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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> (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	-2.3
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	10,987
Outstanding external debt <sup>d</sup> (as % of GDP)	24.2	20.7	20.2	26.7	37.1	44.3	49.3	57.7
Outstanding external debt <sup>d</sup> (as % of exports of goods and services)	42.6	42.4	53.7	67.7	90.7	111.9	121.6	126.8
Total repayment of external debt <sup>d</sup> (as % of exports of goods and services)	6.6	4.3	6.4	9.3	13.8	19.4	29.3	29.9
Gross international reserves (million USD, end of year)	616	1,405	1,895	2,314	2,539	2,816	3,025	3,525
Gross international reserves (in terms of months of imports of goods and services, end of year)	1.3	2.5	2.4	2.8	2.7	3.2	3.7	4.4
Exchange rate on December 31st (HRK : 1USD)	6.5619	5.6287	5.3161	5.5396	6.3031	6.2475	7.6477	8.1553
Average exchange rate (HRK : 1USD)	3.5774	5.9953	5.2300	5.4338	6.1571	6.3623	7.1124	8.2768

<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

Preliminary data on economic growth in the fourth quarter of 2001 indicate a BDP growth rate above 4%, as in the previous three quarters. On the production side, industrial production was 4.9% higher in the fourth quarter than in the same quarter the previous year and about 6.0% higher for the year than in 2000. Construction activity was up some 3.4% year-on-year in November, with housing construction showing particularly strong growth. Net foreign exchange earned by tourism was up some 36% year-on-year in the fourth quarter. Transport of passengers by road and air was down in the fourth quarter, but transport of goods was up by a modest 1.6%. Real retail trade turnover grew about 8.4% year-on-year in the fourth quarter, reflecting both continued strong consumer demand and the progress made by foreign chain stores that arrived in Croatia in reducing cross-border shopping.

On the demand side, growth continues to come mainly from domestic demand. Personal consumption remained strong, financed by strong increases of 10.8% in total nominal wage payments (fueled by year-end bonuses and payment of back wages) and some 20.4% in total government transfers to households in the fourth quarter. Consumption was also supported by continued growth in consumer lending. Domestic output of capital goods grew very sharply, about 29.2% year-on-year in the fourth quarter, suggesting that investment activity is not slacking off. This conclusion seems to hold despite some decreases in capital goods imports. These decreases seem to be concentrated in specialized areas where demand for specific capital goods may have been satisfied for the moment.

The other components of demand, government purchases and foreign demand, had negative effects on GDP. Purchases of consolidated central government, in line with the desire to reduce the budget deficit to a sustainable level, decreased by 10.2% during the year. The consolidated central government's wage bill fell by a more modest 3.8%. Overall, the government was able to meet its consolidated central government deficit target of 5.3% of GDP, as specified in the stand-by arrangement with the IMF.

Net demand for exports of goods and services made a negative contribution to GDP growth of 3.1 percentage points through the first three quarters of 2001, while net foreign demand is expected to have a positive contribution to GDP growth in the fourth quarter. Interestingly, despite the weakness of the EU economies in 2001, Croatian exports to the EU grew by 6.3%. However, exports to CEFTA countries decreased by 7.2%, while exports to other European developing countries (including those of the former Yugoslavia) grew by 17.4%.

Overall, Croatia experienced an increase in the merchandise trade deficit from USD 3.2bn in 2000 to USD 4.0bn in 2001. In part, this was due to increased capital goods imports driven by greater investment demand. The increase was also partly due to a one-off increase in demand for cars during the spring months. The increased merchandise trade deficit was

partly offset by an increased services surplus based mainly on larger tourism revenues. At the same time, the income account deficit increased noticeably, from USD 380m to about USD 534m, reflecting net income outflows based on FDIs. The result was an increase in the current account deficit from USD 433m to USD 613m (or from 2.3% to 3% of GDP).

One might ask whether this increase in the current account deficit represents a significant change in trend, since it is the first increase in the current account deficit as a share of GDP since 1997. However, the fourth quarter results, which showed a much smaller current account deficit than last year, are encouraging in this regard. It appears that much of the increase during the year was due to the one-off effect of the ending of tariff privileges for car purchases in the spring of 2001. Also, an increased current account deficit resulting from increased investment cannot be considered wholly negative. However, increases in income outflows should be monitored carefully, as should trends in merchandise trade and competitiveness.

The dominant event in the monetary sphere during the fourth quarter was the conversion of the EMU member states currencies into the euro. It is estimated that Croatian citizens converted foreign exchange in the value of EUR 2.1bn during the quarter. Much of this foreign exchange had been held "under the mattress" and its deposit in banks resulted in a major increase in the deposit base. M4 rose a remarkable 17.2% in the fourth quarter, with household foreign exchange deposits growing by EUR 2bn or 29.0%. Currency in circulation also grew noticeably, as some people chose to turn their cash holdings in German mark or in other currencies of the EMU member states directly into kunas, presumably for consumption purposes.

In the short-term, the euro conversion had a strong effect on the exchange rate. Instead of the usual seasonal depreciation in the fourth quarter, the kuna appreciated, ending the year at the relatively strong level of 7.37 to the euro. In the longer term, the euro conversion will increase the credit potential of the banks. As early as January, banks began to announce lower interest rates and more favorable lending terms, as they became sure that there would not be a major outflow of deposits. Thus, more rapid lending growth is a virtual certainty in the coming months. Banks are highly liquid in both kuna and foreign exchange, and interest rates are generally stable or falling.

The exchange rate of the kuna against the euro did depreciate during January, once the conversion inflows began to weaken. Both enterprises and the government had large foreign exchange obligations during the month, and their strong demand for foreign exchange pushed the kuna/euro exchange rate as far as 7.57 by the end of the month. However, once these specific foreign exchange needs were met, appreciation pressures appeared once again. Monetary policy sought to smooth out exchange rate movements, purchasing foreign exchange during the fourth quarter and then selling a smaller amount to the market in January. In this way, market expectations were kept within stable limits, and the central bank increased its international reserves to USD 4.7bn at year-end.

The strength of the kuna and favorable price trends for oil and imported inputs on the world markets have helped keep inflation low. By the end of 2001, retail price inflation had fallen to its lowest level in years, 2.6%, and core inflation had fallen to a mere 1.7%. Events in January partially reversed these falls, but nonetheless the overall inflationary environment remains favorable. The weakness in the world economy suggests stable import prices, and favorable productivity trends in industry suggest that unit labor costs will not grow.

At a longer time horizon, threats of higher inflation could come from increased aggregate demand as the economy approaches full capacity. Higher inflation could also come from import prices, when the world economy recovers more strongly. Rapid lending growth and government foreign borrowing could also contribute to this. At the moment, the forces keeping inflation in check outbalance these threats, but it will be necessary to follow developments closely.

Registered unemployment increased substantially in the last quarter of 2001. It appears that a good deal of this increase is due to new requirements that veterans register with the CEI. Additionally, the ending of several public works programs and enterprise closures also contributed to unemployment growth. At the same time, indicators such as the number of people receiving pay have increased, suggesting the new jobs are being created. Also, the number of job openings listed has increased. An increase in unemployment during an economic recovery is not unusual, since inactive workers are usually enticed back into the labor force, whether directly into employment or to employment search, when recovery is perceived to be gaining force.

## Demand

The indicators of economic trends both related to output and expenditures suggest that the GDP growth rate in the fourth quarter of 2001 will not fall behind the 4% growth rate in the third quarter. Compared with the same quarter last year, the seasonally adjusted value of industrial production increased by 4.9% in the fourth quarter, retail trade turnover by 8.4%, tourist nights by 9.8% and goods transport by 1.6%. In addition, there are indications of a positive impact of personal and investment consumption on GDP growth in the fourth quarter.

The slowdown in EU countries and in the general environment in late 2001 has not significantly affected developments in Croatia. On the contrary, the foreign trade balance improved in the fourth quarter, especially when compared with the first half of 2001. According to the preliminary balance of payments data, exports of goods and services, expressed in dollars, rose by 10.3% in the fourth quarter compared to the same quarter last year, goods exports by 10.2% and services exports by 10.5%. Subsequent to a sharp upturn in imports of capital equipment and cars in the first half of 2001, imports of goods and services stagnated in the second half of the year, rising by a slight 2.7% in the fourth quarter.

During the first three months in 2001, seasonally adjusted GDP increased by 4.3% in comparison with the same period

Figure 1

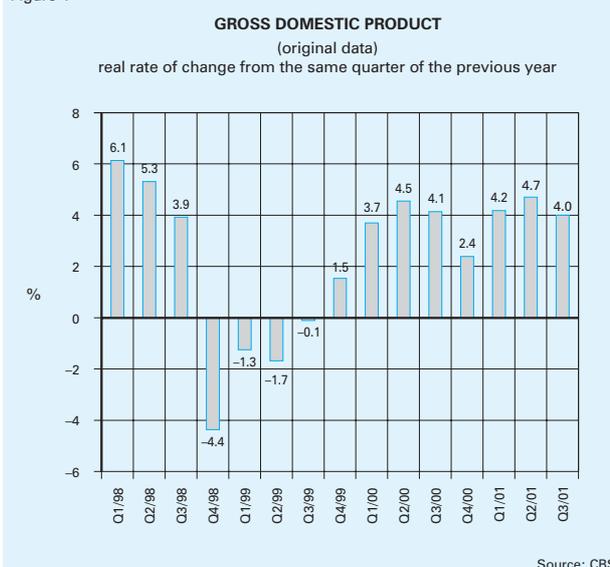
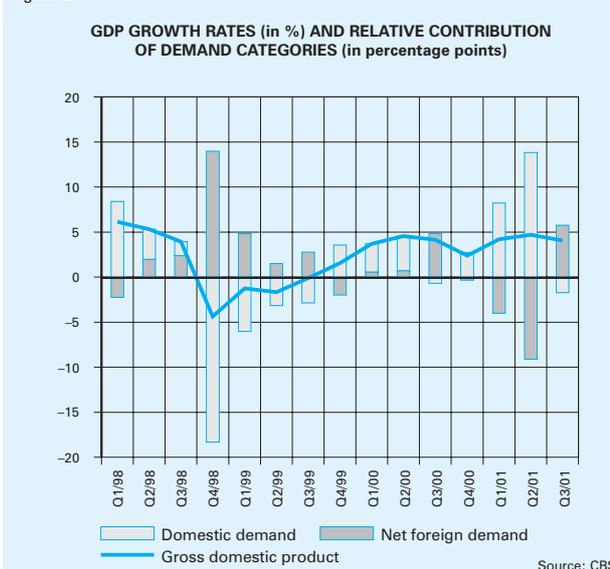


Figure 2

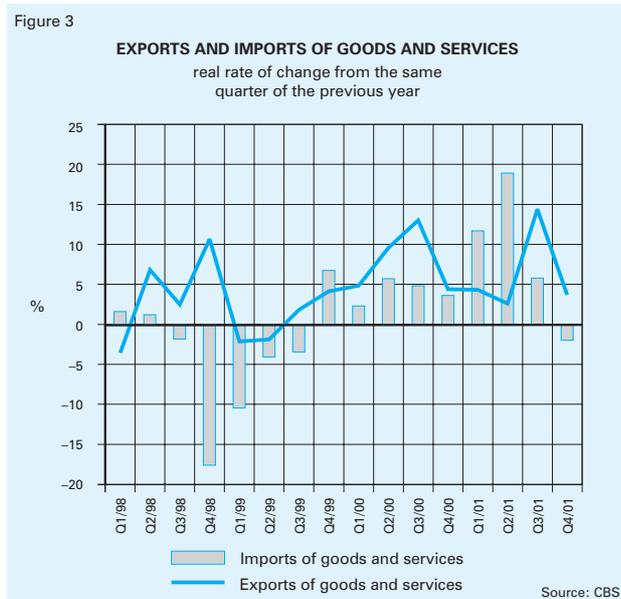


last year. In addition to the usual contribution of tourist services exports, there was a reversal of trends in net foreign relations in the third quarter compared with the first half of the year, while domestic consumption components trended downwards.

## Foreign Demand

In the first three quarters of 2001, the foreign trade balance negatively contributed to the 4.3% seasonally adjusted GDP growth rate by 3.1 percentage points. It is obvious that the favorable trends in foreign trade in the third quarter of 2001 could not compensate for the negative results achieved in the first half of 2001. These involved moderate growth rates of goods exports achieved in the period from the fourth quarter of 2000 up to the end of the first half of 2001 and a rise in goods imports in the first half of 2001.

In spite of the 2001 economic slowdown in EU countries,



exports of goods to these countries rose by 6.3%, measured in US dollars. In addition, exports of goods to EFTA countries and to other developing European countries (including countries of the former Yugoslavia) grew by 12.4% and 17.4% respectively, while the demand of CEFTA countries dropped by 7.2% in comparison with 2000.

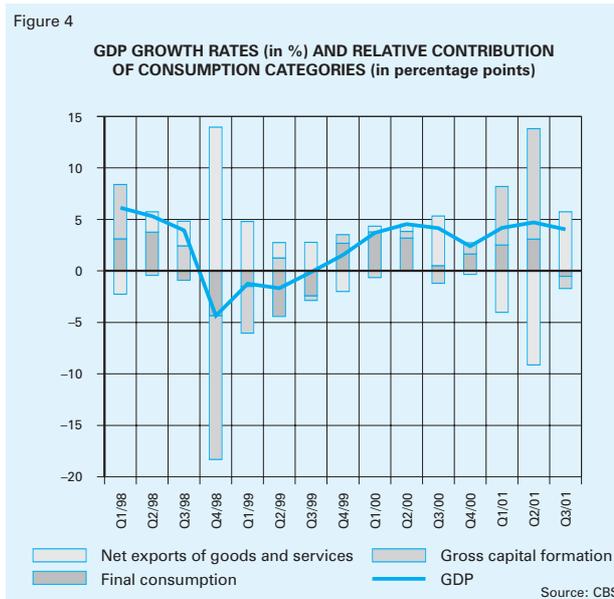
Although the merchandise trade deficit stopped trending downwards in 2001 after three consecutive years, foreign trade balance developments were favorable, especially in the second half of the year.

The late revival of export markets will influence goods exports in Croatia, so that they are expected to grow slightly in early 2002 and more strongly in the rest the year. December indicators of EMU customers and companies' confidence suggest the end of the general downward trend in activities. The latest data collected by the surveys on the euro area industrial sector show growing optimism of entrepreneurs in early 2002.

It is anticipated that GDP will grow at a slow pace in early 2002, which is to accelerate gradually in the remaining part of the year<sup>1</sup>. This is accounted for by the solid economic base of the euro area, whose imbalances do not require long-term corrective measures, by the fall in oil prices and by the expected further decrease in consumer prices, which is expected to stimulate real disposable income growth and spur domestic demand. Moreover, financing conditions are extremely favorable. International demand indicators suggest stable global economic growth. This is in spite of the remaining uncertainty regarding the economic outlook for the USA and other world regions affected by war or political crisis.

As estimated by the European Central Bank, the euro area GDP grew between 1.3% and 1.7% in 2001. It is projected to grow between 0.7% and 1.7% in 2002, with an expected slight or negative growth transfer from the previous year.

The European Commission forecast that the ten country candidates for the EU accession would achieve an average



economic growth of 3.1% in 2001 and 2002<sup>2</sup>, mostly spurred by domestic demand.

## Domestic Demand

The 10.8 percentage point positive contribution of domestic demand to the 4.4% GDP growth in the first half of 2001 was reduced downward in the third quarter when domestic demand contributed 0.6 percentage points to the 4.1% seasonally adjusted GDP growth. This reduction was mainly due to the lower contribution of personal consumption. The contribution of gross fixed capital formation trended downwards over the year, while government consumption increased its negative contribution over all three quarters.

## Personal Consumption

According to the seasonally adjusted data, personal consumption grew by 4.7% in the first three quarters of 2001 compared with the same period last year. The rate of growth varied from 5.3% in the first quarter to 6.8% in the second and 2.1% in the third.

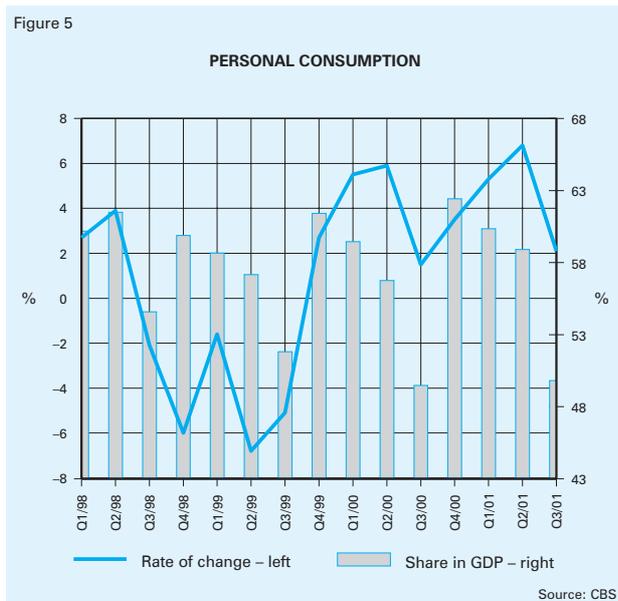
Data on imports of durable and non-durable consumer goods in the fourth quarter of 2001 do not suggest a slow-down in consumption compared to the previous quarter. Except for a fall in car imports, the growth rates of durable and non-durable consumer goods are exceptionally high. In addition, the average balance of commercial banks' loans to households in the fourth quarter of 2001 was 32.0% higher in nominal terms than that in the same quarter in the previous year. Retail prices grew at a lower year-on-year rate, providing a stimulus for disposable income growth late in the year.

Developments in retail trade turnover in the fourth quarter are illustrative of consumer behavior in late 2001. The seasonally adjusted real retail trade turnover was 8.4% higher than in the same quarter in the previous year. Rising con-

<sup>1</sup> European Central Bank, *Monthly Bulletin*, February 2002.

<sup>2</sup> *Slovenian Economic Mirror*, IMAD, December 2001.

Figure 5



sumption in the fourth quarter was partly financed by a 10.8% rise in the nominal wage bill (with the exception of financial intermediaries' wages) in comparison with the fourth quarter in 2000 and strong growth in government transfers to households, 20.4% in nominal terms.

### Investment Consumption

The upward trend in the volume of construction works since mid-2001, and especially in October and November, suggests that investments are unlikely to slow down significantly late in the year. In the first three quarters in 2001, gross fixed capital formation rose by a considerable 7.6% compared with the same period last year, mainly on account of its high growth rate in the first and second quarters, for the rate fell to 3.8% in the third quarter. The seasonally adjusted production value of capital goods advanced by 29.2% in the fourth quarter in comparison with the same quarter last year,

Figure 6

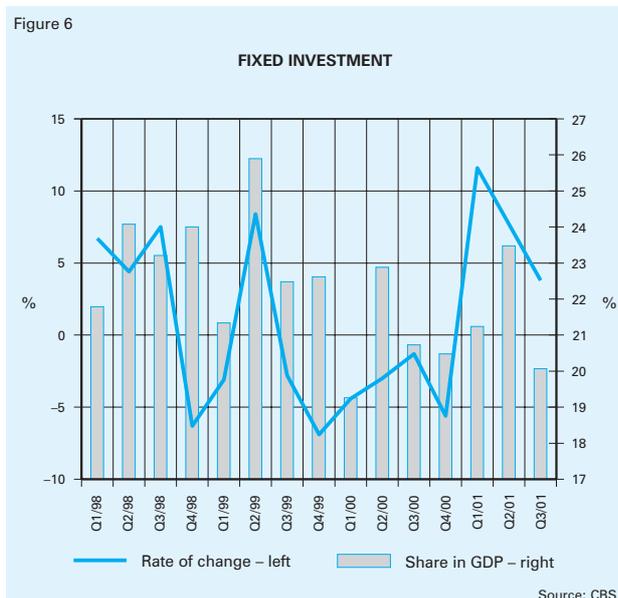
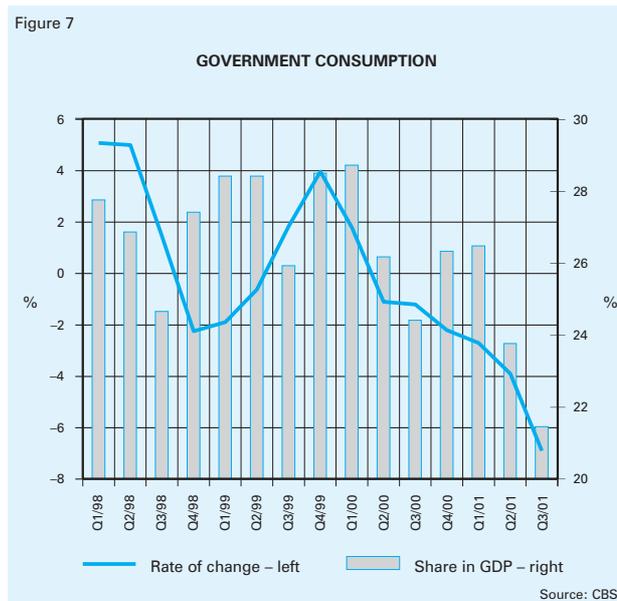


Figure 7



which gives rise to optimistic expectations. This is in spite of a slowdown in imports of capital goods in the fourth quarter due to a rapid decline in imports of road vehicles and stagnating imports of special-purpose industrial machinery in comparison with the same quarter last year. In contrast, imports of other capital goods grew at the same pace (general-purpose industrial machinery, computer equipment, telecommunication equipment, electrical machinery and electronic devices).

### Government Consumption

In the third quarter, government consumption fell by 6.9% compared with the same quarter last year. This continued the seven-quarter downward trend, which was most obvious in the last quarter. Government consumption also fell at the annual level, as evident from a 3.8% decrease in the consolidated central government nominal wage bill in 2001 and a 10.2% reduction in other purchases of goods and services.

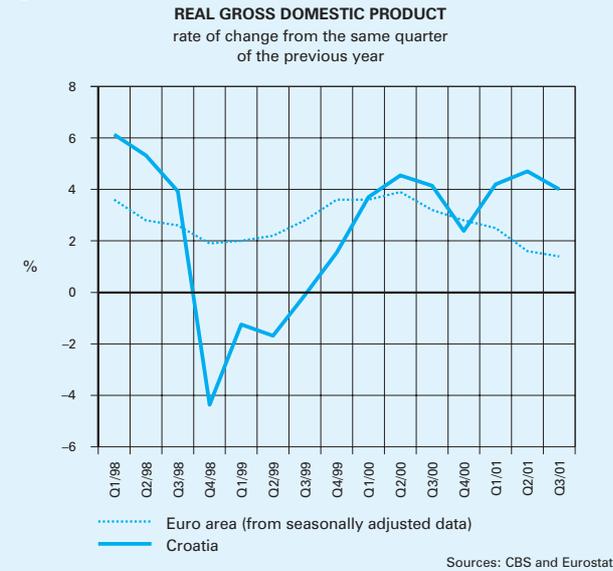
## Output

All Croatian economic indicators in the fourth quarter in 2001 suggest GDP growth in the fourth quarter without any slowdown in activity in comparison with the third quarter. Subsequent to the 4.2% and 4.7% growth in the first and second quarters respectively, GDP grew by 4.1% in the third quarter in comparison with the same quarter last year. The slowdown in the EU economy in the first quarter of 2001 continued throughout the year. GDP rose by 0.6% in the first quarter compared with the previous quarter, 0.1% in the second and 0.2% in the third. GDP trends and their dynamics in the EMU were almost identical.

### Industry

Although industrial production grew by 4.9% in the fourth quarter of 2001 compared with the third, the lowest rate in

Figure 8



trending downwards in the previous two years. The exports of the Manufacture of Coke, Refined Petroleum Products and Nuclear Fuel Division grew at significant rates in 1999 and 2000, 26.2% and 39.1% respectively, to decrease by 13.3% in 2001.

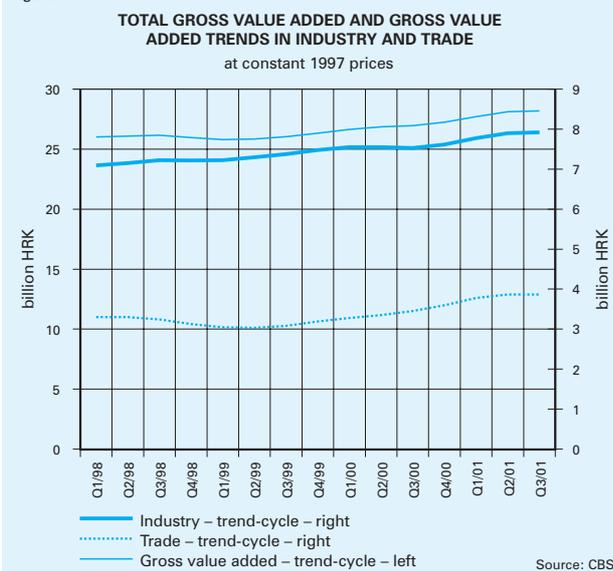
The growth of the total volume and gross value added in 2001 was accompanied by changes in some divisions' shares in the overall industrial production. The share of the Manufacture of Other Transport Equipment Division increased most (42.3%), followed by the shares of the Manufacture of Electrical Machinery and Apparatus (35.7%) and the Manufacture of Coke, Refined Petroleum Products and Nuclear Fuel (15.3%). On the other hand, there was a decrease in the share of large divisions such as the Manufacture of Chemicals and Chemical Products Division (7.8%) and Publishing and Printing (9.3%). Among the small divisions, the shares of the Manufacture of Wood Product Division and the Manufacture of Radio, Television and Communication Equipment and Apparatus Division both decreased by a considerable 25.7% and 59.2% respectively.

Among the main industrial groupings, capital goods grew at the highest rate over 2001, at 15.4%. Non-durable consumer goods grew at the above-average rate of 7.8%, while the growth rate of intermediate goods was the lowest, at 4.1%. The 11.7% increase in the share of capital goods and the 22.9% decrease in the share of durable consumer goods mostly affected the industrial production structure in 2001.

Positive developments were also observed in the stocks of final industrial products. At the end of the first seven months of 2001, they were lower than or equal to those at the end of the same months in the previous year. In the second half of the year, the stocks of final industrial products were slightly higher than in the same months in the previous year, while they rose by 1.5% in December compared with the same month in the previous year. The developments in the stocks of commercial goods were more intensive and export related.

Labor productivity in industry, calculated as the ratio between the total volume of industrial production and the num-

Figure 9



the year, its overall 6.0% growth in 2001 resulting from high growth rates in the first three quarters, was the highest in the post-recession period. Its 4.3% growth in January 2002 compared with the same month last year and 3.9% growth in comparison with December, also suggest a mild slowdown.

Industry, and especially manufacturing, accounted for the largest share in exports of the Croatian economy in 2001. As in the previous years, the Manufacture of Other Transport Equipment Division accounted for the largest share in exports at USD 728.7m (16% of industrial exports), indicating an end to the fall in ship exports recorded in 1999 and 2000. For four successive years, the Manufacture of Chemicals and Chemical Products Division has had the second largest share in exports. The Manufacture of Wearing Apparel Division was third, the same as the Manufacture of Coke, Refined Petroleum Products and Nuclear Fuel Division. The slowdown trend in the exports of the Manufacture of Wearing Apparel Division was halted in 2001, staying at the 2000 level after

Figure 10



Figure 11

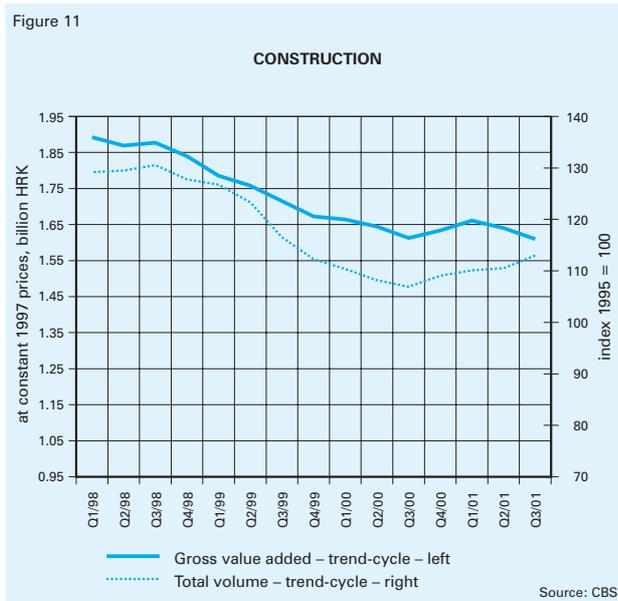


Figure 12



ber of employees, advanced by 9.6% for the year. This growth was influenced by the 6.0% growth of industry and the 3.3% decrease in the number of employees. The average real gross wage in the overall economy fell by 0.6% compared with the previous year. This productivity growth, together with the restrained growth of gross wages, has a positive impact on the competitiveness of the economy.

### Construction

The volume of construction works recovered in the third quarter in 2001, recording a positive annual growth rate for the first time after a long period. These trends continued into October and December, resulting in a 3.4% annual growth of construction works volume by the end of November. The value of net construction project orders on Croatian territory in the first three quarters in 2001 was 26.6% higher in nominal terms in comparison with the same period in 2000, while net construction project orders abroad fell by 6.9%.

Data on housing construction and building permits issued in 2001 suggested a revival in construction. The floor area of completed dwellings in the first three quarters of 2001 was 34.1% larger than in the same period last year, while the number of completed dwellings increased by 38.4%. Building permits issued rose in number by 26.7% compared with the same period in the previous year, anticipating a 50.4% increase in the value of construction works.

### Tourism

There were 7.86 million tourist arrivals in 2001 and 43.40 million tourist nights. In comparison with the previous year, arrivals rose by 10.1% and nights by 10.8%. However, compared with the highly successful 1989, tourist nights in 2001 accounted for 68.8% of the tourist nights of that year. This should be viewed in light of significantly reduced tourist accommodation facilities: judging by the number of beds, the present capacity is 17% less than in 1989. German tourist ar-

Figure 13

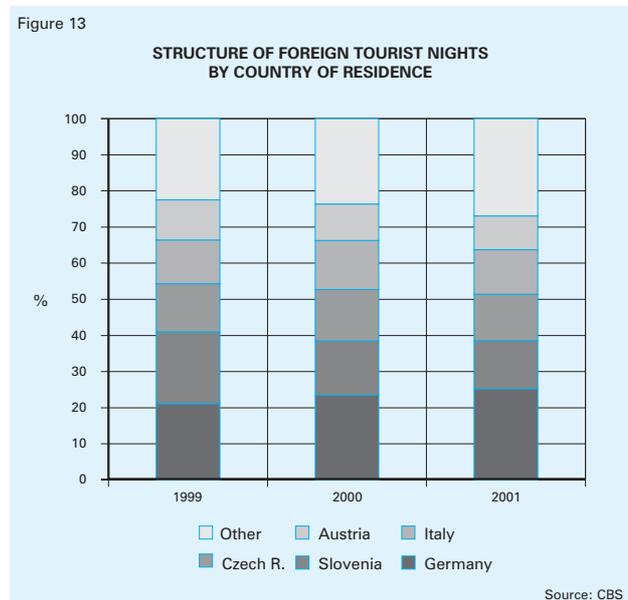
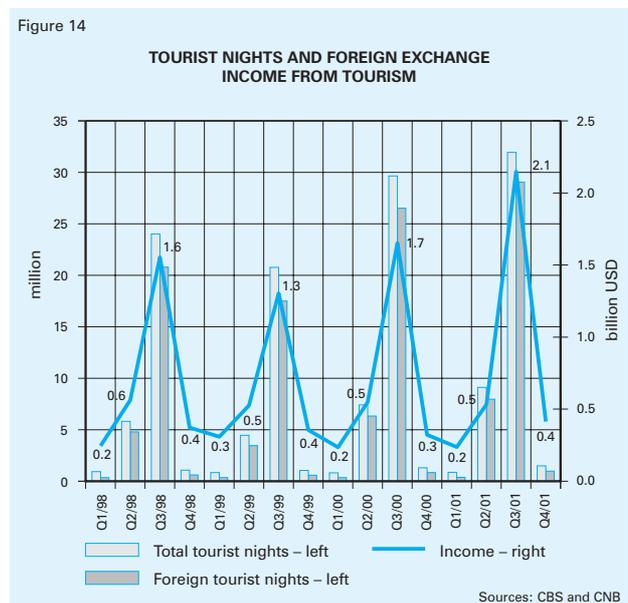


Figure 14



rivals and nights rose by 24% in comparison with 2000, which was the highest increase in absolute terms. The arrivals of German, Slovenian, Czech and Italian tourists accounted for 60.8% of all foreign tourist arrivals and nights.

According to the preliminary balance of payments data, foreign exchange income generated by travel in the fourth quarter of 2001 was 28.2% higher than in the same quarter last year, while the balance increased by 36%. This will certainly make a positive contribution to GDP growth in the last quarter of 2001.

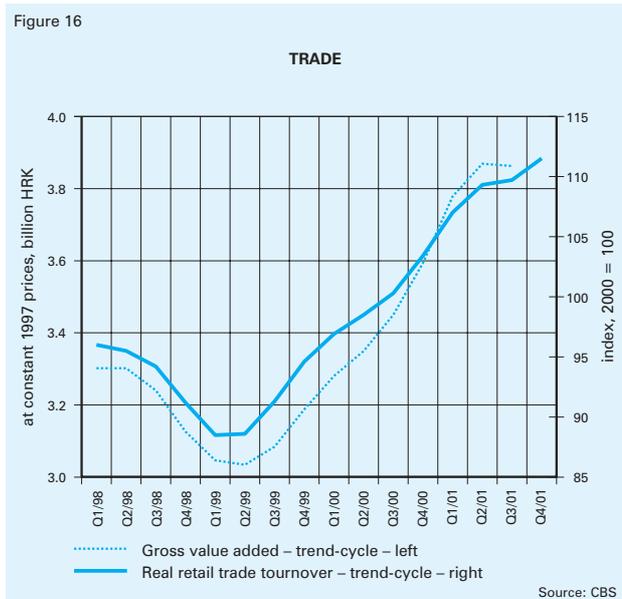
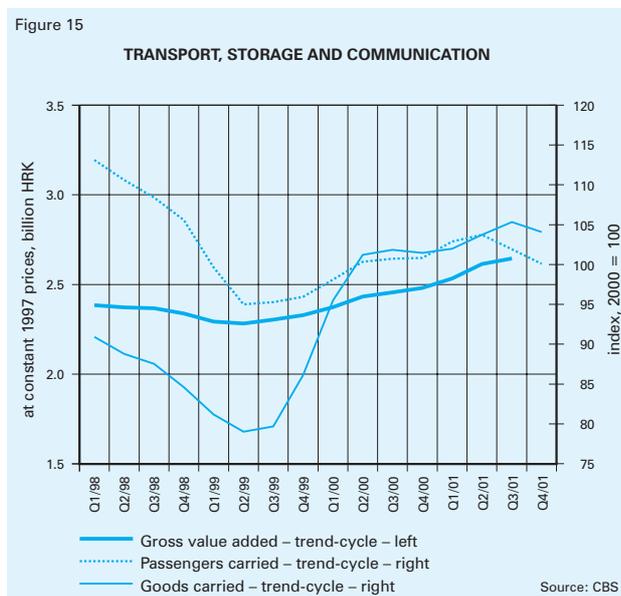
## Transport

The number of transported passengers fell by 5.1% in the fourth quarter of 2001 in comparison with the same period in 2000. The fall was the sharpest in road transport. The number of transported passengers rose by a slight 1.5% at the annual level. The air transport of passengers stagnated in the fourth quarter in comparison with the same quarter last year but was up 16.1% for the year.

Goods transport rose by 1.6% in comparison with the same period in the previous year. The highest increase was recorded in railway transport. The quantity of transported goods went up by 2.2% for the year. The air transport of goods in the fourth quarter remained at the same level as in the same quarter last year but grew 5.4% for the year.

Data on airports are more illustrative of air transport difficulties. In the fourth quarter, aircraft traffic declined by 20%, passenger traffic by 8.5% and cargo traffic by 10%, compared with the same quarter last year.

The number of minutes spent in the mobile network in the fourth quarter was 45.0% higher in comparison with the same quarter in the previous year, while the annual growth was 37.7%. The number of minutes spent in the immobile network rose by 12.5% (without seasonal adjustments) in comparison with the previous month.



## Trade

Real retail trade turnover rose by 8.4% in the fourth quarter of 2001 in comparison with the fourth quarter in the previous year and by 17% in comparison with the previous quarter. The fourth quarter annual growth rate remained unchanged from the previous quarter, at 9.8%. An exceptionally low rise in prices late in the year is likely to affect the disposable income growth and, in turn, consumption.

The value of goods imports and the retail trade turnover was dominated by car imports in the first half of 2001. Personal vehicles with first registrations rose in number by 66,400 in the first half of the year and slightly less, by 41,908, in the second.

## Labor Market

Total employment has trended downwards in recent years, mostly on account of the fall in the number of individual farmers actively insured with the CPII and, as such, included in total employment. The effects of this fall were less pronounced in 2001 than in the previous years, which slowed down the fall in total employment. Registered unemployment rose more considerably in 2001, especially late in the year, largely due to institutional factors, which led to an increase in the active population. Nevertheless, the labor market reflected the signs of continuing economic expansion. The number of persons receiving wages through the IPT was higher, while employment in companies with blocked accounts decreased as the result of improved liquidity in the economy and the continuation of restructuring processes in companies.

In 2001, gross wages fell in real terms but their structure changed. Budgetary restrictions were the main cause of wage moderation, while the wages in other economic activities mostly trended upwards. In 2001, the net wage bill paid through the IPT grew faster than suggested by the CBS net

wage indicator. The main reason was the increased number of persons receiving wages through the IPT.

### Unemployment and Employment

The inflow into the CEI register increased considerably in late 2001 and early 2002. It grew at the rate of 41.3% in December last year and 30.0% in January this year. There are several causes of this growth. Firstly, about 9,000 war veterans registered with the CEI during these two months in order to realize their entitlements under the new War Veterans Act. Accordingly, war veterans accounted for 15.2% of the total inflow in this period. Secondly, almost 3,000 persons newly registered with the CEI in December due to the termination of the public works program. Finally, more persons registered because of their employees' discontinuation of activities than in the previous months, which is an indicator of the continuation of restructuring processes in companies.

Registered employment growth in December and January, although high, was lower than the growth of total inflows, which substantially increased net inflows into the CEI register. Registered unemployment grew by 10,000 in December and by 15,000 in January, a total increase of 6.7%. Due to its restrained growth in 2001, the registered unemployment year-on-year growth rate was 6.5% in late January.

These developments accelerated the growth trend in registered unemployment late last year and early this year. However, if the change in the institutional framework requiring war veterans to obtain their entitlements through the CEI is excluded, registered unemployment trends have not been altered but modified, still trending upwards but at a slightly lower pace than in the previous years.

The ratio of reported vacancies (as a percentage of the labor force) to the registered unemployment rate, shown by the Beveridge curve, suggests that the economy has increased its capacity for creating new jobs in the last two years. However, the unusual upward trend in the curve during economic recovery suggests the influence of several factors. On the one

hand, there are considerable obstacles to labor movements in Croatia, as evident from significant differences between regional unemployment rates. In addition, rapid changes in the structure of the economy have created a discrepancy between the qualification structure required by reported vacancies and the qualification structure of the unemployed, manifest in the relatively small share of highly-qualified persons in total registered unemployment. On the other hand, the restructuring of the economy has greatly intensified in the last two years, resulting in a growth of registered unemployment that could not be offset by the creation of new jobs.

The view that the "adjusted" growth trend of registered unemployment is slower than that of total registered unemployment can also be substantiated by employment developments. According to the preliminary CBS data, total employment decreased by 4,500 late last year, by only 0.4% in comparison with late 2000, and by a more significant 8,000 (0.6%) in January compared with the same month last year, which is less than the increase in registered unemployment.

Figure 18

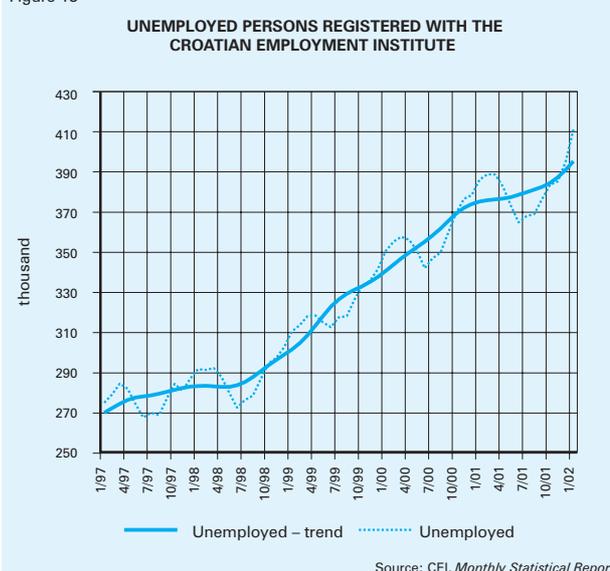


Figure 17

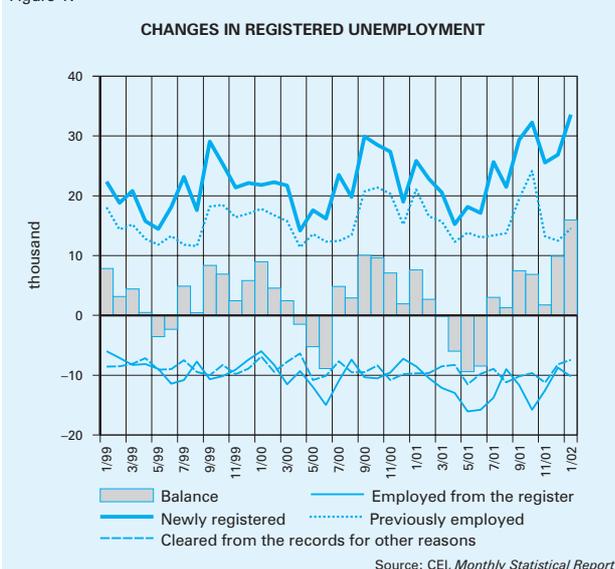
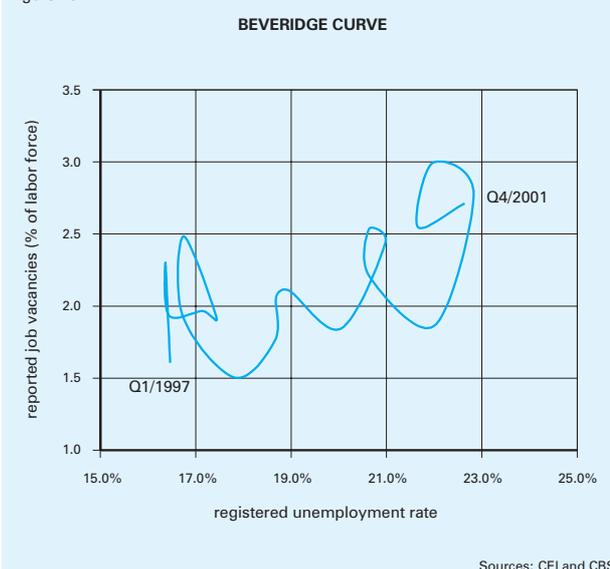


Figure 19



In addition, the economic recovery has produced an impact on the labor market, as shown by the number of workers receiving wages through the IPT, which was 24,000 (2.9%) higher in November this year compared with the same month in 2001 and even 45,000 (5.5%) higher than in the same month in 2000.

The structure of total employment in 2001 shows a slight fall in employment in legal entities and a continued decline in the number of individual farmers actively insured with the CPII, the latter being the predominant cause of the fall in total employment. The drop in the relative number of individual farmers was the sharpest in 2001, resulting in the year-on-year fall in their number of 6.9% in January this year. Still, as the fall in their number was less significant in 2001 in comparison with previous periods, total employment decline was restrained. Employment in legal entities stagnated in 2001 or, as suggested by the January year-on-year index of change, fell by 1.5%, following almost the same trend as in the previous years. Employment in crafts and trades and

among freelancers increased by 6.0% in January, the first significant increase after a number of years.

The increase in unemployment and the stagnation in total employment resulted in an increase in the labor force of almost 17,000 (1.0%) between January 2001 and January 2002. This was accompanied by an increase in the registered unemployment rate from 23.0% to 24.0%.

### Wages and Labor Costs

The average nominal net wage was 6.9% higher in 2001 than in 2000, and the average gross wage rose by 4.1%. If the impact of the rise in the cost of living is excluded, the real average net wage grew by 2.1% and the real average gross wage decreased by 0.6%. These developments show that the labor market did not put pressure on price growth. Indeed, it may be that the favorable inflation trends caused trade unions to soften their demands for wage increases.

These wage developments in 2001 were largely deter-

Figure 20

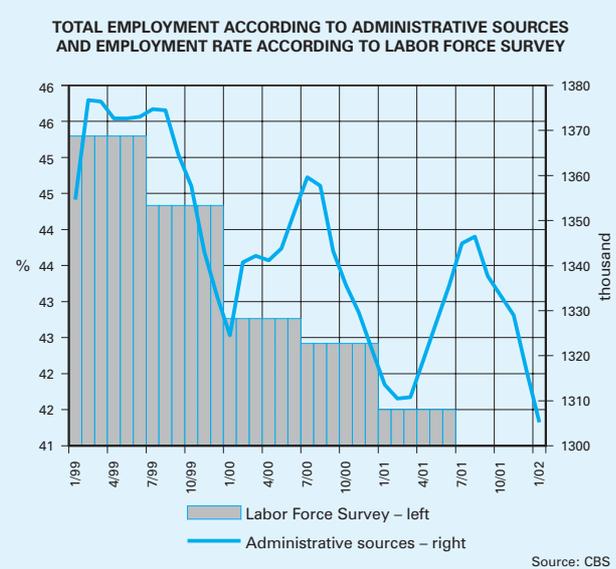


Figure 22

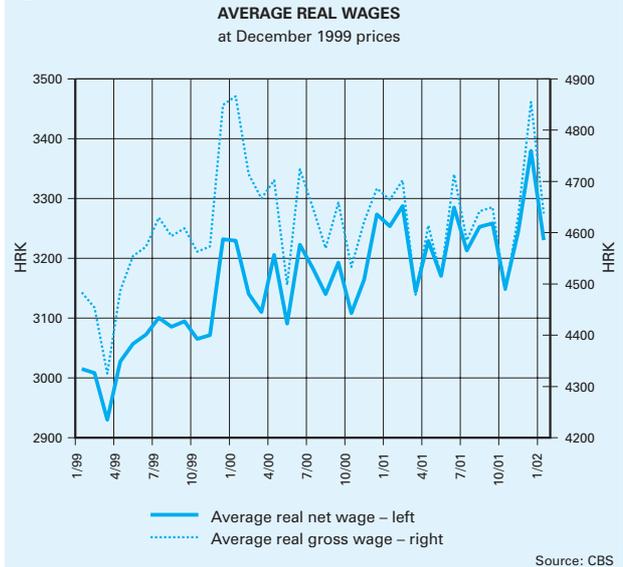


Figure 21

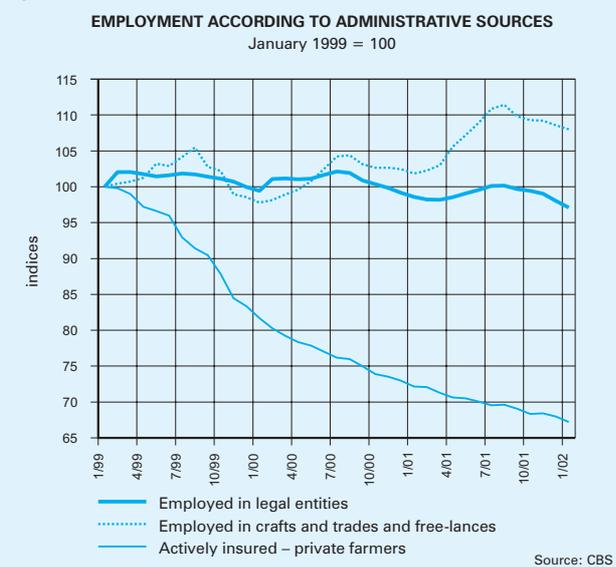
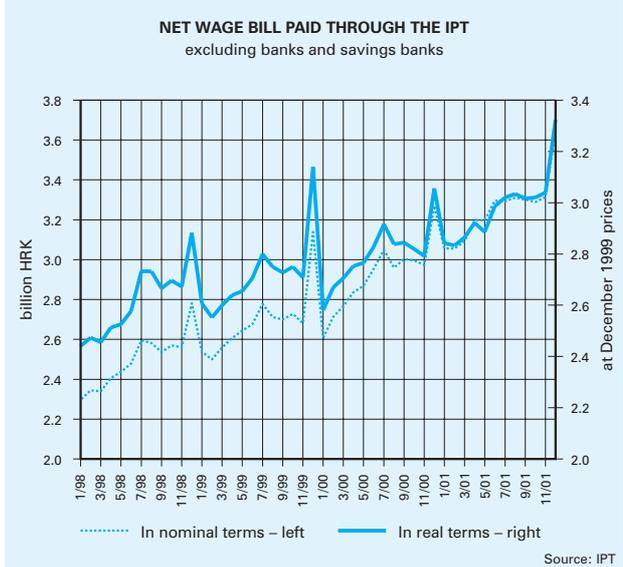


Figure 23



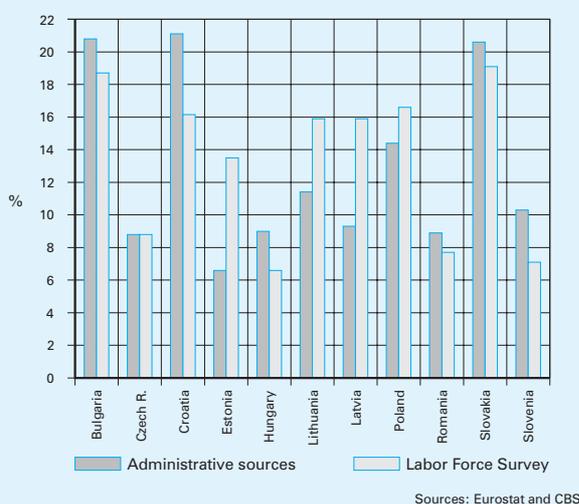
### Box 1: Unemployment in Croatia and in Other Transition Countries

The high and growing registered unemployment rate in Croatia over the previous months is frequently commented upon as the highest unemployment rate among the transition countries. However, there are several reasons why registered unemployment rates (or administrative rates) are not comparable among countries. The registered unemployment rate in a country depends on the actual status of the persons registered with the employment institute and also on the registration motives or various benefits that a person can get by enrolling in the register of unemployed. Therefore, the Labor Force Survey, for example, shows that many persons registered with the Croatian Employment Institute only for the purpose of gaining certain rights, such as the right to health insurance, while they are at the same time employed in the unofficial economy or are not actively looking for a job. On the other hand, more restrictive requirements for the registered unemployed, such as frequent reporting to the Institute, an active search for employment (answering job advertisements or attending interviews with employers) and the obligation of job acceptance, will reduce the number of unemployed registered with the employment institute.

In contrast to national rules and motives for registration with the employment institutes, which differ among each other, the International Labor Organization (ILO) has established uniform criteria by which a person can be considered unemployed. In accordance with these criteria, the unemployed person is a person (i) who did not perform any job compensated for in cash or in kind during the reference week, (ii) who was actively looking for a job over the previous four weeks, and (iii) who is available for work in the following two weeks.

Figure 24

LABOR FORCE SURVEY AND ADMINISTRATIVE UNEMPLOYMENT RATE IN TRANSITION COUNTRIES, 2000



In order for data to be as complete as possible, they are collected by the Labor Force Survey conducted among households. The ILO criteria, certainly, do not provide a uniform solution to the comparison of labor markets of countries at different development stages, particularly if the comparison is based on only a single indicator, e.g. unemployment rate. These criteria nevertheless assure the optimum comparison possible, especially concerning countries with an equal level of income per capita and with a similar economic structures, such as advanced transition countries. Accordingly, the Labor Force Survey is conducted by applying the uniform ILO methodology in almost all countries.

According to the registered unemployment criterion, Croatia, with an unemployment rate of 21.1% in 2000, indeed surpassed all the transition countries that are candidates for EU membership. However, according to the Labor Force Survey unemployment rate, which is a much better basis for comparison, Croatia did not differ from the other countries in the group. In 2000, according to Labor Force Survey unemployment figures, Slovakia and Bulgaria were the leaders in the group, with unemployment rates of 19%. They were followed by Poland, with an unemployment rate of 16.6%. The fact that Poland is the most successful transition country according to the GDP recovery criterion in comparison with the pre-transition period indicates that favorable macroeconomic indicators are not the only prerequisite for solving the unemployment problem. The Labor Force Survey unemployment rate for Croatia in 2000 was 16.2% on average, which is slightly more favorable than the rate in Poland. The unemployment rates for Lithuania and Latvia were similar to that of Croatia, and the rate for Estonia was somewhat lower. A single-digit Labor Force Survey unemployment rate was recorded in only four transition countries from the observed group, which implies that unemployment considerably lower than that recorded in Croatia is rather the exception than the rule. Each of these four countries has its specific characteristics: Romania's relatively low unemployment rate can be accounted for by the prolongation of the reforms and the agricultural structure of its economy which is related to relatively high employment rates. The Czech Republic had the best unemployment indicators at the onset of transition, but progress in the reforms led to an increase in unemployment, as a result of which the Czech Republic is lagging behind. Hungary and Slovenia were the two countries with the least problems in unemployment in 2000, their rates being even slightly better than the EU average.

The main reason for often not using the indicators based on the Labor Force Survey, comparable at the international level, when comparing the data for Croatia may be the fact that it is conducted only twice a year and its publication lags behind the reference period to a relatively great extent. The registered unemployment rate in Croatia is particularly inappropriate for international comparison due to its constant deviation from the Labor Force Survey unemployment rate. However, the labor legislation reform intends to relate particular rights, such as health insurance, to a person rather than his/her status, which should diminish the registration that does not arise from actual unemployment.

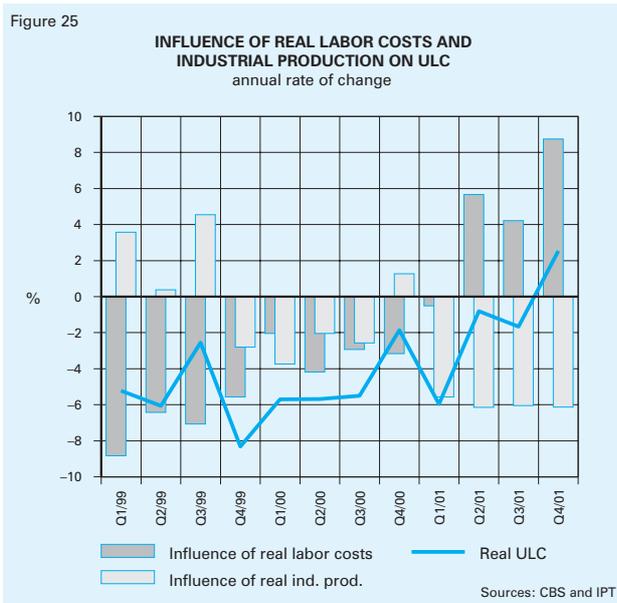
mined by the Government's wage policy. The nominal wage growth was thus restricted in public administration, education and health care so that real wages remained unchanged and even slightly decreased at the average level. Average net wages in the other sectors mainly trended upwards, leading to their annual growth in 2001.

Average wages, both net and gross, went up late in the year on account of the increase in wages in public administration and other sectors, particularly financial intermediation. This

growth is common for the end of the year, when Christmas bonuses and annual awards are paid, so the year-on-year growth index of average wages in December was close to its annual average. The average net wage paid in January 2002 fell by 0.7% in comparison with the same month last year, while the average gross wage decreased by 0.6% in the same period. The fact that wages fell in real terms in January shows that they continued to stagnate in real terms this year.

While the CBS data show that the average wage stagnated

Figure 25



in real terms, the wage bill paid through the IPT over 2001 showed fast real growth, with a slowdown at the end of the year. Excluding banks and savings banks, which were by mistake omitted from the IPT statistics in 2001, the nominal wage bill grew by 9.6% and 4.7% in real terms. The main reason for the increase in the real net wage bill at a time of stagnation in the average wage was the mentioned rise in the number of workers receiving wages through the IPT.

Having stagnated or trended downward over several years, the real unit labor cost in industry went up in the last quarter of last year despite the accelerated growth of industrial production. Total wage payments, together with the payments of various allowances, taxes, surtaxes and contributions to employees in manufacturing, grew by 8.8% in the last quarter in 2001, while the industrial production volume index rose by 6.1%. The CBS also points out that the growth of real net wages in industry is higher than the average growth, which was 5.7% in the last quarter in 2001.

However, conclusions on the reasons for the increase in the unit labor cost in industry should not be based on just one observation, as it might derive from an irregularity in a series, the payment of outstanding wages, seasonal influences which were not present in the previous years or the inefficiency of collective agreements with regard to lowering the growth rate of prices.

If we take into account the high rate of unemployment, regardless of the method of calculation, the demand for labor caused by the economic recovery is unlikely to significantly drive up labor costs. However, a rise in labor costs could be caused by structural discrepancies between labor supply and demand, or a lack of competitiveness between the unemployed and employed due to the specific insider position of the latter. The announced measures aimed at improving the flexibility of the labor market in 2002 might increase the competitiveness of these two groups. This should soften possible pressures on wage growth caused by a rising demand for labor.

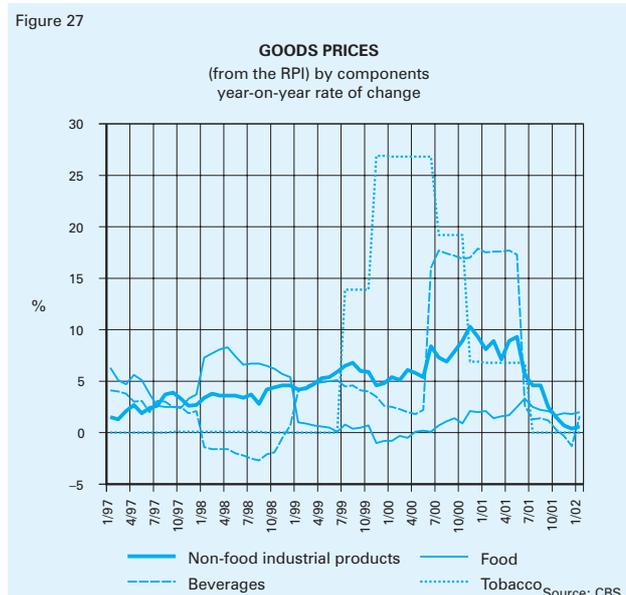
## Prices

The inflation rate at end-2001 stood at 2.6%, which was markedly lower (4.8 percentage points) than the 7.4% rate of December 2000. This can be largely ascribed to a substantial reduction in the contribution of goods prices to the overall retail price inflation in 2001 compared with 2000. The contribution of refined petroleum products prices to the overall inflation decreased the most (due to a fall in crude petroleum prices in the world market), followed by beverages and tobacco prices (mostly due to the reluctance of the fiscal authorities to raise the excises). The core inflation rate also fell in 2001, by 2.9 percentage points (from 4.6% in December 2000 to 1.7% in December 2001). The core inflation slowdown indicates that the indirect effects of previous increases in refined petroleum products prices were limited in both intensity and duration, which in turn eased the inflationary pressures from the demand side.

Figure 26



Figure 27



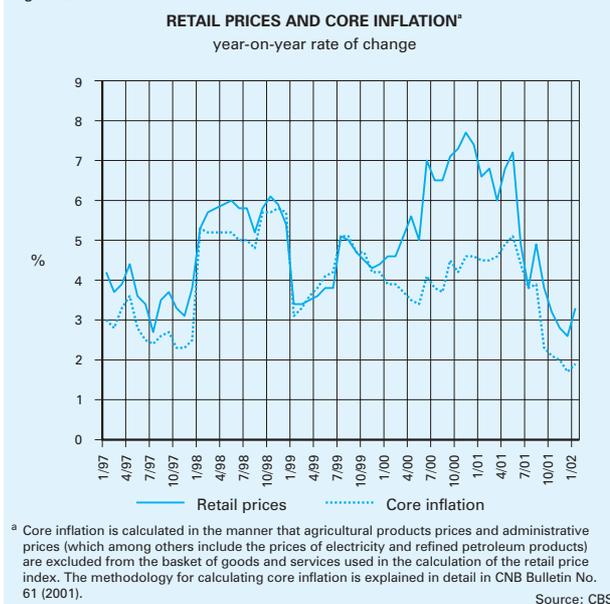
On the other hand, the year-on-year growth rate of services prices (from the RPI) rose from 5.7% in December 2000 to 10.3% in December 2001. This was, above all, the result of a significant increase in telecommunication services prices. However, services prices that are not administratively regulated also rose considerably. As a result, services prices that are covered by the core inflation index grew by 5.6% year-on-year in December 2001, up 2.1 percentage points compared with end-2000. The faster growth in services prices than in goods prices can be partly attributed to faster productivity growth in the industrial sector, in which production is relatively more capital intensive than in the service sector. Since the growth rates of wages in different sectors of the economy tend to equalize with time, there is the tendency for services prices to rise faster than goods prices.

In addition to the fall in crude petroleum prices, there was an average fall in raw materials prices in the world market in 2001, which was a major factor in the decrease in domestic producer prices of industrial products (the year-on-year growth rate of prices fell from 11.2% in December 2000 to -3.1% in December 2001) and in the producer prices in the countries that are Croatia's most significant trading partners. Moreover, pressures to increase inflation in 2001 were eased through the relative stability of the kuna/euro exchange rate, which diminished inflationary expectations, and the high unemployment rate in the labor market, which put the unions in an unfavorable position for demanding significant wage increases. Increased competition in the domestic market due to the arrival of new chain stores also eased inflationary pressures in the domestic commodity market.

In 2001, the average annual growth rate of retail prices stood at 4.9%, down 1.3 percentage points from the 6.2% of 2000. This rate resulted from the dynamics in price movements in 2001 and the impact of the transmission of a 2.8% growth in prices in 2000 into 2001.<sup>3</sup> This transmission resulted from an upward trend in inflation in 2000 that caused the aggregate level of retail prices in December 2000 to be far above the average level of retail prices in 2000. The slow-down in the growth of the aggregate level of retail prices, which was especially pronounced in the last quarter of 2001, also caused the impact of the transmission of the growth in retail prices in 2001 into 2002 to be less intense (0.5%, which is significantly less than the previous year).

The downward trend in the year-on-year-growth in retail prices in the first three quarters of 2001 continued into the fourth quarter, with the year-on-year inflation rate falling from 3.8% in September to 2.6% in December. This easing of inflation in the fourth quarter of 2001 resulted from, on the one hand, a 0.5% fall in the aggregate level of retail prices<sup>4</sup> in

Figure 28



comparison with the end of the third quarter and, on the other hand, the negative impact of the base period, that is, the disappearance of the influence of the growth in retail prices in the fourth quarter of 2001 on the year-on-year inflation rate. The decrease in the year-on-year inflation rate in the fourth quarter, as measured by changes in the retail price index, is largely attributable to the movements in goods prices, as in the third quarter: the aggregate level of goods prices was 0.8% less in the fourth quarter than at the end of the third quarter, and, together with the impact of the base period, contributed to a further noticeable fall in the year-on-year growth in goods prices (from 2.2% in September to only 0.6% in December).

Analyzed by components, the changes in goods prices show that refined petroleum products prices fell sharply in the domestic retail market (by a total of 6.6%) in the fourth quarter in comparison with end-September. This greatly contributed to the fall in the prices of non-food industrial products, which comprise almost half the RPI basket, of 1.1% compared with end-September. Moreover, the prices of food industrial products and beverages decreased by a total of 1.3% in the fourth quarter in comparison with the third. In contrast to goods prices, services prices went up by a total of 0.7% in the fourth quarter in comparison with end-September, and the year-on-year growth rate of services prices rose from 10.0% in September to 10.3% in December.

The year-on-year growth rate of core inflation continued its downward trend in the fourth quarter, falling from 2.3% at end-September to 1.7% at end-December.<sup>5</sup> The contribution of administrative prices to the overall retail inflation decreased considerably, from 2.0 percentage points at the end of the third quarter of 2001 to 1.2 percentage points at the end of the fourth quarter, largely due to the fall in refined petroleum products prices in the domestic market.

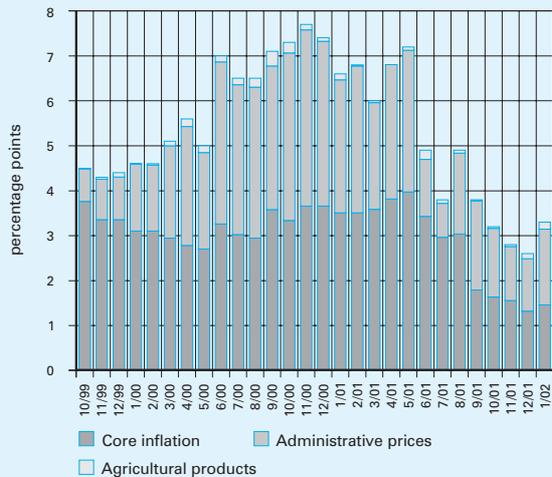
3 The impact of transmission represents the average annual growth rate of prices that would be reached in 2001 if the level of prices recorded in December 2000 remained unchanged throughout the whole 2001. The impact of transmission is therefore interpreted as the minimum average growth rate of prices that would be achieved in 2001 on the basis of the growth in prices in 2000. In computation terms, it represents the difference (stated in percentage) between the price level reached in 2000 and the average price level recorded in 2000.

4 The monthly fall in retail prices was 0.1% in October 2001, and the aggregate level of retail prices decreased by 0.2% in November and December respectively compared with the previous month.

5 The aggregate level of retail prices that are included in the core inflation basket remained unchanged in October and November 2001 compared with the previous month and fell by 0.2% in December.

Figure 29

**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

Figure 30

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



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

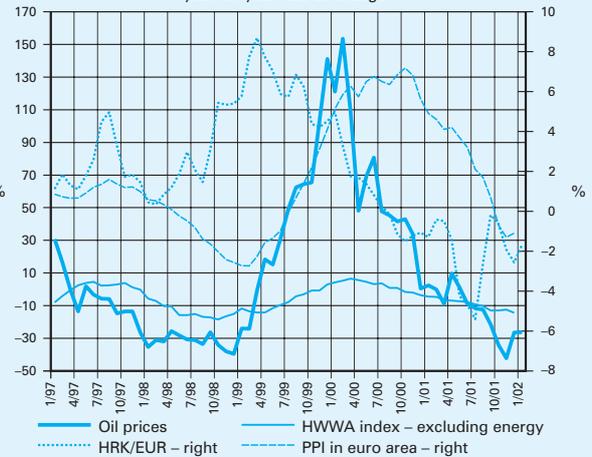
Source: Bloomberg

Movements in the major components of imported inflation in the fourth quarter of 2001 indicate to a further weakening of inflationary pressures from abroad. The average monthly price of crude oil for prompt delivery went down from \$25.2 per barrel in September 2001 to \$18.5 per barrel in December 2001, 26.5% lower than in December 2000. This was a result of a reduction in world demand for crude oil, largely caused by the slowdown in the world economy, reduced airline traffic, a mild winter and accumulated oil reserves in the US.

There was a moderate increase in crude oil prices in January and February due to the decision of the OPEC countries, in agreement with other oil-exporting countries, to reduce their production of oil in the January-March period of 2002. The analysts of the International Energy Agency (IEA) predict a more significant increase in crude oil prices at the end of

Figure 31

**IMPORTED INFLATION: OIL PRICES, THE HWWA RAW MATERIALS PRICES 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: Bloomberg; HWWA; Wirtschaftsdiens; Eurostat i CNB

2002 due to expected economic recovery in the US.

Data on changes in the prices of raw materials in the commodity exchanges, covered by the HWWA index excluding energy, show that these prices fell on average by 1.0% in the fourth quarter of 2001 in comparison with the end of the third quarter. This caused a further decrease in the year-on-year growth rate of raw materials prices, from -13.0% in September to -14.4% in December 2001. The downward trend in the year-on-year growth rate of producer prices of industrial products in the euro area also continued. Although these prices grew by 0.7% year-on-year in September 2001, their aggregate level fell by 1.1% in December 2001 in comparison with December 2000.

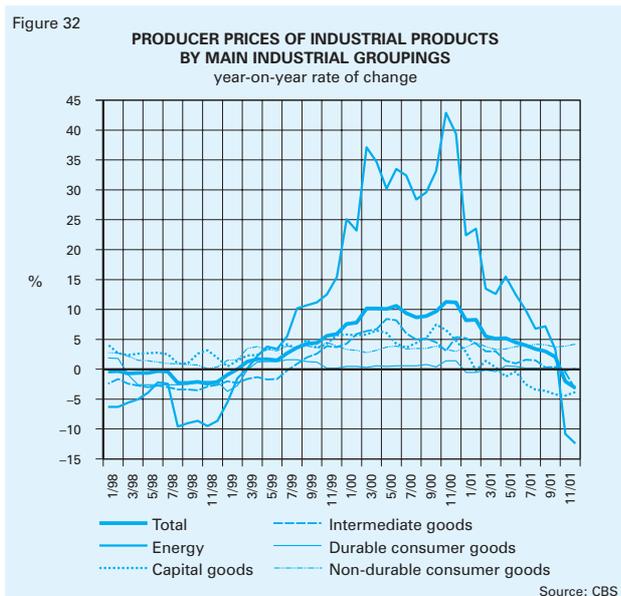
The year-on-year growth rate of domestic producer prices of industrial products fell from 3.0% in September 2001 to -3.1% in December 2001. In the fourth quarter of 2001, the aggregate level of producer prices decreased by a total of 1.3%.<sup>6</sup> Energy prices decreased the most<sup>7</sup>, with a total decrease of 2.7% in December compared with September and with a year-on-year growth rate decrease from 7.2% in September to -12.4% in December. As a result, energy prices gave a negative contribution to the year-on-year growth rate of producer prices recorded at end-2001.

The stable exchange rate, the fall in the prices of oil and other raw materials and the downward trend in lending rates to enterprises lessened the inflationary pressures caused by an increase in production costs. The year-on-year growth rates of real unit labor costs were negative in the first three quarters of 2001 but positive in the last quarter of 2001, at 2.5%.

6 The producer prices of industrial products grew by 0.2% in October 2001 and fell by 0.5% in November and 1.0% in December compared with the previous month.

7 Intermediate products prices fell by 2.1% in December 2001 compared with September 2001, the prices of durable consumer goods remained unchanged, while the prices of capital goods and non-durable consumer goods rose by 0.4% and 0.1% respectively.

Figure 32



With a monthly growth in retail prices of 0.8%, the year-on-year inflation rate rose from 2.6% in December to 3.3% in January 2002. The marked monthly growth in retail prices in January resulted from several factors that are chiefly out of the monetary authorities' control – a seasonal increase in agricultural products prices caused by weather conditions, an increase in refined petroleum products prices due to an increase in crude oil prices in the world market<sup>8</sup> and the introduction of new road taxes. In addition, January 2002 was also marked by an increase in beverage prices due to the introduction of higher excises on beer and an increase in numerous administrative prices (road tolls, compulsory motor vehicle insurance, vehicle inspection and railway tickets). Thus the contribution of administrative prices to the overall year-on-year growth rate of retail prices rose sharply in January 2002 compared with the previous month. In January 2002 compared with December 2001, core inflation grew by a modest 0.2%, and its year-on-year rate rose from 1.7% to 1.9%. The said factors that contributed to the growth in the aggregate level of retail prices in January 2002 were of a one-off nature and should not accelerate inflation in the coming period.

In 2002, monetary policy decisions will be aimed at maintaining price stability, which implies that the year-on-year growth rate of retail prices should not go beyond 4%. The projected growth rate of retail prices can be achieved if there are no significant oil price hikes in the world market in 2002. It is assumed that the fiscal policy makers will restrain themselves from significant increases in excises and that public sector wage growth will be very modest, as agreed with the unions. The decrease in tariff rates on numerous food products and other industrial products due to come into force as a result of several free trade agreements and the Stabilisation and Association Agreement (SAA) between the European Union and

8 The average oil price stood at \$19.2 per barrel in January 2002 and went up by 3.4% compared with the previous month due to the reduced supply of crude oil brought about by the agreement between the OPEC member countries and other major producers of crude oil to curtail production.

Croatia is one of the factors that might lessen inflationary pressures in 2002. These pressures might emerge when the traders deplete their stocks of products imported at the old tariff rates. The international economic environment is not expected to significantly strengthen inflationary pressures for the most part of 2002. In the first half of the year, the Government is expected to adopt proposals for a new system for calculating electricity and gas prices that might include a price increase.

## Exchange Rate

The nominal appreciation of the kuna against the euro of 2.3% marked the last quarter of 2001, with the euro declining from 7.54 kuna at end-September to 7.37 kuna at end-December. The kuna went up by a total of 3.0% in nominal terms in 2001 compared with the kuna exchange rate of 7.60 HRK/EUR at the end of 2000. The foreign exchange supply grew in the domestic market owing to a successful tourist season, significant inflows of foreign exchange from government borrowings abroad and privatization receipts, and the inflow of foreign currency that the households deposited in foreign exchange accounts at the end of the year.

In an effort to offset the appreciation pressures, the Croatian National Bank purchased from banks a total of EUR 436.1m<sup>9</sup> at eight foreign exchange auctions in the fourth quarter of 2001 (EUR 49.8m in October, EUR 125.1m in November and EUR 262.2m<sup>10</sup> in December).

In the fourth quarter of 2001, the exchange rate of the US dollar against the euro strengthened by a total of 3.7% in the international foreign exchange market. As a result, the euro declined from 0.92 to 0.88 cents. Along with the said movements in the kuna/euro exchange rate, this fall weakened the kuna/dollar exchange rate by 1.5% (December 31, 2001 to September 30, 2001). Concurrently, the kuna strengthened against the Swiss franc by 2.5% in nominal terms and remained almost stable against the pound sterling and the Slovene tolar. Due to these cross-currency developments, the daily nominal effective kuna exchange rate rose by 1.1% in the fourth quarter of 2001.

The index of the real effective kuna exchange rate (deflated by producer prices) appreciated sharply in the fourth quarter of 2001 (by a total 1.8%). This offset the moderate depreciation of the real effective kuna exchange rate in the first nine months of 2001. Overall, the kuna exchange rate appreciated by 1.5% in real terms throughout 2001. Taking into account the real kuna exchange rate appreciation of 2.3% in 2000, the kuna exchange rate (deflated by producer prices) appreciated by 3.7% in real terms in the last two years.

The worsened price competitiveness of Croatian exporters is indicated by movements in the index of the real effective kuna exchange rate deflated by retail prices. Due to faster growth in retail prices than in producer prices abroad, the kuna appreciated by 3.0% in real terms in 2001, and the real

9 Banks purchased EUR 7.3m at a small-scale foreign exchange auction held at end-November.

10 Out of which, a total of EUR 50.8m with the value date January 3, 2002.

Figure 33

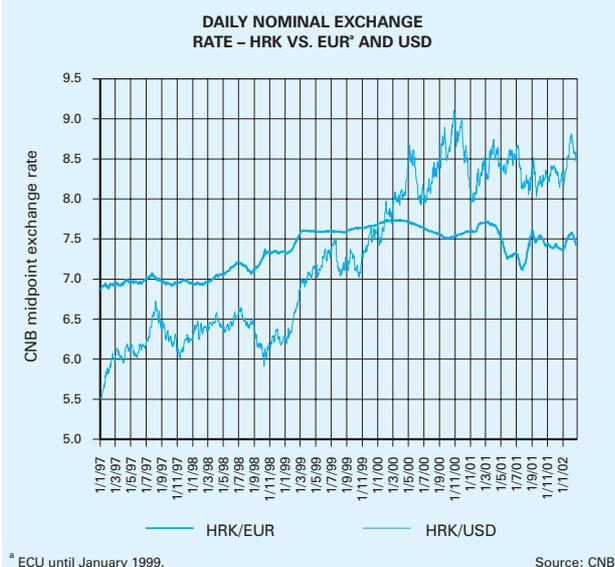


Figure 35

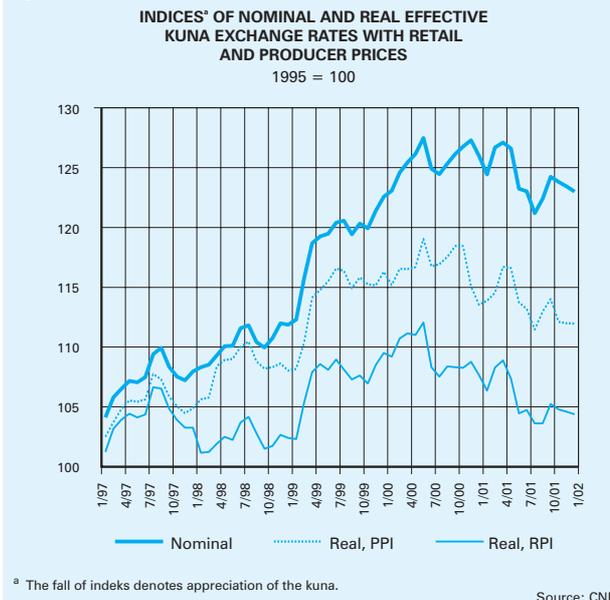
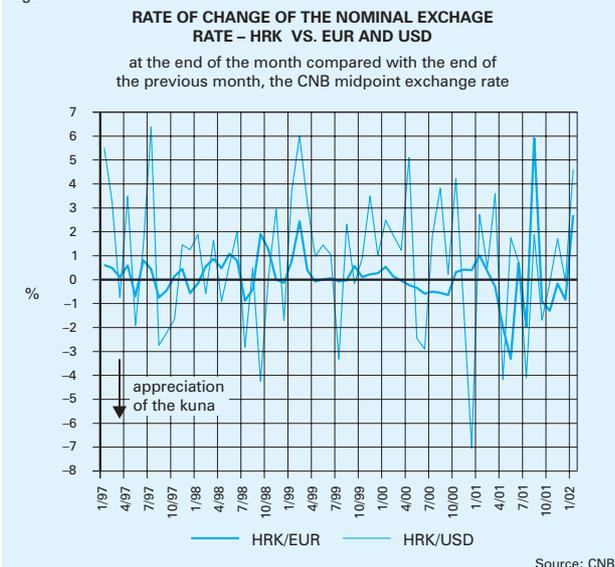


Figure 34



effective kuna exchange rate deflated by retail prices strengthened by a total of 4.7% in the last two years.

Movements in the kuna/euro exchange rate at the beginning of 2002 were marked by its nominal depreciation in January and at the very start of February, which was followed by a gradual kuna strengthening. Under the conditions of seasonal current account deficit, with a growing demand for foreign exchange for the repayment of external debt, the central bank aimed to ease the pronounced depreciation of the kuna through interventions in the foreign exchange market. It sold a total of EUR 140.65m to banks at three foreign exchange auctions in January. By purchasing EUR 67.1m from banks at a foreign exchange auction in mid-February, it clearly signaled that it would also not allow an excessive appreciation of the domestic currency exchange rate.

Borrowings abroad for financing government spending in the country and for launching large projects such as motorway construction and the announced privatizations of INA

and part of HEP might have a significant influence on the future exchange rate movements. This might pose new challenges to the economic policy.

## Monetary Policy and Instruments

### Monetary Environment

Following a large increase in foreign exchange deposits at the end of 2001, the central bank closely monitored the situation for possible deposit outflows at the beginning of 2002. The January data indicate that not only did such outflows not occur, but quite the opposite; foreign exchange deposits grew slightly. Current euro outflows were exceeded by growing savings deposits. Another feature which characterized monetary developments in the first quarter was the expected upsurge in domestic bank credits. The increase in the foreign exchange base and in interest expense trigger more intensive crediting. Low interest rates in neighboring markets due to slower economic growth in Euroland have turned banks towards domestic assets which still offer higher interest yields. The third feature characterizing monetary developments in this period is the seasonal outflow of foreign exchange to settle foreign debt, which causes depreciation pressures. The HRK exchange rate against the euro in January was not unusually low for this time of year. However, the appreciated level of the HRK exchange rate in December was somewhat higher than usual for the season (due to extremely high foreign exchange inflows), with the result that the rate of change for the exchange rate in the first two months of this year was somewhat faster, compared with the end of last year.

Inflation data in 2001, which is of primary importance to the central bank, are more favorable, with the annual month-on-month rate of core inflation at 1.7% and retail price inflation standing at 2.6%. The low inflation rate in 2001 was achieved in the conditions characterized by low prices of

Figure 36

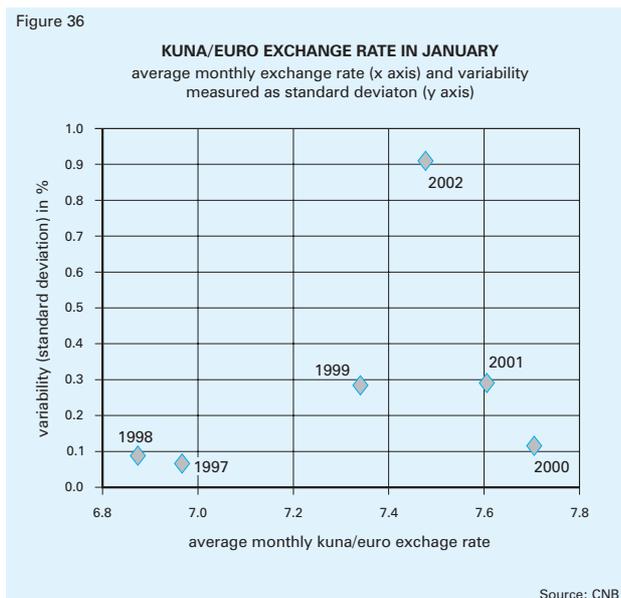
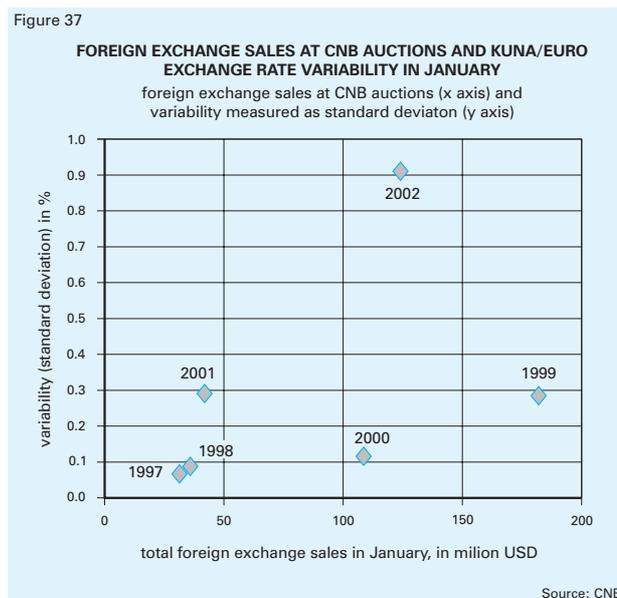


Figure 37



oil and raw materials, the exchange rate appreciation at the end of the year, moderate growth in domestic demand, minor changes in administrative prices, and more intense domestic credit activities. During the first quarter of this year the central bank closely monitored possible changes in the exogenous factors of price growth to be able to take adequate action.

### Monetary Policy

January 2002 was marked by an accelerated depreciation of the kuna prompting the central bank to intervene by selling EUR 140m on the foreign exchange market. The average exchange rate level of the kuna against the euro in January 2002 was lower compared with the average rate for that month in the previous years. The average nominal exchange rate in January 2002 was 7.46 HRK/EUR compared with 7.60 HRK/EUR in January 2001 and 7.70 HRK/EUR in January 2000. However, the exchange rate soon depreciated, due to its extremely low level in December. In the last quarter of 2001, foreign exchange inflows into the banking system due to euro conversion brought strong appreciation pressures. Despite the attempts of the central bank to mitigate these pressures with foreign exchange purchases, the exchange rate level of the kuna against the euro at the end of December was lower than usual for that time of year.

The variance of the exchange rate level is a good illustration of the rate of the exchange rate adjustment. The exchange rate variability in January 2002 was significantly higher compared with the last 5 years.<sup>11</sup> It was the exchange rate variability, or the rate of the exchange rate changes rather than the exchange rate level, which prompted the central bank to intervene significantly in the foreign exchange market.

Private and public sector demand for foreign exchange is

<sup>11</sup> Exchange rate oscillations were very small. The standard deviation was below 1% compared with the average monthly exchange rate in January.

Figure 38



very strong every January. The Government and banks have obligations due to the London and the Paris Club and corporate demand for foreign exchange is also high. In addition to obligations arising from external debt and the seasonal deficit in the balance of payments current account, the increased demand for foreign exchange at the beginning of this year was also generated by foreign acquisitions of domestic companies.

Central bank interventions were not aimed at curbing the depreciation of the HRK exchange rate against the euro caused by certain seasonal and fundamental factors but rather at avoiding the excess exchange rate fluctuations and achieving a balanced seasonal exchange rate level. At the beginning of February this year, the HRK exchange rate against the euro started appreciating again, prompting the central bank to intervene in the foreign exchange market again by purchasing EUR 67.1m at a fixed price of 7.45 HRK/EUR.

Movements in reserve money during the first quarter of

this year were also influenced by the introduction of the euro. The demand for currency as well as reserve requirements, which by February fully reflected the increase in deposits from the end of 2001, were affected by shocks resulting from the introduction of the euro. Movements in all the components of reserve money resulted in a nominal decline in reserve money in January and a mild growth in February, compared with January. Nominally, reserve money stood at HRK 17.6bn at the end of January.

During the fourth quarter of 2001, the introduction of the euro caused the level of currency to grow. The largest share of EMU member country currency banknotes was deposited into foreign exchange accounts. A smaller share of foreign exchange was sold in exchange offices for kuna, thus increasing currency, while yet another share was converted into kuna and deposited into kuna deposit accounts. The most prominent growth was in foreign exchange deposits while other monetary aggregates (currency and kuna deposits) also exhibited a more robust growth than is usual for the season. In the last quarter of 2001, currency grew so rapidly that its annual growth rate during that period reached 66.7%. Thus, as in the case of the exchange rate, the decline in the level of currency at the beginning of 2002 meant a return to the lower, seasonally normal level. The increased demand for currency at the end of last year was a one-off, temporary shift in the demand curve. The usual seasonally increased demand for currency coincided with the imperative of liquidating all stocks of foreign exchange cash.

The increase in the base for reserve requirements calculation was exceptionally large in February. The base for the calculation of foreign exchange reserve requirements increased by HRK 7.6bn and by an additional HRK 0.4bn for kuna reserve requirements. Despite modest growth in deposits in January, it was only with the setting aside of reserve requirements in February that the December deposits growth got fully included in the base. The reserve requirements base is calculated by including the average balance of deposits during the whole month. The growth in deposits accelerated at the end of December 2001, thus only partly affecting the base for reserve requirements in January. Deposits growth rates in the three 10-day periods in December were 1.4%, 3.9% and 5.8%, respectively. Reserve requirements in February, which were set aside on the basis of the January base, fully comprised the high level of deposits reached towards the end of December 2001. The net effect of the increased base on the kuna and foreign exchange reserve requirements was HRK 0.8bn.

Bank liquidity in January and February was very good. The increased reserve requirements allocation, continued central bank foreign exchange sales in January aimed at sterilizing kuna liquidity, and oscillations in central government deposits did not affect the good liquidity of banks. Temporary oscillations in liquidity during the month arising from reserve requirements allocation, pension payments etc. increased demand on the money market and caused interest rates to grow slightly. This, however, did not affect the system's good liquidity. The average level of funds in giro accounts during the first half of the quarter was HRK 2.4bn, and the interest rates

on the money market were very low.

Several other factors also played a role in determining the level of liquidity in the first quarter of this year. Increased caution on the part of the banks due to possible liquidity outflows arising from household withdrawals of kuna or foreign exchange cash increased bank demand for reserve money. Recent data indicate that significant outflows of this kind are increasingly less likely. Therefore, bank demand for reserve money is returning to normal levels. The average balance in the settlement account in February was below its January average. Banks have also announced more favorable credit terms. Therefore, household demand for loans is expected to grow. Banks indicate that this growth in loans could soon materialize. Therefore, it is necessary to maintain an adequate level of liquidity to enable the prompt disbursement of newly extended loans to households and companies. The January data on loans, as well as preliminary data for February, indicate loan growth.

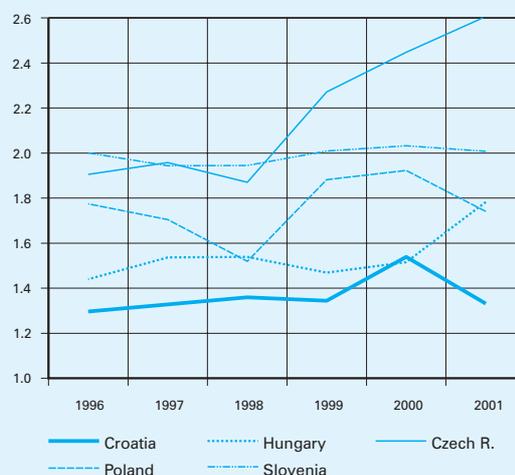
To some extent, the exchange rate movements also affected the level of the free reserves of commercial banks in settlement accounts with the CNB during the first quarter. Free reserves are negatively correlated with the exchange rate. When the exchange rate depreciates, the central bank sells foreign exchange to commercial banks, thus withdrawing kuna liquidity and helping to balance the exchange rate level. When there are appreciation pressures, however, foreign exchange purchases help increase the kuna liquidity and the exchange rate balances.

The money multiplier  $m1$  is a measure of the strength of the lever of monetary policy. The ratio of M1 and reserve money at the end of January 2002 was 1.3; the average ratio last year was 1.5. The change in the reserve requirements regulations caused a significant increase in the level of reserve money and a decline in the money multiplier M1 towards the end of last year. Currently, the ratio of money (M1) and reserve money in Croatia is somewhat lower than in selected neighboring transition countries.

Towards the end of February this year, kuna CNB bills

Figure 39

**RATIO OF MONEY SUPPLY TO RESERVE MONEY IN CROATIA AND SELECTED TRANSITION COUNTRIES**



Sources: Central banks' web sites

stood at HRK 3.2bn, a slight decline from that at the end of December 2001. In mid-January 2002, an extraordinary kuna CNB bill auction was held on the eve of a foreign exchange auction on January 15 to withdraw possible kuna liquidity surpluses from the system. Subscriptions totaled HRK 86m, and at a regular auction at the end of January, CNB bill subscriptions totaled over HRK 1bn. In February, the banks chose not to renew subscriptions of all the bills falling due, the result being that the net level of subscribed CNB bills fell. At an auction held on February 27, CNB bill subscriptions continued to decline slightly. In light of the high liquidity of the system in the first quarter, the reluctance on the part of the banks to subscribe CNB bills could be explained by their preference for more liquid types of assets. The structure of demand for CNB bills indicates a shift towards securities with longer maturities. Following the February auction, 61% of the subscribed CNB bills matured in 15 weeks, 21% in 10 weeks and 18% of the CNB bills had the shortest possible maturity, 35 days. In the second half of last year, there was a change in the demand structure. Until then, the banks showed a decided preference for the shorter maturity CNB bills. The good liquidity of the system as a whole, indications of a deeper and a more liquid secondary market, an ever-increasing number of institutional investors preferring longer maturity instruments, in addition to a 1 percentage point higher interest rate offered on CNB bills with the longest maturity compared with the CNB bills with the shortest maturity, are all factors which played a role in changing the demand structure for CNB bills.

Government deposits largely fluctuated in January. One of the reasons for that was increased volume and the development of the state treasury. From the beginning of this year, the state treasury has comprised an additional number of budget beneficiaries, and some of its previous users had their funds held with commercial banks transferred to an account with the central bank. This caused government deposits to increase and to fluctuate more. On the other hand, technical difficulties and the adjustment time needed for budget beneficiaries to get used to the new system caused some delays in disbursements, which accumulated and caused a sudden fall in central government deposits. This also caused changes in commercial bank liquidity, due to a disruption in the regular flow of funds between the government, the banking system and the private sector. However, thanks to their liquidity, the banks were able to absorb all these fluctuations, thus maintaining the balance of the money market. Towards the end of January, and especially in February, the balance of funds in the government giro account returned to its normal seasonal level with the usual fluctuations during the month. The average level of government deposits with the central bank in January was HRK 1.5bn, with a standard deviation of 0.6, while during February it increased to HRK 1.7bn, with a decline in standard deviation of 0.2. The full inclusion of all budget beneficiaries in the state treasury is important from the standpoint of both fiscal and monetary policies. The level and volatility of government deposits, as well as the payment dynamics for government obligations affect the liquidity of the banking system and the private sector as a whole. An accurate assessment of these dynamics is important for successful li-

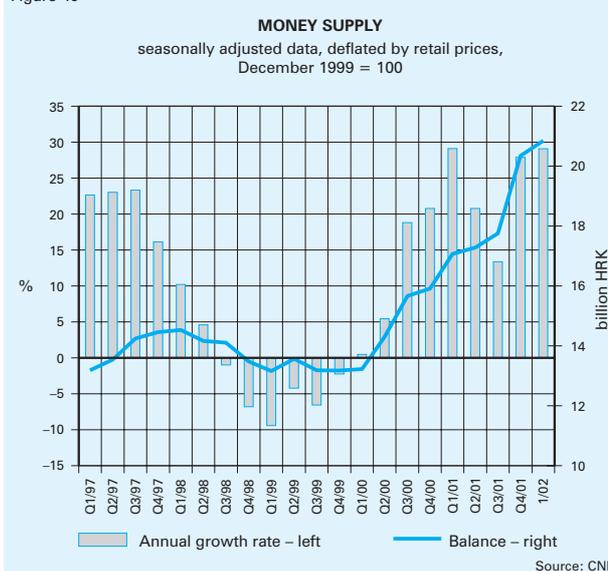
quidity management within the banking system. The completion of an integral treasury system and its analytical superstructure providing projections of budgetary inflows and outflows are equally important in fiscal and monetary policies.

### Monetary and Credit Developments

The introduction of the euro, the major economic event which marked the beginning of 2002 globally, also had its impact on the monetary developments in Croatia over the past few months. Individuals made use of the simplest way to convert currency into the euro by depositing their foreign exchange at banks. This caused a large increase in foreign exchange deposits at the end of 2001. The entry of foreign exchange cash into the banking system increased the balance sheets of banks. The further placement of these funds by banks will add to their quality. The growth of most seasonally adjusted monetary aggregates continued into January. It should be stressed, however, that January is usually characterized by a seasonal and nominal decline in some of the aggregates, which was much less expressed this January.

*Total liquid assets (M4)*, the broadest monetary aggregate which comprises money (M1) and total kuna and foreign exchange deposits (savings and term deposits) best reflect the total monetary developments in Croatia. In the last quarter of 2001, total liquid assets exhibited a strong accelerated growth as a result of the growth in foreign exchange deposits, which make up over 65% of M4. The growth in kuna components, which increased somewhat less than foreign exchange deposits, contributed to the growth in M4. In the last quarter, the real seasonally adjusted value of M4 increased by as much as 17.2% (which, on an annual level, is a growth rate of 89%) of which one half can be attributed to December. By comparison, the growth rate of M4 from the beginning of 2000 to September 2001, calculated on an annual basis, amounted to 28%. The fact that the monetary aggregates continued to grow this year as well can be evidenced by the growth in M4 which increased nominally by 1.7% in January 2002 (repre-

Figure 40



senting a growth rate of 22% annually). Towards the end of January, M4 amounted to HRK 108.6bn nominally, an annual growth rate of 46.7%.

Developments in *money (M1)* are largely influenced by seasons. Thus it is seasonally usual for the M1 to increase nominally at the end of the year due to increased personal consumption (in retail trade) and to fall significantly in January. In the last quarter of 2001, money (M1) exhibited the accelerated growth of both nominal and seasonally adjusted values. The accelerated growth of M1 in the last quarter of 2001 was due not only to the increased exchanges of foreign currency into kuna but also to the recovery of M1, which slowed down considerably in the third quarter as a result of corporate deposit currency substitution in August. More specifically, companies made use of foreign exchange law liberalization and considerably increased their foreign exchange deposits. Therefore, the growth in the real seasonally adjusted value of M1 in the last quarter of 2001, calculated on an annual basis, amounted to 72%, compared to 16% in the period from January 2000 to September 2001. The growth in the real value of M1, which has continued for the last two years, was a reflection of economic growth. The growth in money (M1) continued into January when its seasonally adjusted value increased by 2.5% (or 34% annually) while the seasonally induced nominal decline stood at HRK 1.3bn or 5.5%. The growth in the seasonally adjusted value of M1 in January was largely influenced by an increase in the seasonally adjusted value of currency, while the seasonally adjusted value of demand deposits held steady. At the end of January, money (M1) stood at HRK 22.4bn nominally, which is an increase of 34.0% over that in January last year.

The introduction of the euro had a great impact on movements in *currency*. In the third quarter of 2001, the growth rate of currency accelerated strongly, its real seasonally adjusted value increasing by 11.1% (a growth rate of 55% annually). By comparison, in the first nine months of 2001, the annual growth rate of currency was 18%. In January 2002, there was a seasonal decline in currency in nominal terms, but this decline was much slower than in previous years, with the result that the seasonally adjusted value of currency continued to grow at a rate of 5.6% (93% on an annual basis). The high level of currency in January was the result of uncertainties regarding the introduction of the euro and increased foreign exchange conversions in December. Towards the end of January, currency stood at HRK 8.3bn, which is an increase of 39.7%, compared with January levels last year.

*Demand deposits* in the last quarter of 2001 grew even faster than currency. During this period, the seasonally adjusted real value of demand deposits grew at a rate which would amount to 93% annually. The accelerated growth in demand deposits in the fourth quarter was largely due to the recovery of corporate demand deposits following the large decline in August. However, unlike currency, developments in demand deposits in January were usual for the season so that, with a seasonal fall in nominal value, their seasonally adjusted value exhibited a slight growth. The fall in the nominal value of demand deposits in January was largely due to the fall in the demand deposits of companies which increased their

kuna and foreign exchange deposits. At the beginning of 2002, the transfer of the fund accounts from commercial banks to the state treasury took place, causing a decrease and a change in the dynamics of demand deposits. Thus, contrary to their usual developments, government demand deposits declined significantly towards the end of January and determined the final value of demand deposits in January. At the end of January, demand deposits stood at HRK 14.1bn, an increase of 30.8% compared with that in January 2001.

Developments in *kuna deposits* last year, as well as developments in demand deposits, were determined by developments in corporate demand deposits. While kuna household deposits grew steadily, total kuna deposits were primarily determined by corporate kuna deposits. Following a decline in corporate kuna deposits below the optimum level in the third quarter due to the growth in corporate foreign exchange deposits, the fourth quarter saw their recovery. Thus, the real seasonally adjusted value of kuna deposits fell by 5.3% in the third quarter of 2001, and grew by 13.8% in the fourth quarter of 2001. At the beginning of 2002, kuna deposits continued to grow. In January, their seasonally adjusted value increased by 6.7%, which is the standard level of corporate kuna deposits. Towards the end of January, kuna deposits stood at HRK 11.4bn, an increase of 35.1% over that in January 2001.

As it has been pointed out already, monetary developments towards the end of 2001 were marked by an increase in *foreign exchange deposits*, which stemmed mainly from individual foreign exchange deposits. This growth was the result of the need to deposit EMU member country currencies in the banks for conversion because of their expiration date at the beginning of 2002. Individual foreign exchange deposits in the last quarter of 2001 increased by almost EUR 2bn, or 29.0%, EUR 1.3bn in December alone (the largest growth was recorded at end December). As corporate foreign exchange deposits held steady in real terms in the last quarter of 2001 (due to a large decline in December), total foreign exchange deposits in that period increased by 24.4% in real terms.

As the growth in foreign exchange deposits towards the end of the year was the result of foreign exchange cash deposited at the banks for the purpose of its conversion into the euro, it remained to be seen to what extent the banks would retain the newly-deposited funds after the euro was introduced. The available data for January indicate that there were no major outflows of individual foreign exchange deposits. On the contrary, total foreign exchange deposits, the exchange rate effects excluded, grew slightly by 0.8% in January; individual foreign exchange deposits held steady but those of companies grew (following a decline in December). At the same time, developments in individual foreign exchange deposits were more dynamic during the month. Despite January withdrawals of one part of the individual foreign exchange deposited at the end of last year, the individual foreign exchange deposited in January equaled the amounts withdrawn. This may be an indication that the increased level of foreign exchange deposits in banks will hold. It should be stressed, however, that individual foreign exchange deposits tend to grow in January, mainly as a result of foreign exchange

inflows at the end of December while this year foreign exchange cash was being deposited for conversion purposes even after December 31, 2001. Towards the end of January, foreign exchange deposits stood at HRK 74.9bn, an increase of 53.0% from that in January 2001. By comparison, foreign exchange deposits increased 26.9% in 2000.

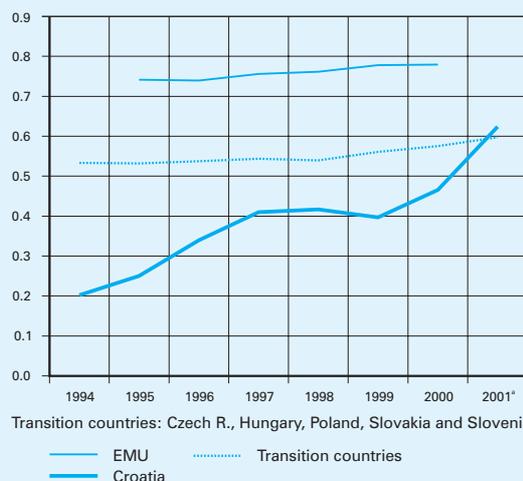
The high level of growth in M4 achieved in 2001 led to the continued growth in the share of this broadest monetary aggregate in GDP, which is a measure of financial deepening. Thus, of all the transition countries, Croatia has the largest growth in the share of the broadest monetary aggregate in GDP. Starting from the bottom in 1994, Croatia has managed to achieve the average for transition countries. Towards the end of 2001, Croatia reached 62%, equaling the levels of Slovenia and Slovakia, with only the Czech Republic having a larger share. With the deepening of their financial markets, the transition economies are slowly approaching the EMU.

The described increase in the liabilities of the banking system, mainly foreign exchange deposits, led to the increased balance sheets of banks, i.e. increased total assets available to the banking system. The banks had to decide how to place these funds. The increase in the banks' sources of funds very soon led to an increase in the net foreign assets of commercial banks, which was particularly pronounced in December, partly because it takes some time to make domestic placements. Foreign placements provide significantly lower (but safer) yields for commercial banks than domestic placements, so it is probable that the increased balance sheets will provoke further growth in domestic investment, which banks have announced and which January data already points to. Commercial banks can also substitute their foreign sources of funds by domestic sources; i.e. repay some of their foreign loans.

The increase in foreign exchange deposits was soon reflected in the increase in the *net foreign assets* (NFA) of the banking system which increased by HRK 14.2bn in the last quarter, by HRK 9.1bn in December alone. This growth was largely caused by the increase in the NFA of commercial

Figure 42

**THE BROADEST MONETARY AGGREGATE SHARE IN GDP**  
as at year-end



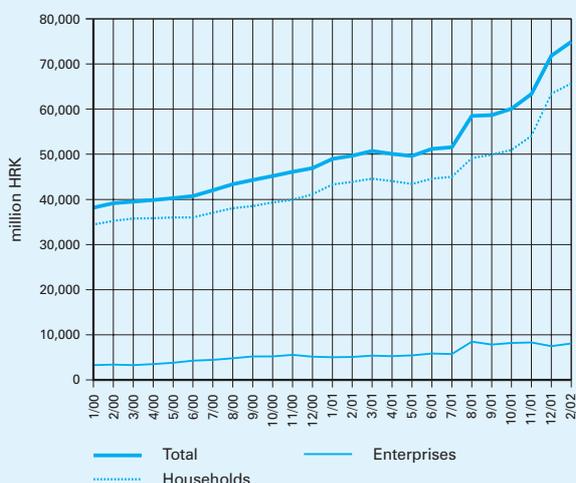
\* Estimated value.

Sources: CNB and WIW

banks which increased by as much as HRK 11.4bn. but also by the CNB's purchases of excess foreign exchange supply, which increased the central bank's net foreign assets by HRK 2.8bn. The increase in the NFA of commercial banks is mainly due to the growth in the foreign assets of commercial banks abroad, which increased by HRK 12.2bn, or by 58.9% during that period, while the foreign liabilities of commercial banks increased by only HRK 0.8bn. Of the total increase in the foreign assets of commercial banks at the end of the year, over one half (HRK 6.2bn) can be attributed to the increase in foreign exchange cash deposited at banks in the last days of December, which took several days to dispatch and which can be also seen in a decrease in foreign exchange cash at the beginning of January. 43% of the growth in the foreign assets of commercial banks (HRK 5.2bn) can be attributed to increased deposits with foreign banks. In January, the NFA of commercial banks declined by HRK 2.4bn, mainly due to a 6.1% decrease in foreign assets. A part of this decrease can be attrib-

Figure 41

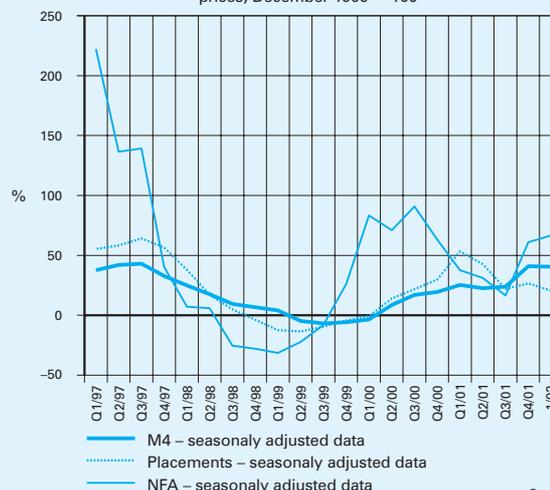
**FOREIGN EXCHANGE DEPOSITS BY SECTORS**  
constant exchange rate, December 31, 2000



Sources: CNB

Figure 43

**TOTAL LIQUID ASSETS, PLACEMENTS AND NET FOREIGN ASSETS**  
annual rate of change, deflated by retail prices, December 1999 = 100



Source: CNB

uted to the London Club debt repayment which fell due in January but also to the growth in domestic placements. The EMU member country foreign currency collected until the end of December was "exported" at the beginning of January causing deposits with foreign banks to grow.

*Net domestic assets (NDA)* which show the net investments of commercial banks in Croatia grew rapidly last year, following a decline in 1999 and a slight recovery in 2000. During 2001, NDA increased by 30.5%, compared with 10.1% in 2000. In the last quarter, NDA increased by 6.6%, an increase of 21% annually. The increase in the sources of funds of commercial banks enable continued growth in NDA. The data for January already indicate an increase of 6.1% in NDA, although this growth rate should be taken with reserve because the exchange rate of the kuna against the euro in the same period depreciated by 2.7%. At the end of January, NDA stood at HRK 61.3bn, an increase of 30.5% over that in January 2001.

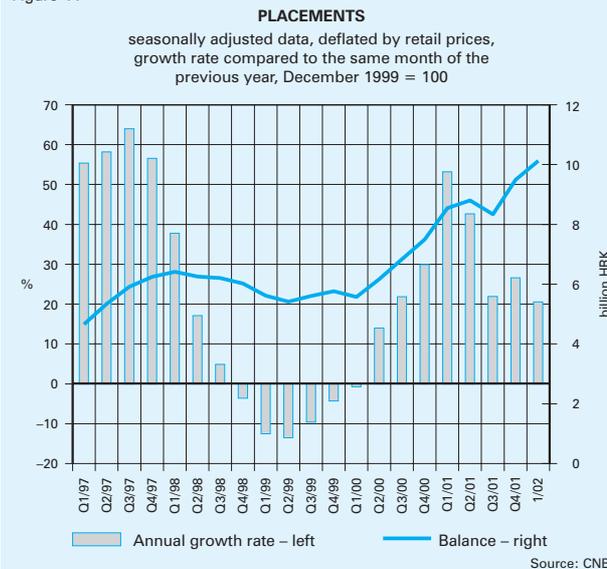
*Placements to other sectors* are the most significant component of NDA. They increased by 23.0% in 2001, compared to 8.9% in 2000. In the last quarter of 2001, placements increased nominally by 4.8% (annual growth of 21%). The exchange rate effects excluded, they increased by 6.4%. Placements to other sectors nominally increased by 3.2% in January. The exchange rate effects excluded, they increased by 0.9%. The seasonally adjusted value of placements increased by 1.8% in January, which equals the average monthly growth rate of placements last year. At the beginning of the year, banks announced significant reductions in the prices of loans and the introduction of new types of loans, so that placements are also expected to grow in the future.

Of placements to other sectors, the largest share, 90%, can be attributed to loans. Structurally, kuna loans made up 15%, loans with a foreign currency clause 72% and foreign exchange loans 13% of the whole. Such a structure of placements reflects the currency structure of the liabilities of the banking system in which foreign exchange sources of funds (foreign liabilities and foreign exchange deposits) dominate with a 66% share.

Corporate lending stood at HRK 38.3bn at end 2001 and accounted for 56% of loans to other sectors. Household lending stood at HRK 30.1bn and accounted for 44% of loans to other sectors. The household share increased significantly during the past few years because household lending grew at higher rates, which can be explained by the limited supply of loans and the lower initial level of household indebtedness. Commercial banks had identified in households a new market and worked in the past few years towards securing this market. The growth rate of corporate lending in 2000 was 1% and that of household lending 21%, compared with 21% and 29% in 2001, respectively. In the fourth quarter of 2001, corporate lending, for the first time, grew faster than household lending on a quarterly basis (20% and 16% on an annual basis) and somewhat faster growth in corporate lending continued into January (16% and 15%). These developments are an indication of investment activities and production growth in the next period.

For the purpose of examining the current level of indebt-

Figure 44



edness of other sectors in Croatia, a comparison was made between the levels of indebtedness of enterprises and government sectors in Croatia, in the transition countries and in the EMU. As a measure of a sector's indebtedness, its credit share in GDP was used. Other types of placements, mainly bonds (and foreign credits) were left out because they are not so significant on underdeveloped capital markets as they are in transition countries. The enclosed figures show that the level of indebtedness of enterprises and households in the EMU is significantly higher than in the transition countries due to the former's highly developed banking sector and higher total personal income which enables the relevant EMU sectors to borrow more. The data for Croatia suggest that enterprise indebtedness is equal to the levels in transition countries, while household indebtedness is two times higher than that in transition countries. The higher level of household indebtedness can partly be explained by the fact that the household sector in Croatia also includes crafts and trades. Nevertheless, the growth trend in household indebtedness is still very sharp. The comparison made is an indication of movements in the last few months and points to continued more rapid growth in loans to enterprises than in loans to households.

*Net claims on the central government* grew much slower in 2001 than placements to other sectors as the result of a decision to finance the budget deficit by foreign borrowing. Net claims on the central government increased by 14.1% in 2001, of which placements to the government increased by only 5.7%. The major share of the increase in borrowing can be attributed to increased T-bill issues at the beginning of last year, while net claims on the government in the last quarter even declined by 1.0%. The increase in net claims on the government of 19.5% in January 2002 is largely seasonal in character, because lower tax revenues are usual for that time of year. In addition, the increase in borrowing in January 2002 was smaller than last year, as indicated in a decline in the year-on-year inflation rate from 14.1% at the end of December to 10.1% at the end of January. The effects of the inclusion of the funds accounts into the single treasury account

### Box 2: How Much Foreign Currency Circulated in Croatia on the Eve of Cash Conversion?

The unofficial use of foreign currencies as a store of value, unit of account, and sometimes means of payment, is probably one of the characteristics of the Croatian economy that had the greatest influence on the selection of the exchange rate regime and the method of pursuing monetary policy. The unofficial co-circulation of foreign currencies, among which the German mark predominated, was beyond the scope of the official statistics, despite its importance for monetary policy in view of the long history of this phenomenon and the significance of cross-border cash flows in the form of tourist inflows and emigrants' remittances. This phenomenon is not characteristic of Croatia alone but of many other transition countries, as well as Turkey. Seitz (1995)<sup>12</sup> estimated in one of the rare studies on this issue that applies indirect methods that between 30 to 60 percent of German marks were outside Germany in the mid-nineties, which confirmed the significance of this phenomenon.

The cash conversion of the EMU member states' national currencies to the euro represented a unique opportunity to measure the amount of cash in currencies of the EMU member states which circulated outside these countries, and in Croatia as well. Since the euro cash was sometimes distributed through very long chains of banks which cannot be fully reconstructed and in which commercial banks from non-EMU member states also participated (e.g. Great Britain and Switzerland), the only possibility for measuring cash flows was in user countries. In Croatia, on the eve of the conversion, there was a statistic base for collecting data on foreign cash flows through the banking system. Our estimates of the amount of currency in circulation on the eve of conversion will rest on these data.

In October last year, soon after the CNB launched the advertising campaign, there was an evident increased inflow of foreign cash to commercial banks, primarily in the form of depositing foreign exchange in foreign exchange accounts, which was a good harbinger of what could be expected by the end of the year. Indeed, these flows increased severalfold in the forthcoming months and, at the very end of the year, there were long queues outside bank offices of people who wanted to deposit their euro currencies with commercial banks and thus avoid conversion costs.

In order to estimate the amount of foreign currency in circulation that entered the banking system for the purpose of conversion, the actual cash flows in the period from October, when the effects were first evident, to the end of the year were compared with the projection of flows that would take place in the absence of conversion. Two different methods for cash flow projection in the last quarter were used to make the estimate more reliable. The first projection was made by applying a simple method - linear trend and monthly dummy variables, and the second by using the Tramo-Seats method incorporated in the EU statistic package of the same name.

The table shows that both estimates are very close to USD 1.9bn,

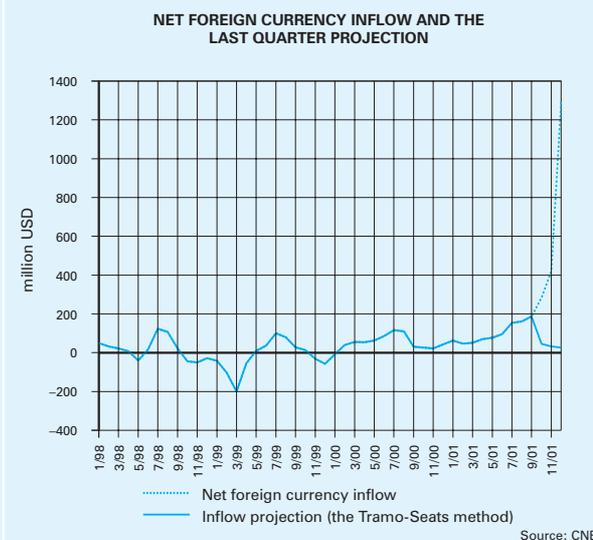
**Table 1: Estimate of the Euro Effect Through Foreign Cash Flows in million USD**

Estimate by linear trend and monthly dummy variables	Estimate by Tramo-Seats method
1,932	1,893

Source: Calculation based on the described models

12 Seitz, F. (1995) *The Circulation of Deutsche Mark Abroad*, Discussion Paper 1/95, Economic Research Group of the Deutsche Bundesbank, Frankfurt am Main, Federal Republic of Germany

Figure 45



or EUR 2.1bn. The residuals between the actual foreign cash inflows to banks and the estimate are significant and high for all three months. The estimated inflow of foreign cash due to conversion exceeded USD 200m in October, reached USD 400m in November and jumped to almost USD 1.3bn in December. According to the inflow structure, almost 90% of this amount was placed as foreign exchange deposits with banks, whereas only above one tenth of the amount was converted in kuna.

Finally, the estimate's shortcomings should also be taken into account. First, there are no indicators of foreign currency in circulation that the Croats have taken abroad for the purpose of conversion, although its amount is likely to be negligible in view of travel expenses and risk of confiscation (along with the fact that in the EU countries financial institutions require personal data when converting a large amount of cash). Furthermore, since conversion lasted until end February, there is the possibility of a cash inflow of EMU member states' national currencies in the first two months of 2002 as well. At the beginning of January, an increased inflow of these currencies to banks was recorded but at a significantly lower level than in end-December. Over the first ten days of January, the inflow of these currencies and the euro amounted to USD 280m, only to fall to USD 190m in the second ten-day period, whereas it totaled USD 260m in the same period last year. On the other hand, the estimate would be too high if the actual cash inflow to commercial banks exceeded the projection, in the absence of conversion. However, since net cash inflows over the past years were at a low level, excluding summer, the margin of error is very small.

The beginning of January saw a slightly increased euro cash demand compared to the level typical for this time of year – the gross outflow of the euro from the banking system amounted to USD 250m in the first ten days of January and fell to USD 200m in the second ten days, whereas the outflow of the EMU member states' currencies totaled USD 230m in the same period last year. In view of the cash inflow of these currencies at the end of last year, the strengthened euro outflows at the beginning of this year are practically negligible, and banks are able to meet the demand without any problem by using the usual supply channels.

and the pension reform system can also be felt. The January increase in government borrowing can mainly be attributed to the increase in T-bills and bonds in the ownership of banks.

At the end of January 2002, net placements to the central government amounted to HRK 15.3bn, which is a decrease of 10.7% compared with January 2001. At the same time place-

Figure 46

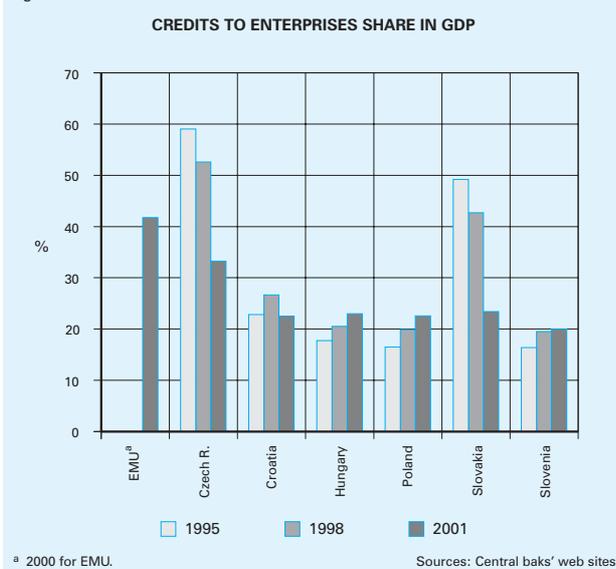
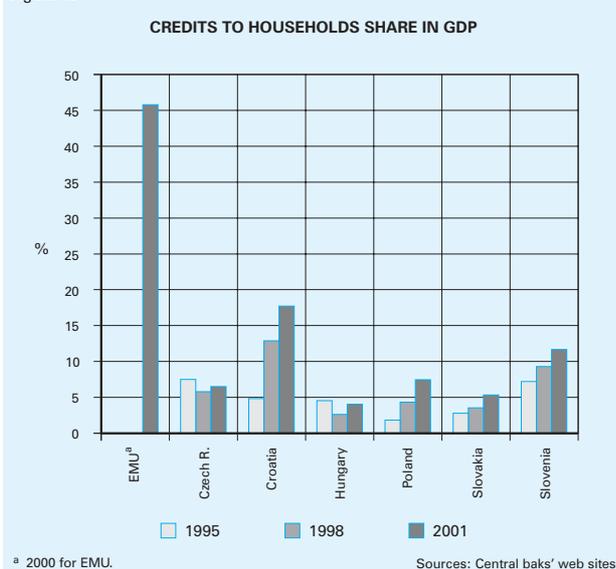


Figure 47



ments to the central government stood at HRK 22.3bn, which is a year-on-year growth of 7.4%, while government deposits with banks stood at HRK 7.0bn, which is a year-on-year decline of 0.8%.

## Money Market

In the fourth quarter of 2001, money market activities slowed down. Interest rates decreased in both overnight and daily trading, and the total turnover over the entire quarter also decreased. This slow-down was a result of improved liquidity in the banking system and the adjustment of banks to the new reserve requirement regime introduced at the end of the third quarter (setting aside a portion of foreign exchange reserve requirements in kuna). The consequences of the conversion of euro currencies to the euro and the inflow of foreign currencies into the banking system were evident in the

money market only in January 2002. Although turnover in overnight trading increased, interest rates did not rise but rather fell. In November and December 2001, the CNB curbed kuna appreciation pressures through foreign exchange interventions, thus increasing kuna liquidity. In January, the kuna started to depreciate, so interventions were aimed at withdrawing kunas. The increased activities in the money market (primarily overnight) can be accounted for partly by the interventions and partly by a rise in the foreign exchange deposit base that accordingly increased the amount of foreign exchange reserve requirements in kuna.

Interest rates on kuna CNB bills went down over the last quarter of 2001, whereas subscription went up. The latter was on the increase due to the very good liquidity of the banking system and also due to falling deposit rates with banks and a growth in deposits themselves. The subscription of T-bills grew for the same reason, regardless of a significant fall in their interest rates. Interest rates on foreign currency denominated CNB bills followed the interest rate fall in the international markets, which was curbed only in mid-January 2002. The subscribed amount of these securities rose sharply from August to October 2001, as a result of kuna depreciation, which was followed by a slight fall in the period of accelerated deposit growth and appreciation pressures on the kuna. However, the subscribed amount of foreign currency denominated CNB bills remained at a significantly higher level than in the summer months.

The downward trend in the lending rates of deposit money banks continued, although it slightly weakened in the last months of 2001. The banks' projections for 2002 indicate a further reduction in lending rates, especially on household loans, due to the deposit growth in banks. Nevertheless, interest rates on short-term corporate loans slightly stagnated in the second half of 2001, following a significant fall in end-2000 and in the first half of 2001. In the last quarter, deposit interest rates continued to fall, and the spread between lending and deposit rates slightly increased at first but then completely leveled off.

## Money Market Interest Rates

The interest rate level in the money market considerably decreased in the fourth quarter of 2001 and in January 2002. The average monthly interest rate in daily trade fell from 3.9% on average in the fourth quarter to 1.9% in January. On particular days of more active trading in the second half of the third quarter of 2001, the interest rate exceeded 8%, but at the end of the fourth quarter and in January 2002, following bank liquidity stabilization, it fell below 1%. Daily trade encompasses loans with various maturities, but callable loans predominated (accounting for about 80% of trade) on which the interest rate is very low. The low level of interest rates on these loans results from the creditor's right to ask for the repayment of the loan in the case of need; consequently, creditors prefer this type of arrangements at the expense of price in a shallow money market. In overnight trading, which includes only overnight loans, interest rates fell from the average level of 3.9% in the fourth quarter to 1.6% in January 2002. In di-

Figure 48

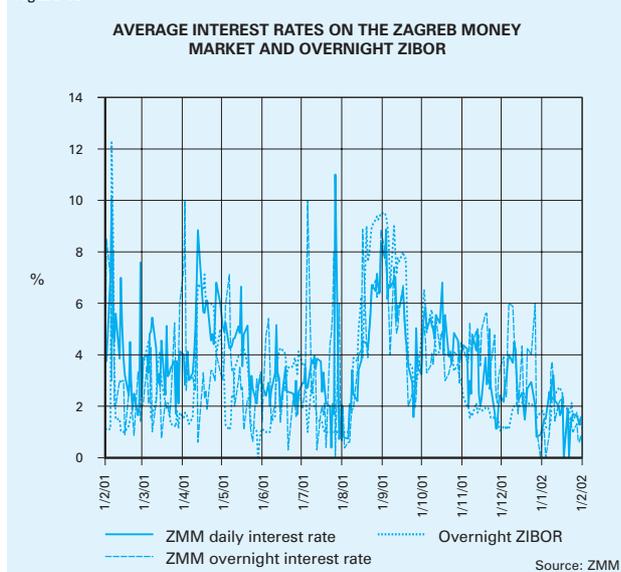


Figure 50

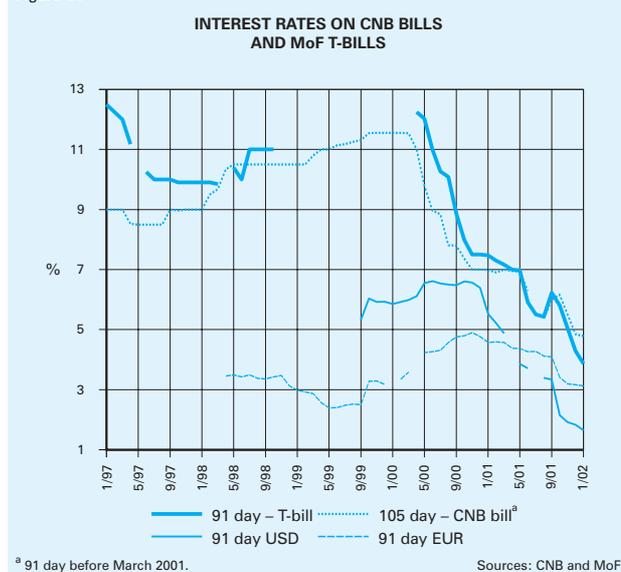


Figure 49



rect interbank trading, interest rates stood at 1.3%.

The improved liquidity of the banking system in the fourth quarter of 2001 resulted in a considerable fall in money market turnover compared to the previous quarter. In October, it was still high (daily average of HRK 237.6m); however, in November it fell by more than half (daily average of HRK 113.3m). A somewhat higher level was reached at end-January 2002 (HRK 138.8m). This slight increase in January turnover (12.2%) compared to December 2001 can be accounted for by the CNB intervention aimed at kuna withdrawal due to its depreciation, which forced banks to strengthen their activities in the money market.

### Interest Rates in the Short-Term Securities Market

Interest rates on kuna CNB bills and Ministry of Finance T-bills were on the decline until the end of the third quarter 2001. In January 2002, however, interest rates on kuna CNB

bills (the shortest maturity of 35 days) increased. Nevertheless, banks did not resubscribe all the bills that fell due, but their amount was reduced. In December, interest rates fell to 3.36% (35-day bills) and 4.85% (105-day bills). In January, the interest rate on 35-day bills increased (3.72%), whereas it slightly decreased on other maturities. The subscribed amount decreased to HRK 3.3bn.

In January, interest rates on T-bills fell to record-low levels (3.05% on 42-day bills, 3.75% on 91-day bills, and 4.75% on 182-day bills). The interest rate for the shortest maturity fell considerably below the EUR LIBOR level, which stood in January at 3.34% (one-month maturity) on average. Regardless of such a level of interest rates, the subscribed amount of T-bills has constantly been growing, and the demand even exceeds the realized subscription. This shows that the banks' free money reserves considerably increased over the period of deposit growth caused by the euro effect, and they were willing to place these reserves in kuna securities with low nominal yield, which potentially indicates that the banks had appreciation expectations for the forthcoming period. The amount of subscribed T-bills reached the high level of HRK 4.6bn.

Interest rates on foreign currency denominated CNB bills followed the interest rate movements in the international markets (LIBOR). Accordingly, interest rates on EUR-denominated CNB bills were on the decline from the beginning of 2001, whereas interest rates on USD-denominated bills began to fall as early as in 2000, as a result of the slowdown and recession in the US economy.

At the beginning of the second quarter of 2001, interest rates on USD-denominated CNB bills fell below the level of interest rates in EUR-denominated bills, since the former trended downwards more strongly. Interest rates on bills denominated in both currencies fell until mid January 2002, when the fall was curbed, and then moderately increased to the end of the month. The subscribed amount of foreign currency denominated CNB bills began to rise sharply during the summer depreciation of the kuna; this was particularly true of

EUR-denominated bills due to the considerable fall in interest rates on USD-denominated bills. In the fourth quarter, the subscribed level reached HRK 3.6bn, ending 2001 at HRK 3bn. At end-January, the amount was somewhat larger than at end-2001. Optimistic news from the US market contributed to interest rate growth.

### Deposit Money Banks' Interest Rates

The interest rates of deposit money banks have trended downwards over a very long period. This is primarily the result of competition in the banking system in a relatively stable environment of prices and exchange rates. The trend continued in the last quarter of 2001, although it was considerably weakened. Indeed, interest rates on short-term corporate loans almost stagnated in the last quarter and they presently seem to be close to a level below which they are not likely to fall in the near future, not even due to competitive pressures.

According to some announcements from the banking sector, the competition will strengthen in short-term household loans. Interest rates on short-term household loans are very high, their average presently standing at 19%, following a 2 percentage point fall over a period slightly exceeding one year. The main reason for this is the large share of expensive overdraft facilities in the calculation of the average interest rate on short-term household loans.

Interest rates on long-term corporate loans are also considerably below those on household loans, since long-term household loans encompass car loans with interest rates above 10%. Interest rates on home loans stand between 8% and 9%, but their significant reduction is projected. In contrast to interest rates on short-term loans, interest rates on long-term loans are still on a downward trend in both sectors.

Deposit interest rates continued their fall in the fourth quarter 2001, accompanied by strong deposit growth. The average interest rate on total kuna and foreign exchange de-

Figure 51

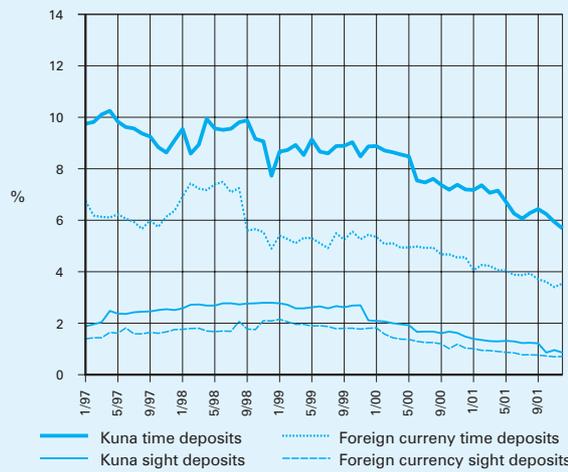
**DMBs' AVERAGE INTEREST RATES ON SHORT-TERM CREDITS NON-INDEXED TO F/C**



Source: CNB

Figure 53

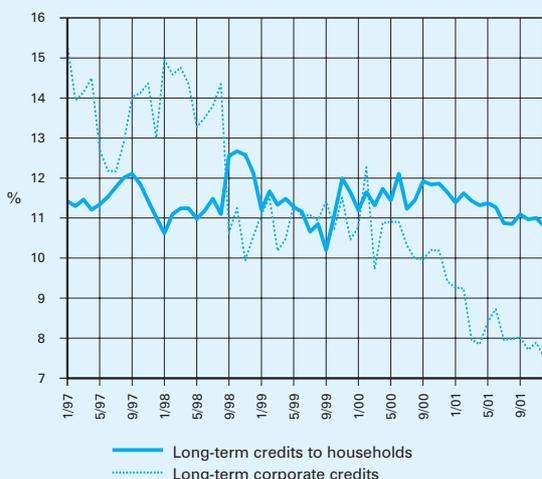
**DMBs' AVERAGE INTEREST RATES ON DEPOSITS**



Source: CNB

Figure 52

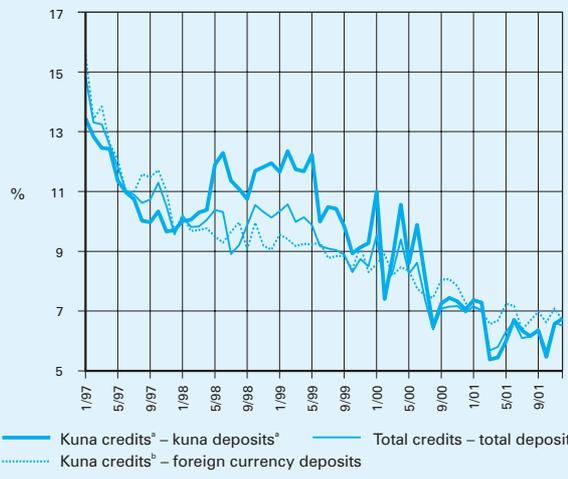
**DMBs' AVERAGE INTEREST RATES ON LONG-TERM CREDITS INDEXED TO F/C**



Source: CNB

Figure 54

**DIFFERENCE BETWEEN DMBs' AVERAGE INTEREST RATES ON CREDITS AND DEPOSITS**



<sup>a</sup> Non-indexed to f/c. <sup>b</sup> Indexed to f/c.

Source: CNB

### Box 3: Supply and Demand Structural Mismatch on the Zagreb Money Market

An interesting characteristic in the supply and demand relationship has for some time been recorded in daily trading on the Zagreb Money Market (ZMM). More specifically, during the period of high interest rates, from August to October 2001, although demand surpassed supply, the overall supply in some instances was not placed (almost 30% of supply remained unplaced). In the following period, from November 2001 to February 2002, when supply tremendously exceeded demand (as much as 5.8 times in November), from 10% to 45% of demand was not met each month. These relationships are shown in Figure 55.

The unrealized potential turnover on the Zagreb Money Market is very likely a consequence of poor liquidity of this market (the ratio between the average daily turnover in January 2002 and GDP in 2001 was 0.08%, whereas on the most liquid market, the U.S., the daily interbank trading often exceeds 100% of the US GDP value). The experience shows that the main cause for poor liquidity on a small market such as the ZMM is the small number of trading participants, as well as considerable differences in their size and methods for short-term liquidity management. This affects market liquidity through the structural mismatch between money supply and demand concerning term, price and credit exposure.

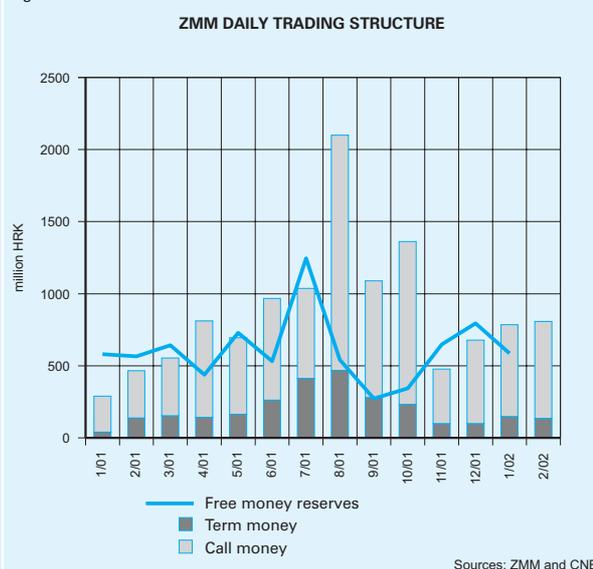
A term mismatch between supply and demand results from the fact that creditors aggressively offer funds for the shortest terms, whereas debtors always demand funds for the longest term possible. This ratio is reflected in a relatively high share of the call money turnover in total turnover in a period of poor liquidity, i.e. in a larger share of term money only after longer periods of high liquidity, as shown in Figure 56 (to obtain the approximate liquidity measure for ZMM participants, the free money reserves of banks in Table F4 of the Statistical Appendix are used).

The price mismatch between supply and demand is confirmed by occasional unexpectedly high levels of unmet demand or unplaced supply. A considerable unmet demand was

recorded in January and February 2002, irrespective of low interest rates (Figure 55), and a high level of unplaced supply occurred in September and October 2001, comparable to that in February and March of the same year, despite a pronounced decrease in liquidity (Figure 57). This could imply that the price mismatch on the Zagreb Money Market is reflected in stronger speculative money demand in periods of high liquidity and stronger speculative money supply in periods of low liquidity.

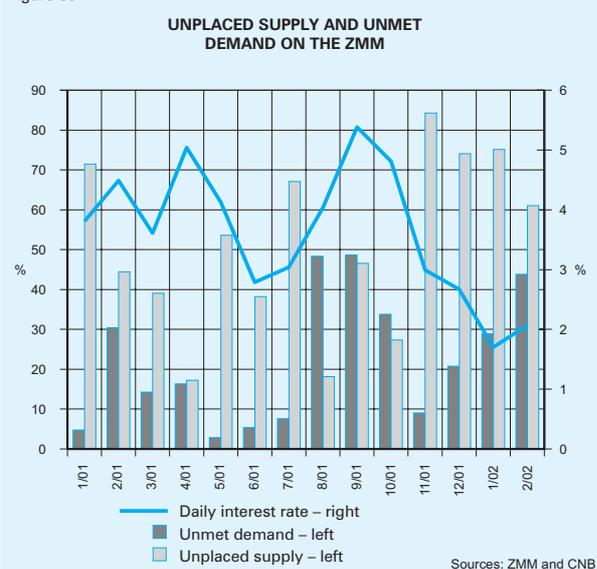
Finally, it can be concluded that even in periods of supply and demand mismatch concerning term and prices, a portion of demand still remains unmet, and a portion of supply unplaced, since the money suppliers must observe the restrictions on fund placement in view of the criterion of credit exposure to some entities from the demand side. This structural mismatch between money supply and demand represents thus a direct consequence of an attempt to diversify credit risk in the illiquid market, as previously stated.

Figure 56



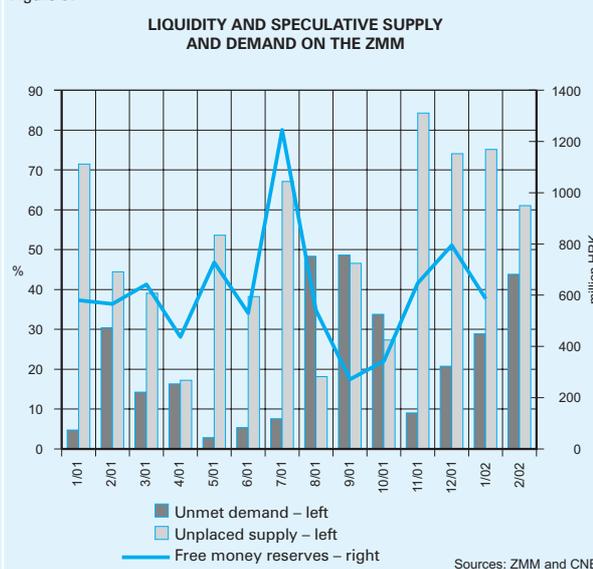
Sources: ZMM and CNB

Figure 55



Sources: ZMM and CNB

Figure 57



Sources: ZMM and CNB

Figure 58

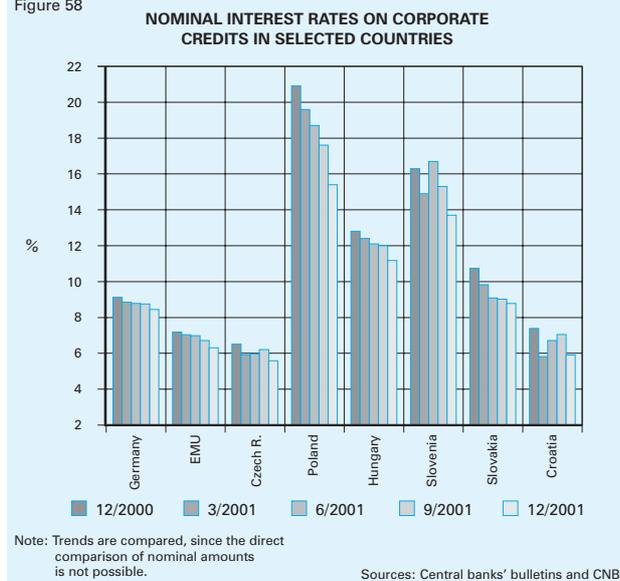
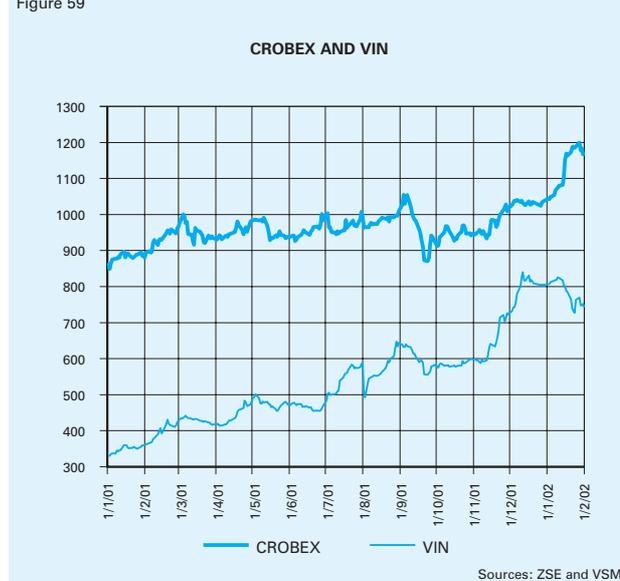


Figure 59



posits fell below 3%, although there is still a difference between interest rates on time deposits in kuna and those in foreign exchange (the difference is diminishing but is still larger than 2 percentage points). This suggests a continuation of the upward trend of savers' confidence in the Croatian banking system but a significant weakening in confidence in the domestic currency.

The spread between the lending and deposit rates stagnated in the last quarter of 2001 but somewhat increased compared to the previous quarter, since the fall in lending interest rates was slower than the fall in deposit rates. A further reduction in this spread can be expected in the first quarter of 2002.

Interest rates in the selected transition countries and EU countries are also on the decline, which indicates that this trend is present not only in Croatia. Although it is difficult to make comparisons due to different methodologies and different settings in individual countries (different inflation rates, corporate preferences, credit amounts), a considerable interest rate reduction is noticeable in some countries (in Poland and Slovenia, the inflation rate has also been reduced).

## Capital Market

### Domestic Market

A jump in prices on the domestic capital markets marked the last quarter of 2001, leading to a steep rise both in the indices and market capitalization. In this period, the CROBEX rose by a high 10.4%, and the VIN index rose 38.9% compared with the end of the third quarter of 2001, whereas they grew by 16.3%, and an astounding 143.8% respectively compared with the beginning of 2001. The upturn on the Zagreb Stock Exchange (ZSE) in the last quarter of 2001 may be contributed to the rising prices of the shares of companies with the highest market capitalization, whereas the increase on the Varaždin Securities Market (VSM) resulted mostly from a huge

increase in the prices of privatization investment funds shares (328.2% on average).

Market capitalization on the ZSE was HRK 25.8bn at end-2001, which is 16.4% of the 2000 GDP. The total market capitalization rose by 16.4% compared with end-2000, owing to the rise in prices of shares listed on the stock exchange as well as newly listed shares. Shares in Quotation I accounted for the major share of the total market capitalization, 54.1%. Market capitalization on the VSM reached HRK 14.3bn, an increase of 110.8% compared with that at the end of the year 2000.

In the last quarter of 2001, the volume of trade on the ZSE reached HRK 609.6m, or almost 36.2% of the total volume of trade in 2001. Trading in shares accounted for 50.2% of the total volume of trading, trading in bonds accounted for 49.6%, whereas the rest related to trading in rights (the portfolios of various ministries). The total volume of trading was 15.3% lower in 2001 compared with that in 2000. This downturn resulted from a fall in share trading (36.7%), whereas bond trading went up by a high 54.2%. The fourth-quarter volume of trading on the VSM (HRK 397.2m) accounts for 37.6% of the total volume of trading in 2001. The supply and demand quotation accounted for 44.0% of trading; the PIF quotation accounted for 44.1%, and securities in the rights quotation accounted for 11.6%. The rest related to securities in the market quotation. The total 2001 volume of trading surpassed that in 2000 by a high 51.9%.

A positive change on the domestic capital markets was the growth in both the number of securities listed and the number of actively traded securities on the ZSE and VSM. At end-2001, 565 securities were listed on the VSM (1 bond), and 79 securities were listed on the ZSE (6 bonds), whereas 60 securities were actively traded on the ZSE, and 166 were traded on the VSM. Significant progress is represented by the increase in the number of bonds on domestic capital markets. Their market capitalization stood at HRK 7.4bn at the end of 2001. Two new series of corporate bonds (EUR 29m in nominal terms) were issued at the beginning of 2002, and addi-

**Table 2: Comparison of Capital Markets Indicators**

December 2001	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily volume of trade, shares (million USD)	8.2	22.8	6.4	20.8	27.6	0.5
Average daily volume of trade, bonds (million USD)	52.8	9.4	2.3	210.9	1.4	0.9
Volume of trade <sup>a</sup> /GDP <sup>c</sup> , annual level	8.1	9.8	8.5	8.0	3.5	0.6
Volume of trade <sup>b</sup> /GDP <sup>c</sup> , annual level	51.5	4.1	3.1	80.8	0.2	0.9
Volume of trade velocity <sup>d</sup>	42.6	45.5	40.4	45.4	23.0	3.4
Market capitalization <sup>a</sup> (million USD), end month	3,483.7	10,209.5	3,426.8	9,342.7	25,931.7	3,099.8
Market capitalization <sup>b</sup> (million USD), end month	6,102.5	12,661.4	1,814.4	8,808.8	n/a	892.7
Market capitalization <sup>a</sup> /GDP <sup>c</sup> , end month (%)	18.9	21.7	21.0	17.6	15.1	16.4
Market capitalization <sup>b</sup> /GDP <sup>c</sup> , end month (%)	33.1	26.9	11.1	16.5	n/a	4.7
Index movement from the beginning of the year (%)	31.4	-9.2	19.0	-17.5	-22.0	16.3
Index movement from the beginning of the month (%)	0.9	0.1	1.0	0.5	-0.8	1.7

<sup>a</sup> Shares. <sup>b</sup> Bonds. <sup>c</sup> 2000. <sup>d</sup> Monthly volume of trading in shares x 100/market capitalization of shares.  
Sources: Reports from BSSE, BSE, PSE, LJSE, WSE, ZSE and FIBV Statistics (www.fibv.org)

**Table 3: Issues of International Bonds of the Republic of Croatia**

Bond	Currency	Amount	Original maturity	Nominal interest rate	Yield on issue day	Spread <sup>a</sup> 30/11/01	Spread <sup>a</sup> 31/12/01	Spread <sup>a</sup> 31/1/02
London Club A	USD	857.796.000		6-month LIBOR + 81.25 b.p.		202	200	188
London Club B	USD	604.426.000		6-month LIBOR + 81.25 b.p.		226	221	204
Euro-USD bonds, 2002	USD	300.000.000	5	7%	7.02%	141	166	153
Euro-DEM bonds, 2004	DEM	300.000.000	7	6.125%	6.20%	136	126	108
Eurobonds, 2006	EUR	300.000.000	7	7.375%	7.45%	168	156	143
Samurai bonds, 2004	JPY	25.000.000.000	5	4%	4.00%	n/a	n/a	n/a
Eurobonds, 2005	EUR	500.000.000	5	7%	7.06%	166	161	143
Samurai bonds, 2007	JPY	40.000.000.000	7	3%	3.00%	b	b	b
Samurai bonds, 2006	JPY	25.000.000.000	5	2.5%	2.50%	b	b	b
Eurobonds, 2011	EUR	750.000.000	10	6.75%	6.90%	216	172	167
Eurobonds, 2009	EUR	500.000.000	7	6.25%	6.34%	b	b	b

<sup>a</sup> In relation to benchmark bond. <sup>b</sup> Upon issuing, the spread on Samurai bond 2007 was 159 b.p., on Samurai bond 2006, the spread was 160 b.p., and on eurobond 2009, the spread was 159 b.p.  
Source: Bloomberg

tional issues of government bonds are expected.

A comparison of the Croatian capital markets with capital markets of selected transition countries (stock exchange data) in terms of the share of market capitalization in GDP shows that Croatia is not lagging far behind these countries any more. However, Croatia is still far behind according to the volume of trading indicators. The average daily trading in bonds and shares was only USD 1.3m (only 1.5% of GDP) in

December 2001, whereas it was a high USD 231.7m in Prague (88.8% of GDP). Considering the trading in shares alone, the largest daily trading occurred on the Warsaw Stock Exchange, whereas the largest volume of trading in shares compared with the size of GDP occurred on the Budapest Stock Exchange.

Index developments on individual stock exchanges indicate that stock exchanges in Prague, Budapest and Warsaw recovered in the fourth quarter of 2001 and this is reflected in the sharp rebound of the Central European Stock Index (CESI). The rise in the index (prices on the stock exchanges) continued on other stock exchanges, and was most pronounced on the Bratislava Stock Exchange (a growth of 31.4% in 2001).

### Domestic Bonds on International Markets

At end-January 2002, 10 Croatian government bonds were issued on world markets (with the one issued by the CBRD, which is not shown in Table 3). Additional EUR 500m worth of eurobonds was issued, and USD 300m worth of USD bonds come due in February. At end-January 2002, the value of Croatian bonds issued totaled some USD 3.6m in nominal terms (of which USD 1.1bn relates to the London Club).

Table 3 and Figure 60 show that the spread on Croatian bonds has steadily declined, and that each new issue of Croatian bonds bears a lower interest rate. The issue of a new

Figure 60

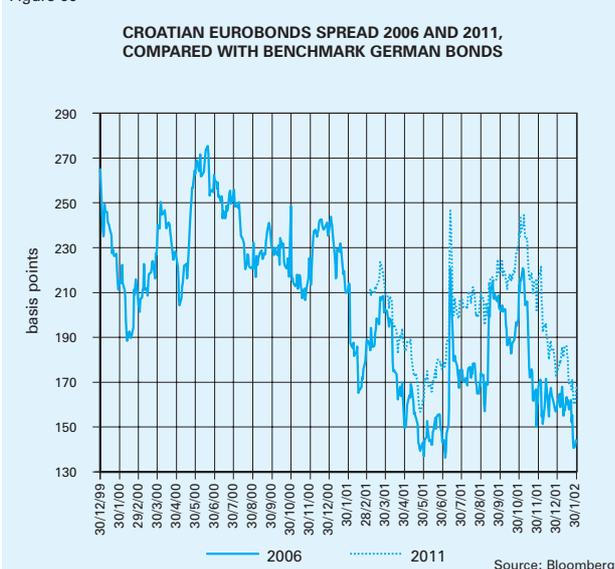
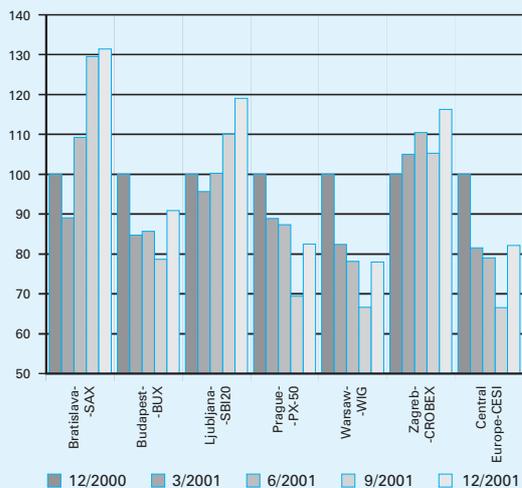


Figure 61

**SELECTED STOCK EXCHANGE INDICES**  
end of period



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

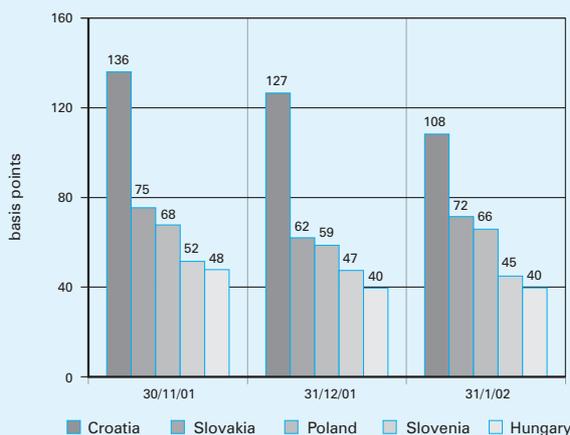
with investment rating Prime 1 (ratings from A above) according to all credit rating agencies, whereas the Czech Republic and Poland are in that group according to almost all credit rating agencies, together with Estonia from the group of Baltic transition countries.

## International Transactions

The interim free trade agreement with the EU reached within the framework of the SAA and the free trade agreements concluded with the most of CEFTA countries have been implemented since January 1, 2002. These agreements have abolished customs duties in mutual foreign trade, but have preserved them unaltered in trade with other countries. This will strongly influence the economic relations between Croatia and foreign countries. By the beginning of 2002, international transactions were conducted in a substantially different institutional environment.

Figure 62

**COMPARISON OF CROATIAN EUROBOND SPREAD WITH SIMILAR BONDS OF SELECTED TRANSITION COUNTRIES IN RELATION TO A BENCHMARK GERMAN BOND**



Source: Bloomberg

Croatian eurobond occurred at the most favorable moment on the world markets as the emerging market bond index EMBI+ (calculated on the basis of spreads on these bonds in relation to American bonds) plunged by about 38.7%, after Argentine bonds had been excluded from the weighting at the beginning of December 2001.

Despite its downward trend, the spread on Croatian bonds is still the worst, above 100 basis points compared with selected transition countries. Spreads on the bonds of other countries also declined. The spread on Slovakian bonds fell the most, coming closer to the spread on bonds of other countries.

Croatia's credit rating remained unaltered compared with the previous quarter (Fitch IBCA and Standard & Poor's: BBB-, and Moody's: Baa3) and is considered stable. With the exception of Slovakia, Croatia's credit rating is the lowest among the countries with which its spread is compared. Slovenia and Hungary have for a long time been in the group

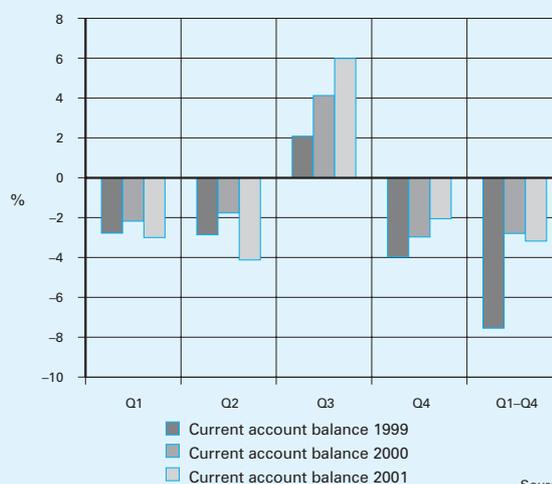
## Current Account

The preliminary data show that the current account deficit stood at about USD 400m, or 2% of GDP, in the last quarter of 2001, which is the smallest fourth quarter deficit figure in the last three years. Following the surplus of USD 1.2bn brought about by a good tourist season in the third quarter, the overall current account deficit was around USD 600m, or 3% of GDP, in 2001.

Compared with that in the year 2000, the current account deficit slightly widened due to an increase in the goods account deficit caused by car imports stimulated by the ending of tariff privileges for car purchases in the first part of 2001 and imports of investment equipment that boosted investment growth. Except in 1993 and 1994 when goods imports were extremely low, the current account regularly ran a deficit. It peaked in 1997 and 1998 and was followed by rapid growth in domestic consumption and intense bank lending

Figure 63

**CURRENT ACCOUNT**  
share in GDP



Source: CNB

**Table 4: Measures of Disequilibrium in the Balance of Payments, in million USD**

	1993	1994	1995	1996	1997	1998	1999	2000	2001 <sup>d</sup>
Goods	-723.2	-1,141.6	-3,259.3	-3,623.5	-5,196.2	-4,147.4	-3,298.6	-3,203.9	-4,016.2
Services	1,138.1	1,633.3	1,044.3	1,579.7	2,024.2	2,074.8	1,625.2	2,257.7	2,945.6
Goods and services	414.9	491.7	-2,215.0	-2,043.8	-3,172.0	-2,072.6	-1,673.4	-946.2	-1,070.6
Income	-119.6	-164.5	-28.8	-69.9	-22.4	-163.8	-349.5	-310.4	-526.8
Current transfers	327.7	526.3	802.3	1,022.4	869.4	706.0	632.5	857.7	948.9
Current account	623.0	853.4	-1,441.5	-1,091.3	-2,325.1	-1,530.4	-1,390.4	-398.9	-648.5
Long-term capital <sup>a</sup>	-87.8	-23.7	-28.2	1,584.5	2,133.7	1,886.9	2,391.6	1,706.2	1,965.9
Basic balance	535.2	829.7	-1,469.7	493.2	-191.4	356.5	1,001.3	1,307.3	1,317.4
Basic balance (excluding FDIs)	433.5	719.6	-1,578.5	6.8	-538.1	-478.4	-443.3	409.5	120.1
SDRs	-3.7	-0.8	-135.3	14.3	-21.5	-84.1	41.7	41.8	39.7
Private short-term illiquid capital <sup>b</sup>	166.0	125.4	462.5	31.3	492.8	-400.8	47.0	362.2	-397.1
Net errors and omissions	-234.5	-591.4	345.9	-904.0	-326.5	61.7	-743.8	-283.9	446.4
Net liquidity balance	463.0	362.8	-796.7	-365.2	-46.5	-66.7	346.1	1,427.4	1,406.3
Private short-term liquid capital <sup>c</sup>	-160.6	30.5	709.3	817.4	393.6	214.7	77.0	-1,026.3	369.3
Official settlements balance	302.5	393.4	-87.4	452.1	347.0	148.0	423.2	401.1	1,775.6
Financing:									
Reserves excluding SDRs (increase -)	-462.8	-742.6	-307.8	-547.6	-406.5	-67.4	-420.2	-623.9	-1,352.8
IMF loan to monetary authorities	-24.0	105.5	97.6	-4.3	37.3	-8.9	-31.4	-28.7	-30.8
Other:	-486.8	-637.1	-210.2	-551.9	-369.2	-76.3	-451.6	-652.6	-1,383.6
Government short-term illiquid capital <sup>b</sup>	189.6	243.9	313.1	133.2	-8.6	-49.2	29.2	283.7	-358.9
Government short-term liquid capital <sup>c</sup>	-5.2	-0.2	-15.5	-33.4	30.7	-22.3	-0.5	-32.1	-35.2

<sup>a</sup> Capital account, FDIs and long-term capital (portfolio and other investment with a maturity of over 1 year). <sup>b</sup> Short-term trade credits and other short-term investments. <sup>c</sup> Currency and deposits and short-term portfolio investments. <sup>d</sup> Preliminary data. Source: CNB

activities. However, since the year 2000 and the beginning of fiscal consolidation, it has moved downward.

The goods balance is the most important determinant for movements in the current account balance in Croatia. Between 1993 and 2001, the goods balance was in deficit and primarily varied depending on changes in goods imports. On an annual basis, goods exports ranged between USD 4bn and 5bn, depending on changes in the exchange rate, foreign economic activity and relative prices. As a result of the huge GDP growth rates between 1995-1998 (6% on average) stimulated mostly by growth in personal consumption, the merchandise trade deficit peaked at USD 5.2bn, or 26% of GDP, in 1997.

Services and current transfers are transactions that help “wind up” the goods deficit in the current account. The contribution of services (tourism and increasingly transport, the reconstruction and construction of roads, are the most important) to the deficit was USD 1–1.6m during the war years (until 1995), USD 2bn in 1997 and 1998 and almost USD 3bn in 2001 (with the exception of 1999 due to the Kosovo crisis).

Thanks to a huge number of workers temporarily employed abroad, current transfers have also helped cover the current balance of payments deficit. This figure grew and amounted to about USD 1bn in 1996, falling in 1998 and 1999 due to a loss of confidence in the banking system and then resumed its upward trend, reaching almost USD 1bn.

The income balance slightly worsened the current balance of payments in the period ending in 1998. However, the accelerated growth in government external debt in 1997–2000 and the growth in FDIs into Croatia noticeably widened the income account deficit.

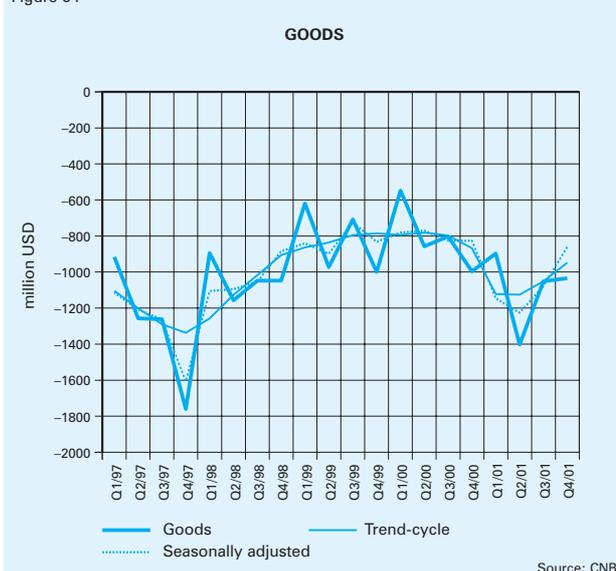
The basic balance showing the long-term trends in international transactions was in deficit in 1995 (USD 1.5bn) and in 1997 (about USD 200m), but has been in surplus since 1998.

Since 1999, the basic balance has shown a surplus exceeding USD 1bn created by privatization projects that brought in the so-called brownfield FDIs and by the issuance of government bonds abroad. If privatization receipts are excluded, the basic balance shows a surplus as late as in the year 2000.

## Merchandise Trade

Preliminary data on merchandise trade in the first twelve months of 2001 show that exports of goods stood at USD 4.7bn and imports of goods at USD 8.8bn. The annual growth rate of seasonally adjusted exports accelerated 8.5% in the fourth quarter and resulted in an annual growth rate of exports of 5.1% in 2001. Although the growth rate of imports

Figure 64



**Table 5: Exports and Imports of Goods by Geographical Regions**

Exports by geographical region	1993	1994	1995	1996	1997	1998	1999	2000	2001
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developed countries	62.0	64.1	61.8	54.9	54.5	52.3	56.9	60.1	62.2
EU 15	57.5	59.4	57.7	51.0	49.8	47.6	49.0	54.5	54.7
Austria	3.3	3.5	4.3	4.4	5.3	5.5	6.4	6.6	5.7
Italy	21.2	21.4	23.7	21.0	18.9	17.7	18.0	22.3	23.7
Germany	22.9	22.1	21.5	18.6	17.9	16.9	15.7	14.3	14.8
EFTA	1.2	1.5	1.3	0.9	1.2	1.8	3.5	1.0	1.1
Other developed countries	3.3	3.1	2.8	3.0	3.6	3.0	4.4	4.6	6.5
Developing countries	38.0	35.9	38.2	45.1	45.5	47.7	43.1	39.9	37.8
Former SFRY states	24.7	22.7	22.9	27.0	30.0	25.7	25.9	25.4	25.4
Slovenia	18.2	13.1	13.1	13.6	12.1	9.5	10.6	10.8	10.3
Bosnia and Herzegovina	–	7.9	9.0	12.2	15.6	14.4	12.7	11.2	12.0
(CEFTA countries)	–	17.1	17.2	17.6	16.7	13.3	13.5	13.8	12.2
Imports by geographical region	1993	1994	1995	1996	1997	1998	1999	2000	2001
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developed countries	63.3	67.4	70.6	67.6	68.8	69.5	66.7	64.7	65.0
EU 15	56.4	59.2	62.1	59.4	59.8	59.4	56.6	55.4	56.0
Austria	6.7	6.8	7.7	7.7	7.8	7.3	7.2	6.7	7.0
Italy	18.9	19.0	18.2	18.2	18.7	17.9	15.9	16.6	16.9
Germany	21.2	21.2	20.1	20.6	20.2	19.3	18.5	16.5	16.9
EFTA	1.8	2.1	2.9	2.3	2.7	2.8	2.6	2.4	2.1
Other developed countries	5.0	6.1	5.6	5.9	6.7	7.3	7.5	7.0	6.9
Developing countries	36.7	32.6	29.4	32.4	31.2	30.5	33.3	35.3	35.0
Former SFRY states	16.6	10.9	11.3	12.4	10.8	10.5	10.5	10.4	10.4
Slovenia	15.3	10.4	10.7	9.9	8.3	8.6	7.9	8.0	7.9
Bosnia and Herzegovina	–	–	–	1.5	1.5	1.9	1.5	1.0	1.4
(CEFTA countries)	–	16.2	16.9	16.5	15.2	15.1	13.9	14.9	15.7

Source: CBS

was negative in the fourth quarter of 2001 (–5.2%), the intensity of growth in imports in the first half of the year and the lower level of the base period raised the annual growth rate of imports to 15.2% in 2001. The slowdown in imports was also assisted by a lower than expected import rate in December 2001. This can be explained by the anticipation of free trade with the EU, EFTA and CEFTA countries as of January 1, 2002 and the transfer of orders from December into January. The developments in imports and exports of goods in 2001 resulted in a foreign trade deficit of about USD 4bn, a 25.3% increase compared with the previous year in which the annual growth rate of exports was 3.9% and imports only 1.0%.

Total exports grew by about USD 200m in 2001. This was primarily caused by exports of other transport equipment (13.8% compared with the previous year), communication equipment and apparatus, crude petroleum and natural gas and service activities incidental to oil and gas extraction, and machinery and equipment. Compared with the previous year, exports fell by 12.5% on average in the following activities: the manufacture of coke, refined petroleum products and nuclear fuel, the manufacture of chemicals and chemical products and the manufacture of basic metals and thus considerably contributed to the decrease in total exports. Almost all activities recorded an increase in imports of goods in 2001. The increase in imports that stood at about USD 1bn was especially contributed to by imports of machinery and transport equipment (USD 437m) and imports of products classified by material (USD 395m). The fall in imports compared with the previous year relates mostly to other transport equipment, the

extraction of crude petroleum and natural gas, wearing apparel and tobacco products.

The further liberalization of foreign trade stimulated by interim free trade agreement with the EU (within the SAA) and free trade agreements with EFTA and CEFTA countries might greatly change the current status of foreign trade of the Republic of Croatia. The liberalization is, above all, expected to build up the foreign trade with the EU, EFTA and CEFTA countries, but it might also bring about changes in the regional and branch structure of trade. Since the EU and EFTA countries are more developed than Croatia, the liberalization will increase the merchandise trade deficit in activities that use high technology (eg office equipment, computers, and telecommunication equipment). Furthermore, the liberalization will, due to the large subsidies of the EU to agriculture within the so-called common European agricultural policy, have a negative effect on the merchandise trade deficit in activities such as agriculture and the manufacture of food products and beverages.

According to exports and imports of goods by geographical regions, Croatia's exports to the markets of developed countries account for 60%, of which more than 50% relates to exports to the EU markets (in which Austria, Germany, Italy are the main trading partners). The remaining 40% of exports relates to the markets of developing countries, mostly to CEFTA countries and former SFRY states. Imports of goods from developed countries account for up to 2/3 (mostly from the EU where Austria, Italy and Germany are dominant), while those from developing countries account for about 1/3.

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

	Stock on December 31				Structure				Growth		
	1998	1999	2000	2001	1998	1999	2000	2001	1999/98	2000/99	2001/00
Monetary sector	234.0	197.0	159.0	122.0	2.4	2.0	1.4	1.1	84.2	80.7	76.7
Government	3,395.0	3,973.0	4,796.0	4,944.0	35.4	40.2	43.6	44.7	117.0	120.7	103.1
of which: London Club	1,405.0	1,381.0	1,255.0	1,106.0	14.7	14.0	11.4	10.0	98.3	90.9	88.1
Banks	2,266.0	1,954.0	1,597.0	1,821.0	23.6	19.8	14.5	16.5	86.2	81.7	114.0
of which: Currency and deposits	615.0	538.0	433.0	633.0	6.4	5.4	3.9	5.7	87.5	80.5	146.2
Other sectors (enterprises)	3,215.0	3,208.0	3,336.0	3,082.0	33.5	32.5	30.3	27.9	99.8	104.0	92.4
Direct investment	477.0	540.0	1,115.0	1,080.0	5.0	5.5	10.1	9.8	113.2	206.5	96.9
Total	9,586.0	9,872.0	11,002.0	11,049.0	100.0	100.0	100.0	100.0	103.0	111.4	100.4

Source: CNB

The structure of exports and imports by the NCEA is dominated by the trade in manufacturing activities' products (exports are at about 95%, and imports at about 85%). The largest shares in exports are from agriculture and forestry, (2%), fishing (1%), and mining and quarrying (1%). On the imports side, mining and quarrying is the second largest activity (12%), followed agriculture and forestry (3%) and electricity supply (1%).

Agriculture and forestry activity is traditionally characterized by deficits, whereas agriculture runs a deficit and the forestry a small surplus. Fishing is traditionally in surplus, while mining and quarrying is in deficit, mostly due to crude petroleum imports. Merchandise trade in product manufacturing activities is in deficit, while activities such as the manufacture of tobacco products, the manufacture of wearing apparel and dressing, the manufacture of wood, the manufacture of refined petroleum products and the manufacture of other transport equipment (ships) run a surplus. The manufacturing activities that run deficits include: food products and beverages,

textiles, pulp and paper, chemicals, rubber and plastic products, basic and fabricated metal products, machinery and equipment, office machinery and computers, telecommunication equipment, medical and precision instruments, motor vehicles and furniture.

### Capital and Financial Account

The financing through long-term capital flows continued in 2001 as well. Above all, it included FDIs in the amount of USD 1.2bn (the second phase of the HT privatization and other small-scale privatization projects) and the issuance of government bonds in the amount of USD 929m (Samurai bonds and eurobonds).

The government used these funds to refinance external debt and to repay the short-term loan of USD 360m that it took for the completion of the second phase of the HT privatization. Both banks and other sectors also refinanced their obligations arising from external debt.

### Box 4: Key Indicators of External Indebtedness

External indebtedness indicators are monitored with a view to recognizing potential risks arising from borrowings abroad and better external debt management. There are no ideal target values for these indicators. However, their movements in the medium term, especially if the projected values for indicators that are based on expected real growth and expected interest rates are involved, show the sustainability of indebtedness in the long run.

The best-known external indebtedness indicators are:

- a) the ratio of total debt (TD) at year-end to annual gross domestic product (Y),
- b) the ratio of total debt at year-end to annual exports of goods and services (E), and
- c) the ratio of total debt service (TDS) to annual exports of goods and services.

Total debt service payments represent the sum of annual principal repayments and interest payments. The TDS/E ratio is the most common debt sustainability indicator and shows the portion of annual exports of goods and services that may be exclusively used for debt service. The problem with this indicator is that it tends to be at an above-average level in countries whose short-term debt share is large. However, large short-term debt does not have to be a worrying phenomenon: it may be the result of usual trade operations, indicate a large openness of the economy or be fully covered by short-term loans. Therefore, the calculation of TDS/E ratio sometimes does not include short-term debt payments in total debt service payments.

Such an approach is used in the WB's publications *Global Development Report* and *Global Development Finance* and in the IMF's publication *World Economic Outlook*. These publications also do not provide for the full coverage of private sector debt, either due to problems with data or the fact that the analysis lays stress on the public sector itself.

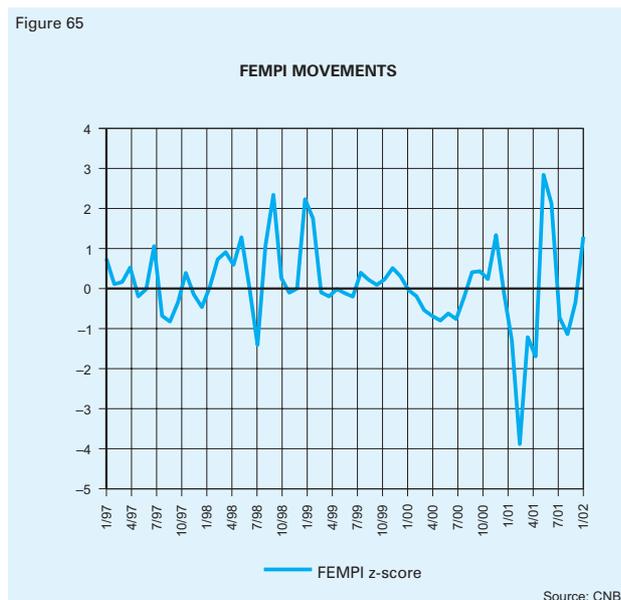
The international publications on Croatia, such as all the IMF and WB publications, usually contain external indebtedness indicators calculated without short-term debt, which is not the case in the CNB publications. The methodological differences usually do not result in significant numerical differences between indicators. In 2001, however, there was a great difference caused by repayments of a short-term loan taken by the government to bridge the HT privatization.

This is not expected to reoccur in the future, since the government does not have any other short-term liabilities.

	1999	2000	2001
CNB indicators (%)			
TD/Y	49.00	59.02	54.18
TD/E	122.19	127.00	115.71
TDS/E	29.47	29.89	35.16
IMF indicators (%)			
TD <sup>a</sup> /Y	46.36	55.19	53.19
TD <sup>a</sup> /E	115.62	118.76	113.59
TDS <sup>a</sup> /E	19.52	25.06	25.47

<sup>a</sup> Long-term debt only. Source: CNB

Figure 65



## External Debt

External debt stock reached almost USD 12bn during the year. However, it decreased substantially at end-2001 after the repayment of the short-term loan that was taken for the completion of the second phase of the HT privatization. The value adjustments helped keep the external debt at the level of USD 11bn. An increase in the euro share in external debt and the appreciation of the dollar against the euro in the last quarter of 2001 reduced the external debt by about USD 450m in the fourth quarter of 2001.

The government retained its high share in total external debt (about 45%). In addition to the government, banks also increased their share in external debt in 2001. Most of the said increase was generated in the fourth quarter through the growth in deposits received from non-residents that to a large extent included long-term deposits which are qualified as the supplementary capital of banks.

## International Liquidity

Movements in international liquidity are shown by the FEMPI which is the weighted average of the depreciation rate of the exchange rate against the euro and the rate of decrease in gross reserves. The deviations from the arithmetic mean divided by the standard deviation give the z-score variable.

The FEMPI was at approximately  $\pm 1$  standard deviation in the fourth quarter of 2001. In January 2002, it rose above the 1 standard deviation and moved towards depreciation.

# Government Finance

## Budget Highlights in 2001 and a Review of the 2002 Budget

According to the methodology used by the Ministry of Finance in 2001, the consolidated central government deficit

reached HRK 3.5bn or 2.1% of expected GDP. Under the arrangement with the IMF, the deficit target is determined on an accrual basis and is calculated in such a way that privatization revenues (HRK 5.3bn) are excluded from total revenues, whereas total expenditures are decreased by the amount of arrears paid (HRK 1.5bn) and increased by payments due on foreign loans to the public enterprises, Croatia Airlines and Croatian Railways, (a total of HRK 0.4bn) and by the recapitalization costs of Hrvatska poštanska banka. Under the arrangement with the IMF, the ceiling on this deficit was HRK 9.2bn. As the actual deficit was below the ceiling, the main criterion under the arrangement with the IMF was met.

The amount of arrears paid in the fourth quarter of 2001 was HRK 1.3bn, which accounts for 87% of the total amount paid in 2001. This payment was largely financed from the sale of Pliva shares and by a cash transfer. The 2002 budget will be burdened by arrears, which stood at HRK 506.4m at end-2001. It is projected that almost half this amount will be settled in the first quarter. The gross wage bill paid from the consolidated central government budget was 4.0% lower than in 2000, whereas net wages were 2.3% lower. However, the projected 10% decrease in the gross wage bill was not achieved for several reasons: reallocation of income to increase the wages in the science and education sectors, delayed cuts in civil service wages, only partial implementation of wage cuts in the health sector, and the payment of Christmas bonuses in December following negotiations with the unions, although they had not been projected in the budget.

The budget financing was characterized by lower than expected privatization revenues, which led to increased government borrowing from domestic commercial banks and abroad. In December 2001, banks subscribed EUR 200m of new eurobonds issued by the Republic of Croatia, maturing in seven years and bearing a nominal interest rate of 6.875%. This was the second domestic market placement of long-term government bonds in 2001. Such bonds were first issued in September 2001, with a 3-year maturity and a nominal interest rate of 6.50%. In 2001, the government budget also increased the amount of subscribed T-bills by HRK 2.3bn, thus increasing the total amount subscribed to HRK 4.9bn. The total consolidated central government debt stood at HRK 65.9bn, or USD 7.9bn<sup>13</sup>, at end-December 2001. Potential total debt together with government guarantees issued reached HRK 85.9bn, or USD 10.3bn in 2001, which is an increase of USD 858m or 9.1% compared with 2000.

A further decline in the consolidated central government deficit is expected in 2001 owing to cuts in expenditures. These cuts should result from revised wages in the public administration, as well as measures within eleven social laws, which the Parliament adopted in the second half of October 2001. The health sector reform has progressed slowly, but it should result in lower government expenditures starting from March, but not later than June 2002, depending on the date of enactment of relevant by-laws. In addition, the government is expected to moderately participate in the domestic

<sup>13</sup> The total debt is calculated in kuna, as the sum of the domestic and external debt at the exchange rate applicable at end-December 2001.

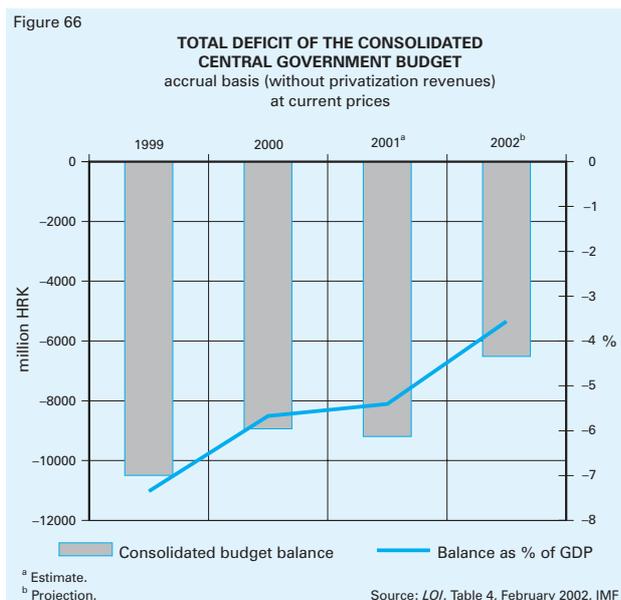
capital market, which will leave enough room for the private sector. Capital market development will be boosted by a moderate rise in T-bill subscriptions, the issue of 10-year bonds for the purpose of pension funds, and, if it passes the parliamentary procedure, the method of the INA and HEP privatizations. The act proposed by the Government determines that 15% of INA is sold at a public sale in 2002, whereas in case of the sale of parts of HEP, the government proposes its listing on the stock exchange, but probably not before 2003.

Should the Government succeed in cutting expenditures, it would be a step closer to the long-term sustainability of public finances and create the basis for a permanent reduction in the consolidated central Government deficit. A nominal wage freeze and staff reductions in the public administration, primarily in the Ministry of Defense, should lower the general level of wages. On the other hand, the urgent construction of the Zagreb-Split motorway<sup>14</sup> will boost domestic consumption and employment, especially considering the educational structure of the unemployed. The government announced that two newly-established funds will also considerably boost employment, but their programs are still not well known. The results of similar funds and programs were very modest in the past.

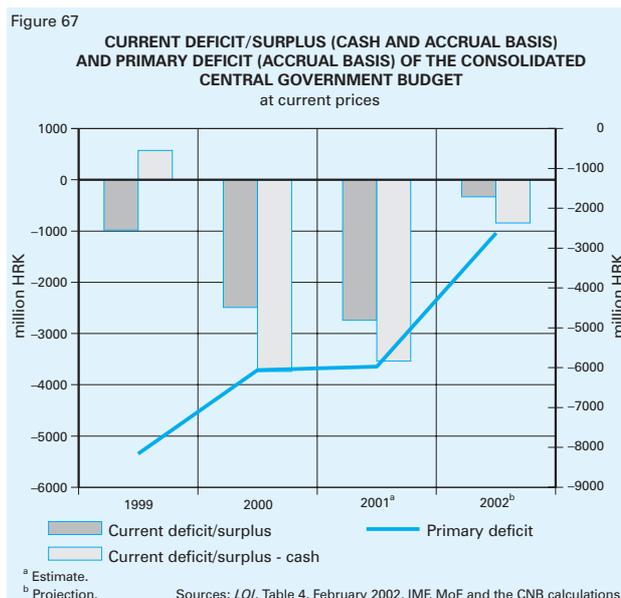
## The Outturn of the Consolidated Central Government Budget

### Total, Current and Primary Deficits of the Consolidated Central Government Budget

The consolidated central government deficit on an accrual basis declined steadily, from 7.4% of GDP in 1999 to 5.4% of GDP in 2001 (Figure 66). Privatization revenues are treated as a financing item since they have a one-off impact. The deficit



14 Although the model applied in highway construction is a typical model of government capital expenditures, this project is not included in the 2002 budget.



is expected to continue falling in 2002. The 2001 decline in the deficit mostly resulted from a 2.9% real cut in expenditures and a slight 0.3% real rise in current revenues.

The current deficit of the consolidated central government budget on an accrual basis remained at 1.6% of GDP in 2001 (Figure 67) and is projected to decline to 0.2% of GDP in 2002. The 2000 and 2001 current deficits on a cash basis are larger than the deficits on an accrual basis due to the settlement of arrears from the previous years. The imbalance in the current account of the consolidated central government budget means that public finances in Croatia are still unable to finance capital expenditures and principal payments from current operations. A surplus from current operations will have to be realized by end-2003 because, once the privatization ends, current revenues will be the only significant source of government budget revenues.

The primary deficit of the consolidated central government budget fell from 7.2% of GDP in 1999 to 3.5% of GDP in 2001 (preliminary data). This deficit does not include government expenditures for interest payments, which are external factors not under direct government control in real time. As long as the primary deficit is not turned into a primary surplus, the government will be forced to incur additional debt to settle interest payments, which may be unsustainable in the long run.

### Consolidated Central Government Revenues

Total consolidated central government revenues on a cash basis reached HRK 70.8bn in 2001, HRK 4.0bn above those in 2000. They grew at a slower pace than nominal GDP, which continued a decline in total revenues to GDP ratio, from 47.3% of GDP in 1999 to 41.6% in 2001. This trend is expected to continue in 2002, and total revenues are projected at around 35.4% of GDP.

Total revenues rose in 2001 compared to 2000 owing to a rise in both privatization revenues (HRK 2.1bn) and current revenues (HRK 1.9bn). VAT and social security contributions,

**Table 7: Structure of Current Revenues, in % (cash basis)**

	1997	1998	1999	2000	2001
1. Current revenues	100.0	100.0	100.0	100.0	100.0
1.1 Tax revenues	94.2	94.8	95.0	95.1	95.1
Income tax	7.5	7.8	7.5	5.2	5.3
Profit tax	3.3	3.9	3.9	3.0	3.4
Social security contributions	36.7	31.7	32.3	33.5	33.5
Property tax	0.4	0.4	0.4	0.4	0.4
Retail sales tax	27.8	0.0	0.6	0.2	0.2
Value added tax	0.0	35.1	32.4	34.6	34.3
Excises	9.9	9.1	9.8	11.0	10.8
Taxes on international trade	8.6	6.7	7.3	6.4	6.4
Other taxes	0.1	0.0	0.8	0.7	0.7
1.2 Non-tax revenues	5.8	5.2	5.0	4.9	4.9

Source: MoF

which are the two main sources of current revenues (Table 7), remained steady in 2001, at around 34%. The Ministry of Finance projects a HRK 2.66bn decline in inflows from social security contributions in 2002 owing to the introduction of the second pillar of pension insurance. Despite a robust economic growth, the share of excise revenues in current revenues decreased, whereas the share of the profit tax increased substantially. One of the government's priorities in 2002 is to solve the problems of the grey economy in the trade of refined petroleum products and cigarettes, which together account for around 90% of total excise revenues. Revenues from taxes on international trade rose considerably in 2001 owing to import growth, especially in the first half of the year. The growth resulted from a rise in car imports caused by the announced repeal of war veterans' car import privileges in mid-2001 and a growth in capital goods imports. Imports fell sharply in December 2001, probably because of the anticipated decline in customs tariffs as of January 1, 2002. Thus, imports are expected to rise in the first quarter of 2002, which should be partially reflected in taxes on international trade.

Tax revenues will probably decline in 2002 owing to a downturn in revenues from taxes on international trade (caused by reduced customs tariffs), a decrease in social security contributions owing to the pension reform, and a further stagnation in excise revenues caused by the startling extent of the grey economy.

A strong downward trend in financial inflows to the government treasury induced a series of measures to increase government revenues. Thus, excises on beer were increased, a new tax on automobile insurance was introduced at the beginning of 2002, and contributions on all forms of employment are to be introduced, including work through student and youth employment agencies, as well as all forms of self-employment and part-time work.

#### Consolidated Central Government Expenditures

In 2001, total consolidated central government expenditures plus net borrowing reached HRK 74.3bn on a cash basis, up HRK 0.2bn over those in 2000. This continued a falling trend in total government expenditures from 50% of GDP in 1999 to 44% of GDP in 2001, with a further decline of 2–3 percentage points expected in 2002. In other words, it is pro-

jected that further cuts in the budgetary deficit to 3.6% of GDP in 2002 will mostly result from expenditure cuts.

#### Current Transfers and Subsidies

The full-year effect of eleven "social" laws and measures to compensate for declining current revenues is expected on the expenditure side. At end-October 2001, the Parliament adopted the Croatian Defenders' Rights Act, the Social Welfare Act, the Protection of Military and Civil Invalids of War Act, the Rights of Ex-political Prisoners Act, the Pension Insurance Act, the Health Insurance Act, the Health Protection Act, the Child Benefits Act, the Maternity Leave of Self-employed and Unemployed Mothers Act, the Personal Income Tax Act, and the Unified Bases for Payments of Obligatory Social Security Contributions Act. The exception is the Health Insurance Act, which will come into force at the beginning of the second quarter of 2002 at the earliest, due to the enactment of the relevant by-laws. Under this act, insured persons will pay for 15%, 25%, 50%, 70% and 80% of the price of certain health services. The estimated full-year effect that these laws will have on cuts in government expenditures is around HRK 1.5bn. Nevertheless, total outlays for transfers and subsidies paid from the consolidated central government budget will not decrease in 2002 but grow by HRK 1.3bn. This is the result of the reallocation of funds for social transfers towards incentives for employment and an active industrial policy. By establishing two new extrabudgetary funds, the government strives to give a clear political signal of its intention to devote itself to measures to reduce unemployment, which reached high levels. However, there is a fear that investments through these funds will be inefficient and nontransparent. Similar incentives existed in the 2001 budget, but their final effects are entirely unknown. The novelty introduced by the Development and Employment Fund are HRK 900m of incentives for an active industrial policy and employment, and HRK 250m of grants to scientific projects. Projects within the Regional Development Fund do not introduce anything new compared with 2001 but only increase subsidies and grants for public works, reconstruction and construction, mostly for the development of the Adriatic islands.

#### Wages

At the beginning of 2001, the government decided to rationalize wages in the public administration, as one of the key measures to cut expenditures. After the delayed implementation of new coefficients and an incomplete reform of all parts of the public administration, it became obvious that the targeted 10% decrease in the wage bill would not be achieved. The actual decrease was 4%. The gross wage bill is projected to decrease by 2.3% in 2002 compared with 2001, aided by staff layoffs, especially in the Ministry of Defense. The total costs of measures dealing with surplus labor will be around HRK 1.6bn. Their financing will be provided from a World Bank loan (EUR 100m) and transfers from the government budget of HRK 300–400m.

**Table 8: Domestic Debt of Central Government, in million HRK**

	Stock			Change		
	Dec. 2000	Jun. 2001	Dec. 2001	Jan. – Jun. 2001	Jun. – Dec. 2001	Jan. – Dec. 2001
1. Domestic debt of central government	21,344.7	22,832.8	25,003.7	1,488.1	2,443.2	3,659.1
1.1. Domestic debt of the Republic of Croatia	18,509.7	20,080.7	21,467.9	1,571.0	1,688.3	2,958.2
Treasury bills	2,564.6	5,579.7	4,892.3	3,015.1	-433.5	2,327.7
Money market instruments	14.2	10.6	7.4	-3.6	-2.9	-6.8
Bonds	14,082.5	13,070.0	15,415.8	-1,012.5	2,411.1	1,333.3
Credits from the CNB	0.0	0.0	-	0.0	-	-
Credits from DMBs	1,848.4	1,420.5	1,152.4	-428.0	-286.5	-696.0
1.2. Domestic debt of central government funds	2,835.0	2,752.1	3,535.8	-82.9	754.9	700.9
Money market instruments	20.5	20.8	96.4	0.2	75.8	75.9
Bonds	1,686.8	1,625.2	1,636.1	-61.6	20.3	-50.7
Credits from DMBs	1,127.6	1,106.1	1,803.3	-21.5	658.8	675.7

Source: CNB *Bulletin*, Table I3

**Table 9: External Debt of Central Government, in million HRK**

	Stock			Change		
	Dec. 2000	Jun. 2001	Dec. 2001	Jan. – Jun. 2001	Jun. – Dec. 2001	Jan. – Dec. 2001
1. External debt of central government	38,648.2	43,906.2	40,850.5	5,258.0	-2,700.5	2,192.1
1.1. External debt of the Republic of Croatia	36,562.3	41,175.2	38,447.7	4,612.9	-2,390.8	1,870.4
Bonds	25,231.2	29,702.7	30,029.0	4,471.5	504.8	4,797.8
Credits	11,331.1	11,472.5	8,418.7	141.4	-2,895.6	-2,927.5
1.2. External debt of central government funds	2,085.9	2,731.0	2,402.8	645.1	-309.7	321.7
Bonds	386.5	705.3	696.6	318.8	-1.1	310.1
Credits	1,699.3	2,025.7	1,706.2	326.4	-308.6	11.6

Source: CNB *Bulletin*, Table I3

## Financing

According to the CNB statistics, the consolidated central government debt totaled HRK 65.9bn or USD 7.9bn<sup>15</sup> (38.7% of GDP) at end-December 2001, whereas its potential debt together with government guarantees reached HRK 85.9bn or USD 10.3bn (50.5% of GDP). The total debt and guarantees grew by USD 858m or 9.1% in 2001 compared with 2000. Principal payments expected in 2002 stand at HRK 7.0bn,<sup>16</sup> of which USD 553.3m (around HRK 4.8bn)<sup>17</sup> refers to external debt.

### Domestic Central Government Debt to Banks

The domestic debt of the consolidated central government rose by HRK 3.7bn, reaching HRK 25.0bn or 14.7% of GDP in 2001. With regard to the structure of this increase, the government mostly used net subscriptions for T-bills (HRK 2.3bn) and bonds (HRK 1.3bn), together with a HRK 0.7bn net repayment of bank loans. Extrabudgetary funds incurred an additional debt of HRK 0.7bn, mostly by obtaining commercial bank loans. A bonds issue of EUR 0.3–0.4bn maturing in 10 years is expected in the domestic market in 2002 for the purposes of pension funds, accompanied by a HRK 1.5bn increase in subscriptions for T-bills at the year-end.

<sup>15</sup> According to the exchange rate at end-December 2001

<sup>16</sup> According to Article 29 of the Execution of the Government Budget of the Republic of Croatia Act, Official gazette of the Republic of Croatia, No. 116.

<sup>17</sup> The assumption is that the exchange rate will be HRK 8.6/USD.

## Central Government External Debt

The external debt of the consolidated central government budget grew by HRK 2.2bn in 2001, reaching HRK 40.9bn or 24.0% of GDP. This increase resulted solely from the issue of bonds (HRK 4.8bn), whereas HRK 2.9bn net of loans was repaid. The external debt of extrabudgetary funds rose by HRK 0.3bn in 2001, to HRK 2.4bn (1.4% of GDP). In January 2002, the government issued EUR 500m worth of bonds (nominal interest rate of 6.25%, maturing in 7 years) and disbursed the first tranche of USD 102m under the SAL arrangement with the World Bank. A new issue of Samurai bonds of JPY 25bn will probably follow at the beginning of the third quarter. The government might again issue eurobonds in 2002 because demand for these bonds exceeded supply in January.

### Privatization

The 2001 privatization revenues reached HRK 4.3bn or 2.5% of GDP, which is 79% of the amount planned in the second budget revision at end-2001, or only 50% of the expected amount. In December 2001, the shortfall in inflows from privatization was bridged by a domestic market bond placement (HRK 1.3bn), loans from foreign commercial banks (HRK 0.2bn) and subscriptions for T-bills (HRK 0.3bn).

The 2002 revenues from the privatization of banks are projected at about HRK 2.5bn, of which about HRK 600m is expected in the first half of the year. At the beginning of 2002, HVB Bank Austria is expected to buy 25% + 2 shares of Splitska banka from the government, together with 62.5% of Splitska banka shares that are currently held by Unicredito

### Box 5: Comparison between the Consolidated Central Government Budgets for 2001 and 2002

The Ministry of Finance published the consolidated central government budget for 2002 (Official gazette of the Republic of Croatia, No. 116, 2001) in a new format, which, without adjustments, is not comparable with the budget for 2001. First, the four extrabudgetary funds (CIHI, CEI, Croatian Waters and Child Benefit Fund) were almost completely integrated in the government budget. The pension fund was integrated in the budget in mid-2001. Two new funds were established: the Regional Development Fund and the Employment and Development Fund. Second, reporting of the gross wage bill on both the revenue and expenditure sides of the consolidated budget includes revenues the government pays to itself, i.e. contributions on civil service wages, which are financed from the budget, are presented as revenues. The inclusion of these contributions increases revenues and expenditures by HRK 2.8bn. Third, lending minus repayments are classified as a financing item, which decreases expenditures by HRK 1.4bn. Fourth, ministries' own revenues are for the

first time reported within non-tax revenues; these revenues existed before but were not included in the budget, and their inclusion results in an increased transparency of government administration revenues. Fifth, there are new taxes within taxes on goods and services: the tax on car insurance, the tax on used cars, and the tax on games of chance. Sixth, Croatian Highways (CH) and Croatian Roads (CR) were excluded from the 2002 budget; these enterprises generate their "own" revenues from road tolls and a part of excises on refined petroleum products, while their debts are usually guaranteed by the government. The CH deficit is expected to reach 2.0% of GDP in 2002.

**Table 10: Comparison between the Old and New Format of the 2002 Budget, in billion HRK and %**

	New format	Old format	Difference
Total revenues	71.4	68.4	3.0
Total expenditures	77.9	75.2	2.7
Deficit	-6.5	-6.8	
Deficit as % of GDP	-3.55%	-3.71%	

Sources: Official gazette of the Republic of Croatia, No. 116/2001 and MoF

group from Italy, which committed itself to sell its stake before acquiring the majority stake in Zagrebačka banka. It is expected that these two parallel processes will be finished at the same time. It is also expected that Dubrovačka banka (100% ownership) will be sold to Charlemagne Capital Ltd., which already owns Dalmatinska banka, Istarska banka and Sisačka banka. Binding offers for the privatization of Croatia banka

are expected by March 28, 2002, after which the decision to whom the bank will be sold will be made. The planned HT privatization through the IPO will probably be postponed owing to unfavorable market conditions. The sale of the government stake in Riječka banka and PBZ, as well as the time of the privatization of INA and Croatia osiguranje, remain uncertain.



# 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	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	
	November	16,482.3	20,975.8	21,380.1	95,005.8	55,524.1	74,005.2	2.53	4.54	4.70	5.44	2.54	1.57	
	December	17,803.2	23,703.5	23,936.5	106,071.4	57,410.0	74,868.1	8.01	13.00	11.96	11.65	3.40	1.17	
2002	January	17,631.9	22,398.4	22,596.0	108,647.4	61,267.9	77,207.2	-0.96	-5.51	-5.60	2.43	6.72	3.12	

<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				2002
	Dec.	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Mar.	Jun.	Sep.	Dec. <sup>b</sup>	Jan.
ASSETS										
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	48,661.3	47,379.5
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	87,637.6	92,540.8
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	12,769.5	15,333.7
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	74,513.0	76,794.5
2.3. Claims on other banking institutions	–	–	0.4	45.4	48.2	77.2	97.1	71.5	73.8	77.5
2.4. Claims on other financial institutions	140.2	246.8	193.9	154.0	161.7	161.6	248.3	206.7	281.4	335.2
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	136,298.9	139,920.3
LIABILITIES										
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	23,703.5	22,398.4
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	10,213.1	10,922.3
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	71,836.9	74,897.7
4. Bonds and money market instruments	128.1	133.6	154.1	436.8	478.2	451.9	494.2	517.7	317.8	429.1
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	1,926.2	1,659.1
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	770.2	610.4
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	28,301.4	29,613.9
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	136,298.9	139,920.3

<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)".

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

Table B1: Monetary Survey

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

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

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

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

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

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

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

Year	Month	Total number of reporting DMBs	Reporting DMBs classified according to their total assets						Total number of reporting savings banks	Savings banks classified according to their total assets		
			Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over		Less than 10 million kuna	10 million kuna to less than 100 million kuna	100 million kuna and over
1	2	3	4	5	6	7	8	9	10	11	12	13
1993	December	43	16	12	7	4	2	2	0	0	0	0
1994	December	50	13	21	6	6	2	2	33	22	9	2
1995	December	53	15	20	7	7	2	2	21	7	13	1
1996	December	57	10	26	6	9	4	2	22	10	11	1
1997	December	60	4	28	9	8	9	2	33	12	18	3
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	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
	November	45	3	15	7	6	11	3	22	3	14	5
	December	44	3	13	7	7	10	4	21	4	12	5
2002	January	45	3	14	7	7	9	5	19	3	12	4

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				2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec. <sup>b</sup>	Jan.
<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	39,308.9	41,386.5
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	905.8	939.1
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	1.8
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	6.1	270.2
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	25,565.9	28,747.6
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	12,829.3	11,427.8
1.7. Nonconvertible foreign exchange	0.0	1.4	1.4	1.3	1.3	1.3	1.3	1.3	0.0	0.0
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	–	–	–
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	229.2	192.3
4. Claims on DMBs	213.9	33.5	1,053.8	1,138.7	329.9	22.7	225.6	17.5	18.5	16.6
4.1. Credits to DMBs	212.3	31.0	1,044.4	1,125.3	313.6	6.5	209.8	–	–	–
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	–	–	–
4.2. CNB deposits with DMBs	1.4	2.5	9.3	13.4	15.2	16.1	15.8	16.7	16.6	16.6
4.3. Overdue claims	0.1	0.0	0.0	0.0	1.1	0.1	–	0.8	1.9	–
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	39,556.6	41,595.5
<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	17,803.2	17,631.9
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	8,507.4	8,254.7
1.2. DMBs' cash in vaults	152.2	216.9	251.4	382.1	532.3	373.9	485.9	436.4	538.8	471.6
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	8,741.5	8,891.6
Settlement accounts	913.5	866.6	467.5	247.9	459.5	1,153.7	1,229.4	911.0	2,450.1	2,306.6
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	6,291.4	6,584.9
CNB bills on obligatory basis	–	–	–	–	–	–	–	–	–	–
1.4. Deposits of other banking institutions	–	–	2.4	8.5	7.5	4.7	10.1	4.8	15.5	5.1
1.5. Deposits of other domestic sectors	0.1	0.1	1.3	–	0.0	10.2	13.8	13.2	0.1	8.9
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	6,030.5	6,618.1
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	5,705.1	6,259.6
2.2. Restricted deposits	78.7	101.1	119.1	380.6	315.0	261.4	295.2	442.7	325.4	358.5
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	1,597.5	2,513.1
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	1,025.5	1,061.2
3.2. Liabilities to international organizations	1.8	3.0	4.1	6.8	9.5	11.6	12.1	11.5	12.2	13.8
3.3. Liabilities to foreign banks <sup>a</sup>	–	–	–	162.7	331.0	0.0	155.4	336.0	559.8	1,438.1
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	1,752.1	1,395.9
4.1. Demand deposits	424.6	805.7	390.2	394.2	1,008.5	1,339.8	1,711.9	1,757.8	1,752.1	1,395.9
Central government demand deposits	342.0	625.7	291.0	388.0	980.8	1,262.2	1,539.3	1,715.8	1,564.8	1,340.2
Central government funds demand deposits	82.6	180.1	99.3	6.2	27.7	77.6	172.6	42.1	187.3	55.7
4.2. Central government f/c deposits	–	147.6	–	0.0	–	768.2	740.9	–	–	–
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	6,372.3	6,421.3
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	3,458.9	3,260.3
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	2,913.4	3,161.1
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	6,425.2	7,443.4
7. Other items (net)	–44.7	28.5	–135.8	–242.4	–368.1	–442.6	–450.8	–478.9	–424.2	–428.3
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	39,556.6	41,595.5

<sup>a</sup> Since October 2001, Liabilities to foreign banks include also liabilities based on CNB bills subscribed by nonresidents.

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

Table C1: Monetary Authorities Accounts

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

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

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

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

Claims on DMBs are credits to DMBs, deposits by the CNB with DMBs and overdue claims on DMBs. Credits to DMBs are split according to the type of financial instruments. 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 and accrued interest, restricted deposits and blocked foreign exchange deposits. Banks and savings banks are required to place foreign exchange reserve deposits in accounts at the Croatian National Bank on the basis of certain foreign exchange deposits they hold. Restricted deposits are kuna funds set aside on the basis of a court order or legal regulation and deposits of banks against which bankruptcy proceedings have been initiated. Blocked foreign exchange deposits are funds that were set aside in special accounts at the Croatian National Bank for repaying unpaid amounts due to foreign creditors.

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

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

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

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

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

Due to the reclassification of savings banks from the sub-sector other banking institutions to the sub-sector banks, data for Currency outside banks, DMBs' cash in vaults, DMBs' deposits and Deposits of other banking institutions were revised. 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				2002
	Dec.	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
<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	15,002.7	15,651.0
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	9,306.2	9,401.5
1.2. In f/c	–	–	1,668.4	4,635.3	5,490.5	5,676.1	6,510.8	6,719.4	5,696.5	6,249.5
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	32,807.6	30,792.8
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	20,156.3	22,345.0
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	3,420.1	3,513.5
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	1,659.4	1,659.3
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	15,076.8	17,172.2
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	74,283.8	76,602.1
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	1,280.0	1,239.5
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	42,882.0	44,147.6
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	30,121.9	31,215.1
5. Claims on other banking institutions	–	–	0.4	45.4	48.2	77.2	97.1	71.5	73.8	77.5
6. Claims on other financial institutions	140.2	246.8	193.9	154.0	161.7	161.6	248.3	206.7	281.4	335.2
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	142,605.6	145,803.7
<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	15,180.6	14,129.6
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	10,213.1	10,922.3
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	71,836.9	74,897.7
4. Bonds and money market instruments	128.1	133.6	154.1	436.8	478.2	709.3	494.2	517.7	317.8	429.1
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	21,857.8	22,286.8
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	5,634.7	5,615.4
7. Credit from central bank	267.8	33.7	1,049.2	1,138.7	328.8	22.6	225.6	16.7	16.6	16.6
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	1,600.8	1,300.6
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	770.2	610.4
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	25,455.1	25,778.4
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	-9,507.8	-9,572.7
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	142,605.6	145,803.7

<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				2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	32,763.6	30,757.6
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	31,660.3	29,603.4
Foreign currencies	663.6	850.4	586.9	886.7	1,002.8	771.9	1,008.7	1,137.2	7,324.7	1,870.2
Demand deposits	5,915.6	6,938.5	6,228.6	1,498.5	995.0	985.0	1,177.6	1,165.7	1,231.9	1,046.8
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	21,765.2	25,088.2
Securities	72.7	88.6	51.1	–	454.9	760.1	490.0	467.9	1,008.5	1,262.3
Loans and advances	179.7	408.7	343.4	569.8	370.9	380.4	240.8	270.9	290.3	295.2
Shares and participations	83.6	128.4	133.5	134.1	44.6	45.3	39.4	40.6	39.7	40.7
1.2. Claims on foreign nonbanks	1,127.7	742.4	762.9	754.3	464.3	640.7	1,238.4	951.5	1,103.3	1,154.3
Claims on foreign governments	–	–	–	399.9	137.8	244.6	603.0	528.4	596.2	611.4
Claims on other nonresidents	846.2	580.4	583.9	350.4	322.4	392.0	633.8	421.4	505.5	541.3
Securities	492.5	17.7	3.7	4.5	–	–	251.3	–	72.1	75.1
Loans and advances	353.7	562.7	580.2	345.9	322.4	392.0	382.5	421.4	433.4	466.1
Shares and participations	281.4	162.0	179.0	4.0	4.1	4.2	1.6	1.7	1.6	1.6
2. Foreign assets in kuna	24.2	17.9	19.7	47.3	91.2	54.3	60.3	49.2	44.1	35.2
2.1. Claims on foreign banks	5.7	3.6	3.1	16.6	66.1	40.8	46.7	35.8	29.2	22.7
2.2. Claims on foreign nonbanks	18.5	14.3	16.6	30.6	25.1	13.5	13.6	13.3	14.8	12.5
o/w: Loans and advances	18.5	14.3	16.6	29.6	23.3	11.6	11.7	12.4	13.9	11.6
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	32,807.6	30,792.8

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				2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	3,420.1	3,513.5
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	1,659.4	1,659.3
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	15,076.8	17,172.2
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	12,795.6	13,715.1
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	11,150.7	12,014.3
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	10,323.7	11,103.4
Loans and advances	28.6	20.1	187.2	934.0	1,224.9	883.6	797.1	803.1	826.9	910.8
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	1,644.9	1,700.8
Securities	21.0	–	–	–	647.8	622.1	591.5	669.8	656.5	699.2
Loans and advances	0.0	70.0	452.0	732.7	972.1	1,034.6	924.2	1,057.3	988.4	1,001.7
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	2,281.2	3,457.1
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	1,390.9	2,525.5
Bonds	1,396.9	1,172.5	1,182.2	518.1	869.2	666.8	538.7	878.6	1,065.5	1,534.3
Loans and advances	431.7	794.2	697.3	403.3	623.5	650.6	623.4	672.8	325.5	991.1
3.2.2. Claims on central government funds	14.1	4.0	13.2	37.4	190.6	274.3	258.8	922.7	890.3	931.6
Securities	11.8	2.8	0.2	27.6	35.0	78.7	76.9	77.5	75.4	78.3
Loans and advances	2.3	1.3	13.0	9.8	155.5	195.6	181.9	845.3	814.8	853.3
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	20,156.3	22,345.0

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				2002
	Dec.	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	66,626.8	68,814.9
1.1. Money market instruments	42.1	81.5	101.8	365.7	231.9	237.8	402.4	491.3	544.7	569.4
1.2. Bonds	2.1	1.7	0.7	0.0	1.0	1.0	2.3	8.3	7.7	70.6
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	62,180.6	64,558.0
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	3,893.8	3,616.9
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	7,657.0	7,787.2
2.1. Securities	2.9	0.6	0.6	74.9	112.4	32.6	63.1	61.6	126.6	131.2
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	7,530.5	7,656.1
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	74,283.8	76,602.1

<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				2002
	Dec.	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
LOANS IN KUNA										
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	1,815.4	1,912.5
1.1. Loans to central government	11.5	4.6	181.9	934.0	1,224.9	883.6	797.1	803.1	826.9	910.8
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	988.4	1,001.7
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	1,069.1	1,025.5
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	31,049.4	32,381.7
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	30,062.1	31,150.9
5. Loans to other banking institutions	–	–	0.4	31.3	33.5	32.0	32.8	38.5	34.7	40.4
6. Loans to other financial institutions	89.0	166.6	114.2	138.6	105.5	138.7	220.3	165.1	240.9	294.7
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	64,271.6	66,805.7
LOANS IN f/c										
1. Loans to central government and funds	190.2	679.9	637.4	413.1	779.1	846.2	805.3	1,518.1	1,140.3	1,844.5
1.1. Loans to central government	187.9	678.6	624.5	403.3	623.5	650.6	623.4	672.8	325.5	991.1
1.2. Loans to central government funds	2.3	1.3	13.0	9.8	155.5	195.6	181.9	845.3	814.8	853.3
2. Loans to local governments and funds	18.9	13.1	30.5	118.7	171.6	172.9	164.5	190.2	179.1	182.5
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	7,291.7	7,409.3
4. Loans to households	11.3	46.8	46.0	63.7	56.3	52.5	52.1	52.4	59.7	64.2
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	8,670.7	9,500.6
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	72,942.3	76,306.3

<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				2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Local governments and funds	683.8	484.2	514.3	314.7	573.6	590.0	547.1	856.1	907.0	811.3
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	8,981.6	8,037.9
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	4,872.0	4,803.0
4. Other banking institutions	–	–	–	6.9	11.6	11.1	12.1	14.0	17.0	20.0
5. Other financial institutions	208.2	203.8	190.0	190.0	221.7	223.0	397.0	322.8	407.1	461.3
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	–4.2	–3.9
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	15,180.6	14,129.6

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				2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	2,006.8	2,053.7
1.1. Local governments and funds	–	–	–	91.7	137.6	94.0	100.3	123.6	118.3	127.7
1.2. Enterprises	–	–	–	92.1	142.4	115.4	109.0	80.8	88.0	104.2
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	1,712.2	1,728.4
1.4. Other banking institutions	–	–	–	2.6	0.6	0.6	7.8	6.2	20.8	68.2
1.5. Other financial institutions	–	–	–	17.8	47.2	19.3	16.1	22.4	67.5	25.2
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	8,206.3	8,868.5
2.1. Local governments and funds	89.7	102.6	185.3	176.1	230.7	286.3	306.2	339.9	340.7	374.5
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	3,618.3	4,088.1
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	2,554.1	2,697.8
2.4. Other banking institutions	–	–	–	33.5	20.8	27.0	33.9	40.9	24.7	24.5
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	1,668.5	1,683.7
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	10,213.1	10,922.3

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				2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	23,748.8	24,212.3
1.1. Local governments and funds	10.5	111.7	19.5	29.5	16.8	15.8	19.3	22.6	13.2	18.8
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	2,884.2	3,249.3
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	20,688.3	20,736.5
1.4. Other banking institutions	–	–	–	6.4	10.3	11.1	13.1	22.6	23.9	21.9
1.5. Other financial institutions	49.5	52.9	52.5	93.0	89.8	98.1	194.9	129.2	139.2	185.8
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	48,088.1	50,685.4
2.1. Local governments and funds	–	–	–	15.5	8.2	4.7	3.0	1.4	1.7	1.8
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	4,619.1	4,814.3
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	42,705.4	44,936.5
2.4. Other banking institutions	–	–	–	2.5	4.2	9.3	4.3	5.8	11.5	11.7
2.5. Other financial institutions	205.5	220.8	256.5	320.0	472.7	593.6	561.9	741.3	750.3	921.1
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	71,836.9	74,897.7

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				2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	104.4	107.8
3. Other domestic borrowing	71.6	107.5	125.6	51.2	124.7	141.1	212.8	237.8	213.4	321.3
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	158.1	196.3
3.3. Other banking institutions	–	–	54.2	15.7	1.3	2.4	4.5	8.5	4.6	4.8
3.4. Other financial institutions	55.9	77.6	48.9	21.8	108.2	91.5	163.3	146.9	50.7	120.2
Total (1+2+3)	128.1	133.6	154.1	436.8	478.2	451.9	494.2	517.7	317.8	429.1

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				2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	21,692.7	22,129.4
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	16,407.4	16,617.9
Demand deposits	206.3	300.9	242.3	157.1	176.3	121.0	124.1	132.2	147.1	121.0
Time and notice deposits	979.6	2,365.5	411.5	1,267.0	345.9	981.1	1,335.9	848.6	1,208.3	1,295.5
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	15,052.1	15,201.4
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	5,285.2	5,511.5
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	3,777.8	3,990.1
Sight deposits	667.6	608.4	620.5	754.0	745.5	821.6	759.5	813.5	873.7	911.9
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	2,904.1	3,078.2
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	1,507.4	1,521.4
2. Foreign liabilities in kuna	86.7	266.9	298.6	143.1	140.0	150.9	234.5	174.7	165.1	157.4
2.1. Liabilities to foreign banks	30.9	187.1	156.3	65.0	37.0	41.2	116.0	67.9	46.9	59.4
Demand deposits	27.0	52.3	70.5	52.6	14.4	13.1	37.5	44.0	38.2	39.6
Time and notice deposits	3.9	128.4	85.8	11.7	22.0	23.6	71.9	20.0	4.2	14.5
Loans and advances	–	6.4	–	0.7	0.7	4.6	6.6	3.9	4.5	5.4
2.2. Liabilities to foreign nonbanks	55.8	79.9	142.3	78.1	103.0	109.6	118.5	106.8	118.2	98.0
Demand deposits	22.1	42.0	41.0	42.1	50.8	57.1	70.8	59.8	60.1	57.7
Time and notice deposits	29.4	33.1	96.1	35.9	52.2	52.5	47.7	47.0	58.1	40.2
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	21,857.8	22,286.8

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				2002
	Dec.	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
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	3,335.1	3,386.3
1.1. Central government deposits	131.2	82.1	130.1	330.9	430.0	469.8	366.0	286.6	295.9	272.4
Demand deposits	23.3	31.7	4.5	74.7	116.7	87.2	21.7	22.6	33.9	23.0
Savings deposits	–	–	–	15.9	26.1	43.4	35.1	41.8	41.6	34.1
Time and notice deposits	77.4	21.7	100.4	202.3	259.5	311.4	281.2	194.2	217.6	212.1
Loans and advances	30.5	28.7	25.2	38.1	27.7	27.9	28.0	28.0	2.8	3.2
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	3,039.2	3,113.9
Demand deposits	102.8	85.7	83.0	40.6	116.9	26.3	144.6	268.5	214.6	188.7
Savings deposits	–	–	–	4.5	15.2	6.5	6.8	5.0	10.8	7.1
Time and notice deposits	38.0	19.4	33.9	57.2	32.6	78.6	96.0	126.1	195.2	233.0
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	2,618.6	2,685.1
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	2,299.6	2,229.1
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	2,275.0	2,187.9
Savings deposits	48.8	160.1	83.2	59.1	1,256.1	460.4	381.2	404.9	329.8	296.5
Time and notice deposits	5.3	0.1	0.1	10.5	27.0	591.8	56.4	60.2	55.8	57.3
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	1,889.5	1,834.1
2.2. Central government funds' deposits	81.5	4.7	15.5	61.4	34.6	20.4	45.2	45.9	24.5	41.2
Savings deposits	58.2	4.7	8.0	55.2	25.0	14.4	38.1	39.9	22.9	41.2
Time and notice deposits	23.4	–	7.5	6.1	9.5	6.0	7.1	6.0	1.6	0.0
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	5,634.7	5,615.4

<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				2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Restricted deposits	891.8	1,199.4	700.6	691.4	854.4	853.3	828.8	944.4	830.6	690.2
1.1. In kuna	251.0	260.9	202.5	81.8	131.6	100.1	105.2	86.3	100.3	101.2
1.2. In f/c	640.8	938.5	498.0	609.7	722.8	753.2	723.6	858.1	730.3	589.0
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	770.2	610.4
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	770.2	610.4
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	1,600.8	1,300.6

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.

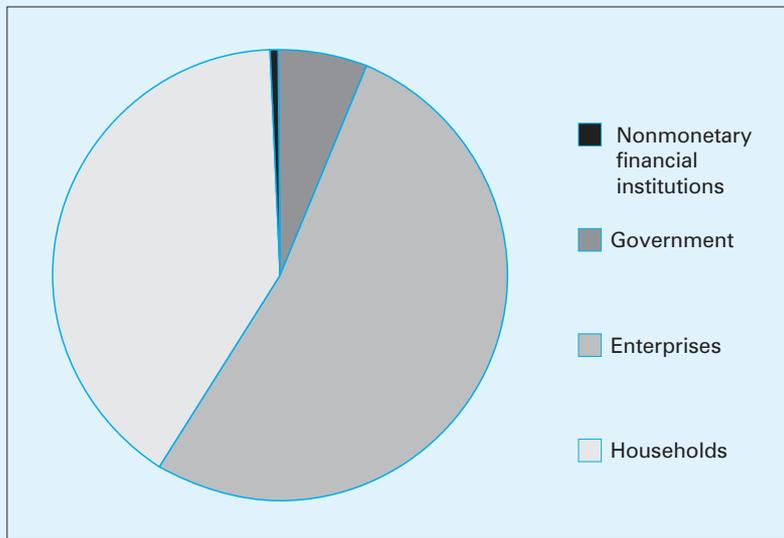
Restricted and blocked deposits include two categories of deposits: restricted (kuna and foreign currency) deposits and blocked foreign currency deposits.

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

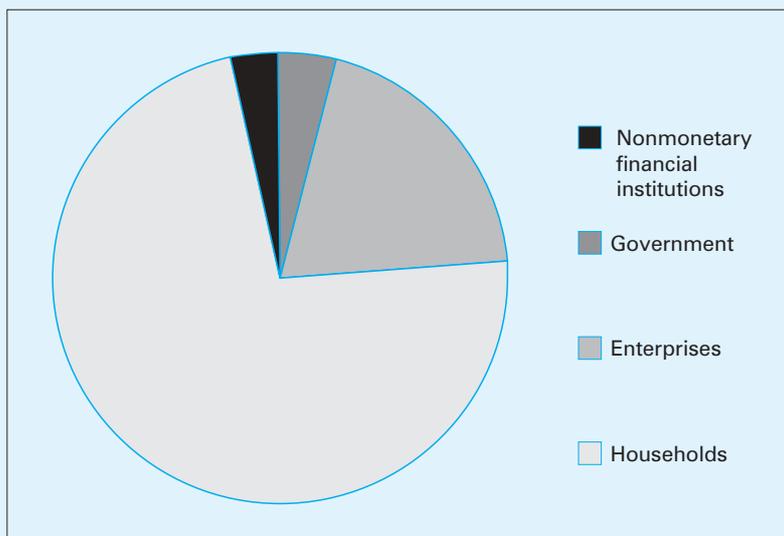
**DISTRIBUTION OF DEPOSIT MONEY BANKS' LOANS  
BY DOMESTIC INSTITUTIONAL SECTORS**



January 2001

Figure D2

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



January 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				2002
	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
<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	15.5	5.2
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	1,208.8	1,266.1
3. Claims on other domestic sectors	–	5.3	1.3	–	–	1.1	3.0	5.5	8.3	11.6	14.8
o/w: Claims on households	–	–	–	–	–	0.6	3.0	5.5	8.3	11.6	14.8
4. Claims on banks	54.2	57.0	46.0	46.8	20.2	7.6	10.4	14.5	26.4	18.1	19.6
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	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>1,254.0</b>	<b>1,305.6</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	1,137.5	1,204.1
2. Bonds and money market instruments	0.4	–	–	–	10.0	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	124.0	122.1
4. Other items (net)	–11.0	–52.7	–73.1	–50.6	–40.0	–46.5	–24.2	–23.6	–24.4	–17.5	–30.6
<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>1,254.0</b>	<b>1,305.6</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 refinance facility	On short-term liquidity credits	On advances on the account of statutory reserves	On inaccurately calculated statutory reserves	On arrears
1	2	3	4	5	6	7	8	9	10
1992	December	1,889.39	2,840.09	–	6,881.51	–	4,191.93	6,881.51	4,191.93
1993	December	34.49	46.78	–	289.60	–	101.22	289.60	166.17
1994	December	8.50	18.00	19.00	17.00	14.00	–	19.00	22.00
1995	December	8.50	25.49	19.00	17.00	–	–	19.00	22.00
1996	December	6.50	11.00	19.00	17.00	–	–	19.00	18.00
1997	December	5.90	9.50	19.00	17.00	–	–	19.00	18.00
1998	December	5.90	12.00	19.00	7.00	14.00	–	19.00	18.00
1999	December	7.90	13.00	19.00	–	14.00	–	19.00	18.00
2000	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
	November	5.90	10.00 <sup>c</sup>	–	–	11.00	–	15.00 <sup>c</sup>	18.00
	December	5.90	10.00	–	–	11.00	–	15.00	18.00
2002	January	5.90	10.00	–	–	11.00	–	15.00	18.00

<sup>a</sup> Since March 14, 2001; <sup>b</sup> Since September 15, 2001; <sup>c</sup> Since November 22, 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	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	–	–
	November	2.00	–	–	4.53	4.97	5.51	2.96	3.19	–	–
	December	2.00	–	–	3.36	4.26	4.85	2.62	3.06	–	–
2002	January	2.00	–	–	3.72	4.16	4.78	2.86	3.04	–	–

<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	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
	November	8,665.9	36.56	6,233.7	71.93	–	8,665.9	36.56	1.97	3.4
	December	8,691.5	35.37	6,287.8	72.34	–	8,691.5	35.37	1.97	2.3
2002	January	9,003.6	35.18	6,518.2	72.40	–	9,003.6	35.18	1.96	–

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	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
	November	647.5	2.73	2.5	2,023.8	3,143.0
	December	794.4	3.23	2.6	2,656.2	2,630.8
2002	January	586.2	2.29	51.9	3,087.7	3,025.9

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	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
	November	2.99	4.08	9.56	9.54	12.64	9.68	9.36	9.87	5.28	5.25	5.39
	December	2.67	3.56	9.51	9.49	11.42	9.29	9.45	9.20	5.58	5.78	4.70
2002	January <sup>a</sup>	1.88	1.62	....	....	....	....	....	....	....	....	....

<sup>a</sup> Data on deposit money banks' credit rates in January 2002 will be published in the next issue of the CNB Bulletin due to a change in the methodology on interest rate statistics.

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	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
	November	2.99	1.42	5.93	4.40	2.59	0.70	3.40
	December	2.76	1.40	5.68	4.58	2.60	0.71	3.54
2002	January <sup>a</sup>	....	....	....	....	....	....	....

<sup>a</sup> Data on deposit money banks' deposit rates in January 2002 will be published in the next issue of the CNB Bulletin due to a change in the methodology on interest rate statistics.

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					2002	
						Mar.	Jun.	Sep.	Nov.	(Dec.)	(Jan.)	(Feb.)
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	612.9	653.2	447.6	507.1
2. Natural persons	2,124.9	2,093.4	2,273.5	2,170.0	2,549.2	197.3	281.1	292.3	284.2	366.6	224.5	225.7
2.1. Residents	1,749.7	1,695.5	1,854.5	1,794.7	2,021.1	180.2	206.5	229.6	260.4			
2.2. Non-residents	375.2	397.9	419.1	375.3	528.0	17.1	74.6	62.7	23.8			
3. Commercial banks	392.7	1,002.3	1,138.2	1,204.4	2,441.4	295.0	410.1	244.7	247.9	221.2	318.5	349.2
4. Croatian National Bank	61.4	57.1	582.2	934.8	168.2	19.1	–	–	–	7.3	140.7	
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	1,145.0	1,248.3	1,131.2	1,082.0
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	917.4	847.8	828.7	707.6
2. Natural persons	797.8	925.9	1,011.8	893.1	963.6	85.1	97.4	109.3	77.7	108.6	144.0	95.6
2.1. Residents	797.8	925.2	1,011.5	892.7	962.8	85.1	97.2	109.1	77.7			
2.2. Non-residents	–	0.7	0.3	0.4	0.6	–	0.1	0.2	0.1			
3. Commercial banks	391.7	1,002.3	1,138.2	1,204.4	2,441.4	295.0	410.1	244.7	247.9	221.2	318.5	349.2
4. Croatian National Bank	345.7	257.8	217.0	48.3	284.2	–	–	180.7	125.1	210.4	50.8	67.1
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	1,368.1	1,388.0	1,342.1	1,219.5
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	–304.5	–194.6	–381.2	–200.5
2. Natural persons	1,327.2	1,167.5	1,261.7	1,276.8	1,585.4	112.1	183.7	183.0	206.5	257.9	80.5	130.1
2.1. Residents	952.0	770.3	843.0	901.9	1,058.2	95.0	109.3	120.5	182.7			
2.2. Non-residents	375.2	397.3	418.7	374.9	527.3	17.1	74.5	62.5	23.8			
3. Croatian National Bank	–284.3	–200.7	365.2	886.5	–116.0	19.1	–	–180.7	–125.1	–203.1	89.9	–67.1
Total (1+2+3)	–361.3	–1,040.6	156.8	601.2	–628.9	–175.4	–162.8	–268.7	–223.1	–139.8	–210.8	–137.5
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

	1997	1998	1999	2000	2000				2001		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 <sup>a</sup>
A. CURRENT ACCOUNT (1+6)	-2,325.1	-1,530.6	-1,390.4	-432.7	-420.3	-284.2	825.1	-553.4	-600.0	-830.6	1,218.1
1. Goods, services, and income (2+5)	-3,194.5	-2,236.6	-2,022.9	-1,315.9	-624.6	-499.7	580.8	-772.4	-822.6	-1,084.8	979.6
1.1. Credit	8,578.4	8,963.5	8,370.0	8,997.2	1,667.3	2,105.2	3,256.7	1,968.0	1,796.9	2,164.3	3,887.1
1.2. Debit	-11,772.9	-11,200.1	-10,392.9	-10,313.1	-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)	-3,172.0	-2,072.6	-1,673.4	-935.9	-496.3	-383.7	696.1	-751.9	-675.2	-832.8	1,058.5
2.1. Credit	8,214.6	8,568.6	8,117.8	8,663.1	1,610.4	2,017.6	3,200.5	1,834.6	1,698.6	2,070.1	3,752.2
2.2. Debit	-11,386.6	-10,641.2	-9,791.1	-9,598.9	-2,106.7	-2,401.3	-2,504.4	-2,586.4	-2,373.8	-2,902.9	-2,693.7
3. Goods	-5,196.2	-4,147.4	-3,298.6	-3,203.8	-548.4	-857.2	-802.4	-995.8	-807.7	-1,285.2	-979.7
3.1. Credit	4,210.3	4,604.5	4,394.7	4,567.2	1,093.7	1,122.9	1,213.9	1,136.7	1,111.8	1,163.1	1,219.1
3.2. Debit	-9,406.5	-8,751.9	-7,693.3	-7,770.9	-1,642.1	-1,980.0	-2,016.3	-2,132.5	-1,919.4	-2,448.2	-2,198.8
4. Services	2,024.2	2,074.8	1,625.2	2,267.9	52.1	473.4	1,498.5	243.9	132.5	452.4	2,038.2
4.1. Credit	4,004.3	3,964.1	3,723.0	4,095.9	516.7	894.8	1,986.6	697.9	586.8	907.0	2,533.1
4.2. Debit	-1,980.1	-1,889.3	-2,097.8	-1,828.0	-464.7	-421.3	-488.1	-453.9	-454.3	-454.7	-494.8
5. Income	-22.4	-164.0	-349.5	-380.1	-128.2	-116.0	-115.3	-20.5	-147.5	-252.0	-78.9
5.1. Credit	363.8	394.9	252.2	334.1	56.9	87.5	56.2	133.5	98.3	94.2	134.9
5.2. Debit	-386.2	-558.9	-601.7	-714.2	-185.1	-203.6	-171.5	-154.0	-245.8	-346.1	-213.8
6. Current transfers	869.4	706.0	632.5	883.2	204.3	215.5	244.4	219.0	222.6	254.1	238.5
6.1. Credit	964.0	919.1	967.4	1,101.0	253.2	268.2	298.2	281.5	269.4	297.9	289.8
6.2. Debit	-94.6	-213.1	-335.0	-217.8	-48.9	-52.7	-53.8	-62.4	-46.8	-43.8	-51.3
B. CAPITAL AND FINANCIAL ACCOUNT	2,651.6	1,469.0	2,142.7	927.0	503.1	-175.0	-33.4	632.3	235.2	728.1	-501.6
B1. Capital account	21.5	19.1	24.9	20.9	6.2	6.4	4.0	4.4	3.4	119.3	-112.8
B2. Financial account, excl. reserves	3,058.2	1,601.5	2,496.3	1,488.3	470.2	126.8	258.1	633.2	371.9	995.5	109.3
1. Direct investment	346.7	834.9	1,444.6	1,086.2	440.3	334.1	169.4	142.5	73.8	370.3	165.4
1.1. Abroad	-186.1	-97.5	-34.4	-28.7	7.5	8.4	-18.9	-25.8	-10.4	-16.4	-53.1
1.2. In Croatia	532.9	932.4	1,479.0	1,114.9	432.7	325.6	188.3	168.2	84.2	386.8	218.5
2. Portfolio investment	577.0	14.9	574.0	722.2	446.6	5.7	303.1	-33.1	575.9	26.7	174.5
2.1. Assets	11.1	-0.1	-0.3	-0.2	0.0	-0.1	-0.1	0.0	0.0	3.2	36.0
2.2. Liabilities	565.9	15.1	574.3	722.3	446.6	5.7	303.1	-33.1	576.0	23.5	138.5
3. Other investment	2,134.4	751.7	477.8	-320.1	-416.7	-212.9	-214.3	523.8	-277.8	598.5	-230.6
3.1. Assets	171.3	348.8	-328.4	-848.4	-105.9	-183.1	-678.8	119.4	88.8	198.4	-443.6
3.2. Liabilities	1,963.2	402.9	806.2	528.3	-310.8	-29.8	464.4	404.5	-366.6	400.1	213.0
B3. Reserve assets (CNB)	-428.0	-151.5	-378.5	-582.1	26.8	-308.2	-295.5	-5.3	-140.0	-386.8	-498.1
C. NET ERRORS AND OMISSIONS	-326.5	61.7	-752.3	-494.3	-82.8	459.2	-791.7	-78.9	364.8	102.6	-716.5

<sup>a</sup> 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

	1997	1998	1999	2000	2000				2001		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 <sup>a</sup>
1. Goods	-5,196.2	-4,147.4	-3,298.6	-3,203.8	-548.4	-857.2	-802.4	-995.8	-807.7	-1,285.2	-979.7
1.1. Credit	4,210.3	4,604.5	4,394.7	4,567.2	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	4,170.7	4,541.1	4,302.5	4,431.6	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	39.6	63.4	92.2	135.6	24.4	26.5	53.5	31.1	18.1	22.7	24.6
1.2. Debit	-9,406.5	-8,751.9	-7,693.3	-7,770.9	-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	-9,104.0	-8,383.1	-7,798.6	-7,886.5	-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	-948.9	-964.0	-448.4	-444.4	-100.0	-112.1	-130.8	-101.4	-71.2	-85.1	-107.7
1.2.3. Adjustments for classification	646.4	595.2	553.7	559.9	117.9	142.8	144.1	155.2	141.3	180.6	159.8
2. Services	2,024.2	2,074.8	1,625.2	2,267.9	52.1	473.4	1,498.5	243.9	132.5	452.4	2,038.2
2.1. Transportation	282.5	227.6	83.8	178.6	27.1	34.2	58.1	59.3	45.4	38.3	49.5
2.1.1. Credit	681.5	565.7	484.0	557.3	109.9	130.7	160.4	156.4	135.2	154.2	160.7
2.1.2. Debit	-399.0	-338.1	-400.1	-378.7	-82.8	-96.6	-102.3	-97.1	-89.8	-115.9	-111.2
2.2. Travel	1,993.0	2,133.2	1,742.0	2,189.9	79.9	421.0	1,486.8	202.1	81.3	391.7	1,974.4
2.2.1. Credit	2,523.1	2,733.4	2,493.4	2,758.0	234.8	548.8	1,652.3	322.1	237.0	532.2	2,143.0
2.2.2. Debit	-530.1	-600.3	-751.4	-568.1	-154.8	-127.8	-165.5	-120.0	-155.7	-140.5	-168.6
2.3. Other services	-251.4	-286.0	-200.6	-100.6	-55.0	18.3	-46.4	-17.5	5.8	22.3	14.3
2.3.1. Credit	799.6	665.0	745.7	780.6	172.1	215.3	173.9	219.4	214.7	220.6	229.3
2.3.2. Debit	-1,051.0	-951.0	-946.3	-881.2	-227.0	-197.0	-220.3	-236.9	-208.9	-198.2	-215.0
Total (1+2)	-3,172.0	-2,072.6	-1,673.4	-935.9	-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

	1997	1998	1999	2000	2000				2001		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 <sup>a</sup>
1. Income	-22.4	-164.0	-349.5	-380.1	-128.2	-116.0	-115.3	-20.5	-147.5	-252.0	-78.9
1.1. Compensation of employees	55.6	69.7	60.3	69.6	15.2	15.0	17.9	21.5	28.8	29.6	31.9
1.1.1. Credit	70.2	81.0	75.2	82.7	17.7	18.5	21.3	25.2	31.6	32.7	34.7
1.1.2. Debit	-14.6	-11.4	-14.9	-13.1	-2.6	-3.4	-3.4	-3.7	-2.9	-3.1	-2.8
1.2. Direct investment income	-52.0	-100.6	-69.5	-140.6	-9.5	-91.1	-18.5	-21.5	-29.2	-232.1	-68.5
1.2.1. Credit	16.9	5.3	4.2	7.4	0.7	0.9	1.9	3.8	1.9	10.3	3.1
1.2.2. Debit	-68.9	-105.9	-73.7	-148.0	-10.3	-92.0	-20.4	-25.3	-31.1	-242.4	-71.6
1.3. Portfolio investment income	-91.6	-102.6	-129.2	-178.8	-84.6	-14.2	-73.8	-6.3	-123.7	-23.2	-65.5
1.3.1. Credit	2.6	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2. Debit	-94.2	-102.8	-129.3	-178.8	-84.6	-14.2	-73.8	-6.3	-123.7	-23.2	-65.5
1.4. Other investment income	65.6	-30.5	-211.1	-130.2	-49.3	-25.8	-40.9	-14.2	-23.3	-26.3	23.2
1.4.1. Credit	274.1	308.3	172.8	244.0	38.4	68.2	33.0	104.5	64.8	51.1	97.1
1.4.2. Debit	-208.6	-338.8	-383.9	-374.3	-87.7	-94.0	-73.9	-118.7	-88.1	-77.3	-73.9
2. Current transfers	869.4	706.0	632.5	883.2	204.3	215.5	244.4	219.0	222.6	254.1	238.5
2.1. General government	32.8	-9.2	-130.3	21.7	-2.3	2.8	21.3	-0.1	14.9	22.7	12.5
2.1.1. Credit	55.6	77.6	76.2	118.0	20.5	25.1	45.1	27.3	27.7	35.2	29.0
2.1.2. Debit	-22.8	-86.8	-206.5	-96.3	-22.8	-22.3	-23.8	-27.4	-12.8	-12.5	-16.5
2.2. Other sectors	836.5	715.2	762.7	861.5	206.6	212.7	223.1	219.1	207.7	231.5	226.0
2.2.1. Credit	908.4	841.5	891.2	983.0	232.7	243.1	253.1	254.1	241.7	262.7	260.8
2.2.2. Debit	-71.9	-126.3	-128.5	-121.5	-26.0	-30.4	-30.0	-35.0	-34.0	-31.3	-34.8
Total (1+2)	846.9	542.0	283.0	503.1	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

	1997	1998	1999	2000	2000				2001		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 <sup>a</sup>
ASSETS	171.3	348.8	-328.4	-848.4	-105.9	-183.1	-678.8	119.4	88.8	198.4	-443.6
1. Trade credits	18.1	-19.5	-293.4	92.3	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	18.1	-19.5	-293.4	92.4	253.1	-237.2	-93.7	170.3	119.9	-112.9	145.8
1.2.1. Long-term	0.0	0.0	-13.8	-2.5	-1.9	-4.4	1.5	2.3	4.0	4.5	0.3
1.2.2. Short-term	18.1	-19.5	-279.6	94.9	255.0	-232.8	-95.2	167.9	115.9	-117.4	145.5
2. Loans	0.0	0.0	-84.3	7.4	0.9	-3.6	-1.4	11.5	-1.5	6.5	-5.1
2.1. General government	0.0	0.0	1.1	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	1.1	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	-85.4	6.2	0.9	-3.6	-1.4	10.3	2.5	6.5	-1.3
2.2.1. Long-term	0.0	0.0	-76.1	6.5	0.0	-3.1	-0.9	10.5	0.7	3.8	-2.7
2.2.2. Short-term	0.0	0.0	-9.3	-0.3	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	153.2	368.3	49.3	-948.1	-359.8	57.7	-583.6	-62.4	-29.7	304.8	-584.2
3.1. Government	30.7	-22.3	7.9	-26.7	-12.9	-11.0	1.4	-4.2	-64.3	10.6	53.0
3.2. Banks	-371.8	406.1	41.4	-921.4	-347.0	68.8	-585.0	-58.2	34.6	294.2	-637.2
3.3. Other sectors	494.3	-15.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LIABILITIES	1,963.2	402.9	806.2	528.3	-310.8	-29.8	464.4	404.5	-366.6	400.1	213.0
1. Trade credits	217.9	-466.9	309.6	279.7	-99.5	-119.4	413.7	84.9	-443.5	374.7	189.7
1.1. General government	0.0	0.0	0.7	-3.2	-0.7	-1.5	-0.6	-0.4	0.0	1.1	0.0
1.1.1. Long-term	0.0	0.0	-1.0	-0.5	-0.1	-0.4	0.0	-0.1	0.0	1.1	0.0
1.1.2. Short-term	0.0	0.0	1.6	-2.7	-0.7	-1.1	-0.5	-0.4	0.0	0.0	0.0
1.2. Other sectors	217.9	-466.9	309.0	282.9	-98.7	-117.9	414.3	85.3	-443.5	373.6	189.7
1.2.1. Long-term	0.0	0.0	-36.7	-9.9	-10.2	1.3	8.7	-9.7	-13.7	-1.5	-22.1
1.2.2. Short-term	217.9	-466.9	345.7	292.7	-88.5	-119.2	405.5	95.0	-429.8	375.1	211.9
2. Loans	1,474.1	1,045.7	460.9	353.5	-160.3	49.6	45.2	419.1	0.3	-22.5	24.8
2.1. Monetary authorities	37.3	-8.9	-31.4	-28.7	0.0	-14.6	0.0	-14.1	0.0	-13.8	-2.1
2.1.1. Use of Fund credit and loans	37.3	-8.9	-31.4	-28.7	0.0	-14.6	0.0	-14.1	0.0	-13.8	-2.1
2.1.1.1. Drawings	39.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.1.2. Repayments	-2.2	-8.9	-31.4	-28.7	0.0	-14.6	0.0	-14.1	0.0	-13.8	-2.1
2.2. General government	95.7	-61.4	258.3	270.3	-29.3	-71.6	14.1	357.0	21.4	-2.7	-43.4
2.2.1. Long-term	104.2	-12.2	229.8	-16.6	43.9	-71.6	14.1	-3.0	21.4	-2.7	-43.4
2.2.1.1. Drawings	180.7	248.0	297.2	235.1	65.0	48.2	36.1	85.9	46.8	9.5	36.2
2.2.1.2. Repayments	-76.4	-260.2	-67.4	-251.7	-21.1	-119.8	-22.0	-88.9	-25.4	-12.2	-79.6
2.2.2. Short-term (net)	-8.6	-49.2	28.5	286.9	-73.1	0.0	0.0	360.0	0.0	0.0	0.0
2.3. Banks	399.2	311.6	-66.9	-165.1	-69.2	-58.0	12.0	-50.0	-17.4	-7.5	97.0
2.3.1. Long-term	337.3	362.3	-53.9	-152.4	-61.1	-55.3	14.4	-50.4	-18.7	-7.6	96.8
2.3.1.1. Drawings	587.9	517.0	589.4	347.9	23.1	49.4	234.0	41.3	27.1	26.0	182.4
2.3.1.2. Repayments	-250.6	-154.7	-643.3	-500.3	-84.3	-104.7	-219.7	-91.7	-45.8	-33.6	-85.6
2.3.2. Short-term (net)	61.8	-50.7	-13.0	-12.7	-8.1	-2.7	-2.3	0.4	1.4	0.1	0.1
2.4. Other sectors	942.0	804.3	300.9	277.1	-61.8	193.8	19.0	126.1	-3.8	1.5	-26.6
2.4.1. Long-term	747.0	668.0	247.2	336.6	-38.0	187.1	46.8	140.8	-3.2	28.9	-22.2
2.4.1.1. Drawings	1,007.0	969.7	770.9	829.6	112.0	288.5	142.1	287.1	85.7	161.7	152.0
2.4.1.2. Repayments	-259.9	-301.8	-523.6	-493.0	-150.1	-101.4	-95.2	-146.3	-88.9	-132.8	-174.2
2.4.2. Short-term (net)	194.9	136.4	53.7	-59.6	-23.7	6.7	-27.8	-14.7	-0.6	-27.4	-4.4
3. Currency and deposits	271.1	-175.9	35.6	-104.9	-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	271.1	-175.9	35.6	-104.9	-51.1	40.0	5.6	-99.4	76.7	48.0	-2.5
4. Other liabilities (short-term)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.3. Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

<sup>a</sup> Preliminary data.

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

Million kuna

	1997	1998	1999	2000	2000				2001		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 <sup>a</sup>
<b>A. CURRENT ACCOUNT (1+6)</b>	-14,078.7	-9,726.7	-9,830.5	-3,560.7	-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)	-19,421.5	-14,223.5	-14,333.7	-10,884.2	-4,910.8	-4,131.3	4,846.5	-6,688.5	-6,899.4	-9,207.1	8,020.5
1.1. Credit	53,096.0	57,052.5	59,793.0	74,698.6	13,054.2	17,327.6	27,197.0	17,119.8	14,898.9	18,386.6	32,148.7
1.2. Debit	-72,517.4	-71,276.1	-74,126.8	-85,582.8	-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)	-19,349.8	-13,153.1	-11,852.6	-7,793.8	-3,910.0	-3,184.3	5,809.7	-6,509.1	-5,676.4	-7,067.6	8,707.2
2.1. Credit	50,830.7	54,546.5	57,995.6	71,898.9	12,608.2	16,596.6	26,726.3	15,967.8	14,084.6	17,585.5	31,031.6
2.2. Debit	-70,180.5	-67,699.6	-69,848.2	-79,692.7	-16,518.2	-19,780.9	-20,916.7	-22,477.0	-19,760.9	-24,653.1	-22,324.4
3. Goods	-32,205.2	-26,422.2	-23,586.6	-26,686.7	-4,318.9	-7,056.5	-6,677.4	-8,633.9	-6,760.2	-10,908.3	-8,137.6
3.1. Credit	25,758.2	29,278.2	31,369.6	37,910.1	8,581.0	9,251.9	10,170.5	9,906.7	9,232.0	9,882.9	10,088.8
3.2. Debit	-57,963.4	-55,700.4	-54,956.2	-64,596.7	-12,899.9	-16,308.5	-16,847.9	-18,540.5	-15,992.2	-20,791.2	-18,226.5
4. Services	12,855.4	13,269.1	11,734.0	18,892.9	408.9	3,872.2	12,487.1	2,124.7	1,083.8	3,840.7	16,844.8
4.1. Credit	25,072.5	25,268.3	26,626.0	33,988.9	4,027.2	7,344.7	16,555.8	6,061.2	4,852.6	7,702.7	20,942.8
4.2. Debit	-12,217.1	-11,999.2	-14,892.0	-15,096.0	-3,618.4	-3,472.4	-4,068.8	-3,936.4	-3,768.8	-3,861.9	-4,097.9
5. Income	-71.7	-1,070.4	-2,481.1	-3,090.4	-1,000.8	-947.0	-963.2	-179.3	-1,223.0	-2,139.5	-686.7
5.1. Credit	2,265.3	2,506.0	1,797.5	2,799.7	446.0	731.0	470.7	1,152.0	814.3	801.0	1,117.1
5.2. Debit	-2,336.9	-3,576.5	-4,278.6	-5,890.1	-1,446.8	-1,678.1	-1,433.9	-1,331.3	-2,037.4	-2,940.6	-1,803.8
6. Current transfers	5,342.8	4,496.8	4,503.2	7,323.5	1,599.5	1,777.4	2,044.1	1,902.4	1,851.8	2,158.7	1,970.4
6.1. Credit	5,925.4	5,846.2	6,898.2	9,131.4	1,982.2	2,211.6	2,493.9	2,443.7	2,239.8	2,530.9	2,394.8
6.2. Debit	-582.6	-1,349.4	-2,394.9	-1,807.9	-382.7	-434.2	-449.8	-541.3	-388.0	-372.3	-424.4
<b>B. CAPITAL AND FINANCIAL ACCOUNT</b>	16,177.9	9,123.9	14,692.7	7,624.3	3,816.9	-1,453.5	-191.9	5,452.8	1,898.0	6,200.3	-4,544.9
B1. Capital account	132.4	121.9	178.0	172.1	48.3	52.7	33.2	38.0	27.9	1,027.1	-926.8
B2. Financial account, excl. reserves	18,730.7	10,056.6	17,506.6	12,261.9	3,614.6	1,044.9	2,146.4	5,456.0	3,077.0	8,451.1	534.4
1. Direct investment	2,135.2	5,349.3	10,333.9	8,752.9	3,379.1	2,745.9	1,398.4	1,229.5	613.0	3,145.0	1,371.5
1.1. Abroad	-1,149.7	-619.7	-250.4	-253.1	58.1	69.8	-160.3	-220.6	-87.1	-140.2	-442.8
1.2. In Croatia	3,284.8	5,969.1	10,584.3	9,005.9	3,321.0	2,676.1	1,558.7	1,450.1	700.1	3,285.2	1,814.4
2. Portfolio investment	3,523.4	107.9	3,996.9	5,781.8	3,488.2	49.1	2,532.7	-288.1	4,776.5	202.5	1,147.1
2.1. Assets	70.6	-0.9	-2.1	-1.4	-0.1	-0.5	-0.7	0.0	-0.3	2.7	-0.1
2.2. Liabilities	3,452.8	108.8	3,999.1	5,783.2	3,488.3	49.6	2,533.4	-288.1	4,776.8	199.8	1,147.1
3. Other investment	13,072.0	4,599.3	3,175.8	-2,272.8	-3,252.7	-1,750.1	-1,784.6	4,514.6	-2,312.5	5,103.6	-1,984.1
3.1. Assets	750.9	2,139.9	-2,661.3	-6,972.8	-827.0	-1,510.3	-5,672.7	1,037.1	738.4	1,700.5	-3,654.0
3.2. Liabilities	12,321.1	2,459.4	5,837.1	4,700.0	-2,425.7	-239.8	3,888.0	3,477.5	-3,050.9	3,403.2	1,669.9
B3. Reserve assets (CNB)	-2,685.2	-1,054.5	-2,992.0	-4,809.8	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>	-2,099.2	602.9	-4,862.2	-4,063.6	-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	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	4,614.9	108.9	0.2	–	4,505.7	3,105.9	1,399.9	2,958.7
	December <sup>b</sup>	4,704.2	108.4	0.2	–	4,595.6	3,060.3	1,535.3	3,915.0
2002	January	4,734.4	107.4	0.2	–	4,626.8	3,319.5	1,307.3	3,541.5
	February <sup>c</sup>	4,750.0	106.4	0.2	–	4,643.3	3,273.2	1,370.2	3,457.2

<sup>a</sup> HBOR excluded; <sup>b</sup> The first revaluation of securities with the effect of USD 19.8m was conducted within the CNB's international reserves as at December 31, 2001. Accrued interest on deposits, with the effect of USD 7.6m, was included in the international reserves as at December 31, 2001 as well.; <sup>c</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			2002
	Dec.	Dec.	Mar.	Jun.	Sep.	Dec. <sup>c</sup>	Jan.	
<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	4,704.2	4,734.4	
(1) Foreign currency reserves (in convertible f/c)	2,616.3	2,567.4	2,411.4	2,731.2	2,989.5	3,420.3	3,217.1	
(a) Securities	375.5	802.6	1,012.3	1,227.1	1,288.0	1,535.3	1,307.3	
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	1,885.0	1,909.9	
(i) other national central banks, BIS and IMF	712.3	545.7	506.4	349.3	412.7	406.9	349.9	
(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	1,478.1	1,560.0	
o/w: located in the reporting country								
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
(3) SDRs	189.5	147.7	139.5	123.6	124.1	108.4	107.4	
(4) gold				114.9				
(5) other reserve assets	41.4	717.0	847.1	779.2	1,221.9	1,175.3	1,409.6	
– reverse repo	41.4	717.0	847.1	779.2	1,221.9	1,175.3	1,409.6	
B. Other foreign currency assets (specify)	177.6	92.5	115.9	49.4	80.5			
– time deposits	177.6	92.5	115.9	49.4	80.5			
C. Total (A+B)	3,025.0	3,524.8	3,514.1	3,798.5	4,416.3	4,704.2	4,734.4	
<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	-1,191.4	-1,209.7	
(a) Croatian National Bank	-258.7	-265.0	-270.7	-171.1	-420.8	-391.1	-404.2	
Up to 1 month								
Principal	-90.2	-107.6	-119.2	-71.7	-108.3	-172.9	-156.2	
Interest	-5.0	-4.3	-3.9	-3.6	-3.5	-2.8	-2.5	
More than 1 and up to 3 months								
Principal	-123.6	-116.5	-118.5	-60.6	-282.1	-179.6	-223.5	
Interest	-2.7	-2.8	-2.2	-1.5	-3.0	-1.9	-2.3	
More than 3 months and up to 1 year								
Principal	-29.9	-29.0	-19.6	-29.9	-20.1	-30.4	-16.6	
Interest	-7.3	-4.7	-7.2	-3.8	-3.7	-3.4	-3.0	
(b) Central government (excluding extrabudgetary funds) <sup>a</sup>	-673.9	-945.8	-1,160.2	-1,152.4	-1,165.6	-800.3	-805.5	
Up to 1 month								
Principal	-63.5	-89.3	-4.0	-86.2	-363.4	-89.7	-302.1	
Interest	-58.3	-69.0	-3.2	-61.8	-1.3	-49.0	-13.3	
More than 1 and up to 3 months								
Principal	-6.0	-93.8	-16.8	-369.5	-20.0	-310.1	-11.1	
Interest	-42.9	-77.1	-17.1	-22.8	-14.2	-110.9	-96.9	
More than 3 months and up to 1 year								
Principal	-384.6	-497.1	-874.1	-441.2	-524.9	-150.6	-248.7	
Interest	-118.7	-119.6	-245.0	-170.9	-241.7	-90.0	-133.4	
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	-66.3	-164.1	
– outflows related to repos (-)	-21.3	-40.7		-18.0	-40.8	-66.3	-164.1	
Up to 1 month								
Principal	-21.3	-40.6		-18.0	-40.8	-66.3	-163.8	
Interest	0.0	-0.1		0.0	0.0	-0.1	-0.2	
More than 1 and up to 3 months								
Principal								
Interest								
More than 3 months and up to 1 year								
Principal								
Interest								
4. Total predetermined short-term net drains on foreign currency assets (1+2+3)	-954.0	-1,251.5	-1,430.9	-1,341.4	-1,627.2	-1,257.7	-1,373.7	
<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	-960.3	-1,011.4	
(a) Collateral guarantees on debt falling due within 1 year	-263.6	-296.0	-285.4	-304.2	-286.7	-278.6	-296.5	
– Croatian National Bank								
– Central government (excluding extrabudgetary funds) <sup>a</sup>	-263.6	-296.0	-285.4	-304.2	-286.7	-278.6	-296.5	
Up to 1 month	-37.3	-48.4	-37.7	-38.8	-11.2	-43.6	-4.8	

More than 1 and up to 3 months	-57.6	-11.4	-35.7	-64.1	-39.7	-21.8	-28.3
More than 3 months and up to 1 year	-168.7	-236.2	-212.0	-201.2	-235.8	-213.2	-263.4
(b) Other contingent liabilities	-606.2	-673.2	-650.8	-753.0	-816.4	-681.7	-714.9
– Croatian National Bank	-606.2	-673.2	-650.8	-753.0	-816.4	-681.7	-714.9
Up to 1 month							
More than 1 and up to 3 months	-606.2	-673.2	-650.8	-753.0	-816.4	-681.7	-714.9
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	150.7	149.0
– BIS (+)	80.0	80.0					
– IMF (+)				90.0	154.7	150.7	149.0
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	-809.7	-862.4
<b>IV. Memo items</b>							
(a) short-term domestic currency debt indexed to the exchange rate o/w: central government (excluding extrabudgetary funds)							
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)							
(c) pledged assets	177.0						
(d) securities lent and on repo							
– lent or repoed and included in Section I	-20.1	-40.0		-16.9	-40.0	-61.7	-157.9
– 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	1,089.3	1,351.8
(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	4,704.2	4,734.4
– currencies not in SDR basket	41.4	0.0	0.0	115.0	0.0	0.0	0.0
– by individual currencies							
USD	1,186.1	922.5	842.5	1,202.6	1,534.7	1,533.2	1,588.2
EUR	1,405.1	2,453.9	2,415.6	2,307.4	2,676.2	2,062.0	3,038.6
Other	433.8	148.4	140.2	239.1	124.8	109.0	107.7

<sup>a</sup> Preliminary data for 2001; <sup>b</sup> Until January 2001: Currency structure of official reserve assets and other foreign currency assets.; <sup>c</sup> The first revaluation of securities with the effect of USD 19.8m was conducted within the CNB's international reserves as at December 31, 2001. Accrued interest on deposits, with the effect of USD 7.6m, was included in the international reserves as at December 31, 2001 as well. In accordance with the recommendation made by the IMF, time deposits with a maturity over 3 months were also included in Official reserve assets (I.A.). These deposits were previously included in Other foreign currency assets (I.B.).

Table H7: International Reserves and Foreign Currency Liquidity

International reserves and foreign currency liquidity are shown in accordance with a Template on International Reserves and Foreign Currency Liquidity, drawn up by the IMF. A detailed explanation of the Template is given in "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 those types of assets that are readily available to the CNB at any moment for bridging imbalances in international payments. Official international reserves include: short-term foreign negotiable debt securities, foreign cash, foreign currency sight deposits, foreign currency time deposits which can be withdrawn before maturity, foreign currency time deposits with a remaining maturity of up to 1 year, reserve position with the IMF, special drawing rights, gold, and reverse repos with foreign negotiable debt securities. Other foreign currency assets of the CNB (I.B.) include foreign currency time deposits with a maturity over 3 months.

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

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

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
2001		7.468966	0.542791	1.138637	0.385740	4.946376	12.010492	8.339074	3.818822
2000	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
	December	7.391192	0.537139	1.126780	0.381723	5.016176	11.922554	8.285753	3.779057
2002	January	7.477062				5.071054	12.130633	8.451613	
	February	7.500267				5.077714	12.263697	8.626259	

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1992		0.964508	0.070357	0.145244	0.054153	0.546218	1.206464	0.798188	0.495000
1993		7.262200	0.540504	1.120052	0.381300	4.471653	9.714800	6.561900	3.801812
1994		6.902400	0.516285	1.052510	0.346500	4.288893	8.784200	5.628700	3.632100
1995		6.812200	0.526742	1.085365	0.335800	4.618693	8.234500	5.316100	3.705900
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.511000
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2000	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
	December	7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002	January	7.568480				5.146875	12.391094	8.741603	
	February	7.437848				5.037827	12.179217	8.600657	

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	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	103.63
	September	124.23	114.02	105.23
	October	123.80	112.11	104.80
	November	123.41	111.98	104.61
	December	122.99	111.96 <sup>a</sup>	104.32 <sup>a</sup>
2002	January	124.74	113.95 <sup>a</sup>	105.45 <sup>a</sup>
	February	125.80		

<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				2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.*	Jun.*	Sep.*	Dec.*	Jan.
1. Direct investment	0.0	0.0	476.5	539.9	1,114.7	1,174.9	1,316.6	1,164.6	1,075.4	1,078.1
2. Government	2,433.0	2,905.7	3,395.3	3,973.0	4,795.3	5,204.7	5,127.3	5,431.1	5,003.7	4,864.4
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	3,683.1	3,568.4
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	3,683.1	3,568.4
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2 Other investment	970.8	951.2	1,346.0	1,450.2	1,654.1	1,642.7	1,610.3	1,623.3	1,320.6	1,296.0
2.2.1 Trade credits	12.2	18.1	2.7	3.4	0.1	0.1	1.2	1.1	1.1	1.1
Long-term	3.6	18.1	1.8	0.7	0.1	0.1	1.2	1.1	1.1	1.1
Short-term	8.6	0.0	0.8	2.7	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 Credits	958.6	933.1	1,343.3	1,446.8	1,654.0	1,642.6	1,609.2	1,622.1	1,319.5	1,294.8
Long-term	858.6	833.1	1,293.3	1,371.5	1,294.0	1,282.6	1,249.2	1,262.1	1,319.5	1,294.8
Short-term	100.0	100.0	50.0	75.3	360.0	360.0	360.0	360.0	0.0	0.0
3. Croatian National Bank	208.3	231.8	233.9	196.6	158.7	151.7	136.4	138.4	122.2	120.8
o/w: IMF	208.3	231.8	233.9	196.6	158.7	151.7	136.4	138.4	122.2	120.8
4. Banks	1,570.2	2,215.6	2,265.6	1,954.5	1,597.1	1,592.3	1,604.7	1,779.2	1,823.2	1,785.8
4.1. Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	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
4.2 Other investment	1,570.2	2,215.6	2,265.6	1,954.5	1,597.1	1,592.3	1,604.7	1,779.2	1,823.2	1,785.8
4.2.1 Currency and deposits	499.2	789.9	614.6	537.7	432.8	509.5	557.3	554.9	633.5	646.5
4.2.2 Credits	1,071.0	1,425.7	1,651.0	1,416.8	1,164.3	1,082.8	1,047.4	1,224.3	1,189.7	1,139.3
Long-term	948.6	1,382.0	1,616.1	1,385.6	1,156.4	1,074.4	1,040.0	1,216.6	1,182.6	1,131.9
Short-term	122.4	43.7	34.9	31.2	7.9	8.5	7.4	7.8	7.1	7.4
5. Other sectors	1,096.1	2,098.5	3,214.9	3,208.3	3,336.3	3,162.2	3,101.4	3,246.3	3,121.8	3,080.3
5.1 Portfolio investment	0.0	0.0	8.7	48.5	38.4	41.3	61.8	64.7	54.8	45.8
Bonds	0.0	0.0	0.0	31.1	28.9	27.3	26.2	28.4	27.4	26.8
Money market instruments	0.0	0.0	8.7	17.4	9.5	14.0	35.6	36.3	27.4	18.9
5.2 Other investment	1,096.1	2,098.5	3,206.2	3,159.8	3,298.0	3,120.9	3,039.6	3,181.7	3,067.0	3,034.6
5.2.1 Trade credits	419.2	608.4	441.1	373.8	341.6	321.4	324.1	330.5	300.1	285.6
Long-term	296.7	442.8	323.4	274.3	277.3	256.9	257.3	258.8	242.1	236.7
Short-term	122.5	165.6	117.7	99.5	64.4	64.4	66.9	71.7	58.0	48.9
5.2.2 Credits	676.9	1,490.1	2,765.1	2,786.0	2,956.3	2,799.5	2,715.5	2,851.2	2,766.8	2,749.0
Long-term	619.2	1,260.9	2,373.1	2,535.7	2,810.4	2,710.6	2,656.3	2,798.8	2,676.6	2,649.2
Short-term	57.7	229.2	392.0	250.3	145.9	88.9	59.1	52.4	90.2	99.7
Total (1+2+3+4+5)	5,307.6	7,451.6	9,586.2	9,872.3	11,002.2	11,285.8	11,286.4	11,759.7	11,146.3	10,929.4

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				2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.*	Jun.*	Sep.*	Dec.*	Jan.
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	3,737.9	3,614.2
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	3,710.5	3,595.3
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	1,031.4
Money market instruments	0.0	0.0	8.7	17.4	9.5	14.0	35.6	36.3	27.4	18.9
2. Other investment	3,845.4	5,496.8	7,528.1	7,301.0	7,822.6	7,682.4	7,707.7	7,887.2	7,408.4	7,315.2
2.1. Currency and deposits	499.2	789.9	614.6	537.7	432.8	509.5	557.3	554.9	633.5	646.5
2.2. Long-term	2,935.0	4,168.4	6,249.1	6,221.9	6,724.8	6,485.2	6,432.4	6,682.7	6,532.0	6,426.2
2.2.1. Public creditors	1,889.6	1,867.0	2,196.7	2,162.4	2,254.2	2,152.0	2,100.0	2,205.1	2,216.3	2,177.3
a) International financial organizations	673.1	851.0	1,039.2	1,013.9	1,115.1	1,083.8	1,068.7	1,137.6	1,167.3	1,169.4
– IMF	208.3	231.8	233.9	196.6	158.7	151.7	136.4	138.4	122.2	120.8
– IBRD	188.4	294.5	344.1	395.0	412.6	418.1	413.1	429.6	468.5	465.5
– IFC	0.0	0.0	30.9	28.6	71.9	68.7	79.4	86.8	85.7	92.6
– EBRD	108.4	171.2	251.3	218.8	296.8	275.9	280.6	302.4	319.3	322.1
– EUROFIMA	32.8	42.9	72.6	78.5	85.6	80.8	77.8	86.0	83.0	81.6
– EIB	131.0	108.3	105.2	81.0	65.6	65.6	58.9	59.0	52.4	50.5
– CEB	4.2	2.3	1.1	15.4	24.0	23.1	22.5	35.2	36.1	36.3
b) Governments and government agencies	1,216.5	1,016.0	1,157.5	1,148.5	1,139.1	1,068.2	1,031.3	1,067.5	1,049.0	1,007.9
– Paris Club	1,014.1	852.5	884.8	770.8	686.4	641.2	626.2	635.1	619.1	593.0
– Other	202.4	163.5	272.7	377.7	452.7	427.0	405.0	432.4	429.8	414.9
2.2.2. Private creditors	1,045.4	2,301.4	4,052.5	4,059.5	4,470.7	4,333.1	4,332.4	4,477.6	4,315.8	4,248.9
a) Banks	736.0	1,833.3	3,257.5	3,311.9	3,351.4	3,269.2	3,294.2	3,464.9	3,344.9	3,283.5
o/w: guaranteed by government agencies	191.8	167.0	213.7	330.7	608.1	596.1	579.5	618.3	598.3	584.7
b) Other sectors	309.4	468.1	794.9	747.6	1,119.3	1,063.9	1,038.3	1,012.7	970.9	965.4
o/w: guaranteed by government agencies	21.9	17.6	28.5	17.8	13.8	11.6	11.0	11.2	10.3	10.0
2.3. Short-term	411.2	538.5	664.4	541.3	665.0	687.8	718.0	649.6	242.9	242.5
2.3.1. Public creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3.2. Private creditors	411.2	538.5	664.4	541.3	665.0	687.8	718.0	649.6	242.9	242.5
a) Banks	278.6	370.1	381.1	246.1	486.9	430.6	412.1	400.7	72.4	82.8
o/w: guaranteed by government agencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Other sectors	132.6	168.4	283.3	295.2	178.3	257.1	305.9	248.9	170.4	159.8
o/w: guaranteed by government agencies	0.0	0.0	0.1	0.0	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	11,002.2	11,285.7	11,286.4	11,759.7	11,146.3	10,929.4

Table H12: External Debt by Creditors

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

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

Million US dollars

	Outstanding debt 31/01/2002	Nonreported principal payments	Projected future principal payments												
			Q1/02	Q2/02	Q3/02	Q4/02	2002	2003	2004	2005	2006	2007	2008	2009	Other
1. Direct investment	1,078.1	92.7	16.8	77.4	15.2	23.7	133.1	150.4	111.7	192.4	240.7	60.5	19.8	12.7	64.1
2. Government	4,864.4	3.3	310.8	69.2	112.0	31.9	523.9	313.2	729.5	719.8	736.7	507.8	204.5	199.7	926.1
2.1. Portfolio investment	3,568.4	0.0	300.0	44.0	74.7	0.0	418.7	161.2	521.3	594.1	609.7	380.1	78.0	78.0	727.3
Bonds	3,568.4	0.0	300.0	44.0	74.7	0.0	418.7	161.2	521.3	594.1	609.7	380.1	78.0	78.0	727.3
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	1,296.0	3.3	10.8	25.2	37.4	31.9	105.2	152.0	208.2	125.7	126.9	127.7	126.5	121.7	198.8
2.2.1. Trade credits	1.1	0.0	0.0	0.0	0.2	0.0	0.3	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1.1	0.0	0.0	0.0	0.2	0.0	0.3	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. Credits	1,294.8	3.3	10.8	25.2	37.2	31.9	105.0	151.6	207.7	125.7	126.9	127.7	126.5	121.7	198.8
Long-term	1,294.8	3.3	10.8	25.2	37.2	31.9	105.0	151.6	207.7	125.7	126.9	127.7	126.5	121.7	198.8
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	120.8	0.0	3.0	13.5	3.0	13.5	33.0	33.0	33.0	12.7	6.0	3.0	0.0	0.0	0.0
o/w: IMF	120.8	0.0	3.0	13.5	3.0	13.5	33.0	33.0	33.0	12.7	6.0	3.0	0.0	0.0	0.0
4. Banks	1,785.8	49.1	20.7	27.4	73.5	60.6	182.1	426.7	139.8	86.6	79.7	50.2	51.4	54.0	666.2
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	1,785.8	49.1	20.7	27.4	73.5	60.6	182.1	426.7	139.8	86.6	79.7	50.2	51.4	54.0	666.2
4.2.1. Currency and deposits	646.5	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	646.5
4.2.2. Credits	1,139.3	49.1	20.7	27.4	73.5	60.6	182.1	426.7	139.8	86.6	79.7	50.2	51.4	54.0	19.7
Long-term	1,131.9	43.2	20.1	26.9	73.5	60.1	180.6	426.7	139.8	86.6	79.7	50.2	51.4	54.0	19.7
Short-term	7.4	5.9	0.6	0.4	0.0	0.4	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Other sectors	3,080.3	335.1	101.2	273.0	107.8	186.5	668.5	491.1	466.8	275.1	290.2	183.7	130.0	99.4	140.6
5.1. Portfolio investment	45.8	0.0	14.0	4.9	0.0	0.0	18.9	0.0	26.8	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	26.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	26.8	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	18.9	0.0	14.0	4.9	0.0	0.0	18.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2. Other investment	3,034.6	335.1	87.2	268.1	107.8	186.5	649.6	491.1	439.9	275.1	290.2	183.7	130.0	99.4	140.6
5.2.1. Trade credits	285.6	73.7	23.7	39.6	23.0	22.0	108.3	59.2	25.2	12.2	4.2	1.3	0.6	0.4	0.6
Long-term	236.7	51.1	14.3	28.0	18.5	21.2	82.0	59.2	25.2	12.2	4.2	1.3	0.6	0.4	0.6
Short-term	48.9	22.6	9.4	11.7	4.5	0.8	26.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2.2. Credits	2,749.0	261.4	63.5	228.4	84.8	164.5	541.3	431.9	414.8	262.8	286.0	182.4	129.4	98.9	140.0
Long-term	2,649.2	218.6	52.5	206.1	83.5	142.7	484.9	431.4	414.8	262.8	286.0	182.4	129.4	98.9	140.0
Short-term	99.7	42.8	11.1	22.3	1.3	21.8	56.4	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	10,929.4	480.1	452.5	460.5	311.5	316.2	1,540.7	1,414.5	1,480.8	1,286.6	1,353.2	805.2	405.7	365.7	1,797.0
Supplement: Projected interest payments		56.4	151.6	87.6	125.6	87.8	452.5	458.1	388.4	302.0	220.8	148.5	110.5	86.5	144.4
Note:															
Publicly guaranteed debt	1,430.7														
o/w: Banks and other sectors	952.4														

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

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

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

able interest rates.

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

Table I1: Consolidated Central Government

Million kuna

	1996	1997	1998	1999	2000	2001 <sup>b</sup>	2001			
							Mar.	Jun.	Sep.	Dec. <sup>b</sup>
<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	52,688.5	3,314.2	3,444.9	4,483.5	5,152.3
2. Extrabudgetary funds	17,029.1	19,499.1	21,302.1	21,185.5	22,099.3	18,091.4	1,759.2	1,945.7	962.5	2,081.5
2.1. Pension Fund	9,584.7	11,022.2	10,713.4	10,799.8	11,254.2	5,804.8	910.2	1,009.1	11.6	66.8
2.2. Health Insurance Fund	5,196.3	5,824.2	8,269.0	8,686.4	8,967.4	10,281.7	720.1	790.4	776.7	1,764.9
2.3. Employment Fund	676.1	638.3	718.2	760.6	822.4	911.0	71.6	75.4	74.4	88.0
2.4. Child Benefit Fund	878.5	976.7	542.8	9.1	7.1	5.1	0.7	0.3	0.4	0.6
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	1,088.8	56.6	70.4	99.4	161.1
A. Total (1+2)	48,396.6	53,345.3	65,110.7	67,541.0	66,735.0	70,779.9	5,073.5	5,390.6	5,446.0	7,233.7
<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	44,223.9	3,483.7	2,298.5	4,621.4	6,083.3
4. Extrabudgetary funds	21,282.1	25,522.5	30,103.1	34,363.9	37,701.4	30,053.3	3,285.3	3,343.1	1,584.6	2,855.1
4.1. Pension Fund	10,459.8	13,795.1	16,170.4	18,998.5	20,180.8	12,121.5	1,908.5	1,950.3	111.3	178.3
4.2. Health Insurance Fund	8,357.5	8,742.8	10,776.0	11,919.6	13,918.1	13,157.9	1,024.7	1,022.1	1,049.7	2,093.9
4.3. Employment Fund	676.2	714.1	571.2	824.9	995.5	983.4	77.7	79.4	72.7	128.9
4.4. Child Benefit Fund	853.2	1,003.7	1,032.1	1,136.2	1,250.6	2,465.9	215.4	204.7	232.7	216.5
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	1,324.7	59.0	86.6	118.3	237.4
B. Total (3+4)	48,874.0	54,931.9	64,228.6	70,343.0	74,432.3	74,277.3	6,769.0	5,641.6	6,206.0	8,938.5
C. Overall surplus/deficit (A-B)	-477.4	-1,586.7	882.1	-2,802.1	-7,697.3	-3,497.4	-1,695.5	-251.0	-760.0	-1,704.7
5. Budgetary central government (1-3)	3,775.6	4,436.7	9,683.1	10,376.4	7,904.8	8,464.6	-169.5	1,146.4	-137.9	-931.1
6. Extrabudgetary funds (2-4)	-4,253.0	-6,023.4	-8,801.1	-13,178.4	-15,602.1	-11,961.9	-1,526.1	-1,397.4	-622.1	-773.7

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

Table I2: Budgetary Central Government Operations

Million kuna

	1996	1997	1998	1999	2000	2001 <sup>c</sup>	2001			
							Mar.	Jun.	Sep.	Dec. <sup>c</sup>
1. Total revenue	31,367.5	33,846.1	43,808.6	46,355.5	44,635.7	53,443.6	3,314.2	3,444.9	4,617.2	5,288.6
1.1. Current revenue	30,244.3	33,385.0	42,019.4	40,044.6	41,535.0	48,900.2	3,297.2	3,426.4	4,594.7	4,856.3
1.1.1. Tax revenue	28,530.4	31,338.2	39,899.7	38,317.6	39,939.0	47,274.0	3,203.4	3,325.0	4,441.6	4,755.8
1.1.2. Nontax revenue	1,713.9	2,046.8	2,119.7	1,727.0	1,595.9	1,626.2	93.8	101.4	153.1	100.4
1.2. Capital revenue	1,123.1	461.1	1,789.2	6,310.9	3,100.7	4,543.4	17.0	18.5	22.5	432.3
2. Grants	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
2.2. Capital	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	53,443.6	3,314.2	3,444.9	4,617.2	5,288.6
3. Total expenditure	30,972.8	34,395.2	41,390.4	47,379.6	49,567.5	56,386.7	4,932.9	3,703.6	5,321.9	6,588.0
3.1. Current expenditure	25,930.1	29,579.7	34,883.0	38,476.1	44,237.4	52,555.9	4,973.2	3,452.6	5,006.3	5,956.7
3.2. Capital expenditure	5,042.7	4,815.5	6,507.3	8,903.5	5,330.1	3,830.9	229.7	251.0	255.5	631.3
4. Lending minus repayments	528.7	611.1	1,161.5	1,499.2	1,176.1	815.3	84.1	76.6	100.9	227.0
B. Total expenditure and net lending (3+4)	31,501.5	35,006.3	42,551.9	48,878.8	50,743.5	57,202.1	5,017.0	3,780.3	5,422.8	6,815.0
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	-3,655.6	-1,406.0	-26.2	-471.7	-1,100.4
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	-3,655.6	-1,406.0	-26.2	-471.7	-1,100.4
7. Gross fixed capital formation <sup>a</sup>	1,113.9	1,516.4	976.1	-2,216.9	-395.4	-3,088.0	63.6	79.5	97.2	-170.0
8. Gross capital formation <sup>b</sup>	1,113.9	1,516.4	976.1	-2,216.9	-395.4	-3,088.0	63.6	79.5	97.2	-170.0
C. Overall surplus/deficit (A-B)	-134.0	-1,160.2	1,256.7	-2,523.3	-6,107.9	-3,758.5	-1,702.8	-335.3	-805.6	-1,526.4
9. Foreign financing	803.9	2,985.9	-9.1	4,615.1	6,921.5	4,112.2	3,265.4	-28.9	1,515.7	1,550.8
10. Domestic financing	-669.9	-1,825.7	-1,247.6	-2,091.8	-813.6	-353.7	-1,562.7	364.2	-710.1	-24.4
10.1. From other government	0.0	0.0	190.0	-87.0	-92.0	-11.0	0.0	0.0	0.0	0.0
10.2. From monetary authorities	-152.7	-354.8	112.4	2.0	-12.5	-447.3	-197.0	126.6	-120.1	-132.3
10.3. From deposit money banks	-308.4	-1,357.3	-1,638.6	-1,859.4	-288.8	425.2	-1,239.2	237.5	-568.0	122.0
10.4. Other domestic financing	-208.8	-113.6	88.7	-147.4	-420.3	-320.6	-126.4	0.0	-22.0	-14.1
D. Total financing (9+10)	134.0	1,160.2	-1,256.7	2,523.3	6,107.9	3,758.5	1,702.8	335.3	805.6	1,526.4

<sup>a</sup> Net purchase of fixed capital formation; <sup>b</sup> Net purchase of fixed capital formation and net purchase of shares; <sup>c</sup> Preliminary data; Source: Ministry of Finance

Table I3: Central Government Debt

End of period, million kuna

	1996	1997	1998	1999	2000	2001				2002
	Dec.*	Dec.*	Dec.*	Dec.*	Dec.*	Mar.*	Jun.*	Sep.*	Dec	Jan.
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	24,002.7	25,003.7	26,505.3
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	20,329.2	21,467.9	22,870.4
Treasury bills	272.1	449.6	565.8	776.7	2,564.6	4,418.0	5,579.7	4,454.2	4,892.3	5,183.2
Money market instruments	254.3	44.0	96.8	153.3	14.2	11.8	10.6	1.5	7.4	0.1
Bonds	16,055.2	14,159.2	13,035.8	13,720.7	14,082.5	13,631.2	13,070.0	14,397.6	15,415.8	15,785.1
Credits from the CNB	218.8	–	–	24.1	0.0	–	0.0	–	–	–
Credits from DMBs	460.2	814.3	884.4	1,337.3	1,848.4	1,534.2	1,420.5	1,475.9	1,152.4	1,902.0
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	3,673.5	3,535.8	3,634.9
Money market instruments	–	–	–	–	20.5	21.0	20.8	96.6	96.4	99.7
Bonds	–	–	–	–	1,686.8	1,705.1	1,625.2	1,674.3	1,636.1	1,680.2
Credits from DMBs	2.3	71.3	465.0	742.5	1,127.6	1,230.2	1,106.1	1,902.5	1,803.3	1,855.0
2. External debt of central government	13,466.5	18,270.6	21,049.7	29,977.3	38,658.9	44,945.4	43,909.3	44,217.4	41,344.4	42,046.8
2.1. External debt of the Republic of Croatia	13,147.4	17,513.8	19,920.2	28,610.0	36,577.8	42,150.8	41,197.4	41,834.6	38,613.6	39,265.3
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	8,100.0	12,319.4	12,431.3	18,904.8	25,231.2	30,341.6	29,702.7	30,641.7	30,077.9	30,472.3
Credits	5,047.4	5,194.4	7,488.9	9,705.2	11,346.6	11,809.2	11,494.7	11,192.9	8,535.7	8,793.1
2.2. External debt of central government funds	319.0	756.9	1,129.5	1,367.2	2,081.1	2,794.6	2,711.9	2,382.8	2,730.8	2,781.5
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	–	–	372.4	391.5	386.5	726.5	705.3	700.6	697.9	721.6
Credits	319.0	756.9	757.2	975.8	1,694.6	2,068.1	2,006.6	1,682.2	2,032.8	2,059.9
3. Total (1+2)	30,729.5	33,809.1	36,097.5	46,731.9	60,003.6	67,497.0	66,742.1	68,220.1	66,348.1	68,552.1
Supplement: Central government guaranteed debt										
– guarantees for domestic debt	....	....	....	....	4,104.5	5,492.0	6,412.1	8,022.4	8,141.2	8,457.0
– guarantees for external debt	....	....	9,656.1	11,260.4	12,741.1	13,344.8	12,669.9	12,216.8	12,260.8	12,506.6

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	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
	December	99.8	100.6	99.0	102.6	102.5	96.9	104.9	104.8	103.6
2002	January	100.8	101.1	99.9	103.3	103.2	97.4	103.3	103.2	97.4
	February	100.1	100.0	100.6	102.8	102.9	97.2	103.0	103.0	97.3

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	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
	December	99.8	99.7	100.8	101.7	101.1	105.6
2002	January	100.2	100.0	101.1	101.9	101.0	106.6
	February	100.1	100.2	100.1	101.8	101.0	106.7

Source: Central Bureau of Statistics

Table J3: Average Monthly Net Wages

In current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1992	December	74.4	120.2	681.7	409.4
1993	December	1,073.2	105.2	1,442.1	1,605.3
1994	December	1,646.0	119.0	153.4	233.2
1995	December	1,883.0	99.4	114.4	145.7
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	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
	October	3,538.0	103.1	105.0	107.0
	November	3,707.0	104.8	105.8	106.9
	December	3,582.0	96.6	102.4	106.5

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

March 1, 2002

## Licensed Banks

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

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

34. Splitska banka d.d., Split
35. Štedbanka d.d., Zagreb
36. Varaždinska banka d.d., Varaždin
37. Volksbank d.d., Zagreb
38. Zagrebačka banka d.d., Zagreb

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

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

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

42. Banka Sonic d.d., Zagreb
43. Samoborska banka d.d., Samobor

## Licensed Savings Banks

1. Banica Credo štedionica d.d., Split<sup>1</sup>
2. Gospodarska štedionica d.d., Vrbovec<sup>1</sup>
3. Krapinska štedionica d.d., Krapina
4. Križevačka štedionica d.d., Križevci
5. Međimurska štedionica d.d., Čakovec<sup>1</sup>
6. Prva obrtnička štedionica d.d., Zagreb<sup>1</sup>
7. Štedionica Brod d.d., Slavonski Brod<sup>1</sup>
8. Štedionica splitsko-dalmatinska d.d., Split<sup>1</sup>
9. Varaždinska štedionica Kovanica d.d., Varaždin<sup>1,2</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> Operating license includes collection of households' foreign exchange savings and exchange operations.

<sup>2</sup> The savings bank took over Štedionica Zagjstjed d.d., Zagreb on November 14, 2001, Štedionica More d.d., Zagreb on January 3, 2002 and VID Štedionica d.d., Zagreb on January 28, 2002.

## 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. Cardine Banca S.p.A., Zagreb
3. Commerzbank Aktiengesellschaft, Zagreb
4. Deutsche Bank AG, Zagreb
5. Kreditna banka d.d. Tuzla, Zagreb
6. LHB Internationale Handelsbank AG, Zagreb

## Banks and Savings Banks under Bankruptcy Proceedings

Name of bank/savings bank	Date of bankruptcy proceedings initiation
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. Hrvatska gospodarska banka d.d., Zagreb	19/04/2000
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 Mediteran d.o.o., Split	5/12/2001
18. Štedionica za razvoj i obnovu d.o.o, Zagreb	02/07/2001
19. Trgovačko-turistička banka d.d., Split	08/09/2000
20. Vukovarska banka d.d., Vukovar	25/02/1998
21. Županjska banka d.d., Županja	03/05/1999

## Banks and Savings Banks under Liquidation Proceedings

Name of bank/savings bank	Date of liquidation proceedings initiation
1. Alpe Jadran banka d.d., Split	15/12/2000
2. Investicijsko-komercijalna štedionica d.d., Split	31/05/2000
3. Kaptol banka d.d., Zagreb	04/05/2001
4. Slavonska štedionica d.d, Zagreb	24/12/2001
5. Štedionica Dora d.d., Zagreb	01/01/2002
6. Štedionica SA-GA d.d., Zagreb	31/12/2001
7. Štedionica Zlatni vrugak d.d., Zagreb	28/12/2001
8. Trgovačka štedionica d.o.o., Zagreb	01/01/2002

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

Name of bank/savings bank	Date of revoking operating license
1. Hibis štedionica d.d., Zagreb	07/03/2001
2. Marvil štedionica d.d., Zagreb	08/06/2001
3. Zagrebačka štedionica d.d., Zagreb	22/03/2000

# Management of the Croatian National Bank

March 1, 2002

## Members of the Council of the Croatian National Bank

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

## List of Abbreviations & Symbols

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

### Abbreviations for Currency

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

### Symbols

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



