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# **BULLETIN**

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# General Information on Croatia

## Economic Indicators

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

<sup>a</sup> Preliminary data for 2000.

<sup>b</sup> Data on population in 2000 was taken from data from 1999.

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

<sup>d</sup> Data for 1998, 1999 and 2000 are calculated according to the new methodology.

Sources: Central Bureau of Statistics and Croatian National Bank

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# Quarterly Report



## Introduction

All the signs point to continued GDP growth in the third quarter of 2001. On the demand side, income indicators show a 5.1% growth in the wage bill, 10.2% growth in government transfers to households and about 103.5% growth in newly-approved bank credits to households (all in real terms, third quarter of 2001 compared to the third quarter of 2000). Consumption indicators remain strong: retail trade was up 8.2% in the third quarter of 2001 in comparison with the third quarter of 2000, and imports of non-durable consumer goods were up 16.7% in the same period (expressed in kuna). Similarly, investment indicators remain positive, with imports of durable consumer goods (mainly equipment) growing 11.7% and total volume of completed construction projects increasing 8.0% in July and 5.2% in August. Finally, merchandise export demand grew 2.3% in kuna, and services income also grew thanks to a successful tourist season.

On the output side, total volume of industrial production was up 6% and tourist nights were up 7.8%. When these are added to the figures for retail trade mentioned above, it seems that GDP growth rate in the third quarter will be substantial, as in the first half of the year.

While stronger economic growth in the past eight quarters has not reduced the number of unemployed registered with the Croatian Employment Institute (CEI), the upward trend in registered unemployment has almost completely flattened out this year. The normal seasonal increases in unemployment have begun to show up in the data in the last three months, but they have not changed the trend. Employers registered requests for some 177,000 workers this year, which resulted in the employment of 142,000 workers. These data show that job creation is indeed occurring, although it is still not strong enough to offset the inflow of new unemployed to the register (229,000 this year). The average administrative unemployment rate stood at 21.7% in the third quarter, an increase of 0.7 percentage point compared to the same period last year. The dynamics of its trend is similar to the movements in the registered unemployment trend, since it is determined by its movement. Nevertheless, the Labor Force Survey unemployment rate, which had so far shown a high correlation with the administrative rate, decreased in the first semester. More specifically, while the trend in administrative unemployment rate slowly increased this year, the Labor Force Survey unemployment rate fell from 17% in the second half of the previous year to 15.3% in the first half of this year.

Wage restraint in the public sector has been helpful in keeping the overall wage level under control, thereby facilitating job creation. Unit labor costs in industry continue to fall mildly, and it is encouraging that productivity growth has been rather high, above 4%, in the last two quarters.

Moderate wage increases, along with a generally stable exchange rate and weakening oil prices, have helped keep inflation low. Retail price inflation fluctuated substantially within the third quarter, with July's drop of 0.6% followed by a sharp growth of 1.0% in August due to increases in telephone costs. However, in the next two months, retail price inflation re-

turned to the low levels of 0.3% and -0.1%, and the year-on-year rate resumed its downward trend, ending the third quarter at 3.8% and reaching as low as 3.2% in October.

Core inflation, which is considered to be a good indicator of future inflation developments, decelerated substantially from 4.4% year-on-year at the end of the second quarter to only 2.3% year-on-year at the end of the third quarter. While some of this decrease can be explained by higher inflation in the same period last year, it is nonetheless reasonable to see low core inflation rates as harbingers of lower inflation in the immediate future. Indeed, all the major factors mentioned above, along with the recessionary environment in the U.S., Japan and possibly even in Europe, point to restrained inflation in the coming months.

The foreign exchange markets were unusually turbulent in the third quarter. The kuna appreciated gradually but substantially from 7.69 HRK/EUR in April to a low of 7.19 HRK/EUR in early August, only to drop rapidly to 7.61 HRK/EUR at the end of the month. Developments in the first two months of the fourth quarter have also been unusual, with the kuna appreciating against the euro. Normally, the fall months see either a stable or depreciating kuna. The greater volatility of the kuna, as we pointed out in our last issue, seems to be partly related to the liberalization of the foreign exchange system, allowing enterprises to freely dispose of foreign currency deposits. Enterprises mainly bought foreign exchange when the price was low (i.e. when the kuna was strong) in late July and early August, and since then have been slowly using these funds. At the same time, some of the banks, particularly some of the foreign banks that have easy access to foreign currency funding, have been more inclined to try to earn money from exchange rate differences and interest rate spreads between kuna and foreign currencies. This speculative behavior added to exchange rate volatility and depreciation expectations.

Finally, in August it became clear that foreign exchange deposits were growing unusually rapidly, most probably due to the beginning of the euro conversion process. Croatian savers deposited their cash holdings in currencies of the EMU member states at banks. This further increased the banks' foreign exchange liquidity, helping create the seasonally unusual appreciation pressures.

A strong tourist season is another reason for the increase in foreign exchange deposits. Preliminary data indicate that the balance of payment current account surplus for the third quarter was about USD 1.2bn, even better than last year's result. Tourist revenues increased by 20% in dollar terms. There is also evidence that imports are slowing down. This confirms that the high growth rate of imports in the first and second quarters was to a considerable extent a one-off event driven by the imminent expiration of tariff exemptions. The merchandise trade deficit can be expected to grow in the fourth quarter, following the usual seasonal dynamics.

Fiscal policy continues to aim at narrowing the gap between revenues and expenditures. The government has pledged to meet its commitment to limit the consolidated central government deficit to 5.3% of GDP in 2001. It passed a package of reforms in October, but these are not expected to have significant effects until next year. The government therefore took

several discretionary, one-off measures intended to save some HRK 655m in the rest of 2001 in order to meet the deficit target. The trend value of real current revenues of the consolidated budget decreased 5.2% in the first nine months of the year, while the trend value of real total expenditures decreased 6.5% compared to the same period in 2000.

In October, an additional 16% of Croatian Telecom (HT) was sold for EUR 500m, which enabled the repayment of a bridging loan. Regarding other privatization revenues, the privatization of several state-owned banks is expected before the end of the fourth quarter, as well as the privatization of Croatia osiguranje.

The monetary aggregates continued to grow rapidly in the third quarter, reflecting strong economic activity. The trend growth of real M4 accelerated from 1.7% per month in the first quarter to 2.1% per month in the third quarter. By October, M4 was 29.1% above its level of a year before. Foreign exchange deposits showed particularly strong growth.

However, some of the elements within M4 have not grown so steadily. The real seasonally adjusted trend of M1, which consists of kuna currency in circulation and transaction deposits in kuna, stagnated from the end of the second quarter through the end of the third quarter. This stagnation was the result of decreases in the seasonally adjusted deposits of enterprises from June to August. Enterprises, as was mentioned above, took advantage of the opportunity provided to them starting in June to hold foreign exchange deposits without limitation. This one-time stock adjustment raised enterprise foreign exchange deposits at the expense of kuna deposits.

The other component of M1, kuna currency in circulation, grew rather strongly, since growth in currency in circulation is closely linked to economic activity. Credit activity has also grown strongly, with lending, adjusted for exchange rate changes, growing 5% in the first quarter of the year, 8% in the second quarter and 4% in the third quarter. Lending grew some 3% in October, suggesting that the credit expansion has continued in the fourth quarter. In fact, total bank placements to the private sector grew 24.5% during the year. Lending to households grew 8.3% in the third quarter and continued to outpace corporate credits, which grew 4.6%. Competition among banks for market share continues to intensify, with well-funded foreign banks showing high growth rates of lending. Such high growth rates of lending should be examined carefully, since in many countries, high growth rates of lending and total assets have been associated with deteriorations in portfolio quality.

Banks' net foreign assets (NFA) fell during the third quarter, continuing a trend starting in April. Increased lending opportunities led banks to convert foreign assets into domestic ones. However, starting in September, net foreign assets began to rise again as the banks' supply of foreign exchange rose due to a rapid increase in household foreign exchange deposits and a decrease in demand as enterprises stopped purchasing large amounts. During October, the banks' NFA increased by 17.7%.

The central bank was rather active in the third quarter and in the beginning of the fourth quarter due to the high level of volatility and efforts to reform the reserve requirement instru-

ment. The CNB created liquidity in July in an attempt to prevent further appreciation of the kuna, whereas it was forced to withdraw liquidity in August in order to slow down the fall in the price of kuna due to strong depreciation expectations, unusual for this time of the year.

The CNB also continued to advance its reform of monetary policy instruments with the aim of decreasing the burden of the reserve requirements, which function like a tax on banking intermediation. The latest measure to decrease the reserve requirement to 19% was adopted in early November and will begin to apply in early December. In addition, in November, banks were required to hold required reserves on subordinated debt and hybrid debt instruments. This was done to ensure that all funding sources are treated equally. The measures adopted in the third and fourth quarters have created greater demand for kuna and freed up foreign exchange.

Thus, in the first half of the fourth quarter, the banks' foreign exchange liquidity was better than their kuna liquidity due to the regulatory changes just described and the large inflow of foreign exchange deposits that apparently stem from the conversion of the EMU member states currencies into the euro. However, the banks have been quite liquid in kuna as well, apart from a brief period of adjustment before the beginning of the October reserve requirement cycle. The central bank has combined purchases of foreign exchange with sales of kuna CNB bills to contain appreciation pressures and soak up excess liquidity, both kuna and foreign exchange.

In this situation of high liquidity, interest rates have begun to fall. Interbank rates surged during the brief liquidity crunch in October to about 6 percent, only to fall to 4% by the end of the month and lower in early November. Interest rates on both Ministry of Finance T-bills and CNB bills, which had fallen strongly until end-July, rose by approximately 1 percentage point in August and September, only to fall again in October and November. In fact, the interest rate on CNB bills at the most recent auction held on November 30 was only 3.35%, the lowest rate ever.

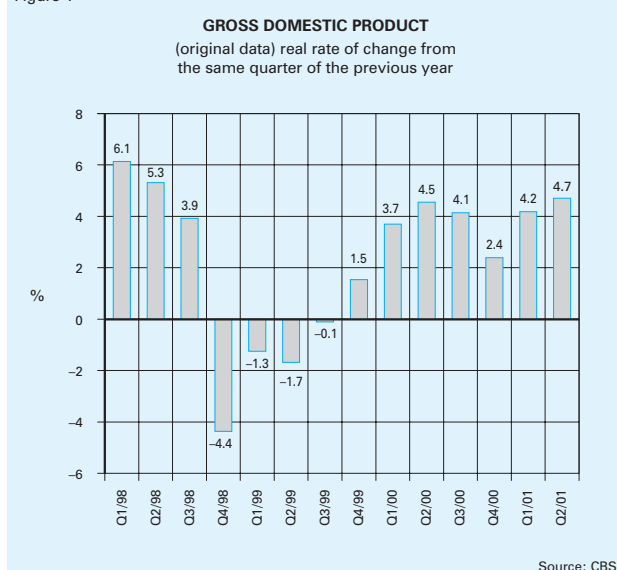
Banks' lending rates, which had fallen rather consistently since mid-1999, began to fluctuate and even increase over the summer and early fall. However, October saw a substantial decrease. For example, interest rates on short-term corporate credits (without indexation) rose to 7.1% in September but fell to just above 6.3% in October. Interest rates on indexed kuna credits fell from 9.8% to 9.4% in the same period.

Banks' deposit rates did not show such volatility, falling slowly but steadily through the third quarter and beginning of the fourth quarter. The overall average interest rate on kuna deposits was 3.1% in October.

## Demand

In comparison with the same period last year, GDP grew by 4.5% in the first half of 2001. The growth rate in the first quarter was 4.2%; booming personal consumption and increasing gross capital formation accelerated GDP growth in the second quarter to 4.7%, the highest quarterly growth rate in the post-recession period (since late 1999). GDP growth was faster

Figure 1



in 2001 than in the second half of 2000. Domestic demand made the major contribution to GDP growth in the first half of 2001, 3.2 percentage points, while foreign demand contributed 1.3 percentage points. This was the sharpest increase in domestic demand and its most considerable contribution to growth since 1997.

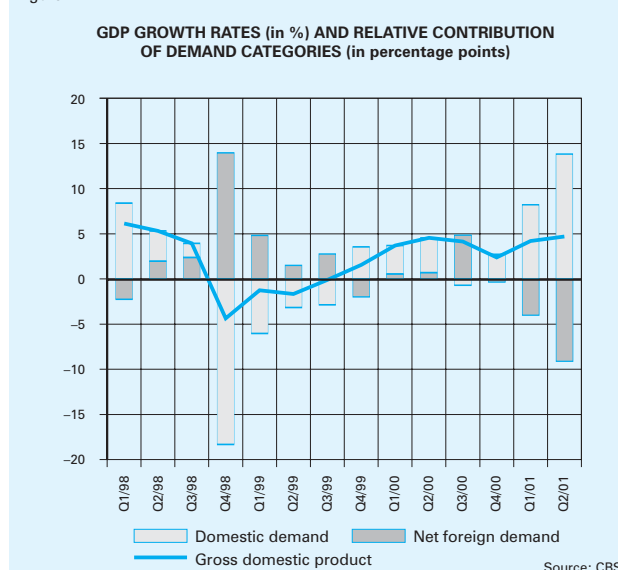
Third quarter economic indicators show an increase in all activities in comparison with the same quarter last year. They also suggest a high GDP growth rate in the third quarter.

All consumption categories continued their upward trend, except for government consumption. Personal consumption growth was reflected in an upsurge in its financing sources compared with the same quarter last year: 5.1% real growth in the wage bill, 10.2% real growth in government transfers to households, and 103.5% real net growth in bank loans, which exacerbated the unfavorable financial relations between the household sector and banks. Interest and commission payments made by the household sector increased the net outflow of this sector's funds to banks by 41.3% in nominal terms in the third quarter compared with the same period last year. Household disposable income was accordingly reduced. Compared with the same quarter last year, retail trade turnover rose by 8.2% in real terms in the third quarter, while imports of non-durable consumer goods, expressed in kuna, rose by 16.7%.

In comparison with the same period last year, government consumption continued trending downwards in the third quarter, as suggested by a 14.4% real decrease in the consolidated central government wage bill and a 39% real reduction in other purchases of goods and services on a cash basis. These rates show that a more substantial decrease in government consumption (3.9%) can be expected in the third quarter compared with the second.

Construction works done increased in July and August and durable consumer goods imports (mostly equipment) grew by 11.7%, expressed in kuna, in the third quarter of 2001 compared with the same quarter last year. This indicates a rise in gross fixed capital formation.

Figure 2



Exports of goods, expressed in kuna, rose by 2.3% in the third quarter, while an increase in indicators recorded in tourism indicates a growth in the exports of services. In the same period, imports of goods, expressed in kuna, grew at a more restrained rate than in the first half of the year, although rising 10.4% in comparison with the same quarter last year. It is expected that these developments will result in a positive contribution of net exports of goods and services to GDP growth in the third quarter.

Industrial production grew by 8.3% year-on-year in October, in spite of unfavorable economic conditions prevailing in the environment.

## Foreign Demand

Exports of goods and services rose by 3.3% in the first half of the year in comparison with the same period last year. This growth was 4.3% in the first quarter and 2.6% in the second. As imports of goods and services grew at a rate of 15.6% in the first half of the year, exceeding the growth of exports, net exports of goods and services negatively contributed to GDP growth by 6.7 percentage points.

This year's weak foreign demand could partly be accounted for by the reversal of favorable economic trends prevailing in the environment until late 2000. The USA was the first to experience a deceleration of growth, followed by Western Europe, while Japan is currently heading into recession. These developments could have affected the Croatian economy, as approximately 70% of its goods exports go to EU countries. However, the trade liberalization recently initiated in Croatia and EU measures with regard to accession countries will reduce the spread of these negative developments to Croatia and the Central and East European countries. Domestic demand is trending upwards in most of these countries, stimulating growth at a time of weakening foreign demand.

According to seasonally adjusted data, real GDP in the euro zone increased by 0.1% in the second quarter in comparison with the first, while the growth rate in the first quarter ex-

Figure 3

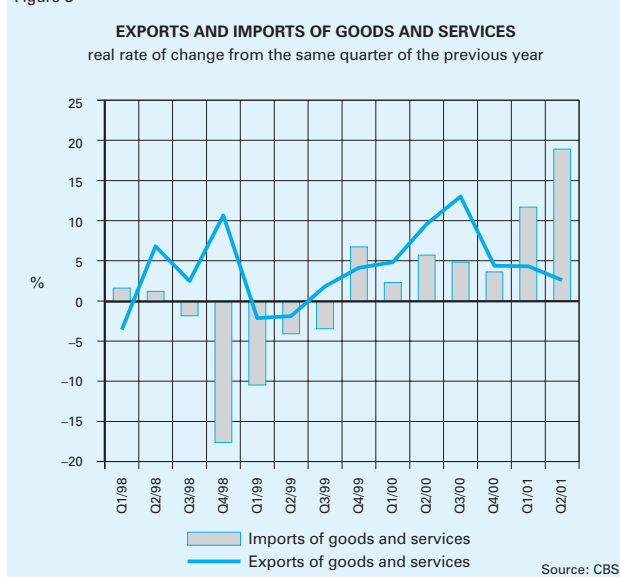
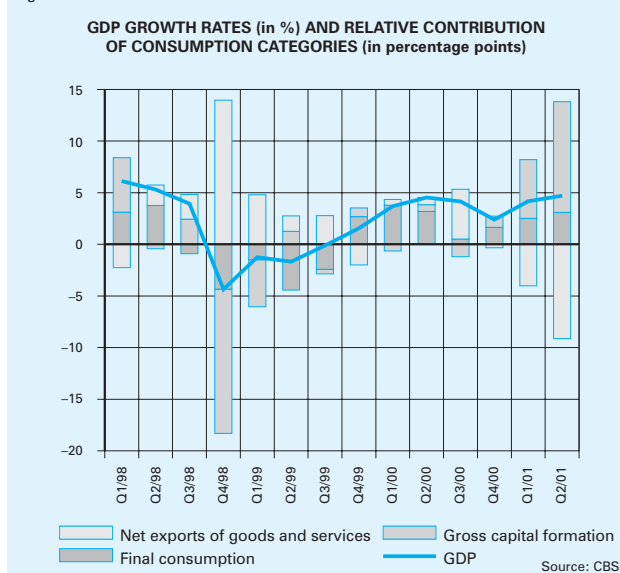


Figure 4



ceeded that of the previous quarter by 0.5%. The year-on-year quarterly rate stood at 1.7% in the second quarter, which is a slowdown in comparison with the 2.4% year-on-year rate recorded in the first quarter. Euro zone imports declined over two consecutive quarters, by 1.1% in the first quarter and by 0.6% in the second, each compared with its preceding quarter. In spite of the slowdown, there are no serious imbalances in the euro zone requiring long-term corrective measures. Financing conditions are favorable, and the expected inflation rate reduction in the following few months will stimulate real disposable income growth and a subsequent increase in consumption.

European Commission Business and Consumer Surveys conducted prior to the 11 September terrorist attacks on the USA do not suggest a quick economic recovery. Surveys conducted after this date suggest even less confidence and an increased risk of a short-term economic slowdown. In the aftermath of the terrorist attacks on the USA, major forecasts for

global economic trends in late 2001 and in 2002, made in early or mid-2001, were adjusted downwards with regard to both the global economy and Croatia's main trading partners. The US economy is expected to grow between 1.1% and 1.3% in 2001 after rising by 4.1% in 2000 (OECD 2001, IMF 2001).<sup>1</sup> The projected growth rate of the EU economy ranges from 1.5% to 1.8% (OECD 2001, IMF 2001). Consequently, it is unlikely that the economic recovery in the USA and EU, projected for the third and fourth quarter of 2001, will be earlier than the second half of 2002.

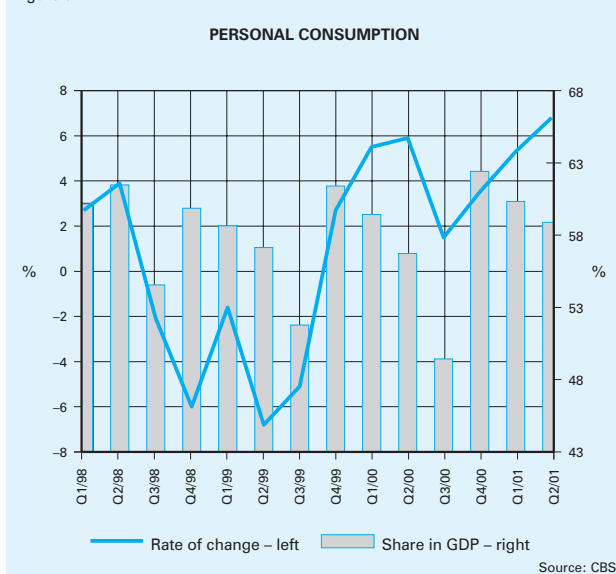
### Domestic Demand

Domestic demand boosted GDP growth in the first half of 2001, showing a revival after its neutral contribution to economic growth in 2000 and negative contribution in 1999. Government consumption was the only component of domestic demand that negatively contributed to growth. It is expected that the impact of domestic demand on GDP growth will weaken in favor of foreign demand, parallel with a slowdown in imports of goods and a substantial decrease in government consumption.

### Personal Consumption

Personal consumption grew at exceptional rates in the first half of the year, 5.3% in the first quarter and 6.8% in the second, compared with the corresponding periods last year. It should be noted that personal consumption has constantly trended upwards since the last quarter in 1999. Moreover, as mentioned above, the available indicators suggest that this trend will continue into the third quarter. Household income based on the wage bill and government transfers increased in real terms in comparison with the same quarter last year. The only exception was disposable income, which was reduced by increased household net liabilities to banks deriving from prin-

Figure 5



<sup>1</sup> OECD Survey, October 2001; IMF, World Economic Outlook, October 2001.

Figure 6

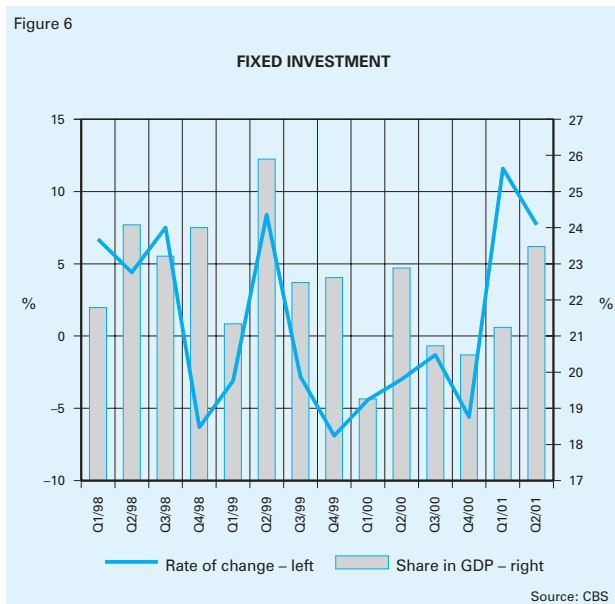
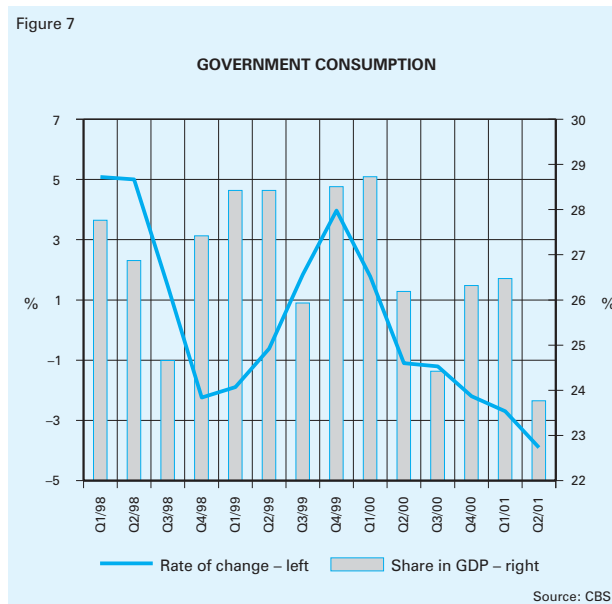


Figure 7



cial repayments and commission and interest payments. However, this income accounted for only 3.5% of total household income. The loan and deposit ratio, which is an indicator of household indebtedness to banks, increased in the third quarter by 6.5% nominally in relation to the same quarter last year. This shows an increase in household indebtedness, i.e. a faster growth of loans compared with the growth of deposits.

Personal consumption is expected to grow at a more restrained pace in the third quarter than in the second and first, as the growth rates of preliminary indicators are lower than in the first half of the year (imports of road vehicles and non-durable consumer goods and the growth of real retail trade turnover).

### Investment Consumption

Having trended downwards over several consecutive quarters, gross fixed capital formation increased by 11.6% in the first quarter and 7.7% in the second, compared with the corresponding periods last year, contributing 2.1 percentage points to the 4.5% semi-annual GDP growth. The contribution of gross capital formation to GDP growth was more substantial, 8.3 percentage points. This was the result of a significant rise in stocks in the first quarter. Allowing for a statistical discrepancy, stocks increased at the annual level by 92.7% in real terms in the first quarter and 400% in the second. Gross fixed capital formation grew primarily on account of rising private investment, as capital expenditures of the consolidated central government were reduced by a nominal 26% in the first half of the year compared with the same period last year. The Government has announced greater investment in 2002, particularly in roads.

### Government Consumption

Real government consumption continued its downward trend in the second quarter. Compared with the same quarter last year, it decreased by 3.9%, which was the highest fall in five successive falls. Third quarter data on the outturn of the consolidated central government budget show an 11.4% real

decrease in wages and a 39% decrease in other purchases of goods and services for the year. Government consumption is expected to continue its downward trend in the last quarter of 2001 on account of a restrictive fiscal policy and quantitative criteria specified under the stand-by arrangement concluded with the IMF regarding the consolidated central government budget deficit.

## Output

Gross value added increased by 4.5% in the first half of 2001 compared with the same period in the previous year. This increase was 4.2% in the first quarter and 4.8% in the second. This was primarily caused by an upsurge in trade turnover and industry, whose contributions to gross value added growth were 1.9 percentage points and 1.3 percentage points respectively. Exceptional growth was recorded in trade in the second quarter, 16.2%, and in hotels and restaurants, 12.2%. Transport and industry also grew at above-average rates in this period.

According to all relevant indicators, real activity rose at substantial rates in the third quarter compared with the same quarter last year. Industrial production increased by 6%, while the volume of construction works increased by 8% and 5.2% in July and August respectively in comparison with the same months last year. In comparison with the same quarter last year, retail trade rose by 8.2% in real terms in the third quarter, tourist nights by 7.8%, passenger transport by 3% and goods transport by 4.2%.

Having grown successively by 5.5%, 6.2% and 6% in the first three quarters of 2001, industrial production continued to trend upwards in the beginning of the last quarter. In October, its monthly growth rate stood at 8.3% for the year, with a 4.5% longer working month, whereas its cumulative increase in the first ten months was 6.1% compared with the same period last month. According to data on gross value added trends in industry, available only for the first half of the year, its growth

Figure 8

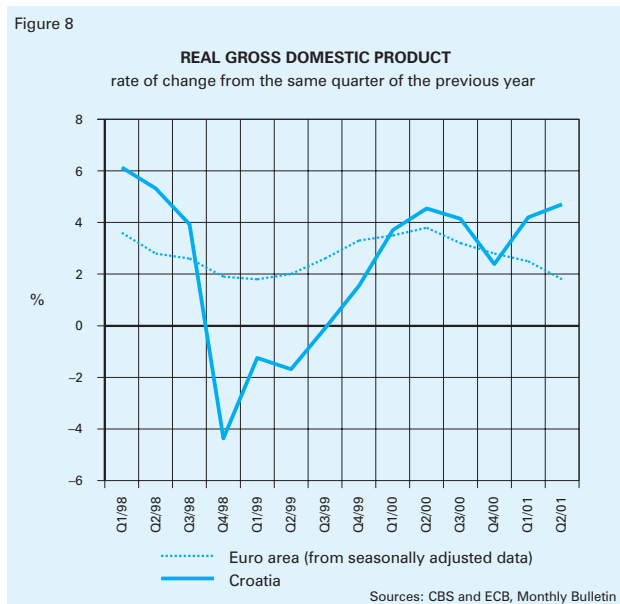
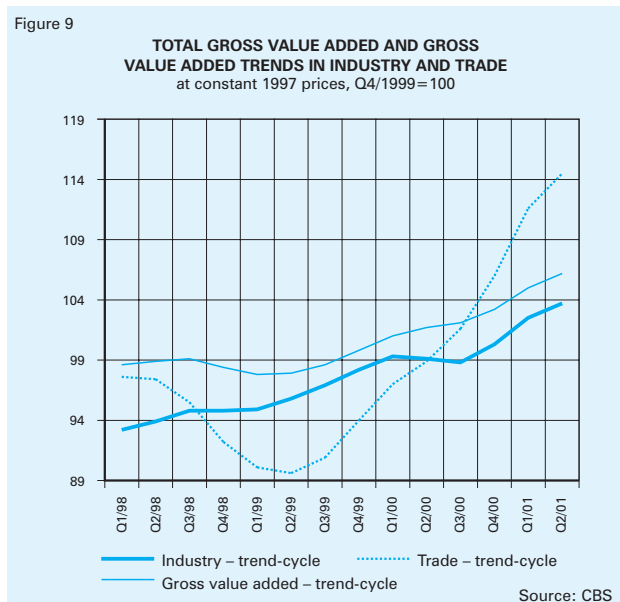


Figure 9



rates fell behind production volume growth. In comparison with the same period last year, the rates of growth in the first and second quarter were 3.9% and 4.9% respectively, the latter being the highest rate of gross value added growth since 1997.

Increasing at a rate of 37.2%, the Manufacture of Other Transport Equipment Division made the largest contribution to industrial growth in the first ten months, 1.5 percentage points. The Manufacture of Food and Beverages Division contributed 1.1 percentage point, which is the strongest contribution of this division since the introduction of the NCEA in 1997. Publishing and Printing contributed to growth by 0.9 percentage points, thus regaining the status it had prior to the latest recession. The Manufacture of Pulp, Paper and Paper Products Division followed, with a contribution of 0.8 percentage points and 28.9% cumulative growth in the first ten months. The largest negative contributor in this period was the Manufacture of Radio, Television and Communication Equipment and Apparatus Divi-

sion: 1.2 percentage points, with an annual decrease of 41.8%. Negative contributions were recorded in only two other manufacturing divisions, the Manufacture of Chemicals and Chemical Products Division and the Manufacture of Coke, Refined Petroleum Products and Nuclear Fuel Division.

Exports of goods, expressed in kuna, rose by 2.9% in the first nine months of 2001 compared with the same period last year, together with a 3% increase in industrial product exports. According to the NCEA, the value of exports rose the most in the Manufacture of Other Transport Equipment Division, increasing by 3.1% in the first nine months and accounting for a 15% share in total industrial exports. This equaled its total share in 2000 but is still lower than its share in the previous years. Exports in the Manufacture of Chemicals and Chemical Products Division were second in value, with an 11% share of total industrial exports, followed by the Manufacture of Coke, Refined Petroleum Products and Nuclear Fuel Division and the Manufacture of Wearing Apparel Division, whose shares were 10% and 9% respectively. The shares of all three mentioned divisions in total industrial exports were smaller than in 2000.

Decreasing foreign demand did not have a substantial effect on stocks of final industrial products, which rose by 2.3% in late September compared with the same month last year.

Although the volume of construction works suggested a revival in construction, this was not evident from its gross value added trends. Gross value added grew by 6.1% in the first quarter in comparison with the same quarter last year, ending ten months of negative monthly rates of change. However, it fell again in the second quarter, by 0.8%. In contrast, construction volume has been on the rise from April on, compared with the same period last year, growing especially fast in July and August by 8.0% and 5.2% respectively. Owing to the small volume of construction works in the first quarter, the cumulative rise of their volume in the first eight months was 2.3% for the year. The fact that the mentioned indicators are contradictory could be accounted for by the quarterly calculation of gross value added. It is expected that its annual calculation will shed more light on construction developments.

Figure 10

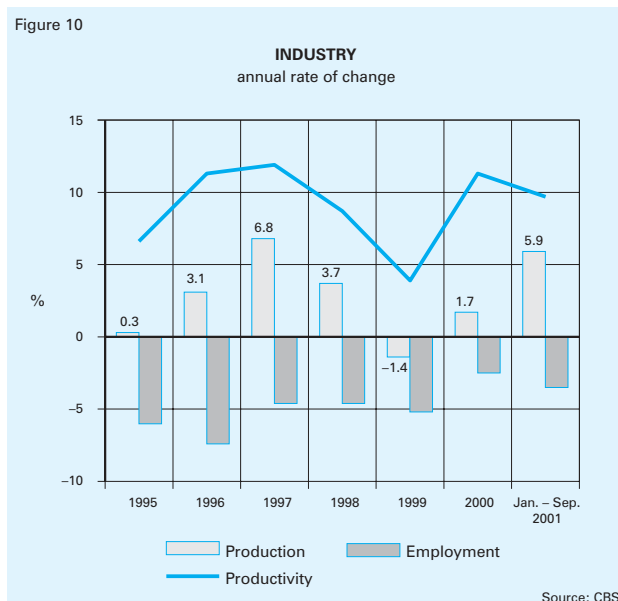


Figure 11

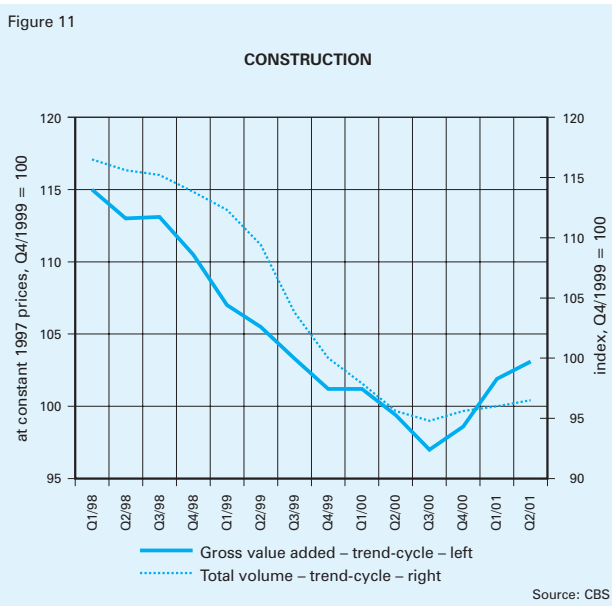


Figure 14

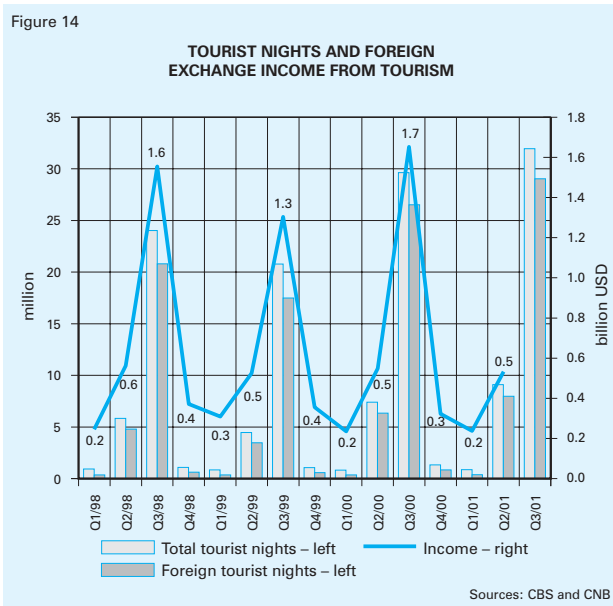


Figure 12

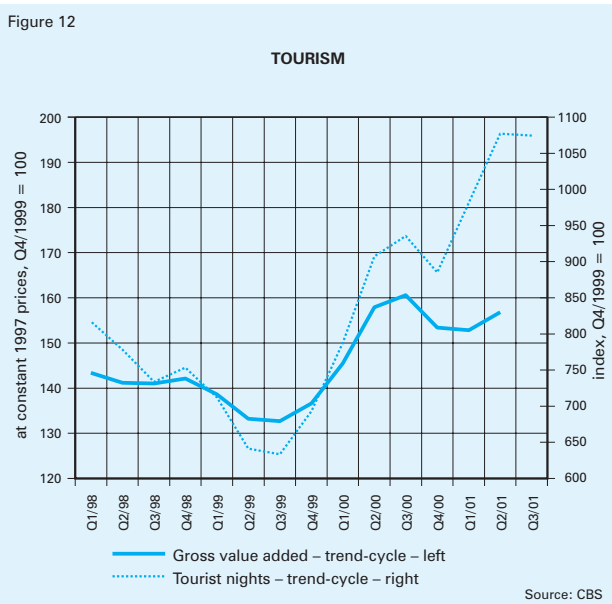


Figure 15

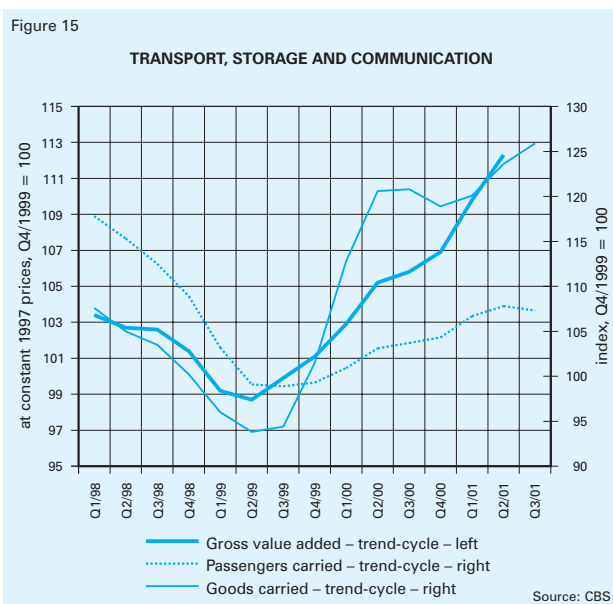


Figure 13

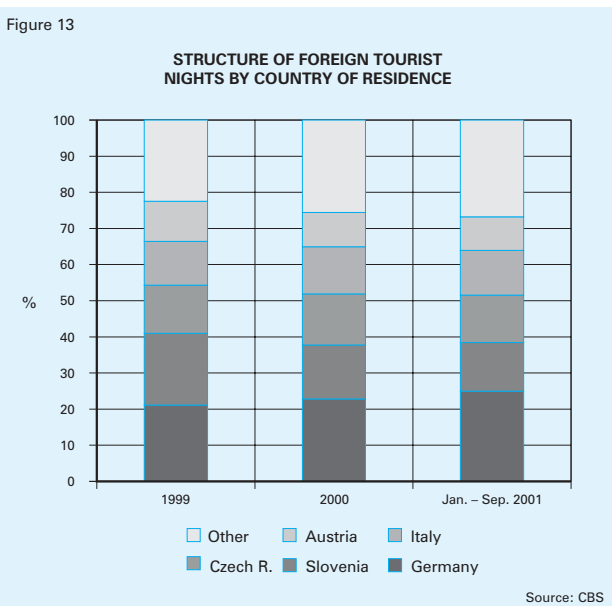
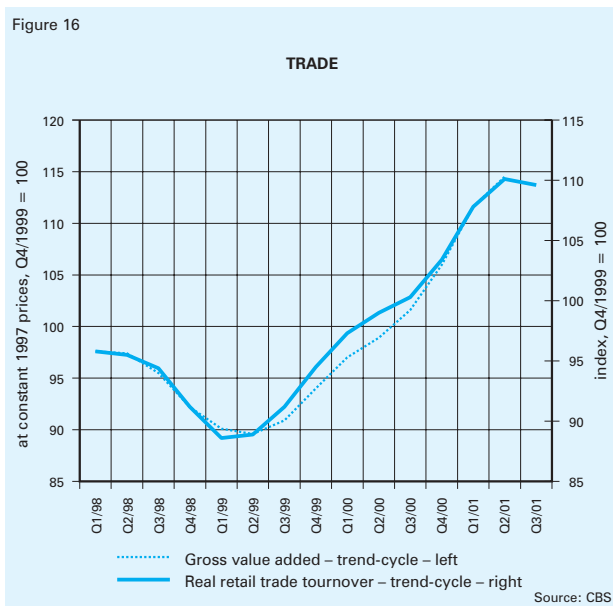


Figure 16



Tourist arrivals increased by 5.5% in the third quarter compared with the same quarter last year, while tourist nights rose by 7.8%. Domestic tourist nights dropped 6.9%, while foreign tourist nights increased by 9.5%. In the first nine months in 2001, tourists stayed 42 million nights, 10.7% more than in the same period last year. The 22.9% rise in tourist nights in the second quarter contributed the most to their overall increase. Domestic tourist nights declined by 2.8% in the first nine months, on account of the drop in the third quarter. Foreign tourist nights rose by 12.6% in the same period, the rise being especially pronounced in the second quarter.

Tourists from nine countries (Germany, Slovenia, the Czech Republic, Italy, Austria, Poland, Slovakia, Hungary and the Netherlands) accounted for 91% of tourist nights in the first nine months of this year. German tourists stayed the most nights, 25%, followed by tourists from Slovenia, 14%, and the Czech Republic, 13%. As regards the type of accommodation, nights were mostly stayed in hotels, 32%, camps, 28.9% and guest houses, 22.2%.

Compared with the same period in 2000, gross value added in transport, storage and communications increased 7.3% in the first half of 2001, continuing the high growth rates achieved in the previous year. Moreover, in the first half of this year this growth was steeper than projected by the indicators. The transport of passengers and goods continued trending upwards in the third quarter, rising by 3% and 4.2% respectively in comparison with the same quarter last year. Compared with the corresponding quarter in 2000, letter postal services rose by 1.3% in the third quarter and parcel services were on the increase as well. A new tariff system introduced in the third quarter resulted in a 14.2% fall in the number of minutes spent in the immobile network compared with the previous quarter. The number of minutes spent in the mobile network (Cellular phone, Cronet and VIP-NET) rose by a considerable 33.6% in the third quarter compared with the same quarter last year.

Booming personal consumption stimulated a rapid growth in trade this year. In the first half of 2001, gross value added rose by 15.9% compared with the same period last year. Trade contributed 1.9 percentage points to the 4.5% gross value added growth. It continued to grow in the third quarter, judging by the 8.2% increase in real retail trade turnover compared with the same quarter last year. Although substantial, this rate of growth was somewhat lower than in the first and second quarter.

## Labor Market

Developments in the labor market in the second and third quarter were strongly influenced by the Government's restrictive wage policy. Real wages and labor costs remained stagnant, while growth in registered unemployment slowed down. The Labor Force Survey showed that unemployment was lower in the first half of 2001 in comparison with the second half of 2000, although still slightly above the corresponding period last year. Registered employment rose in the third quarter and, according to preliminary data, in the beginning of the fourth quarter. The net wage bill was on the increase in real

terms, primarily on account of the growing number of employees paid through the IPT.

## Unemployment and Employment

A strong inflow in the CEI register over 2001, primarily involving previously employed, was paralleled by an even stronger outflow, mainly accounted for by employment. The number of unemployed that registered with the CEI in the first ten months stood at 229,000, 6.1% more than in the same period last year. Total outflow, through employment and clearing from records for other reasons, was 224,000, 19.2% higher than last year. 177,000 vacancies were reported in the first ten months of this year, 37.8% more than in the same period last year, and 142,000 vacancies were filled, 32.3% more than in the same period last year. Registered employment usually rises in the third quarter on account of seasonal influences. This year however, employment grew at comparatively lower rates in the third quarter compared with 20.0% average rates achieved

Figure 17

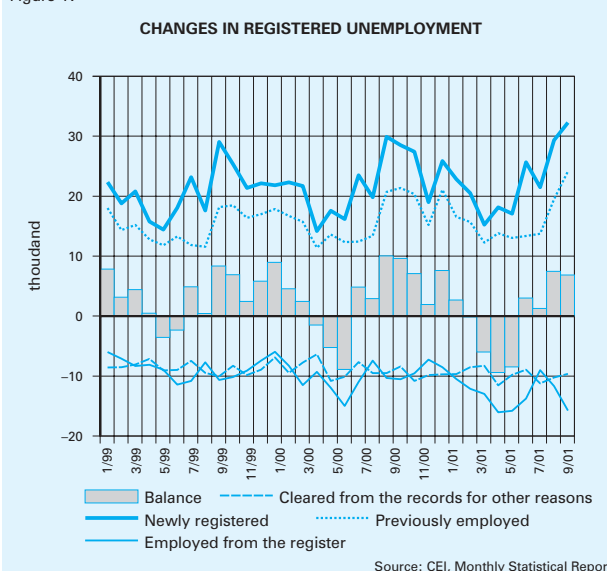
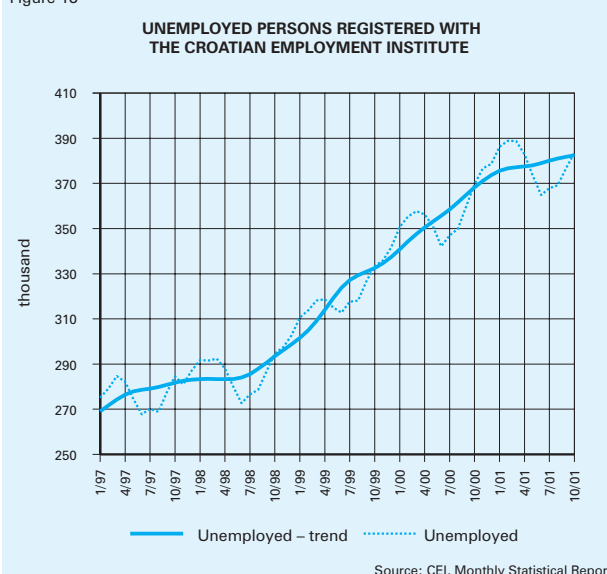


Figure 18





in other months. Demand for labor revived in October, when 21,000 vacancies were reported, 71.2% more than in the same month last year. There was an equal number of vacancies filled, up by 83.6% in comparison with October last year.

In the first ten months of 2001, registered unemployment showed an increase of 5,000 (1.3%) in comparison with late 2000. At the end of October, registered unemployment stood at 384,000, an increase of 7,000 (1.8%) compared with September and 14,000 (3.8%) compared with October last year. The October increase was mainly seasonally induced, and the trend growth was almost negligible, the same as in the other months in the third quarter, which considerably weakened the upward trend in registered unemployment lasting from mid-1998 to late 2000.

The government contributed to the increase in unemployment by reducing public service employment by almost 4,000 since the beginning of the year. In addition, it is expected that employment will be terminated early next year for another few thousand employees currently laid off, provided no need for their jobs arises by then. However, the inflow into CEI records has mainly been generated by the economy, particularly the private sector.

### Employment and Labor

The number of employed began its seasonal increase as early as in April this year, reached a peak in August and declined in September. According to preliminary CBS data, total employment stood at 1,338,000 in September, a decrease of 9,000 (0.6%) in comparison with August and 5,000 (0.4%) in comparison with September last year. Employment fell by almost 11,000 (0.8%) in the third quarter, while total employment in the first nine months this year decreased by an average of 18,000 (1.3%) compared with the same period last year. Owing to a considerable irregularity in employment trends, which might partly be accounted for by unreliable statistical evidence, their precise assessment is difficult. Nevertheless, it is evident that the downward employment trend has slowed

down, which corresponds with registered unemployment indicators.

The Labor Force Surveys also suggest a decline in employment. According to the latest one, the employment/population ratio, representing persons in employment as a percentage of working age population, was 41.5%. It was 0.9 percentage points lower than in the second half of 2000 and 1.3 percentage points lower than in the same period last year.

The relatively slight September decrease in employment compared with the same month last year was accompanied by continued change in the structure of employment. The decrease in total employment was mostly caused by reduced employment in legal entities of almost 13,000 (1.4%). The share of actively insured private farmers in total employment diminished the most, as their number dropped by 6,000 (8.9%); however, these figures undermine the reliability of total employment indicators since they derive from discontinued contribution payments rather than from an actual decline in employment. The number of employed sole traders and freelancers declined by 3,000 (1.4%) in September compared with August, but it was more than 13,000 (6.5%) higher than in the same month last year. This leads to the conclusion that sole traders and small businesses are the main generators of total employment growth.

The active population rose by almost 14,000 (0.8%) over the third quarter, standing at an average of 1,705,000. In comparison with the same quarter last year, it increased by 8,000 (0.5%) due to the increase in the number of registered unemployed being greater than the reduction in the number of employed.

Unemployment according to administrative sources stood at an average rate of 21.7% in the third quarter, up 0.7 percentage points in comparison with the same quarter last year. This rate's trend is similar to the registered unemployment trend, which is its main determinant. The unemployment rate resulting from the Labor Force Survey was until recently highly compatible with the administrative unemployment rate. This year however, the latter has trended slowly upwards, while the

Figure 19

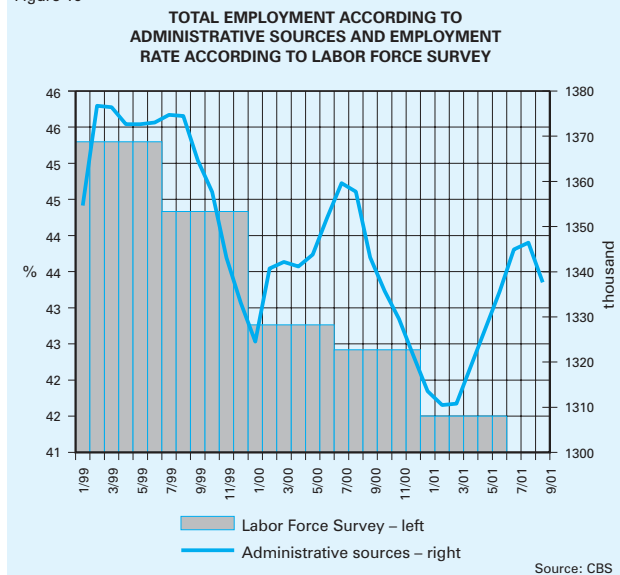


Figure 20

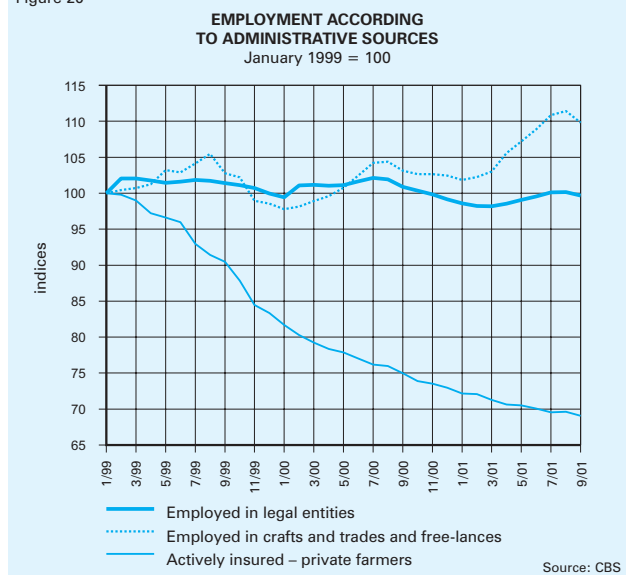
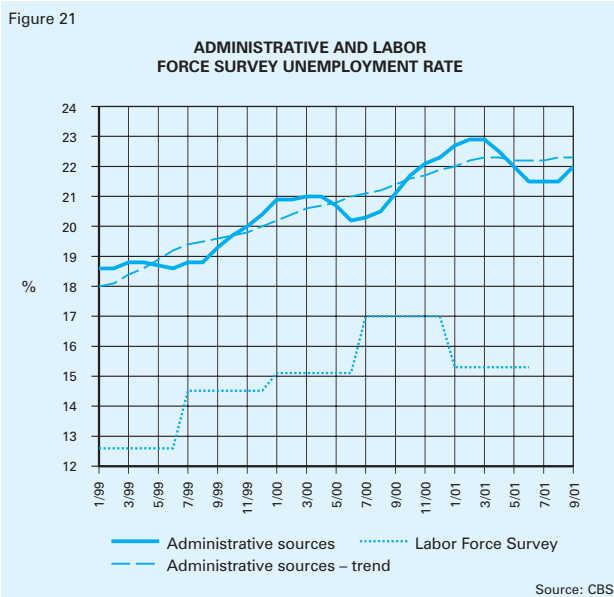
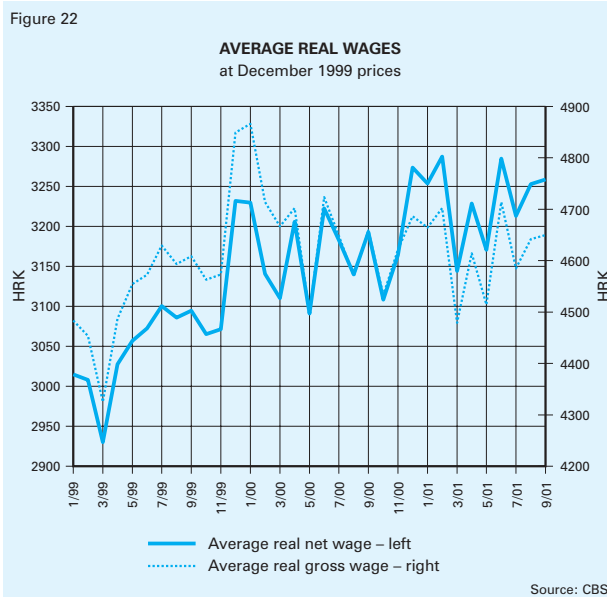


Figure 21



Source: CBS

Figure 22



Source: CBS

former has come down to 15.3% in the first half of 2001, from 17% in the second half of 2000. In comparison with the same period last year, unemployment rose in the first half of 2001 at the modest rate of 0.2 percentage points. The sampling methodology used in the Labor Force Survey remained unaltered in 2001, so its data are comparable with those of 2000. The results of the 2001 Census are not to be included in the sample until January 2002.

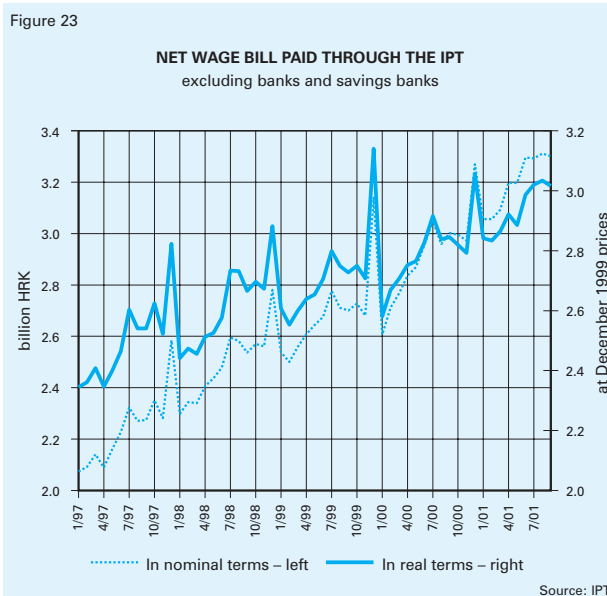
### Wages and Labor Costs

As the result of a restrictive wage policy in the public sector, gross wages grew 4.2% in nominal terms, equaling the rise in the cost of living, and stagnated in real terms in the third quarter compared with the same period last year. The average gross wage paid in the public administration and defense and compulsory social insurance was 8.3% lower in nominal terms in the third quarter than in the same quarter last year. It was also 0.8% lower in nominal terms in the health and social work sector. Less restrictive measures implemented in the areas of education and science resulted in a 3.6% nominal rise in the gross wage in education, which was still insufficient to sustain its real value. Following the reduction of the tax burden put on the cost of labor early this year the average nominal net wage grew at a somewhat higher rate in the third quarter than the average gross wage. Its growth of 6.5% accounted for the 2.2% real increase in the average net wage.

While CBS average wage indicators show their stagnation in real terms or low growth rates, the rates suggested by the IPT total wage bill indicator are somewhat higher. The net wage bill paid through the IPT in the third quarter was 9.9% and 5.5% higher in nominal and real terms respectively. In spite of a decrease in total employment over the observed period, the average net wage grew at a substantially lower rate than the wage bill, which is an indication of a higher number of employees receiving wages through the IPT.

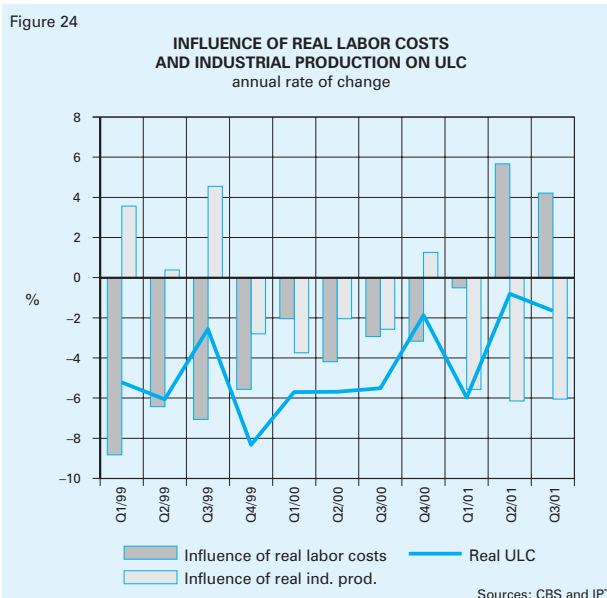
As shown by the changes of the unit labor cost in industry, the industrial production volume growth exceeded the real

Figure 23



Source: IPT

Figure 24



Sources: CBS and IPT

growth of the overall labor cost in industry in the third and second quarter. The 1.7% real decrease in the unit labor cost in the third quarter may appear low compared with its decrease in 2000 or early 2001. However, it should be taken in consideration that this indicator covers only salaries in industry actually paid off. Consequently, this year's increased wage payments, leading to a slighter real decrease in the unit labor cost despite high growth rates of industrial production, may be a sign of the improved liquidity of industrial enterprises and their greater ability to pay wages.

According to available data, the labor market has made no impact on the rise of prices. Although the rising trend in unemployment has been curtailed, the unemployment rate remains comparatively high, regardless of the method of calculation. In addition, average wages, whose growth used to be institutionally determined, have grown at considerably restrained rates, while gross wages have stagnated.

## Prices

The first nine months saw a downward trend in the year-on-year growth rate of retail prices, from 7.4% at the end of 2000 to 6.0% at the end of the first quarter of 2001 and to 4.9% and 3.8% at the end of the second and third quarters of 2001<sup>2</sup>. The year-on-year growth rate of retail prices fell to 3.2% in October and continued the downward trend in inflation, resulting in a 4.1 percentage points lower inflation rate compared with the 7.3% in the corresponding month last year. A slowdown in the year-on-year growth in retail prices in the third and at the beginning of the fourth quarter was brought about by a significant decrease in the year-on-year growth in goods prices, from 4.9% in June to 2.2% in September and to 1.5% in October. In contrast, the year-on-year growth rates of service prices leapt in the same period, from 5.0% in June to 9.6% in August and to 10.0% in September and October.

Since goods account for almost 80.0% of total retail price basket, changes in these prices heavily influence the overall retail price index (RPI). Analyzed by components, the changes in goods prices show that non-food industrial products<sup>3</sup> have contributed significantly less to year-on-year rate of retail price inflation. This was caused by a slowdown in year-on-year growth in non-food industrial products prices, which fell from a

maximum of 9.3% in May to 5.6% and 2.5% at the end of the second and the third quarter and to only 1.5% in October this year.

The easing of inflationary pressures at the end of the second and at the beginning of the third quarter was to a great extent influenced by the movements in domestic retail prices of refined petroleum products that reflected changes in prices of refined petroleum products in the world market and developments in the exchange rate of the kuna against the US dollar. In domestic retail trade, the year-on-year growth rate of liquid fuels and lubricants prices fell from 34.0% in May to 4.7% in June and stood at -1.2% for the July-October period. The described movement in refined petroleum products prices in June resulted from both the negative impact of the base period and the decrease in refined petroleum products prices of 3.4% compared with that in the previous month. The impact of the base period was absent in July and the fall in inflation was caused by a 5.7% decrease in the prices of refined petroleum products from that in previous month.

Figure 25

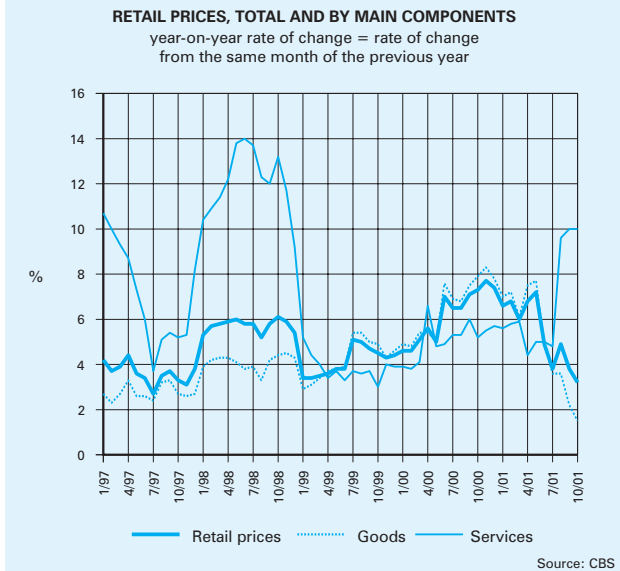
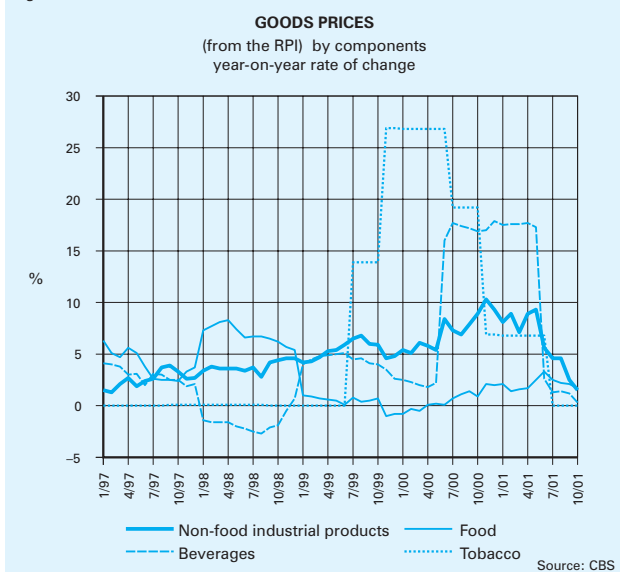


Figure 26



2 The analysis of changes in prices in August and September 2001 is based on the CBS's revised data on the movements of the retail price and cost of living indices published in November 2001. Revised indices are the result of methodological improvements in calculation which take into account not only the change in the price per minute for a local telephone call but also the change in the price per minute for a long-distance call as well as their share in the traffic structure of Croatian Telecom in natural units. In this way, the index revised for the increased price of telephone services in August can better reflect the average change in the price of telephone services caused by the new tariffs. According to the new calculation, retail prices in August increased by 1.0% on average (the previous calculation showed an increase of 1.8%) compared with the previous month, or 4.9% on a year-on-year basis (0.9% below the increase previously announced). Year-on-year growth in retail prices in September was also lower according to the revised data and stood at 3.8% (the previous calculation showed an increase of 4.9%).

3 Non-food industrial products account for a 50% share in the retail price basket.

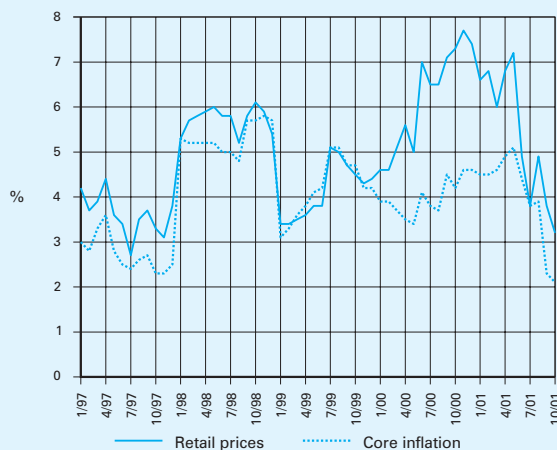
In the period between August and the end of October, the prices of refined petroleum products held steady on the domestic market. At the end of third quarter, the average monthly price of petroleum stood at about \$25.2 per barrel on the world market. The average price of petroleum fell to \$20.7 per barrel in October, a 17.8% decrease compared with that in the previous month or 34.0% compared with that in the corresponding month last year. The October movements reflect the decreased demand for this energy product by air carriers due to the terrorist attacks in the United States of America and a further decline in global economic activity. Although the said movements in crude petroleum prices on the world market did not result in a significant weakening of the kuna against the dollar (the average exchange rate of the kuna against the dollar depreciated by 0.5% in September and by only 0.1% in October compared with the previous month), they also did not result in the decrease in retail prices of refined petroleum products on the domestic market during the observed period.

After the effects of decreased refined petroleum products prices tapered off, a downward trend in year-on-year growth rate of non-food industrial products prices continued both in September and October this year owing to the negative impact of increases in the prices of certain products in the comparable base period. It should be noted here that the prices of textbooks, clothing and medicines and the prices of electricity rose considerably in September and October 2000, respectively. Thus, the average prices of non-food industrial products grew significantly in that period.

Taking into account that products whose prices are included in the basket used for the calculation of the index of non-food industrial products prices are, as a rule, tradables that are subject to international competition and that changes in their prices depend considerably on developments in the domestic currency exchange rate, it is expected that they will not build up significant inflationary pressures in the coming months. Such expectations are, *inter alia*, substantiated by the relative stability of the exchange rate of the kuna against the

Figure 27

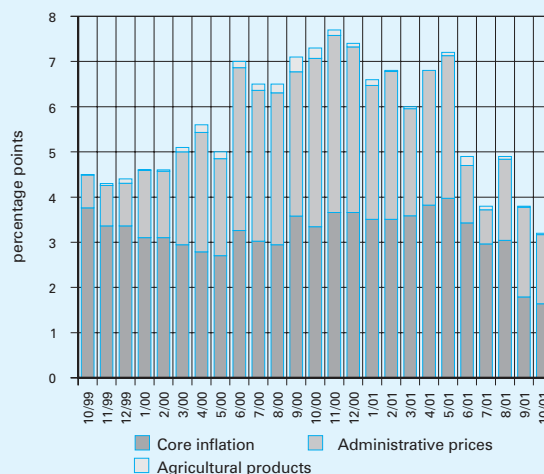
**RETAIL PRICES AND CORE INFLATION<sup>a</sup>**  
year-on-year rate of change



<sup>a</sup> 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 CNB Bulletin No. 61 (2001). Source: CBS

Figure 28

**CONTRIBUTIONS<sup>a</sup> OF THE RETAIL PRICE INDEX COMPONENTS TO YEAR-ON-YEAR INFLATION RATE**



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

Sources: CBS and the CNB calculations

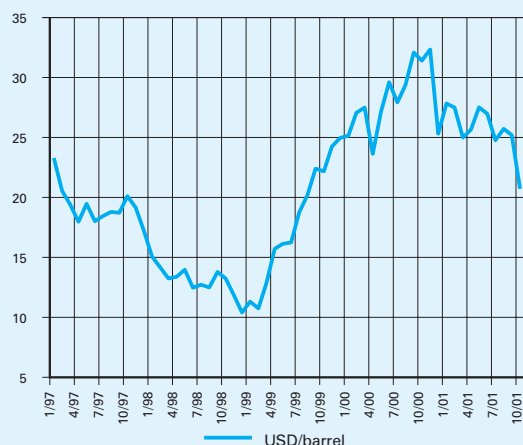
euro, the drop in the price of crude petroleum on the world market, fiercer competition in the domestic market caused by the opening of the new large chains of stores (e.g. Merkator and Metro), as well as the increased price competitiveness of certain import products from the European Union in Croatian market due to a reduction in customs duties as of the beginning of the next year.

In addition to the significantly reduced contribution of non-food industrial products to the year-on-year rate of retail price inflation in the third quarter of 2001, the contribution of agricultural products, tobacco and beverages to the said rate was also reduced but less marked. The contribution of industrial food products to the said rate of inflation was reduced in October.

In contrast to the decelerating trend in the year-on-year growth in prices of goods from the RPI, services prices rose significantly in the third quarter. This increase was, above all, caused by a substantial rise in prices of local telephone calls and telephone subscription fees for the immobile network in August, and the increase in prices of utility services, obligatory automobile insurance and city transport. Since the said prices of services are not determined by the market, the contribution of administratively set prices to the year-on-year rate of retail price inflation also rose in the third quarter. Due to the increase in administratively set prices, the difference between the core inflation rate and retail price inflation rate widened. In July, both rates stood at 3.8% for a short time.

The tendency to decrease the year-on-year growth rates of core inflation (the indicator does not include those components of the RPI whose movements are not under the control of monetary authorities in large measure – prices of agricultural products and administratively set prices of products) has been evident from the end of the second quarter this year. After reaching this year's high of 5.1% in May, the year-on-year rate of core inflation fell substantially in June and stood at 4.4%. The year-on-year rate of core inflation dropped to 2.3% at the

Figure 29

AVERAGE OIL PRICES<sup>a</sup> ON THE WORLD MARKET

<sup>a</sup> It is calculated by the IMF as the average of the following oil prices (prompt delivery): Dubai Fateh, UK Brent and West Texas Intermediate.

Sources: IMF, International Financial Statistics and Bloomberg (the last two months)

end of the third quarter and to 2.1% in October which is exactly half of that recorded in October last year when core inflation stood at 4.2%.

The changes in the prices of refined petroleum products and raw materials on the world market and import prices<sup>4</sup> provide useful information on current and future developments in retail price inflation because some of those products are directly included in personal consumption and others constitute an important input in the production of goods and services so that the growth in the cost of import inputs is gradually transferred through producer prices to increase in consumer prices. It should be noted that variations in domestic rebates, transportation and storage charges and changes in indirect taxes may to some degree, and for a short time, offset the impact of changes in the price of import inputs on developments in domestic prices.

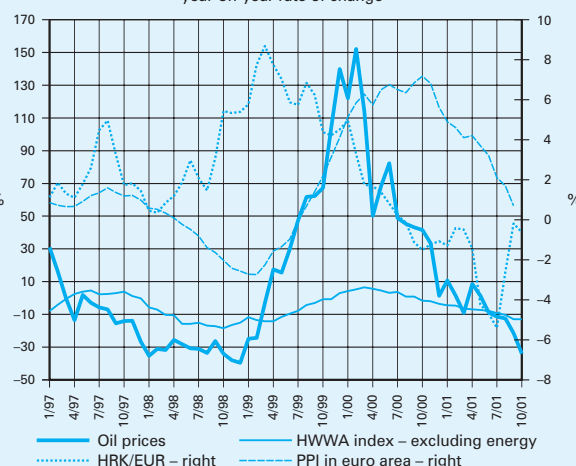
The analyses show that world market participants do not expect petroleum prices to increase significantly in the following months. This source is, therefore, not expected to have significant direct impact on the increase in the domestic prices of refined petroleum products, while indirect impacts that are usually the result of spillovers from previous growth in the prices of refined petroleum products into prices of other goods and services should abate gradually.

However, the prices of refined petroleum products are expected to increase in January 2002. The reason for this is twofold, the imposition<sup>5</sup> of a charge of 0.60 kuna intended for road construction and the maintenance of public roads to be credited to the account of Croatian Roads and a 0.10 kuna rise in the existing charge to be credited to the account of Croatian Highways from April this year. This will directly raise the prices of liquid fuels and lubricants and subsequently the aggregate

<sup>4</sup> Since there is no generally accepted indicator on movements in import prices in Croatia, we monitor the changes in prices of industrial products in the euro area which is the indicator most similar to the one mentioned above.

<sup>5</sup> In accordance with the Law on the Amendments to the Law on Public Roads (official gazette *Narodne novine*, 27/2001)

Figure 30

IMPORTED INFLATION: OIL PRICES, THE HWWA RAW MATERIALS PRICE INDEX<sup>a</sup>, THE AVERAGE KUNA-EURO EXCHANGE RATE AND PRODUCER PRICES IN THE EURO AREA  
year-on-year rate of change

<sup>a</sup> The Hamburg Institute of International Economics (Hamburgisches Welt-Wirtschafts Archiv, HWWA) constructed the aggregate index of raw materials prices in the world market, the so-called HWWA. 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 changes in prices in industrial countries. The index is calculated on the basis of raw materials prices expressed in US dollars.

Sources: IMF, International Financial Statistics; HWWA, Wirtschaftsdienst; Eurostat and CNB

index of non-food industrial products since excises on refined petroleum products will be decreased concurrently by only HRK 0.50<sup>6</sup>.

Similar to the above described movements, the price of petroleum for prompt delivery in the world market and the data on changes in the prices of raw materials, covered by the HWWA excluding energy, in the commodity exchanges indicate to their accelerated fall in the third quarter. According to this indicator, the average prices of raw materials on the world market<sup>7</sup> fell by 7.8% in June and by approximately 13.0% in September and October compared with that in the corresponding month last year.

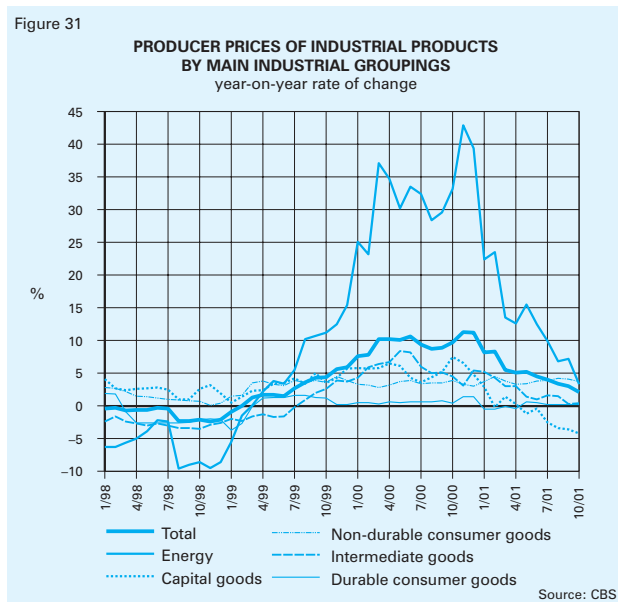
Moreover, a downward trend in the year-on-year growth rate of producer prices of industrial products in the euro area continued, from 3.2% at the end of the second quarter to 2.7% at the end of the third quarter and to only 0.7% in October. Such movements in producer prices in the euro area still, to a great extent, reflect the continued decrease in petroleum and other raw materials prices, and the impact of the base period used for the comparison. In accordance with the described movements, it is expected that inflationary pressures, whose sources are in the international economic environment, should not become stronger in the near future.

A significant downward trend in the year-on-year growth rate of domestic producer prices of industrial products from the first two quarters of 2001 continued into the third quarter as well, and additionally weakened the upward pressures on retail prices. As a result, the year-on-year growth rate of producer prices of industrial products fell from 4.5% at the end of

<sup>6</sup> In accordance with the Law on the Amendments to the Law on a Special Tax on Refined Petroleum Products (official gazette *Narodne novine*, No. 27/2001).

<sup>7</sup> Expressed in US dollars.

Figure 31



the second quarter to 3.0% at the end of the third quarter and to 2.1% in October this year.

According to the main industrial groupings, the third quarter and October this year saw the most significant fall in the contribution of energy prices to the year-on-year growth rate of producer prices. The year-on-year growth rate of energy prices dropped from 12.5% in June to 7.2% in September, and to 3.3% in October owing to a fall in energy prices in the third quarter and the impact of the base period (the impacts of increases in energy prices in the third quarter and October 2000 are not any longer included in the calculation of the year-on-year rates).

In the third quarter, prices also grew at a slower pace in the industrial grouping that includes intermediate goods and the industrial grouping that includes durable consumer goods. The year-on-year growth of prices in both industrial groupings was below 0.5% in October, while the prices of capital goods fell by 4.2% in October in comparison with the same period last year. In the third quarter, the year-on-year growth in prices was recorded only in the industrial grouping that includes non-durable consumer goods, from 3.8% in June to 4.1% in September. However, the upward trend in the year-on-year growth rate of non-durable consumer goods was halted in October, when this rate fell to 3.7%.

Labor represents a significant input in all studies on production. Therefore, developments in labor costs have the significant influence on changes in the prices of industrial products, whereas continued nominal growth in wages, higher than the sustainable growth of productivity, as a rule, causes increases in the inflation rate over the medium term. The available data on developments in unit labor costs in industry, showing negative growth rates in the first three quarters, indicate that inflationary pressures from this source due to an increase in production costs are also not expected. With respect to the fact that increases in the prices of petroleum and other raw materials in the world market are also not expected in the coming period, an upswing in prices in domestic industrial groupings that process these raw materials (energy, intermediate goods) and

significant pressure from these sources on the growth in prices in groupings the manufacture final products are not expected either.

## Exchange Rate

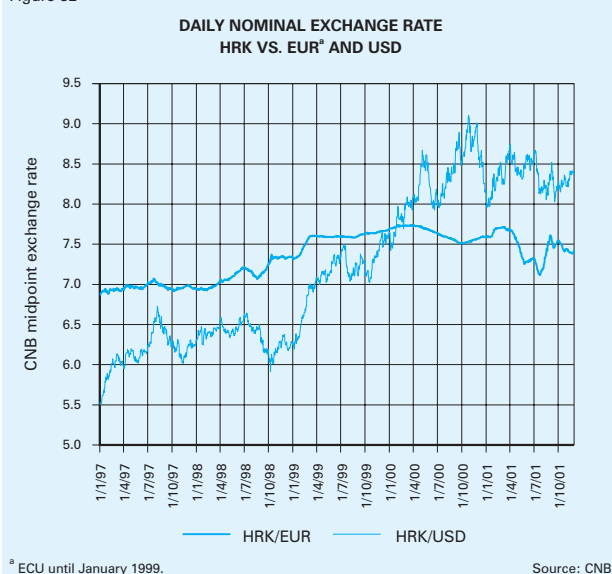
Increased volatility was the main characteristic of changes in the kuna exchange rate against the euro throughout the first eleven months of 2001. This volatility was, above all, pronounced in the third quarter in which, despite kuna appreciation in July and September, the kuna exchange rate depreciated by 2.90% in nominal terms due to an unusually strong weakening of the kuna in August. In nominal terms, the value of the kuna against the euro rose by a total of 1.96% in July. The July interventions by the central bank in the foreign exchange market did not stabilize the value of the kuna, which started to weaken rapidly at the height of the tourist season. The fall in corporate demand deposits accompanied by an increase in corporate foreign exchange deposits with commercial banks<sup>8</sup> indicates a further growth in the demand for foreign currency that strengthened depreciation pressures in August in which the price of foreign currency was, as a rule, the lowest in recent years. The kuna lost approximately 5.91% in value in August compared with the end of July and fell to 7.61 HRK/EUR. Finally, a number of foreign exchange interventions in August and other measures implemented by the central bank at the end of August and at the beginning of September<sup>9</sup> resulted in decreased demand for foreign currency and reduced kuna liquidity in the domestic market. This ended a downward trend in the value of the domestic currency against the euro. The kuna exchange rate appreciated again in September, and its value against the euro rose by 0.90%. In an effort to stabilize the kuna exchange rate, the central bank intervened in the foreign exchange market on three occasions in September and purchased a total of EUR 180.7m from banks.

The appreciation trend for the nominal exchange rate of the kuna against the euro also continued in October and November. In an effort to keep exchange rate changes within satisfactory stability boundaries, the central bank purchased a total of EUR 174.85m (EUR 49.8m on October 16, EUR 35.8m on November 5, EUR 55.2m on November 12, and EUR 34.05m on November 19) from banks on the foreign exchange market in the observed period. In addition, a part of the foreign exchange inflow from the sale of a stake in Croatian Telecom that amounted to EUR 48.6m was purchased from the Ministry of Finance on November 12. Soon after the last intervention by the central bank in November, the appreciation trend of the kuna exchange rate against the euro ended and the value of the kuna against the euro started to slide slightly. After reaching 7.38 HRK/EUR on November 23, the kuna exchange rate strengthened by 2.10% compared to the exchange rate at the end of September. It depreciated by a total of 0.65% in nominal terms during the last week of November, and the value of

8 Amendments to the Law on the Foreign Exchange System, Foreign Exchange Operations and Gold Transactions of June 2001 regulated the keeping of foreign currency deposits by enterprises.

9 Described in detail in Bulletin No. 64.

Figure 32



the euro rose to 7.43 HRK/EUR. In order to slow kuna depreciation, the Croatian National Bank held an auction on November 30 in which it set the exchange rate at 7.45 HRK/EUR. By applying this exchange rate, the CNB managed to sell EUR 7.3m to banks.

Although an important characteristic of the fourth quarter is the seasonal current account deficit which causes, as a rule, the depreciation of the kuna exchange rate against the euro, this deficit was not recorded in the first half of the last quarter. It is obvious that the foreign currency supply on the market is abundant. This is a result of a successful tourist season, inflows from borrowings taken by the government abroad, continuing Croatian Telecom privatization and inflows of foreign currency held in cash by individuals and now flowing into the banking system in order to be converted into the euro without commissions.

The nominal value of the kuna against the currency basket rose by 0.51% in October and November compared to the end of September and resulted from the kuna strengthening against the euro by 1.46%, against the Swiss franc by 0.43%, against British pound by 1.38% and the Slovene tolar by 0.99% and its significant weakening against the US dollar by 1.59%. The US dollar strengthened significantly against the euro on the world foreign currency exchanges in October and November. It is estimated that this was heavily influenced by active role played by the FED aimed at the further decrease in interest rates in order to revive the economy and by the news on the success of American military operations.

In the third quarter (September 2001 to June 2001) the real effective kuna exchange rate with producer prices and retail prices depreciated by 0.72% and 0.46%, respectively. The slight improvement in the price competitiveness of exporters in the first nine months of 2001 (September 2001 to December 2000) is indicated by 0.36% depreciation of the real effective kuna exchange rate index with producer prices. This was achieved while the nominal effective kuna exchange rate appreciated 1.38% on average, with a relatively higher fall in domestic retail prices than in consumer prices abroad. On the other hand, the real effective kuna exchange rate with retail prices appreciated by 2.25% in the first nine months due to relatively faster growth in domestic retail prices than in consumer prices abroad.

Figure 33

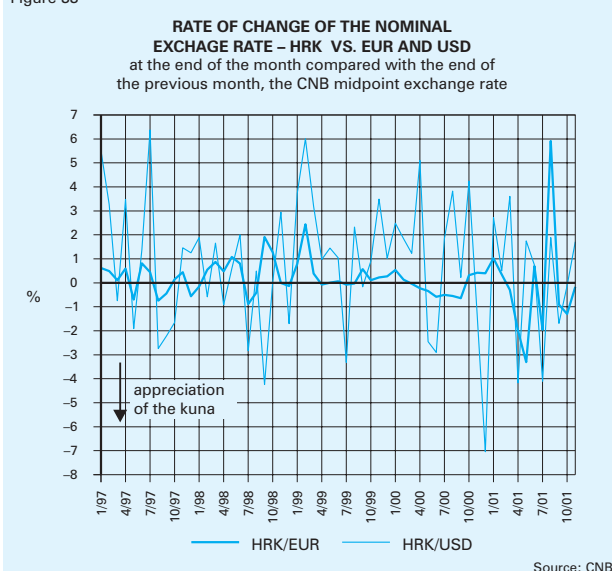
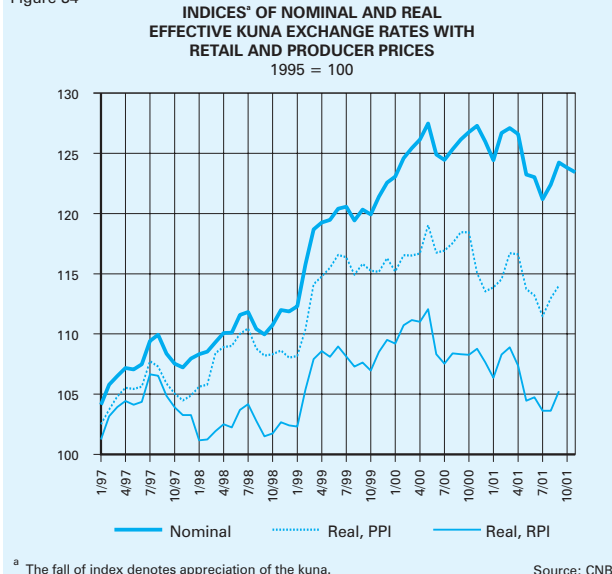


Figure 34



## Monetary Policy and Instruments

### Monetary Environment

The first half of the fourth quarter of 2001 was primarily characterized by appreciation pressures, a slowdown in price increases, and further growth in monetary and credit aggregates. The appreciation exchange rate pressures, which marked the fourth quarter, can largely be attributed to a large inflow of foreign exchange into the banking system. Foreign exchange deposit growth, related to the upcoming euro conversion, the good tourist season, the effects of which can still be felt, the inflow of foreign exchange from the government, and a tendency by banks to finance their considerable credit activi-

ties via the conversion of foreign exchange assets, affect the exchange rate. Such exchange rate movements, coupled with a fall in oil prices and raw materials prices on international markets caused a *slow down in price increases* and are an indication that the inflation rate could fall below the initially projected 4.5%.

Robust growth in monetary and credit aggregates continued into the fourth quarter. The rapid credit growth which started in the fourth quarter of 2000 further intensified during 2001. This year's credit developments partly compensate for the credit growth stagnation and an almost complete freeze on corporate lending which marked a period of banking sector crisis and the eventual bankruptcy of four banks in 1999. Credit growth can also be explained by the aggressive struggle of what are now almost exclusively foreign banks (or domestic banks in foreign ownership) to increase their market shares. Although at present there are no indications that such credit growth could in any way be unfavorable, the central bank is closely watching further credit developments. On a macroeconomic level, credit expansion may lead to price increases, but these increases commonly take place with a time lapse, which can sometimes take over a year. Increases in imports and a widening of the foreign trade deficit can also be seen as possible long-term adverse effects of rapid credit growth. On the microeconomic level, an aggressive lending policy and sharp increases in bank assets pose additional challenges to bank management teams to achieve significant increases in assets while at the same time ensuring portfolios of the highest quality. With the present quality of assets and a level of reserves for potential losses which are better than previously, the threat of disturbances on the microeconomic level is not great.

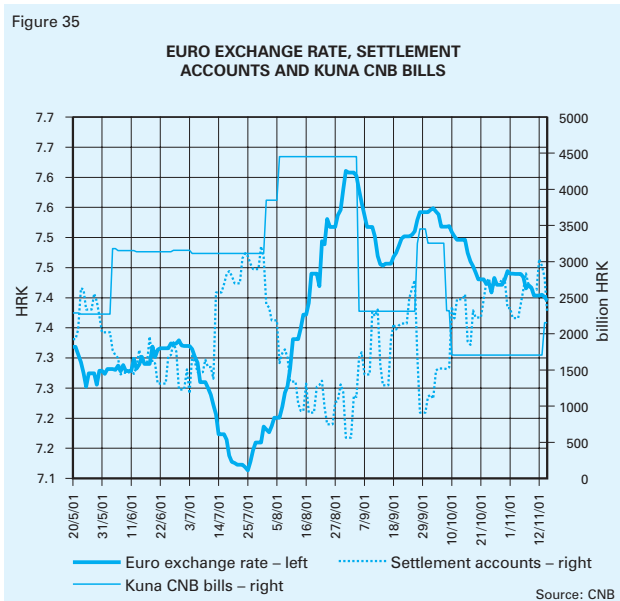
### Monetary Policy

The fourth quarter was characterized by a large autonomous inflow of foreign exchange into the banking system. Prompted by the forthcoming euro conversion, individuals are hurriedly depositing their foreign exchange cash in banks causing foreign exchange deposits to grow rapidly. The effect of the euro is difficult to quantify and distinguish from the usual growth in deposits, but its contribution to the growth in deposits is certain to be large. Large inflows into banks are also created by foreign exchange purchases. The ratio of foreign exchange purchases from and sale to individuals during the year is 2:1 in favor of purchases, showing that bank purchases from individuals are two times higher than their sale to individuals. During the tourist season, this ratio tends to increase, and when the season reaches its peak this ratio has been known to increase by a factor of three. This year, this high ratio in favor of purchases held steady long after the tourist season finished implying that individuals largely continued to sell foreign exchange to banks. Both developments put significant pressure on the kuna exchange rate which steadily appreciated from September, prompting the central bank to react and ease appreciation pressures. Changes in the instruments of reserve requirements introduced by the central bank in the second half of 2001 also contributed to the increased foreign exchange liquidity of banks.

In periods of high foreign exchange liquidity, commercial banks tend to maintain large amounts of foreign exchange reserves, exceeding the prescribed limits. Regulations governing foreign exchange reserve requirements stipulate that one part of the reserve requirements be met by liquid claims. The amount of liquid claims of banks exceed the amount prescribed by the relevant regulation. Similarly, with regard to kuna reserve requirements, the amounts in giro accounts, on an aggregate basis, exceed the amounts required to be met by commercial banks.

Looking at the first half of the fourth quarter as a whole, there was a short period of worsened kuna liquidity at the beginning of October, when reserve requirements allocation took place. Following the reserve requirements allocation of October 8, the level of liquidity in the system declined while interest rates on the money market increased. In these few days, free reserves were minimal and during this short period the banks had less funds in their settlement accounts than was necessary to meet their reserve requirements. Following CNB measures, liquidity improved and the level of funds in settlement accounts exceeded HRK 2.5bn. The kuna liquidity of banks has continued to improve ever since. The average level of free reserves in October was HRK 136m compared to HRK 628m in November (until November 15). To satisfy the additional liquidity needs of several banks, the CNB organized a two day-CNB bills auction at the end of the month (October 31-November 2), purchasing a modest HRK 36m. Lombard loans during the whole quarter held steady at practically zero.

The average levels in settlement accounts in November were HRK 2.64bn, at times even HRK 3bn. These high levels in settlement accounts can partly be explained by changes in reserve requirements. The increase in kuna reserve requirements because of the increased share of foreign exchange reserve requirements effected in kuna, caused kuna reserve requirements held in settlement accounts to increase. Thus, their high level also reflects regulatory changes. In November, banks chose to maintain 27.8% of HRK 8.7bn in kuna reserve requirements, in settlement accounts. This means that the banks





had to maintain, on average, during the month, HRK 2.4bn in settlement accounts. Notwithstanding this high level, during November, on average, banks held surplus reserves in their settlement accounts, ranging from HRK 0.6bn to a whole HRK 1bn in free reserves.

The fourth quarter of this year was characterized by active CNB bill subscriptions. At the end of the third quarter an extraordinary auction of 11-day kuna CNB bills was organized. Subscriptions reached nearly HRK 1bn and the total level of subscriptions reached HRK 3.5bn. The maturity date, October 8, coincided with the date of the kuna reserve requirements allocation according to the new regulations. In this way, the central bank offered banks the possibility of a short-term placement of their surplus liquidity needed for reserve requirements allocation. In October, banks tended to partly finance their increased kuna reserve requirements by smaller CNB bill subscriptions. Thus, following the October 10 auction, CNB bill subscriptions totaled a mere HRK 1.7bn, the lowest level of kuna CNB subscriptions from the beginning of 2001. An improvement in liquidity in November was followed by increased subscriptions of CNB bills. The general increase in liquidity prompted CNB to synchronize its measures and activities. At the November auction, subscriptions were HRK 1.6bn, with HRK 1.2bn falling due at the same time, so as the auction was held on November 14, on the exact foreign exchange intervention value date, it fully sterilized the monetary effect of the intervention which was HRK 0.4bn.

By contrast, foreign exchange CNB bill subscriptions continued to be high, in line with the high level of foreign exchange liquidity. The average level of foreign exchange CNB bill subscriptions in October was HRK 3.5bn, and only somewhat lower HRK 3.4bn in November. The high level of foreign exchange liquidity is related to changes in reserve requirements. These changes freed up over HRK 3bn in the foreign exchange assets of banks (Box – Changes in the Reserve Requirement Regulatory Framework and their Effects in 2001). This led to an increase in the foreign exchange reserves of banks and increased CNB bill subscriptions. The average level of foreign ex-

change CNB bill subscriptions in the fourth quarter of last year was HRK 1.7bn, which means that it had doubled in one year. The November 19 foreign exchange auction was followed by an extraordinary CNB bill auction which partly sterilized the effects of the interventions. After that, the level of kuna CNB bills also increased to HRK 2.3bn.

The central bank intervened several times in the foreign exchange market during November. The government sold EUR 48.6m to the central bank, a part of its receipts from the sale of a stake in Croatian Telecom. The purchase took place on November 12 and the central bank paid the government HRK 358.7m, which increased the level of government kuna deposits held with the central bank. The exchange rate at this auction was 7.3812 HRK/EUR. From the beginning of November, the central bank held three auctions for commercial banks, at which EUR 125.1m was purchased for HRK 925.7m. The central bank has intervened four times in the fourth quarter, with a significant inflow of foreign exchange deposits still ahead.

Because of the purchases made, the international reserves of the central bank continued to grow. Gross international reserves, according to data as at November 19, stood at USD 4.8bn. For the sake of comparison, at end December 2000 they stood at USD 3.5bn. However, in periods of seasonal inflows of foreign exchange, the international reserves of the central bank tend to grow rapidly, while the change in the season often dictates a different course of interventions. In the following period, therefore, further fluctuations in the level of international reserves can be expected, in line with the unforeseeable course of foreign exchange inflows and exchange rate expectations.

In addition to gross reserves, net usable international reserves are also regularly followed. Changes in reserve requirement regulations cause the gross international reserves of the central bank to decrease while their effects on the net reserves are neutral. Regulatory changes in reserve requirements cause a decrease in the gross international reserves of the central bank in an amount which equals the amount of increase in the kuna part of the foreign exchange reserve requirements. Therefore, such changes cannot affect net usable international reserves. The September, October and November decreases in the gross international reserves of the CNB due to changes in foreign exchange reserve requirements of banks were more than compensated by CNB purchases of foreign exchange at foreign exchange auctions. The final effect of all the changes on international reserves was positive. At end August, end September and end October, these stood at USD 4.1bn, USD 4.4bn and USD 4.5bn, respectively. Net international reserves at end October were USD 3.1bn, compared with USD 2.4bn at end December 2000.

High liquidity, growing reserve requirements, due to both a broader calculation base and changed instrument of reserve requirements, coupled with rapid growth in currency, caused reserve money to grow rapidly. The formation of reserve money in the fourth quarter can primarily be attributed to foreign exchange interventions. According to the latest available data (as at November 16), reserve money stood at a high HRK 16.5bn. By contrast, at the beginning of the fourth quarter, it was HRK 13.6bn, and at the end of last year it was HRK

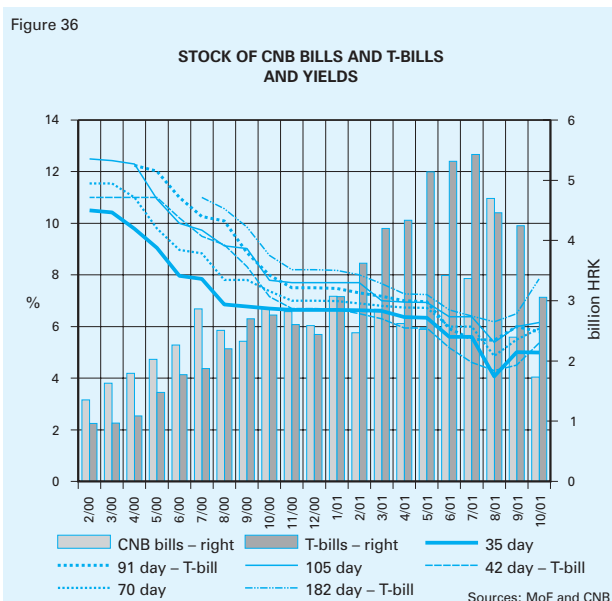


Figure 37

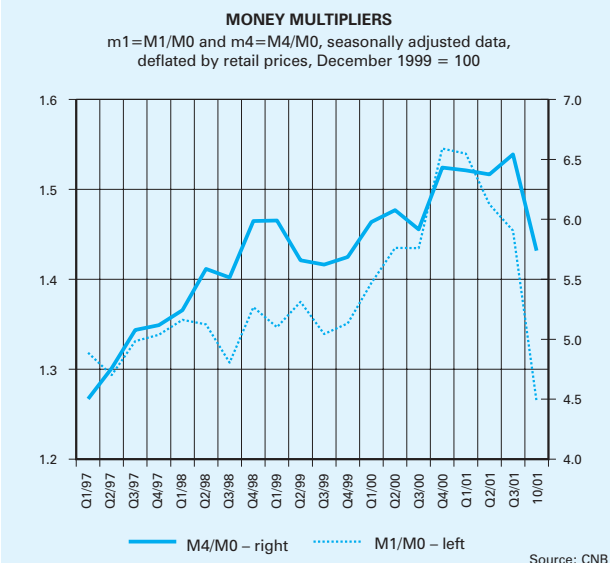


11.7bn. Since these increases reflect both actual increases and the effects of regulatory changes, the series needs to be adjusted to show exactly how much each of the factors contributed to the increase in reserve money. Within this context, the Supplementary Letter of Intent defines an adjuster which aims to exclude the effects of regulatory changes and show the real growth in reserve money. Reserve money in September and October stood as follows:

|                          | September 2001 | October 2001 |
|--------------------------|----------------|--------------|
| Reserve money            | 13,627.4       | 16,075.1     |
| Reserve money (adjusted) | 12,013.6       | 12,750.8     |
| Adjustor (difference)    | 1,613.8        | 3,324.3      |

Regulatory changes also caused a decline in the amount of the (unadjusted) money multiplier  $m1$ . In October, it was 1.25, although it stood on average at 1.5 during 2001. In October, the multiplier  $M4$  fell to 5.6 from the average 6.5 during the

Figure 38



year. The reserve money adjustor enables consistency in measuring basic monetary indicators and the effects of monetary policy.

### Monetary and Credit Developments

Rapid growth of total monetary and credit aggregates continued into the third quarter and October data indicate that such developments have continued into the fourth quarter, at an accelerating rate. The growth of monetary aggregates can be seen as a reflection of this year's rapid economic growth. The third quarter was characterized by the great expectations held by banks and companies with regard to the course of the exchange rate, which, together with the increased demand of companies for foreign exchange, in the first part of the quarter caused appreciation pressures. On the monetary level, this led to a decrease in kuna and an increase in foreign exchange aggregates. This change led to a sudden change in the exchange rate towards depreciation. Following an intervention by the Croatian National Bank, these depreciation pressures subsided, resulting in the recovery of kuna aggregates in September and October. Appreciation pressures also followed due to rapid growth in household foreign exchange deposits brought on by the upcoming introduction of the euro.

The broadest monetary aggregate, *total liquid assets*,  $M4$ , continued its growth from mid-1999 with its growth rate even increasing over the last months. The average monthly real growth rate trend thus accelerated from 1.7% in the first half of the year to 2.1% in the third quarter of the year with similar developments continuing into October. The growth in  $M4$  was mostly caused by the growth in foreign exchange deposits. At end October,  $M4$  stood at HRK 90.1bn, yielding an annual growth of 29.1%. Similar robust growth in  $M4$  also took place last year, with the annual growth rate in October reaching 25.1%.

The components of total liquid assets are kuna (demand deposits and kuna deposits) and foreign exchange deposits, and they represent certain substitutes, so that their developments are largely interrelated. In their choice between kuna and foreign exchange deposits, economic subjects (individuals and companies) are primarily governed by exchange rate expectations. However, while periods of expected depreciation are often characterized by transfers of kuna into foreign exchange aggregates, periods of expected appreciation fail to be characterized by the same volume of such transfers, so the substitution is actually a one-way process. This unidirectionality is present despite the fact that rational behavior would dictate saving in kuna since the exchange rate has been stable for the past 8 years and interest rates on kuna deposits are several percentage points higher than those on foreign exchange deposits. The one-way substitution is also evidenced by developments which took place between August and October. Following the August conversion of kuna into foreign exchange, kuna aggregates recovered in September and October, with transaction, demand deposits recovering much faster than kuna deposits.

The growth tendency of *money* ( $M1$ ) from the beginning of last year held steady in 2001. At the end of the second and into the third quarter, however, the real growth trend of  $M1$  re-

remained stable following a significant fall in the seasonally adjusted value which bottomed out in August primarily due to a decline in demand deposits. At the end of the third and at the beginning of the fourth quarter, demand deposits recovered causing the recovery, or further growth trend, of M1. Money (M1) in the third quarter increased by HRK 1.2bn or by 11.0% nominally (the average monthly growth rate was 3.6%). This growth, however, is the result of rapid growth in July, when the nominal value of M1 commonly reaches its seasonal peak, while in the months that followed the stagnation, there was a fall. M1 declined additionally by HRK 0.3bn in October, or by 1.3%, compared with September. However, it should be borne in mind that such developments are, because of the fall in currency, normal for that time of the year. At the end of October, money (M1) stood at HRK 20.1bn, which is an annual increase of 20.1%, similar to last year's growth.

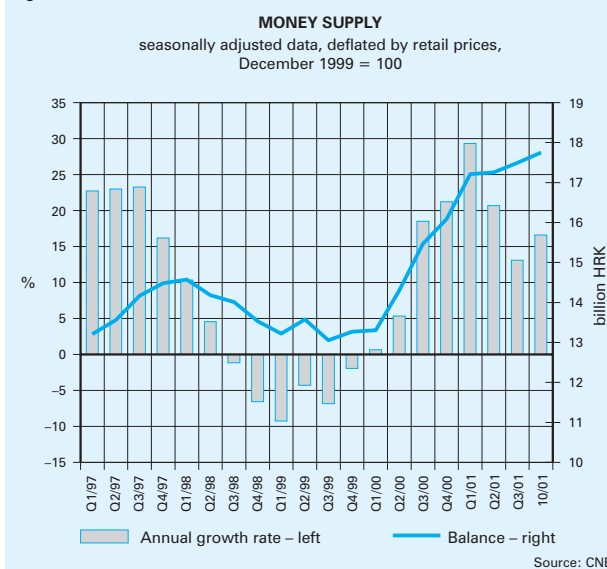
*Demand deposits* (with a 60% share in M1) were the main generators of growth in money (M1) last year. The recovery of demand deposits which took place last year can partly be attributed to economic growth and largely to the settlement of government arrears from the previous years. Demand deposits growth trend slowed down this year but in September and October recovered and continued to rise in nominal terms. At the end of October, demand deposits stood at HRK 12.8bn, which is an increase of 20.4%, compared with October last year.

The seasonally adjusted value of demand deposits reached its low in August because of a decrease in corporate demand deposits. In line with the depreciation expectations of banks, companies increased their foreign exchange deposits significantly. In September and October, the seasonally adjusted value of corporate demand deposits required for usual operations recovered and further growth can be expected relative to total economic developments. In October, nominal corporate demand deposits were HRK 7.3bn, growing annually by 10.8% (significantly lower compared with last year's growth of 41.5%). At the same time, household demand deposits stood at HRK 4.3bn, growing annually by 29.2%. Robust and accelerated growth in household demand deposits (in October 2000, their annual growth was 21.2%) is a reflection of rapid growth in personal consumption, retail trade, crafts and small businesses, and giro accounts which also fall into the category of household demand deposits. Crafts and small businesses were also generators of new employment.

The growth trend of *currency* slowed from the beginning of the second quarter. The average monthly real growth rate trend declined from 2.1% in the first quarter to 1.1% and 0.3% in the second and the third quarter, respectively. Thus, currency in circulation in the summer months nominally increased by HRK 0.2bn or by 11.0% (an average monthly growth rate of 3.6%), and in October declined seasonally by 3.9%. At the end of October, currency outside banks stood at HRK 7.2bn, an increase of 19.2% compared with that in the corresponding period last year.

The main generator of growth in total liquid assets were *foreign exchange deposits* whose growth accelerated in the third quarter. Thus, the monthly real growth rate trend in the third quarter increased to 3.0%, compared with the average monthly growth rate of 1.8% in the first half of the year. A simi-

Figure 39

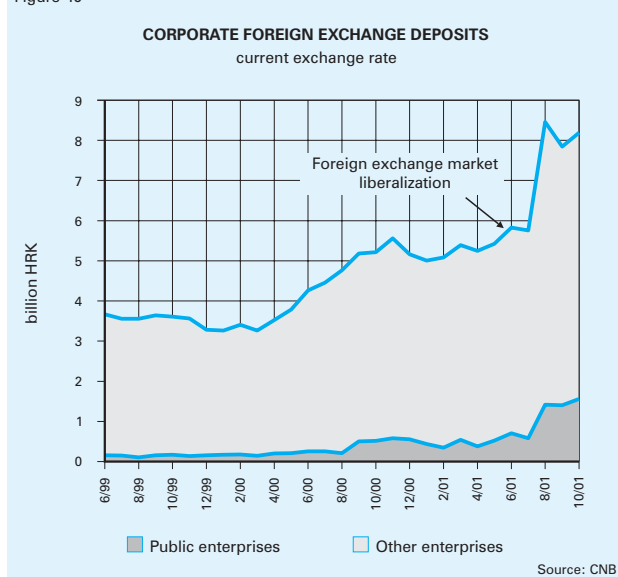


lar growth rate continued into October. After excluding the effects of the exchange rate changes on foreign exchange deposits, foreign exchange deposits in the first quarter increased by 6%, in the second quarter by 5% and in the third quarter by a high 13%, in real terms (an average monthly growth rate of 4.1%). In August alone, these increased by 8%, as a result of growing corporate foreign exchange deposits. During October foreign exchange deposits increased by 3.5% in real terms. Foreign exchange deposits in the first ten months of 2001 increased by 30% in real terms, while their annual real growth in 2000 was 26%. Foreign exchange deposits in the third quarter increased nominally by HRK 7.4bn (14.6%) or by one billion euro. At the end of October, foreign exchange deposits stood at HRK 60.1bn, nominally, an increase of 33.0% compared with the same period last year (year-on-year growth in October 2000 stood at 24.8%). Further robust growth in foreign exchange deposits is expected till the end of the year because of further inflows of foreign exchange from individuals held in the EMU member states currencies, which are to be replaced by euro starting from January 1, 2002.

Household foreign exchange deposits, which at end October accounted for 85% of all foreign exchange deposits, are traditionally the largest single factor affecting movements in foreign exchange deposits. Household foreign exchange deposits have been growing steadily for the past two years, showing that the domestic banking system has won back the confidence of the public. During the third quarter, household foreign exchange deposits grew by HRK 5.3bn or by 11.9%, the result of a good tourist season (for comparison's sake, in the third quarter of 2000, household foreign exchange deposits increased by HRK 2.6bn or by 7.1%). The inflow of foreign exchange also increased because of the upcoming conversion of the EMU member states currencies into the euro. At the end of October, household foreign exchange deposits stood at HRK 51.0bn, which represents a year-on-year growth of 29.7% (22.0% in October 2000).

The increase in corporate foreign exchange deposits, which followed the June liberalization, accelerated further in August. From end May to end August, corporate foreign exchange de-

Figure 40



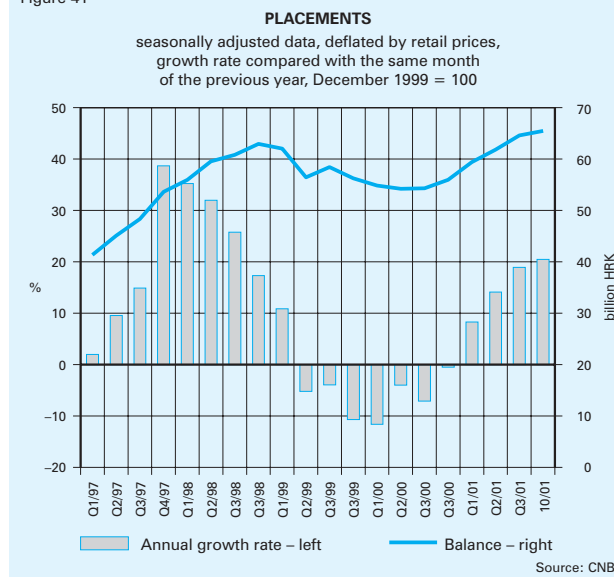
posits nominally increased by HRK 3.0bn or 56.0%, of which the deposits of public enterprises increased by 169.5%, while those of other companies by 43.8%. In September and October, corporate foreign exchange deposits held steady at this new level. At end October, corporate foreign exchange deposits stood at HRK 8.2bn, an annual growth of 57.1%.

Quite unlike foreign exchange deposits (86% of total deposits), the growth trend of *kuna deposits*, following an acceleration at the beginning of the year, was halted abruptly at the end of the second quarter and has been declining since. The fall in the seasonally adjusted value of *kuna deposits*, already noticed in June, coincided with the aforementioned foreign exchange liberalization. A larger fall took place in August, following a decrease in corporate *kuna deposits*. The real value of *kuna deposits* partly recovered in September and October, but not to the extent which characterized demand deposits. At end October, *kuna deposits* in nominal terms stood at HRK 9.4bn, which is an increase of 26.4% compared with the same period last year (39.8% in October 2000). A slow-down in the growth of *kuna deposits* was caused by a significantly lower level of corporate *kuna deposits* amounting to HRK 3.5bn in October, annual growth of 16.1% compared with a high of 80.1% in October 2000. By contrast, growth in household *kuna deposits* accelerated as a result of increased personal consumption and growth in the crafts sector, similar to that in demand deposits. Household *kuna deposits* stood at HRK 3.9bn, an annual growth of 31.6%, and this represents an acceleration in growth compared with October last year when the annual growth was 13.2%.

On the assets side, *net domestic assets (NDA)*, have, after two years, taken the lead from net foreign assets as the main generator of growth in M4. This is mostly the result of increased bank placements to the private sector. At end October, NDA were HRK 54.9bn, which is an annual increase of 37.9% (in October 2000, NDA declined by 1.6%).

Growth in *bank placements to other sectors*, which started towards the end of last year, continued in 2001 at an average monthly real growth rate trend of 1.7%. Since currency clause

Figure 41



loans (and foreign exchange loans) account for over 85% of all loans granted to other domestic sectors, exchange rate movements can significantly affect the level of placements expressed in kuna. After excluding exchange rate fluctuations, placements in the first quarter show an increase of 5%, and of 8% and 4% in the second and third quarter, respectively. In October alone, placements additionally increased by 3%, indicating the further intense credit activities of commercial banks in the last quarter of the year. At the end of October, placements to other sectors stood at HRK 72.9bn in nominal terms, which is an annual growth of 24.5%, while in October 2000 they held steady at the annual level.

Credit growth during the whole period of monetary independence was more intensive in the household sector than with the corporate sector. This can be explained by the initially lower level of indebtedness and relative wealth of the population (movable and immovable property) needed to provide collateral for new loans. Such developments continued into the third quarter, resulting in a nominal increase in household and corporate lending of 8.3% and 4.6%, respectively. However, unlike household lending, which grew steadily at high levels, corporate lending did not intensify until 2001 following the fall and stagnation in 1999 and 2000. The increase in corporate lending in 2001 can be explained by economic growth and the better financial position of entrepreneurs due to lower taxes and the collection of government arrears. An additional factor which can explain the rapid growth in placements is the more active presence of foreign banks on the Croatian market. These banks have access to cheaper sources of funding, and they are taking aggressive measures to penetrate the domestic banking market. As a result, these banks have high loan growth rates. At end October, the total amount of household loans granted stood at HRK 29.5bn, an annual growth of 34.1% (15.1% in October 2000). At the same time, corporate lending stood at HRK 37.4bn, an annual growth of 19.4% (in October 2000, a year-on-year decline of 7.4%).

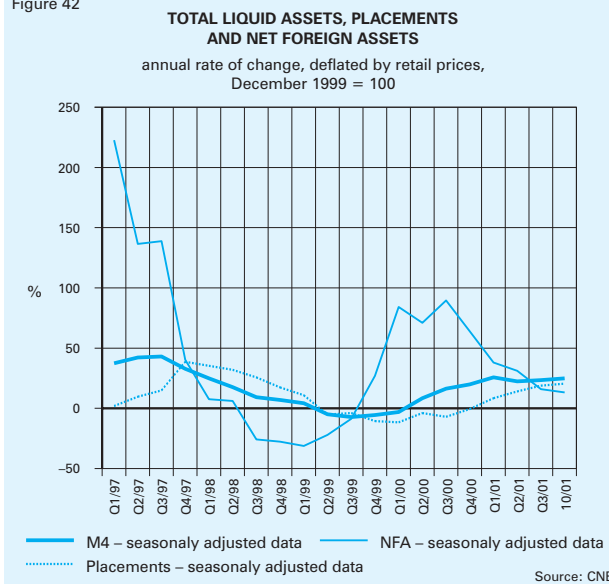
*Net claims on the central government* held steady throughout the first ten months of 2001, a result of the decision to fi-

nance the budget deficit primarily by foreign borrowing. The temporary increase in net claims on the central government which took place in September, can be attributed to a temporary decline in government deposits with the CNB, which recovered again in October. Thus, the net claims of banks on the central government at end October amounted to HRK 11.6bn, an increase of 4.0%, compared with that at the beginning of the year. The year-on-year growth rate of net claims of 34.6% is the result of a large decrease in government deposits with the CNB in December last year and not increased loans to the government. At end October, bank placements to the central government stood at HRK 20.3bn (an increase of 20.7% compared with last year), while government deposits with banks were HRK 8.6bn (an annual growth of 5.9%).

The growth trend of the *net foreign assets* (NFA) of the banking sector had come to a halt in April and had been falling slightly till end August. The weakening demand of companies for foreign exchange and, in particular, a large inflow of household foreign exchange deposits in September and October caused a large increase in the growth trend of the NFA of the banking sector. At end October, total banking sector NFA stood at HRK 36.0bn, an annual increase of 17.7%, representing a significant decline compared with last October's annual increase of a high 92.1%. Of that, the NFA of the Croatian National Bank at the end of October were HRK 36.6bn, an annual growth of 27.0% (36.9% in October last year).

The movements of the NFA of commercial banks were especially interesting. Following a large increase in the NFA of commercial banks in 2000, due to lower domestic placements, the first quarter of this year saw a stagnation (naturally, following certain dynamics during the period), and these stood at HRK 1.8bn at end March. During the second quarter, the NFA of commercial banks shrank significantly, moving into the negative (the foreign liabilities of banks exceeded their foreign claims) and at end June were HRK -1.1bn. The NFA of commercial banks declined steadily till end July, then increased suddenly in August (by HRK 4.6bn), when banks and companies decided to increase their foreign exchange positions in ex-

Figure 42



pectation of an exchange rate depreciation. Measures taken by the CNB, including reducing the permitted currency exposure from 25% to 20% of regulatory capital and stipulating the obligation of commercial banks to allocate one portion of their foreign exchange reserve requirements in kuna caused the NFA of commercial banks to decline in September. In October, the NFA of commercial banks started to grow again and reached HRK 0.4bn at the end of the month. Commercial banks use their NFA primarily to manage changes in foreign assets, within the framework of permitted currency exposure, with their foreign liabilities being much more stable. The current steady levels in the foreign liabilities of banks show that banks have sufficient foreign exchange liquidity in the country and need not borrow additionally abroad. At end October, the foreign assets of commercial banks were HRK 21.5bn, an increase of 13.1% compared to that in the corresponding period last year, while foreign liabilities were HRK 21.1bn, an increase of 8.7%.

### Box 1: Changes in the Reserve Requirement Regulatory Framework and their Effects in 2001

Since June 2001, the reserve requirement instrument has been in intensive use and has substantially changed. The process of reserve requirement unification has also continued. Changes made over the past years have primarily been related to reserve requirement rate reduction. The reserve requirement rate was reduced from over 35% five years ago to its current rate of 19%. Over the last two years, along with efforts to reduce the rate further, more intensive efforts have been made to unify the foreign exchange and kuna reserve requirements and ensure that all the funding sources are treated equally. Accordingly, parallel to the reduction of the allocation rate, the calculation base also changed, mainly by extending it to include a larger number of funding sources. The changes encompassed a change in the percentage ratio between the funds allocated to the reserve requirement account and the funds maintained in the settlement account. The portion of reserve requirements that must be set aside in a special account with the CNB has been gradually reduced, while the part of the funds that can be maintained in the settlement account

(kuna reserve requirement) or in the form of liquid claims in first-class foreign banks (foreign exchange reserve requirement) has increased.

All these changes are aimed at a phased reorientation of monetary policy from the reserve requirement instrument to other indirect monetary policy instruments and the strengthening of their role, as well as a reduction of "taxes" for banks imposed in a form of this instrument. Such changes resulted in a substantial increase in the liquidity of banks. This is particularly evident in the second half of 2001 when several changes considerably decreased the level of foreign exchange funds that banks must set aside as required reserve in the special account with the CNB. Coupled with other factors, this brought about increased foreign exchange supply in the market and contributed, to a certain extent, to the current appreciation pressures. A review of the regulatory changes implemented during 2001 and monetary effects arising from these changes are summarized below.

In June, received f/c credits were included in the base for calculating foreign exchange reserve requirements. These credits were excluded in September 1998, when the foreign exchange base was extended from short-term household time deposits to overall liabilities.

Hence, a substantial extension of the base was partly mitigated by postponing the inclusion of received f/c credits. F/c credits were for the first time partly (up to 50%) included in the reserve base when setting aside required reserve in June 2001, by which equal treatment of domestic and foreign exchange sources of funds continued. The foreign exchange base was thus increased by HRK 14bn in two steps, which raised the foreign exchange reserve requirement by approximately HRK 3bn. In June, the reserve requirement rate of 23.5%, which was valid at that time, was applied to all foreign exchange funding sources, apart from received credits, to which the rate of 11% was applied. The lower rate enabled the gradual adjustment of banks to the new conditions. Individual banks with unfavorable foreign exchange liabilities structures were additionally allowed to adjust to the new regulations in the course of three months. In July, the reserve requirement rate was reduced to 22%. The calculated reserve requirement was at that time HRK 0.3bn (kuna) and HRK 1bn (foreign exchange) less than what it would have been if the rate of 23.5% had remained.

The process of the unification of currencies for setting aside reserve requirements continued in September. 10% of foreign exchange reserve requirements was then to be allocated in kuna, which freed up HRK 1.6bn of foreign exchange liquidity, while the kuna

portion of the required reserve increased by the same amount. In the next allocation in October, banks deposited a further 10%, of the total 20% of foreign exchange reserve requirements, in kuna, which released foreign exchange equivalents of an additional HRK 1.7bn. In November, the foreign exchange base was extended by including hybrid and subordinated instruments, amounting to HRK 2.34bn, which increased total kuna and foreign exchange reserves. A phased adjustment of banks was allowed this time as well. Finally, the December reserve requirement rate reduction from 22% to 19%, with a simultaneous increase in the share of foreign exchange reserves set aside in kuna from 20% to 25%, freed up HRK 3.2bn (HRK 0.45bn of the kuna reserve requirement and HRK 2.8bn of the foreign exchange reserve requirement).

The column "Effect of Change" shows the overall effect on total reserve requirement calculated for 2001. However, banks are obliged to set aside only 40% of the calculated reserve requirements in the accounts with the CNB, whereas the remaining 60% can be maintained in the accounts of liquid claims. Therefore, the effect of changes in regulations on the amount of reserve requirements set aside was less than the effect on the total reserve requirements, depending on the percentage of allocation chosen by an individual bank.

**Table 1: Changes in the Kuna Reserve Requirement Regulation and the Monetary Effects of these Changes, in million HRK and %**

|         | Kuna reserve requirement |       |                     | Effect of change                                                                                                                                                   |
|---------|--------------------------|-------|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | Base                     | Rate  | Reserve requirement |                                                                                                                                                                    |
| 5/2001  | 21,596                   | 23.50 | 5,075               |                                                                                                                                                                    |
| 6/2001  | 21,784                   | 23.50 | 5,119               |                                                                                                                                                                    |
| 7/2001  | 21,955                   | 23.50 | 5,160               | without changes in regulations                                                                                                                                     |
|         |                          | 22.00 | 4,830               | the reserve requirement rate was reduced                                                                                                                           |
| 8/2001  | 22,626                   | 22.00 | 4,978               |                                                                                                                                                                    |
| 9/2001  | 23,670                   | 22.00 | 5,207               | without changes in regulations                                                                                                                                     |
|         |                          |       | 6,822               | 10% of the foreign exchange reserve requirement was set aside in kuna                                                                                              |
| 10/2001 | 23,175                   | 22.00 | 6,713               | without changes in regulations                                                                                                                                     |
|         |                          |       | 8,426               | an additional 10% of the foreign exchange reserve requirement was set aside in kuna                                                                                |
| 11/2001 | 23,865                   | 22.00 | 8,716               | without changes in regulations                                                                                                                                     |
|         |                          |       | 8,813               | hybrid and subordinated instruments began to be included                                                                                                           |
| 12/2001 | 24,834                   | 22.00 | 9,133               | without changes in regulations                                                                                                                                     |
|         |                          | 19.00 | 8,684               | the rate was reduced and the kuna portion of foreign exchange reserve requirement increased to 25%; the inclusion of hybrid and subordinated instruments continued |

**Table 2: Changes in the Foreign Exchange Reserve Requirement and the Monetary Effects of these Changes, in million HRK and %**

|         | Foreign exchange reserve requirement |                    |                     | Effect of change                                                                                                                                                                      |
|---------|--------------------------------------|--------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | Base                                 | Rate               | Reserve requirement |                                                                                                                                                                                       |
| 5/2001  | 56,150                               | 23.50              | 13,195              |                                                                                                                                                                                       |
| 6/2001  | 55,301                               | 23.50              | 12,996              | without changes in regulations                                                                                                                                                        |
|         | 62,270                               | 23.50 <sup>a</sup> | 14,529              | 50% of received f/c credits was included                                                                                                                                              |
| 7/2001  | 62,245                               | 22.00              | 13,694              | without changes in regulations                                                                                                                                                        |
|         | 69,266                               |                    | 15,239              | 100% of received f/c credits was included and the reserve requirement rate was reduced                                                                                                |
| 8/2001  | 70,828                               | 22.00              | 15,582              |                                                                                                                                                                                       |
| 9/2001  | 73,407                               | 22.00              | 16,150              | without changes in regulations                                                                                                                                                        |
|         | 73,407                               |                    | 14,535              | 10% of the foreign exchange reserve requirement was set aside in kuna                                                                                                                 |
| 10/2001 | 77,831                               | 22.00              | 15,411              | without changes in regulations                                                                                                                                                        |
|         | 77,831                               |                    | 13,698              | a further 10% of the foreign exchange reserve requirements was set aside in kuna                                                                                                      |
| 11/2001 | 78,798                               | 22.00              | 13,868              | without changes in regulations                                                                                                                                                        |
|         | 79,483                               |                    | 13,989              | hybrid and subordinated instruments began to be included                                                                                                                              |
| 12/2001 | 83,400                               | 22.00              | 14,678              | without changes in regulations                                                                                                                                                        |
|         | 83,400                               | 19.00              | 11,884              | the rate was reduced and the kuna portion of the foreign exchange reserve requirement increased; the inclusion of hybrid and subordinated instruments into the reserve base continued |

<sup>a</sup> A new, lower rate of 22% was applied to received loans.

### Box 2: Supplementary Memorandum of Economic and Financial Policies and Supplementary Letter of Intent

The Supplementary Letter of Intent (the Letter) and the Supplementary Memorandum of Economic and Financial Policies (the SMEFP) were on the agenda of the IMF Executive Board Meeting on November 5, 2001, at which both documents received favorable reviews. These two documents are part of the realization of the present stand-by arrangement (first performance criteria review) and a supplement to the original arrangement in accordance with current economic developments.

The Supplementary Letter of Intent of October 31, 2001 demonstrates the commitment of the Government of the Republic of Croatia and of the CNB to the objectives and reforms agreed to in the original Letter of Intent. This primarily relates to achieving an inflation rate of 4.5% and target deficit of the consolidated central government of 5.3% of GDP in 2001. In this context, the Letter stresses the importance of the adoption of 11 laws to rationalize social transfers as a precondition for meeting the deficit target. However, the full effects of these laws will be evident only next year, while their effects this year will be HRK 660m less than originally planned. Similarly, the reduction of the wage bill in the public sector will also be fully accomplished only next year. This year's reduction in the wage bill will be HRK 766m less than agreed in the SMEFP in August.

To keep on track and achieve the planned deficit of 5.3% of GDP, the Government has taken a number of discretionary (one-off) expenditure cuts, thus offsetting delays in expenditure cuts. These budgetary cuts relate to the purchase of goods and non-wage services and capital spending.

Furthermore, the Letter stresses the importance of finding an

early and final solution to the problem of Hrvatska poštanska banka. In finding the solution, the Government, as the majority owner, will be governed by the principle of the least costly solution, which, according to present indicators, is the sale of the bank. Any cost will be accommodated within the budget deficit target of 4.25% of GDP in 2002.

With regard to the performance criteria agreed to in the SMEFP, the Government and the central bank proposed to modify the structural performance criterion concerning employment reductions in the public sector and the quantitative performance criterion concerning limits on the increase in net domestic assets of the central bank. Because of delays in layoffs in the public sector, the original target of reducing employment by 10,000 will be reached at end-March 2002 (the SMEFP, ¶ 14). The target on the increase in net domestic assets of the CNB will be exceeded because of changes in regulations governing reserve requirements. More specifically, the obligation of banks to hold 10% of their foreign exchange reserve requirements in kuna was raised to 20% in October. This, together with the November inclusion of subordinate and hybrid instruments into the base, caused an increase in base money and an increase in net domestic assets as defined in Annex VIII of the SMEFP. As this increase in base money can fully be attributed to changes in regulations and not monetary expansion, it was agreed that an automatic adjustor be applied to increase the present net domestic asset ceiling to accommodate the effects of the changes in regulations.

The Letter closes with the proposal to postpone the next (second) performance criteria review to the end of February 2002 and to extend the program period by one quarter to the end of March 2002. In the closing part of the Letter, interest is also expressed in a successor program to the present stand-by arrangement covering the period 2002-2003.

### Box 3: Development of the Repo Market in Croatia in 2001

In the first ten months of this year, trading on the secondary risk-free securities market significantly increased. It was accompanied by a growth in the share of money market funds, which generated a large part of the turnover growth in this market. It is interesting to note the increase in the end buying and selling of securities in the secondary market, as well as the data on developments in the repo market where CNB bills and Ministry of Finance T-bills acted as collateral. The developments in the secondary risk-free securities market have not so far been systematically monitored, nor has repo trading.

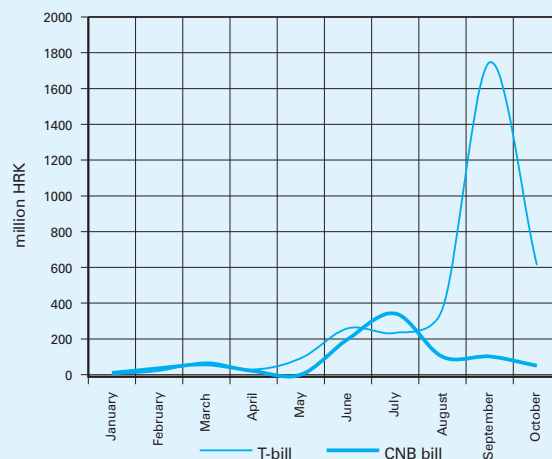
#### Repurchase Agreement (Repo) Definition

A repo agreement is a highly liquid money market instrument consisting of two separate transactions. First, a seller sells a particular security to a buyer at a specified buying price and commits to buy that security back (repurchase) at a specified date and at a repo price. Second, on the maturity of the repo agreement, the seller repurchases the underlying security at the repo price which includes the yield on the repo transaction. In other words, a repo transaction resembles a collateralized loan where securities act as collateral. Repos sometimes have maturities of several months, but most often of 24 hours. This financial instrument may be used by various participants in the market. For example, apart from financial institutions, corporations with excess cash may also place it in repo transactions and earn a higher yield than the interest on cash held on accounts. Repo rates are generally lower than interest rates on the interbank market, since

repos, like collateral-backed loans, are safer placements. The repo rate is based on yields on securities both on the money market and bond market. The rate is also determined by the liquidity of the security acting as collateral, meaning that the repo rate is always lower if it is backed up by a more liquid security. Similarly, different repo options, e.g. the underlying security swap, cause an increase in the repo price. Strong development in the financial markets has resulted in many repo variations, such as equity, flex or cross-currency repos.

Figure 43

REPO MARKET TRADING IN 2001  
CNB bills and T-bills acting as a collateral



Note: Total trading in the repo market includes both transactions of the repo agreement. CNB repo interventions are not included in the repo market turnover.

Source: CNB

Such repo trading evolution is characteristic of developed financial markets, whereas for a poorly developed financial market, like the Croatian market, repo market development represents a significant advancement and every improvement in that segment of the market will stimulate a further development and deepening of the financial market.

### Developments in the Croatian Repo Market

According to the current methodology of monitoring CNB bills and MoF T-bills on the secondary market, trading on the secondary risk-free securities market includes, along with the end buying and selling of these securities, repo transactions backed up by these bills. This methodological solution is not completely correct, since repo transactions do not represent the end buying or selling of securities.

According to data for the period from January to October this year, turnover on the repo market accounted for 44.4% of the total

traded in risk-free securities, or HRK 4.4bn. Repo transactions using CNB bills as collateral amounted to HRK 0.95bn. Repo transactions with underlying MoF T-bills amounted to HRK 3.45bn, accounting for almost 47% of the overall trading in MoF T-bills on the secondary market, while 53% of MoF T-bill trading on the secondary risk-free securities market can be accounted for by the end buying and selling of these bills. Trading on the repo market was most active in the second half of the year, primarily in July when the total turnover of CNB bills amounted to HRK 0.3bn. It should be noted that along with the accelerated growth, there were qualitative improvements related to the increased activities of individual participants. This mainly refers to money market funds, participating as buyers in repo transactions amounting to approximately HRK 1bn, while in the previous period their share was low. Corporate activity in this market also increased, since corporations started to participate as buyers in repo agreements (HRK 0.8bn). This indicates improvement in liquidity management within larger, high-quality corporations.

## Money Market

Following a period of growth in September, interest rates began to fall again. The subscribed amount of Ministry of Finance T-bills and CNB bills increased as a result of improved liquidity. The lending rates of deposit money banks rose slightly compared to the summer months, irrespective of credit (and placement) growth and low inflation. On the other hand, savings and time deposits (mainly foreign exchange) were on the increase, whereas deposit rates in the banking system were on the decrease. Interest rates thus did not prove to be as important for the inflow of foreign exchange deposits into the banking system as was the impact of the tourist season, foreign exchange liberalization and the final stages of the euro introduction.

### Money Market Interest Rates

In August, the average daily interest rate on the ZMM rose from below 1% to above 8%. In September, primarily due to

decreased bank placements in CNB bills, there was a slow-down in money market demand, an interest rate fall (to between 3% and 5%), and a consequent average turnover reduction. The decision on setting aside a portion of foreign exchange reserve requirements in kuna affected kuna liquidity in end-September and October. Interest rates grew again in that period, rising above 6%. Finally, soon after the setting aside of the reserve requirements and after several CNB foreign exchange interventions and repo auctions, the situation in the money market stabilized and interest rates fell to about 4%.

The average daily turnover, following the record-high amounts in August, decreased in September and October (to about HRK 60m), whereas overnight trade increased significantly and again reached the average level of about HRK 180m (the last time it was so high was in December 2000). Until summer this year, turnover in both daily and overnight trade was generally on the decline when the liquidity of the system was high. However, after August this year, trade revived and remained high during the days of high liquidity of the system. The reason for this may lie in fact that the banks sought additional sources of earnings in short-term placements in the foreign ex-

Figure 44

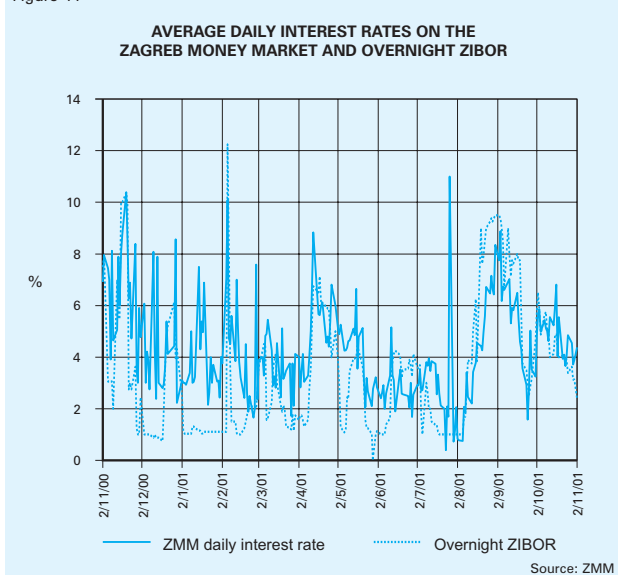
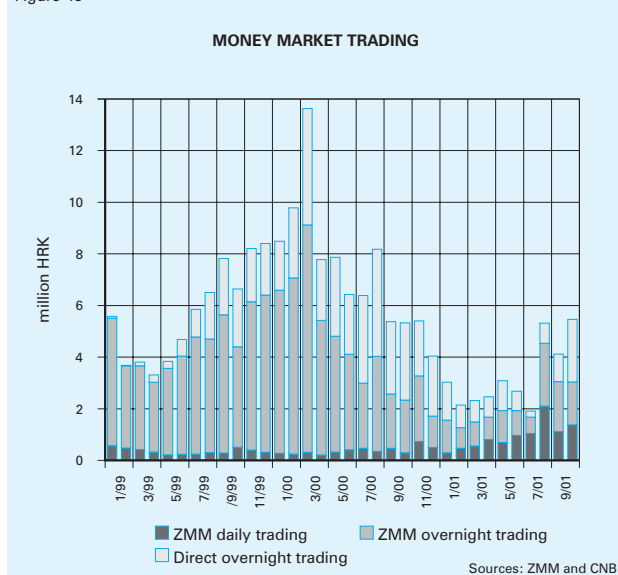


Figure 45





change market and short-term government securities market, which was financed by the above-mentioned cheap sources of funds in the money market.

During the first half of 2001, the share of total overnight trading in total money market trading was on a downward trend. The share of daily trading (as well as the absolute amount) increased and began to exceed the share of overnight trading (in June and July). This usually occurs in a situation of high liquidity. Daily trading also encompasses maturities longer than those of intra-day or overnight loans. When liquidity is high, long-term trading becomes acceptable, which increases the daily trading weight. After summer, overnight trading became dominant again and was three times larger than daily trading in October.

During 1999 and 2000, the share of direct inter-bank trading (without ZMM intermediation) in total overnight trading trended upwards, rising above 65%. This trend was reversed in December 2000, and the share decreased until August, when it amounted to slightly more than 24%. In the following two months, it began to grow again, reaching almost 60% in October. Such movements of the share of direct trading in total overnight trading can be accounted for primarily by an increased interest of highly liquid banks in overnight trading through the ZMM in periods of high liquidity of the system, and vice versa.

## Interest Rates in the Short-Term Securities Market

Strong kuna demand for the purchase of foreign exchange, triggered by depreciation expectations, led to a fall in the subscribed amount of kuna CNB bills and T-bills in August, September and October. Not even a substantial rise in interest rates on these securities in the primary market could curb the reduction in the subscribed amounts. However, as a result of reluctance to place funds in kuna short-term securities, there was a considerable growth in the subscribed amounts of foreign currency denominated CNB bills, regardless of the fall in interest rates on these placements (as a consequence of the in-

terest rate fall in the international money markets).

After reaching the lowest level recorded since the introduction of this instrument (between 4.00% and 5.35%, depending on maturity), interest rates on CNB bills increased by 1 percentage point at the next regular auction in September, and slightly more in October. Nevertheless, the subscribed amount (excluding additional auctions of CNB bills with maturities of 3 and 11 days, which were held for the purpose of setting aside a portion of the foreign exchange reserve requirements in kuna) fell to the level recorded in the first quarter of 2000.

Interest rates on T-bills, after being at their lowest rates ever during the summer months (between 4.2% and 6.0%, depending on maturity), began to grow, reflecting reduced subscription. The subscribed amount fell by almost 31%, and interest rates rose between 1.25 and 2 percentage points. The subscribed amount then began to recover, leading to a slow reduction in interest rates.

Interest rates on CNB bills denominated in foreign currency have shown a downward trend for a long time as a result of developments in the international markets. The interest rates on USD-denominated CNB bills fell particularly sharply due to a substantial fall in interest rates on dollar deposits resulting from recessionary movements in the US economy and a fall in FED interest rates to a record low following the September terrorist attack on the USA. Interest rates on these bills are currently 60% of the interest rates on EUR-denominated CNB bills; according to the latest data, they have fallen below 2% (the FED's interest rate is 2%). Nevertheless, the subscribed amount of these securities was almost HRK 3.6bn, and growth began in end-July. As a result of US dollar instability and lower interest rates, the subscription of EUR-denominated CNB bills increased significantly, so they currently dominate the subscription of these securities (70% share). In the same period, from early July to end-October this year, the amount of EUR-denominated bills increased 4.9 times, whereas the amount of USD-denominated bills increased 2.2 times.

In the secondary market of Ministry of Finance T-bills and CNB bills, T-bills have been traded more frequently. In September, the nominal subscription of T-bills accounted for 58% of total turnover. Kuna CNB bill trading was at 5% of the nominal subscription (17% is the highest level so far). 182-day bills predominate in T-bill trading, whereas bills with the shortest maturity (35 days) predominate in CNB bill trading. Foreign currency denominated CNB bills are very rarely traded in the secondary market.

## Deposit Money Banks' Interest Rates

A long period of falling lending rates was curbed in the last few months, according to data until September; indeed, they slightly increased. Deposit interest rates continued to decline. Consequently, the spread between the lending and deposit rates of deposit money banks increased. As a result of these movements in interest rates, the CNB took measures to contain kuna depreciation.

Lending rate movements were on a downward trend until the second quarter this year, when the fall in interest rates on short-term corporate credits reversed into a moderate in-

Figure 46

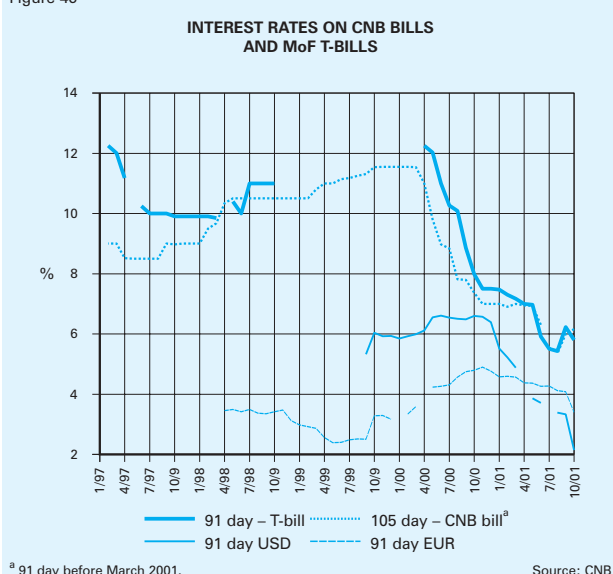


Figure 47

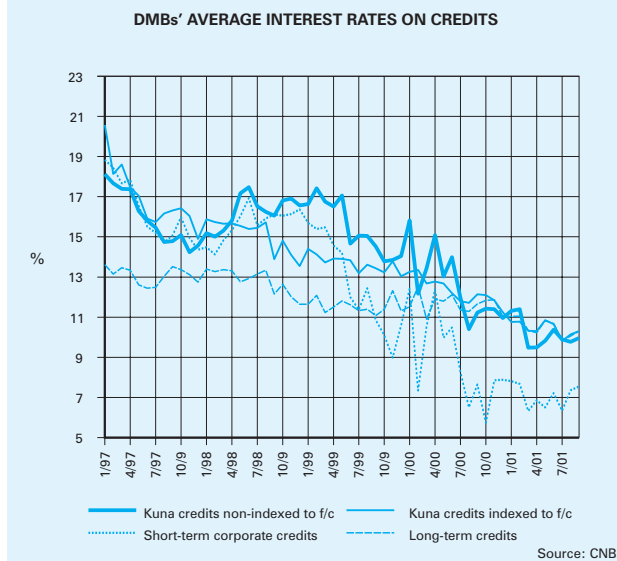
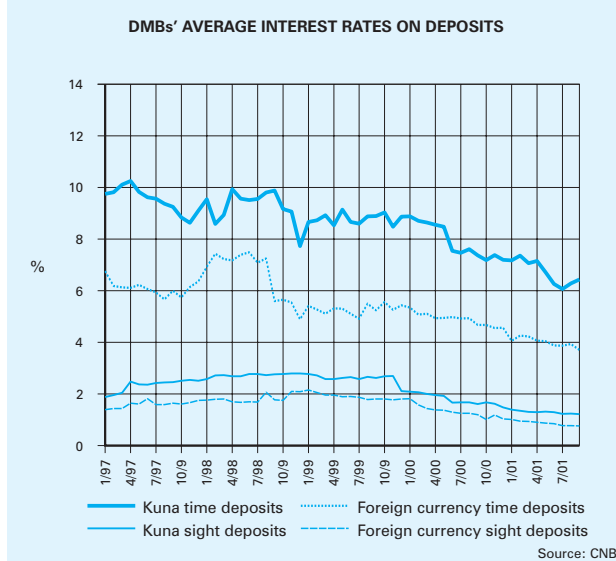


Figure 48



crease. Soon afterwards, the downward trend in the average interest rate on total kuna credits non-indexed to f/c also reversed and started to increase. The average interest rate on kuna credits indexed to f/c continued its downward trend despite occasional surges. A slight increase in the majority of average interest rates on kuna credits was accompanied by strong growth in corporate kuna credits and even stronger growth in household kuna credits. Corporate foreign exchange credits have been constantly growing (both supply and demand increased due to foreign exchange liberalization), with an average interest rate of 6%.

While deposits, particularly foreign exchange deposits, have high growth rates, interest rates on all deposits have been on the decline since mid-1998. The average interest rate on foreign exchange time deposits fell below 4% long ago, and that on total foreign exchange deposits dropped below 3%. The average interest rate on kuna deposits neared 3%, but interest rates on kuna time deposits are still above 6%. The difference between the average interest rate on kuna time deposits and foreign exchange time deposits shows the approximate

Figure 49

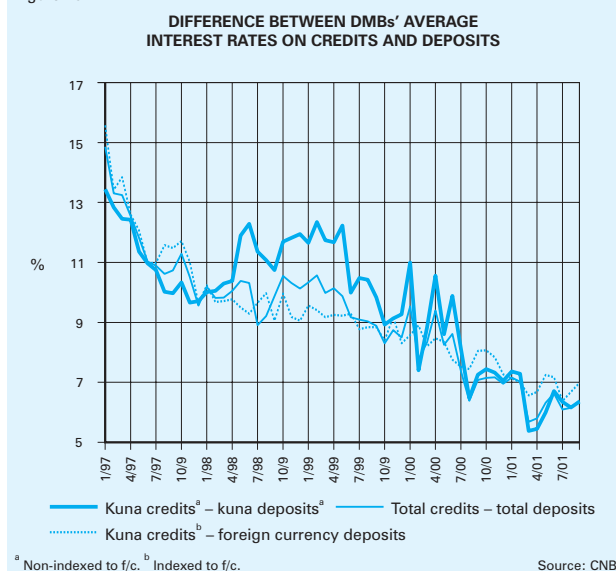


Table 3. Comparison of Interest Rates in Selected Countries

|                                    | DE    | EMU   | CZ    | PL    | HU    | SI    | SK    | HR    |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                    | 12/00 | 12/00 | 12/00 | 12/00 | 12/00 | 12/00 | 12/00 | 12/00 |
| Credits                            | 9.12  | 7.16  | 6.51  | 20.90 | 12.80 | 16.30 | 10.74 | 7.38  |
| Time deposits                      | 4.19  | 3.96  | 3.95  | 14.10 | 9.90  | 10.90 | 6.84  | 6.89  |
| Inflation rate (CPI <sup>a</sup> ) | 2.20  | 2.60  | 3.90  | 8.50  | 10.10 | 10.60 | 8.40  | 7.40  |
|                                    | 6/01  | 6/01  | 6/01  | 6/01  | 6/01  | 6/01  | 6/01  | 6/01  |
| Credits                            | 8.79  | 6.96  | 5.97  | 18.70 | 12.10 | 16.70 | 9.09  | 6.72  |
| Time deposits                      | 3.84  | 3.65  | 3.82  | 11.80 | 9.20  | 11.40 | 6.32  | 6.02  |
| Inflation rate (CPI <sup>a</sup> ) | 3.10  | 3.00  | 5.50  | 6.20  | 10.50 | 9.50  | 8.00  | 4.40  |
|                                    | 9/01  | 9/01  | 9/01  | 9/01  | 9/01  | 9/01  | 9/01  | 9/01  |
| Credits                            | 8.79  | 6.94  | 6.21  | 17.60 | 12.20 | 15.30 | 9.02  | 7.05  |
| Time deposits                      | 3.76  | 3.66  | 3.82  | 10.10 | 9.40  | 10.10 | 6.29  | 6.85  |
| Inflation rate (CPI <sup>a</sup> ) | 2.60  | 2.80  | 4.70  | 4.30  | 8.00  | 7.90  | 7.40  | 3.80  |

<sup>a</sup> A year-on-year rate of change.

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

currency risk premium (i.e. risk of domestic currency depreciation).

The average interest rates on sight deposits (current, giro and savings accounts) fell most. The average interest rate on the kuna and foreign exchange components of these deposits is very low (close to 1% on kuna sight deposits and considerably less on foreign exchange sight deposits). In this way, banks strive to stimulate their clients to open time accounts with fixed maturity, which facilitates liquidity planning.

Interest rate movements in the environment show that lending rates are on the decline, and Croatia closely follows the developed European countries as regards interest rate level. Naturally, the amounts of credits extended in Croatia and in its environment should also be taken into account. The low real lending rates in Croatia could be dangerous if there is excessive credit growth relative to the level of economic activity.

## Capital Market

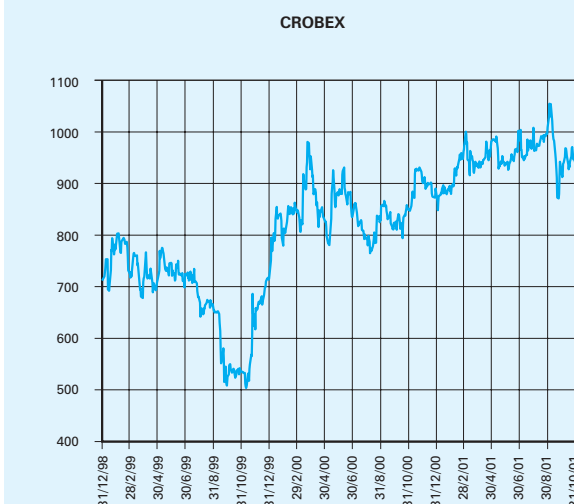
### Domestic Market

The volume of trading in shares on the Zagreb Stock Exchange (ZSE) in the first ten months of 2001 was not encouraging. However, it increased substantially in September and October, reaching HRK 220.6m or almost 40% of the total volume of trade in the first eight months of 2001. With this increase, the total volume of trading in shares amounted to HRK 785m, or 51% of the total volume of trade in 2000. Both the number of shares listed and the number of shares actively traded on the ZSE has grown, especially during the third quarter.

Market capitalization on the ZSE was HRK 23.7bn at end-October 2001, which is about 15% of GDP in 2000. In the first half of September, it rose above HRK 25.5bn but then dropped due to several factors (developments in the world markets, the Baxter scandal, etc.) that primarily affected the two most actively traded shares in the Croatian market, which are also traded in the world markets (Pliva and Zagrebačka banka). These two shares and the other two shares in Quotation I on the ZSE (Podravka, Viktor Lenac) accounted for some 56% of the total market capitalization of shares and for 72% of the total volume of trading in shares in 2001.

Changes in the CROBEX over 2001 indicate that the crisis in

Figure 50



Source: ZSE

the world market has affected the domestic market as well. After a long time, the CROBEX rose above 1000 points (on September 4 it reached 1054.5 points, the highest value since January 1998) but then slightly decreased.

In contrast with the volume of trading in shares, the volume of trading in bonds over the last ten months (HRK 493.0m) exceeded that recorded in 2000 (HRK 460.8m). Four bonds are currently actively traded, although numerous other bonds are listed on the ZSE, primarily those related to participations in the Global bond issued by the Fund for Restitution of Confiscated Property, but these are presently not traded at all. New issues of Croatian bonds are expected in the forthcoming period because of the pension reform. The current market capitalization of actively traded bonds is HRK 5.9bn.

The volume of trade on the Varaždin Securities Market (OTC market) has grown substantially this year. In the first seven months of 2001, it outstripped last year's volume of trade (public auctions excluded) and reached a record high of HRK 798.2m in the first ten months, which is 90% over that in 2000 (public auctions excluded). The supply and demand quotation accounted for 53% of trading, the PIF quotation for 36%, and trading in rights (portfolio of the Ministry of Public Works, Reconstruction and Construction) for 11%.

Table 4: Comparison of Capital Markets Indicators

| September 2001                                                       | Bratislava | Budapest | Ljubljana | Prague  | Warsaw   | Zagreb  |
|----------------------------------------------------------------------|------------|----------|-----------|---------|----------|---------|
| Average daily volume of trade, shares (million USD)                  | 7.6        | 21.4     | 6.3       | 12.8    | 22.8     | 0.6     |
| Average daily volume of trade, bonds (million USD)                   | 23.1       | 1.6      | 0.4       | 145.1   | 1.0      | 0.4     |
| Volume of trade <sup>a</sup> /GDP <sup>c</sup> , annual level        | 9.8        | 11.0     | 8.9       | 5.6     | 3.4      | 0.7     |
| Volume of trade <sup>b</sup> /GDP <sup>c</sup> , annual level        | 29.5       | 0.8      | 0.6       | 63.3    | 0.2      | 0.5     |
| Volume of trade velocity <sup>d</sup>                                | 51.2       | 59.9     | 45.9      | 34.7    | 26.8     | 5.0     |
| Market capitalization <sup>a</sup> (million USD), end month          | 3,575.0    | 8,548.8  | 3,278.0   | 8,411.7 | 20,404.9 | 2,884.0 |
| Market capitalization <sup>b</sup> (million USD), end month          | 6,212.8    | 11,258.5 | 1,315.3   | 8,441.3 | 14,162.0 | 712.4   |
| Market capitalization <sup>a</sup> /GDP <sup>c</sup> , end month (%) | 19.1       | 18.3     | 19.4      | 16.1    | 12.6     | 15.1    |
| Market capitalization <sup>b</sup> /GDP <sup>c</sup> , end month (%) | 33.1       | 24.2     | 7.8       | 16.1    | 2.1      | 3.7     |
| Index movement from the beginning of the year (%)                    | 29.5       | -21.3    | 10.0      | -30.6   | -33.4    | 5.3     |
| Index movement from the beginning of the month (%)                   | 6.4        | -2.9     | 0.7       | -8.8    | -7.1     | -7.1    |

<sup>a</sup> Shares. <sup>b</sup> Bonds. <sup>c</sup> 2000. <sup>d</sup> Monthly volume of trading in shares/market capitalization of shares.  
Sources: Reports from BSSE, BSE, PSE, LJSE, WSE, ZSE and FIBV Statistics (www.fibv.org)

The total market capitalization of the securities on the Varaždin Securities Market is around HRK 7bn. The VIN index was on the increase over the year, reaching its historic high at end-August (647.5 points). It then fell slightly, but rose again to around 600 points at end-October.

### Government Bonds on International Markets

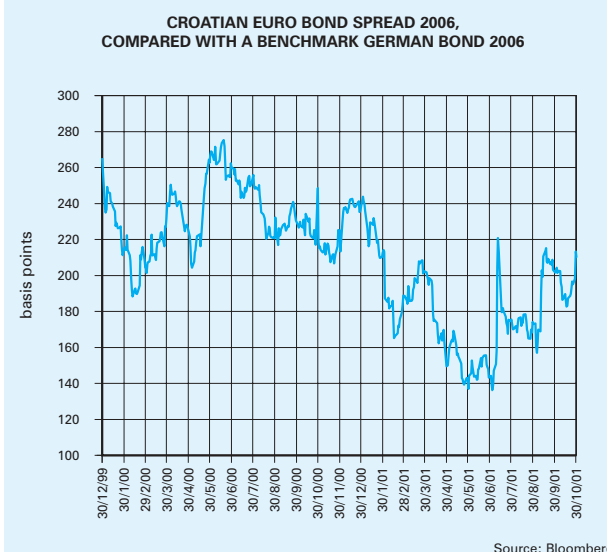
Developments in the spread on Croatian bonds are considerably affected by worldwide events, especially those in emerging markets. This spread decreased till mid-2001 with occasional leaps caused by events in Argentina and Turkey. It increased substantially in July, when difficulties occurred simultaneously in Argentina (unsuccessful domestic market placement of government bonds), Turkey (arrangement with the IMF was cancelled owing to unsuccessful restructuring of the telecommunication company) and Poland (high budgetary deficit). In July 2001, the composite emerging market bond index EMBI+ (calculated on the basis of spreads on these bonds) jumped by 26.2%, whereas the spread on Croatian bonds increased by 22.6%.

Afterwards, the indicators for emerging markets and Croatia first leveled off and then decreased until a new shock was brought about by the events in the US. A month later, when that situation settled down, they started rising again owing to unsuccessful actions of the Argentine government and the publication of data on declining industrial production in Argentina, accompanied by data on unfavorable economic developments in Poland (which was a major cause of a steep increase in spreads on Polish bonds).

In the Croatian bonds market, the spread on bonds issued in euro significantly worsened for two reasons. First, there was a general worsening of spreads on all bonds issued by emerging market countries. Second, there was a rise in prices of euro bonds (difficulties in the US caused a decrease in prices of American bonds, thus increasing the risk premium and spread on USD bonds). These developments were reflected in the growing spread between Croatian euro bonds and benchmark euro bonds. The spread between Croatian USD bonds and benchmark USD bonds increased until the terrorist attacks on the US and has since been falling.

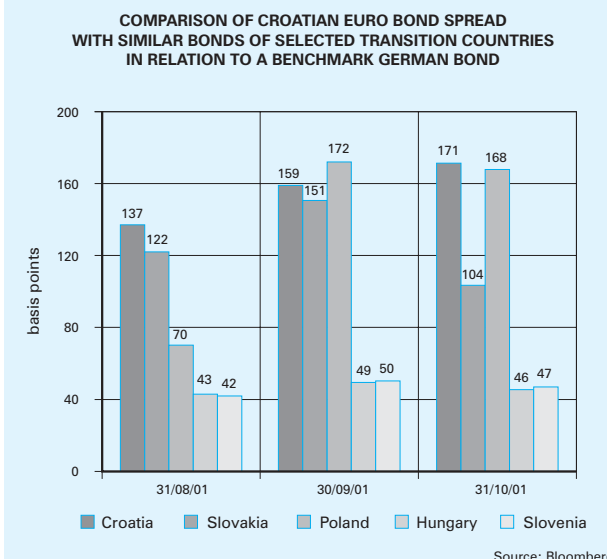
Croatian bonds are much more sensitive to world developments than are those of other countries in transition (e.g. Slovenia and Hungary). However, it is obvious that Croatia is

Figure 51



Source: Bloomberg

Figure 52



Source: Bloomberg

not an exception because spreads on bonds of most emerging market countries are affected when difficulties occur in any of them. Only the spreads on bonds issued by countries with higher credit ratings are less affected and so more stable.

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

| Bond                 | Currency | Amount         | Nominal interest rate      | Yield on Issue Day <sup>a</sup> | Spread <sup>b</sup> 30/9/01 | Spread <sup>b</sup> 31/10/01 |
|----------------------|----------|----------------|----------------------------|---------------------------------|-----------------------------|------------------------------|
| London Club A        | USD      | 857,796,000    | 6 month LIBOR + 81.25 b.p. |                                 | 212                         | 209                          |
| London Club B        | USD      | 604,426,000    | 6 month LIBOR + 81.25 b.p. |                                 | 234                         | 231                          |
| Euro-USD bonds, 2002 | USD      | 300,000,000    | 7%                         |                                 | 146                         | 112                          |
| Euro-DEM bonds, 2004 | DEM      | 300,000,000    | 6.125%                     |                                 | 158                         | 171                          |
| Euro bonds, 2006     | EUR      | 300,000,000    | 7.375%                     | 7.449%                          | 203                         | 210                          |
| Samurai bonds, 2004  | JPY      | 25,000,000,000 | 4%                         |                                 | ...                         | ...                          |
| Euro bonds, 2005     | EUR      | 500,000,000    | 7%                         | 7.06%                           | 188                         | 185                          |
| Samurai bonds, 2007  | JPY      | 40,000,000,000 | 3%                         |                                 | 159 <sup>c</sup>            | 159 <sup>c</sup>             |
| Samurai bonds, 2006  | JPY      | 25,000,000,000 | 2.5%                       |                                 | 160 <sup>c</sup>            | 160 <sup>c</sup>             |
| Euro bonds, 2011     | EUR      | 750,000,000    | 6.75%                      | 6.90%                           | 218                         | 234                          |

<sup>a</sup> Where available. <sup>b</sup> In relation to benchmark bond. <sup>c</sup> Upon issuing.  
Source: Bloomberg

# International Transactions

## Current Account

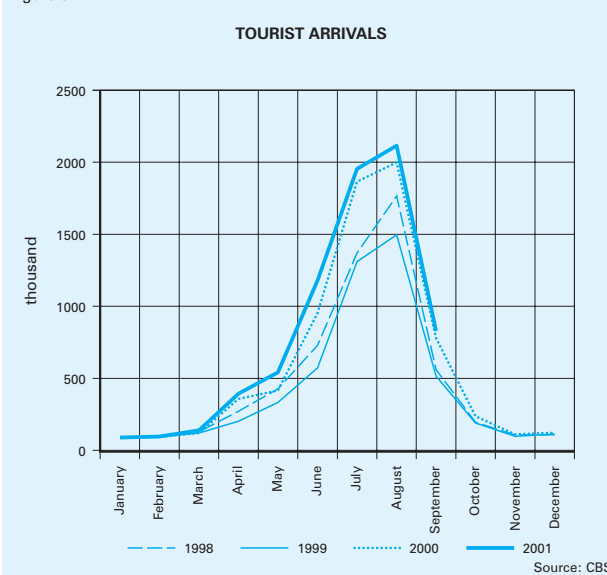
Preliminary data indicate that the current account surplus was about USD 1.2bn in the third quarter of 2001, mostly due to seasonal influences on economic activities with foreign countries, especially tourism. This surplus, expressed as a ratio of GDP, was slightly higher than those of the third quarter of 1999 and 2000 but insufficient to cover the deficits of the first two quarters (which were slightly above 1999 and 2000 levels). Accordingly, the cumulative result for the first three quarters remained negative at about USD 200m (about 1% GDP).

Expressed in dollars, the goods account balance continued to worsen in the third quarter due to a prolonged stagnation in exports and sustained growth in imports. However, imports started to trend downward in the third quarter in comparison with the first two quarters of 2001, mostly due to a fall in car imports (for more details see the section on Merchandise Trade).

The seasonal influence on the services account is traditionally strong in the third quarter: this account is always in the black in that period, mainly due to foreign exchange income from the tourist season. Preliminary data suggest that income from tourism might be slightly above USD 2.1bn, which in turn could result in a net effect from tourism of USD 2bn in the third quarter (exports minus imports of tourist services). If the income and expenditures from tourism in the fourth quarter reach the levels of the previous year, this year's total foreign exchange income from tourism could be far above the previously "unattainable" level of USD 3bn or USD 2.7bn net.

Expressed in dollars, this would mean a 20% rise in the foreign exchange income from tourism in 2001 compared with 2000. Although the indices of total volume of tourist services, measured by foreign tourist arrivals and nights, indicated a 20% growth in the first half of 2001, total foreign exchange income from tourism stated in the balance of payments fell by

Figure 54



2% in dollar terms in the same period. The cumulative data for the first eight months of 2001 show that tourist arrivals and nights rose by 11% compared with the first eight months of 2000, while income from tourism grew by 20% in the first three quarters.

What are the prospects for the rest of the year? Before answering this question, one should analyze the distribution of arrivals, that is, whether the season has lengthened. If we compare the new data on arrivals (which also include arrivals in ports of nautical tourism in 1998, 1999, 2000 and in the first nine months of 2001), we see that the season has indeed lengthened, starting in June in 2000 and 2001. Analysis of the structure of tourists by country of residence leads to the conclusion that the lengthening of the season resulted mostly from foreign tourist arrivals.

The good tourist services export results achieved in the third quarter also improved the foreign trade balance (goods and services account balance). This balance stood at about USD

Figure 53

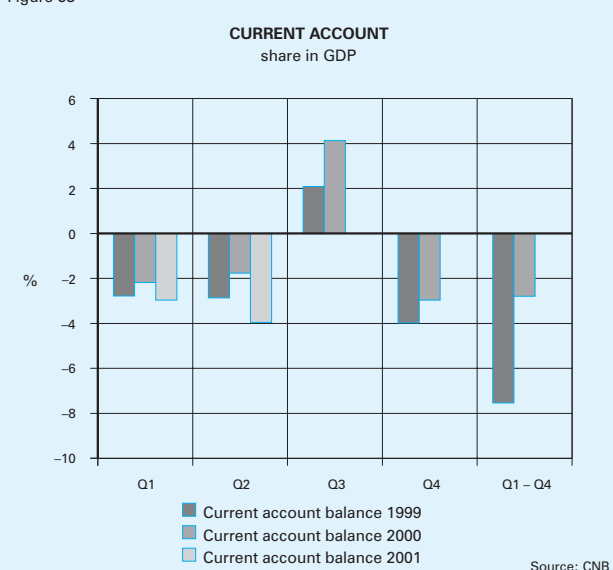
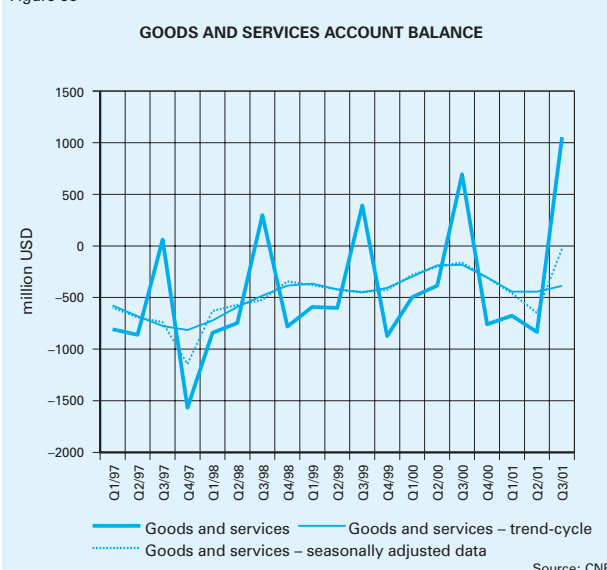


Figure 55



1bn in the third quarter, whereas the first quarter showed a deficit of about USD 460m that marked the cumulative changes in the trade in goods and services in the first three quarters.

However, it should be noted that the US dollar exchange rate changed in the third quarter. Following the terrorist attacks on New York and Washington on September 11, the euro appreciated against the dollar by 7%. Since a large share of exports and imports (goods and services) is denominated in euros, the values of exports and imports are higher than they would have been if the foreign trade had been denominated in euros. The euro appreciated against the dollar by 8% in the first half of 2001 and at the end of September reached much the same level as at the beginning of 2001. As a result, the cumulative changes in exports of goods and services largely reflect their real movements without the influence of cross-currency developments.

### Merchandise Trade

In the first nine months of 2001, the merchandise trade deficit reached USD 3.4bn (HRK 25.8bn in real terms), a 41% increase compared with the same period last year (or 38% in real kuna terms).

The worsened trend in the merchandise trade deficit in 2001 resulted from relatively stagnant exports accompanied by a significant growth in imports, particularly in the capital goods segment. Goods exports in January-September 2001 exceeded those of the same period of 2000 by USD 97m (3%) but fell by HRK 50m or 0.2% in real kuna terms. In contrast, goods imports rose by USD 1.1bn (19%) or HRK 7bn (16%) in real terms.

The structure of imports by intended use shows an increase in all import segments in the first nine months of 2001. Capital goods and intermediate goods contributed most to the increase in the value of imports: capital goods accounted for 33% of the total increase in imports (USD 2bn worth of capital goods were imported, 22% more than in the same period of 2000) and intermediate goods for 32% (USD 2.3bn worth of

intermediate goods were imported, 18% more than in the same period of 2000). Energy imports were 18% higher in the January-September period of 2001 than in the same period last year.

While the first half of 2000 saw high growth rates of imports, especially due to a strong increase in imports of motor vehicles and machinery (according to the SITC), this trend slowed down in the last three months. After growing strongly in the first half of 2001 due to the announced repeal of car import privileges, car imports fell sharply in the third quarter. As a result, motor vehicles accounted for 16% of the total increase in imports in the first nine months of 2001 compared with the same period last year. In contrast, an increase in machinery imports was evident in all months of 2001. The value of imported machinery reached USD 1.3bn in the January-September period and accounted for 29% of the total increase in imports in the first nine months of 2001.

The continued import of equipment in the third quarter suggests the continued restructuring of the economy and its capacities. Although equipment imports and restructuring were expected to abate by the end of the year, there are indications that the economy is steeling itself for stronger international market competition, especially because of the signing of various free trade agreements and the opening of foreign markets, particularly those in CEFTA.

The coverage of imports by exports had stood at about 55% in previous years but fell to about 46% in the first half of 2001 due to the strong growth in imports. However, the slowdown in imports in the third quarter improved the coverage over the nine-month period to about 50%, approaching the long-standing average.

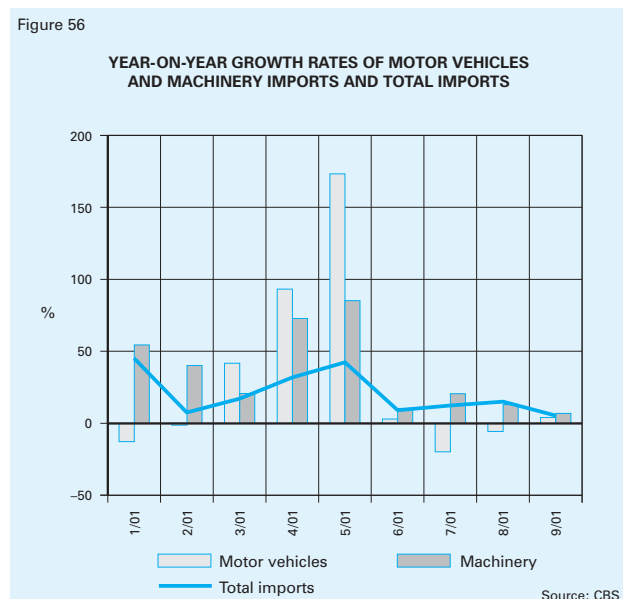
### Capital and Financial Account

The huge seasonal current account surplus in the third quarter resulted in a large accumulation of net foreign assets in the capital and financial account, despite high repayment quotas on accumulated external debt.

Since the final round of the Croatian Telecom privatization was postponed to the last quarter, the government had to finance the repayment of the second semi-annual installment of public external debt by issuing an additional EUR 200m of euro bonds.

In the third quarter, banks began investing abroad to strengthen their foreign exchange positions. This was due to two reasons. First, the ratio between the foreign and domestic interest rate had been on an upward trend since mid-2000 (see the section on the International Liquidity), reaching 1.7 standard deviations (average deviation) above the average in July. Second, the liquidity in the domestic financial market had increased due to the decrease in the reserve requirement rate. As a result, it had become more favorable to invest abroad rather than in the domestic market. Due to this shift in the banks' portfolios, and also due to the increased inflow into banks of foreign currency savings for conversion into euros at the beginning of 2002 without paying a commission, the net foreign exchange position of banks rose above USD 500m.

Figure 56



**Table 6: External Debt by Debtor Sector, in million USD and %**

|                                 | 1998  | 1999  | 2000   | Structure<br>2000 | Growth<br>2000/1999 | Mar. 2001 | Jun. 2001 | Sep. 2001 | Structure<br>Sep. 2001 | Sep.<br>2001/2000 |
|---------------------------------|-------|-------|--------|-------------------|---------------------|-----------|-----------|-----------|------------------------|-------------------|
| Monetary sector                 | 234   | 197   | 159    | 1.46              | -19.29              | 152       | 136       | 138       | 1.18                   | -9.21             |
| Government                      | 3,395 | 3,973 | 4,797  | 44.07             | 20.74               | 5,201     | 5,130     | 5,418     | 46.51                  | 4.17              |
| of which: London Club           | 1,405 | 1,381 | 1,255  | 11.53             | -9.12               | 1,181     | 1,181     | 1,106     | 9.49                   | -6.35             |
| Banks                           | 2,266 | 1,954 | 1,596  | 14.66             | -18.32              | 1,601     | 1,595     | 1,775     | 15.24                  | 10.87             |
| of which: Currency and deposits | 615   | 538   | 433    | 3.98              | -19.52              | 510       | 557       | 555       | 4.76                   | 8.82              |
| Other sectors (enterprises)     | 3,215 | 3,208 | 3,269  | 30.03             | 1.90                | 3,135     | 3,036     | 3,206     | 27.52                  | 2.26              |
| Direct investment               | 477   | 540   | 1,064  | 9.78              | 97.04               | 1,063     | 1,239     | 1,112     | 9.55                   | 4.61              |
| Total                           | 9,586 | 9,872 | 10,884 | 100.00            | 10.25               | 11,152    | 11,136    | 11,649    | 100.00                 | 4.46              |

Source: CNB

Figure 57

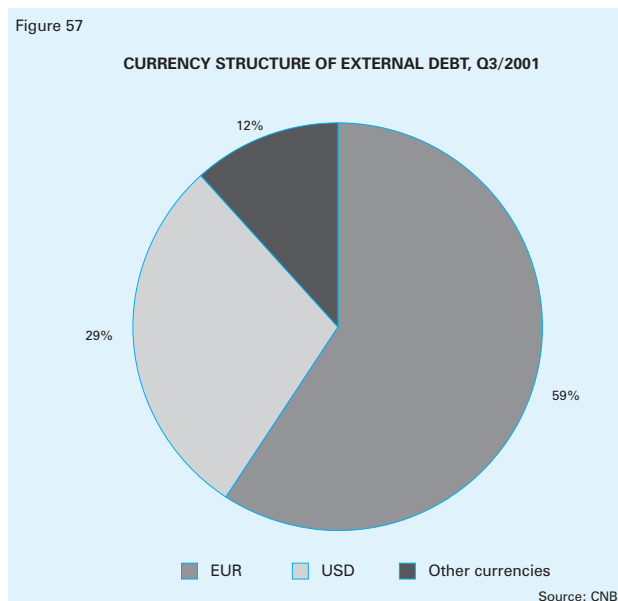
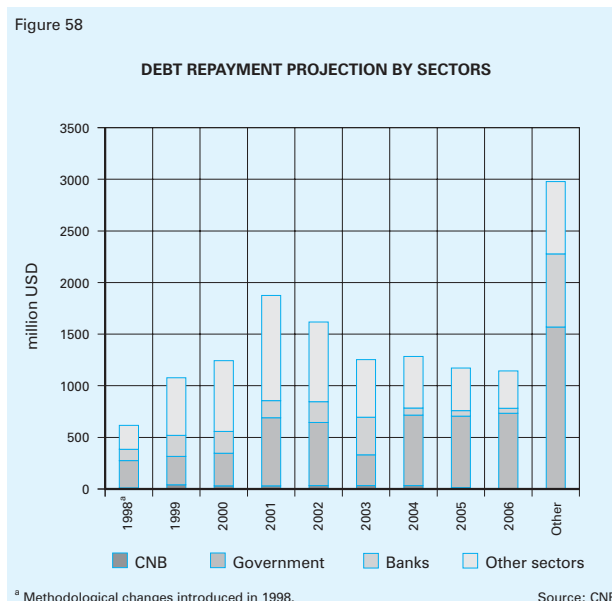


Figure 58



## External Debt

The current account surplus and improved international liquidity (see below) diminished the need for foreign financing in the third quarter, despite the postponement of the Croatian Telecom privatization to the fourth quarter, weak foreign direct investment and due repayment obligations. However, the huge external debt obligations and the public external debt repayment scheduled for July caused total external debt to grow by about USD 500m in the third quarter, increasing total external indebtedness to USD 11.6bn. The government continued to issue bonds (an additional EUR 200m worth of euro bonds, which was a continuation of the issue in the first quarter) and retained a high share in total external debt, increasing it by about USD 290m in nominal terms. Banks and other sectors also increased their external debt by USD 200m.

In the third quarter, the dollar depreciated against the euro by 7% owing to the events that took place on September 11, so the increase in debt expressed in dollars better reflects the real movements in the external debt, since a huge portion of the debt is denominated in euros. The external debt value adjustments due to a change in the nominal value were less extensive in the third quarter than in the first six months when the dollar appreciated against the euro by 8%. Overall, the exchange rate of the dollar against the euro did not change considerably in

the first three quarters. The total value of external debt at the end of September thus reflected its real stock, without the influence of cross-currency developments.

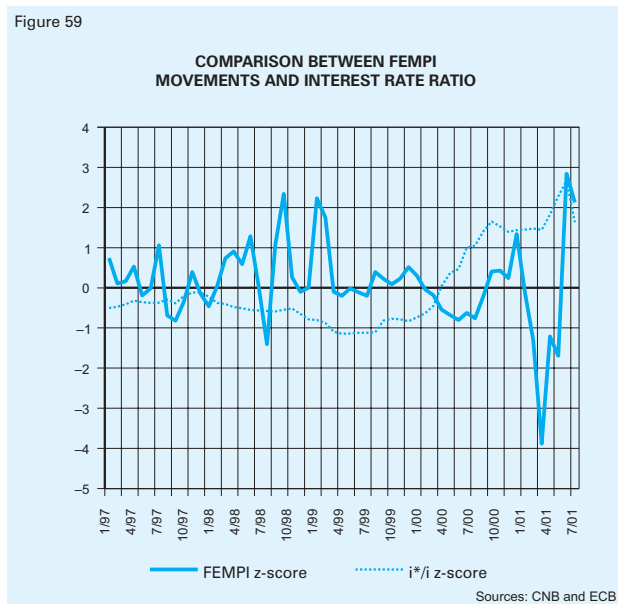
It should be noted that the currency structure of external debt has been additionally changed in favor of the euro due to new euro-denominated borrowings. The total euro share in the currency structure rose to 60%, the US dollar share fell to 30% and the share of other currencies remained at about 12%. The currency structure of external debt thus became almost equal to the currency structure of foreign trade in which the euro accounts for more than 60%.

By issuing international bonds, the government continued the substitution of old debt with new, thus continuing the distribution of repayments (principal) in two modes. The final large repayments of old debt are to be made until 2002, whereas the first repayments of renewed debt, with an average maturity of three years, are scheduled for the beginning of 2004.

## International Liquidity

The international liquidity of the country traditionally improves in the third quarter owing to the seasonal influence on economic activity with foreign countries and high foreign exchange inflows (mostly from tourist services).

Figure 59



However, several events that took place at the beginning of July substantially changed the exchange rate (see the sections on monetary developments and financial markets). There had been a brief period of appreciation pressure in May and April due to the cashing in of foreign currency from the sale of government bonds, when the index fell below the level of minus three standard deviations. However, changes in the ratio between the domestic and foreign interest rate (see the October issue) created depreciation pressures on the currency that were detected on the basis of an FEMPI increase above two standard deviations in July and August.

In this issue, changes in international liquidity are monitored through the FEMPI (the weighted average of the depreciation rate of the exchange rate against the euro and the rate of decrease in gross reserves, with standard deviations as weights) that is adjusted for deviations from the mean and divided by standard deviation (in this manner we obtain the z-score variable of FEMPI), as well as through the average interest rates in the euro zone and Croatian banks that are also adjusted for deviations from the mean and divided by standard deviation in order to simplify the comparison.

The ratio between the foreign and domestic interest rate as an indicator of pressure intuitively follows from the theory on interest rate parity that rational investors will invest more in a country whose interest rate is more favorable, given that there are no changes in the exchange rate and exchange rate risk. The ratio between foreign and domestic interest rates started to grow at above-average rates from mid-2000, almost one year before the depreciation and the increase in the FEMPI above two standard deviations. In May, the interest rate ratio was again on an upward trend, two months before the July increase in the FEMPI to plus three standard deviations. This indicator shows the rationale behind the banks' behavior in changing their net positions in 2000-2001 and may be used as a harbinger of similar movements in the future.

## Government Finance

### Budget Highlights in the Third Quarter of 2001

The fiscal contraction and further narrowing of the total consolidated central government deficit continued in the third quarter of 2001. If the Government observes the Supplementary Memorandum of Economic and Financial Policies (SMEFP), according to which, among others, it committed itself to repay HRK 1.38bn of arrears, the consolidated central government deficit should not exceed HRK 3.95bn in the fourth quarter of 2001. One could, therefore, conclude that the fourth-quarter deficit, on a cash basis, should not surpass HRK 2.57bn. Regardless of the achievement of the deficit target, it is already clear that the enactment of eleven "social" laws in the second half of October created the basis for the permanent reduction of the budgetary deficit, and thus, the potential sustainability of public finances.

The Government intended to achieve its main fiscal objective – the total consolidated central government deficit (excluding privatization revenues) of 5.3% of GDP in 2001 – by reducing expenditures through a combination of permanent savings to be achieved by structural reforms, and through discretionary saving measures, which are as a rule of a temporary nature. Structural reforms in the areas of social policy and public administration should result in savings of around HRK 1.0bn, whereas discretionary cuts planned by the end of 2001 amount to HRK 650m. Due to a delay in reforms, the Government was forced to change the financial structure of savings by considerably increasing a share of discretionary savings based on capital expenditure cuts.

With regard to the revenue side, the revised government budget, which the Parliament adopted in October, is similar to the technical budget revision adopted in mid-2001. Total government budgetary revenues were thus cut by another HRK 1.1bn because privatization revenues were adjusted downward to HRK 5.4bn. Total expenditures remained unchanged because of the Government's deficit target, but expenditures for individual items were reallocated among themselves. A total of HRK 2.2bn allocated for other purchases of goods and services, subsidies and capital expenditures was reallocated to wages, transfers and pension outlays. The delayed and incomplete implementation of the civil service reform package re-

Table 7: Structure of Expenditures, in million HRK

|                                            | Technical revision | Revised budget | Change |
|--------------------------------------------|--------------------|----------------|--------|
|                                            | 1                  | 2              | 2 - 1  |
| 1. Current expenditures                    | 52,012             | 53,130         | 1,118  |
| 1.1. Wages                                 | 13,707             | 14,640         | 933    |
| 1.2. Other purchases of goods and services | 7,679              | 7,002          | -677   |
| 1.3. Transfers and subsidies               | 27,295             | 28,158         | 863    |
| – subsidies                                | 3,807              | 3,385          | -422   |
| – transfers                                | 6,587              | 7,122          | 535    |
| – pension outlays                          | 16,900             | 17,650         | 750    |
| 2. Capital expenditures                    | 5,296              | 4,281          | -1,015 |
| 3. Lending minus repayments                | 830                | 725            | -105   |

Source: MoF



sulted in the wage bill surpassing the planned amount by some HRK 900m, whereas transfers and pension payments exceeded those planned by HRK 1.3bn. These greater outlays were made possible by the cuts in expenditures for other purchases of goods and services (HRK 700m), subsidies (HRK 400m), capital expenditures (HRK 1.0bn), and lending minus repayments (HRK 100m).

An inflow of EUR 500m came from the sale of a 16% stake in Croatian Telecom in October. Privatization policy for the remainder of the year remains uncertain. There are indicators that state owned banks might be privatized in the fourth quarter of 2001, whereas the privatization of Croatia Osiguranje is also expected in the near future. The issue of EUR 200m worth of domestic bonds maturing in seven years is expected by mid-December 2001.

## The Outturn of the Consolidated Central Government Budget

### Overall and Current Deficits of the Consolidated Central Government Budget

The total nominal consolidated central government deficit without capital revenues<sup>10</sup> reached HRK 5.7bn in the first three quarters of 2001 and stood at HRK 1.4bn in the third quarter alone. The real value of this quarterly deficit decreased by HRK 2.7bn or 67.0% compared with last year's levels. The narrowing of the consolidated central government deficit over the last year has been accompanied by a downward trend in current budgetary revenues that started in October 2000. The trend value of this deficit was 26% lower in the first three quarters of 2001 than over the same period last year, with some HRK 5.0bn in government arrears being settled.

In other words, the reforms implemented by the Govern-

ment since the beginning of 2001 in the areas of public administration (wage policy and a cut in civil service employment), social transfers (primarily child benefits) and regional policy (decentralization law), accompanied by discretionary saving measures, have resulted in this downward trend in both current revenues and total expenditures. Expenditures went down much faster than revenues. Compared with the first nine months of 2000, both the real current revenues and overall expenditures of the consolidated central government budget moved lower in the first nine months of 2001, by 5.2% and 6.5% respectively. Classified by items, a decline in overall expenditures came from cuts in the purchase of goods and services, capital expenditures and subsidies, whereas the total real transfers continued growing in the third quarter (seasonally adjusted).

Since the Government's restrictive measures have had a greater impact on the overall deficit of the consolidated central government budget than on its current balance, the gap between current revenues and current expenditures continues to remain too wide.

### Consolidated Central Government Revenues

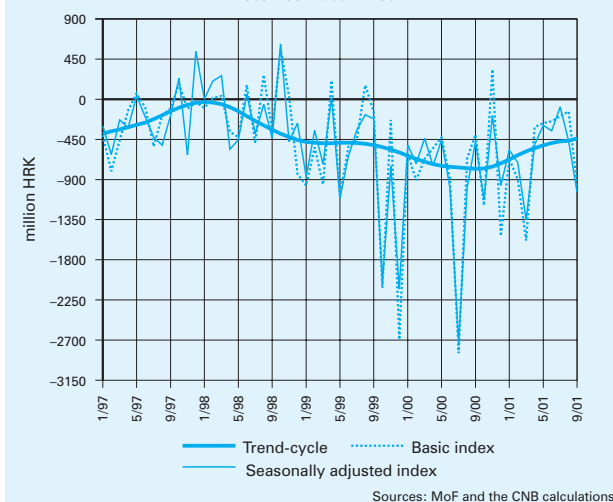
Total nominal consolidated central government revenues without capital revenues reached HRK 47.5bn in cumulative terms at the end of the third quarter of 2001, 2.2% over that in the same period last year. Despite favorable physical indicators of the tourist season, the real inflow from tax revenues (seasonally adjusted) stagnated in the third quarter of 2001 compared with the previous quarter and was off 2.8% from that in the same period last year. A clearer picture of the fiscal results of the tourist season will be provided in the October data.

### Income Tax and Taxes on International Trade

The downward trend in tax revenues has mostly resulted from the strong falling trend in income tax revenues, which were HRK 716m lower in real terms (seasonally adjusted) in

Figure 60

**OVERALL DEFICIT OF THE CONSOLIDATED CENTRAL GOVERNMENT BUDGET**  
excluding capital revenues, at constant prices,  
December 1999 = 100

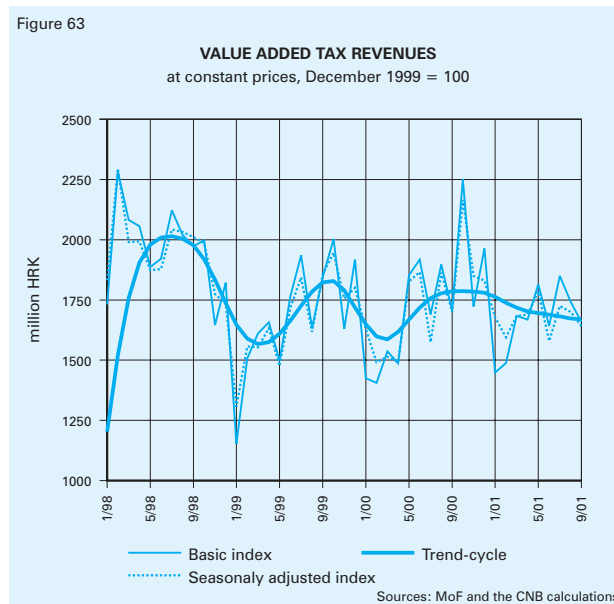
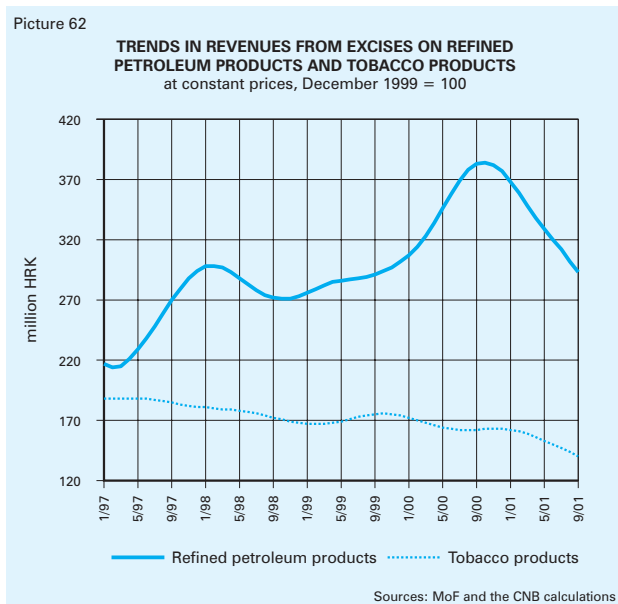


<sup>10</sup> Privatization revenues are presented as a financing item because, contrary to other current revenues, they are not a source of regular revenues.

Figure 61

**TRENDS IN REVENUES FROM EXCISES, INCOME TAX AND TAXES ON INTERNATIONAL TRADE**  
at constant prices, December 1999 = 100





the first nine months of 2001 compared with that in the same period last year. This is the result of last year's increase in the income tax threshold and the implemented government decentralization, which has increased inflows to local government budgets based on income tax revenues. In addition, the downturn in income tax revenues was also caused by a cut in the civil service wage bill, which was HRK 292m lower in the first nine months of 2001 than in the corresponding period in 2000. It is estimated that income tax revenues will not exceed HRK 3.5bn by the year-end.

The trend in revenues from customs duties bottomed out at end-2000 and has ever since been gradually moving up owing to a growth in imports, primarily the import of capital and intermediate goods. Over the first three quarters of 2001, imports excluding motor vehicles<sup>11</sup> were 14.3% higher than they were in the same period of 2000. This upward trend in revenues from customs duties continued, reaching 3.7% in the third quarter of 2001. These revenues are expected to reach HRK 4.0bn by end-2001.

### Taxes on Goods and Services

Excise revenues have been on a downward trend since the end of 2000. Real excise revenues were HRK 299m or 5.6%

lower (seasonally adjusted) in the first nine months of 2001 than in the corresponding period last year. This falling trend slowed in the third quarter owing to an increase in aggregate tourist spending in Croatia, 2.5% lower than in the preceding quarter. The decline in excise revenues mostly resulted from lower inflows from excises on refined petroleum products, accounting for 58% of total excise inflows. Their share in total excise revenues decreased by around 2 percentage points, whereas the share of excises on alcohol, beer and coffee increased in the first nine months of 2001 compared with that in the same period last year.

The downturn in revenues from excises on refined petroleum products may be partly attributed to the decline in the consumption of refined petroleum products caused by a rise in those excises (HRK 0.40 per liter) introduced for the purposes of capital investments (Croatian Highways) and road maintenance (Croatian Roads) despite the fact that these are low-elasticity products. In the first nine months of 2001, these revenues were HRK 425m lower in nominal terms than they were in the same period last year despite foreign tourist consumption over the summer months. Since these excises are not levied on heating oil, it seems that lower revenues could be partially contributed to the substitution effect of diesel, and the developed gray market for fuels. Excise revenues from refined petroleum

Table 8: Structure of Excises, in nominal terms, in million HRK and %

|                            | Jan. – Sep. 2001 |           | Jan. – Sep. 2000 |           | Jan. – Sep. 1999 |           |
|----------------------------|------------------|-----------|------------------|-----------|------------------|-----------|
|                            | Amount           | Structure | Amount           | Structure | Amount           | Structure |
| Total excises              | 5,231.4          | 100.0     | 5,536.4          | 100.0     | 4,383.6          | 100.0     |
| Refined petroleum products | 3,033.8          | 58.0      | 3,318.5          | 59.9      | 2,502.9          | 57.1      |
| Tobacco products           | 1,496.1          | 28.6      | 1,571.3          | 28.4      | 1,439.7          | 32.8      |
| Beer                       | 329.1            | 6.3       | 317.1            | 5.7       | 212.2            | 4.8       |
| Alcohol                    | 218.9            | 4.2       | 185.6            | 3.4       | 111.3            | 2.5       |
| Beverages                  | 60.2             | 1.2       | 69.8             | 1.3       | 61.6             | 1.4       |
| Coffee                     | 81.6             | 1.6       | 64.5             | 1.2       | 55.8             | 1.3       |
| Luxury goods               | 11.7             | 0.2       | 9.5              | 0.2       | –                | –         |

Note: Excises on car imports are classified as taxes on international trade.  
Source: MoF

11 Most were imported under privileged conditions.

products could additionally fall by some HRK 1.0bn in the following year since these excises are to be cut by HRK 0.50 per liter. At the same time, a charge of HRK 0.70<sup>12</sup> per liter of a refined petroleum product will be introduced and directly forwarded to Croatian Highways and Croatian Roads, instead of being transferred through the government budget as before.

The average monthly budgetary revenues from excises on tobacco products stand at HRK 152m (in real terms) in 2001. Like excise revenues from refined petroleum products, these revenues continue falling; they were 9.4% lower (seasonally adjusted) in the third quarter than that in the previous quarter. At the cumulative level, these revenues were HRK 150m lower in the first three quarters of 2001 than in the corresponding period last year, again despite the fact that this year's tourist season (measured by physical indicators) was an improvement on that last year. In its objectives for 2002, the Ministry of Finance announced decisive measures to thwart the informal economy in Croatia. If effectively implemented, these measures would certainly improve the collection of excises both on refined petroleum products and tobacco products. It should be noted that possible compensation between the government and commercial entities could serve as the basis for interpreting developments in excise revenues. However, this is not discernible in the Ministry's published data.

Total excise revenues around HRK 5.5bn are expected this year.

Monthly VAT revenues reached their historic high in October 2000 when they were HRK 2.2bn in real terms. Between October 2000 and the third quarter of 2001, real VAT revenues fell moderately at an average quarterly rate of 2.5%. The decline slowed in the third quarter of 2001 where they were 1.2% lower than in the previous quarter. In cumulative terms, the trend in real VAT revenues increased by 1.1% in the first three quarters compared with that in the corresponding period last year.

This year's developments in VAT revenues have not been the same as in 1999 and 2000; at the beginning of the peak tourist season these revenues did not grow substantially as in previous years. On the contrary, as described above, the downward trend in real inflows continued, owing to, among others, the introduction of a zero VAT rate on organized foreign tourist stays. Nevertheless, the observed fluctuations of VAT revenues were smaller. After the end of the 2000 season, VAT revenues did not return to their average monthly trend value of around HRK 1.6bn in the first quarter of this year as they did in the previous periods, but were on average 150m higher each month. Total VAT revenues of some HRK 22.4bn are expected by the year-end.

#### Other Tax Revenues

Profit tax revenues were 6.2% higher in real terms though their trend value was 3.7% lower in the first nine months of 2001 than that in the corresponding period of 2000. Total profit tax revenues of around HRK 2.0bn are expected this year. Property tax revenues, which have this year fluctuated

around HRK 60m per quarter, grew by 6.2% (in real terms) cumulatively, whereas their trend increased by 2.8% in the first nine months of 2001. Revenues from social security contributions are discussed within extrabudgetary funds expenditures.

#### Consolidated Central Government Expenditures

Rationalization of the system of social transfers to be achieved through the implementation of the eleven laws<sup>13</sup> which the Parliament had adopted by October 19, 2001, will not have the expected strong impact on this year's budget. Prolonged Parliamentary debate on these laws has postponed their implementation so that expenditure cuts based on these laws will be HRK 660m smaller than was originally planned for the end of 2001.

#### Wages

In the revised budget, outlays for gross wages were increased from HRK 13.7bn to HRK 14.6bn owing to delays in staff layoffs and the incomplete implementation of the new wage coefficients, accompanied by cuts in the basic wage for civil service employees and higher wage coefficients in the science and education sectors. Although the Government has failed to achieve the originally targeted gross wage bill of HRK 14.1bn in 2001 (a decrease of HRK 1.5bn), outlays for wages could be some HRK 1.0bn (6.0%) lower than in 2000.

#### Current Transfers and Subsidies

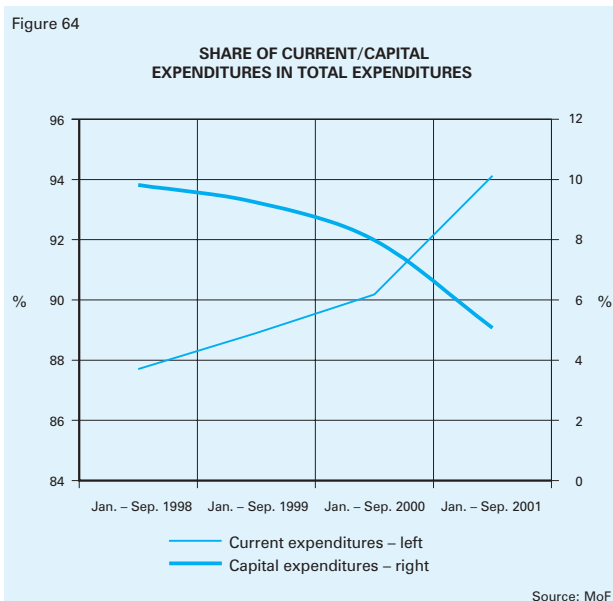
The structure of total consolidated central government expenditures has been changed in 2001 so that, according to data on a cash basis<sup>14</sup>, current expenditures exceeded capital expenditures for the first time in the last four years. In other words, budgetary priorities have been changed so that outlays for capital investments were reallocated to current expenditures.

The increased share of current government expenditures in total expenditures has been mostly concentrated in social transfers. The share of the wage bill in total expenditures has declined by almost 2 percentage points since 1999, a steady downward tendency. The share of purchases of other goods and services has fallen below 20% of the current expenditures of the consolidated central government budget, also showing a tendency to continue its falling trend owing to the aforementioned discretionary saving measures. Outlays for subsidies have held steady over the last four years, while transfers have grown by a high 2.5 percentage points since 1999. Within transfers, the share of child benefits doubled, whereas the share of transfers to the health fund decreased, but this does

13 The Law on Croatian Defenders' Rights, the Law on Social Welfare, the Law on Protection of Military and Civil Invalids of War, the Law on Rights of Ex-political Prisoners, the Law on Pension Insurance, the Law on Health Insurance, the Law on Health Protection, the Law on Child Benefits, the Law on Maternity Leave of Self-employed and Unemployed Mothers, the Law on Personal Income Tax and the Law on Unified Bases for Payments of Obligatory Social Security Contributions.

14 These data do not show the actual position of government spending because they do not include government arrears.

12 See the section on prices.



### Subsidies

The strong downward trend in real expenditures for subsidies (seasonally adjusted) continued into the third quarter of 2001 when they were 13.8% lower than that in the previous quarter. However, at the real cumulative level, subsidies were 1.8% higher in the first three quarters of 2001 than in the same period last year. The Government's plans stated in the SMEFP to cut subsidies and transfers by some HRK 370m have been adjusted downward to HRK 30m. Thus, a reversal of the trend in subsidy payments is not to be expected in the remainder of 2001.

### Extrabudgetary Funds

Contribution and pension payments were transferred to a single treasury account in July 2001. On January 1, 2002, contributions and outlays for health insurance as well as employment contributions will also be transferred to the single treasury account. Because of the widening gap between contributions collected and funds disbursed, it is necessary to change the operational and financial framework of extrabudgetary funds, as well as the related legal framework. Inflows from social security contributions totaled HRK 16.5bn in the first three quarters of 2001, their trend value was 2.4% lower than that in the corresponding period last year. In the same period, the trend value of real social transfers rose by 7.1%; pension payments grew by 10.1%, totaling HRK 15.3bn, whereas transfers to the health fund fell by 31.1%, to HRK 1.3bn. Taking into account CIHI arrears accrued in 2001, government obligations based on transfers to the health fund rose to around HRK 2.1bn in real terms. Compared with the first nine months of 2000, the real trend in child benefits went up 104.0% in 2001.<sup>15</sup>

As the growing tendencies of consolidated central government transfers to the private sector were unsustainable, the Parliament adopted eleven new laws to reallocate funds among the transfers themselves, and thus rationalize them.

Table 9: Structure of Current Expenditures, in %

|                                            | Jan. – Sep. 2001 | Jan. – Sep. 2000 | Jan. – Sep. 1999 | Jan. – Sep. 1998 |
|--------------------------------------------|------------------|------------------|------------------|------------------|
| 1. Current expenditures                    | 100.0            | 100.0            | 100.0            | 100.0            |
| 1.1. Goods and services                    | 45.7             | 51.6             | 50.4             | 50.6             |
| – wages                                    | 26.3             | 27.3             | 28.2             | 23.4             |
| – other                                    | 19.4             | 24.2             | 22.3             | 27.2             |
| 1.2. Interest payments                     | 5.5              | 4.5              | 3.9              | 4.1              |
| 1.3. Subsidies and other current transfers | 48.7             | 43.9             | 45.7             | 45.3             |
| – subsidies                                | 5.2              | 5.0              | 4.6              | 5.7              |
| – transfers                                | 43.5             | 39.0             | 41.1             | 39.6             |
| of which: pensions                         | 33.5             | 29.1             | 31.2             | 26.1             |
| of which: health care                      | 2.6              | 4.3              | 3.2              | 4.8              |
| of which: child benefits                   | 3.6              | 1.7              | 1.9              | 1.7              |

Source: MoF

not include government arrears based on these transfers, which reached HRK 1bn (2.0% of current government expenditures in the first three quarters of 2001).

Table 10: Domestic Debt of Central Government, in million HRK

|                                                | Stock     |           |           | Change           |                  |                  |
|------------------------------------------------|-----------|-----------|-----------|------------------|------------------|------------------|
|                                                | Dec. 2000 | Jun. 2001 | Sep. 2001 | Apr. – Jun. 2001 | Jul. – Sep. 2001 | Jan. – Sep. 2001 |
| 1. Domestic debt of central government         | 21,344.7  | 22,832.8  | 24,002.7  | 281.2            | 1,169.9          | 2,658.0          |
| 1.1. Domestic debt of the Republic of Croatia  | 18,509.7  | 20,080.7  | 20,329.2  | 485.4            | 248.5            | 1,819.5          |
| Treasury bills                                 | 2,564.6   | 5,579.7   | 4,454.2   | 1,161.7          | -1,125.5         | 1,889.5          |
| Money market instruments                       | 14.2      | 10.6      | 1.5       | -1.3             | -9.1             | -12.7            |
| Bonds                                          | 14,082.5  | 13,070.0  | 14,397.6  | -561.2           | 1,327.6          | 315.1            |
| Credits from the CNB                           | 0.0       | 0.0       | -         | 0.0              | -                | -                |
| Credits from DMBs                              | 1,848.4   | 1,420.5   | 1,475.9   | -113.7           | 55.5             | -372.5           |
| 1.2. Domestic debt of central government funds | 2,835.0   | 2,752.1   | 3,673.5   | -204.3           | 921.4            | 838.5            |
| Money market instruments                       | 20.5      | 20.8      | 96.6      | -0.2             | 75.9             | 76.1             |
| Bonds                                          | 1,686.8   | 1,625.2   | 1,674.3   | -79.9            | 49.1             | -12.5            |
| Credits from DMBs                              | 1,127.6   | 1,106.1   | 1,902.5   | -124.1           | 796.4            | 774.9            |

Source: CNB Bulletin, Table I3

<sup>15</sup> Social transfers are approximately equal to transfers for pensions, health care and child benefits.

**Table 11: External Debt of Central Government, in million HRK**

|                                                | Stock     |           |           | Change           |                  |                  |
|------------------------------------------------|-----------|-----------|-----------|------------------|------------------|------------------|
|                                                | Dec. 2000 | Jun. 2001 | Sep. 2001 | Apr. – Jun. 2001 | Jul. – Sep. 2001 | Jan. – Sep. 2001 |
| 1. External debt of central government         | 38,648    | 43,906    | 44,150    | -969             | 244              | 5,502            |
| 1.1. External debt of the Republic of Croatia  | 36,562    | 41,175    | 41,741    | -884             | 566              | 5,179            |
| Bonds                                          | 25,231    | 29,703    | 30,642    | -639             | 939              | 5,411            |
| Credits                                        | 11,331    | 11,473    | 11,099    | -246             | -373             | -232             |
| 1.2. External debt of central government funds | 2,086     | 2,731     | 2,409     | -84              | -322             | 323              |
| Bonds                                          | 387       | 705       | 701       | -21              | -5               | 314              |
| Credits                                        | 1,699     | 2,026     | 1,708     | -63              | -317             | 9                |

Source: CNB Bulletin, Table I3

## Financing

The total consolidated central government debt grew by HRK 1.5bn in the third quarter of 2001, totaling HRK 68.2bn at end-September 2001, whereas its potential debt based on the guarantees issued reached HRK 20.2bn.

### Domestic Central Government Debt to Banks

Total banking system claims on the consolidated central government rose by HRK 1.2bn in the third quarter of 2001, reaching HRK 24.0bn net at end-September. Revenues from bonds issued in the third quarter of 2001, amounting to HRK 1.3bn, enabled the central government to repay HRK 1.1bn net of T-bills. In the first nine months of 2001, the value of T-bills issued went up from HRK 2.6bn to HRK 4.5bn. In the third quarter of 2001, the government incurred additional debt of HRK 0.9bn on behalf of central government funds, mostly by obtaining net commercial bank loans (HRK 0.8bn). In this period, net commercial bank financing of the consolidated central government budget reached HRK 0.9bn. The issue of EUR 200m worth of domestic bonds maturing in seven years is expected by mid-December 2001.

### Central Government External Debt

Central government external debt stood HRK 44.2bn at end-September 2001, up HRK 5.5bn over that in December

2000. Consolidated central government external debt rose by another HRK 0.2bn as a result of a HRK 0.7bn net repayment of bank loans and a 0.9bn inflow from bonds issued.

The external debt of USD 542m to be repaid in early 2002 will be accompanied by additional costs for the pension reform and seasonally common low budget revenues. Furthermore, privatization revenues are not expected before the end of 2002, whereas the potential debt in the form of government guarantees that may come due totals USD 78.1m in the first, and USD 100.8m in the second quarter of 2002.

### Privatization

In the revised 2001 budget, which the Government presented in the third quarter of the year, privatization revenues were additionally cut by HRK 1.1bn, to HRK 5.4bn. Expected privatization revenues were thus revised downward by a total of HRK 3.1bn, owing to, among other things, shocks on the financial markets brought about by the terrorist attacks in the US. Consequently, the Government has postponed its plans to decrease its stake by selling their shares in some companies. An inflow of EUR 500m was generated in October from the sale of a 16% stake in Croatian Telecom. Privatization policy, however, is not quite clear. There are indicators that state owned banks might be privatized in the fourth quarter of 2001, and the privatization of Croatia Osiguranje is also expected in the near future. According to the proposed budget for 2002, privatization revenues should amount to HRK 2.5bn.

# 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 Administration, State Agency for Deposit Insurance and Bank Rehabilitation and Croatian Guarantee Agency, and the following central government funds: Croatian Institute for Health Insurance, Croatian Pension Insurance Institute, Croatian Employment Institute, Croatian Privatization Fund, Croatian Waters and Croatian Bank for Reconstruction and Development. Other domestic sectors are local government authorities and local funds, public and private enterprises and households, including craftsmen and non-profit institutions providing services to households. In some tables other domestic sectors are divided into the following sub-sectors: local government (which comprises local government authorities and local funds), public and private enterprises, and households (including craftsmen and non-profit institutions).

Foreign sector includes foreign legal and natural persons.

All data on claims and liabilities refer to balances at the end of the reporting period. Foreign exchange items are reported in their kuna equivalent at the midpoint CNB exchange rate at the end of the reporting period.

Table A1: Monetary and Credit Aggregates

End of period, million kuna and %

| Year | Month                 | Reserve money | Money M1 | Money M1a | Broadest money M4 | Net domestic assets | Domestic credit | Monthly rates of growth |          |           |                   |                     |                 |   |
|------|-----------------------|---------------|----------|-----------|-------------------|---------------------|-----------------|-------------------------|----------|-----------|-------------------|---------------------|-----------------|---|
|      |                       |               |          |           |                   |                     |                 | Reserve money           | Money M1 | Money M1a | Broadest money M4 | Net domestic assets | Domestic credit |   |
| 1993 | December              | 2,248.9       | 3,134.4  | 3,759.2   | 10,061.1          | 12,005.7            | 20,287.9        | –                       | –        | –         | –                 | –                   | –               | – |
| 1994 | December              | 4,714.2       | 6,642.6  | 6,996.7   | 17,679.9          | 16,540.1            | 27,661.5        | 11.73                   | 2.20     | 3.83      | 2.26              | 11.84               | 3.45            |   |
| 1995 | December              | 6,744.1       | 8,234.9  | 8,503.2   | 24,623.0          | 21,576.3            | 32,819.5        | 2.97                    | 0.89     | 1.54      | 3.41              | 1.00                | 1.88            |   |
| 1996 | December              | 8,770.4       | 11,368.9 | 11,494.9  | 36,701.1          | 24,960.4            | 33,831.2        | 11.35                   | 7.83     | 7.67      | 4.88              | -5.41               | -11.61          |   |
| 1997 | December              | 10,346.1      | 13,731.4 | 13,848.8  | 50,742.0          | 33,829.0            | 48,863.4        | 7.86                    | 3.93     | 3.85      | 2.16              | 4.98                | 4.96            |   |
| 1998 | December              | 9,954.2       | 13,531.4 | 13,615.2  | 57,340.3          | 44,626.8            | 59,792.0        | 7.24                    | 6.92     | 6.59      | 2.51              | 3.73                | 0.25            |   |
| 1999 | December <sup>a</sup> | 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 | June                  | 10,259.7      | 15,032.6 | 15,180.5  | 62,031.3          | 39,958.3            | 56,508.3        | 3.89                    | 8.48     | 8.34      | 3.39              | 3.52                | 0.24            |   |
|      | July                  | 11,330.0      | 17,215.5 | 17,546.8  | 65,651.7          | 39,561.1            | 57,400.5        | 10.43                   | 14.52    | 15.59     | 5.84              | -0.99               | 1.58            |   |
|      | August                | 11,681.8      | 17,837.6 | 18,163.6  | 68,215.5          | 39,576.9            | 57,448.2        | 3.10                    | 3.61     | 3.52      | 3.91              | 0.04                | 0.08            |   |
|      | September             | 11,746.9      | 17,244.0 | 17,485.9  | 68,958.6          | 40,187.2            | 57,826.4        | 0.56                    | -3.33    | -3.73     | 1.09              | 1.54                | 0.66            |   |
|      | October               | 11,255.3      | 16,702.1 | 16,921.9  | 69,809.9          | 39,270.1            | 58,535.4        | -4.18                   | -3.14    | -3.23     | 1.23              | -2.28               | 1.23            |   |
|      | November              | 10,918.1      | 16,384.7 | 16,612.8  | 70,483.9          | 39,873.5            | 59,287.9        | -3.00                   | -1.90    | -1.83     | 0.97              | 1.54                | 1.29            |   |
|      | December              | 11,717.3      | 18,030.3 | 18,256.4  | 73,061.1          | 44,043.9            | 60,863.3        | 7.32                    | 10.04    | 9.89      | 3.66              | 10.46               | 2.66            |   |
| 2001 | January               | 10,541.8      | 16,717.2 | 16,870.2  | 74,062.5          | 46,937.0            | 61,896.7        | -10.03                  | -7.28    | -7.59     | 1.37              | 6.57                | 1.70            |   |
|      | February              | 11,454.1      | 16,970.6 | 17,057.9  | 75,524.2          | 46,900.1            | 62,858.4        | 8.65                    | 1.52     | 1.11      | 1.97              | -0.08               | 1.55            |   |
|      | March                 | 11,346.1      | 17,395.2 | 17,493.8  | 77,504.6          | 46,387.0            | 64,723.8        | -0.94                   | 2.50     | 2.56      | 2.62              | -1.09               | 2.97            |   |
|      | April                 | 12,097.2      | 18,252.7 | 18,368.7  | 77,651.4          | 48,017.0            | 65,530.9        | 6.62                    | 4.93     | 5.00      | 0.19              | 3.51                | 1.25            |   |
|      | May                   | 13,000.3      | 18,845.0 | 18,948.1  | 77,827.6          | 48,787.0            | 65,784.4        | 7.47                    | 3.25     | 3.15      | 0.23              | 1.60                | 0.39            |   |
|      | June                  | 12,553.5      | 19,065.1 | 19,207.5  | 79,689.9          | 49,328.4            | 67,573.7        | -3.44                   | 1.17     | 1.37      | 2.39              | 1.11                | 2.72            |   |
|      | July                  | 14,717.4      | 20,530.8 | 20,725.9  | 81,992.6          | 51,373.4            | 68,443.7        | 17.24                   | 7.69     | 7.91      | 2.89              | 4.15                | 1.29            |   |
|      | August                | 12,206.9      | 19,838.2 | 20,121.7  | 87,747.7          | 53,164.5            | 71,626.4        | -17.06                  | -3.37    | -2.92     | 7.02              | 3.49                | 4.65            |   |
|      | September             | 13,627.4      | 20,284.5 | 20,557.6  | 88,343.7          | 53,913.1            | 71,442.3        | 11.64                   | 2.25     | 2.17      | 0.68              | 1.41                | -0.26           |   |
|      | October               | 16,075.1      | 20,064.9 | 20,420.6  | 90,102.4          | 54,147.3            | 72,863.2        | 17.96                   | -1.08    | -0.67     | 1.99              | 0.43                | 1.99            |   |

<sup>a</sup> Domestic credit decreased by a one-off 2,759.4 million kuna.

Table A1: Monetary and Credit Aggregates

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

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

Money (M1) is defined in the same way as the corresponding item in the Monetary Survey (Table B1). It comprises currency outside banks, deposits with the CNB by other banking institutions and other domestic sectors as well as DMBs' demand deposits. Money (M1a) comprises currency outside banks and DMBs' demand deposits, increased by the demand deposits of the central government and funds with DMBs.

Broadest money (M4) comprises Money (M1), savings and time deposits, foreign currency deposits as well as bonds and money market instruments (all components are taken over from the Monetary Survey, Table B1).

Net domestic assets are defined as a difference between total liquid assets and foreign assets (net).

Domestic credit comprises DMBs' claims on other domestic sectors, other banking institutions and other financial institutions.

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' share in monetary aggregate M1 amounted to 259.3 million kuna and in monetary aggregate M4 amounted to 4,035.8 million kuna. Data for June 1999 are comparable with data for July 1999 if Domestic credit is increased by 3,513.5 million kuna.



Table B1: Monetary Survey

End of period, million kuna

|                                                   | 1996     | 1997     | 1998     | 1999              | 2000      | 2001      |           |           |           |
|---------------------------------------------------|----------|----------|----------|-------------------|-----------|-----------|-----------|-----------|-----------|
|                                                   | Dec.     | Dec.     | Dec.     | Dec. <sup>a</sup> | Dec.      | Mar.      | Jun.      | Sep.      | Oct.      |
| <b>ASSETS</b>                                     |          |          |          |                   |           |           |           |           |           |
| 1. Foreign assets (net)                           | 11,740.7 | 16,913.0 | 12,713.5 | 16,655.5          | 29,017.2  | 31,117.6  | 30,361.5  | 34,430.6  | 35,955.1  |
| 2. Domestic credit                                | 48,464.9 | 56,194.9 | 66,923.1 | 65,938.6          | 72,051.4  | 75,817.2  | 78,690.4  | 84,336.8  | 84,494.6  |
| 2.1. Claims on central government and funds (net) | 14,633.7 | 7,331.4  | 7,131.1  | 10,062.8          | 11,188.2  | 11,093.4  | 11,116.7  | 12,894.5  | 11,631.4  |
| 2.2. Claims on other domestic sectors             | 33,691.0 | 48,616.6 | 59,597.7 | 55,676.4          | 60,653.4  | 64,485.0  | 67,228.2  | 71,164.1  | 72,563.0  |
| 2.3. Claims on other banking institutions         | –        | –        | 0.4      | 45.4              | 48.2      | 77.2      | 97.1      | 71.5      | 62.3      |
| 2.4. Claims on other financial institutions       | 140.2    | 246.8    | 193.9    | 154.0             | 161.7     | 161.6     | 248.3     | 206.7     | 237.9     |
| Total (1+2)                                       | 60,205.6 | 73,107.8 | 79,636.5 | 82,594.1          | 101,068.7 | 106,934.8 | 109,051.9 | 118,767.4 | 120,449.7 |
| <b>LIABILITIES</b>                                |          |          |          |                   |           |           |           |           |           |
| 1. Money                                          | 11,368.9 | 13,731.4 | 13,531.4 | 13,858.9          | 18,030.3  | 17,395.2  | 19,065.1  | 20,284.5  | 20,064.9  |
| 2. Savings and time deposits                      | 3,386.6  | 5,598.9  | 5,683.8  | 5,397.5           | 7,651.1   | 8,951.0   | 8,920.3   | 8,879.1   | 9,444.9   |
| 3. Foreign currency deposits                      | 21,817.5 | 31,278.1 | 37,970.9 | 36,966.0          | 46,901.6  | 50,706.4  | 51,210.3  | 58,662.4  | 60,063.6  |
| 4. Bonds and money market instruments             | 128.1    | 133.6    | 154.1    | 436.8             | 478.2     | 451.9     | 494.2     | 517.7     | 529.0     |
| 5. Restricted and blocked deposits                | 8,305.4  | 5,953.4  | 4,315.2  | 3,814.7           | 2,864.5   | 2,580.2   | 2,495.0   | 2,402.5   | 2,053.8   |
| o/w: Households' blocked f/c deposits             | 7,170.6  | 4,573.8  | 3,419.1  | 2,742.7           | 1,695.1   | 1,465.5   | 1,371.0   | 1,015.4   | 976.7     |
| 6. Other items (net)                              | 15,199.2 | 16,412.5 | 17,981.1 | 22,120.0          | 25,143.1  | 26,850.0  | 26,867.0  | 28,021.1  | 28,293.5  |
| Total (1+2+3+4+5+6)                               | 60,205.6 | 73,107.8 | 79,636.5 | 82,594.1          | 101,068.7 | 106,934.8 | 109,051.9 | 118,767.4 | 120,449.7 |

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

Table B1: Monetary Survey

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

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

Domestic credit is the sum of corresponding items from Monetary Authorities Accounts and DMBs' Accounts. Claims on central government and funds are reported on a net basis, i.e. decreased by central government and funds' deposits with the CNB and DMBs.

Money is the sum of currency outside banks, deposits by other banking institutions with the CNB, deposits by other domestic sectors with the CNB and DMBs' demand deposits (item Demand deposits in DMBs' Accounts, Table D1).

Items Savings and time deposits, Foreign currency deposits as well as Bonds and money market instruments are entirely taken over from the DMBs' Accounts, while item Restricted and blocked deposits represents the sum of corresponding items from the Monetary Authorities Accounts (excluding DMBs' blocked deposits with the CNB) and DMBs' Accounts. Other items (net) are unclassified liabilities decreased by unclassified assets.

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' share in DMBs' balance sheet total amounted to 4,296.3 million kuna. Data for June 1999 are comparable with data for July 1999 if Claims on other domestic sectors and Other items (net) are increased by 3,513.5 million kuna.

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

| Year | Month     | Total number of reporting DMBs | Reporting DMBs classified according to their total assets |                                                |                                              |                                            |                                             |                          | Total number of reporting savings banks | Savings banks classified according to their total assets |                                               |                           |
|------|-----------|--------------------------------|-----------------------------------------------------------|------------------------------------------------|----------------------------------------------|--------------------------------------------|---------------------------------------------|--------------------------|-----------------------------------------|----------------------------------------------------------|-----------------------------------------------|---------------------------|
|      |           |                                | Less than 100 million kuna                                | 100 million kuna to less than 500 million kuna | 500 million kuna to less than 1 billion kuna | 1 billion kuna to less than 2 billion kuna | 2 billion kuna to less than 10 billion kuna | 10 billion kuna and over |                                         | Less than 10 million kuna                                | 10 million kuna to less than 100 million kuna | 100 million kuna and over |
| 1    | 2         | 3                              | 4                                                         | 5                                              | 6                                            | 7                                          | 8                                           | 9                        | 10                                      | 11                                                       | 12                                            | 13                        |
| 1993 | December  | 43                             | 16                                                        | 12                                             | 7                                            | 4                                          | 2                                           | 2                        | 0                                       | 0                                                        | 0                                             | 0                         |
| 1994 | December  | 50                             | 13                                                        | 21                                             | 6                                            | 6                                          | 2                                           | 2                        | 33                                      | 22                                                       | 9                                             | 2                         |
| 1995 | December  | 53                             | 15                                                        | 20                                             | 7                                            | 7                                          | 2                                           | 2                        | 21                                      | 7                                                        | 13                                            | 1                         |
| 1996 | December  | 57                             | 10                                                        | 26                                             | 6                                            | 9                                          | 4                                           | 2                        | 22                                      | 10                                                       | 11                                            | 1                         |
| 1997 | December  | 60                             | 4                                                         | 28                                             | 9                                            | 8                                          | 9                                           | 2                        | 33                                      | 12                                                       | 18                                            | 3                         |
| 1998 | December  | 60                             | 3                                                         | 26                                             | 8                                            | 11                                         | 10                                          | 2                        | 33                                      | 4                                                        | 25                                            | 4                         |
| 1999 | December  | 53                             | 4                                                         | 23                                             | 7                                            | 7                                          | 10                                          | 2                        | 30                                      | 5                                                        | 21                                            | 4                         |
| 2000 | June      | 52                             | 5                                                         | 20                                             | 8                                            | 8                                          | 9                                           | 2                        | 30                                      | 5                                                        | 21                                            | 4                         |
|      | July      | 50                             | 5                                                         | 18                                             | 9                                            | 7                                          | 9                                           | 2                        | 30                                      | 5                                                        | 21                                            | 4                         |
|      | August    | 50                             | 4                                                         | 18                                             | 10                                           | 6                                          | 10                                          | 2                        | 30                                      | 5                                                        | 21                                            | 4                         |
|      | September | 47                             | 3                                                         | 17                                             | 9                                            | 6                                          | 10                                          | 2                        | 30                                      | 5                                                        | 20                                            | 5                         |
|      | October   | 45                             | 2                                                         | 16                                             | 9                                            | 6                                          | 10                                          | 2                        | 29                                      | 5                                                        | 19                                            | 5                         |
|      | November  | 45                             | 2                                                         | 16                                             | 9                                            | 6                                          | 10                                          | 2                        | 29                                      | 5                                                        | 19                                            | 5                         |
|      | December  | 45                             | 3                                                         | 15                                             | 9                                            | 6                                          | 10                                          | 2                        | 29                                      | 5                                                        | 19                                            | 5                         |
| 2001 | January   | 45                             | 3                                                         | 15                                             | 9                                            | 6                                          | 10                                          | 2                        | 27                                      | 5                                                        | 17                                            | 5                         |
|      | February  | 45                             | 3                                                         | 15                                             | 9                                            | 5                                          | 11                                          | 2                        | 27                                      | 5                                                        | 17                                            | 5                         |
|      | March     | 45                             | 3                                                         | 15                                             | 8                                            | 6                                          | 11                                          | 2                        | 27                                      | 5                                                        | 17                                            | 5                         |
|      | April     | 45                             | 3                                                         | 15                                             | 8                                            | 6                                          | 11                                          | 2                        | 26                                      | 5                                                        | 16                                            | 5                         |
|      | May       | 45                             | 3                                                         | 15                                             | 8                                            | 6                                          | 11                                          | 2                        | 26                                      | 5                                                        | 16                                            | 5                         |
|      | June      | 45                             | 3                                                         | 15                                             | 8                                            | 6                                          | 11                                          | 2                        | 26                                      | 4                                                        | 17                                            | 5                         |
|      | July      | 45                             | 3                                                         | 15                                             | 8                                            | 6                                          | 11                                          | 2                        | 25                                      | 4                                                        | 16                                            | 5                         |
|      | August    | 45                             | 3                                                         | 15                                             | 8                                            | 6                                          | 11                                          | 2                        | 25                                      | 4                                                        | 16                                            | 5                         |
|      | September | 45                             | 3                                                         | 15                                             | 8                                            | 6                                          | 10                                          | 3                        | 24                                      | 4                                                        | 15                                            | 5                         |
|      | October   | 45                             | 3                                                         | 15                                             | 8                                            | 5                                          | 11                                          | 3                        | 23                                      | 4                                                        | 14                                            | 5                         |

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

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

Special reporting requirements applied to savings banks until June 1995. Savings banks were not legally obliged to report on their operations, so that data up to June 1995 relate only to those savings banks

that reported voluntarily to the CNB. From July 1995 on, the data cover all registered savings banks. In accordance with the Banking Law, savings banks must meet the conditions set out in the Law by December 31, 2001, or they will be liquidated.

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

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

Table C1: Monetary Authorities Accounts

End of period, million kuna

|                                                      | 1996     | 1997     | 1998     | 1999     | 2000     | 2001     |          |          |                    |
|------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|--------------------|
|                                                      | Dec.     | Dec.     | Dec.     | Dec.     | Dec.     | Mar.     | Jun.     | Sep.     | Oct.               |
| <b>ASSETS</b>                                        |          |          |          |          |          |          |          |          |                    |
| 1. Foreign assets                                    | 12,818.9 | 16,005.6 | 17,592.5 | 23,135.7 | 28,747.4 | 30,652.0 | 32,843.9 | 36,351.8 | 37,035.0           |
| 1.1. Gold                                            | –        | –        | –        | –        | –        | –        | 993.8    | –        | –                  |
| 1.2. Holdings of SDRs                                | 695.5    | 927.0    | 1,444.4  | 1,449.2  | 1,204.2  | 1,216.9  | 1,073.9  | 1,027.3  | 910.0              |
| 1.3. Reserve position in the IMF                     | 0.3      | 0.7      | 1.0      | 1.6      | 1.8      | 1.9      | 1.8      | 1.8      | 1.8                |
| 1.4. Currency and demand deposits with foreign banks | 165.9    | 510.6    | 342.0    | 1,109.6  | 7.4      | 7.6      | 6.8      | 6.8      | 7.3                |
| 1.5. Time deposits with foreign banks                | 11,009.8 | 12,169.5 | 11,696.6 | 17,702.4 | 20,986.9 | 20,594.7 | 20,156.6 | 24,713.3 | 25,145.8           |
| 1.6. Securities in f/c                               | 947.3    | 2,396.5  | 4,107.2  | 2,871.6  | 6,545.7  | 8,829.7  | 10,609.6 | 10,601.4 | 10,968.8           |
| 1.7. Nonconvertible foreign exchange                 | 0.0      | 1.4      | 1.4      | 1.3      | 1.3      | 1.3      | 1.3      | 1.3      | 1.3                |
| 2. Claims on central government and funds            | 218.8    | –        | –        | 24.1     | 0.0      | –        | 0.0      | –        | –                  |
| 2.1. Claims in kuna                                  | 206.4    | –        | –        | 24.1     | 0.0      | –        | 0.0      | –        | –                  |
| Bridging loans                                       | –        | –        | –        | –        | –        | –        | –        | –        | –                  |
| Loans under separate decrees                         | 206.4    | –        | –        | –        | –        | –        | –        | –        | –                  |
| Other loans                                          | –        | –        | –        | 24.1     | 0.0      | –        | 0.0      | –        | –                  |
| 2.2. Claims in f/c                                   | 12.4     | –        | –        | –        | –        | –        | –        | –        | –                  |
| 3. Claims on other domestic sectors                  | 1.1      | 24.4     | 1.0      | 276.8    | 289.5    | 275.2    | 269.7    | 264.3    | 255.8              |
| 4. Claims on DMBs                                    | 213.9    | 33.5     | 1,053.8  | 1,138.7  | 329.9    | 22.7     | 225.6    | 17.5     | 54.8               |
| 4.1. Credits to DMBs                                 | 212.3    | 31.0     | 1,044.4  | 1,125.3  | 313.6    | 6.5      | 209.8    | –        | 36.6               |
| Refinancing of DMBs                                  | –        | –        | –        | –        | –        | –        | –        | –        | –                  |
| Short-term credits against securities portfolio      | –        | –        | –        | –        | –        | –        | –        | –        | –                  |
| Lombard credits                                      | 211.3    | 30.0     | 252.3    | 176.7    | –        | –        | –        | –        | –                  |
| Short-term liquidity credits                         | –        | –        | –        | 929.0    | –        | –        | –        | –        | –                  |
| Other credits                                        | 1.0      | 1.0      | 333.0    | 19.7     | 14.0     | 6.5      | 1.7      | –        | –                  |
| CNB bills under repurchase agreement                 | –        | –        | 459.2    | –        | 299.6    | –        | 208.0    | –        | 36.6               |
| 4.2. CNB deposits with DMBs                          | 1.4      | 2.5      | 9.3      | 13.4     | 15.2     | 16.1     | 15.8     | 16.7     | 16.5               |
| 4.3. Overdue claims                                  | 0.1      | 0.0      | 0.0      | 0.0      | 1.1      | 0.1      | –        | 0.8      | 1.6                |
| 5. Claims on other banking institutions              | –        | –        | –        | –        | –        | –        | –        | –        | –                  |
| Total (1+2+3+4+5)                                    | 13,252.6 | 16,063.5 | 18,647.3 | 24,575.3 | 29,366.8 | 30,950.0 | 33,339.3 | 36,633.6 | 37,345.6           |
| <b>LIABILITIES</b>                                   |          |          |          |          |          |          |          |          |                    |
| 1. Reserve money                                     | 8,770.4  | 10,346.1 | 9,954.2  | 10,310.0 | 11,717.3 | 11,346.1 | 12,553.5 | 13,627.4 | 16,075.1           |
| 1.1. Currency outside banks                          | 4,361.3  | 5,307.5  | 5,718.8  | 5,958.9  | 6,636.7  | 6,411.7  | 7,266.3  | 7,474.7  | 7,181.9            |
| 1.2. DMBs' cash in vaults                            | 152.2    | 216.9    | 251.4    | 382.1    | 532.3    | 373.9    | 485.9    | 436.4    | 449.8              |
| 1.3. DMBs' deposits                                  | 4,256.7  | 4,821.6  | 3,980.2  | 3,960.4  | 4,540.7  | 4,545.5  | 4,777.4  | 5,698.3  | 8,425.0            |
| Settlement accounts                                  | 913.5    | 866.6    | 467.5    | 247.9    | 459.5    | 1,153.7  | 1,229.4  | 911.0    | 2,354.3            |
| Statutory reserves                                   | 3,343.2  | 3,955.0  | 3,512.7  | 3,712.5  | 4,081.2  | 3,391.8  | 3,548.0  | 4,787.3  | 6,070.6            |
| CNB bills on obligatory basis                        | –        | –        | –        | –        | –        | –        | –        | –        | –                  |
| 1.4. Deposits of other banking institutions          | –        | –        | 2.4      | 8.5      | 7.5      | 4.7      | 10.1     | 4.8      | 4.6                |
| 1.5. Deposits of other domestic sectors              | 0.1      | 0.1      | 1.3      | –        | 0.0      | 10.2     | 13.8     | 13.2     | 13.8               |
| 2. Restricted and blocked deposits                   | 243.2    | 101.1    | 1,787.6  | 5,016.8  | 5,805.5  | 5,937.6  | 6,806.0  | 7,162.1  | 6,641.0            |
| 2.1. Statutory reserve in f/c                        | –        | –        | 1,668.4  | 4,636.2  | 5,490.5  | 5,676.1  | 6,510.8  | 6,719.4  | 6,364.0            |
| 2.2. Restricted deposits                             | 78.7     | 101.1    | 119.1    | 380.6    | 315.0    | 261.4    | 295.2    | 442.7    | 277.0              |
| 2.3. Escrow deposits                                 | 164.4    | –        | –        | –        | –        | –        | –        | –        | –                  |
| 3. Foreign liabilities                               | 1,160.4  | 1,471.4  | 1,465.4  | 1,671.2  | 1,630.8  | 1,335.1  | 1,347.2  | 1,486.7  | 1,459.3            |
| 3.1. Use of IMF credit                               | 1,158.5  | 1,468.4  | 1,461.3  | 1,501.7  | 1,290.3  | 1,323.5  | 1,179.7  | 1,139.1  | 1,021.6            |
| 3.2. Liabilities to international organizations      | 1.8      | 3.0      | 4.1      | 6.8      | 9.5      | 11.6     | 12.1     | 11.5     | 11.5               |
| 3.3. Liabilities to foreign banks                    | –        | –        | –        | 162.7    | 331.0    | 0.0      | 155.4    | 336.0    | 426.2 <sup>a</sup> |
| 4. Central government and funds deposits             | 557.6    | 1,032.7  | 434.8    | 397.2    | 1,157.4  | 2,341.2  | 2,672.2  | 1,852.9  | 2,089.6            |
| 4.1. Demand deposits                                 | 424.6    | 805.7    | 390.2    | 394.2    | 1,008.5  | 1,339.8  | 1,711.9  | 1,757.8  | 1,728.3            |
| Central government demand deposits                   | 342.0    | 625.7    | 291.0    | 388.0    | 980.8    | 1,262.2  | 1,539.3  | 1,715.8  | 1,701.1            |
| Central government funds demand deposits             | 82.6     | 180.1    | 99.3     | 6.2      | 27.7     | 77.6     | 172.6    | 42.1     | 27.2               |
| 4.2. Central government f/c deposits                 | –        | 147.6    | –        | 0.0      | –        | 768.2    | 740.9    | –        | 361.2              |
| 4.3. CNB bills                                       | 133.0    | 79.4     | 44.6     | 2.9      | 148.8    | 233.3    | 219.4    | 95.0     | –                  |
| 5. CNB bills                                         | 665.7    | 722.0    | 2,242.9  | 2,887.2  | 4,207.3  | 4,517.9  | 4,267.8  | 6,531.1  | 5,277.1            |
| 5.1. CNB bills in kuna                               | 665.7    | 722.0    | 830.7    | 1,252.5  | 2,394.6  | 2,580.8  | 3,157.8  | 3,453.2  | 1,705.4            |
| 5.2. CNB bills in f/c                                | –        | –        | 1,412.2  | 1,634.7  | 1,812.7  | 1,937.1  | 1,110.0  | 3,077.9  | 3,571.7            |
| 6. Capital accounts                                  | 1,900.1  | 2,361.8  | 2,898.2  | 4,535.5  | 5,216.6  | 5,914.6  | 6,143.4  | 6,452.3  | 6,265.4            |
| 7. Other items (net)                                 | –44.7    | 28.5     | –135.8   | –242.4   | –368.1   | –442.6   | –450.8   | –478.9   | –461.9             |
| Total (1+2+3+4+5+6+7)                                | 13,252.6 | 16,063.5 | 18,647.3 | 24,575.3 | 29,366.8 | 30,950.0 | 33,339.3 | 36,633.6 | 37,345.6           |

<sup>a</sup> Liabilities to foreign banks include also liabilities based on CNB bills subscribed by nonresidents.

Table C1: Monetary Authorities Accounts

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

Foreign assets include the following forms of foreign currency and kuna claims on foreign legal and natural persons: monetary gold, holdings of special drawing rights, foreign cash in vaults, reserve position in the International Monetary Fund, current account balances with foreign banks, time deposits with foreign banks, foreign currency security investments and other claims.

Claims on central government and funds are loans and overdue claims on the budget of the Republic of Croatia. Claims in kuna were short-term loans granted for the purpose of overcoming timing differences between incoming revenues and execution of budgetary expenditures, long-term loans granted by special decrees by the government of the Republic of Croatia, and overdue claims on the budgetary central government based on the liabilities to the IMF and foreign banks. Item Claims in foreign currency was a counter-entry to the liability to the IMF based on the succession of membership in that institution. In accordance with the new Law on the Croatian National Bank that entered into force in April 2001, the Croatian National Bank may not extend credit to the Republic of Croatia.

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

Claims on DMBs are credits to DMBs, deposits by the CNB with DMBs and overdue claims on DMBs. Credits to DMBs are split according to the type of financial instruments. Refinancing of DMBs include loans granted within general and selective quotas up to the end of 1993, as well as advances to DMBs for performing exchange office operations. Refinancing loans granted within the general and selective quotas were paid back in their entirety by the end of April 1994. In July 1994, they were formally revoked. Item Lombard credits comprises credits to DMBs for regular maintaining of the day-to-day liquidity, which were replaced by lombard credits in December 1994. Short-term liquidity credits, which have been granted since the beginning of 1999, also serve to bridge liquidity problems. Other credits include intervention credits, special credits for bridging liquidity problems granted in the past (initial credits, prerehabilitation credits) and due but unpaid credits. Overdue claims on DMBs comprise settlement account overdrafts (until mid-1994) and banks' failure to correctly and promptly allocate and maintain statutory reserve requirements.

Since May 1999, Claims on other domestic sectors include overdue claims on banks against which bankruptcy proceedings have been initiated. Due to the reclassification of savings banks from the sub-sector other banking institutions to the sub-sector banks, data for Claims on DMBs and Claims on other banking institutions have been revised.

Reserve money consists of currency outside banks, cash in DMBs' vaults, DMBs' deposits with the CNB, other banking institutions' deposits and other domestic sectors' deposits with the CNB. DMBs' deposits are: settlement account balances, statutory reserves deposited on a special account with the CNB as well as CNB bills on an obligatory basis. Deposits by other banking institutions are settlement account balances of housing savings banks. Deposits by other domestic sectors are other domestic sectors' giro account balances which, on the basis of legal acts are deposited with the Croatian National Bank.

Restricted and blocked deposits include required foreign exchange reserves, restricted deposits and blocked foreign exchange deposits. Banks and savings banks are required to place foreign exchange reserve deposits in accounts at the Croatian National Bank on the basis of certain foreign exchange deposits they hold. Restricted deposits are kuna funds set aside on the basis of a court order or legal regulation and deposits of banks against which bankruptcy proceedings have been initiated. Blocked foreign exchange deposits are funds that were set aside in special accounts at the Croatian National Bank for repaying unpaid amounts due to foreign creditors.

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

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

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

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

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

Due to the reclassification of savings banks from the sub-sector other banking institutions to the sub-sector banks, data for Currency outside banks, DMBs' cash in vaults, DMBs' deposits and Deposits of other banking institutions were revised. Since May 1999, deposits of banks against which bankruptcy proceedings have been initiated are included as well.

Table D1: Deposit Money Banks' Accounts

End of period, million kuna

|                                              | 1996     | 1997     | 1998     | 1999              | 2000      | 2001      |           |           |           |
|----------------------------------------------|----------|----------|----------|-------------------|-----------|-----------|-----------|-----------|-----------|
|                                              | Dec.     | Dec.     | Dec.     | Dec. <sup>a</sup> | Dec.      | Mar.      | Jun.      | Sep.      | Oct.      |
| <b>ASSETS</b>                                |          |          |          |                   |           |           |           |           |           |
| 1. Reserves with the CNB                     | 4,409.6  | 5,045.6  | 5,908.1  | 8,987.9           | 10,588.9  | 10,625.5  | 11,796.5  | 12,985.7  | 15,274.4  |
| 1.1. In kuna                                 | 4,409.6  | 5,045.6  | 4,239.7  | 4,352.6           | 5,098.4   | 4,949.5   | 5,285.6   | 6,266.3   | 8,910.4   |
| 1.2. In f/c                                  | –        | –        | 1,668.4  | 4,635.3           | 5,490.5   | 5,676.1   | 6,510.8   | 6,719.4   | 6,364.0   |
| 2. Foreign assets                            | 12,549.6 | 16,185.8 | 12,763.1 | 12,400.1          | 19,710.4  | 20,416.7  | 18,258.3  | 20,644.3  | 21,513.4  |
| 3. Claims on central government and funds    | 16,693.4 | 15,238.8 | 14,864.2 | 16,264.4          | 19,076.0  | 19,676.4  | 19,313.7  | 20,305.3  | 19,529.7  |
| 3.1. Bonds arising from blocked f/c deposits | 8,291.1  | 6,714.4  | 5,802.3  | 5,419.9           | 4,484.4   | 4,036.4   | 3,847.7   | 3,472.7   | 3,440.2   |
| 3.2. Big bonds                               | 2,438.5  | 2,291.9  | 2,103.1  | 1,321.8           | 1,475.7   | 1,712.4   | 1,696.6   | 1,683.8   | 1,685.6   |
| 3.3. Other claims                            | 5,963.8  | 6,232.5  | 6,958.8  | 9,522.8           | 13,115.8  | 13,927.6  | 13,769.4  | 15,148.8  | 14,403.9  |
| 4. Claims on other domestic sectors          | 33,689.9 | 48,592.2 | 59,596.7 | 55,399.7          | 60,363.9  | 64,209.8  | 66,958.5  | 70,899.8  | 72,307.2  |
| 4.1. Claims on local government and funds    | 145.4    | 308.8    | 654.0    | 905.6             | 1,174.9   | 1,186.8   | 1,163.9   | 1,224.7   | 1,227.7   |
| 4.2. Claims on enterprises                   | 26,929.3 | 35,487.2 | 41,225.5 | 35,244.3          | 35,890.7  | 37,892.8  | 38,972.6  | 40,622.5  | 41,578.0  |
| 4.3. Claims on households                    | 6,615.2  | 12,796.2 | 17,717.2 | 19,249.8          | 23,298.3  | 25,130.1  | 26,822.0  | 29,052.5  | 29,501.5  |
| 5. Claims on other banking institutions      | –        | –        | 0.4      | 45.4              | 48.2      | 77.2      | 97.1      | 71.5      | 62.3      |
| 6. Claims on other financial institutions    | 140.2    | 246.8    | 193.9    | 154.0             | 161.7     | 161.6     | 248.3     | 206.7     | 237.9     |
| Total (1+2+3+4+5+6)                          | 67,482.7 | 85,309.3 | 93,326.4 | 93,251.5          | 109,949.1 | 115,167.2 | 116,672.4 | 125,113.3 | 128,924.8 |
| <b>LIABILITIES</b>                           |          |          |          |                   |           |           |           |           |           |
| 1. Demand deposits                           | 7,007.5  | 8,423.8  | 7,808.9  | 7,891.5           | 11,386.0  | 10,968.6  | 11,774.9  | 12,791.8  | 12,864.6  |
| 2. Savings and time deposits                 | 3,386.6  | 5,598.9  | 5,683.8  | 5,397.5           | 7,651.1   | 8,951.0   | 8,920.3   | 8,879.1   | 9,444.9   |
| 3. Foreign currency deposits                 | 21,817.5 | 31,278.1 | 37,970.9 | 36,966.0          | 46,901.6  | 50,706.4  | 51,210.3  | 58,662.4  | 60,063.6  |
| 4. Bonds and money market instruments        | 128.1    | 133.6    | 154.1    | 436.8             | 478.2     | 709.3     | 494.2     | 517.7     | 529.0     |
| 5. Foreign liabilities                       | 12,467.4 | 13,807.1 | 16,176.8 | 17,209.1          | 17,809.7  | 18,358.6  | 19,393.6  | 21,078.8  | 21,134.1  |
| 6. Central government and funds' deposits    | 1,720.9  | 6,874.7  | 7,298.3  | 5,828.6           | 6,730.5   | 6,241.8   | 5,524.8   | 5,557.9   | 5,808.7   |
| 7. Credit from central bank                  | 267.8    | 33.7     | 1,049.2  | 1,138.7           | 328.8     | 22.6      | 225.6     | 16.7      | 53.1      |
| 8. Restricted and blocked deposits           | 8,223.6  | 5,852.3  | 4,196.0  | 3,434.2           | 2,549.6   | 2,318.8   | 2,199.7   | 1,959.8   | 1,776.8   |
| o/w: Households' blocked f/c deposits        | 7,170.6  | 4,573.8  | 3,419.1  | 2,742.7           | 1,695.1   | 1,465.5   | 1,371.0   | 1,015.4   | 976.7     |
| 9. Capital accounts                          | 15,440.8 | 17,027.0 | 19,785.6 | 21,975.4          | 24,953.1  | 25,329.2  | 24,667.2  | 25,448.2  | 25,601.4  |
| 10. Other items (net)                        | -2,977.4 | -3,719.9 | -6,797.2 | -7,026.4          | -8,839.4  | -8,439.2  | -7,738.2  | -9,799.1  | -8,351.3  |
| Total (1+2+3+4+5+6+7+8+9+10)                 | 67,482.7 | 85,309.3 | 93,326.4 | 93,251.5          | 109,949.1 | 115,167.2 | 116,672.4 | 125,113.3 | 128,924.8 |

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

Table D1: Deposit Money Banks' Accounts

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

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

Foreign assets are the following forms of kuna and foreign currency claims on foreign legal and natural persons: foreign cash in vaults, deposits with foreign banks (including loro letters of credit and other collateral), securities, loans, and equities.

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

Claims on other domestic sectors include the following claims in

kuna and foreign currency: money market instruments, bonds, loans (including acceptances), and equities.

The same forms of kuna and foreign currency claims are included in claims on other banking institutions and other financial institutions, with one difference: Claims on other banking institutions also include deposits with those institutions.

Items Demand deposits, Savings and time deposits, Foreign currency deposits as well as Bonds and money market instruments comprise banks' liabilities to other domestic sectors, other banking institutions and other financial institutions.

Demand deposits include giro and current accounts balances and banks' obligations arising from kuna payment instruments issued, minus currency in the payment system, i.e. checks in banks' vaults and checks in collection.

Savings and time deposits are kuna sight deposits as well as kuna time and notice deposits.

Foreign currency deposits are foreign currency sight deposits as well as foreign currency time and notice deposits.

Bonds and money market instruments are banks' liabilities for securities issued (net) and loans obtained. Issued debt and hybrid instruments, purchased by foreign investors, are excluded from this item.

Foreign liabilities comprise the following forms of kuna and foreign

currency liabilities to foreign legal and natural persons: giro and current accounts, savings deposits (including loro letters of credit and other forms of collateral), time deposits, loans received and liabilities due. Issued debt and hybrid instruments, purchased by foreign investors, are also included in loans received. Central government and funds' deposits are all forms of DMBs' kuna and foreign currency liabilities (except restricted and blocked deposits) to the central government and funds.

Credit from central bank comprises loans obtained from the CNB and deposits by the CNB with DMBs. Repurchase of securities is also considered and treated as a loan.

Restricted and blocked deposits comprise the following DMBs' liabilities: kuna and foreign currency restricted deposits by other domestic sectors, other banking institutions, other financial institutions, central government and funds as well as foreign legal and natural persons; and households' blocked foreign currency deposits, regulated by the Law on Converting Households' Foreign Exchange Deposits into the Public Debt of the Republic of Croatia.

Capital accounts are share capital, profit or loss for the current year, retained profit (loss), required reserves, reserves provided for by the articles of association, other capital reserves and provisions for identified and unidentified losses.

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

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

Tables: D2-D12

This group of tables (with the exception of Table D5) represents an elaborate presentation of appropriate items of claims and liabilities of DMBs' Accounts (Table D1).

Table D2: Deposit Money Banks' Foreign Assets

End of period, million kuna

|                                 | 1996     | 1997     | 1998     | 1999     | 2000     | 2001     |          |          |          |
|---------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                 | Dec.     | Dec.     | Dec.     | Dec.     | Dec.     | Mar.     | Jun.     | Sep.     | Oct.     |
| 1. Foreign assets in f/c        | 12,525.5 | 16,167.9 | 12,743.4 | 12,352.8 | 19,619.2 | 20,362.4 | 18,198.1 | 20,595.2 | 21,466.9 |
| 1.1. Claims on foreign banks    | 11,397.8 | 15,425.6 | 11,980.5 | 11,598.5 | 19,154.9 | 19,721.6 | 16,959.6 | 19,643.7 | 20,516.9 |
| Foreign currencies              | 663.6    | 850.4    | 586.9    | 886.7    | 1,002.8  | 771.9    | 1,008.7  | 1,137.2  | 1,324.1  |
| Demand deposits                 | 5,915.6  | 6,938.5  | 6,228.6  | 1,498.5  | 995.0    | 985.0    | 1,177.6  | 1,165.7  | 1,377.0  |
| Time and notice deposits        | 4,482.7  | 7,010.9  | 4,637.1  | 8,509.4  | 16,286.7 | 16,778.9 | 14,003.2 | 16,561.5 | 17,001.7 |
| Securities                      | 72.7     | 88.6     | 51.1     | –        | 454.9    | 760.1    | 490.0    | 467.9    | 501.3    |
| Loans and advances              | 179.7    | 408.7    | 343.4    | 569.8    | 370.9    | 380.4    | 240.8    | 270.9    | 272.7    |
| Shares and participations       | 83.6     | 128.4    | 133.5    | 134.1    | 44.6     | 45.3     | 39.4     | 40.6     | 40.1     |
| 1.2. Claims on foreign nonbanks | 1,127.7  | 742.4    | 762.9    | 754.3    | 464.3    | 640.7    | 1,238.4  | 951.5    | 950.0    |
| Claims on foreign governments   | –        | –        | –        | 399.9    | 137.8    | 244.6    | 603.0    | 528.4    | 522.5    |
| Claims on other nonresidents    | 846.2    | 580.4    | 583.9    | 350.4    | 322.4    | 392.0    | 633.8    | 421.4    | 425.8    |
| Securities                      | 492.5    | 17.7     | 3.7      | 4.5      | –        | –        | 251.3    | –        | –        |
| Loans and advances              | 353.7    | 562.7    | 580.2    | 345.9    | 322.4    | 392.0    | 382.5    | 421.4    | 425.8    |
| Shares and participations       | 281.4    | 162.0    | 179.0    | 4.0      | 4.1      | 4.2      | 1.6      | 1.7      | 1.7      |
| 2. Foreign assets in kuna       | 24.2     | 17.9     | 19.7     | 47.3     | 91.2     | 54.3     | 60.3     | 49.2     | 46.5     |
| 2.1. Claims on foreign banks    | 5.7      | 3.6      | 3.1      | 16.6     | 66.1     | 40.8     | 46.7     | 35.8     | 33.3     |
| 2.2. Claims on foreign nonbanks | 18.5     | 14.3     | 16.6     | 30.6     | 25.1     | 13.5     | 13.6     | 13.3     | 13.2     |
| o/w: Loans and advances         | 18.5     | 14.3     | 16.6     | 29.6     | 23.3     | 11.6     | 11.7     | 12.4     | 12.2     |
| Total (1+2)                     | 12,549.6 | 16,185.8 | 12,763.1 | 12,400.1 | 19,710.4 | 20,416.7 | 18,258.3 | 20,644.3 | 21,513.4 |

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

|                                                   | 1996     | 1997     | 1998     | 1999     | 2000     | 2001     |          |          |          |
|---------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                                   | Dec.     | Dec.     | Dec.     | Dec.     | Dec.     | Mar.     | Jun.     | Sep.     | Oct.     |
| 1. Bonds (c/part to blocked f/c savings deposits) | 8,291.1  | 6,714.4  | 5,802.3  | 5,419.9  | 4,484.4  | 4,036.4  | 3,847.7  | 3,472.7  | 3,440.2  |
| 2. Big bonds                                      | 2,438.5  | 2,291.9  | 2,103.1  | 1,321.8  | 1,475.7  | 1,712.4  | 1,696.6  | 1,683.8  | 1,685.6  |
| 3. Other claims                                   | 5,963.8  | 6,232.5  | 6,958.8  | 9,522.8  | 13,115.8 | 13,927.6 | 13,769.4 | 15,148.8 | 14,403.9 |
| 3.1. In kuna                                      | 4,121.2  | 4,261.8  | 5,066.1  | 8,564.0  | 11,432.5 | 12,335.9 | 12,348.6 | 12,674.6 | 12,249.5 |
| 3.1.1. Claims on central government               | 4,100.2  | 4,191.8  | 4,614.1  | 7,831.3  | 9,812.6  | 10,679.2 | 10,833.0 | 10,947.6 | 10,584.3 |
| Securities                                        | 4,071.6  | 4,171.7  | 4,426.9  | 6,897.3  | 8,587.8  | 9,795.6  | 10,035.9 | 10,144.4 | 9,736.2  |
| Loans and advances                                | 28.6     | 20.1     | 187.2    | 934.0    | 1,224.9  | 883.6    | 797.1    | 803.1    | 848.0    |
| 3.1.2. Claims on central government funds         | 21.0     | 70.0     | 452.0    | 732.7    | 1,619.9  | 1,656.7  | 1,515.7  | 1,727.0  | 1,665.2  |
| Securities                                        | 21.0     | –        | –        | –        | 647.8    | 622.1    | 591.5    | 669.8    | 662.5    |
| Loans and advances                                | 0.0      | 70.0     | 452.0    | 732.7    | 972.1    | 1,034.6  | 924.2    | 1,057.3  | 1,002.7  |
| 3.2. In f/c                                       | 1,842.6  | 1,970.7  | 1,892.7  | 958.8    | 1,683.3  | 1,591.7  | 1,420.8  | 2,474.2  | 2,154.4  |
| 3.2.1. Claims on central government               | 1,828.5  | 1,966.7  | 1,879.5  | 921.4    | 1,492.7  | 1,317.4  | 1,162.0  | 1,551.5  | 1,259.3  |
| Bonds                                             | 1,396.9  | 1,172.5  | 1,182.2  | 518.1    | 869.2    | 666.8    | 538.7    | 878.6    | 918.9    |
| Loans and advances                                | 431.7    | 794.2    | 697.3    | 403.3    | 623.5    | 650.6    | 623.4    | 672.8    | 340.4    |
| 3.2.2. Claims on central government funds         | 14.1     | 4.0      | 13.2     | 37.4     | 190.6    | 274.3    | 258.8    | 922.7    | 895.1    |
| Securities                                        | 11.8     | 2.8      | 0.2      | 27.6     | 35.0     | 78.7     | 76.9     | 77.5     | 77.0     |
| Loans and advances                                | 2.3      | 1.3      | 13.0     | 9.8      | 155.5    | 195.6    | 181.9    | 845.3    | 818.1    |
| Total (1+2+3)                                     | 16,693.4 | 15,238.8 | 14,864.2 | 16,264.4 | 19,076.0 | 19,676.4 | 19,313.7 | 20,305.3 | 19,529.7 |

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

|                                | 1996     | 1997     | 1998     | 1999              | 2000     | 2001     |          |          |          |
|--------------------------------|----------|----------|----------|-------------------|----------|----------|----------|----------|----------|
|                                | Dec.     | Dec.     | Dec.     | Dec. <sup>a</sup> | Dec.     | Mar.     | Jun.     | Sep.     | Oct.     |
| 1. Claims in kuna              | 25,602.5 | 40,149.5 | 50,509.7 | 48,336.4          | 53,739.5 | 57,600.1 | 60,484.1 | 64,138.2 | 65,203.4 |
| 1.1. Money market instruments  | 42.1     | 81.5     | 101.8    | 365.7             | 231.9    | 237.8    | 402.4    | 491.3    | 450.3    |
| 1.2. Bonds                     | 2.1      | 1.7      | 0.7      | 0.0               | 1.0      | 1.0      | 2.3      | 8.3      | 7.6      |
| 1.3. Loans and advances        | 21,759.1 | 35,971.2 | 45,956.0 | 44,505.1          | 49,566.8 | 53,820.2 | 56,561.0 | 60,170.1 | 61,168.7 |
| 1.4. Shares and participations | 3,799.2  | 4,095.2  | 4,451.3  | 3,465.5           | 3,939.8  | 3,541.1  | 3,518.4  | 3,468.4  | 3,576.8  |
| 2. Claims in f/c               | 8,087.4  | 8,442.7  | 9,087.0  | 7,063.3           | 6,624.3  | 6,609.7  | 6,474.4  | 6,761.6  | 7,103.7  |
| 2.1. Securities                | 2.9      | 0.6      | 0.6      | 74.9              | 112.4    | 32.6     | 63.1     | 61.6     | 133.5    |
| 2.2. Loans and advances        | 8,084.5  | 8,442.1  | 9,086.3  | 6,988.5           | 6,512.0  | 6,577.0  | 6,411.2  | 6,700.1  | 6,970.2  |
| Total (1+2)                    | 33,689.9 | 48,592.2 | 59,596.7 | 55,399.7          | 60,363.9 | 64,209.8 | 66,958.5 | 70,899.8 | 72,307.2 |

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

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

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

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

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' Claims on other domestic sector amounted to 5,088.0 million kuna. Data for June 1999 are comparable with data for July 1999 if item Loans and advances under Claims in kuna is increased by 2,904.3 million kuna, item Shares and participations is decreased by 520.3 million kuna, and if item Loans and advances under Claims in f/c is increased by 1,129.4 million kuna.

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

End of period, million kuna

|                                          | 1996     | 1997     | 1998     | 1999              | 2000     | 2001     |          |          |          |
|------------------------------------------|----------|----------|----------|-------------------|----------|----------|----------|----------|----------|
|                                          | Dec.     | Dec.     | Dec.     | Dec. <sup>a</sup> | Dec.     | Mar.     | Jun.     | Sep.     | Oct.     |
| <b>LOANS IN KUNA</b>                     |          |          |          |                   |          |          |          |          |          |
| 1. Loans to central government and funds | 11.5     | 74.6     | 633.2    | 1,666.6           | 2,196.9  | 1,918.2  | 1,721.3  | 1,860.4  | 1,850.7  |
| 1.1. Loans to central government         | 11.5     | 4.6      | 181.9    | 934.0             | 1,224.9  | 883.6    | 797.1    | 803.1    | 848.0    |
| 1.2. Loans to central government funds   | 0.0      | 70.0     | 451.3    | 732.7             | 972.1    | 1,034.6  | 924.2    | 1,057.3  | 1,002.7  |
| 2. Loans to local governments and funds  | 125.1    | 293.2    | 623.5    | 785.7             | 996.8    | 1,006.9  | 981.0    | 1,015.3  | 1,012.0  |
| 3. Loans to enterprises                  | 15,029.5 | 22,925.8 | 27,660.0 | 24,533.4          | 25,328.0 | 27,735.6 | 28,810.2 | 30,154.7 | 30,708.1 |
| 4. Loans to households                   | 6,604.5  | 12,752.2 | 17,672.5 | 19,186.1          | 23,242.1 | 25,077.7 | 26,769.9 | 29,000.1 | 29,448.7 |
| 5. Loans to other banking institutions   | –        | –        | 0.4      | 31.3              | 33.5     | 32.0     | 32.8     | 38.5     | 37.4     |
| 6. Loans to other financial institutions | 89.0     | 166.6    | 114.2    | 138.6             | 105.5    | 138.7    | 220.3    | 165.1    | 196.1    |
| A. Total (1+2+3+4+5+6)                   | 21,859.7 | 36,212.4 | 46,703.7 | 46,341.6          | 51,902.8 | 55,909.1 | 58,535.3 | 62,234.1 | 63,252.9 |
| <b>LOANS IN f/c</b>                      |          |          |          |                   |          |          |          |          |          |
| 1. Loans to central government and funds | 190.2    | 679.9    | 637.4    | 413.1             | 779.1    | 846.2    | 805.3    | 1,518.1  | 1,158.5  |
| 1.1. Loans to central government         | 187.9    | 678.6    | 624.5    | 403.3             | 623.5    | 650.6    | 623.4    | 672.8    | 340.4    |
| 1.2. Loans to central government funds   | 2.3      | 1.3      | 13.0     | 9.8               | 155.5    | 195.6    | 181.9    | 845.3    | 818.1    |
| 2. Loans to local governments and funds  | 18.9     | 13.1     | 30.5     | 118.7             | 171.6    | 172.9    | 164.5    | 190.2    | 186.8    |
| 3. Loans to enterprises                  | 8,054.3  | 8,382.3  | 9,009.8  | 6,806.1           | 6,284.0  | 6,351.6  | 6,194.6  | 6,457.4  | 6,730.7  |
| 4. Loans to households                   | 11.3     | 46.8     | 46.0     | 63.7              | 56.3     | 52.5     | 52.1     | 52.4     | 52.8     |
| 5. Loans to other banking institutions   | –        | –        | –        | 1.7               | –        | –        | –        | –        | –        |
| 6. Loans to other financial institutions | –        | –        | –        | –                 | –        | –        | –        | –        | –        |
| B. Total (1+2+3+4+5+6)                   | 8,274.7  | 9,122.0  | 9,723.8  | 7,403.2           | 7,291.0  | 7,423.2  | 7,216.6  | 8,218.1  | 8,128.7  |
| TOTAL (A+B)                              | 30,134.4 | 45,334.4 | 56,427.5 | 53,744.9          | 59,193.9 | 63,332.3 | 65,751.9 | 70,452.2 | 71,381.7 |

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

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

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

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' loans amounted to 4,463.3 million kuna. Data for June 1999 are comparable with data for July 1999 if total loans in kuna are increased by 2,972.6 million kuna, and total loans in f/c are increased by 840.9 million kuna.

Table D6: Demand Deposits with Deposit Money Banks

End of period, million kuna

|                                                         | 1996    | 1997    | 1998    | 1999    | 2000     | 2001     |          |          |          |
|---------------------------------------------------------|---------|---------|---------|---------|----------|----------|----------|----------|----------|
|                                                         | Dec.    | Dec.    | Dec.    | Dec.    | Dec.     | Mar.     | Jun.     | Sep.     | Oct.     |
| 1. Local governments and funds                          | 683.8   | 484.2   | 514.3   | 314.7   | 573.6    | 590.0    | 547.1    | 856.1    | 922.0    |
| 2. Enterprises                                          | 4,489.2 | 5,692.8 | 4,794.2 | 4,695.6 | 7,087.1  | 6,407.6  | 6,652.2  | 7,245.0  | 7,320.9  |
| 3. Households                                           | 1,661.3 | 2,235.7 | 2,492.2 | 2,686.5 | 3,499.7  | 3,741.8  | 4,171.2  | 4,358.8  | 4,287.9  |
| 4. Other banking institutions                           | –       | –       | –       | 6.9     | 11.6     | 11.1     | 12.1     | 14.0     | 26.5     |
| 5. Other financial institutions                         | 208.2   | 203.8   | 190.0   | 190.0   | 221.7    | 223.0    | 397.0    | 322.8    | 311.5    |
| 6. Less: Checks of other banks and checks in collection | –35.0   | –192.6  | –181.8  | –2.2    | –7.6     | –4.8     | –4.7     | –5.0     | –4.1     |
| Total (1+2+3+4+5+6)                                     | 7,007.5 | 8,423.8 | 7,808.9 | 7,891.5 | 11,386.0 | 10,968.6 | 11,774.9 | 12,791.8 | 12,864.6 |

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

|                                   | 1996    | 1997    | 1998    | 1999    | 2000    | 2001    |         |         |         |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                   | Dec.    | Dec.    | Dec.    | Dec.    | Dec.    | Mar.    | Jun.    | Sep.    | Oct.    |
| 1. Savings deposits               | 719.3   | 1,115.7 | 1,117.5 | 1,371.4 | 1,676.1 | 1,642.6 | 1,729.1 | 1,825.0 | 1,776.3 |
| 1.1. Local governments and funds  | –       | –       | –       | 91.7    | 137.6   | 94.0    | 100.3   | 123.6   | 122.0   |
| 1.2. Enterprises                  | –       | –       | –       | 92.1    | 142.4   | 115.4   | 109.0   | 80.8    | 61.1    |
| 1.3. Households                   | 719.3   | 1,115.7 | 1,117.5 | 1,167.3 | 1,348.3 | 1,413.3 | 1,495.8 | 1,592.0 | 1,580.6 |
| 1.4. Other banking institutions   | –       | –       | –       | 2.6     | 0.6     | 0.6     | 7.8     | 6.2     | 0.0     |
| 1.5. Other financial institutions | –       | –       | –       | 17.8    | 47.2    | 19.3    | 16.1    | 22.4    | 12.7    |
| 2. Time and notice deposits       | 2,667.3 | 4,483.2 | 4,566.3 | 4,026.2 | 5,975.0 | 7,308.4 | 7,191.3 | 7,054.0 | 7,668.5 |
| 2.1. Local governments and funds  | 89.7    | 102.6   | 185.3   | 176.1   | 230.7   | 286.3   | 306.2   | 339.9   | 350.4   |
| 2.2. Enterprises                  | 1,054.7 | 1,785.0 | 1,569.2 | 1,417.0 | 2,871.4 | 3,800.9 | 3,407.4 | 3,101.1 | 3,425.4 |
| 2.3. Households                   | 1,124.3 | 1,962.1 | 1,998.7 | 1,531.7 | 1,789.8 | 2,085.6 | 2,225.2 | 2,238.4 | 2,335.9 |
| 2.4. Other banking institutions   | –       | –       | –       | 33.5    | 20.8    | 27.0    | 33.9    | 40.9    | 21.9    |
| 2.5. Other financial institutions | 398.6   | 633.6   | 813.1   | 867.8   | 1,062.2 | 1,108.6 | 1,218.6 | 1,333.8 | 1,534.9 |
| Total (1+2)                       | 3,386.6 | 5,598.9 | 5,683.8 | 5,397.5 | 7,651.1 | 8,951.0 | 8,920.3 | 8,879.1 | 9,444.9 |

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

|                                   | 1996     | 1997     | 1998     | 1999     | 2000     | 2001     |          |          |          |
|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                   | Dec.     | Dec.     | Dec.     | Dec.     | Dec.     | Mar.     | Jun.     | Sep.     | Oct.     |
| 1. Savings deposits               | 9,242.8  | 10,750.3 | 12,140.3 | 12,228.1 | 14,566.3 | 14,895.1 | 15,265.7 | 17,542.7 | 17,853.1 |
| 1.1. Local governments and funds  | 10.5     | 111.7    | 19.5     | 29.5     | 16.8     | 15.8     | 19.3     | 22.6     | 15.9     |
| 1.2. Enterprises                  | 1,762.8  | 1,969.4  | 2,091.9  | 1,842.6  | 2,408.0  | 2,450.7  | 2,777.0  | 3,131.0  | 3,227.4  |
| 1.3. Households                   | 7,419.9  | 8,616.2  | 9,976.4  | 10,256.6 | 12,041.5 | 12,319.5 | 12,261.4 | 14,237.3 | 14,476.4 |
| 1.4. Other banking institutions   | –        | –        | –        | 6.4      | 10.3     | 11.1     | 13.1     | 22.6     | 22.4     |
| 1.5. Other financial institutions | 49.5     | 52.9     | 52.5     | 93.0     | 89.8     | 98.1     | 194.9    | 129.2    | 110.9    |
| 2. Time deposits                  | 12,574.7 | 20,527.8 | 25,830.6 | 24,737.9 | 32,335.3 | 35,811.3 | 35,944.6 | 41,119.7 | 42,210.5 |
| 2.1. Local governments and funds  | –        | –        | –        | 15.5     | 8.2      | 4.7      | 3.0      | 1.4      | 1.4      |
| 2.2. Enterprises                  | 1,160.1  | 1,457.2  | 1,579.4  | 1,442.3  | 2,753.1  | 2,936.9  | 3,053.8  | 4,710.8  | 4,963.2  |
| 2.3. Households                   | 11,209.1 | 18,849.8 | 23,994.7 | 22,957.7 | 29,097.2 | 32,266.8 | 32,321.6 | 35,660.5 | 36,498.7 |
| 2.4. Other banking institutions   | –        | –        | –        | 2.5      | 4.2      | 9.3      | 4.3      | 5.8      | 5.1      |
| 2.5. Other financial institutions | 205.5    | 220.8    | 256.5    | 320.0    | 472.7    | 593.6    | 561.9    | 741.3    | 742.1    |
| Total (1+2)                       | 21,817.5 | 31,278.1 | 37,970.9 | 36,966.0 | 46,901.6 | 50,706.4 | 51,210.3 | 58,662.4 | 60,063.6 |

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       | 1996  | 1997  | 1998  | 1999  | 2000  | 2001  |       |       |       |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                   | Dec.  | Dec.  | Dec.  | Dec.  | Dec.  | Mar.  | Jun.  | Sep.  | Oct.  |
| 1. Money market instruments (net) | 0.9   | 7.0   | 4.5   | 1.4   | –     | –     | –     | –     | –     |
| 2. Bonds (net)                    | 55.6  | 19.1  | 24.1  | 384.1 | 353.5 | 310.8 | 281.4 | 279.9 | 273.4 |
| 3. Other domestic borrowing       | 71.6  | 107.5 | 125.6 | 51.2  | 124.7 | 141.1 | 212.8 | 237.8 | 255.6 |
| 3.1. Local governments and funds  | 7.3   | 0.0   | 0.0   | –     | –     | –     | –     | –     | –     |
| 3.2. Enterprises                  | 8.3   | 29.9  | 22.5  | 13.7  | 15.2  | 47.2  | 45.0  | 82.4  | 132.0 |
| 3.3. Other banking institutions   | –     | –     | 54.2  | 15.7  | 1.3   | 2.4   | 4.5   | 8.5   | 6.3   |
| 3.4. Other financial institutions | 55.9  | 77.6  | 48.9  | 21.8  | 108.2 | 91.5  | 163.3 | 146.9 | 117.3 |
| Total (1+2+3)                     | 128.1 | 133.6 | 154.1 | 436.8 | 478.2 | 451.9 | 494.2 | 517.7 | 529.0 |

Table D9: Bonds and Money Market Instruments

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

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

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

cluding those purchased by foreign investors.

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

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' Bonds and Money market instruments amounted to 9 million kuna. In July 1999, certain debt and hybrid instruments were reclassified from Time and notice deposits to Bonds (net). The amount reclassified was 3,513.5 million kuna.

Table D10: Deposit Money Banks' Foreign Liabilities

| End of period, million kuna          | 1996     | 1997     | 1998     | 1999     | 2000     | 2001     |          |          |          |
|--------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                      | Dec.     | Dec.     | Dec.     | Dec.     | Dec.     | Mar.     | Jun.     | Sep.     | Oct.     |
| 1. Foreign liabilities in f/c        | 12,380.7 | 13,540.1 | 15,878.2 | 17,066.0 | 17,669.8 | 18,465.1 | 19,159.0 | 20,904.1 | 20,893.9 |
| 1.1. Liabilities to foreign banks    | 9,365.4  | 8,979.3  | 10,557.0 | 11,525.4 | 11,957.6 | 13,643.2 | 14,474.3 | 15,947.1 | 15,955.0 |
| Demand deposits                      | 206.3    | 300.9    | 242.3    | 157.1    | 176.3    | 121.0    | 124.1    | 132.2    | 112.2    |
| Time and notice deposits             | 979.6    | 2,365.5  | 411.5    | 1,267.0  | 345.9    | 981.1    | 1,335.9  | 848.6    | 772.9    |
| Loans and advances                   | 8,179.4  | 6,313.0  | 9,903.2  | 10,101.2 | 11,435.4 | 12,541.1 | 13,014.4 | 14,966.3 | 15,070.0 |
| 1.2. Liabilities to foreign nonbanks | 3,015.3  | 4,560.8  | 5,321.2  | 5,540.7  | 5,712.2  | 4,821.9  | 4,684.8  | 4,957.0  | 4,938.9  |
| Savings and time deposits            | 1,496.8  | 2,056.8  | 2,892.6  | 2,545.9  | 2,868.1  | 3,195.2  | 3,131.7  | 3,416.1  | 3,414.0  |
| Sight deposits                       | 667.6    | 608.4    | 620.5    | 754.0    | 745.5    | 821.6    | 759.5    | 813.5    | 820.7    |
| Time and notice deposits             | 829.2    | 1,448.4  | 2,272.1  | 1,791.9  | 2,122.6  | 2,373.6  | 2,372.2  | 2,602.6  | 2,593.3  |
| Loans and advances                   | 1,518.5  | 2,504.0  | 2,428.6  | 2,994.8  | 2,844.1  | 1,626.7  | 1,553.1  | 1,540.9  | 1,524.9  |
| 2. Foreign liabilities in kuna       | 86.7     | 266.9    | 298.6    | 143.1    | 140.0    | 150.9    | 234.5    | 174.7    | 240.2    |
| 2.1. Liabilities to foreign banks    | 30.9     | 187.1    | 156.3    | 65.0     | 37.0     | 41.2     | 116.0    | 67.9     | 144.8    |
| Demand deposits                      | 27.0     | 52.3     | 70.5     | 52.6     | 14.4     | 13.1     | 37.5     | 44.0     | 125.0    |
| Time and notice deposits             | 3.9      | 128.4    | 85.8     | 11.7     | 22.0     | 23.6     | 71.9     | 20.0     | 12.7     |
| Loans and advances                   | –        | 6.4      | –        | 0.7      | 0.7      | 4.6      | 6.6      | 3.9      | 7.1      |
| 2.2. Liabilities to foreign nonbanks | 55.8     | 79.9     | 142.3    | 78.1     | 103.0    | 109.6    | 118.5    | 106.8    | 95.4     |
| Demand deposits                      | 22.1     | 42.0     | 41.0     | 42.1     | 50.8     | 57.1     | 70.8     | 59.8     | 49.4     |
| Time and notice deposits             | 29.4     | 33.1     | 96.1     | 35.9     | 52.2     | 52.5     | 47.7     | 47.0     | 46.0     |
| Loans and advances                   | 4.3      | 4.8      | 5.2      | 0.1      | –        | –        | –        | –        | –        |
| Total (1+2)                          | 12,467.4 | 13,807.1 | 16,176.8 | 17,209.1 | 17,809.7 | 18,616.0 | 19,393.6 | 21,078.8 | 21,134.1 |

Table D10: Deposit Money Banks' Foreign Liabilities

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

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

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

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

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' Foreign liabilities amounted to 1,024.6 million kuna.

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

End of period, million kuna

|                                         | 1996    | 1997    | 1998    | 1999              | 2000    | 2001    |         |         |         |
|-----------------------------------------|---------|---------|---------|-------------------|---------|---------|---------|---------|---------|
|                                         | Dec.    | Dec.    | Dec.    | Dec. <sup>a</sup> | Dec.    | Mar.    | Jun.    | Sep.    | Oct.    |
| 1. In kuna                              | 1,585.3 | 2,386.3 | 3,033.3 | 3,269.6           | 3,073.3 | 3,049.6 | 2,941.0 | 3,180.3 | 3,490.0 |
| 1.1. Central government deposits        | 131.2   | 82.1    | 130.1   | 330.9             | 430.0   | 469.8   | 366.0   | 286.6   | 290.7   |
| Demand deposits                         | 23.3    | 31.7    | 4.5     | 74.7              | 116.7   | 87.2    | 21.7    | 22.6    | 28.7    |
| Savings deposits                        | –       | –       | –       | 15.9              | 26.1    | 43.4    | 35.1    | 41.8    | 41.8    |
| Time and notice deposits                | 77.4    | 21.7    | 100.4   | 202.3             | 259.5   | 311.4   | 281.2   | 194.2   | 192.1   |
| Loans and advances                      | 30.5    | 28.7    | 25.2    | 38.1              | 27.7    | 27.9    | 28.0    | 28.0    | 28.1    |
| 1.2. Central government funds' deposits | 1,454.1 | 2,304.2 | 2,903.2 | 2,938.8           | 2,643.3 | 2,579.8 | 2,574.9 | 2,893.7 | 3,199.3 |
| Demand deposits                         | 102.8   | 85.7    | 83.0    | 40.6              | 116.9   | 26.3    | 144.6   | 268.5   | 345.3   |
| Savings deposits                        | –       | –       | –       | 4.5               | 15.2    | 6.5     | 6.8     | 5.0     | 6.7     |
| Time and notice deposits                | 38.0    | 19.4    | 33.9    | 57.2              | 32.6    | 78.6    | 96.0    | 126.1   | 221.3   |
| Loans and advances                      | 1,313.3 | 2,199.1 | 2,786.4 | 2,836.5           | 2,478.6 | 2,468.5 | 2,327.6 | 2,494.2 | 2,625.9 |
| 2. In f/c                               | 135.7   | 4,488.4 | 4,265.0 | 2,559.0           | 3,657.1 | 3,192.2 | 2,583.9 | 2,377.5 | 2,318.8 |
| 2.1. Central government deposits        | 54.2    | 4,483.7 | 4,249.5 | 2,497.6           | 3,622.6 | 3,171.8 | 2,538.7 | 2,331.6 | 2,267.1 |
| Savings deposits                        | 48.8    | 160.1   | 83.2    | 59.1              | 1,256.1 | 460.4   | 381.2   | 404.9   | 347.5   |
| Time and notice deposits                | 5.3     | 0.1     | 0.1     | 10.5              | 27.0    | 591.8   | 56.4    | 60.2    | 59.6    |
| Refinanced loans and advances           | –       | 4,323.5 | 4,166.2 | 2,428.0           | 2,339.4 | 2,119.6 | 2,101.2 | 1,866.4 | 1,859.9 |
| 2.2. Central government funds' deposits | 81.5    | 4.7     | 15.5    | 61.4              | 34.6    | 20.4    | 45.2    | 45.9    | 51.6    |
| Savings deposits                        | 58.2    | 4.7     | 8.0     | 55.2              | 25.0    | 14.4    | 38.1    | 39.9    | 34.2    |
| Time and notice deposits                | 23.4    | –       | 7.5     | 6.1               | 9.5     | 6.0     | 7.1     | 6.0     | 17.4    |
| Total (1+2)                             | 1,720.9 | 6,874.7 | 7,298.3 | 5,828.6           | 6,730.5 | 6,241.8 | 5,524.8 | 5,557.9 | 5,808.7 |

<sup>a</sup> Refinanced loans and advances decreased by a one-off 2,759.4 million kuna.

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

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

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

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

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

Table D12: Restricted and Blocked Deposits with Deposit Money Banks

End of period, million kuna

|                         | 1996    | 1997    | 1998    | 1999    | 2000    | 2001    |         |         |         |
|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                         | Dec.    | Dec.    | Dec.    | Dec.    | Dec.    | Mar.    | Jun.    | Sep.    | Oct.    |
| 1. Restricted deposits  | 891.8   | 1,199.4 | 700.6   | 691.4   | 854.4   | 853.3   | 828.8   | 944.4   | 800.1   |
| 1.1. In kuna            | 251.0   | 260.9   | 202.5   | 81.8    | 131.6   | 100.1   | 105.2   | 86.3    | 121.6   |
| 1.2. In f/c             | 640.8   | 938.5   | 498.0   | 609.7   | 722.8   | 753.2   | 723.6   | 858.1   | 678.4   |
| 2. Blocked f/c deposits | 7,331.8 | 4,652.9 | 3,495.5 | 2,742.7 | 1,695.1 | 1,465.5 | 1,371.0 | 1,015.4 | 976.7   |
| 2.1. Central government | 66.8    | 69.9    | 74.0    | –       | –       | –       | –       | –       | –       |
| 2.2. Enterprises        | 94.5    | 9.1     | 2.4     | –       | –       | –       | –       | –       | –       |
| 2.3. Households         | 7,170.6 | 4,573.8 | 3,419.1 | 2,742.7 | 1,695.1 | 1,465.5 | 1,371.0 | 1,015.4 | 976.7   |
| Total (1+2)             | 8,223.6 | 5,852.3 | 4,196.0 | 3,434.2 | 2,549.6 | 2,318.8 | 2,199.7 | 1,959.8 | 1,776.8 |

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.

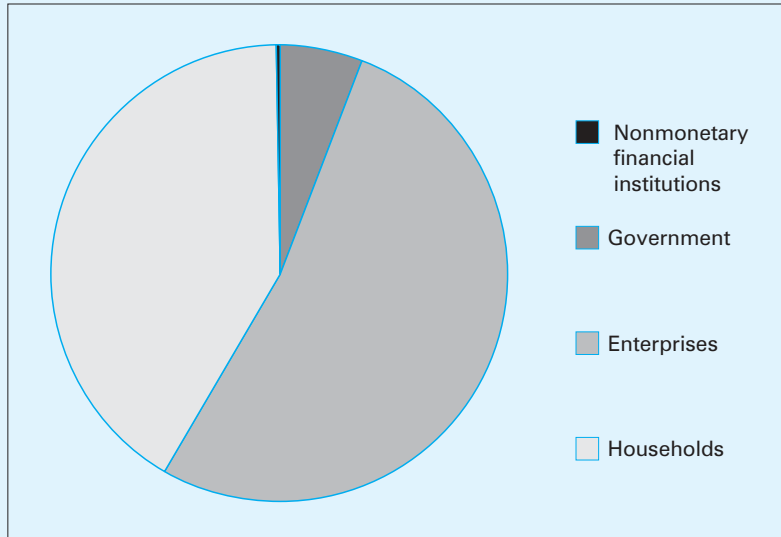
Restricted and blocked deposits include two categories of deposits: restricted (kuna and foreign currency) deposits and blocked foreign currency deposits.

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

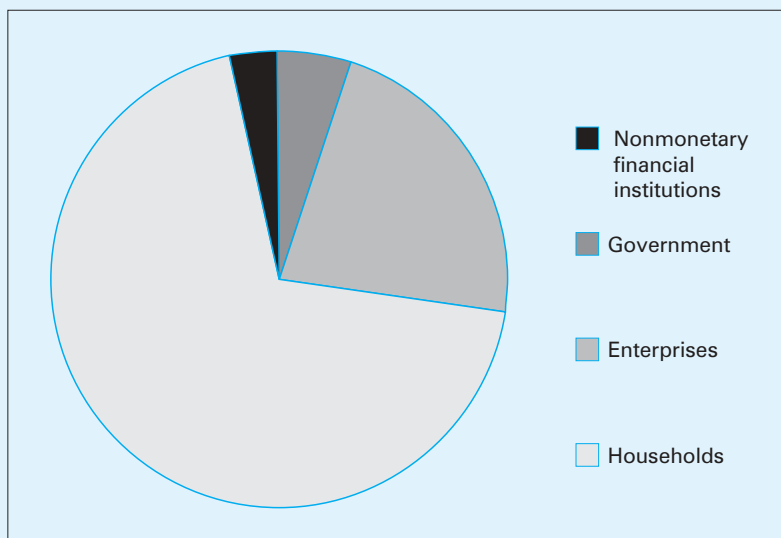
**DISTRIBUTION OF DEPOSIT MONEY BANKS' LOANS  
BY DOMESTIC INSTITUTIONAL SECTORS**



October 2001

Figure D2

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



October 2001

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

Table E1: Housing Savings Banks' Accounts

End of Period, million kuna

|                                           | 1998         | 1999         | 2000         |              |              |              | 2001         |              |              |              |
|-------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                           | Dec.         | Dec.         | Mar.         | Jun.         | Sep.         | Dec.         | Mar.         | Jun.         | Sep.         | Oct.         |
| <b>ASSETS</b>                             |              |              |              |              |              |              |              |              |              |              |
| 1. Reserves with the CNB                  | 2.4          | 8.6          | 3.4          | 11.8         | 2.0          | 7.6          | 4.7          | 10.1         | 4.8          | 4.6          |
| 2. Claims on central government and funds | 49.7         | 81.4         | 136.0        | 204.0        | 330.0        | 497.6        | 621.1        | 706.0        | 889.4        | 927.7        |
| 3. Claims on other domestic sectors       | –            | 5.3          | 1.3          | –            | –            | 1.1          | 3.0          | 5.5          | 8.3          | 9.3          |
| o/w: Claims on households                 | –            | –            | –            | –            | –            | 0.6          | 3.0          | 5.5          | 8.3          | 9.3          |
| 4. Claims on banks                        | 54.2         | 57.0         | 46.0         | 46.8         | 20.2         | 7.6          | 10.4         | 14.5         | 26.4         | 26.5         |
| 5. Claims on other banking institutions   | –            | –            | –            | –            | –            | –            | –            | –            | 0.2          | 0.2          |
| <b>Total (1+2+3+4+5)</b>                  | <b>106.3</b> | <b>152.3</b> | <b>186.7</b> | <b>262.6</b> | <b>352.2</b> | <b>513.8</b> | <b>639.2</b> | <b>736.1</b> | <b>929.1</b> | <b>968.3</b> |
| <b>LIABILITIES</b>                        |              |              |              |              |              |              |              |              |              |              |
| 1. Time deposits                          | 8.7          | 87.6         | 129.3        | 189.0        | 263.7        | 437.8        | 539.9        | 624.2        | 822.3        | 863.5        |
| 2. Bonds and money market instruments     | 0.4          | –            | –            | –            | 10.0         | 10.0         | 10.0         | 10.0         | 10.0         | 10.0         |
| 3. Capital accounts                       | 108.3        | 117.4        | 130.5        | 124.2        | 118.5        | 112.5        | 113.6        | 125.5        | 121.2        | 118.9        |
| 4. Other items (net)                      | –11.0        | –52.7        | –73.1        | –50.6        | –40.0        | –46.5        | –24.2        | –23.6        | –24.4        | –24.1        |
| <b>Total (1+2+3+4)</b>                    | <b>106.3</b> | <b>152.3</b> | <b>186.7</b> | <b>262.6</b> | <b>352.2</b> | <b>513.8</b> | <b>639.2</b> | <b>736.1</b> | <b>929.1</b> | <b>968.3</b> |

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 | June      | 5.90              | 12.00              | 18.00                   | –                                 | 13.00                           | –                                                | 18.00                                         | 18.00      |
|      | July      | 5.90              | 12.00              | 18.00                   | –                                 | 13.00                           | –                                                | 18.00                                         | 18.00      |
|      | August    | 5.90              | 12.00              | 18.00                   | –                                 | 13.00                           | –                                                | 18.00                                         | 18.00      |
|      | September | 5.90              | 12.00              | 18.00                   | –                                 | 13.00                           | –                                                | 18.00                                         | 18.00      |
|      | October   | 5.90              | 12.00              | 18.00                   | –                                 | 13.00                           | –                                                | 18.00                                         | 18.00      |
|      | November  | 5.90              | 12.00              | 18.00                   | –                                 | 13.00                           | –                                                | 18.00                                         | 18.00      |
|      | December  | 5.90              | 12.00              | 18.00                   | –                                 | 13.00                           | –                                                | 18.00                                         | 18.00      |
| 2001 | January   | 5.90              | 12.00              | 18.00                   | –                                 | 13.00                           | –                                                | 18.00                                         | 18.00      |
|      | February  | 5.90              | 12.00              | 18.00                   | –                                 | 13.00                           | –                                                | 18.00                                         | 18.00      |
|      | March     | 5.90              | 9.50 <sup>a</sup>  | 18.00                   | –                                 | 10.50                           | –                                                | 18.00                                         | 18.00      |
|      | April     | 5.90              | 9.50               | 18.00                   | –                                 | 10.50                           | –                                                | 18.00                                         | 18.00      |
|      | May       | 5.90              | 9.50               | 18.00                   | –                                 | 10.50                           | –                                                | 18.00                                         | 18.00      |
|      | June      | 5.90              | 9.50               | 18.00                   | –                                 | 10.50                           | –                                                | 18.00                                         | 18.00      |
|      | July      | 5.90              | 9.50               | 18.00                   | –                                 | 10.50                           | –                                                | 18.00                                         | 18.00      |
|      | August    | 5.90              | 9.50               | –                       | –                                 | 10.50                           | –                                                | 18.00                                         | 18.00      |
|      | September | 5.90              | 10.50 <sup>b</sup> | –                       | –                                 | 11.50                           | –                                                | 18.00                                         | 18.00      |
|      | October   | 5.90              | 10.50              | –                       | –                                 | 11.50                           | –                                                | 18.00                                         | 18.00      |

<sup>a</sup> Since March 14, 2001; <sup>b</sup> Since September 15, 2001.

Table F1: Credit Rates of the Croatian National Bank

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

Credit rates of the CNB are being set by special decisions of the Council of the Croatian National Bank, on annual basis. Exceptionally, from June 1995 to September 11, 1996 interest rate charged by the CNB on lombard credits was 1.5 percentage point higher than the weighted average interest rate on CNB bills on a voluntary basis (which serve as collateral for lombard credits) in cases when the weighted average interest rate was higher than 16.5%. Congruently, from June 1995 to August 1996 the table reports weighted average interest rate on lombard credits. Interest rate in September 1996 is calculated as the weighted average of interest rate applied in the first 10 days of September 1996 (according to the regime mentioned above) and fixed interest rate applied since September 11, 1996.

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

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

short-term liquidity problems that are collateralized by CNB bills. Since December 1998 until April 1999, this credit is incorporated in lombard credit, applying different interest rate for its usage within one day.

Data shown in column 7 refer, until December 1994, to interest rate on initial credits, and since March 18, 1998, to credits for overcoming liquidity problems of banks under evaluation for entry into rehabilitation and restructuring procedures and since February 1999, to interest rates on short-term liquidity credits. Since December 1999, data show interest rates on short-term liquidity credit with a maturity over 3 months which is 1 percentage point higher than interest rate on lombard credits. Interest rate on short-term liquidity credit up to 3 months is 0.5 percentage point higher than interest rate on lombard credits.

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

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

Table F2: Deposit Rates of the Croatian National Bank

In percentage, on annual basis

| Year | Month     | Interest rates on statutory reserves dep. with the CNB | Interest rates on CNB bills on an obligatory basis | Interest rates on CNB bills on a voluntary basis |                |                |                 | Interest rates on f/c CNB bills on a voluntary basis |                |                 |                 |
|------|-----------|--------------------------------------------------------|----------------------------------------------------|--------------------------------------------------|----------------|----------------|-----------------|------------------------------------------------------|----------------|-----------------|-----------------|
|      |           |                                                        |                                                    | Due in 7 days                                    | Due in 35 days | Due in 70 days | Due in 105 days | Due in 63 days                                       | Due in 91 days | Due in 182 days | Due in 364 days |
| 1    | 2         | 3                                                      | 4                                                  | 5                                                | 6              | 7              | 8               | 9                                                    | 10             | 11              | 12              |
| 1992 | December  | 367.60                                                 | 556.66                                             | 1,057.67                                         | 1,889.39       | –              | –               | –                                                    | –              | –               | –               |
| 1993 | December  | 0.00                                                   | –                                                  | 67.84                                            | 63.08          | 97.38          | –               | –                                                    | –              | –               | –               |
| 1994 | December  | 5.15                                                   | –                                                  | 9.00                                             | 12.00          | 14.00          | –               | –                                                    | –              | –               | –               |
| 1995 | December  | 5.50                                                   | 16.50                                              | 12.00                                            | 25.54          | 27.00          | –               | –                                                    | –              | –               | –               |
| 1996 | December  | 5.50                                                   | –                                                  | –                                                | 8.00           | 9.50           | –               | –                                                    | –              | –               | –               |
| 1997 | December  | 4.50                                                   | –                                                  | –                                                | 8.00           | 9.00           | 10.00           | –                                                    | –              | –               | –               |
| 1998 | December  | 5.90                                                   | –                                                  | –                                                | 9.50           | 10.50          | 11.00           | 4.60                                                 | 3.12           | 3.08            | –               |
| 1999 | December  | 5.90                                                   | –                                                  | –                                                | 10.50          | 11.55          | 12.50           | 4.83                                                 | 3.56           | –               | –               |
| 2000 | June      | 5.90                                                   | –                                                  | –                                                | 7.96           | 8.97           | 10.00           | 5.54                                                 | 5.26           | 6.73            | 7.00            |
|      | July      | 5.90                                                   | –                                                  | –                                                | 7.84           | 8.84           | 9.74            | 5.09                                                 | 5.94           | 6.01            | –               |
|      | August    | 5.90                                                   | –                                                  | –                                                | 6.85           | 7.81           | 9.12            | 6.00                                                 | 5.05           | –               | –               |
|      | September | 5.90                                                   | –                                                  | –                                                | 6.78           | 7.80           | 9.02            | 4.90                                                 | 5.14           | –               | –               |
|      | October   | 5.90                                                   | –                                                  | –                                                | 6.70           | 7.37           | 7.79            | 5.93                                                 | 6.19           | –               | –               |
|      | November  | 4.50 <sup>a</sup>                                      | –                                                  | –                                                | 6.65           | 7.00           | 7.70            | 6.22                                                 | 5.15           | –               | –               |
|      | December  | 4.50                                                   | –                                                  | –                                                | 6.65           | 7.00           | 7.70            | 5.51                                                 | 4.83           | –               | –               |
| 2001 | January   | 4.50                                                   | –                                                  | –                                                | 6.64           | 6.99           | 7.70            | 4.96                                                 | 5.22           | –               | –               |
|      | February  | 4.50                                                   | –                                                  | –                                                | 6.63           | 6.90           | –               | 4.95                                                 | 5.18           | –               | –               |
|      | March     | 3.70 <sup>b</sup>                                      | –                                                  | –                                                | 6.61           | 6.80           | 7.00            | 4.68                                                 | 4.77           | –               | –               |
|      | April     | 3.70                                                   | –                                                  | –                                                | 6.36           | 6.73           | 6.95            | 4.52                                                 | 4.38           | –               | –               |
|      | May       | 3.70                                                   | –                                                  | –                                                | 6.34           | 6.72           | 6.93            | 4.26                                                 | 4.26           | –               | –               |
|      | June      | 3.70                                                   | –                                                  | –                                                | 5.48           | 5.87           | 6.30            | 3.98                                                 | 4.17           | –               | –               |
|      | July      | 3.50 <sup>c</sup>                                      | –                                                  | –                                                | –              | –              | –               | 3.98                                                 | 4.27           | –               | –               |
|      | August    | 3.50                                                   | –                                                  | –                                                | 4.06           | 4.80           | 5.34            | 3.91                                                 | 4.12           | –               | –               |
|      | September | 2.00 <sup>d</sup>                                      | –                                                  | –                                                | 5.00           | 5.50           | 6.00            | 3.47                                                 | 4.08           | –               | –               |
|      | October   | 2.00                                                   | –                                                  | –                                                | 4.99           | 5.92           | 6.16            | 3.05                                                 | 3.09           | –               | –               |

<sup>a</sup> Since November 8, 2000; <sup>b</sup> Since March 14, 2001; <sup>c</sup> Since July 9, 2001; <sup>d</sup> Since September 15, 2001.

Table F2: Deposit Rates of the Croatian National Bank

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

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

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

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

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

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

Table F3: Deposit Money Banks' Reserve Requirements

Daily averages and percentages, million kuna and %

| Year | Month     | Reserve requirement (RR) | Weighted average RR in % of res. base | Statutory reserves deposited with the CNB | Statutory reserves deposited with the CNB in % of RR | Other deposits with the CNB on obligatory basis | Total reserve requirement | Total reserve requirement in % of res. base | Weighted avg. remuneration in % of total RR | Use of reserve requirements |
|------|-----------|--------------------------|---------------------------------------|-------------------------------------------|------------------------------------------------------|-------------------------------------------------|---------------------------|---------------------------------------------|---------------------------------------------|-----------------------------|
| 1    | 2         | 3                        | 4                                     | 5                                         | 6= $\frac{5}{3} \times 100$                          | 7                                               | 8=3+7                     | 9                                           | 10                                          | 11                          |
| 1993 | December  | 894.9                    | 25.32                                 | 804.0                                     | 89.84                                                | 19.8                                            | 914.7                     | 25.88                                       | 1.97                                        | 143.6                       |
| 1994 | December  | 1,826.0                  | 26.20                                 | 1,779.2                                   | 97.44                                                | 188.3                                           | 2,014.3                   | 28.90                                       | 5.63                                        | 3.5                         |
| 1995 | December  | 2,431.8                  | 30.90                                 | 2,215.9                                   | 91.12                                                | 826.5                                           | 3,258.4                   | 41.40                                       | 7.93                                        | 45.9                        |
| 1996 | December  | 3,652.9                  | 35.91                                 | 3,312.0                                   | 90.67                                                | –                                               | 3,652.9                   | 35.91                                       | 4.99*                                       | 0.1                         |
| 1997 | December  | 4,348.8                  | 32.02                                 | 3,914.2                                   | 90.01                                                | –                                               | 4,348.8                   | 32.02                                       | 4.05*                                       | 0.5                         |
| 1998 | December  | 3,967.2                  | 29.57                                 | 3,469.8                                   | 87.46                                                | 57.4                                            | 4,024.7                   | 30.00                                       | 5.28                                        | 9.6                         |
| 1999 | December  | 4,210.1                  | 30.50                                 | 3,695.1                                   | 87.77                                                | 37.3                                            | 4,247.4                   | 30.77                                       | 5.62                                        | 0.9                         |
| 2000 | June      | 3,997.9                  | 28.50                                 | 3,513.1                                   | 87.87                                                | 31.2                                            | 4,029.1                   | 28.72                                       | 5.66                                        | 1.4                         |
|      | July      | 4,292.8                  | 28.50                                 | 3,764.6                                   | 87.70                                                | 29.5                                            | 4,322.3                   | 28.70                                       | 5.69                                        | 1.4                         |
|      | August    | 4,782.5                  | 28.50                                 | 4,188.4                                   | 87.58                                                | 25.2                                            | 4,807.7                   | 28.65                                       | 5.59                                        | 1.4                         |
|      | September | 5,210.1                  | 28.50                                 | 4,559.4                                   | 87.51                                                | 24.3                                            | 5,234.4                   | 28.63                                       | 5.67                                        | 1.4                         |
|      | October   | 5,407.9                  | 28.50                                 | 4,737.6                                   | 87.61                                                | 21.9                                            | 5,429.8                   | 28.62                                       | 5.56                                        | 1.3                         |
|      | November  | 5,151.2                  | 26.97                                 | 4,622.3                                   | 89.73                                                | 21.7                                            | 5,172.9                   | 27.08                                       | 4.44                                        | 1.3                         |
|      | December  | 4,646.8                  | 24.17                                 | 4,191.6                                   | 90.21                                                | 5.0                                             | 4,651.8                   | 24.20                                       | 4.05                                        | 1.1                         |
| 2001 | January   | 4,561.9                  | 23.50                                 | 4,030.3                                   | 88.35                                                | 0.0                                             | 4,562.0                   | 23.50                                       | 3.98                                        | 1.1                         |
|      | February  | 4,666.4                  | 23.50                                 | 3,928.1                                   | 84.18                                                | 0.2                                             | 4,666.6                   | 23.50                                       | 3.79                                        | 0.4                         |
|      | March     | 4,688.1                  | 23.50                                 | 3,503.8                                   | 74.74                                                | 0.7                                             | 4,688.8                   | 23.50                                       | 3.82                                        | 0.2                         |
|      | April     | 4,825.4                  | 23.50                                 | 3,469.0                                   | 71.89                                                | 0.7                                             | 4,826.1                   | 23.50                                       | 3.59                                        | 0.1                         |
|      | May       | 5,030.1                  | 23.50                                 | 3,525.8                                   | 70.09                                                | 0.7                                             | 5,030.8                   | 23.50                                       | 3.61                                        | –                           |
|      | June      | 5,108.8                  | 23.50                                 | 3,542.8                                   | 69.35                                                | 0.7                                             | 5,109.5                   | 23.50                                       | 3.59                                        | –                           |
|      | July      | 4,904.7                  | 22.38                                 | 3,467.4                                   | 70.69                                                | –                                               | 4,904.7                   | 22.38                                       | 3.51*                                       | –                           |
|      | August    | 4,944.5                  | 22.00                                 | 3,486.5                                   | 70.51                                                | –                                               | 4,944.5                   | 22.00                                       | 3.32                                        | –                           |
|      | September | 6,268.1                  | 26.84                                 | 4,400.5                                   | 70.20                                                | –                                               | 6,268.1                   | 26.84                                       | 2.56                                        | 7.7                         |
|      | October   | 8,137.3                  | 34.94                                 | 5,779.4                                   | 71.02                                                | –                                               | 8,137.3                   | 34.94                                       | 1.94                                        | 3.9                         |

Table F3: Deposit Money Banks' Reserve Requirements

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

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

Column 4 shows the weighted average reserve requirement ratio as a percentage of the reserve requirement (column 3) in the reserve base. Starting from September 2001, column 3 includes also the f/c component of reserve requirements that is set aside/maintained in kuna.

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

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

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

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

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

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



Table F4: Deposit Money Banks' Liquidity Indicators

Daily averages and percentages, million kuna and %

| Year | Month     | Free Reserves | Primary liquidity ratio (in %) | Secondary liquidity sources | Kuna CNB bills | F/c CNB bills |
|------|-----------|---------------|--------------------------------|-----------------------------|----------------|---------------|
| 1    | 2         | 3             | 4                              | 5                           | 6              | 6             |
| 1993 | December  | -18.5         | -0.52                          | 188.0                       | 1.9            | -             |
| 1994 | December  | 119.5         | 1.72                           | 393.7                       | 210.2          | -             |
| 1995 | December  | 49.4          | 0.63                           | 199.4                       | 218.7          | -             |
| 1996 | December  | 267.9         | 2.63                           | 98.5                        | 780.9          | -             |
| 1997 | December  | 396.3         | 2.92                           | 32.7                        | 728.9          | -             |
| 1998 | December  | 221.9         | 1.65                           | 445.5                       | 850.4          | 1,377.4       |
| 1999 | December  | 179.6         | 1.30                           | 1,183.6                     | 1,348.7        | 1,507.6       |
| 2000 | June      | 289.7         | 2.06                           | 436.2                       | 1,944.9        | 1,842.1       |
|      | July      | 413.9         | 2.75                           | 303.6                       | 2,392.3        | 1,601.3       |
|      | August    | 215.1         | 1.28                           | 281.7                       | 2,445.2        | 1,849.2       |
|      | September | 250.1         | 1.37                           | 231.0                       | 2,318.4        | 1,954.8       |
|      | October   | 334.2         | 1.76                           | 182.6                       | 2,378.8        | 1,705.8       |
|      | November  | 310.3         | 1.62                           | 165.0                       | 2,531.6        | 1,710.9       |
|      | December  | 638.8         | 3.32                           | 80.1                        | 2,496.0        | 1,692.7       |
| 2001 | January   | 580.2         | 2.99                           | 12.1                        | 2,649.2        | 1,813.6       |
|      | February  | 565.6         | 2.85                           | 39.8                        | 2,309.1        | 1,774.3       |
|      | March     | 642.8         | 3.22                           | 8.9                         | 2,197.9        | 1,917.1       |
|      | April     | 436.8         | 2.13                           | 20.3                        | 2,492.0        | 1,815.5       |
|      | May       | 728.5         | 3.40                           | 3.9                         | 2,245.1        | 1,433.1       |
|      | June      | 530.8         | 2.44                           | 16.2                        | 2,945.6        | 1,223.8       |
|      | July      | 1,245.2       | 5.68                           | 6.6                         | 2,787.9        | 1,013.8       |
|      | August    | 540.7         | 2.41                           | 388.4                       | 4,105.9        | 1,177.1       |
|      | September | 271.8         | 1.16                           | 353.6                       | 2,580.3        | 2,449.9       |
|      | October   | 343.4         | 1.47                           | 3.3                         | 2,052.8        | 3,509.7       |

Table F4: Deposit Money Banks' Liquidity Indicators

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

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

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

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

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

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

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

Table G1: Deposit Money Banks' Credit Rates

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

| Year                               | Month     | Money market interest rates |                     | Interest rates on credits in kuna |                       |                      | Interest rates on credits in kuna indexed to f/c |                       |                      | Interest rates on credits in f/c |                       |                      |
|------------------------------------|-----------|-----------------------------|---------------------|-----------------------------------|-----------------------|----------------------|--------------------------------------------------|-----------------------|----------------------|----------------------------------|-----------------------|----------------------|
|                                    |           | On daily market             | On overnight market | Total average                     | On short-term credits | On long-term credits | Total average                                    | On short-term credits | On long-term credits | Total average                    | On short-term credits | On long-term credits |
| 1                                  | 2         | 3                           | 4                   | 5                                 | 6                     | 7                    | 8                                                | 9                     | 10                   | 11                               | 12                    | 13                   |
| 1992                               | December  | 2,182.26                    | 2,182.26            | 2,332.92                          | 2,384.89              | 1,166.29             | 20.41                                            | 9.90                  | 21.41                | ....                             | ....                  | ....                 |
| 1993                               | December  | 86.90                       | 34.49               | 59.00                             | 59.00                 | 78.97                | 21.84                                            | 19.00                 | 23.14                | ....                             | ....                  | ....                 |
| 1994                               | December  | 17.76                       | 8.50                | 15.39                             | 15.43                 | 13.82                | 11.99                                            | 12.38                 | 11.65                | ....                             | ....                  | ....                 |
| 1995                               | December  | 27.15                       | 27.26               | 22.32                             | 2.56                  | 13.48                | 19.56                                            | 21.62                 | 14.33                | 15.73                            | 16.56                 | 12.27                |
| 1996                               | December  | 10.41                       | 9.66                | 18.46                             | 19.35                 | 11.51                | 18.97                                            | 22.56                 | 12.12                | 19.28                            | 21.11                 | 10.95                |
| 1997                               | December  | 9.41                        | 8.46                | 14.06                             | 14.12                 | 13.24                | 14.40                                            | 16.92                 | 12.25                | 13.56                            | 14.58                 | 10.05                |
| 1998                               | December  | 15.81                       | 10.00               | 16.06                             | 16.22                 | 11.73                | 13.04                                            | 14.28                 | 11.15                | 6.96                             | 8.29                  | 5.92                 |
| 1999                               | December  | 12.72                       | 10.00               | 13.54                             | 13.52                 | 15.14                | 12.53                                            | 13.66                 | 10.81                | 6.89                             | 7.27                  | 6.57                 |
| 2000                               | June      | 8.93                        | 6.67                | 13.48                             | 13.50                 | 11.54                | 11.69                                            | 11.76                 | 11.61                | 7.35                             | 7.47                  | 7.12                 |
|                                    | July      | 8.34                        | 5.02                | 11.46                             | 11.48                 | 8.39                 | 11.30                                            | 11.87                 | 10.85                | 6.36                             | 6.14                  | 7.25                 |
|                                    | August    | 6.57                        | 3.28                | 9.90                              | 9.90                  | 13.28                | 11.21                                            | 11.71                 | 10.79                | 6.45                             | 6.11                  | 7.22                 |
|                                    | September | 5.63                        | 3.51                | 10.73                             | 10.73                 | 11.53                | 11.64                                            | 12.38                 | 11.16                | 6.85                             | 6.56                  | 8.09                 |
|                                    | October   | 4.59                        | 2.97                | 10.92                             | 10.94                 | 8.66                 | 11.60                                            | 11.93                 | 11.33                | 6.92                             | 6.75                  | 7.84                 |
|                                    | November  | 6.64                        | 5.06                | 10.90                             | 10.90                 | 11.65                | 11.34                                            | 11.32                 | 11.36                | 6.96                             | 6.68                  | 8.04                 |
|                                    | December  | 4.46                        | 2.39                | 10.45                             | 10.45                 | 9.90                 | 10.74                                            | 11.17                 | 10.52                | 7.47                             | 7.15                  | 8.20                 |
| 2001                               | January   | 3.81                        | 2.24                | 10.81                             | 10.82                 | 10.72                | 10.26                                            | 9.99                  | 10.53                | 7.40                             | 7.22                  | 7.76                 |
|                                    | February  | 4.49                        | 3.31                | 10.89                             | 10.89                 | 10.84                | 10.27                                            | 9.99                  | 10.55                | 6.63                             | 6.31                  | 7.66                 |
|                                    | March     | 3.61                        | 2.71                | 8.98                              | 8.97                  | 9.99                 | 9.82                                             | 9.82                  | 9.83                 | 6.94                             | 6.77                  | 7.50                 |
|                                    | April     | 5.04                        | 3.60                | 8.99                              | 8.97                  | 10.46                | 9.81                                             | 9.99                  | 9.72                 | 6.38                             | 6.11                  | 7.05                 |
|                                    | May       | 4.13                        | 2.96                | 9.32                              | 9.31                  | 10.43                | 10.34                                            | 10.33                 | 10.35                | 6.68                             | 6.35                  | 7.48                 |
|                                    | June      | 2.79                        | 2.69                | 9.88                              | 9.89                  | 9.64                 | 10.15                                            | 10.09                 | 10.18                | 5.47                             | 5.27                  | 6.11                 |
|                                    | July      | 3.04                        | 3.55                | 9.39                              | 9.33                  | 11.70                | 9.31                                             | 9.27                  | 9.34                 | 6.15                             | 6.22                  | 5.97                 |
|                                    | August    | 4.04                        | 3.88                | 9.27                              | 9.25                  | 11.17                | 9.64                                             | 9.76                  | 9.56                 | 5.77                             | 5.36                  | 6.78                 |
|                                    | September | 5.38                        | 4.75                | 9.46                              | 9.44                  | 11.26                | 9.81                                             | 9.81                  | 9.81                 | 5.98                             | 6.07                  | 5.55                 |
|                                    | October   | 4.81                        | 4.04                | 8.53                              | 8.52                  | 12.06                | 9.37                                             | 9.24                  | 9.45                 | 5.55                             | 5.25                  | 5.98                 |
| Relative significance <sup>a</sup> |           | 9.59                        | 11.63               | 55.99                             | 55.71 <sup>b</sup>    | 0.28                 | 18.63                                            | 6.66                  | 11.97                | 4.16                             | 2.47                  | 1.69                 |

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

<sup>b</sup> Share of giro and current accounts' credit lines is 15,04 percentage points.

Table G1: Deposit Money Banks' Credit Rates

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

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

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

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

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

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

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

Table G2: Deposit Money Banks' Deposit Rates

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

| Year | Month     | Interest rates on deposits in kuna |                    |                              | Interest rates on time and savings deposits in kuna indexed to f/c | Interest rates on deposits in f/c |                    |                              |
|------|-----------|------------------------------------|--------------------|------------------------------|--------------------------------------------------------------------|-----------------------------------|--------------------|------------------------------|
|      |           | Total average                      | On demand deposits | On time and savings deposits |                                                                    | Total average                     | On demand deposits | On time and savings deposits |
| 1    | 2         | 3                                  | 4                  | 5                            | 6                                                                  | 7                                 | 8                  | 9                            |
| 1992 | December  | 434.47                             | 184.69             | 1,867.18                     | 6.04                                                               | ....                              | ....               | ....                         |
| 1993 | December  | 27.42                              | 18.16              | 52.16                        | 5.91                                                               | ....                              | ....               | ....                         |
| 1994 | December  | 5.03                               | 3.55               | 9.65                         | 6.95                                                               | ....                              | ....               | ....                         |
| 1995 | December  | 6.10                               | 3.88               | 13.65                        | 12.69                                                              | 4.57                              | 2.82               | 6.83                         |
| 1996 | December  | 4.15                               | 2.19               | 10.19                        | 9.46                                                               | 5.09                              | 1.44               | 7.77                         |
| 1997 | December  | 4.35                               | 2.19               | 9.10                         | 7.63                                                               | 4.77                              | 1.75               | 6.36                         |
| 1998 | December  | 4.11                               | 2.31               | 7.73                         | 7.47                                                               | 3.98                              | 2.09               | 4.89                         |
| 1999 | December  | 4.27                               | 2.24               | 8.87                         | 6.62                                                               | 4.23                              | 1.80               | 5.43                         |
| 2000 | June      | 3.59                               | 1.89               | 7.54                         | 6.75                                                               | 3.83                              | 1.29               | 4.98                         |
|      | July      | 3.34                               | 1.75               | 7.47                         | 6.40                                                               | 3.78                              | 1.25               | 4.92                         |
|      | August    | 3.42                               | 1.77               | 7.61                         | 6.43                                                               | 3.77                              | 1.25               | 4.94                         |
|      | September | 3.47                               | 1.71               | 7.37                         | 6.67                                                               | 3.59                              | 1.20               | 4.67                         |
|      | October   | 3.48                               | 1.62               | 7.18                         | 5.77                                                               | 3.53                              | 1.01               | 4.67                         |
|      | November  | 3.57                               | 1.64               | 7.38                         | 5.64                                                               | 3.51                              | 1.19               | 4.55                         |
|      | December  | 3.40                               | 1.64               | 7.20                         | 5.54                                                               | 3.47                              | 1.03               | 4.57                         |
| 2001 | January   | 3.45                               | 1.52               | 7.17                         | 5.19                                                               | 3.13                              | 1.01               | 4.05                         |
|      | February  | 3.60                               | 1.60               | 7.36                         | 5.22                                                               | 3.27                              | 0.95               | 4.26                         |
|      | March     | 3.60                               | 1.59               | 7.07                         | 5.64                                                               | 3.26                              | 0.93               | 4.23                         |
|      | April     | 3.54                               | 1.57               | 7.15                         | 5.40                                                               | 3.13                              | 0.90               | 4.07                         |
|      | May       | 3.32                               | 1.53               | 6.72                         | 5.94                                                               | 3.09                              | 0.87               | 4.04                         |
|      | June      | 3.18                               | 1.54               | 6.26                         | 5.69                                                               | 2.98                              | 0.85               | 3.88                         |
|      | July      | 3.04                               | 1.46               | 6.07                         | 5.29                                                               | 2.93                              | 0.77               | 3.87                         |
|      | August    | 3.11                               | 1.49               | 6.28                         | 4.63                                                               | 2.96                              | 0.77               | 3.94                         |
|      | September | 3.10                               | 1.50               | 6.44                         | 4.98                                                               | 2.83                              | 0.76               | 3.71                         |
|      | October   | 3.06                               | 1.43               | 6.24                         | 4.58                                                               | 2.75                              | 0.73               | 3.61                         |

Table G2: Deposit Money Banks' Deposit Rates

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

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

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

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

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

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

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

Table G3: Commercial Banks' Trade with Foreign Exchange

Million EUR, current exchange rate

|                                                       | 1996     | 1997     | 1998     | 1999     | 2000     | 2001   |         |         |         |         |
|-------------------------------------------------------|----------|----------|----------|----------|----------|--------|---------|---------|---------|---------|
|                                                       |          |          |          |          |          | Mar.   | Jun.    | Sep.    | (Oct.)  | (Nov.)  |
| A. Purchase of foreign exchange                       |          |          |          |          |          |        |         |         |         |         |
| 1. Legal persons                                      | 2,011.2  | 2,506.4  | 3,186.0  | 2,924.9  | 3,316.4  | 308.7  | 377.5   | 422.3   | 543.4   | 612.9   |
| 2. Natural persons                                    | 2,124.9  | 2,093.4  | 2,273.5  | 2,170.0  | 2,549.2  | 197.3  | 281.1   | 292.3   | 318.1   | 289.9   |
| 2.1. Residents                                        | 1,749.7  | 1,695.5  | 1,854.5  | 1,794.7  | 2,021.1  | 180.2  | 206.5   | 229.6   |         |         |
| 2.2. Non-residents                                    | 375.2    | 397.9    | 419.1    | 375.3    | 528.0    | 17.1   | 74.6    | 62.7    |         |         |
| 3. Commercial banks                                   | 392.7    | 1,002.3  | 1,138.2  | 1,204.4  | 2,441.4  | 295.0  | 410.1   | 244.7   | 293.8   | 247.9   |
| 4. Croatian National Bank                             | 61.4     | 57.1     | 582.2    | 934.8    | 168.2    | 19.1   | –       | –       |         |         |
| Total (1+2+3+4)                                       | 4,590.2  | 5,659.1  | 7,179.9  | 7,234.0  | 8,475.2  | 820.1  | 1,068.7 | 959.4   | 1,155.3 | 1,150.7 |
| B. Sale of foreign exchange                           |          |          |          |          |          |        |         |         |         |         |
| 1. Legal persons                                      | 3,415.3  | 4,513.7  | 4,656.0  | 4,487.0  | 5,414.8  | 615.3  | 723.9   | 693.3   | 819.6   | 917.4   |
| 2. Natural persons                                    | 797.8    | 925.9    | 1,011.8  | 893.1    | 963.6    | 85.1   | 97.4    | 109.3   | 97.8    | 83.5    |
| 2.1. Residents                                        | 797.8    | 925.2    | 1,011.5  | 892.7    | 962.8    | 85.1   | 97.2    | 109.1   |         |         |
| 2.2. Non-residents                                    | –        | 0.7      | 0.3      | 0.4      | 0.6      | –      | 0.1     | 0.2     |         |         |
| 3. Commercial banks                                   | 391.7    | 1,002.3  | 1,138.2  | 1,204.4  | 2,441.4  | 295.0  | 410.1   | 244.7   | 293.8   | 247.9   |
| 4. Croatian National Bank                             | 345.7    | 257.8    | 217.0    | 48.3     | 284.2    | –      | –       | 180.7   | 49.8    | 125.1   |
| Total (1+2+3+4)                                       | 4,950.5  | 6,699.7  | 7,022.9  | 6,632.8  | 9,104.1  | 995.4  | 1,231.4 | 1,228.0 | 1,261.1 | 1,373.8 |
| C. Net purchase (A-B)                                 |          |          |          |          |          |        |         |         |         |         |
| 1. Legal persons                                      | –1,404.1 | –2,007.4 | –1,470.1 | –1,562.1 | –2,098.4 | –306.6 | –346.5  | –271.0  | –276.2  | –304.5  |
| 2. Natural persons                                    | 1,327.2  | 1,167.5  | 1,261.7  | 1,276.8  | 1,585.4  | 112.1  | 183.7   | 183.0   | 220.3   | 206.4   |
| 2.1. Residents                                        | 952.0    | 770.3    | 843.0    | 901.9    | 1,058.2  | 95.0   | 109.3   | 120.5   |         |         |
| 2.2. Non-residents                                    | 375.2    | 397.3    | 418.7    | 374.9    | 527.3    | 17.1   | 74.5    | 62.5    |         |         |
| 3. Croatian National Bank                             | –284.3   | –200.7   | 365.2    | 886.5    | –116.0   | 19.1   | –       | –180.7  | –49.8   | –125.1  |
| Total (1+2+3)                                         | –361.3   | –1,040.6 | 156.8    | 601.2    | –628.9   | –175.4 | –162.8  | –268.7  | –105.7  | –223.2  |
| Memo items: Other Croatian National Bank transactions |          |          |          |          |          |        |         |         |         |         |
| Purchase of foreign exchange                          | –        | –        | –        | 106.5    | 61.4     | –      | –       | 75.0    |         |         |
| Sale of foreign exchange                              | –        | –        | 171.0    | 97.7     | 61.1     | –      | –       | –       |         |         |

Table G3: Deposit Money Banks' Trade with Foreign Exchange

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

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

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

Million US dollars

|                                         | 1996      | 1997      | 1998      | 1999*     | 2000     |          |          |          | 2001     |          |                 |
|-----------------------------------------|-----------|-----------|-----------|-----------|----------|----------|----------|----------|----------|----------|-----------------|
|                                         |           |           |           |           | Q1*      | Q2*      | Q3*      | Q4*      | Q1*      | Q2*      | Q3 <sup>a</sup> |
| <b>A. CURRENT ACCOUNT (1+6)</b>         | -1,091.3  | -2,325.1  | -1,530.6  | -1,390.4  | -420.3   | -284.2   | 825.1    | -553.4   | -600.0   | -830.6   | 1,218.1         |
| 1. Goods, services, and income (2+5)    | -2,113.7  | -3,194.5  | -2,236.6  | -2,022.9  | -624.6   | -499.7   | 580.8    | -772.4   | -822.6   | -1,084.8 | 979.6           |
| 1.1. Credit                             | 8,112.3   | 8,578.4   | 8,963.5   | 8,370.0   | 1,667.3  | 2,105.2  | 3,256.7  | 1,968.0  | 1,796.9  | 2,164.3  | 3,887.1         |
| 1.2. Debit                              | -10,226.0 | -11,772.9 | -11,200.1 | -10,392.9 | -2,291.9 | -2,604.9 | -2,675.9 | -2,740.4 | -2,619.6 | -3,249.1 | -2,907.5        |
| 2. Goods and services (3+4)             | -2,043.8  | -3,172.0  | -2,072.6  | -1,673.4  | -496.3   | -383.7   | 696.1    | -751.9   | -675.2   | -832.8   | 1,058.5         |
| 2.1. Credit                             | 7,842.4   | 8,214.6   | 8,568.6   | 8,117.8   | 1,610.4  | 2,017.6  | 3,200.5  | 1,834.6  | 1,698.6  | 2,070.1  | 3,752.2         |
| 2.2. Debit                              | -9,886.2  | -11,386.6 | -10,641.2 | -9,791.1  | -2,106.7 | -2,401.3 | -2,504.4 | -2,586.4 | -2,373.8 | -2,902.9 | -2,693.7        |
| 3. Goods                                | -3,623.5  | -5,196.2  | -4,147.4  | -3,298.6  | -548.4   | -857.2   | -802.4   | -995.8   | -807.7   | -1,285.2 | -979.7          |
| 3.1. Credit                             | 4,545.7   | 4,210.3   | 4,604.5   | 4,394.7   | 1,093.7  | 1,122.9  | 1,213.9  | 1,136.7  | 1,111.8  | 1,163.1  | 1,219.1         |
| 3.2. Debit                              | -8,169.2  | -9,406.5  | -8,751.9  | -7,693.3  | -1,642.1 | -1,980.0 | -2,016.3 | -2,132.5 | -1,919.4 | -2,448.2 | -2,198.8        |
| 4. Services                             | 1,579.7   | 2,024.2   | 2,074.8   | 1,625.2   | 52.1     | 473.4    | 1,498.5  | 243.9    | 132.5    | 452.4    | 2,038.2         |
| 4.1. Credit                             | 3,296.7   | 4,004.3   | 3,964.1   | 3,723.0   | 516.7    | 894.8    | 1,986.6  | 697.9    | 586.8    | 907.0    | 2,533.1         |
| 4.2. Debit                              | -1,717.0  | -1,980.1  | -1,889.3  | -2,097.8  | -464.7   | -421.3   | -488.1   | -453.9   | -454.3   | -454.7   | -494.8          |
| 5. Income                               | -69.9     | -22.4     | -164.0    | -349.5    | -128.2   | -116.0   | -115.3   | -20.5    | -147.5   | -252.0   | -78.9           |
| 5.1. Credit                             | 269.8     | 363.8     | 394.9     | 252.2     | 56.9     | 87.5     | 56.2     | 133.5    | 98.3     | 94.2     | 134.9           |
| 5.2. Debit                              | -339.7    | -386.2    | -558.9    | -601.7    | -185.1   | -203.6   | -171.5   | -154.0   | -245.8   | -346.1   | -213.8          |
| 6. Current transfers                    | 1,022.4   | 869.4     | 706.0     | 632.5     | 204.3    | 215.5    | 244.4    | 219.0    | 222.6    | 254.1    | 238.5           |
| 6.1. Credit                             | 1,173.2   | 964.0     | 919.1     | 967.4     | 253.2    | 268.2    | 298.2    | 281.5    | 269.4    | 297.9    | 289.8           |
| 6.2..Debit                              | -150.8    | -94.6     | -213.1    | -335.0    | -48.9    | -52.7    | -53.8    | -62.4    | -46.8    | -43.8    | -51.3           |
| <b>B. CAPITAL AND FINANCIAL ACCOUNT</b> | 1,995.3   | 2,651.6   | 1,469.0   | 2,142.7   | 503.1    | -175.0   | -33.4    | 632.3    | 235.2    | 728.1    | -501.6          |
| B1. Capital account                     | 16.2      | 21.5      | 19.1      | 24.9      | 6.2      | 6.4      | 4.0      | 4.4      | 3.4      | 119.3    | -112.8          |
| B2. Financial account, excl. reserves   | 2,512.3   | 3,058.2   | 1,601.5   | 2,496.3   | 470.2    | 126.8    | 258.1    | 633.2    | 371.9    | 995.5    | 109.3           |
| 1. Direct investment                    | 486.4     | 346.7     | 834.9     | 1,444.6   | 440.3    | 334.1    | 169.4    | 142.5    | 73.8     | 370.3    | 165.4           |
| 1.1. Abroad                             | -24.4     | -186.1    | -97.5     | -34.4     | 7.5      | 8.4      | -18.9    | -25.8    | -10.4    | -16.4    | -53.1           |
| 1.2. In Croatia                         | 510.8     | 532.9     | 932.4     | 1,479.0   | 432.7    | 325.6    | 188.3    | 168.2    | 84.2     | 386.8    | 218.5           |
| 2. Portfolio investment                 | 628.3     | 577.0     | 14.9      | 574.0     | 446.6    | 5.7      | 303.1    | -33.1    | 575.9    | 26.7     | 174.5           |
| 2.1. Assets                             | 6.2       | 11.1      | -0.1      | -0.3      | 0.0      | -0.1     | -0.1     | 0.0      | 0.0      | 3.2      | 36.0            |
| 2.2. Liabilities                        | 622.1     | 565.9     | 15.1      | 574.3     | 446.6    | 5.7      | 303.1    | -33.1    | 576.0    | 23.5     | 138.5           |
| 3. Other investment                     | 1,397.6   | 2,134.4   | 751.7     | 477.8     | -416.7   | -212.9   | -214.3   | 523.8    | -277.8   | 598.5    | -230.6          |
| 3.1. Assets                             | 794.4     | 171.3     | 348.8     | -328.4    | -105.9   | -183.1   | -678.8   | 119.4    | 88.8     | 198.4    | -443.6          |
| 3.2. Liabilities                        | 603.3     | 1,963.2   | 402.9     | 806.2     | -310.8   | -29.8    | 464.4    | 404.5    | -366.6   | 400.1    | 213.0           |
| B3. Reserve assets (CNB)                | -533.3    | -428.0    | -151.5    | -378.5    | 26.8     | -308.2   | -295.5   | -5.3     | -140.0   | -386.8   | -498.1          |
| <b>C. NET ERRORS AND OMISSIONS</b>      | -904.0    | -326.5    | 61.7      | -752.3    | -82.8    | 459.2    | -791.7   | -78.9    | 364.8    | 102.6    | -716.5          |

\* Preliminary data.

Table H1-H5: Balance of Payments

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

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

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

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

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

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

Million US dollars

|                                           | 1996     | 1997     | 1998     | 1999     | 2000     |          |          |          | 2001     |          |                 |
|-------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------------|
|                                           |          |          |          |          | Q1*      | Q2*      | Q3*      | Q4*      | Q1*      | Q2*      | Q3 <sup>a</sup> |
| 1. Goods                                  | -3,623.5 | -5,196.2 | -4,147.4 | -3,298.6 | -548.4   | -857.2   | -802.4   | -995.8   | -807.7   | -1,285.2 | -979.7          |
| 1.1. Credit                               | 4,545.7  | 4,210.3  | 4,604.5  | 4,394.7  | 1,093.7  | 1,122.9  | 1,213.9  | 1,136.7  | 1,111.8  | 1,163.1  | 1,219.1         |
| 1.1.1. Exports f.o.b. in trade statistics | 4,511.8  | 4,170.7  | 4,541.1  | 4,302.5  | 1,069.3  | 1,096.3  | 1,160.4  | 1,105.6  | 1,093.6  | 1,140.4  | 1,194.5         |
| 1.1.2. Adjustments for coverage           | 33.9     | 39.6     | 63.4     | 92.2     | 24.4     | 26.5     | 53.5     | 31.1     | 18.1     | 22.7     | 24.6            |
| 1.2. Debit                                | -8,169.2 | -9,406.5 | -8,751.9 | -7,693.3 | -1,642.1 | -1,980.0 | -2,016.3 | -2,132.5 | -1,919.4 | -2,448.2 | -2,198.8        |
| 1.2.1. Imports c.i.f. in trade statistics | -7,787.9 | -9,104.0 | -8,383.1 | -7,798.6 | -1,659.9 | -2,010.6 | -2,029.6 | -2,186.3 | -1,989.5 | -2,543.8 | -2,251.0        |
| 1.2.2. Adjustments for coverage           | -934.3   | -948.9   | -964.0   | -448.4   | -100.0   | -112.1   | -130.8   | -101.4   | -71.2    | -85.1    | -107.7          |
| 1.2.3. Adjustments for classification     | 552.9    | 646.4    | 595.2    | 553.7    | 117.9    | 142.8    | 144.1    | 155.2    | 141.3    | 180.6    | 159.8           |
| 2. Services                               | 1,579.7  | 2,024.2  | 2,074.8  | 1,625.2  | 52.1     | 473.4    | 1,498.5  | 243.9    | 132.5    | 452.4    | 2,038.2         |
| 2.1. Transportation                       | 310.0    | 282.5    | 227.6    | 83.8     | 27.1     | 34.2     | 58.1     | 59.3     | 45.4     | 38.3     | 49.5            |
| 2.1.1. Credit                             | 710.6    | 681.5    | 565.7    | 484.0    | 109.9    | 130.7    | 160.4    | 156.4    | 135.2    | 154.2    | 160.7           |
| 2.1.2. Debit                              | -400.6   | -399.0   | -338.1   | -400.1   | -82.8    | -96.6    | -102.3   | -97.1    | -89.8    | -115.9   | -111.2          |
| 2.2. Travel                               | 1,503.6  | 1,993.0  | 2,133.2  | 1,742.0  | 79.9     | 421.0    | 1,486.8  | 202.1    | 81.3     | 391.7    | 1,974.4         |
| 2.2.1. Credit                             | 2,014.0  | 2,523.1  | 2,733.4  | 2,493.4  | 234.8    | 548.8    | 1,652.3  | 322.1    | 237.0    | 532.2    | 2,143.0         |
| 2.2.2. Debit                              | -510.4   | -530.1   | -600.3   | -751.4   | -154.8   | -127.8   | -165.5   | -120.0   | -155.7   | -140.5   | -168.6          |
| 2.3. Other services                       | -233.9   | -251.4   | -286.0   | -200.6   | -55.0    | 18.3     | -46.4    | -17.5    | 5.8      | 22.3     | 14.3            |
| 2.3.1. Credit                             | 572.1    | 799.6    | 665.0    | 745.7    | 172.1    | 215.3    | 173.9    | 219.4    | 214.7    | 220.6    | 229.3           |
| 2.3.2. Debit                              | -806.0   | -1,051.0 | -951.0   | -946.3   | -227.0   | -197.0   | -220.3   | -236.9   | -208.9   | -198.2   | -215.0          |
| Total (1+2)                               | -2,043.8 | -3,172.0 | -2,072.6 | -1,673.4 | -496.3   | -383.7   | 696.1    | -751.9   | -675.2   | -832.8   | 1,058.5         |

<sup>a</sup> Preliminary data.

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

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

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

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

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

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

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

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

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

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

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

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

Million US dollars

|                                  | 1996    | 1997   | 1998   | 1999   | 2000   |        |        |        | 2001   |        |                 |
|----------------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------|
|                                  |         |        |        |        | Q1*    | Q2*    | Q3*    | Q4*    | Q1*    | Q2*    | Q3 <sup>a</sup> |
| 1. Income                        | -69.9   | -22.4  | -164.0 | -349.5 | -128.2 | -116.0 | -115.3 | -20.5  | -147.5 | -252.0 | -78.9           |
| 1.1. Compensation of employees   | 38.9    | 55.6   | 69.7   | 60.3   | 15.2   | 15.0   | 17.9   | 21.5   | 28.8   | 29.6   | 31.9            |
| 1.1.1. Credit                    | 46.7    | 70.2   | 81.0   | 75.2   | 17.7   | 18.5   | 21.3   | 25.2   | 31.6   | 32.7   | 34.7            |
| 1.1.2. Debit                     | -7.8    | -14.6  | -11.4  | -14.9  | -2.6   | -3.4   | -3.4   | -3.7   | -2.9   | -3.1   | -2.8            |
| 1.2. Direct investment income    | 9.8     | -52.0  | -100.6 | -69.5  | -9.5   | -91.1  | -18.5  | -21.5  | -29.2  | -232.1 | -68.5           |
| 1.2.1. Credit                    | 17.5    | 16.9   | 5.3    | 4.2    | 0.7    | 0.9    | 1.9    | 3.8    | 1.9    | 10.3   | 3.1             |
| 1.2.2. Debit                     | -7.6    | -68.9  | -105.9 | -73.7  | -10.3  | -92.0  | -20.4  | -25.3  | -31.1  | -242.4 | -71.6           |
| 1.3. Portfolio investment income | -2.0    | -91.6  | -102.6 | -129.2 | -84.6  | -14.2  | -73.8  | -6.3   | -123.7 | -23.2  | -65.5           |
| 1.3.1. Credit                    | 0.2     | 2.6    | 0.2    | 0.1    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0             |
| 1.3.2. Debit                     | -2.2    | -94.2  | -102.8 | -129.3 | -84.6  | -14.2  | -73.8  | -6.3   | -123.7 | -23.2  | -65.5           |
| 1.4. Other investment income     | -116.6  | 65.6   | -30.5  | -211.1 | -49.3  | -25.8  | -40.9  | -14.2  | -23.3  | -26.3  | 23.2            |
| 1.4.1. Credit                    | 205.6   | 274.1  | 308.3  | 172.8  | 38.4   | 68.2   | 33.0   | 104.5  | 64.8   | 51.1   | 97.1            |
| 1.4.2. Debit                     | -322.2  | -208.6 | -338.8 | -383.9 | -87.7  | -94.0  | -73.9  | -118.7 | -88.1  | -77.3  | -73.9           |
| 2. Current transfers             | 1,022.4 | 869.4  | 706.0  | 632.5  | 204.3  | 215.5  | 244.4  | 219.0  | 222.6  | 254.1  | 238.5           |
| 2.1. General government          | 154.5   | 32.8   | -9.2   | -130.3 | -2.3   | 2.8    | 21.3   | -0.1   | 14.9   | 22.7   | 12.5            |
| 2.1.1. Credit                    | 193.4   | 55.6   | 77.6   | 76.2   | 20.5   | 25.1   | 45.1   | 27.3   | 27.7   | 35.2   | 29.0            |
| 2.1.2. Debit                     | -38.9   | -22.8  | -86.8  | -206.5 | -22.8  | -22.3  | -23.8  | -27.4  | -12.8  | -12.5  | -16.5           |
| 2.2. Other sectors               | 867.9   | 836.5  | 715.2  | 762.7  | 206.6  | 212.7  | 223.1  | 219.1  | 207.7  | 231.5  | 226.0           |
| 2.2.1. Credit                    | 979.7   | 908.4  | 841.5  | 891.2  | 232.7  | 243.1  | 253.1  | 254.1  | 241.7  | 262.7  | 260.8           |
| 2.2.2. Debit                     | -111.9  | -71.9  | -126.3 | -128.5 | -26.0  | -30.4  | -30.0  | -35.0  | -34.0  | -31.3  | -34.8           |
| Total (1+2)                      | 952.5   | 846.9  | 542.0  | 283.0  | 76.0   | 99.5   | 129.1  | 198.5  | 75.1   | 2.2    | 159.6           |

<sup>a</sup> Preliminary data.

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

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

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

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

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

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

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

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

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

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

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

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

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

Million US dollars

|                                     | 1996    | 1997    | 1998    | 1999*  | 2000   |        |        |        | 2001   |        |                 |
|-------------------------------------|---------|---------|---------|--------|--------|--------|--------|--------|--------|--------|-----------------|
|                                     |         |         |         |        | Q1*    | Q2*    | Q3*    | Q4*    | Q1*    | Q2*    | Q3 <sup>a</sup> |
| ASSETS                              | 794.4   | 171.3   | 348.8   | -328.4 | -105.9 | -183.1 | -678.8 | 119.4  | 88.8   | 198.4  | -443.6          |
| 1. Trade credits                    | 36.3    | 18.1    | -19.5   | -293.4 | 253.1  | -237.2 | -93.8  | 170.3  | 119.9  | -112.9 | 145.8           |
| 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                  | 36.3    | 18.1    | -19.5   | -293.4 | 253.1  | -237.2 | -93.7  | 170.3  | 119.9  | -112.9 | 145.8           |
| 1.2.1. Long-term                    | 0.0     | 0.0     | 0.0     | -13.8  | -1.9   | -4.4   | 1.5    | 2.3    | 4.0    | 4.5    | 0.3             |
| 1.2.2. Short-term                   | 36.3    | 18.1    | -19.5   | -279.6 | 255.0  | -232.8 | -95.2  | 167.9  | 115.9  | -117.4 | 145.5           |
| 2. Loans                            | 0.0     | 0.0     | 0.0     | -84.3  | 0.9    | -3.6   | -1.4   | 11.5   | -1.5   | 6.5    | -5.1            |
| 2.1. General government             | 0.0     | 0.0     | 0.0     | 1.1    | 0.0    | 0.0    | 0.0    | 1.1    | -4.0   | 0.0    | 0.0             |
| 2.1.1. Long-term                    | 0.0     | 0.0     | 0.0     | 1.1    | 0.0    | 0.0    | 0.0    | 1.1    | -4.0   | 0.0    | 0.0             |
| 2.1.2. Short-term                   | 0.0     | 0.0     | 0.0     | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0             |
| 2.2. Banks                          | 0.0     | 0.0     | 0.0     | -85.4  | 0.9    | -3.6   | -1.4   | 10.3   | 2.5    | 6.5    | -1.3            |
| 2.2.1. Long-term                    | 0.0     | 0.0     | 0.0     | -76.1  | 0.0    | -3.1   | -0.9   | 10.5   | 0.7    | 3.8    | -2.7            |
| 2.2.2. Short-term                   | 0.0     | 0.0     | 0.0     | -9.3   | 0.9    | -0.6   | -0.5   | -0.1   | 1.8    | 2.7    | 1.4             |
| 2.3. Other sectors                  | 0.0     | 0.0     | 0.0     | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | -3.8            |
| 2.3.1. Long-term                    | 0.0     | 0.0     | 0.0     | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | -3.8            |
| 2.3.2. Short-term                   | 0.0     | 0.0     | 0.0     | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0             |
| 3. Currency and deposits            | 758.0   | 153.2   | 368.3   | 49.3   | -359.8 | 57.7   | -583.6 | -62.4  | -29.7  | 304.8  | -584.2          |
| 3.1. Government                     | -33.4   | 30.7    | -22.3   | 7.9    | -12.9  | -11.0  | 1.4    | -4.2   | -64.3  | 10.6   | 53.0            |
| 3.2. Banks                          | -589.2  | -371.8  | 406.1   | 41.4   | -347.0 | 68.8   | -585.0 | -58.2  | 34.6   | 294.2  | -637.2          |
| 3.3. Other sectors                  | 1,380.6 | 494.3   | -15.5   | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0             |
| LIABILITIES                         | 603.3   | 1,963.2 | 402.9   | 806.2  | -310.8 | -29.8  | 464.4  | 404.5  | -366.6 | 400.1  | 213.0           |
| 1. Trade credits                    | 390.1   | 217.9   | -466.9  | 309.6  | -99.5  | -119.4 | 413.7  | 84.9   | -443.5 | 374.7  | 189.7           |
| 1.1. General government             | 0.0     | 0.0     | 0.0     | 0.7    | -0.7   | -1.5   | -0.6   | -0.4   | 0.0    | 1.1    | 0.0             |
| 1.1.1. Long-term                    | 0.0     | 0.0     | 0.0     | -1.0   | -0.1   | -0.4   | 0.0    | -0.1   | 0.0    | 1.1    | 0.0             |
| 1.1.2. Short-term                   | 0.0     | 0.0     | 0.0     | 1.6    | -0.7   | -1.1   | -0.5   | -0.4   | 0.0    | 0.0    | 0.0             |
| 1.2. Other sectors                  | 390.1   | 217.9   | -466.9  | 309.0  | -98.7  | -117.9 | 414.3  | 85.3   | -443.5 | 373.6  | 189.7           |
| 1.2.1. Long-term                    | 0.0     | 0.0     | 0.0     | -36.7  | -10.2  | 1.3    | 8.7    | -9.7   | -13.7  | -1.5   | -22.1           |
| 1.2.2. Short-term                   | 390.1   | 217.9   | -466.9  | 345.7  | -88.5  | -119.2 | 405.5  | 95.0   | -429.8 | 375.1  | 211.9           |
| 2. Loans                            | 666.6   | 1,474.1 | 1,045.7 | 460.9  | -160.3 | 49.6   | 45.2   | 419.1  | 0.3    | -22.5  | 24.8            |
| 2.1. Monetary authorities           | -4.3    | 37.3    | -8.9    | -31.4  | 0.0    | -14.6  | 0.0    | -14.1  | 0.0    | -13.8  | -2.1            |
| 2.1.1. Use of Fund credit and loans | -4.3    | 37.3    | -8.9    | -31.4  | 0.0    | -14.6  | 0.0    | -14.1  | 0.0    | -13.8  | -2.1            |
| 2.1.1.1. Drawings                   | 0.0     | 39.5    | 0.0     | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0             |
| 2.1.1.2. Repayments                 | -4.3    | -2.2    | -8.9    | -31.4  | 0.0    | -14.6  | 0.0    | -14.1  | 0.0    | -13.8  | -2.1            |
| 2.2. General government             | 268.6   | 95.7    | -61.4   | 258.3  | -29.3  | -71.6  | 14.1   | 357.0  | 21.4   | -2.7   | -43.4           |
| 2.2.1. Long-term                    | 260.4   | 104.2   | -12.2   | 229.8  | 43.9   | -71.6  | 14.1   | -3.0   | 21.4   | -2.7   | -43.4           |
| 2.2.1.1. Drawings                   | 349.8   | 180.7   | 248.0   | 297.2  | 65.0   | 48.2   | 36.1   | 85.9   | 46.8   | 9.5    | 36.2            |
| 2.2.1.2. Repayments                 | -89.4   | -76.4   | -260.2  | -67.4  | -21.1  | -119.8 | -22.0  | -88.9  | -25.4  | -12.2  | -79.6           |
| 2.2.2. Short-term (net)             | 8.2     | -8.6    | -49.2   | 28.5   | -73.1  | 0.0    | 0.0    | 360.0  | 0.0    | 0.0    | 0.0             |
| 2.3. Banks                          | 200.4   | 399.2   | 311.6   | -66.9  | -69.2  | -58.0  | 12.0   | -50.0  | -17.4  | -7.5   | 97.0            |
| 2.3.1. Long-term                    | 64.4    | 337.3   | 362.3   | -53.9  | -61.1  | -55.3  | 14.4   | -50.4  | -18.7  | -7.6   | 96.8            |
| 2.3.1.1. Drawings                   | 167.5   | 587.9   | 517.0   | 589.4  | 23.1   | 49.4   | 234.0  | 41.3   | 27.1   | 26.0   | 182.4           |
| 2.3.1.2. Repayments                 | -103.1  | -250.6  | -154.7  | -643.3 | -84.3  | -104.7 | -219.7 | -91.7  | -45.8  | -33.6  | -85.6           |
| 2.3.2. Short-term (net)             | 135.9   | 61.8    | -50.7   | -13.0  | -8.1   | -2.7   | -2.3   | 0.4    | 1.4    | 0.1    | 0.1             |
| 2.4. Other sectors                  | 202.1   | 942.0   | 804.3   | 300.9  | -61.8  | 193.8  | 19.0   | 126.1  | -3.8   | 1.5    | -26.6           |
| 2.4.1. Long-term                    | 128.8   | 747.0   | 668.0   | 247.2  | -38.0  | 187.1  | 46.8   | 140.8  | -3.2   | 28.9   | -22.2           |
| 2.4.1.1. Drawings                   | 327.0   | 1,007.0 | 969.7   | 770.9  | 112.0  | 288.5  | 142.1  | 287.1  | 85.7   | 161.7  | 152.0           |
| 2.4.1.2. Repayments                 | -198.2  | -259.9  | -301.8  | -523.6 | -150.1 | -101.4 | -95.2  | -146.3 | -88.9  | -132.8 | -174.2          |
| 2.4.2. Short-term (net)             | 73.3    | 194.9   | 136.4   | 53.7   | -23.7  | 6.7    | -27.8  | -14.7  | -0.6   | -27.4  | -4.4            |
| 3. Currency and deposits            | 25.9    | 271.1   | -175.9  | 35.6   | -51.1  | 40.0   | 5.6    | -99.4  | 76.7   | 48.0   | -1.5            |
| 3.1. Monetary authorities           | 0.0     | 0.0     | 0.0     | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 1.0             |
| 3.2. Banks                          | 25.9    | 271.1   | -175.9  | 35.6   | -51.1  | 40.0   | 5.6    | -99.4  | 76.7   | 48.0   | -2.5            |
| 4. Other liabilities (short-term)   | -479.4  | 0.0     | 0.0     | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0             |
| 4.1. General government             | 125.0   | 0.0     | 0.0     | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0             |
| 4.2. Banks                          | -604.4  | 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             |

<sup>a</sup> Preliminary data.



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

Million kuna

|                                         | 1996*     | 1997*     | 1998*     | 1999*     | 2000      |           |           |           | 2001      |           |                 |
|-----------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------------|
|                                         |           |           |           |           | Q1*       | Q2*       | Q3*       | Q4*       | Q1*       | Q2*       | Q3 <sup>a</sup> |
| <b>A. CURRENT ACCOUNT (1+6)</b>         | -5,389.4  | -14,078.7 | -9,726.7  | -9,830.5  | -3,311.3  | -2,353.9  | 6,890.6   | -4,786.1  | -5,047.6  | -7,048.4  | 9,990.9         |
| 1. Goods, services, and income (2+5)    | -11,419.2 | -19,421.5 | -14,223.5 | -14,333.7 | -4,910.8  | -4,131.3  | 4,846.5   | -6,688.5  | -6,899.4  | -9,207.1  | 8,020.5         |
| 1.1. Credit                             | 44,010.1  | 53,096.0  | 57,052.5  | 59,793.0  | 13,054.2  | 17,327.6  | 27,197.0  | 17,119.8  | 14,898.9  | 18,386.6  | 32,148.7        |
| 1.2. Debit                              | -55,429.3 | -72,517.4 | -71,276.1 | -74,126.8 | -17,965.0 | -21,459.0 | -22,350.5 | -23,808.3 | -21,798.3 | -27,593.7 | -24,128.3       |
| 2. Goods and services (3+4)             | -11,030.1 | -19,349.8 | -13,153.1 | -11,852.6 | -3,910.0  | -3,184.3  | 5,809.7   | -6,509.1  | -5,676.4  | -7,067.6  | 8,707.2         |
| 2.1. Credit                             | 42,544.5  | 50,830.7  | 54,546.5  | 57,995.6  | 12,608.2  | 16,596.6  | 26,726.3  | 15,967.8  | 14,084.6  | 17,585.5  | 31,031.6        |
| 2.2. Debit                              | -53,574.6 | -70,180.5 | -67,699.6 | -69,848.2 | -16,518.2 | -19,780.9 | -20,916.7 | -22,477.0 | -19,760.9 | -24,653.1 | -22,324.4       |
| 3. Goods                                | -19,692.1 | -32,205.2 | -26,422.2 | -23,586.6 | -4,318.9  | -7,056.5  | -6,677.4  | -8,633.9  | -6,760.2  | -10,908.3 | -8,137.6        |
| 3.1. Credit                             | 24,693.7  | 25,758.2  | 29,278.2  | 31,369.6  | 8,581.0   | 9,251.9   | 10,170.5  | 9,906.7   | 9,232.0   | 9,882.9   | 10,088.8        |
| 3.2. Debit                              | -44,385.8 | -57,963.4 | -55,700.4 | -54,956.2 | -12,899.9 | -16,308.5 | -16,847.9 | -18,540.5 | -15,992.2 | -20,791.2 | -18,226.5       |
| 4. Services                             | 8,662.0   | 12,855.4  | 13,269.1  | 11,734.0  | 408.9     | 3,872.2   | 12,487.1  | 2,124.7   | 1,083.8   | 3,840.7   | 16,844.8        |
| 4.1. Credit                             | 17,850.8  | 25,072.5  | 25,268.3  | 26,626.0  | 4,027.2   | 7,344.7   | 16,555.8  | 6,061.2   | 4,852.6   | 7,702.7   | 20,942.8        |
| 4.2. Debit                              | -9,188.8  | -12,217.1 | -11,999.2 | -14,892.0 | -3,618.4  | -3,472.4  | -4,068.8  | -3,936.4  | -3,768.8  | -3,861.9  | -4,097.9        |
| 5. Income                               | -389.1    | -71.7     | -1,070.4  | -2,481.1  | -1,000.8  | -947.0    | -963.2    | -179.3    | -1,223.0  | -2,139.5  | -686.7          |
| 5.1. Credit                             | 1,465.6   | 2,265.3   | 2,506.0   | 1,797.5   | 446.0     | 731.0     | 470.7     | 1,152.0   | 814.3     | 801.0     | 1,117.1         |
| 5.2. Debit                              | -1,854.7  | -2,336.9  | -3,576.5  | -4,278.6  | -1,446.8  | -1,678.1  | -1,433.9  | -1,331.3  | -2,037.4  | -2,940.6  | -1,803.8        |
| 6. Current transfers                    | 6,029.8   | 5,342.8   | 4,496.8   | 4,503.2   | 1,599.5   | 1,777.4   | 2,044.1   | 1,902.4   | 1,851.8   | 2,158.7   | 1,970.4         |
| 6.1. Credit                             | 6,387.5   | 5,925.4   | 5,846.2   | 6,898.2   | 1,982.2   | 2,211.6   | 2,493.9   | 2,443.7   | 2,239.8   | 2,530.9   | 2,394.8         |
| 6.2. Debit                              | -357.8    | -582.6    | -1,349.4  | -2,394.9  | -382.7    | -434.2    | -449.8    | -541.3    | -388.0    | -372.3    | -424.4          |
| <b>B. CAPITAL AND FINANCIAL ACCOUNT</b> | 13,367.1  | 16,177.9  | 9,123.9   | 14,692.7  | 3,816.9   | -1,453.5  | -191.9    | 5,452.8   | 1,898.0   | 6,200.3   | -4,544.9        |
| B1. Capital account                     | 87.3      | 132.4     | 121.9     | 178.0     | 48.3      | 52.7      | 33.2      | 38.0      | 27.9      | 1,027.1   | -926.8          |
| B2. Financial account, excl. reserves   | 16,160.5  | 18,730.7  | 10,056.6  | 17,506.6  | 3,614.6   | 1,044.9   | 2,146.4   | 5,456.0   | 3,077.0   | 8,451.1   | 534.4           |
| 1. Direct investment                    | 2,641.9   | 2,135.2   | 5,349.3   | 10,333.9  | 3,379.1   | 2,745.9   | 1,398.4   | 1,229.5   | 613.0     | 3,145.0   | 1,371.5         |
| 1.1. Abroad                             | -132.8    | -1,149.7  | -619.7    | -250.4    | 58.1      | 69.8      | -160.3    | -220.6    | -87.1     | -140.2    | -442.8          |
| 1.2. In Croatia                         | 2,774.7   | 3,284.8   | 5,969.1   | 10,584.3  | 3,321.0   | 2,676.1   | 1,558.7   | 1,450.1   | 700.1     | 3,285.2   | 1,814.4         |
| 2. Portfolio investment                 | 3,349.8   | 3,523.4   | 107.9     | 3,996.9   | 3,488.2   | 49.1      | 2,532.7   | -288.1    | 4,776.5   | 202.5     | 1,147.1         |
| 2.1. Assets                             | 33.7      | 70.6      | -0.9      | -2.1      | -0.1      | -0.5      | -0.7      | 0.0       | -0.3      | 2.7       | -0.1            |
| 2.2. Liabilities                        | 3,316.1   | 3,452.8   | 108.8     | 3,999.1   | 3,488.3   | 49.6      | 2,533.4   | -288.1    | 4,776.8   | 199.8     | 1,147.1         |
| 3. Other investment                     | 10,168.8  | 13,072.0  | 4,599.3   | 3,175.8   | -3,252.7  | -1,750.1  | -1,784.6  | 4,514.6   | -2,312.5  | 5,103.6   | -1,984.1        |
| 3.1. Assets                             | 4,347.9   | 750.9     | 2,139.9   | -2,661.3  | -827.0    | -1,510.3  | -5,672.7  | 1,037.1   | 738.4     | 1,700.5   | -3,654.0        |
| 3.2. Liabilities                        | 5,820.9   | 12,321.1  | 2,459.4   | 5,837.1   | -2,425.7  | -239.8    | 3,888.0   | 3,477.5   | -3,050.9  | 3,403.2   | 1,669.9         |
| B3. Reserve assets (CNB)                | -2,880.7  | -2,685.2  | -1,054.5  | -2,992.0  | 154.0     | -2,551.0  | -2,371.6  | -41.1     | -1,206.8  | -3,277.9  | -4,152.6        |
| <b>C. NET ERRORS AND OMISSIONS</b>      | -7,977.7  | -2,099.2  | 602.9     | -4,862.2  | -505.6    | 3,807.4   | -6,698.6  | -666.7    | 3,149.6   | 848.1     | -5,446.0        |

<sup>a</sup> Preliminary data.

Table H6: International Reserves and Banks' Foreign Exchange Reserves

End of period, million US dollars

| Year | Month                 | International reserves of the Croatian National Bank |                        |                              |       |                  |                       |                 | Banks' foreign exchange reserves <sup>a</sup> |
|------|-----------------------|------------------------------------------------------|------------------------|------------------------------|-------|------------------|-----------------------|-----------------|-----------------------------------------------|
|      |                       | 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           | 1,562.9                                       |
| 2000 | June                  | 3,236.8                                              | 168.1                  | 0.2                          | –     | 3,068.5          | 2,339.4               | 729.1           | 1,776.9                                       |
|      | July                  | 3,511.3                                              | 165.1                  | 0.2                          | –     | 3,346.0          | 2,645.5               | 700.5           | 2,039.8                                       |
|      | August                | 3,424.9                                              | 162.9                  | 0.2                          | –     | 3,261.8          | 2,650.4               | 611.4           | 2,249.7                                       |
|      | September             | 3,378.7                                              | 161.2                  | 0.2                          | –     | 3,217.3          | 2,583.6               | 633.7           | 2,275.6                                       |
|      | October               | 3,374.6                                              | 145.7                  | 0.2                          | –     | 3,228.7          | 2,539.2               | 689.5           | 2,214.9                                       |
|      | November              | 3,336.9                                              | 144.9                  | 0.2                          | –     | 3,191.8          | 2,536.1               | 655.7           | 2,301.2                                       |
|      | December              | 3,524.8                                              | 147.7                  | 0.2                          | –     | 3,376.9          | 2,574.3               | 802.6           | 2,389.2                                       |
| 2001 | January               | 3,394.1                                              | 146.7                  | 0.2                          | –     | 3,247.2          | 2,347.6               | 899.7           | 2,219.3                                       |
|      | February              | 3,466.8                                              | 145.0                  | 0.2                          | –     | 3,321.6          | 2,306.6               | 1,015.0         | 2,240.4                                       |
|      | March                 | 3,514.1                                              | 139.5                  | 0.2                          | –     | 3,374.4          | 2,362.1               | 1,012.3         | 2,295.2                                       |
|      | April                 | 3,635.9                                              | 127.5                  | 0.2                          | –     | 3,508.1          | 2,254.6               | 1,253.5         | 2,189.5                                       |
|      | May                   | 3,694.5                                              | 125.4                  | 0.2                          | –     | 3,568.9          | 2,405.7               | 1,163.2         | 1,981.7                                       |
|      | June                  | 3,798.5                                              | 124.2                  | 0.2                          | 114.9 | 3,559.2          | 2,332.1               | 1,227.1         | 1,963.2                                       |
|      | July                  | 4,175.8                                              | 126.7                  | 0.2                          | 114.9 | 3,934.0          | 2,770.1               | 1,163.9         | 1,961.9                                       |
|      | August                | 4,101.3                                              | 128.7                  | 0.2                          | 114.9 | 3,857.5          | 2,756.7               | 1,100.8         | 2,718.3                                       |
|      | September             | 4,416.3                                              | 124.8                  | 0.2                          | –     | 4,291.3          | 3,003.3               | 1,288.0         | 2,685.7                                       |
|      | October               | 4,504.8                                              | 110.7                  | 0.2                          | –     | 4,393.9          | 3,059.7               | 1,334.3         | 2,769.7                                       |
|      | November <sup>b</sup> | 4,614.9                                              | 108.9                  | 0.2                          | –     | 4,505.7          | 3,105.9               | 1,399.9         | 2,958.7                                       |

<sup>a</sup> HBOR excluded; <sup>b</sup> Preliminary data.

Table H6: International Reserves and Banks' Foreign Exchange Reserves

The international reserves of the Croatian National Bank are shown according to the methodology contained in the Balance of Payments Manual (International Monetary Fund, 1993), and include those foreign claims of the Croatian National Bank that can be used to bridge imbalances in international payments. International reserves include

special drawing rights, reserve position in the International Monetary Fund, gold, foreign currency and deposits with foreign banks, as well as bonds and debt instruments.

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

Table H7: International Reserves and Foreign Currency Liquidity

Million US dollars

|                                                                                                                                                    | 1999      | 2000     | 2001     |          |          |          |        |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------|----------|----------|----------|----------|--------|
|                                                                                                                                                    | Dec.      | Dec.     | Mar.     | Jun.     | Sep.     | Oct.     |        |
| <b>I. Official reserve assets and other f/c assets (approximate market value)</b>                                                                  |           |          |          |          |          |          |        |
| A. Official reserve assets                                                                                                                         | 2,847.4   | 3,432.3  | 3,398.3  | 3,749.1  | 4,335.8  | 4,356.9  |        |
| (1) Foreign currency reserves (in convertible f/c)                                                                                                 | 2,616.3   | 2,567.4  | 2,411.4  | 2,731.2  | 2,989.5  | 3,055.4  |        |
| (a) Securities                                                                                                                                     | 375.5     | 802.6    | 1,012.3  | 1,227.1  | 1,288.0  | 1,334.3  |        |
| o/w: issuer headquartered in reporting country but located abroad                                                                                  |           |          |          |          |          |          |        |
| (b) Total currency and deposits with:                                                                                                              | 2,240.8   | 1,764.8  | 1,399.1  | 1,504.1  | 1,701.5  | 1,721.1  |        |
| (i) other national central banks, BIS and IMF                                                                                                      | 712.3     | 545.7    | 506.4    | 349.3    | 412.7    | 356.5    |        |
| (ii) banks headquartered in the reporting country                                                                                                  |           |          |          |          |          |          |        |
| o/w: located abroad                                                                                                                                |           |          |          |          |          |          |        |
| (iii) banks headquartered outside the reporting country                                                                                            | 1,528.6   | 1,219.1  | 892.6    | 1,154.8  | 1,288.8  | 1,364.6  |        |
| o/w: located in the reporting country                                                                                                              |           |          |          |          |          |          |        |
| (2) IMF reserve position                                                                                                                           | 0.2       | 0.2      | 0.2      | 0.2      | 0.2      | 0.2      |        |
| (3) SDRs                                                                                                                                           | 189.5     | 147.7    | 139.5    | 123.6    | 124.1    | 110.0    |        |
| (4) gold                                                                                                                                           |           |          |          | 114.9    |          |          |        |
| (5) other reserve assets                                                                                                                           | 41.4      | 717.0    | 847.1    | 779.2    | 1,221.9  | 1,191.3  |        |
| – reverse repo                                                                                                                                     | 41.4      | 717.0    | 847.1    | 779.2    | 1,221.9  | 1,191.3  |        |
| B. Other foreign currency assets (specify)                                                                                                         | 177.6     | 92.5     | 115.9    | 49.4     | 80.5     | 147.9    |        |
| – time deposits                                                                                                                                    | 177.6     | 92.5     | 115.9    | 49.4     | 80.5     | 147.9    |        |
| C. Total (A+B)                                                                                                                                     | 3,025.0   | 3,524.8  | 3,514.1  | 3,798.5  | 4,416.3  | 4,504.8  |        |
| <b>II. Predetermined short-term net drains on f/c assets (nominal value)</b>                                                                       |           |          |          |          |          |          |        |
| 1. F/c loans, securities, and deposits (total net drains up to one year)                                                                           | -932.6    | -1,210.8 | -1,430.9 | -1,323.4 | -1,586.4 | -1,278.2 |        |
| (a) Croatian National Bank                                                                                                                         | -258.7    | -265.0   | -270.7   | -171.1   | -420.8   | -481.6   |        |
| Up to 1 month                                                                                                                                      | Principal | -90.2    | -107.6   | -119.2   | -71.7    | -108.3   | -260.8 |
| Interest                                                                                                                                           | -5.0      | -4.3     | -3.9     | -3.6     | -3.5     | -4.3     |        |
| More than 1 and up to 3 months                                                                                                                     | Principal | -123.6   | -116.5   | -118.5   | -60.6    | -282.1   | -176.4 |
| Interest                                                                                                                                           | -2.7      | -2.8     | -2.2     | -1.5     | -3.0     | -2.4     |        |
| More than 3 months and up to 1 year                                                                                                                | Principal | -29.9    | -29.0    | -19.6    | -29.9    | -20.1    | -34.0  |
| Interest                                                                                                                                           | -7.3      | -4.7     | -7.2     | -3.8     | -3.7     | -3.6     |        |
| (b) Central government (excluding extrabudgetary funds) <sup>a</sup>                                                                               | -673.9    | -945.8   | -1,160.2 | -1,152.4 | -1,165.6 | -796.7   |        |
| Up to 1 month                                                                                                                                      | Principal | -63.5    | -89.3    | -4.0     | -86.2    | -363.4   | -0.1   |
| Interest                                                                                                                                           | -58.3     | -69.0    | -3.2     | -61.8    | -1.3     | -0.4     |        |
| More than 1 and up to 3 months                                                                                                                     | Principal | -6.0     | -93.8    | -16.8    | -369.5   | -20.0    | -105.3 |
| Interest                                                                                                                                           | -42.9     | -77.1    | -17.1    | -22.8    | -14.2    | -62.2    |        |
| More than 3 months and up to 1 year                                                                                                                | Principal | -384.6   | -497.1   | -874.1   | -441.2   | -524.9   | -438.0 |
| Interest                                                                                                                                           | -118.7    | -119.6   | -245.0   | -170.9   | -241.7   | -190.6   |        |
| 2. Aggregate short and long positions in forwards and futures in f/c vis-a-vis the domestic currency (including the forward leg of currency swaps) |           |          |          |          |          |          |        |
| (a) Short positions (-)                                                                                                                            |           |          |          |          |          |          |        |
| Up to 1 month                                                                                                                                      |           |          |          |          |          |          |        |
| More than 1 and up to 3 months                                                                                                                     |           |          |          |          |          |          |        |
| More than 3 months and up to 1 year                                                                                                                |           |          |          |          |          |          |        |
| (b) Long positions (+)                                                                                                                             |           |          |          |          |          |          |        |
| Up to 1 month                                                                                                                                      |           |          |          |          |          |          |        |
| More than 1 and up to 3 months                                                                                                                     |           |          |          |          |          |          |        |
| More than 3 months and up to 1 year                                                                                                                |           |          |          |          |          |          |        |
| 3. Other                                                                                                                                           | -21.3     | -40.7    |          | -18.0    | -40.8    | -51.3    |        |
| – outflows related to repos (-)                                                                                                                    | -21.3     | -40.7    |          | -18.0    | -40.8    | -51.3    |        |
| Up to 1 month                                                                                                                                      | Principal | -21.3    | -40.6    | -18.0    | -40.8    | -51.2    |        |
| Interest                                                                                                                                           | 0.0       | -0.1     |          | 0.0      | 0.0      | -0.1     |        |
| More than 1 and up to 3 months                                                                                                                     | Principal |          |          |          |          |          |        |
| Interest                                                                                                                                           |           |          |          |          |          |          |        |
| More than 3 months and up to 1 year                                                                                                                | Principal |          |          |          |          |          |        |
| Interest                                                                                                                                           |           |          |          |          |          |          |        |
| 4. Total predetermined short-term net drains on foreign currency assets (1+2+3)                                                                    | -954.0    | -1,251.5 | -1,430.9 | -1,341.4 | -1,627.2 | -1,329.5 |        |
| <b>III. Contingent short-term net drains on f/c assets (nominal value)</b>                                                                         |           |          |          |          |          |          |        |
| 1. Contingent liabilities in foreign currency                                                                                                      | -869.9    | -969.3   | -936.1   | -1,057.2 | -1,103.1 | -1,058.6 |        |
| (a) Collateral guarantees on debt falling due within 1 year                                                                                        | -263.6    | -296.0   | -285.4   | -304.2   | -286.7   | -284.5   |        |
| – Croatian National Bank                                                                                                                           |           |          |          |          |          |          |        |
| – Central government (excluding extrabudgetary funds) <sup>a</sup>                                                                                 | -263.6    | -296.0   | -285.4   | -304.2   | -286.7   | -284.5   |        |
| Up to 1 month                                                                                                                                      | -37.3     | -48.4    | -37.7    | -38.8    | -11.2    | -2.5     |        |

|                                                                                                                                |         |         |         |         |         |         |
|--------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|
| More than 1 and up to 3 months                                                                                                 | -57.6   | -11.4   | -35.7   | -64.1   | -39.7   | -81.3   |
| More than 3 months and up to 1 year                                                                                            | -168.7  | -236.2  | -212.0  | -201.2  | -235.8  | -200.6  |
| (b) Other contingent liabilities                                                                                               | -606.2  | -673.2  | -650.8  | -753.0  | -816.4  | -774.1  |
| – Croatian National Bank                                                                                                       | -606.2  | -673.2  | -650.8  | -753.0  | -816.4  | -774.1  |
| Up to 1 month                                                                                                                  |         |         |         |         |         |         |
| More than 1 and up to 3 months                                                                                                 | -606.2  | -673.2  | -650.8  | -753.0  | -816.4  | -774.1  |
| More than 3 months and up to 1 year                                                                                            |         |         |         |         |         |         |
| – Central government (excluding extrabudgetary funds) <sup>a</sup>                                                             |         |         |         |         |         |         |
| 2. F/c sec. issued with embedded options (puttable bonds)                                                                      |         |         |         |         |         |         |
| 3. Undrawn, unconditional credit lines provided by                                                                             | 80.0    | 80.0    |         | 90.0    | 154.7   | 153.4   |
| – BIS (+)                                                                                                                      | 80.0    | 80.0    |         |         |         |         |
| – IMF (+)                                                                                                                      |         |         |         | 90.0    | 154.7   | 153.4   |
| 4. Aggregate short and long positions of options in foreign currencies vis-a-vis the domestic currency                         |         |         |         |         |         |         |
| 5. Total contingent short-term net drains on f/c assets (1+2+3+4)                                                              | -789.9  | -889.3  | -936.1  | -967.2  | -948.4  | -905.2  |
| <b>IV. Memo items</b>                                                                                                          |         |         |         |         |         |         |
| (a) short-term domestic currency debt indexed to the exchange rate<br>o/w: central government (excluding extrabudgetary funds) |         |         |         |         |         |         |
| (b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)              |         |         |         |         |         |         |
| (c) pledged assets                                                                                                             | 177.0   |         |         |         |         |         |
| (d) securities lent and on repo                                                                                                |         |         |         |         |         |         |
| – lent or repoed and included in Section I                                                                                     | -20.1   | -40.0   |         | -16.9   | -40.0   | -50.0   |
| – lent or repoed but not included in Section I                                                                                 |         |         |         |         |         |         |
| – borrowed or acquired and included in Section I                                                                               |         |         |         |         |         |         |
| – borrowed or acquired but not included in Section I                                                                           | 37.4    | 685.6   | 783.9   | 700.1   | 1,112.1 | 1,087.4 |
| (e) financial derivative assets (net, marked to market)                                                                        |         |         |         |         |         |         |
| (f) currency composition of official reserves assets <sup>b</sup>                                                              |         |         |         |         |         |         |
| – currencies in SDR basket                                                                                                     | 2,983.7 | 3,524.8 | 3,398.2 | 3,634.2 | 4,335.8 | 4,356.9 |
| – currencies not in SDR basket                                                                                                 | 41.4    | 0.0     | 0.0     | 115.0   | 0.0     | 0.0     |
| – by individual currencies                                                                                                     |         |         |         |         |         |         |
| USD                                                                                                                            | 1,186.1 | 922.5   | 842.5   | 1,202.6 | 1,534.7 | 1,515.9 |
| EUR                                                                                                                            | 1,405.1 | 2,453.9 | 2,415.6 | 2,307.4 | 2,676.2 | 2,730.4 |
| Other                                                                                                                          | 433.8   | 148.4   | 140.2   | 239.1   | 124.8   | 110.7   |

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

Table H7: International Reserves and Foreign Currency Liquidity

International reserves and foreign currency liquidity are shown in accordance with a Template on International Reserves and Foreign Currency Liquidity, drawn up by the IMF. A detailed explanation of the Template is given in “Data Template on International Reserves and Foreign Currency Liquidity – Operational Guidelines, October 1999” issued by the IMF.

The first part of the Template shows total assets of the Croatian National Bank in convertible foreign currency. Official reserve assets (I.A.) show only those types of assets that are readily available to the CNB at any moment for bridging imbalances in international payments. Official international reserves include: short-term foreign negotiable debt securities, foreign cash, foreign currency sight deposits, foreign currency time deposits which can be withdrawn before maturity, foreign currency time deposits with a remaining maturity of less than 3 months, reserve position with the IMF, special drawing rights, gold, and reverse repos with foreign negotiable debt securities. Other foreign currency assets of the CNB (I.B.) include foreign currency time deposits with a maturity over 3 months.

The second part of the Template shows fixed predetermined foreign currency net liabilities of the Croatian National Bank and the central government (excluding extrabudgetary funds) that fall due in the next 12 months. Foreign currency loans, securities and deposits (II.1.) include future interest payments on banks’ foreign currency reserve requirements with the CNB (only interest payments for the next month are included), payments of future maturities of foreign currency CNB bills, future principal and interest payments on loans from the IMF, and future principal and interest payments on the central government’s foreign currency debts (excluding extrabudgetary funds). Aggregate short and long positions in forwards and futures in foreign currencies (II.2.)

include future collections (+) or payments (–) arising from currency swaps between the CNB and domestic DMBs (temporary sale or purchase of foreign currency). Item Other (II.3.) includes future payments arising from repo agreements with foreign negotiable debt securities.

The third part of the Template shows predetermined contingent foreign currency net liabilities of the Croatian National Bank and the central government (excluding extrabudgetary funds), which fall due in the next 12 months. Contingent liabilities in foreign currency (III.1.) include future principal and interest payments on foreign loans guaranteed by the central government, and banks’ foreign currency reserve requirements. (The inclusion of reserve requirements in foreign currency is based on the assumption that there will be no changes in ratios or in the base of foreign currency reserve requirements, which comprises households’ deposits in foreign currency with remaining maturity of up to 3 months). Undrawn credit lines show potential inflows (+) or outflows (–) which would arise from drawdowns under these credits.

The fourth part of the Template lists memo items. Short-term, domestic currency debt indexed to foreign currency (IV.a) shows obligations arising from the Law on Converting Households’ Foreign Exchange Deposits into the Public Debt of the Republic of Croatia, which fall due in the next 12 months. Pledged assets (IV.c) show time deposits in foreign currency with a maturity over 3 months listed in item I.B. which are also a pledge. Repo transactions with securities show the value of collateral that is the subject of repo agreements and reverse repo transactions with securities as well as how these transactions are registered in the Template. Until December 2000, the currency structure of international and other foreign currency reserves showed the currency structure of the total foreign currency assets of the CNB (section I.). From January 2001, the currency structure refers to official reserve assets (section I.).

Table H8: Midpoint Exchange Rates of the Croatian National Bank (period average)

| Year | Month     | HRK/EUR  | HRK/ATS  | HRK/FRF  | HRK/100 ITL | HRK/CHF  | HRK/GBP   | HRK/USD  | HRK/DEM  |
|------|-----------|----------|----------|----------|-------------|----------|-----------|----------|----------|
| 1992 |           | 0.340174 | 0.024304 | 0.050419 | 0.020916    | 0.190597 | 0.375277  | 0.264299 | 0.171018 |
| 1993 |           | 4.133563 | 0.305485 | 0.621058 | 0.224018    | 2.433869 | 5.369428  | 3.577417 | 2.155526 |
| 1994 |           | 7.087400 | 0.524804 | 1.079560 | 0.371475    | 4.381763 | 9.166192  | 5.995300 | 3.692018 |
| 1995 |           | 6.757758 | 0.518734 | 1.047969 | 0.321342    | 4.425311 | 8.252950  | 5.229967 | 3.649342 |
| 1996 |           | 6.804708 | 0.513722 | 1.062735 | 0.352150    | 4.404976 | 8.479850  | 5.433800 | 3.614536 |
| 1997 |           | 6.959708 | 0.505322 | 1.056355 | 0.361942    | 4.246962 | 10.081567 | 6.157050 | 3.555932 |
| 1998 |           | 7.136608 | 0.514421 | 1.079581 | 0.366683    | 4.395149 | 10.539883 | 6.362292 | 3.619321 |
| 1999 |           | 7.579622 | 0.550834 | 1.155501 | 0.391455    | 4.738375 | 11.504100 | 7.112441 | 3.875409 |
| 2000 |           | 7.634973 | 0.554855 | 1.163944 | 0.394313    | 4.901679 | 12.529639 | 8.276819 | 3.903700 |
| 2000 | June      | 7.656650 | 0.556430 | 1.167249 | 0.395433    | 4.904278 | 12.174320 | 8.075785 | 3.914783 |
|      | July      | 7.611087 | 0.553119 | 1.160303 | 0.393080    | 4.907463 | 12.201744 | 8.082124 | 3.891487 |
|      | August    | 7.575196 | 0.550511 | 1.154831 | 0.391226    | 4.885028 | 12.465103 | 8.353507 | 3.873136 |
|      | September | 7.530710 | 0.547278 | 1.148049 | 0.388929    | 4.913555 | 12.389037 | 8.636115 | 3.850391 |
|      | October   | 7.521939 | 0.546641 | 1.146712 | 0.388476    | 4.969879 | 12.754030 | 8.777919 | 3.845906 |
|      | November  | 7.552528 | 0.548864 | 1.151376 | 0.390056    | 4.960171 | 12.600643 | 8.828263 | 3.861546 |
|      | December  | 7.585632 | 0.551269 | 1.156422 | 0.391765    | 5.009320 | 12.357001 | 8.459373 | 3.878472 |
| 2001 | January   | 7.605594 | 0.552720 | 1.159465 | 0.392796    | 4.974222 | 11.987261 | 8.088795 | 3.888678 |
|      | February  | 7.697274 | 0.559383 | 1.173442 | 0.397531    | 5.013567 | 12.152421 | 8.351871 | 3.935554 |
|      | March     | 7.695090 | 0.559224 | 1.173109 | 0.397418    | 5.009254 | 12.215118 | 8.443783 | 3.934437 |
|      | April     | 7.615417 | 0.553434 | 1.160963 | 0.393303    | 4.984932 | 12.247077 | 8.528187 | 3.893701 |
|      | May       | 7.369043 | 0.535529 | 1.123403 | 0.380579    | 4.803162 | 11.992724 | 8.409159 | 3.767732 |
|      | June      | 7.298230 | 0.530383 | 1.112608 | 0.376922    | 4.792849 | 11.977367 | 8.544508 | 3.731526 |
|      | July      | 7.199348 | 0.523197 | 1.097533 | 0.371815    | 4.756738 | 11.843820 | 8.383935 | 3.680968 |
|      | August    | 7.377423 | 0.536138 | 1.124681 | 0.381012    | 4.873952 | 11.783157 | 8.208499 | 3.772017 |
|      | September | 7.516445 | 0.546241 | 1.145875 | 0.388192    | 5.038014 | 12.060134 | 8.247745 | 3.843097 |
|      | October   | 7.475332 | 0.543253 | 1.139607 | 0.386069    | 5.051394 | 11.982631 | 8.254490 | 3.822076 |
|      | November  | 7.408086 | 0.538366 | 1.129355 | 0.382596    | 5.051386 | 11.982645 | 8.332980 | 3.787694 |

Table H9: Midpoint Exchange Rates of the Croatian National Bank (end of period)

| Year | Month     | HRK/EUR  | HRK/ATS  | HRK/FRF  | HRK/100 ITL | HRK/CHF  | HRK/GBP   | HRK/USD  | HRK/DEM  |
|------|-----------|----------|----------|----------|-------------|----------|-----------|----------|----------|
| 1992 |           | 0.964508 | 0.070357 | 0.145244 | 0.054153    | 0.546218 | 1.206464  | 0.798188 | 0.495000 |
| 1993 |           | 7.262200 | 0.540504 | 1.120052 | 0.381300    | 4.471653 | 9.714800  | 6.561900 | 3.801812 |
| 1994 |           | 6.902400 | 0.516285 | 1.052510 | 0.346500    | 4.288893 | 8.784200  | 5.628700 | 3.632100 |
| 1995 |           | 6.812200 | 0.526742 | 1.085365 | 0.335800    | 4.618693 | 8.234500  | 5.316100 | 3.705900 |
| 1996 |           | 6.863600 | 0.506253 | 1.055662 | 0.362600    | 4.098835 | 9.359000  | 5.539600 | 3.562200 |
| 1997 |           | 6.947200 | 0.499445 | 1.050510 | 0.357700    | 4.332003 | 10.475600 | 6.303100 | 3.511000 |
| 1998 |           | 7.329100 | 0.531546 | 1.114954 | 0.377700    | 4.567584 | 10.451000 | 6.247500 | 3.739700 |
| 1999 |           | 7.679009 | 0.558055 | 1.170657 | 0.396588    | 4.784268 | 12.340257 | 7.647654 | 3.926215 |
| 2000 |           | 7.598334 | 0.552192 | 1.158359 | 0.392421    | 4.989712 | 12.176817 | 8.155344 | 3.884966 |
| 2000 | June      | 7.639108 | 0.555156 | 1.164575 | 0.394527    | 4.910084 | 12.204998 | 8.046248 | 3.905814 |
|      | July      | 7.600773 | 0.552370 | 1.158730 | 0.392547    | 4.908158 | 12.369037 | 8.195787 | 3.886214 |
|      | August    | 7.559582 | 0.549376 | 1.152451 | 0.390420    | 4.885029 | 12.292003 | 8.509210 | 3.865153 |
|      | September | 7.511311 | 0.545868 | 1.145092 | 0.387927    | 4.924481 | 12.500102 | 8.528796 | 3.840472 |
|      | October   | 7.535421 | 0.547620 | 1.148768 | 0.389172    | 4.948723 | 12.994346 | 8.890303 | 3.852800 |
|      | November  | 7.567727 | 0.549968 | 1.153693 | 0.390840    | 5.004779 | 12.487998 | 8.773159 | 3.869317 |
|      | December  | 7.598334 | 0.552192 | 1.158359 | 0.392421    | 4.989712 | 12.176817 | 8.155344 | 3.884966 |
| 2001 | January   | 7.675722 | 0.557816 | 1.170156 | 0.396418    | 5.048821 | 12.203056 | 8.376866 | 3.924534 |
|      | February  | 7.703111 | 0.559807 | 1.174332 | 0.397832    | 5.014393 | 12.157688 | 8.418701 | 3.938538 |
|      | March     | 7.680701 | 0.558178 | 1.170915 | 0.396675    | 5.034874 | 12.436368 | 8.722122 | 3.927080 |
|      | April     | 7.526926 | 0.547003 | 1.147472 | 0.388733    | 4.898110 | 12.060449 | 8.358607 | 3.848456 |
|      | May       | 7.278507 | 0.528950 | 1.109601 | 0.375904    | 4.767165 | 12.068491 | 8.504916 | 3.721442 |
|      | June      | 7.320680 | 0.532015 | 1.116030 | 0.378082    | 4.812438 | 12.152523 | 8.646132 | 3.743004 |
|      | July      | 7.185933 | 0.522222 | 1.095488 | 0.371122    | 4.757006 | 11.684444 | 8.217190 | 3.674109 |
|      | August    | 7.610640 | 0.553087 | 1.160235 | 0.393057    | 5.019549 | 12.155630 | 8.372541 | 3.891258 |
|      | September | 7.542032 | 0.548101 | 1.149775 | 0.389513    | 5.104590 | 12.105990 | 8.230964 | 3.856180 |
|      | October   | 7.444006 | 0.540977 | 1.134831 | 0.384451    | 5.061195 | 11.967855 | 8.220879 | 3.806060 |
|      | November  | 7.432042 | 0.540108 | 1.133007 | 0.383833    | 5.082781 | 11.939023 | 8.361883 | 3.799943 |

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 | May       | 127.47                                      | 119.03                                             | 112.05              |
|      | June      | 124.91                                      | 116.74                                             | 108.32              |
|      | July      | 124.45                                      | 116.91                                             | 107.52              |
|      | August    | 125.34                                      | 117.53                                             | 108.38              |
|      | September | 126.15                                      | 118.45                                             | 108.32              |
|      | October   | 126.75                                      | 118.44                                             | 108.26              |
|      | November  | 127.29                                      | 115.06                                             | 108.76              |
|      | December  | 125.97                                      | 113.53                                             | 107.66              |
| 2001 | January   | 124.42                                      | 113.87                                             | 106.35              |
|      | February  | 126.69                                      | 114.54                                             | 108.30              |
|      | March     | 127.10                                      | 116.70                                             | 108.89              |
|      | April     | 126.60                                      | 116.60                                             | 107.37              |
|      | May       | 123,23                                      | 113,72                                             | 104,46              |
|      | June      | 123,03                                      | 113,20                                             | 104,75              |
|      | July      | 121,19                                      | 111,46                                             | 103,63              |
|      | August    | 122,41                                      | 112,96 <sup>a</sup>                                | 103,63 <sup>a</sup> |
|      | September | 124,23                                      | 114,02 <sup>a</sup>                                | 105,23 <sup>a</sup> |
|      | October   | 123,80                                      |                                                    |                     |
|      | November  | 123,41                                      |                                                    |                     |

<sup>a</sup> Preliminary data.

Note: From January 1, 2001, the euro area 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

|                             | 1996    | 1997    | 1998    | 1999    | 2000     | 2001     |          |          |          |
|-----------------------------|---------|---------|---------|---------|----------|----------|----------|----------|----------|
|                             | Dec.    | Dec.    | Dec.    | Dec.    | Dec.*    | Mar.     | Jun.     | Sep.     | Oct.     |
| 1. Direct investment        | 0.0     | 0.0     | 476.5   | 539.9   | 1,107.1  | 1,062.8  | 1,238.6  | 1,111.7  | 1,108.3  |
| 2. Government               | 2,397.3 | 2,905.7 | 3,395.3 | 3,973.0 | 4,795.0  | 5,200.7  | 5,130.0  | 5,418.2  | 5,017.2  |
| 2.1 Portfolio investment    | 1,462.2 | 1,954.5 | 2,049.3 | 2,522.9 | 3,141.2  | 3,562.0  | 3,516.9  | 3,807.9  | 3,771.6  |
| Bonds                       | 1,462.2 | 1,954.5 | 2,049.3 | 2,522.9 | 3,141.2  | 3,562.0  | 3,516.9  | 3,807.9  | 3,771.6  |
| Money market instruments    | 0.0     | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |
| 2.2 Other investment        | 935.1   | 951.2   | 1,346.0 | 1,450.2 | 1,653.8  | 1,638.7  | 1,613.1  | 1,610.3  | 1,245.6  |
| 2.2.1 Trade credits         | 12.2    | 18.1    | 2.7     | 3.4     | 0.1      | 0.1      | 1.2      | 1.2      | 1.2      |
| Long-term                   | 3.6     | 18.1    | 1.8     | 0.7     | 0.1      | 0.1      | 1.2      | 1.2      | 1.2      |
| Short-term                  | 8.6     | 0.0     | 0.8     | 2.7     | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |
| 2.2.2 Credits               | 922.9   | 933.1   | 1,343.3 | 1,446.8 | 1,653.7  | 1,638.6  | 1,611.9  | 1,609.1  | 1,244.5  |
| Long-term                   | 822.9   | 833.1   | 1,293.3 | 1,371.5 | 1,293.7  | 1,278.6  | 1,251.9  | 1,249.1  | 1,244.5  |
| Short-term                  | 100.0   | 100.0   | 50.0    | 75.3    | 360.0    | 360.0    | 360.0    | 360.0    | 0.0      |
| 3. Croatian National Bank   | 208.3   | 231.8   | 233.9   | 196.6   | 158.7    | 151.7    | 136.4    | 138.4    | 124.3    |
| o/w: IMF                    | 208.3   | 231.8   | 233.9   | 196.6   | 158.7    | 151.7    | 136.4    | 138.4    | 124.3    |
| 4. Banks                    | 1,251.8 | 2,215.6 | 2,265.6 | 1,954.5 | 1,596.7  | 1,601.3  | 1,594.5  | 1,774.7  | 1,790.0  |
| 4.1. Portfolio investment   | 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      |
| Money market instruments    | 0.0     | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |
| 4.2 Other investment        | 1,251.8 | 2,215.6 | 2,265.6 | 1,954.5 | 1,596.7  | 1,601.3  | 1,594.5  | 1,774.7  | 1,790.0  |
| 4.2.1 Currency and deposits | 499.2   | 789.9   | 614.6   | 537.7   | 432.8    | 509.5    | 557.3    | 554.9    | 551.3    |
| 4.2.2 Credits               | 752.6   | 1,425.7 | 1,651.0 | 1,416.8 | 1,163.9  | 1,091.8  | 1,037.2  | 1,219.8  | 1,238.7  |
| Long-term                   | 630.2   | 1,382.0 | 1,616.1 | 1,385.6 | 1,156.8  | 1,076.2  | 1,029.9  | 1,212.7  | 1,231.2  |
| Short-term                  | 122.4   | 43.7    | 34.9    | 31.2    | 7.0      | 15.6     | 7.3      | 7.1      | 7.5      |
| 5. Other sectors            | 1,450.2 | 2,098.5 | 3,214.9 | 3,208.3 | 3,327.6  | 3,135.4  | 3,035.8  | 3,205.9  | 3,135.0  |
| 5.1 Portfolio investment    | 0.0     | 0.0     | 8.7     | 48.5    | 38.4     | 41.3     | 61.8     | 64.7     | 55.5     |
| Bonds                       | 0.0     | 0.0     | 0.0     | 31.1    | 28.9     | 27.3     | 26.2     | 28.4     | 28.1     |
| Money market instruments    | 0.0     | 0.0     | 8.7     | 17.4    | 9.5      | 14.0     | 35.6     | 36.3     | 27.4     |
| 5.2 Other investment        | 1,450.2 | 2,098.5 | 3,206.2 | 3,159.8 | 3,289.3  | 3,094.1  | 2,974.0  | 3,141.2  | 3,079.5  |
| 5.2.1 Trade credits         | 419.2   | 608.4   | 441.1   | 373.8   | 340.5    | 301.7    | 302.3    | 319.9    | 307.1    |
| Long-term                   | 296.7   | 442.8   | 323.4   | 274.3   | 275.7    | 205.8    | 238.8    | 244.5    | 234.0    |
| Short-term                  | 122.5   | 165.6   | 117.7   | 99.5    | 64.9     | 95.9     | 63.4     | 75.4     | 73.1     |
| 5.2.2 Credits               | 1,031.0 | 1,490.1 | 2,765.1 | 2,786.0 | 2,948.7  | 2,792.4  | 2,671.7  | 2,821.3  | 2,772.5  |
| Long-term                   | 973.3   | 1,260.9 | 2,373.1 | 2,535.7 | 2,799.3  | 2,573.8  | 2,598.3  | 2,757.9  | 2,707.8  |
| Short-term                  | 57.7    | 229.2   | 392.0   | 250.3   | 149.4    | 218.6    | 73.4     | 63.4     | 64.6     |
| Total (1+2+3+4+5)           | 5,307.6 | 7,451.6 | 9,586.2 | 9,872.3 | 10,985.1 | 11,151.9 | 11,135.3 | 11,648.8 | 11,174.9 |

Table H11: External Debt by Domestic Sectors

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

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

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

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

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

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

Table H12: External Debt by Creditors

Million US dollars

|                                          | 1996    | 1997    | 1998    | 1999    | 2000     | 2001     |          |          |          |
|------------------------------------------|---------|---------|---------|---------|----------|----------|----------|----------|----------|
|                                          | Dec.    | Dec.    | Dec.    | Dec.    | Dec.*    | Mar.     | Jun.     | Sep.     | Oct.     |
| 1. Portfolio investment                  | 1,462.2 | 1,954.8 | 2,058.0 | 2,571.4 | 3,179.6  | 3,603.3  | 3,578.8  | 3,872.5  | 3,827.1  |
| Bonds                                    | 1,462.2 | 1,954.8 | 2,049.3 | 2,554.0 | 3,170.1  | 3,589.3  | 3,543.2  | 3,836.3  | 3,799.7  |
| o/w: London Club                         | 1,462.2 | 1,428.4 | 1,404.7 | 1,380.9 | 1,255.4  | 1,180.7  | 1,180.7  | 1,106.0  | 1,106.0  |
| Money market instruments                 | 0.0     | 0.0     | 8.7     | 17.4    | 9.5      | 14.0     | 35.6     | 36.3     | 27.4     |
| 2. Other investment                      | 3,845.4 | 5,496.8 | 7,528.1 | 7,301.0 | 7,805.5  | 7,548.6  | 7,556.6  | 7,776.3  | 7,347.8  |
| 2.1. Currency and deposits               | 499.2   | 789.9   | 614.6   | 537.7   | 432.8    | 509.5    | 557.3    | 554.9    | 551.3    |
| 2.2. Long-term                           | 2,935.0 | 4,168.4 | 6,249.1 | 6,221.9 | 6,676.1  | 6,094.1  | 6,277.8  | 6,577.9  | 6,530.8  |
| 2.2.1. Public creditors                  | 1,889.6 | 1,867.0 | 2,196.7 | 2,162.4 | 2,253.5  | 2,115.0  | 2,060.5  | 2,188.4  | 2,146.9  |
| a) International financial organizations | 673.1   | 851.0   | 1,039.2 | 1,013.9 | 1,114.4  | 1,065.9  | 1,045.4  | 1,120.3  | 1,097.0  |
| – IMF                                    | 208.3   | 231.8   | 233.9   | 196.6   | 158.7    | 151.7    | 136.4    | 138.4    | 124.3    |
| – IBRD                                   | 188.4   | 294.5   | 344.1   | 395.0   | 411.9    | 408.5    | 406.7    | 416.1    | 415.3    |
| – IFC                                    | 0.0     | 0.0     | 30.9    | 28.6    | 71.9     | 68.7     | 73.6     | 88.5     | 86.5     |
| – EBRD                                   | 108.4   | 171.2   | 251.3   | 218.8   | 296.8    | 275.5    | 273.3    | 301.2    | 296.6    |
| – EUROFIMA                               | 32.8    | 42.9    | 72.6    | 78.5    | 85.6     | 80.8     | 77.8     | 86.0     | 85.3     |
| – EIB                                    | 131.0   | 108.3   | 105.2   | 81.0    | 65.6     | 57.7     | 55.0     | 54.8     | 54.1     |
| – CEB                                    | 4.2     | 2.3     | 1.1     | 15.4    | 24.0     | 23.1     | 22.5     | 35.2     | 34.9     |
| b) Governments and government agencies   | 1,216.5 | 1,016.0 | 1,157.5 | 1,148.5 | 1,139.1  | 1,049.0  | 1,015.1  | 1,068.1  | 1,049.9  |
| – Paris Club                             | 1,014.1 | 852.5   | 884.8   | 770.8   | 686.4    | 641.2    | 626.3    | 635.1    | 630.9    |
| – Other                                  | 202.4   | 163.5   | 272.7   | 377.7   | 452.7    | 407.8    | 388.9    | 433.1    | 419.0    |
| 2.2.2. Private creditors                 | 1,045.4 | 2,301.4 | 4,052.5 | 4,059.5 | 4,422.7  | 3,979.1  | 4,217.3  | 4,389.5  | 4,383.9  |
| a) Banks                                 | 736.0   | 1,833.3 | 3,257.5 | 3,311.9 | 3,346.7  | 3,210.4  | 3,254.3  | 3,442.0  | 3,453.2  |
| o/w: guaranteed by government agencies   | 191.8   | 167.0   | 213.7   | 330.7   | 606.4    | 470.9    | 465.0    | 495.5    | 613.1    |
| b) Other sectors                         | 309.4   | 468.1   | 794.9   | 747.6   | 1,075.9  | 768.7    | 963.0    | 947.5    | 930.7    |
| o/w: guaranteed by government agencies   | 21.9    | 17.6    | 28.5    | 17.8    | 13.8     | 11.9     | 11.0     | 11.2     | 10.8     |
| 2.3. Short-term                          | 411.2   | 538.5   | 664.4   | 541.3   | 696.6    | 945.0    | 721.5    | 643.5    | 265.7    |
| 2.3.1. Public creditors                  | 0.0     | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |
| 2.3.2. Private creditors                 | 411.2   | 538.5   | 664.4   | 541.3   | 696.6    | 945.0    | 721.5    | 643.5    | 265.7    |
| a) Banks                                 | 278.6   | 370.1   | 381.1   | 246.1   | 481.9    | 504.3    | 414.8    | 401.0    | 36.1     |
| o/w: guaranteed by government agencies   | 0.0     | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |
| b) Other sectors                         | 132.6   | 168.4   | 283.3   | 295.2   | 214.7    | 440.7    | 306.6    | 242.6    | 229.6    |
| o/w: guaranteed by government agencies   | 0.0     | 0.0     | 0.1     | 0.0     | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |
| Total (1+2)                              | 5,307.6 | 7,451.6 | 9,586.2 | 9,872.3 | 10,985.1 | 11,151.9 | 11,135.3 | 11,648.8 | 11,175.0 |

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<br>31/10/2001 | Nonreported principal payments | Projected future principal payments |       |       |       |       |         |         |         |         |         |       |       |         |
|-----------------------------------------|--------------------------------|--------------------------------|-------------------------------------|-------|-------|-------|-------|---------|---------|---------|---------|---------|-------|-------|---------|
|                                         |                                |                                | Q4/01                               | Q1/02 | Q2/02 | Q3/02 | Q4/02 | 2002    | 2003    | 2004    | 2005    | 2006    | 2007  | 2008  | Other   |
| 1. Direct investment                    | 1,108.3                        | 47.0                           | 78.7                                | 32.7  | 81.1  | 18.1  | 21.4  | 153.3   | 148.3   | 95.7    | 186.0   | 243.2   | 61.9  | 17.1  | 77.1    |
| 2. Government                           | 5,017.2                        | 4.1                            | 21.7                                | 406.4 | 71.1  | 112.5 | 30.1  | 620.1   | 309.4   | 706.3   | 735.0   | 760.2   | 530.5 | 200.8 | 1,129.1 |
| 2.1. Portfolio investment               | 3,771.6                        | 0.0                            | 0.0                                 | 374.7 | 46.1  | 74.7  | 0.0   | 495.4   | 161.2   | 543.8   | 614.0   | 638.0   | 406.2 | 78.0  | 835.1   |
| Bonds                                   | 3,771.6                        | 0.0                            | 0.0                                 | 374.7 | 46.1  | 74.7  | 0.0   | 495.4   | 161.2   | 543.8   | 614.0   | 638.0   | 406.2 | 78.0  | 835.1   |
| 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     |
| 2.2. Other investment                   | 1,245.6                        | 4.1                            | 21.7                                | 31.8  | 25.0  | 37.8  | 30.1  | 124.7   | 148.2   | 162.5   | 121.1   | 122.2   | 124.3 | 122.9 | 294.0   |
| 2.2.1. Trade credits                    | 1.2                            | 0.0                            | 0.0                                 | 0.2   | 0.0   | 0.2   | 0.0   | 0.4     | 0.4     | 0.4     | 0.0     | 0.0     | 0.0   | 0.0   | 0.0     |
| Long-term                               | 1.2                            | 0.0                            | 0.0                                 | 0.2   | 0.0   | 0.2   | 0.0   | 0.4     | 0.4     | 0.4     | 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     |
| 2.2.2. Credits                          | 1,244.5                        | 4.0                            | 21.7                                | 31.6  | 25.0  | 37.6  | 30.1  | 124.3   | 147.8   | 162.2   | 121.1   | 122.2   | 124.3 | 122.9 | 294.0   |
| Long-term                               | 1,244.5                        | 4.0                            | 21.7                                | 31.6  | 25.0  | 37.6  | 30.1  | 124.3   | 147.8   | 162.2   | 121.1   | 122.2   | 124.3 | 122.9 | 294.0   |
| 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     |
| 3. Croatian National Bank               | 124.3                          | 0.0                            | 0.0                                 | 3.1   | 13.9  | 3.1   | 13.9  | 34.0    | 34.0    | 34.0    | 13.1    | 6.1     | 3.1   | 0.0   | 0.0     |
| o/w: IMF                                | 124.3                          | 0.0                            | 0.0                                 | 3.1   | 13.9  | 3.1   | 13.9  | 34.0    | 34.0    | 34.0    | 13.1    | 6.1     | 3.1   | 0.0   | 0.0     |
| 4. Banks                                | 1,790.0                        | 51.5                           | 24.3                                | 48.2  | 27.7  | 77.6  | 67.1  | 220.6   | 476.7   | 140.6   | 85.1    | 77.7    | 48.1  | 50.3  | 615.2   |
| 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     |
| 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     |
| 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     |
| 4.2. Other investment                   | 1,790.0                        | 51.5                           | 24.3                                | 48.2  | 27.7  | 77.6  | 67.1  | 220.6   | 476.7   | 140.6   | 85.1    | 77.7    | 48.1  | 50.3  | 615.2   |
| 4.2.1. Currency and deposits            | 551.3                          | 0.0                            | 0.0                                 | 0.0   | 0.0   | 0.0   | 0.0   | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   | 0.0   | 551.3   |
| 4.2.2. Credits                          | 1,238.7                        | 51.5                           | 24.3                                | 48.2  | 27.7  | 77.6  | 67.1  | 220.6   | 476.7   | 140.6   | 85.1    | 77.7    | 48.1  | 50.3  | 63.9    |
| Long-term                               | 1,231.2                        | 45.5                           | 24.0                                | 47.5  | 27.7  | 77.6  | 66.7  | 219.4   | 476.7   | 140.6   | 85.1    | 77.7    | 48.1  | 50.3  | 63.9    |
| Short-term                              | 7.5                            | 6.0                            | 0.4                                 | 0.7   | 0.0   | 0.0   | 0.5   | 1.1     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   | 0.0   | 0.0     |
| 5. Other sectors                        | 3,135.0                        | 319.4                          | 140.8                               | 149.6 | 256.2 | 103.5 | 159.7 | 669.0   | 470.2   | 454.6   | 257.2   | 271.6   | 181.3 | 130.8 | 240.3   |
| 5.1. Portfolio investment               | 55.5                           | 0.0                            | 0.0                                 | 22.5  | 4.9   | 0.0   | 0.0   | 27.4    | 0.0     | 28.1    | 0.0     | 0.0     | 0.0   | 0.0   | 0.0     |
| Bonds                                   | 28.1                           | 0.0                            | 0.0                                 | 0.0   | 0.0   | 0.0   | 0.0   | 0.0     | 0.0     | 28.1    | 0.0     | 0.0     | 0.0   | 0.0   | 0.0     |
| Money market instruments                | 27.4                           | 0.0                            | 0.0                                 | 22.5  | 4.9   | 0.0   | 0.0   | 27.4    | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   | 0.0   | 0.0     |
| 5.2. Other investment                   | 3,079.5                        | 319.4                          | 140.8                               | 127.1 | 251.3 | 103.5 | 159.7 | 641.6   | 470.2   | 426.5   | 257.2   | 271.6   | 181.3 | 130.8 | 240.3   |
| 5.2.1. Trade credits                    | 307.1                          | 76.5                           | 28.7                                | 43.6  | 37.0  | 18.7  | 21.6  | 120.8   | 39.6    | 23.9    | 11.4    | 3.7     | 1.1   | 0.5   | 1.0     |
| Long-term                               | 234.0                          | 53.3                           | 17.8                                | 21.3  | 24.9  | 17.3  | 18.4  | 81.8    | 39.6    | 23.9    | 11.4    | 3.7     | 1.1   | 0.5   | 1.0     |
| Short-term                              | 73.1                           | 23.2                           | 10.9                                | 22.3  | 12.1  | 1.5   | 3.2   | 39.0    | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   | 0.0   | 0.0     |
| 5.2.2. Credits                          | 2,772.5                        | 242.9                          | 112.1                               | 83.6  | 214.3 | 84.7  | 138.1 | 520.8   | 430.6   | 402.6   | 245.9   | 267.9   | 180.2 | 130.3 | 239.3   |
| Long-term                               | 2,707.8                        | 206.7                          | 100.9                               | 80.8  | 209.6 | 83.4  | 129.8 | 503.6   | 430.6   | 402.6   | 245.8   | 267.9   | 180.2 | 130.3 | 239.3   |
| Short-term                              | 64.6                           | 36.2                           | 11.2                                | 2.8   | 4.7   | 1.3   | 8.4   | 17.2    | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   | 0.0   | 0.0     |
| Total (1+2+3+4+5)                       | 11,174.9                       | 421.9                          | 265.5                               | 640.0 | 450.0 | 314.7 | 292.3 | 1,697.0 | 1,438.5 | 1,431.0 | 1,276.5 | 1,358.8 | 824.9 | 399.0 | 2,061.7 |
| Supplement: Projected interest payments |                                | 53.3                           | 73.8                                | 237.9 | 90.2  | 127.8 | 85.8  | 541.8   | 462.2   | 387.6   | 301.4   | 223.3   | 153.9 | 111.5 | 230.6   |
| Note:                                   |                                |                                |                                     |       |       |       |       |         |         |         |         |         |       |       |         |
| Publicly guaranteed debt                | 1,474.8                        |                                |                                     |       |       |       |       |         |         |         |         |         |       |       |         |
| o/w: Banks and other sectors            | 1,022.6                        |                                |                                     |       |       |       |       |         |         |         |         |         |       |       |         |

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

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

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

able interest rates.

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

Table I1: Consolidated Central Government

Million kuna

|                                                             | 1996     | 1997     | 1998     | 1999      | 2000      | 2001     |          |         |         |         |         |
|-------------------------------------------------------------|----------|----------|----------|-----------|-----------|----------|----------|---------|---------|---------|---------|
|                                                             |          |          |          |           |           | Mar.     | Jun.     | Jul.    | Aug.    | Sep.    | Oct.    |
| <b>TOTAL REVENUE AND GRANTS</b>                             |          |          |          |           |           |          |          |         |         |         |         |
| 1. Budgetary central government                             | 31,367.5 | 33,846.1 | 43,808.6 | 46,355.5  | 44,635.7  | 3,314.2  | 3,444.9  | 4,788.2 | 4,715.0 | 4,483.5 | 8,515.6 |
| 2. Extrabudgetary funds                                     | 17,029.1 | 19,499.1 | 21,302.1 | 21,185.5  | 22,099.3  | 1,759.2  | 1,945.7  | 1,002.9 | 913.4   | 962.5   | 1,018.4 |
| 2.1. Pension Fund                                           | 9,584.7  | 11,022.2 | 10,713.4 | 10,799.8  | 11,254.2  | 910.2    | 1,009.1  | 11.0    | 3.1     | 11.6    | 6.2     |
| 2.2. Health Insurance Fund                                  | 5,196.3  | 5,824.2  | 8,269.0  | 8,686.4   | 8,967.4   | 720.1    | 790.4    | 829.6   | 755.1   | 776.7   | 817.3   |
| 2.3. Employment Fund                                        | 676.1    | 638.3    | 718.2    | 760.6     | 822.4     | 71.6     | 75.4     | 77.5    | 78.3    | 74.4    | 79.5    |
| 2.4. Child Benefit Fund                                     | 878.5    | 976.7    | 542.8    | 9.1       | 7.1       | 0.7      | 0.3      | 0.0     | 0.4     | 0.4     | 0.4     |
| 2.5. Croatian Roads Administration <sup>a</sup>             | –        | –        | –        | –         | –         | –        | –        | –       | –       | –       | –       |
| 2.6. Croatian Waters                                        | 693.5    | 1,037.7  | 1,058.6  | 929.6     | 1,048.2   | 56.6     | 70.4     | 84.8    | 76.4    | 99.4    | 115.1   |
| A. Total (1+2)                                              | 48,396.6 | 53,345.3 | 65,110.7 | 67,541.0  | 66,735.0  | 5,073.5  | 5,390.6  | 5,791.1 | 5,628.4 | 5,446.0 | 9,534.0 |
| <b>TOTAL EXPENDITURE AND NET LENDING (minus repayments)</b> |          |          |          |           |           |          |          |         |         |         |         |
| 3. Budgetary central government                             | 27,591.9 | 29,409.4 | 34,125.4 | 35,979.1  | 36,730.8  | 3,483.7  | 2,298.5  | 4,365.5 | 4,198.6 | 4,621.4 | 4,654.6 |
| 4. Extrabudgetary funds                                     | 21,282.1 | 25,522.5 | 30,103.1 | 34,363.9  | 37,701.4  | 3,285.3  | 3,343.1  | 1,615.0 | 1,411.9 | 1,584.6 | 1,581.4 |
| 4.1. Pension Fund                                           | 10,459.8 | 13,795.1 | 16,170.4 | 18,998.5  | 20,180.8  | 1,908.5  | 1,950.3  | 123.6   | 103.3   | 111.3   | 108.0   |
| 4.2. Health Insurance Fund                                  | 8,357.5  | 8,742.8  | 10,776.0 | 11,919.6  | 13,918.1  | 1,024.7  | 1,022.1  | 1,069.7 | 928.0   | 1,049.7 | 1,064.6 |
| 4.3. Employment Fund                                        | 676.2    | 714.1    | 571.2    | 824.9     | 995.5     | 77.7     | 79.4     | 74.5    | 70.9    | 72.7    | 71.0    |
| 4.4. Child Benefit Fund                                     | 853.2    | 1,003.7  | 1,032.1  | 1,136.2   | 1,250.6   | 215.4    | 204.7    | 242.2   | 224.6   | 232.7   | 216.2   |
| 4.5. Croatian Roads Administration <sup>a</sup>             | –        | –        | –        | –         | –         | –        | –        | –       | –       | –       | –       |
| 4.6. Croatian Waters                                        | 935.5    | 1,266.8  | 1,553.3  | 1,484.8   | 1,356.4   | 59.0     | 86.6     | 105.0   | 85.2    | 118.3   | 121.6   |
| B. Total (3+4)                                              | 48,874.0 | 54,931.9 | 64,228.6 | 70,343.0  | 74,432.3  | 6,769.0  | 5,641.6  | 5,980.5 | 5,610.5 | 6,206.0 | 6,236.0 |
| C. Overall surplus/deficit (A-B)                            | -477.4   | -1,586.7 | 882.1    | -2,802.1  | -7,697.3  | -1,695.5 | -251.0   | -189.4  | 17.8    | -760.0  | 3,298.0 |
| 5. Budgetary central government (1-3)                       | 3,775.6  | 4,436.7  | 9,683.1  | 10,376.4  | 7,904.8   | -169.5   | 1,146.4  | 422.7   | 516.4   | -137.9  | 3,861.0 |
| 6. Extrabudgetary funds (2-4)                               | -4,253.0 | -6,023.4 | -8,801.1 | -13,178.4 | -15,602.1 | -1,526.1 | -1,397.4 | -612.1  | -498.6  | -622.1  | -563.0  |

<sup>a</sup> In 1995 included in government budget; Source: Ministry of Finance

Table I2: Budgetary Central Government Operations

Million kuna

|                                                         | 1996     | 1997     | 1998     | 1999     | 2000     | 2001     |         |         |         |         |          |
|---------------------------------------------------------|----------|----------|----------|----------|----------|----------|---------|---------|---------|---------|----------|
|                                                         |          |          |          |          |          | Mar.     | Jun.    | Jul.    | Aug.    | Sep.    | Oct.     |
| 1. Total revenue                                        | 31,367.5 | 33,846.1 | 43,808.6 | 46,355.5 | 44,635.7 | 3,314.2  | 3,444.9 | 4,891.2 | 4,847.2 | 4,617.2 | 8,628.5  |
| 1.1. Current revenue                                    | 30,244.3 | 33,385.0 | 42,019.4 | 40,044.6 | 41,535.0 | 3,297.2  | 3,426.4 | 4,875.2 | 4,730.6 | 4,594.7 | 5,312.1  |
| 1.1.1. Tax revenue                                      | 28,530.4 | 31,338.2 | 39,899.7 | 38,317.6 | 39,939.0 | 3,203.4  | 3,325.0 | 4,671.9 | 4,637.7 | 4,441.6 | 5,170.3  |
| 1.1.2. Nontax revenue                                   | 1,713.9  | 2,046.8  | 2,119.7  | 1,727.0  | 1,595.9  | 93.8     | 101.4   | 203.3   | 92.9    | 153.1   | 141.8    |
| 1.2. Capital revenue                                    | 1,123.1  | 461.1    | 1,789.2  | 6,310.9  | 3,100.7  | 17.0     | 18.5    | 16.0    | 116.5   | 22.5    | 3,316.4  |
| 2. Grants                                               | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0     | 0.0     | 0.0     | 0.0     | 0.0      |
| 2.1. Current                                            | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0     | 0.0     | 0.0     | 0.0     | 0.0      |
| 2.2. Capital                                            | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0     | 0.0     | 0.0     | 0.0     | 0.0      |
| A. Total revenue and grants (1+2)                       | 31,367.5 | 33,846.1 | 43,808.6 | 46,355.5 | 44,635.7 | 3,314.2  | 3,444.9 | 4,891.2 | 4,847.2 | 4,617.2 | 8,628.5  |
| 3. Total expenditure                                    | 30,972.8 | 34,395.2 | 41,390.4 | 47,379.6 | 49,567.5 | 4,932.9  | 3,703.6 | 5,037.0 | 4,873.6 | 5,321.9 | 5,262.8  |
| 3.1. Current expenditure                                | 25,930.1 | 29,579.7 | 34,883.0 | 38,476.1 | 44,237.4 | 4,973.2  | 3,452.6 | 4,742.0 | 4,542.1 | 5,006.3 | 4,845.2  |
| 3.2. Capital expenditure                                | 5,042.7  | 4,815.5  | 6,507.3  | 8,903.5  | 5,330.1  | 229.7    | 251.0   | 295.0   | 331.5   | 255.5   | 417.6    |
| 4. Lending minus repayments                             | 528.7    | 611.1    | 1,161.5  | 1,499.2  | 1,176.1  | 84.1     | 76.6    | 23.9    | 53.2    | 100.9   | 106.2    |
| B. Total expenditure and net lending (3+4)              | 31,501.5 | 35,006.3 | 42,551.9 | 48,878.8 | 50,743.5 | 5,017.0  | 3,780.3 | 5,060.7 | 4,926.8 | 5,422.8 | 5,369.1  |
| 5. Current account surplus without grants (1.1.-3.1.)   | 4,314.3  | 3,805.3  | 7,136.4  | 1,568.5  | -2,702.4 | -1,406.0 | -26.2   | 133.3   | 188.5   | -471.7  | 466.8    |
| 6. Current account surplus with current grants (5+2.1.) | 4,314.3  | 3,805.3  | 7,136.4  | 1,568.5  | -2,702.4 | -1,406.0 | -26.2   | 133.3   | 188.5   | -471.7  | 466.8    |
| 7. Gross fixed capital formation <sup>a</sup>           | 1,113.9  | 1,516.4  | 976.1    | -2,216.9 | -395.4   | 63.6     | 79.5    | 68.4    | -34.5   | 97.2    | -3,139.4 |
| 8. Gross capital formation <sup>b</sup>                 | 1,113.9  | 1,516.4  | 976.1    | -2,216.9 | -395.4   | 63.6     | 79.5    | 68.4    | -34.5   | 97.2    | -3,139.4 |
| C. Overall surplus/deficit (A-B)                        | -134.0   | -1,160.2 | 1,256.7  | -2,523.3 | -6,107.9 | -1,702.8 | -335.3  | -169.6  | -79.6   | -805.6  | 3,259.4  |
| 9. Foreign financing                                    | 803.9    | 2,985.9  | -9.1     | 4,615.1  | 6,921.5  | 3,265.4  | -28.9   | 1,053.7 | 240.6   | 1,515.7 | -3,360.9 |
| 10. Domestic financing                                  | -669.9   | -1,825.7 | -1,247.6 | -2,091.8 | -813.6   | -1,562.7 | 364.2   | -884.1  | -160.9  | -710.1  | 101.4    |
| 10.1. From other government                             | 0.0      | 0.0      | 190.0    | -87.0    | -92.0    | 0.0      | 0.0     | 0.0     | 0.0     | 0.0     | 0.0      |
| 10.2. From monetary authorities                         | -152.7   | -354.8   | 112.4    | 2.0      | -12.5    | -197.0   | 126.6   | 18.7    | -102.9  | -120.1  | 173.4    |
| 10.3. From deposit money banks                          | -308.4   | -1,357.3 | -1,638.6 | -1,859.4 | -288.8   | -1,239.2 | 237.5   | -902.8  | -57.6   | -568.0  | -72.0    |
| 10.4. Other domestic financing                          | -208.8   | -113.6   | 88.7     | -147.4   | -420.3   | -126.4   | 0.0     | 0.0     | -0.4    | -22.0   | 0.0      |
| D. Total financing (9+10)                               | 134.0    | 1,160.2  | -1,256.7 | 2,523.3  | 6,107.9  | 1,702.8  | 335.3   | 169.6   | 79.6    | 805.6   | -3,259.4 |

<sup>a</sup> Net purchase of fixed capital formation; <sup>b</sup> 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

|                                                | 1996     | 1997     | 1998     | 1999     | 2000     | 2001     |          |          |          |          |
|------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                                | Dec.     | Dec.     | Dec.     | Dec.     | Dec.     | Mar.     | Jun.     | Jul.     | Aug.*    | Sep.     |
| 1. Domestic debt of central government         | 17,263.0 | 15,538.4 | 15,047.8 | 16,754.6 | 21,344.7 | 22,551.6 | 22,832.8 | 22,288.5 | 23,145.8 | 24,002.7 |
| 1.1. Domestic debt of the Republic of Croatia  | 17,260.7 | 15,467.1 | 14,582.9 | 16,012.1 | 18,509.7 | 19,595.3 | 20,080.7 | 19,504.5 | 20,211.7 | 20,329.2 |
| Treasury bills                                 | 272.1    | 449.6    | 565.8    | 776.7    | 2,564.6  | 4,418.0  | 5,579.7  | 5,698.4  | 4,962.6  | 4,454.2  |
| Money market instruments                       | 254.3    | 44.0     | 96.8     | 153.3    | 14.2     | 11.8     | 10.6     | 10.9     | 8.2      | 1.5      |
| Bonds                                          | 16,055.2 | 14,159.2 | 13,035.8 | 13,720.7 | 14,082.5 | 13,631.2 | 13,070.0 | 12,356.1 | 13,015.5 | 14,397.6 |
| Credits from the CNB                           | 218.8    | –        | –        | 24.1     | 0.0      | –        | 0.0      | –        | 4.1      | –        |
| Credits from DMBs                              | 460.2    | 814.3    | 884.4    | 1,337.3  | 1,848.4  | 1,534.2  | 1,420.5  | 1,439.1  | 2,221.3  | 1,475.9  |
| 1.2. Domestic debt of central government funds | 2.3      | 71.3     | 465.0    | 742.5    | 2,835.0  | 2,956.3  | 2,752.1  | 2,784.0  | 2,934.1  | 3,673.5  |
| Money market instruments                       | –        | –        | –        | –        | 20.5     | 21.0     | 20.8     | 93.1     | 98.0     | 96.6     |
| Bonds                                          | –        | –        | –        | –        | 1,686.8  | 1,705.1  | 1,625.2  | 1,595.3  | 1,689.6  | 1,674.3  |
| Credits from DMBs                              | 2.3      | 71.3     | 465.0    | 742.5    | 1,127.6  | 1,230.2  | 1,106.1  | 1,095.7  | 1,146.5  | 1,902.5  |
| 2. External debt of central government         | 13,477.8 | 18,314.9 | 21,049.7 | 29,962.5 | 38,648.2 | 44,875.0 | 43,906.2 | 43,307.3 | 45,201.5 | 44,150.1 |
| 2.1. External debt of the Republic of Croatia  | ....     | ....     | 19,920.0 | 28,598.2 | 36,562.3 | 42,059.6 | 41,175.2 | 40,630.4 | 42,401.4 | 41,741.1 |
| Money market instruments                       | ....     | ....     | –        | –        | –        | –        | –        | –        | –        | –        |
| Bonds                                          | ....     | ....     | 12,431.1 | 18,903.3 | 25,231.2 | 30,341.6 | 29,702.7 | 29,708.5 | 31,033.9 | 30,641.7 |
| Credits                                        | ....     | ....     | 7,489.0  | 9,694.9  | 11,331.1 | 11,718.0 | 11,472.5 | 10,921.9 | 11,367.5 | 11,099.3 |
| 2.2. External debt of central government funds | ....     | ....     | 1,129.7  | 1,364.3  | 2,085.9  | 2,815.4  | 2,731.0  | 2,676.9  | 2,800.1  | 2,409.0  |
| Money market instruments                       | ....     | ....     | –        | –        | –        | –        | –        | –        | –        | –        |
| Bonds                                          | ....     | ....     | 372.1    | 390.6    | 386.5    | 726.5    | 705.3    | 681.9    | 709.5    | 700.6    |
| Credits                                        | ....     | ....     | 757.6    | 973.7    | 1,699.3  | 2,088.9  | 2,025.7  | 1,995.0  | 2,090.6  | 1,708.4  |
| 3. Total (1+2)                                 | 30,740.9 | 33,853.3 | 36,097.5 | 46,717.1 | 59,992.4 | 67,426.6 | 66,739.0 | 65,595.8 | 68,347.4 | 68,152.8 |
| Supplement: Central government guaranteed debt |          |          |          |          |          |          |          |          |          |          |
| – guarantees for domestic debt                 | ....     | ....     | ....     | ....     | 4,104.5  | 5,492.0  | 6,412.1  | 6,477.6  | 7,256.2  | 8,022.4  |
| – guarantees for external debt                 | ....     | ....     | ....     | ....     | 12,374.9 | 13,193.1 | 12,578.4 | 12,126.9 | 12,709.5 | 12,181.8 |

Table I3: Central Government Debt

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

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

Table J1: Retail Prices, Costs of Living and Producer Prices Indices

| Year     | Month     | Chain indices |                 |                 | Monthly year-on-year indices |                 |                 | Cumulative year-on-year indices |                 |                 |
|----------|-----------|---------------|-----------------|-----------------|------------------------------|-----------------|-----------------|---------------------------------|-----------------|-----------------|
|          |           | Retail prices | Costs of living | Producer prices | Retail prices                | Costs of living | Producer prices | Retail prices                   | Costs of living | Producer prices |
| 1992     | December  | 122.4         | 125.3           | 129.1           | 1,053.4                      | 1,026.3         | 1,120.9         | 745.4                           | 694.7           | 846.6           |
| 1993     | December  | 99.5          | 100.6           | 98.5            | 1,249.7                      | 1,225.1         | 1,175.6         | 1,616.6                         | 1,591.3         | 1,610.4         |
| 1994     | December  | 100.2         | 100.9           | 100.2           | 97.0                         | 102.5           | 94.5            | 197.5                           | 207.2           | 177.7           |
| 1995     | December  | 100.2         | 100.7           | 100.5           | 103.7                        | 104.6           | 101.6           | 102.0                           | 104.0           | 100.8           |
| 1996     | December  | 100.0         | 100.4           | 100.3           | 103.4                        | 103.7           | 101.5           | 103.5                           | 104.3           | 101.4           |
| 1997     | December  | 100.7         | 101.2           | 99.9            | 103.8                        | 104.9           | 101.6           | 103.6                           | 104.1           | 102.3           |
| 1998     | December  | 100.2         | 100.7           | 100.0           | 105.4                        | 105.3           | 97.9            | 105.7                           | 106.4           | 98.8            |
| 1999     | December  | 100.3         | 101.0           | 100.3           | 104.4                        | 103.6           | 105.9           | 104.2                           | 103.5           | 102.6           |
| 2000     | June      | 101.9         | 100.7           | 100.7           | 107.0                        | 105.6           | 110.6           | 105.4                           | 104.3           | 109.5           |
|          | July      | 100.5         | 100.1           | 99.8            | 106.5                        | 105.3           | 109.4           | 105.4                           | 104.4           | 109.4           |
|          | August    | 100.0         | 99.7            | 100.2           | 106.5                        | 105.6           | 108.7           | 105.5                           | 104.6           | 109.3           |
|          | September | 101.2         | 101.2           | 100.9           | 107.1                        | 106.6           | 108.9           | 105.7                           | 104.7           | 109.2           |
|          | October   | 100.6         | 100.7           | 101.1           | 107.3                        | 107.0           | 109.7           | 105.9                           | 105.0           | 109.4           |
|          | November  | 100.2         | 100.2           | 103.4           | 107.7                        | 107.4           | 111.3           | 106.0                           | 105.2           | 109.4           |
| December | 100.0     | 100.5         | 100.2           | 107.4           | 106.8                        | 111.2           | 106.2           | 105.3                           | 109.7           |                 |
| 2001     | January   | 100.1         | 100.5           | 99.3            | 106.6                        | 106.4           | 108.2           | 106.6                           | 106.4           | 108.2           |
|          | February  | 100.5         | 100.3           | 100.9           | 106.8                        | 106.0           | 108.3           | 106.7                           | 106.3           | 108.2           |
|          | March     | 100.1         | 100.1           | 98.4            | 106.0                        | 105.6           | 105.5           | 106.5                           | 105.9           | 107.3           |
|          | April     | 101.4         | 101.4           | 100.0           | 106.8                        | 106.4           | 105.1           | 106.6                           | 106.1           | 106.7           |
|          | May       | 100.6         | 101.2           | 100.0           | 107.2                        | 106.9           | 105.2           | 106.8                           | 106.3           | 106.4           |
|          | June      | 99.7          | 99.6            | 100.1           | 104.9                        | 105.8           | 104.5           | 106.4                           | 106.2           | 106.1           |
|          | July      | 99.4          | 98.8            | 99.3            | 103.8                        | 104.3           | 104.0           | 106.0                           | 105.9           | 105.8           |
|          | August    | 101.0         | 100.1           | 99.5            | 104.9                        | 104.7           | 103.4           | 105.9                           | 105.8           | 105.5           |
|          | September | 100.3         | 100.3           | 100.6           | 103.8                        | 103.6           | 103.0           | 105.7                           | 105.5           | 105.2           |
|          | October   | 99.9          | 99.5            | 100.2           | 103.2                        | 102.5           | 102.1           | 105.3                           | 105.2           | 104.8           |
|          | November  | 99.8          | 100.1           | 99.5            | 102.8                        | 102.4           | 98.0            | 105.1                           | 104.9           | 104.2           |

Source: Central Bureau of Statistics

Table J2: Core Retail Prices Indices

| Year     | Month     | Chain indices |       |          | Monthly year-on-year indices |       |          |
|----------|-----------|---------------|-------|----------|------------------------------|-------|----------|
|          |           | Total         | Goods | Services | Total                        | Goods | Services |
| 1994     | December  | 100.1         | 99.9  | 101.2    | 96.3                         | 94.8  | 109.1    |
| 1995     | December  | 100.1         | 100.0 | 100.5    | 103.1                        | 102.6 | 107.1    |
| 1996     | December  | 100.0         | 100.0 | 100.0    | 102.8                        | 101.9 | 109.5    |
| 1997     | December  | 100.2         | 100.2 | 100.5    | 102.5                        | 102.3 | 104.5    |
| 1998     | December  | 100.1         | 100.0 | 100.2    | 105.7                        | 105.3 | 107.8    |
| 1999     | December  | 100.1         | 100.2 | 100.0    | 104.2                        | 104.2 | 104.1    |
| 2000     | June      | 100.9         | 101.0 | 100.2    | 104.1                        | 104.2 | 103.5    |
|          | July      | 100.8         | 100.8 | 100.7    | 103.8                        | 103.8 | 103.6    |
|          | August    | 100.1         | 100.2 | 99.9     | 103.7                        | 103.9 | 103.4    |
|          | September | 101.4         | 101.4 | 101.4    | 104.5                        | 104.5 | 104.8    |
|          | October   | 100.3         | 100.3 | 100.0    | 104.2                        | 104.4 | 103.1    |
|          | November  | 100.1         | 100.1 | 100.2    | 104.6                        | 104.9 | 103.3    |
| December | 100.1     | 100.1         | 100.2 | 104.6    | 104.8                        | 103.5 |          |
| 2001     | January   | 100.0         | 100.0 | 100.2    | 104.5                        | 104.8 | 103.6    |
|          | February  | 100.2         | 100.2 | 100.0    | 104.5                        | 104.7 | 103.4    |
|          | March     | 100.3         | 100.1 | 100.9    | 104.6                        | 104.6 | 104.1    |
|          | April     | 100.5         | 100.5 | 100.6    | 104.9                        | 104.9 | 104.3    |
|          | May       | 100.4         | 100.4 | 101.2    | 105.1                        | 105.1 | 105.5    |
|          | June      | 100.2         | 100.2 | 100.1    | 104.4                        | 104.2 | 105.4    |
|          | July      | 100.2         | 100.2 | 100.8    | 103.8                        | 103.6 | 105.5    |
|          | August    | 100.2         | 100.1 | 100.3    | 103.9                        | 103.5 | 105.9    |
|          | September | 99.9          | 99.9  | 100.3    | 102.3                        | 102.0 | 104.7    |
|          | October   | 100.0         | 100.0 | 100.2    | 102.1                        | 101.7 | 104.9    |
|          | November  | 100.0         | 99.9  | 100.2    | 102.0                        | 101.5 | 104.8    |

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 | April     | 3,207.0                | 97.1          | 105.3                        | 108.5                           |
|      | May       | 3,367.0                | 105.0         | 110.8                        | 109.0                           |
|      | June      | 3,329.0                | 98.9          | 108.3                        | 108.9                           |
|      | July      | 3,274.0                | 98.3          | 107.6                        | 108.7                           |
|      | August    | 3,369.0                | 102.9         | 110.0                        | 108.9                           |
|      | September | 3,303.0                | 98.0          | 108.6                        | 108.9                           |
|      | October   | 3,369.0                | 102.0         | 110.8                        | 109.1                           |
|      | November  | 3,503.0                | 104.0         | 108.4                        | 109.0                           |
|      | December  | 3,499.0                | 99.9          | 107.3                        | 108.9                           |
| 2001 | January   | 3,546.0                | 101.3         | 111.2                        | 111.2                           |
|      | February  | 3,395.0                | 95.7          | 106.8                        | 109.0                           |
|      | March     | 3,535.0                | 104.1         | 107.0                        | 108.3                           |
|      | April     | 3,513.0                | 99.4          | 109.5                        | 108.6                           |
|      | May       | 3,625.0                | 103.2         | 107.6                        | 108.4                           |
|      | June      | 3,503.0                | 96.7          | 105.2                        | 107.8                           |
|      | July      | 3,550.0                | 101.3         | 108.4                        | 107.9                           |
|      | August    | 3,567.0                | 100.5         | 105.9                        | 107.6                           |
|      | September | 3,431.0                | 96.2          | 103.9                        | 107.2                           |

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

# List of Deposit Money Banks & Savings Banks

December 1, 2001

## Licensed Banks

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

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

37. Varaždinska banka d.d., Varaždin
38. Volksbank d.d., Zagreb
39. Zagrebačka banka d.d., Zagreb<sup>3</sup>

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

40. Hypobanka d.d., Zagreb
41. Nava banka d.d., Zagreb
42. Primorska banka d.d., Rijeka

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

43. Samoborska banka d.d., Samobor

## Licensed Savings Banks

1. Banica Credo štedionica d.d., Split<sup>4</sup>
2. Gospodarska štedionica d.d., Vrbovec<sup>4</sup>
3. Krapinska štedionica d.d., Krapina
4. Križevačka štedionica d.d., Križevci
5. Međimurska štedionica d.d., Čakovec<sup>4</sup>
6. Prva obrtnička štedionica d.d., Zagreb<sup>4</sup>
7. Slavonska štedionica d.d., Zagreb
8. Štedionica Brod d.d., Slavonski Brod<sup>4</sup>
9. Štedionica Dora d.d., Zagreb<sup>4</sup>
10. Štedionica More d.d., Zagreb<sup>4</sup>
11. Štedionica Sa-ga d.d., Zagreb<sup>4</sup>
12. Štedionica Sonic d.d., Zagreb<sup>4</sup>
13. Štedionica splitsko-dalmatinska d.d., Split<sup>4</sup>
14. Štedionica Zlatni vrutak d.d., Zagreb
15. Trgovačka štedionica d.d., Zagreb
16. Varaždinska štedionica Kovanica d.d., Varaždin<sup>4,5</sup>
17. ViD štedionica d.d., Zagreb<sup>4</sup>

## Licensed Housing Savings Banks

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

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

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

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

<sup>4</sup> Operating license includes collection of households' foreign exchange savings and exchange operations.

<sup>5</sup> The savings bank took over Štedionica Zlatnica d.d., Zagreb on Januar 19, 2001 and Štedionica Zagišted d.d., Zagreb on November 14, 2001.

## Other Licensed Institutions with Full Authorization

1. Hrvatska banka za obnovu i razvitak, Zagreb

## Representative Offices of Foreign Banks

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

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

## 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. Cibalae banka d.d., Vinkovci            | 20/10/2000                                |
| 4. Glumina banka d.d., Zagreb              | 30/04/1999                                |
| 5. Gold štedionica d.o.o., Split           | 05/10/2001                                |
| 6. Gradska banka d.d., Osijek              | 03/05/1999                                |
| 7. Građanska štedionica d.o.o., Karlovac   | 03/11/1998                                |
| 8. Hrvatsko gospodarska banka d.d., Zagreb | 19/04/2000                                |

## Banks and Savings Banks whose License Was Revoked

| Name of bank/savings bank                             | Date of revoking operating license |
|-------------------------------------------------------|------------------------------------|
| 1. Alpe Jadran banka d.d., Split                      | 06/12/2000                         |
| 2. Hibis štedionica d.d., Zagreb                      | 07/03/2001                         |
| 3. Investicijsko-komercijalna štedionica d.d., Zagreb | 22/03/2000                         |
| 4. Kaptol banka d.d., Zagreb                          | 07/03/2001                         |
| 5. Marvil štedionica d.d., Zagreb                     | 06.06.2001                         |
| 6. Štedionica Mediteran d.o.o., Split                 | 22.03.2000                         |
| 7. Zagrebačka štedionica d.d., Zagreb                 | 22/03/2000                         |

# Management of the Croatian National Bank

December 1, 2001

## Members of the Council of the Croatian National Bank

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

## Management of the CNB

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

## 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 |
| Planning, Analysis and Accounting Area                |                  |
| Payment Operations Area                               |                  |
| Organization Planning and Information Technology Area | Petar Ćurković   |
| Legal, Personnel and General Services Area            |                  |





