounting, treasury and payment operations area - **Đurđica Haramija**

Area of organization planning and information processing - **Petar Ćurković**

Area of legal affairs and general services -

# LIST OF ABBREVIATIONS & SYMBOLS

<b>CNB</b>	- Croatian National Bank
<b>GDP</b>	- gross domestic product
<b>DMB</b>	- deposit money bank
<b>dep.</b>	- deposits
<b>Q</b>	- quarterly
<b>CBS</b>	- Central Bureau of Statistics
<b>manufactur.</b>	- manufacturer
<b>mil.</b>	- million
<b>bil</b>	- billion
<b>o.w.</b>	- of which
<b>IMF</b>	- International Monetary Fund
<b>res.</b>	- reserve
<b>SNA</b>	- System of National Accounts
<b>prod.</b>	- producers
<b>RR</b>	- reserve requirement

## ABBREVIATIONS FOR CURRENCIES:

<b>HRK</b>	- Croatian kuna
<b>ATS</b>	- Austrian schilling
<b>FRF</b>	- French franc
<b>DEM</b>	- German mark
<b>CHF</b>	- Swiss franc
<b>GBP</b>	- British pound
<b>ITL</b>	- Italian lira
<b>USD</b>	- US dollar
<b>XDR</b>	- Special drawing rights
<b>SIT</b>	- Slovenian tolar
<b>XEU</b>	- European currency unit

## SYMBOLS:

-	no entry
...	data not available
0	value is less than 0.5 of the unit of measure being used
Ø	average
1)	indicates note beneath table
*	corrected data
()	incomplete or insufficiently verified data
Due to rounding figures may not add to 100	